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ASIAN INFRASTRUCTURE INVESTMENT BANK

PD000379-IDN
June 22, 2020

Program Document
of the Asian Infrastructure Investment Bank

Sovereign-backed Financing

The Republic of Indonesia
EMERGENCY RESPONSE TO COVID19 PROGRAM

(under the COVID-19 Recovery Facility)

Currency Equivalents
(As at April 13, 2020)

Currency Unit – Indonesia Rupiah (IDR)
IDR1.00 = USD0.0000634
USD1.00 = IDR15630.0000

Borrower's Fiscal year
Jan. 1- Dec. 31

Abbreviations

AIIB	Asian Infrastructure Investment Bank
APBN	National Budget
AMDAL	Environmental Impact Analysis or Analisis Dampak Lingkungan
BBTKLPP	Environmental Health and Disease Control Center
BNPB	National Disaster Risk Management Agency
BPKP	Finance and Development Monitoring Agency
CARES	COVID-19 Active Response and Expenditure Support
COVID-19	Coronavirus Infectious Disease 19
DAK FISIK	Physical Special Allocation Fund or Dana Alokasi Khusus Fisik
DLI	Disbursement Linked Indicators
DLR	Disbursement Linked Results
E&S	Environment and Social
ES	Environmental and Social
ESP	Environmental and Social Policy
ESSA	Environmental and Social System Assessment
FMIS	financial management information system
HCF	Healthcare Facilities
IsDB	Islamic Development Bank
IBRD	International Bank for Reconstruction and Development
ICU	Incentive Care Unit
IDR	Indonesia Rupiah
IMF	International Monetary Fund
IP	Inspection Panel
IPC	Infection Prevention Control
IVA	independent verification agent
GDP	Gross Domestic Product
GOI	Government of Indonesia
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Services
KARS	Hospital Accreditation Commission or Komisi Akreditasi Rumah Sakit
LKPP	National Public Procurement Agency (Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah)
MOEF	Ministry of Environment and Forestry

MOF	Ministry of Finance
MOH	Ministry of Health
NIHRD	National Institute for Health Research and Development
OHS	Occupational Health Safety
PAP	PforR Program Action Plan
PCR	Polymerase Chain Reaction
PEFA	Public Expenditure and Financial Accountability
PforR	Program for Result
PMU	Project Management Unit
PPE	Personal Protective Equipment
RPJMN	Medium-Term Development Plan
SARI	Severe Acute Respiratory Illness
SARS	Severe Acute Respiratory Syndrome
SEA	Sexual, Exploitation and Abuse
VAC	Violence Against Children
USD	United States Dollar
WB	World Bank
WHO	World Health Organization

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1. Summary Sheet
The Republic of Indonesia
EMERGENCY RESPONSE TO COVID19 PROGRAM

Project No.	PD000379-IDN
Borrower	The Republic of Indonesia
Project Implementation Entity	Ministry of Health
Sector Subsector	Other Infrastructure Public Health Infrastructure
Program Objective	To prevent, detect and respond to the threat posed by COVID-19 and to strengthen national systems for public health preparedness in Indonesia.
Program Description	The proposed program is being co-financed with the World Bank (WB) and has been designed in accordance with the WB's Policy on Program for Results (PforR).[1] The adoption of PforR design will facilitate a rapid response to the current health emergency. The program aims to focus on three results areas: (i) help expand health system preparedness by addressing the immediate needs of designated COVID-19 referral facilities; (ii) strengthen the laboratory network and surveillance system to help increase testing and contact tracing; and (iii) ensure MOH support for communications and coordination across sectors and levels of government.
Implementation Period	Start Date: June 2020 End Date: October 2021
Expected Loan Closing Date	October 31, 2021
Cost and Financing Plan	Program cost: USD974 million Financing Plan: AIIB loan: USD250 million WB loan: USD250 million Government of Indonesia: USD474 million
Size and Terms of AIIB Loan	USD250 million. AIIB's standard interest rate for sovereign-backed loans under COVID-19 Recovery Facility (the Facility)
Co-financing (Size and Terms)	World Bank's IBRD: USD250 million.
Environmental and Social Category	World Bank Category: Substantial (similar to Category B if the Environmental and Social Policy (ESP) of AIIB were applicable).
Risk (Low/Medium/High)	Medium
Conditions of Effectiveness	Effectiveness conditions are as follows: 1. The Loan Agreement between the Borrower and the World Bank has been executed and is effective; and 2. Co-Lenders' Agreement has been executed.
Key Covenants/Conditions for Disbursement	1. The Borrower shall maintain at all times during Program implementation a Program Steering Committee with a

[1] https://policies.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=3684&ver=current

	mandate, composition, staffing and resources satisfactory to the Bank. 2. The Borrower shall maintain at all times during Program implementation a Technical Committee with a mandate, composition, staffing and resources satisfactory to the Bank. 3. The Borrower shall ensure that the National Task Force to Accelerate the Response to the COVID-19 Emergency is maintained throughout the COVID-19 emergency period, with MOH participating regularly in its sessions and serving as its Vice-Chair. 4. By no later than one month after the Effectiveness Date, the Borrower shall appoint BPKP to act as an independent verification agent to undertake the DLR verification process in respect of all DLRs for the Program. 5. The Borrower shall undertake the actions set forth in the Program Action Plan and maintain adequate policies/procedures to monitor and evaluate its implementation, in a manner satisfactory to the Bank.
Retroactive Financing (Loan % and dates)	N/A
Policy Assurance	The Vice President, Policy and Strategy, confirms an overall assurance that AIIB is in compliance with the policies applicable to the project.

President	Jin Liqun
Vice President	D.J. Pandian, Investment Operations Region 1
Director General	Rajat Misra (Acting) Technical Department, Region I
Manager	Rajat Misra
Team Leader	Toshiaki Keicho, Senior Investment Operations Specialist
Back-up Team Leader	David Ginting, Investment Operations Specialist
Team Members	Haiyan Wang, Senior Finance Officer Bernardita Saez, Senior Counsel Yi Geng, Senior Financial Management Specialist Jana Halida Uno, Senior Operational Policy Specialist Giacomo Ottolini, Principal Procurement Specialist Benedetta Magnaghi, Procurement Associate Gerardo Pio Parco, Senior Environmental Specialist Amy Fang Lim Chua, Environmental Specialist Sergio Perez, Sr. Client Relations Officer Antong Hu, Administrative Assistant

2. Program Description

A. Program fit under the Covid-19 Recovery Facility.

1. **The COVID-19 pandemic**. An outbreak of the coronavirus disease (COVID-19) caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) has been spreading rapidly across the world since December 2019. Indonesia itself has seen its numbers grow from 2 confirmed cases on March 2 to 15,438 on May 13, 2020, with 1,028 deaths attributable to the disease. The World Health Organization (WHO) declared COVID-19 a global pandemic on March 11, 2020. The unfolding pandemic presents an unprecedented global challenge and has widespread and severe negative social, economic, and financial impacts. The increasing breadth, depth and duration of the pandemic have placed significant pressures and strains on health care infrastructure, systems, and supply chains.

2. **Coordinated response by the international financial institutions**. International financial institutions, including AIIB, have undertaken initial concerted efforts to provide strong, coordinated support to countries and private sector entities affected by COVID-19. Several multilateral development banks have announced emergency response packages to support their members and clients who are affected by the crisis. For example, the World Bank Group has announced up to USD14 billion in financing, including USD8 billion from the International Finance Corporation. Meanwhile, the Asian Development Bank has announced USD20 billion, the European Bank for Reconstruction and Development EUR1 billion, the Islamic Development Bank USD0.96 billion, and the Inter-American Development Bank USD3.2 billion.

3. **Program's alignment with AIIB's COVID-19 Recovery Facility**. On April 16, 2020, AIIB established the new COVID-19 Recovery Facility (the Facility) with an initial size of up to USD10 billion in order to react effectively to the fast-evolving situation and respond flexibly and efficiently to client demands.

(i) Financing of immediate health sector needs including "the development of health system capacity, and provision of essential medical equipment and supplies to combat COVID-19, and well as the long-term sustainable development of the health sector of the member" is one of the primary objectives of the Facility. The scope of the proposed program is fully aligned with the above stated objective of the Facility.

(ii) One of the instruments allowed for the Facility operations is WB's PforR, which is suitable for financing government's programs particularly in the social sectors. While AIIB does not have a separate policy framework for such financing, the Board decided that AIIB may co-finance PforR operations under the Facility in accordance with the policy framework of WB. Therefore, the proposed program is consistent with this decision.

(iii) On May 20, 2020, AIIB's board approved a loan of USD750 million for the Indonesia COVID-19 Active Response and Expenditure Support (CARES) Program under the Facility, co-financed with ADB and Germany's KfW. The CARES Program provides budgetary support for the government and contributes to its countercyclical measures responding to the crisis posed by the ongoing pandemic. Together with CARES, the PforR to be co-financed with the World Bank forms AIIB's comprehensive

support to GOI and establishes important synergies among these programs, building on strong partnerships with major MDBs such as ADB and the World Bank.

4. **Government's response.** In response to COVID-19, the Government of Indonesia (GOI) has had to put in place several concrete emergency measures to strengthen its emergency response. In particular, it recognized the need to:

(i) **Establish a national task force to address COVID-19 and emergency response financing:** The multi sector 'COVID-19 Mitigation Acceleration Task Force' led by the National Disaster Risk Management Agency (BNPB) aims to improve coordination and increase the intensity of the national COVID-19 emergency response. The task force mobilizes the relevant government ministries and agencies, as well as private sector and community. The central government has also requested that local governments to establish local coordination units for COVID-19, which would feed into the national task force. In addition to the health sector fiscal stimulus package, government funding for the national emergency response was also made available by reallocating a Special Allocation Fund for physical infrastructure (DAK-fisik) which is normally given to districts as an intergovernmental fiscal transfer. The declaration of a 'State of Emergency' has also legally enabled BNPB to access 'On-call Funds' in the government budget. Finally, the Ministry of Health (MOH) is also currently revising their budget to reallocate MOH staff travel funds for the emergency response.

(ii) **Expand health system preparedness:** The MOH has expanded the network of designated COVID-19 referral hospitals from 100 hospitals to 359 hospitals[2], including military and state-owned enterprise hospitals, in response to the growing number of suspected and confirmed cases. The Ministry of Finance (MOF) has already provided an additional IDR3.3 trillion (over USD200 million) to the MOH to procure additional Personal Protective Equipment (PPE), test kits, additional intensive care equipment, and contingency funds to cover incremental costs for coronavirus patient care and treatment. The latter is particularly relevant as health services for disaster victims are excluded from the National Social Health Insurance benefit package and often not covered in private insurance coverage. The GOI has also announced it would provide financial incentives on top of protective gear to reassure health care workers – an additional monthly payment of IDR15 million for medical specialists, IDR10 million for physicians and dentists, IDR7.5 million for nurses and IDR5 million to other medical staff. In addition, IDR300 million is being provided in the event of death in areas that have declared a state of emergency. New estimates for MOH response exceed IDR14 trillion for the MOH's own expenses, including these health worker incentives and the necessary procurement of equipment and supplies for health system readiness, testing capacity, surveillance and other needs, and another IDR14 trillion as payments to hospitals for patient care and treatment, as the estimated costs for a three-month period. The MOF is understood to have set aside a total of IDR75 trillion for the health sector response.[3]

[2] As of May 6, the number of COVID 19 referral hospital has reached 755.
[3] The budget revision is still on-going when this PD is prepared.

(iii) **Increase testing and surveillance:** The GOI has planned an expansion of the COVID-19 laboratory network to 46 laboratories[4] to have such facilities well distributed across the country, and to be able to offer faster turnaround of results especially for the remote regions. At the same time the GoI is in the process of expediting the provision of new Polymerase Chain Reaction (PCR) machines and test supplies to augment testing capacity, conducting virtual training for laboratory technicians, and preparing for the use of widely available GeneXpert machines to be repurposed to also carry out COVID-19 testing. Availability of GeneXpert COVID-19 cartridges at an affordable price would offer a good decentralized complement to combine with the PCR-based tests being conducted in larger laboratories in the country, to offer greater capacity as well as wider distribution of capacity across the country. There may also be need for quick serological testing, especially for surveillance needs, to track the level of exposure in the community, which may help configure appropriate social distancing/ lockdown responses based on community-level exposure data.

(iv) **Ramp up public risk communication:** An important function of the COVID-19 task force is to manage public communication on the epidemic's progression, the government's response, and counter misinformation. Though communications are now being managed by BNPB, the MOH has a central role in technical knowledge management.

(v) **Mitigate the social impact, including cross sectoral coordination in health security functions:** While initially the GOI encouraged tourism to Indonesia, travel restrictions and screening have now been put in place at all ports of entry, all visa exemptions and visa-on-arrival facilities have been withdrawn, and entry was suspended for passengers from affected countries (mainland China, Italy, Iran, and affected areas of South Korea and Japan). Since April 2, 2020, all foreigners are no longer permitted to enter Indonesia. The governor of Jakarta has declared a two-week state of emergency, though not a complete lockdown yet. Indonesian Military and National Police are helping enforce social distancing in public spaces. The GOI has also temporarily converted the 2018 Asian Games athlete's compound to a quarantine facility with 3,000 rooms functional now, and capability to increase the country's isolation capacity to 22,000 beds, if needed.

B. Program Objective and Expected Results

5. **Program Objective.** To prevent, detect and respond to the threat posed by COVID-19 and to strengthen national systems for public health preparedness in Indonesia.

6. **Expected Results.** The Program Objective will be monitored through the following outcome indicators:

(i) Reduced service readiness gap in treating serious respiratory illness patients (as measured by the available number of critical care beds fully equipped as per national protocol);

[4] As of June 1, the number of COVID-19 laboratory network has reached 119.

(ii) Strengthened laboratory capacity (measured as total capacity for quality assured tests per day);

(iii) Improved reporting and surveillance system (measured as the availability of an improved surveillance system that incorporates lessons from the COVID-19 response experience); and

(iv) Enhanced community engagement and communication (as measured by the number of interactions with the COVID-19 phone line).

7. **Expected Beneficiaries.** The program scope will be nationwide, benefiting the entire population of 268 million and covering all 514 districts. The primary beneficiaries will include suspected patients visiting hospitals and health facilities, the community at large, especially vulnerable and high-risk populations such as the elderly and those with chronic conditions, and health care providers who will be providing care to COVID-19 infected and other patients.

C. Description and Components

8. **Overview.** The Program is being co-financed with the World Bank (WB), and Islamic Development Bank (IsDB) is also expected to support the Government Expenditure Program under parallel financing. The program has been designed in accordance with the WB's Policy on Program for Results (PforR), and some of the key aspects of the PforR policy are: (i) it finances expenditures of specific development PforR Programs; (ii) disburses on the basis of the achievement of key results (including prior results) under the Program; (iii) uses, where appropriate, the relevant systems and rules of the institutions responsible for the PforR Program implementation; and (iv) strengthening, where appropriate, the institutional capacity necessary for such PforR Programs to achieve their intended results. Under the PforR, the funds are released on achievement of results using Disbursement Linked Indicators (DLIs) and Disbursement Linked Results (DLRs). The details on DLIs and DLRs for this PforR can be seen in Annex 2.

9. The country has already commenced a program of response with the Ministry of Finance (MOF) allocating additional resources to the MOH for the COVID-19 response. The MOH is also reprogramming and reallocating its existing budget to finance this response plan. The PforR will therefore be optimal as an accountability and prioritization tool, replenishing some of these much-needed resources to the MOF for other critical aspects of their emergency response. It will also provide significant support to the MOH to ensure that these resources are planned and implemented in the most effective way responding to the COVID-19 crisis and support them to quickly and effectively improve the health system and hospital readiness for this emergency. As a fast-disbursing instrument, the PforR has been identified by the GOI as the most suited for its current needs.

10. The program aims to focus on three results areas: i) help expand health system preparedness by addressing the immediate needs of designated COVID-19 referral facilities; ii) strengthen the laboratory network and surveillance system to help increase testing and contact tracing; and iii) ensure MOH support for communications and coordination across sectors and levels of government. The program accounts for a subset of the GOI's COVID-19

response program, focusing on immediate response by the MOH. Details of the three results areas are described below.

11. **Results Area 1 will address hospital and health system readiness and systemic improvements in the quality of care.** The program will support the expanded network of MOH-owned health facilities that have been designated as COVID-19 referral hospitals. It will ensure they are fully equipped to manage and treat the increase in severe respiratory illness and critical care patients. It is expected that by effectiveness the MOH would have already procured big ticket items such as intensive care equipment (e.g. ventilators, oxygen tanks) and initial supplies of PPE and test kits using their own funds. Instead, the PforR will primarily focus on hospital recurring costs such as salaries and top-ups for health care providers, especially COVID-19 related specialists (e.g. internists, pulmonologists, and critical care specialists or intensivists), training for human resources, and additional medical equipment, PPE and test kits that may be needed. The PforR will also support the MOH's development and implementation of infection control and safety measures in healthcare settings as well as treatment protocols to manage cases at all stages – for suspected cases, referrals, confirmed cases, and critical care patients. Through these actions supported by the PforR, it will provide guidance to the wider health system.

12. For medium-term outcomes aimed at strengthening the health system, the program will support the updating of the national pandemic preparedness plan including emergency funds flows and emergency procurement systems, development of a communication strategy and the improvement of reporting and strengthened surveillance system incorporating lessons from COVID-19 experience.

13. **Results Area 2 will strengthen the GOI's public health laboratory and surveillance systems.** The program will support the development of national guidelines for laboratories adhering to Bio Safety Level 2[5] or higher standards, covering sample collection, transportation, and laboratory testing procedures for suspected Severe Acute Respiratory Illnesses (SARI) or Coronaviruses. Subject to the availability of affordable COVID-19 cartridges for GeneXpert machines, this results area will also be able to provide consumables for testing to every province and district of the country, utilizing the large installed base of GeneXpert machines provided by the tuberculosis program. Support from the PforR will also promote the development and implementation of laboratory quality assurance mechanisms for those in the network. This is will include assessing the adequacy of laboratory equipment and supplies. Here too, protocols and quality assurance processes will be developed in-house and are not expected to rely on outside consulting services. In addition, the program will strengthen the GOI's capacity to do contact tracing and surveillance by supporting the surveillance hotline for community-based reporting of outbreaks and new illnesses among humans and animals. It will also encourage the expansion of Indonesia's use of information systems to include adoption of the event and/or tracker-based modules for COVID-19 and other notifiable diseases.

[5] "Bio Safety Level 2" means an internationally specified level of safeguards aimed at protecting laboratory personnel, as well as the surrounding environment and the community, related to specific controls of physical facilities, equipment, and procedures for the containment of microbial and biological agents, as adopted by the Borrower's National Institute for Health Research and Development under MOH.

14. **Results Area 3 will facilitate communication and coordination for pandemic response and preparedness.** The program recognizes the need for the MOH to coordinate with other sectors and will support the development and establishment of mechanisms for communication of COVID-19 test results (in coordination with the sub-national level), support the National Disaster Risk Management Agency (BNPB) and other agencies in developing messages on personal hygiene promotion and other preventive communications.

15. **Expenditure boundaries.** The PforR expenditures include only areas needed to achieve the Program Development Objective (PDO) and DLIs. Given the MOH has already commenced procurement of items needed to equip designated COVID-19 referral hospitals and laboratories, no large contracts needing World Bank's Operations Procurement Review Committee (OPRC) approval are anticipated. It is estimated that expenditures for procurement of any additional items needed at designated facilities will not exceed 20 percent of the Program financing. The PforR will support procurement only by the MOH, considering direct expenditure by subnational levels, hospitals, and laboratories outside the Program boundary. The expenditures included are from the MOH's national budget (APBN Anggaran Pendapatan dan Belanja Pemerintah) (Secretary General, Directorates of Health Services, Prevention and Disease Control, Public Health, and the Health Research and Development Agency). The AIIB's share of the PforR accounts for 26 percent of the government program, whereas the World Bank's share also accounts for 26 percent.

D. Cost and Financing Plan

Table 1. Program Cost and Financing Plan

Item	Program Cost (USD m)	Financing (USD m and %)		
		AIIB	**World Bank**	**GoI***
PforR	974	250 (26%)	250 (26%)	474 (48%)
Grand Total	**974**	**250**	**250**	**474**

* IsDB is expected to support the Government Expenditure Program with a proposed financing envelope of USD200 million.

E. Implementation Arrangements

16. **Implementation Period.** The program implementation period is expected from June 2020 to October 2021.

17. **Implementation Management.** The proposed implementing agency for the PforR is the MOH, with multiple implementing units responsible for different DLIs including the Directorate General of Health Services, Directorate General Public Health, Directorate General Disease Control and Prevention, Secretariat General, National Institute for Research Development, Board of Human Resource Health Development and Empowerment. It is proposed that the overall coordination responsibility remain with the Secretary General through Bureau of Planning and Budgeting, with additional human resources hired in due course, as needed. Verification arrangements will need to be discussed and agreed with the National Government's Finance and Development Monitoring Agency or *Badan Pengawasan Keuangan dan Pembangunan* (BPKP), with the possible support of technical expertise for assessing hospital readiness coming from the Hospital Accreditation Commission (KARS) or

another suitable technical agency. Roles and responsibilities of various institutions involved in this PforR are described in the table below.

Table 2. Institutional Responsibilities in the PforR

Institutions	Institutional Responsibilities in the COVID-19 Emergency Response	Institutional Responsibilities in the PforR
Category 1: Implementing stakeholders		
MOF	• Develop national-level fiscal policy as an emergency response to the pandemic including, but not limited to, budget supplement, budget reallocation for the health sector at the central and subnational levels, and other fiscal measures to all affected sectors. • Perform resource mapping and mobilization to ensure sufficient financing for the overall national COVID-19 pandemic response for health as well as other non-health issues.	• Allocate sufficient budget for vertical hospitals designated as COVID referral facilities, designated COVID testing laboratories, and activities for surveillance and the MOH's cross-sectoral coordination.
Secretary General of the MOH	• Provide technical inputs to the national emergency response as the vice-chair of the Task Force representing the MOH. • Provide strategic direction and guidance for the coordination of the health sector's emergency response.	• Chair the Program Steering Committee and ensure communication and coordination at the Echelon 1 level (relevant DGs and Secretary General). • Lead the coordination with the other relevant ministries/government agencies during the implementation of the Program.
Bureau of Planning and Budgeting of the MOH	• Coordinate the planning of COVID-19-related logistics needs and activities from all relevant units within the MOH and develop a proposal that reflects comprehensive needs for the health sector response, which will be submitted to the National COVID-19 Task Force (henceforth 'the Task Force). • Reallocate MOH FY2020 budget allocation to COVID-19 pandemic response. • Provide guidance to the subnational level to reallocate the central transfers (Special Allocation Funds for Hospital Infrastructure) for the pandemic response.	• Lead the Program coordinating unit in the implementation of the PforR. • Ensure the availability of information needed to monitor the Program implementation. • Ensure to meet the requisite supervision schedule and reporting during the Program implementation.

The Center for Health Crisis (*Pusat Krisis Kesehatan*)	• Coordinate the overall COVID-19 emergency response from the Ministry of Health • Liaise with the national task force and other sectors and external partners • Develop the Operational Plan for the Health Sector Emergency Response	• Lead the planning and distribution of PPEs • Ensure smooth coordination of the emergency response from the health sector • Ensure the provision and dissemination of guidelines for COVID-19 response from the health sector
Bureau of Communication and Public Service (Biro Komunikasi dan Pelayanan Masyarakat - *Rokomyanmas*)	• Provide technical inputs to the risk communication of the National Task Force • Provide technical guidance for public risk communication	• Serve as a key technical member of the public risk communication of the national task force. • Provide strategic guidance on public risk communication. • Ensure the availability of information to monitor the Program achievements related to public risk communication.
Directorate for Surveillance and Health Quarantine, and Directorate for Directly Transmitted Diseases, DG of Disease Prevention and Control of the MOH	• Provide technical inputs related to disease control measures to the Task Force. • Provide technical guidance, including formulation of technical policies/standard operating procedures (SOPs) of disease control management to, and oversight and monitoring of, the national and subnational levels' response. • Develop a work plan for disease control, especially surveillance, that includes detailed activities and logistics needs as inputs to the MOH overall emergency response plan.	• Serve as the Program Steering Committee member. • Provide strategic guidance on the strengthening of the disease control especially on surveillance of emerging infectious diseases. • Ensure the availability of information to monitor the Program achievements related to surveillance.
Directorate for Referral Health Services and Directorate for Health Facilities, DG of Health Services of the MOH	• Provide technical inputs related to health services during the emergency response to the Task Force. • Provide technical guidance, including formulation of technical policies/SOPs on health services to, and oversight and monitoring of, the national and sub national levels' response. • Develop a work plan that includes detailed activities and logistics needs for health services as inputs to the MOH's overall emergency response plan.	• Serve as a member of the Program Steering Committee. • Provide strategic guidance on improving the hospital preparedness and quality of health services for COVID-19. • Ensure the availability of information to monitor the Program achievements related to hospital preparedness. • Lead/co-lead the coordinated efforts to develop and disseminate protocols on the management of emergency and severe cases, as well as protocols on infection control

		and waste management.
Vertical hospitals designated as COVID-19 referral hospitals (owned and administered by the MOH)	• Provide medical services for COVID-19 severe acute respiratory infections (SARI) and critical care patients. • Develop logistics needs plan to provide treatment and care for SARI and critical care patients.	• Provide medical services for COVID-19 SARI and critical care patients. • Ensure to observe the infection prevention protocol and waste management. • Ensure to maintain high-quality medical record of COVID-19 patients.
Directorate of Environmental Health DG of Public Health of the MOH	• Provide the MOH with technical inputs related to environmental health including waste management and occupational health for health workers during the emergency response. • Provide technical guidance, including formulation of technical policies/SOPs on environmental and occupational health to, and oversight and monitoring of, the national and subnational levels' response. • Provide inputs on environmental and occupational health to the MOH's emergency response plan.	• Ensure the availability of information to monitor the environmental and occupational related issues during the Program implementation. • Provide inputs to the protocol for infection control and waste management for health facilities/health services during the COVID-19 pandemic.
Directorate Health Promotion and Community empowerment	• Provide technical inputs to the Task Force on COVID-19-related health messages and education material for the public.	• Provide oversight and monitoring the use of the COVID- 19 hotline, as well as other communication platforms (website) by the public, and activities to counter misinformation. • Monitor complaints and grievances related to COVID-19 emergency response.
NIHRD of the MOH	• Provide technical inputs related to testing activities including laboratory functions during the emergency response to the Task Force. • Provide technical guidance, including formulation of technical policies/SOPs to, and oversight and quality monitoring of, the national and subnational levels' response related to testing and laboratory functions. • Develop a work plan that includes detailed activities and logistics needs for health services as inputs to the MOH's overall emergency response plan.	• Serve as a member of the Program Steering Committee • Provide strategic guidance on improving the preparedness and quality of laboratories in conducting COVID-19 testing. • Ensure the availability of information to monitor the Program achievements related to laboratory functions and testing for COVID-19. • Lead the coordinated efforts to develop and disseminate protocols on the surge management of laboratory and testing.

The Center for Biomedics and Basic Health Technology, National Institute for Research and Health Development, MOH or *Pusat Biomedis dan Teknologi Dasar Kesehatan, Badan Litbangkes, Kemenkes*	• Provide testing services for COVID-19 in accordance with the testing protocols. • Ensure that the results from the testing are reported in real time to the surveillance team. • Observe the internal and external quality assurance mechanism. • Develop logistics plans including equipment, reagent/primer/cartridges, and PPE for the designated laboratories.	• Provide testing services for COVID-19 in accordance with the testing protocols. • Provide baseline information on the laboratory capacity and monitor the progress on the capacity of the laboratories in the COVID-19 referral laboratory network.
The Center for Health Human Resource Planning (*Pusrengun*) and Secretary of National Board for Planning and Empowerment of Health Human Resource (*Badan Perencanaan dan Pemberdayaan Sumber Daya Manusia Kesehatan*)	• Provide technical inputs related to mobilization of health personnel including for emergency response to the Task Force. • Provide technical guidance for the provision of incentives and compensation; as well as measures to ensure the capacity building and safety of health workers at the frontline.	• Serve as a member of the Program Steering Committee • Provide strategic guidance on improving the capacity and skills of health personnel providing COVID-19 services. • Lead the coordinated efforts to develop and disseminate protocols on the incentives and compensation for health workers. • Ensure the implementation of the provision of incentives and compensation for health personnel working on COVID-19.
Category 2: Stakeholders contributing to environmental and social management for the PforR		
MOEF	• Issue permit for hazardous waste transportation and disposal, including for the handling of medical waste. • Conduct audit on facilities' compliance on hazardous waste management and audit. • Jointly worked with the MOH to issue regulations related to public health and safety in health care setting.	• Provide advice on the management of medical waste from hospitals and laboratories.
KARS	• Conduct accreditation for hospitals based on its accreditation standard). • Manage accreditation system for hospitals.	• Not Involved

Provincial and/or district environmental agencies	• Issuing permit for hazardous waste facilities.	• Not involved

18. **Monitoring and Evaluation.** Given the emergency nature of this operation, existing systems will be used to monitor the Results Framework, but these will need to be complemented with some additional data compilation and with independent verification, as detailed below. The aim is to not contribute to any further proliferation of data systems, while providing the information needed to monitor progress and evaluate results.

19. The DLIs are proposed to be verified by BPKP on a rolling basis. Under this arrangement, BPKP can undertake verification as and when requested by the implementing agency and would then trigger a processing of the achievement by WB, leading to a withdrawal application. BPKP has no known existing relationships with MOH that would lead to a conflict of interest in its playing the role of independent verification agent (IVA). Where appropriate, a sample for physical verification will be used. BPKP has experience undertaking the role of verification agent under other WB projects but will require additional capacity building with respect to technical issues related to health, and for technical inputs, it may explore contributions from technical agencies such as the Hospital Accreditation Commission (KARS).

20. **AIIB's Implementation Support.** WB will be the lead co-financier and will supervise the program and serve as the focal point for the AIIB vis-à-vis the Borrower. A Co-Lenders' Agreement will detail the services to be provided by the WB.

21. An experienced in-country WB team of health, operational, and fiduciary specialists will provide regular implementation support to the MOH with additional support from staff located in other WB offices. AIIB's team will work closely with WB's team in providing implementation support and to use the opportunity to learn about implementation of such a program from WB. Implementation support missions will be carried out by WB on a regular basis and will include relevant partners in consultation with GoI in general and MOH in particular. AIIB's team will join WB in such implementation support missions once the prevailing restrictions on inter and intra country travel are relaxed. Adequate resources will be made available by AIIB to match the frequency of WB's implementation support missions. This joint WB/AIIB collaborative approach has been successfully implemented in the ongoing co-financed projects with WB in Indonesia.

22. **Procurement**. Procurement under the program is to be carried out at the central level under the responsibility of the MOH. The following directorates that involved in the program are: Directorate Directorate Surveilance and Health Quaratine, Directorate Direct Transmited Disease, Directorate of Environmental Health, secretariat directorate of general health services, Directorate of Referral Health Services, Planning and Budgeting Bureau, Directorate of Center for Health Crisis, Directorate of Referral Health Services, Directorate of health promotion and community empowerment, , and Secretariat of HR health development and empowerment board, Center for Research and Development for Biomedical and Basic Health Technology, Center for Human Resource Health Planning and Utilization, Center for Data and Information. Under this program, Commitment Making Officer (PPK) in each directorate will be responsible for carrying out the procurement in accordance with the Circular Letter issued

by the National Public Procurement Agency (Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah or LKPP) in March 2020, with support to be provided by Procurement Service Unit (UKPBJ) at central level of MOH. Procurement Service Unit at the central level has been managing all procurement packages (works/goods/other services and consulting services) within the ministry, and its current staffing level and capacity is considered adequate for meeting the continuing procurement needs of the Program.

23. **Financial Management.** The Program accounts for a limited subset of the GOI's COVID-19 response program, focusing on the immediate response by the MOH. Thus, as part of a government program, it will use the government accounting and reporting system to record the overall Program expenditures. The expenditures included are from MOH's national budget (APBN) (Secretariat General, Directorate General of Health Services, Prevention and Disease Control, Public Health, Board for Human Resource Health Development and Empowerment, and the National Institute for Health Research and Development). The finance bureau in MOH will assist in the preparation of the Program annual financial statements (part of MOH's annual financial statements). The practice is the same as I-SPHERE[6] financed by World Bank which is under implementation since 2018. The program annual financial statement will be audited by BPK, the Supreme Audit Institution (SAI). The audit report should be submitted to the WB and AIIB within nine (9) months after the end of the fiscal year.

3. Program Assessment

24. The following sections are a summary of a) the assessment carried out by WB during their program preparation, and b) AIIB team's consultations with WB's team.

A. Technical

25. **Program Design.** To date, Indonesia's limited containment strategy highlights the need to quickly ramp up health system readiness to account for the increase in cases over the next couple of months as the epidemic is expected to peak in July. The more extensive the containment/suppression measures, the longer they are in place, and the stricter they are enforced, the more negative the impact will be on the economy. Ideally, governments would manage this trade-off based on accurate epidemiological predictions of the effectiveness of different degrees of containment measures on the disease curve. In the absence of such data, the GOI has chosen limited containment measures. In the short-term, this threatens to overwhelm the Indonesian health care system as the estimated need for ICU beds outstrips availability. Indonesia has 7,094 ICU beds – a critical bed capacity of just 2.7 per 100,000 population suggesting that its critical care infrastructure will quickly become overwhelmed. This highlights the need to: i) scale up testing not just among those showing symptoms, but to the wider population to help get a better understanding of the epidemiology of the disease for more informed decision making; ii) boost surveillance to target resources and containment measures more effectively; and iii) increase the critical care capacity to better cope with the spread of the disease – areas that the PforR's results areas focus on.

[6] INDONESIA SUPPORTING PRIMARY HEALTH CARE REFORM (I-SPHERE) PROGRAM / INDONESIA SUPPORTING PRIMARY AND REFERRAL HEALTH CARE REFORM (I-SPHERE) PROGRAM financed by World Bank (2018-2024), it focuses on supporting key aspects of the Healthy Indonesia Program to improve performance of primary health care service delivery across Indonesia, including the three lagging provinces of Nusa Tenggara Timur, Maluku and Papua.

26. **Operational sustainability.** The sustainability of the program would largely depend on the capacity of the MOH and other stakeholders to continue various activities supported under the program, as well as the GOI's ability to provide sustained financial support towards mainstreaming public health preparedness in the country. WB plans to further assess the needs for technical capacity building of MOH, and support will be provided during implementation through WB resources or other partner organizations.

B. Economic Analysis

27. **Economic Impact.** While quantifying the magnitude of the economic impact will likely change drastically given the evolving the transmission dynamics and containment measures, the overall growth outlook in Indonesia has deteriorated rapidly. Currently even in the best-case scenario growth does not exceed 2.1 percent for 2020. The range for Indonesia's GDP growth in 2020 currently extends from -3.5 percent to 2.5 percent based on varying assumptions on the domestic containment measures and the severity of the global slowdown.

28. **Economic Analysis.** A simplified cost-benefit analysis suggests that the PforR will generate a positive cost to benefit ratio making the program a good investment. Taking the University of Indonesia's estimate of 240,000 deaths under a no intervention scenario, and the assumption that the PforR will reduce the number of deaths by 15 percent (or save 36,067 lives), the value of a statistical life saved is conservatively approximated to be Indonesia's GDP per capita – US$3,894 in 2018. Assuming that individuals saved have 10 years of remaining working life, the total benefit from the project is roughly estimated to be US$1,404 million – a cost to benefit ratio of 1.4. Using the lower bound of the more aggressive study by the Imperial College of London yields an even higher cost to benefit ratio of 2.5 (using 62,986 lives saved and a benefit of US$2,452 million).

C. Fiduciary and Governance

29. **Procurement.** The program has been prepared in accordance with the WB's PforR Policy, and the fiduciary system to be applied are being appraised by the WB under these policy requirements. The PforR Policy is separate and distinct from the WB's Procurement policy, which governs conventional investment projects and with which AIIB's Procurement Policy are aligned. Nevertheless, the systems proposed to be applied to the program have been found to be acceptable by the WB under the PforR Policy. AIIB also considers these systems to be appropriate for use under this Program for the reasons described above and summarized as follows. The approach to procurement provided for under WB's PforR Policy will therefore be applied to the program as permitted pursuant to the AIIB Board of Directors' Decisions to Support the AIIB's COVID-19 Crisis Recovery Facility.

30. The Fiduciary Systems Assessment (FSA) conducted according to the WB's PforR Policy concludes that the Program's fiduciary systems are adequate and provide reasonable assurance that the financing proceeds will be used for their intended purposes. Some areas for further strengthening are proposed to mitigate the fiduciary risks under the Program. The fiduciary risk is rated substantial. The FSA reviewed the capacity of the implementing agency, MOH), to manage the PforR Program covering procurement, financial management and

governance aspects including planning, budgeting, procurement, budget execution, recording, controlling and producing timely, relevant, and reliable financial information.

31. Procurement under the PforR is expected to comprise mainly procurement of goods that are urgently required for COVID-19 response, such as personal protective equipment, medical supplies, consumables, ventilators, testing kits, etc. Consulting services for monitoring and evaluation and non-consulting services for socialization and coordination may also be procured under the Program. Procurement spending under the PforR Program is not expected to exceed 20% of the total Program expenditure. No contract is expected to be of high value. Procurement under the Program is to be carried out at the central level under the responsibility of MOH. MOH has recent experience in managing WB financed PforR projects through the ongoing I-SPHERE PforR. Procurement under the Program will be governed by Government Procurement Regulation (Perpres 16/2018) and its technical guidelines. Perpres 16/2018 sets out the main principles of a sound public procurement system and provides for use of competitive procurement methods as the default requirement. Article 59 of Perpres 16/2018 allows use of flexible procurement methods and procedures in emergency situations of urgent need and these are further elaborated in technical guidelines issued through LKPP Chairman's Decree (Perlem No.13/2018). These include procurement though Direct Contracting of the contractor/supplier by the Commitment making officer (PPK) instead of by the Procurement Service Unit (UKPBJ), or through Swakelola (self-management/Force-Account). LKPP also recently issued two circular letters to all ministries/institutions/Local Governments: i) No.3/2020 on March 23, 2020 emphasizing the need for expediting the procurement of urgently required goods/services in response to COVID-19 and confirming application of the emergency procurement procedures provided under the Pepres 16/2018 and Perlem 13/2018, and ii) No.4/2020 on March 27, 2020 providing alternate ways of communicating with bidders for verification of qualification information, clarifications and negotiations in the procurement process during COVID-19 outbreak. The procurement risks and proposed mitigation measures are provided under Risk and Mitigation Measures Section of the PD, based on which the residual procurement risk under the Program is determined to be Substantial.

32. **Financial Management.** The Program's financial management system is adequate and provides reasonable assurance on the use of the Program's resources. Some areas for further strengthening are proposed to mitigate the fiduciary risks under the Program.

33. According to the World Bank's PforR Financing policy/directive, financial management assessment as part of the Fiduciary Systems Assessment was conducted upon the Public Financial Management system surrounding the Program. The Public Financial Management system in Indonesia has shown significant improvements over time. The 2017 (latest) Public Expenditure and Financial Accountability (PEFA) report concludes that Indonesia has established a strong legal and regulatory framework that aligns with most international standards on PFM. Indonesia has instruments that have allowed prudent fiscal management and control of budget execution. The roll-out of the SPAN[7] as the financial management information system (FMIS), together with the implementation of strict cash consolidation management rules, a well-defined treasury management system at the central government level, consistency between the accounting and budgetary classifications, and the convergence

[7] Sistem Perbendaharaan dan Anggaran Negara, a State Treasury and Budget Information System

of national accounting with international accounting standards for the public sector, have created a solid platform for automation and integration of PFM processes for the improved quality of financial reporting. On oversight, Indonesia Government has implemented COSO[8] framework for its internal control. The 2019 peer review of BPK, the State Audit Institution, indicated overall high-quality financial audits.

34. Through document review and discussion, it was noted the Program budget execution, accounting and financial reporting procedures are in place, proper internal control including internal audit functions properly, and external audit arrangements are acceptable. The following strengths facilitate proper usage of Program funds are highlighted: (i) Rapid response of Government, especially Ministry of Finance in coordinating with other all other ministries in identifying saving in FY2020 budget (DIPA); (ii) MOH has cumulated experience in managing similar Program financed by World Bank; (iii) The Government has implemented review of internal controls for central government financial reporting starting in FY2017. All ministry financial statements should be reviewed by its internal auditor before it is submitted to the State Audit Institution (BPK) for audit. (iv) The FMIS implementation in the country which allowed the government to process budget revisions, and make payments remotely during this pandemic crisis without relaxing the internal controls; and (v) similarly, accounting and reporting done remotely by the FMIS; (vi) no change in funds flow as the banking system still working during this difficult period; (vii) ability to conduct internal audit online up to a certain level, such as review of budget reallocation proposals, while field visits are postponed until the situation permits.

35. The key financial management risks identified under the Program include (i) uncertainty of MOH's readiness in coordinating internally, leading all hospitals in the country in a very short time in collecting information on the needs of all units, reallocating and preparing the budget for the program; (ii) limited capacity of DG Health Services in implementing the significant increased budget for hospital claim reimbursement; (iii) limited capacity of fiduciary staff at hospital level; and (iv) provision for incentives and compensation for health workers may expose risks of funds not being used for their intended purposes. To mitigate the above-mentioned risks, the Program's design proposes measures for MOH to (i) provide the final MOH FY2020 revised budget to allow the Bank to finalize the Program boundaries; (ii) strengthen planning and coordination in the preparation of the budget for the Program, by having a planning and budgeting committee who know the conditions in the field and initiate regular online meetings to update all directors on the current situation; (iii) provide additional certified fiduciary staff from other units within MOH or ministries or government units to provide supplementary support for strengthening the fiduciary capacity of MOH staff, especially at hospital levels; and (iv) together with BPKP to conduct internal audit on (a) payment of health service claims; (b) operational financial supports for vertical hospitals; and (c) incentive payment and death compensation for health workers; and (d) procurement.

36. **Disbursements.** WB's disbursement policies and procedures will be used for the program disbursement following the Co-Lender's Agreement to be signed between the WB and AIIB. The withdrawal applications will be submitted by the Borrower to the WB for review. The WB will determine the eligibility of the disbursement request and send the AIIB instructions for payment, based on an equal ratio between WB and AIIB financing.

[8] The Committee of Sponsoring Organizations of the Treadway Commission

37. The detailed disbursement arrangements have been set out in WB's Disbursement Letter to the Borrower and will be reflected in AIIB's Loan Agreement with Indonesia. Disbursements will be made based on verified results, as measured by DLIs. For each DLI, allocated amounts, baselines, targets and requirements of achievement, and deadlines for achievement have been defined. DLIs that are scalable have been identified and no period limitation for achievement of DLIs apply. All releases of DLI amounts will be done after a verification of DLI evidence by the IVA (BPKP) as per the agreed verification protocols. The DLIs that can be achieved prior to signing are indicated. WB plans to disburse 55% (30% for such prior results and 25% as an advance) of its loan proceeds upon effectiveness. As the Program is intended to support emergency effort due to the COVID-19 outbreak, the Bank has agreed to provide 25% for an advance and 30% for prior results related to certain DLIs, matching the WB disbursement.

38. **Governance and Anti-corruption.** AIIB is committed to preventing fraud and corruption in the projects it finances. For this project, World Bank's Anti-corruption guidelines shall apply which is materially consistent with AIIB's Policy on Prohibited Practices (2016). However, AIIB's PPP will apply to the prohibited practices that are not covered under the WB's Anti- Corruption Guidelines. AIIB reserves the right to undertake investigations regarding the Prohibited Practices not covered under the WB's Anti-Corruption Guidelines.

D. Environmental and Social

39. **Applicable Policy and Categorization.** This program will be co-financed with the World Bank (WB) as lead co-financier, and its environmental and social (ES) risks and impacts have been assessed in accordance with the WB's Policy on Program-for-Results Financing (PforR Policy). AIIB's ESP was designed to apply to investment projects and has no provisions for its application to PforR operations. Therefore, as permitted by the decision of the AIIB's Board of Directors set forth in the Decisions to Support the COVID-19 Crisis Recovery Facility, AIIB will apply the PforR Policy to this operation in lieu of AIIB's Environmental and Social Policy (ESP). This will ensure a harmonized approach to addressing the ES risks and impacts of the program.

40. The WB has categorized the ES risks of this program as "Substantial", which is similar to Category B if AIIB's ESP were applicable. As required under the WB PforR Policy, the program excludes activities that are likely to have significant adverse ES impacts that are sensitive, irreversible, or unprecedented (similar to Category A if AIIB's ESP were applicable).

41. **Environmental and Social Aspects**. An Environmental and Social Systems Assessment (ESSA), which involves assessing the country's systems for managing ES and impacts of the PforR, has been conducted by the WB in accordance with its PforR Policy. The ESSA is complemented by a Program Action Plan (PAP) at the operational level. The country systems applicable to the program were reviewed to ascertain their adequacy to address ES risks and impacts as identified during the ESSA. The country's legislation related to ES safeguards for the program was found to be adequate. Consequently, the country's ES management system, based on the ESSA, will be applied to the PforR given that the ES risks and impacts are limited in their scope and can be successfully managed by known and tested measures. Risk areas of concern include medical waste and wastewater, Occupational Health

and Safety (OHS) for medical workers, community health and safety related to the handling of medical waste, transportation, treatment and isolation of people with confirmed COVID-19 and/or people who may have COVID-19, poor consent processes, communication and outreach, and privacy concerns due to mass surveillance. These potential ES risks may be exacerbated by lack of capacity to contain COVID-19 infection risks due to the country's strained healthcare system for testing, treatment, isolation and safe-handling of medical wastes and lack of protective gear for medical health workers.

42. However, the PforR is expected overall to have mostly positive ES impacts, insofar as it should improve COVID-19 surveillance, monitoring, case management and containment, thereby preventing a wider spread of the disease. The PforR is expected to strengthen health service system response, including preventing and containing COVID-19 transmission to the broader population and healthcare workers, ramp-up the capacity of health facilities to ensure provision of proper treatment and care, and enhance GOI's capacity for case detection and investigation through contact tracing and surveillance. In the longer run, the PforR also seeks to promote further reform in Indonesia's health system and enhance its resilience and preparedness for future pandemics. The program is not envisioned to support infrastructure investments and/or infrastructure-financing instruments for the construction and rehabilitation of healthcare facilities (HCF).

43. **Climate Change Risks and Opportunities**. This program does not anticipate substantial climate change risks or opportunities.

44. **Gender Aspects.** Gender inequalities may exacerbate access to healthcare. Of note is that a significant proportion of healthcare workers are women and are therefore more likely to be adversely affected without adequate provision of PPE. However, such issues reflect the entire operation of the healthcare system in Indonesia, which this PforR is not intended to address.

45. **Occupational Health and Safety (OHS), Labor and Employment Conditions.** Health care workers and medical staff are at high risk of catching COVID-19 due to the nature of their work. In addition, the potential OHS risks to them could be exacerbated due to the overall health care facilities' lack of readiness and lack of available PPE and trained personnel to respond adequately to COVID-19. This also raises concerns that the public may contract COVID-19 from health care workers and medical staff due to lack of existing capacities to contain COVID-19 and provide safe transportation, treatment and isolation to patients and suspected patients. Proposed actions to mitigate these risks have been addressed in the PAP.

46. **Stakeholder Engagement, Consultation and Information Disclosure.** The GoI's COVID-19 pandemic emergency response has acknowledged the importance of communicating effectively to the public on the pandemic and strengthening primary healthcare readiness and non-referral hospitals, including those in rural areas, to provide a safe initial response to COVID-19. The PforR will support aspects of these efforts by enhancing public health communication and issuance and dissemination of protocols for Infection Prevention Control (IPC) measures and clinical management to non-referral facilities. Consultations and stakeholder feedback are an integral part of WB operations and so rather than defer stakeholder engagement, virtual consultations have been designed to be fit for purpose. A

series of virtual meetings were held by WB with relevant agencies within MOH as well as non-government organizations.

47. The PAP has outlined plans to address some of key emerging ES concerns and issues from various consultations including (a) general capacity constraints among health facilities, with non-referral hospitals and primary care facilities at a risk of being overwhelmed with a surge of cases and lack of critical life-saving equipment; (b) OHS risks to health workers and facility staff with direct contact with people who may have COVID-19 and patients due to lack of requisite PPE, testing constraints, and awareness for first handling (i.e., screening and triage); (c) limited testing capacities; (d) lack of contingency plans and financing availability; (e) overall capacity constraints for safe handling of bio-medical wastes (both solid and liquid) at the facility level.

48. Furthermore, an electronic survey will be deployed for rapid and broad-based data collection at the facility level. The survey results provide information on the current level of preparedness of hospitals and laboratories, particularly those designated as the COVID-19 referral facilities in managing medical waste aspect related to the COVID-19 emergency response. A complete documentation of the stakeholder engagement is appended in the ESSA. The ESSA and PAP have been prepared in English and disclosed by the WB on their website (https://projects.worldbank.org/en/projects-operations/document-detail/P173843) as well as on AIIB's website through links to this website (https://www.aiib.org/en/projects/details/2020/proposed/Indonesia-Emergency-Response-to-COVID-19-Program.html). The PforR consultations will be revisited periodically as necessary with further consultations following project approval.

49. **Project Grievance Redress Mechanism**. Communities and individuals who believe that they are adversely affected as a result of this PforR operation, may submit complaints to the existing program grievance redress mechanism. MOH has established complaint handling systems and grievance redress systems. In accordance with the Presidential Regulation on Management of Public Services Complaints (Perpres 73/2013), MOH is connected with the national public complaint handling system (LAPOR!), which also covers hospitals, and the Inspectorate General also manages the public complaint handling mechanism and whistleblower system for reporting allegations of fraud and corruption. Specifically, for the COVID-19 outbreak, a dedicated hotline and website have been established to provide information to the public, as the demands on health services facilities will continue to increase. It is to be noted though that grievance management is decentralized at the facility level, MOH's ability to supervise how grievances are being handled will be challenged, particularly in the context of emergency response.

50. **Applicable Independent Accountability Mechanism.** 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 project will not be eligible for consideration by the PPM. The WB's Independent accountability mechanism addresses issues raised by persons adversely affected by a WB-financed operation and allows them to report alleged noncompliance with the WB's operation policies and procedures, including the PforR Policy.

51. **Co-financier's Policies in Lieu of AIIB Policies.** Pursuant to the decision of AIIB's Board of Directors set forth in the Decisions to Support the AIIB's COVID-19 Crisis Recovery Facility, given that this PforR is being co-financed with the WB as lead co-financier, the WB's Policy on PforR and other applicable policies of the WB, will apply to this program in lieu of AIIB's own operational policies.

E. Risks and Mitigation Measures

52. The Bank assigns a Medium overall risk rating to the proposed Program. Key risks include technical design, environmental and social, fiduciary, and institutional. Details are summarized in the table below.

Table 3: Summary of Risks and Mitigation Measures

Risk Description	Assessment Ratings	Mitigation Measure
Technical Design. The program is not fast and big enough to effectively respond to COVID-19 pandemic.	Medium	Enabling a PforR instrument and using the government program and systems to achieve the intended results, with technical design based on evolving international good practices. Program's focus on improving hospital and health system readiness, including quality of care and strengthen public health laboratory and surveillance systems. The program supports the existing GOI national medium-term development plan (RPJMN 2020 – 2024) that prioritizes pandemic preparedness and health security.
Environmental and Social. The potential risks associated to this Program is related to the operation of health care facilities. Risk areas of concerns include medical waste and wastewater, Occupational Health and Safety (OHS) for medical workers, community health and safety-related to the handling of medical waste, transportation, treatment and isolation of people with confirmed COVID-19 and/or people who may have COVID-19, poor consent processes, communication and outreach,	High	The PforR system operates within an adequate legal and regulatory framework to guide E&S impact assessments, mitigation, management and monitoring at the PforR Program level. Referral hospitals and testing laboratories are required to conduct environmental and social impact assessment (AMDAL) which assess the potential risks and impacts and provide mitigation measures in order to obtain environmental permit prior to construction of the facilities Proposed mitigation measures have been addressed in the ESSA's Program Action Plan (see Annex 3).

and privacy concerns due to mass surveillance. This is likely be exacerbated by lack of capacity to contain COVID-19 infection risks due to the country's strained healthcare system for testing, treatment, isolation and safe-handling of medical wastes and lack of protective gear for medical health workers.		
FM. Limited capacity of DG Health Services in implementing the additional budget for hospital claim reimbursement which is projected to increase significantly. .	High	MOH to arrange to provide additional certified fiduciary staff from other unit within MOH or government units to provide supplementary support for strengthening fiduciary capacity of MOH staff, especially at hospital levels.
FM. The major funds allocation under the program not utilized for intended purposes.	Medium	MOH together with BPKP to conduct internal audit on (i) payment of health service claims; (ii) operational financial supports for vertical hospitals; and (iii) payment on incentive for death compensation for health workers.
Procurement. Lack of availability in the local and international markets of the urgently needed medical equipment and supplies due to high demand across the world and disruptions in supply chains.	High	MOH to continuously carry out market analysis to identify potential suppliers in the local and international markets, use the streamlined methods for emergency procurement allowed under the national procurement regulations. MOH to seek support of the national public procurement agency, LKPP, for expediting procurement processes by considering issuance of circulars to further clarify the application of the emergency procurement procedures, specifying the full range of goods that could potentially be required for Covid-19 response, permitting procurement of imported goods and participation of foreign bidders and United Nations agencies, adapting contractual terms and conditions to the prevailing market conditions including allowing payments in foreign currency, advance payment against letter of credit/bank guarantee, allowing leasing/rental of property (e.g quarantine sites), etc.
Procurement. Possible hesitation (due to the generally risk-averse,	High	MOH to seek LKPP's support for expediting procurement procurements processes by considering issuance of a

compliance-oriented environment in the country) of MOH procurement officials to systematically use the streamlined procedures and flexibilities for emergency procurement that are available under the Government's procurement regulations and circulars.		joint circular by LKPP and oversight agencies such as BPKP and BPK (signed by the heads of the agencies) to demonstrate to the procuring officials that the oversight agencies are also on-board and agree with the streamlined procurement procedures allowed by LKPP for the emergency procurement in response to Covid-19.
Procurement. Inadequate verification by MOH of the Bank's list of debarred/temporary suspended firms before awarding contracts.	Low	MOH to put in place a mechanism to ensure that no contract under the Program is awarded to a firm or individual that is under debarment and/or temporary suspension by the World Bank. This should include requiring Procurement Service Working Units (UKPBJs)/Procurement Officers and Commitment making officers (PPK) to check the Bank's debarment and temporary suspension lists and record the verification in the bid evaluation report before contract award.
Institutional. It should be noted that the planning of the program has been limited due to the unprecedented event. High level of uncertainty makes it challenging to ensure that the budget proposed reflect the actual situation in the field. The directors were not informed about the budget allocated to their units.	Medium	MOH to form planning and budgeting committee who knows the condition in the field and initiate regular online meeting to ensure all directors update on the current situation
Overall Risks	**Medium**	

Annex 1: Results Monitoring Framework

Indicator Name	DLI	Unit of measure	Baseline 2020	End Target 2022	Frequency	Responsibility
Program Objective: to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness in Indonesia.						
Reduced service readiness gap in treating serious respiratory illness patients (RA 1)						
Number of critical care beds fully equipped as per national protocol	4	Number	0	3,000	Due end of June 2020	MOH
Strengthened laboratory capacity (RA2)						
Total capacity for quality assured tests per day	7	Number	3000	20,000	Every Three months	MOH
Improved reporting and surveillance system (RA2)						
Availability of an improved surveillance system that incorporates lessons from the COVID-19 response experience	10	Text	No	Yes	Due end of January 2021	MOH
Enhanced community engagement and communication (RA3)						
The number of interactions with the COVID-19 phone line	-	Number	0	5,000	Once; Due end of January 2021	MOH
Intermediate Indicators						
RA 1- Improve hospital and health system readiness, including quality of care						
Concrete measures to support and compensate health professionals for added COVID-19 related workload and risk are implemented	1,5	Text	No	Yes	Prior action; Due on program effectiveness	MOH
Number of beds temporarily converted for patient isolation and/or low intensity medical care	3	Number	0	1,500	Prior action; Due on program effectiveness	MOH
Number of COVID-19 cases successfully treated, disaggregated by sex		Number	0	25,000	Every three months	MOH

Infection prevention and clinical management protocols developed and disseminated to all non-referral facilities	6	Text	No	Yes	Due End of June 2020	MOH
RA2 - Strengthen public health laboratory and surveillance systems						
Cumulative number of COVID-19 suspect cases tested by PCR or rapid molecular testing, disaggregated by sex		Number	10,000	300,000	Every three months	MOH
A surveillance mechanism for community-based reporting of outbreaks and new illnesses among humans and animals is functional		Text	No	Yes	Due End of January 2021	MOH
RA3 - **Enable communication and coordination for emergency response**						
MOH supports the creation of a multi-sectoral coordination mechanism for COVID-19 response	2	Text	No	Yes	Prior action; Due on program effectiveness	MOH
Cumulative number of website visitors to the COVID-19 communication portal set up by the Government of Indonesia		Number	5,000	100,000	Every three months	MOH
Number of times MOH counters COVID-19 related misinformation and posts on its website		Number	25	200	Every three months	MOH
Number of simulation exercises undertaken as per updated national pandemic preparedness plan	8	Number	0	3	Due end of January 2021	MOH

Annex 2: Detailed Program Description

Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

1. The table below summarizes the DLIs and DLRs forming part of this program. The DLIs are organized in three tranches- the first tranche comprises of prior results (DLIs 1 to 3) and is expected to be achieved by effectiveness, the second tranche (DLIs 4 to 7) is expected to be achieved in the first two to three months of program implementation, and the final tranche (DLIs 8 to 10) will be achieved after January, 2021.

Table 2.1: Summary of DLIs for the Indonesia Emergency Response to COVID-19 PforR

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the WB Financing (USD)	Amount of the AIIB Financing Allocated to DLR(USD)	Formula
(1) DLI #1: Specific additional measures to support and compensate health professionals for added COVID-19 related workload and risk are implemented	DLR #1.1: The Implementation Guidelines for Health Professionals' Support for COVID-19 response have been issued and the payment of benefits have commenced	50,000,000	50,000,000	DLR #1.1: $100,000,000
(2) DLI #2: MOH works closely in coordination with the country's multi-sectoral National Task Force to Accelerate the Response to the COVID-19 Emergency	DLR #2.1: The Borrower has: (i) established the National Task Force to Accelerate the Response to the COVID-19 Emergency with an MOH official as its Vice-Chair; and (ii) finalized and issued a national response plan to respond to Covid-19	10,000,000	10,000,000	DLR #2.1: $20,000,000
(3) DLI #3: Increased capacity for patient isolation and medical care	DLR #3.1: 1500 beds belonging to non-medical establishment(s) have been converted and suitably adapted to serve as temporary, low-	7,500,000	7,500,000	DLR #3.1: $ 15,000,000

	intensity medical facilities DLR #3.2: MOH has issued the MOH Guidelines on Claims Reimbursement for different levels of severity of COVID-19 patients managed in health facilities.	7,500,000	7,500,000	DLR #3.2: $15,000,000
(4) DLI #4: Health facilities' readiness for emergency response	DLR #4.1: At least 3000 high care beds in existing medical facilities are equipped to manage severe respiratory illnesses pursuant to the National Protocol (of which at least 50% are equipped with ventilators)	75,000,000	75,000,000	DLR #4.1: $150,000,000 Baseline:0 Unit Price: $50,000 per high care bed fully equipped pursuant to the National Protocol
(5) DLI #5: Strengthen the implementation of optimal infection and control measures in healthcare settings	DLR #5.1: At least 1,000,000 sets of Personal Protective Equipment (PPE) have been procured and distributed by the Borrower. DLR #5.2: As of January 1, 2021 or later, at least 100,000 sets of Personal Protective Equipment (PPE) are available as reserves for future emergency needs.	20,000,000 10,000,000	20,000,000 10,000,000	DLR #5.1: $40,000,000 Baseline: 0 Unit Price: $40 per PPE procured and distributed DLR #5.2: $20,000,000
(6) DLI #6: Protocols for infection prevention and clinical management of patients with respiratory symptoms	DLR #6.1: MOH has developed protocols for infection prevention and clinical management of patients with respiratory symptoms and disseminated them	10,000,000	10,000,000	DLR #6.1: $20,000,000

	to all Non-Referral Facilities			
(7) DLI #7: Installed capacity of quality-assured COVID-19 confirmatory tests per day	DLR #7.1: The Borrower has established and maintained an external quality assurance system for the entire installed capacity of COVID-19 confirmatory Polymerase Chain Reaction (PCR) tests – including MOH and non-MOH hospitals authorized to carry out COVID-19 testing. DLR #7.2: The Borrower has made 350 quality-assured rapid molecular testing machines regularly functional for undertaking COVID-19 confirmatory tests.	6,000,000 $14,000,000	6,000,000 $14,000,000	DLR #7.1: $12,000,000 DLR #7.2: $28,000,000 Baseline: 0 US$ 80,000 per regularly functional machine
(8) DLI #8: Updated National Pandemic Preparedness Plan and regular simulation exercises	DLR #8.1: On or after January 1, 2021, the Borrower has: (a) Updated its National Pandemic Preparedness Plan to cover any potential pandemic threats, as per the Verification Protocol; and (b) rolled out and conducts regular emergency simulation exercises based on the updated Plan.	20,000,000	20,000,000	DLR #8.1: $40,000,000
(9) DLI #9: Communications strategy on COVID-19 based on experience and lessons-learned	DLR #9.1: On or after January 1, 2021, the Borrower has developed and rolled out a communications strategy on COVID-19, based upon its	10,000,000	10,000,000	DLR #9.1: $20,000,000

	experience and lessons-learned.			
(10) DLI #10: Strengthened surveillance system in place, incorporating lessons from COVID-19 experience	DLR #10.1: MOH has developed an improved event- and/or tracker-based health surveillance system, based upon its experience and lessons-learned on COVID-19.	10,000,000	10,000,000	DLR #10.1: $20,000,000
TOTAL AMOUNT		**250,000,000**	**250,000,000**	**500,000,000**

2. The DLIs have been chosen based on the immediate response priorities of MOH and are developed in line with their plan of work as proposed and agreed with the MOF. Additional consideration in the choice of DLIs have also included the possibility of undertaking the due verification processes amidst a context of mobility restrictions and limited window of time available to ensure an effective response. The DLIs are aimed at addressing critical points in the results chain and maximizing reduction of morbidity and mortality in the country, while not adding to bandwidth challenges of the MOH by requiring extensive documentation or activities that are not an immediate response priority, while also focusing on retaining the lessons from this experience through more downstream measures.

3. The DLIs are proposed to be verified by the National Government's Finance and Development Monitoring Agency or BPKP on a rolling basis**.** Under this arrangement, BPKP can undertake verification as and when requested by the implementing agency and would then trigger a processing of the achievement by the World Bank, leading to a withdrawal application. BPKP has no known existing relationships with MOH that would lead to a conflict of interest in it playing the role of independent verification agent (IVA) and has also performed well in its current role as IVA for the I-SPHERE program. Where appropriate, a sample for physical verification will be used. BPKP has experience undertaking the role of verification agent under other World Bank projects but will require additional capacity building with respect to technical issues related to health, and for technical inputs, it may explore contributions from technical agencies such as the Hospital Accreditation Commission.

Annex 3: Program Action Plan (PAP)

Table 3.1: Program Action Plan (PAP)

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement
Protocol for clinical management of serious respiratory illnesses is issued as a Section in the MOH Guideline for Prevention and Management of Coronavirus Diseases (COVID-19)	Technical	DLI 4	Directorate Surveillance and Health Quarantine	Due Date	31-May-2020	Protocol/Guideline issued and available for reference
Nominate responsible staff from MOH and MOEF to coordinate advise hospitals and laboratories in managing the increasing volume of medical waste during the pandemic	Environmental and Social Systems	DLI 4	Directorate Environmental Health	Due Date	31-May-2020	Letters which indicate the nomination of responsible staff from MOH and MOEF
Conduct rapid assessment on current capacity/practice in referral hospitals, laboratories and field hospitals to manage medical waste and the expected volume of waste generated during the pandemic	Environmental and Social Systems	DLI 4	Directorate Environmental Health	Other	30 June 2020	Number of rapid assessments of MOH's vertically managed referral hospitals, laboratories, and field hospitals
Advise hospitals and laboratories on the alternatives to manage their wastes (in house and external services), support approval of agreed options and develop the necessary work instructions for these alternatives. Based on agreed options for medical	Environmental and Social Systems		Directorate Environmental Health	Other	Ongoing	Administrative records
Provide training to hospitals and laboratories on the alternatives to manage COVID-19 wastes (web-based training). Provide guidance for third parties on medical waste management.	Environmental and Social Systems		Directorate Environmental Health	Other	Ongoing	Number of e-training delivered

Training manuals and cascade training to hospitals and laboratories workers for the proper handling of COVID-19 cases and specimens, including the proper usage of PPEs (web-based training)	Environmental and Social Systems		Directorate of Occupational Health of MOH	Other	Ongoing	Number of e-training delivered
Measures to enhance the existing public Feedback and Grievance Mechanism (FGRM) for COVID-19 response, such as https://covid19.kemkes.go.id/ and hotline 119 ext. 9, and 'Halo Kemkes' in terms of their accessibility, credibility and level of response	Environmental and Social Systems		Directorate of Referral Services Bureau Communication and Public Health	Other	Ongoing	Grievance records on COVID-19 management tracked with resolution status
A protocol for surveillance incorporating data protection measures and consent is developed and disseminated to health facilities	Environmental and Social Systems		Center of Health Data and Information Directorate Surveillance and Health Quarantine	Other	Ongoing	Completion and issuance of protocols and evidence of dissemination incorporating, as a minimum, the principles set forth in the Personal Data Management Protocol
A communication strategy on public health messaging and community outreach on COVID-19 related facts, in coordination with media and civil society organizations and in line with good practice guidelines such as https://www.who.int/docs/default-source	Environmental and Social Systems	DLI 9	Directorate of Health Promotion	Other	31 May 2020	Communication strategy issued
Strengthen the existing system to monitor patients' security and safety during isolation and treatment at COVID19 referral hospitals, on aspects related to Sexual, Exploitation &	Environmental and Social Systems		Directorate General of Health Service (D	Other	Ongoing	Evidence of an operating system to monitor and track risks related to patients' wellbeing, including their security and

Abuse/Violence against Children (SEA/VAC)						safety during isolation and treatments at COVID-19 referral hospitals
Priority testing for healthcare workers and facility staff responsible for direct handling of COVID-19 at MOH vertical hospitals (i.e. cleaners, ambulance drivers, receptionists, etc.)	Environmental and Social Systems	DLI 1	Directorate General of Health Service	Due Date	30-Jun-2020	A guideline which prescribe priority testing for healthcare workers and facility staff has been developed
Additional capacity for patient isolation and low-intensity medical care by converting non-medical establishments with the needed equipment and human resources	Environmental and Social Systems	DLI 3	DG of Health Service (Directorate of Referral Health Service	Other	Ongoing	MOH administrative records
A system for assessing needs and monitoring distribution of PPEs, to health facilities based on needs across Indonesia.	Environmental and Social Systems	DLI 5	COVID-19 Crisis Center of MOH	Other	31 May 2020	Evidence of an operating system to monitor and track procurement, need assessment and distribution
Inform the Bank promptly of all credible and material allegations or other indications of Fraud and Corruption in connection with the Program that come to its attention, together with the investigative and other actions that it proposes to take	Fiduciary Systems		Ministry of Health (Inspectorate General)	Recurrent	Semi-Annually	Semi-annual reports provided to the Bank on allegations of F&C under the Program received or registered during such period, as well as any related investigations and actions taken
Require its Pokja UKPBJ/Procurement Officers/PPK to check the Bank's debarment (www.worldbank.org/debarr) & temporary suspension lists and record the verification in the bid evaluation	Fiduciary Systems		Ministry of Health (Bureau of Finance and State Asset)	Recurrent	Continuous	Guidance provided to UKPBJ/Procurement Officers/PPK is implemented to ensure that no contract under the Program is awarded to a

report before contract award						firm or individual that is under debarment and/or temporary suspension by the Bank

Table 3.2: Environmental and Social Program Plans

No.	Action	Responsibility	DLI	Recurrent	Frequency	Due Date	Completion Measures
Management of Medical Wastes							
1.	Nominate responsible staff from the MOH and MOEF to advise hospitals and laboratories on managing the increasing volume of medical waste during the pandemic by	Directorate of Environmental Health	Yes (subset of DLI 4)	No	One-off	31 May 2020	Letters which indicate the nomination of responsible staff from the MOH and MOEF
	a. Conducting rapid assessment on current capacity/practice in the MOH's vertically managed hospitals, laboratories, and field hospitals to manage medical waste and the expected volume of waste generated during the pandemic		Yes (subset of DLI 4)	No	One-off	30 June 2020	Rapid assessments of the MOH's vertically managed referral hospitals, field hospitals, and laboratories
	b. Advising hospitals and laboratories on the alternatives to manage their wastes (in-house and external services), support approval of agreed options, and develop the necessary work instructions for these		No	Yes	On-going	Ongoing	Administrative records

	alternatives. Based on agreed options for medical waste management jointly with the MOH, support procurement for goods/equipment where needed, facilitate dialogue with third parties (waste transporters, cement kilns, landfills for ash disposal, and so on)						
	c. Providing training to hospitals and laboratories on the alternatives to manage COVID-19 wastes (web-based training) and providing guidance for third parties on medical waste management.		No	Yes	Ongoing	Ongoing	Number of e-training sessions delivered
Occupational Health and Safety							
2.	Training manuals and cascade training to hospital and laboratory workers for the proper handling of COVID-19 cases and specimens, including the proper usage of PPE (web-based training)	Directorate of Occupational Health of the MOH and NIHRD of the MOH	No	Yes	Based on needs, maintained through emergency response	Ongoing	Number of e-training sessions delivered
3.	Priority testing for health care workers and facility staff responsible for direct handling of COVID-19 at MOH vertical hospitals (that is, cleaners, ambulance drivers, receptionists, and so on)	Directorate General of Health Service	Yes (subset of DLI 1)	Yes	n.a.	30 June 2020	A guideline which prescribes priority testing for health care workers and facility staff has been developed.
Public Health and Safety							

4.	Additional capacity for patient isolation and low-intensity medical care by converting nonmedical establishments with the needed equipment and human resources	DG of Health Service (Directorate of Health Facility and/or Directorate of Hospital Services)	Yes (DLI 3)	No	n.a.	Ongoing	MOH administrative records
5.	A system for assessing needs and monitoring distribution of PPE to health facilities based on needs across Indonesia* *This action plan also addresses equity issues in PPE distribution*	The Center for Health Crisis of the MOH for PPE; Directorate of Surveillance and Health Quarantine for Testing Kits; DG of Pharmaceutical Services for medical supplies	Yes (subset of DLI 5)	No	n.a.	30 June 2020	Evidence of an operating system to monitor and track procurement, need assessment, and distribution
Medical Consent and Civil Rights to Privacy							
6.	Measures to enhance the existing public FGRM for COVID-19 response, such as https://covid19.kemkes.go.id/, hotline 119 ext. 9, and 'Halo Kemkes' in terms of their accessibility, credibility, and level of response	Directorate of Referral Services Bureau Communication Public Service, Secretary General	No	Yes	Monthly	Ongoing	Grievance records on COVID-19 management tracked with resolution status
7.	A protocol for surveillance incorporating data protection measures and consent is developed and disseminated to health facilities	Center of Health Data and Information (Pusdatin)	Yes (subset of DLIs 6 and 10)	No	n.a.	Ongoing	Completion and issuance of protocols and evidence of dissemination incorporating, as a minimum, the principles set forth in the Personal Data Management Protocol
Social Stigma							

8.	A communication strategy on public health messaging and community outreach on COVID-19-related facts, in coordination with media and civil society organizations and in line with good practice guidelines such as https://www.who.int/docs/default-source/coronaviruse/covid19-stigma-guide.pdf	Directorate of Health Promotion	Yes (subset of DLI 9)	Yes	n.a.	31 May 2021	Communication strategy issued
Patients' security and safety							
9.	Strengthen the existing system to monitor patients' security and safety during isolation and treatment at COVID19 referral hospitals, on aspects related to Sexual, Exploitation & Abuse/Violence against Children (SEA/VAC)	Directorate General of Health Service (Directorate of Health Facility and/or Directorate of Hospital Services)	No	Yes	Monthly	Ongoing	Evidence of an operating system to monitor and track risks related to patients' well-being, including their security and safety during isolation and treatments at COVID-19 referral hospitals

Annex 4: Sovereign Credit Fact Sheet

A. Recent Economic Development

1. Indonesia is a lower middle-income country with a GDP per capita at USD 3893.6 and a population of 212.2 million.1 The economy grew by 5.2 percent in 2018, driven mainly by domestic demand in gross fixed investments. Growth dropped to 5.0% in 2019, weakest in four years due to weakening of exports, manufacturing output and investments. Household spending remained an important driver of growth. A slump in prices of key commodities like coal and palm oil and the US-China trade disputes also negatively impacted growth.

2. Indonesia's economic growth is affected by the ongoing COVID-19 pandemic which started in December 2019. Continued weaknesses in exports and investments as well as demand-side shocks (lower consumer spending) will lower growth in the first quarter of 2020. To address the fallout of the COVID-19 pandemic, the government announced two stimulus packages in February and March 2020. The first is an USD725 million package that provides fiscal incentives to support its tourism, aviation, and property industries and provides support for low-income households. The second is an USD8 billion stimulus package (representing 0.8% of its GDP) involving fiscal and non-fiscal incentives, covering income tax exemptions for workers and companies in the manufacturing sector, relaxation of export and import rules in key sectors, and easing of rules on loan restructuring for SMEs.

3. Inflation eased to 3.2 percent at end-2018 from 3.8 percent in 2017, reflecting subdued food price inflation, contained electricity and fuel price inflation and tighter macroeconomic policies. Inflation averaged 3.0% in 2019, low by historical standards and the government's 2019 target of 3.5%. Despite the weather-induced damage to food production, deft supply management and improved logistics, kept food prices stable. Administered fuel prices and limited pass-through from currency depreciation also moderated core inflation. Overall, lower inflationary pressure from government-regulated prices contributed to low inflation rate in 2019.

4. The fiscal deficit stood at 1.8 percent of GDP in 2018, below the government's target of 2.2 percent. Meanwhile, public debt remained low at 30.1 percent of GDP in 2018. While fiscal policy supported growth in the first half of 2019 as central government expenditure and transfer payments expanded by 9.6 percent, the country's fiscal deficit widened to 2.2 percent of GDP in 2019 due to shortfall in tax revenues (which were expected to come from the manufacturing and mining sectors) and higher central and regional government expenditures (over 4% higher than 2018).

5. The current account deficit widened to 3 percent of GDP in 2018 (compared to a deficit of 1.6 percent in 2017), due mainly to higher infrastructure-related imports and lower commodity exports. In the first half of 2019, merchandise trade surplus halved as a reduction in exports was accompanied by a contraction of imports in intermediate inputs for export-oriented sectors and in imports of capital goods.[2] The current account deficit moderated to 2.7 percent of GDP in 2019 in light of goods trade surplus but deficits in primary income and trade in services.

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1 The income group classification for fiscal year 2019 is based on World Bank criteria, details seen: https://datahelpdesk.worldbank.org/knowledgebase/articles/906519; Population data use World Bank 2018 data.

2 Asian Development Outlook 2019: Fostering Growth and Inclusion in Asia's Cities, September 2019.

B. Economic Indicators

Table 5.1: Selected Macroeconomic Economic indicators (2015-2020)

Economic Indicators	2015	2016	2017	2018	2019*	2020*
Real GDP Growth	4.9	5.0	5.1	5.2	5.0	5.1
CPI Inflation (% change, average)	6.4	3.5	3.8	3.2	3.2	3.3
Current account balance (% of GDP)	-2.0	-1.8	-1.6	-3.0	-2.9	-2.7
General government overall balance (% of GDP)	-2.6	-2.5	-2.5	-1.8	-1.9	-1.8
Nominal gross public debt (% of GDP)	27.0	28.0	29.4	30.1	30.3	30.0
Public gross financing needs (% of GDP)	4.3	4.2	4.7	4.0	4.3	4.5
External debt (% of GDP)	36.1	34.3	34.7	36.9	37.7	37.7
Gross external financing need (% of GDP)	8.9	7.8	7.0	8.4	8.3	8.3
Net FDI inflows (% of GDP)	1.2	1.7	1.8	1.4	--	--
Gross official reserves (months of imports)	8.0	7.6	7.2	6.4	6.0	5.7
Broad money (M2, % annual change)	9.2	11.7	9.6	5.8	--	--
Exchange rate (Rupiah/$, period average)**	13391	13306	13383	14231	14148	16100

Note: * denotes projected figures. ** FX data from Thomson Reuters, 2020 FX rate as of March 30, 2020.
Source: International Monetary Fund, World Economic Outlook Database, October 2019 and IMF Country Report No. 19/250, July 2019.

C. Economic Outlook and Risks

6. Looking ahead, economic growth is expected to be tepid at 4.7 percent in 2020, due to the ongoing COVID-19 pandemic that is affecting global demand, lower capacity utilization and weakened private consumption. External risks include uncertainties in global trade, weaker growth in China and volatilities in commodity prices, capital flows and exchange rates arising from uncertainties in global financial conditions. Adverse impact from such shocks could be further amplified by the public and corporate sectors' heavy reliance on external financing. Internal risks will also affect the country's growth prospects, particularly the government's ability to contain the spread of COVID-19 and keep the country on track by boosting productivity of sectors and workers.

7. Further, persistent structural weaknesses can impact higher growth potential, such as shortfalls in tax revenue and shallow financial markets. These structural issues have resulted to dependence on capital inflows to finance fiscal and trade deficits as well as reliance on state-owned enterprises and PPPs to finance spending in infrastructure (thereby heightening fiscal risks due to implicit liabilities). The announced stimulus packages in February and March 2020 are expected to widen the fiscal deficit to 2.5 percent in 2020, higher than the initial target of 1.8 percent.

8. Indonesia's external debt remains moderate and sustainable at 36.9 percent of GDP in 2018 and is projected to gradually increase over the medium-term (39 percent of GDP in 2024), driven primarily by growth in government borrowing. Public debt is expected to be maintained at around 30 percent of GDP till 2024.