Report Number : ICRR0021399

1. Project Data

Project ID	Project Name
P118150	Scholarships Program
Country	**Practice Area(Lead)**
Indonesia	Governance

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IBRD-80100	31-Dec-2017	110,618,216.29
Bank Approval Date	**Closing Date (Actual)**	
03-Mar-2011	31-Dec-2017	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	112,650,000.00	0.00
Revised Commitment	112,650,000.00	0.00
Actual	112,618,088.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

According to the Loan Agreement (page 5) and the Project Appraisal Document (PAD, page 5), the project's development objective (PDO) was "to build participating agencies' capacity by (a) strengthening their human resources in core functional areas; and (b) enhancing their ability to initiate and manage reforms."

The ICRR will assess efficacy based on "building participating agencies' capacity". The PAD does not define "agency capacity", but the ICR (page 6) definies it as an agency's "ability to perform appropriate tasks effectively, efficiently, and sustainably."

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project had three components:

Component 1: Degree scholarships program for all twelve first level (*echelon 1)* units in the Ministry of Finance (appraisal estimate US$34.5 million; actual cost US$34.5 million). The units are listed in Table 12 of the ICR (page 73). The component had two sub-components:
Sub-component 1 included the competitive selection of candidates and provision of pre-departure language training;
Sub-component 2 included the award of scholarships for overseas and joint domestic and overseas degrees (i.e. awarded jointly by a domestic and foreign university) to successful candidates in fields relevant to the work of the Ministry of Finance (MoF).
The MoF component was to be supported by a project implementation unit (PIU) located in the Ministry.

Component 2: Degree scholarships and non-degree training for a cluster of ten key public agencies (PA) (appraisal estimate US$70.3 million; actual cost US$70.8 million). Participating PAs are listed in Table 13 of the ICR (page 73). The component was coordinated by the Planning Agency, Bappenas, supported by a PIU located in Bappenas. The component had two sub-components:
Sub-component 1 included the competitive selection of candidates and provision of pre-departure language training;
Sub-component 2 included the award of scholarships for domestic, overseas, and joint domestic and overseas degrees, and domestic non-degree training to successful candidates in fields relevant to the work of the respective participating agency.

Component 3: Program support (appraisal estimate US$7.9 million; actual cost US$7.3 million). The component provided program implementation, monitoring, and evaluation support to MoF and Bappenas. PAs that were selected were key government agencies responsible for public sector economic, financial, and human resource management, reform of the bureaucracy, and improving the investment climate. The MoF was included as it is a central reforming agency responsible for a significant share of public sector financial, economic and human resource management.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost and financing. There was no significant variation between planned and actual project costs. The project was financed by an IBRD loan of US$112.65 million. A total of US$112.62 million was disbursed.

Borrower contribution. There was no Borrower contribution.

Dates. The project was approved on March 3, 2011, became effective on June 15, 2011, and closed as scheduled on December 31, 2017.

3. Relevance of Objectives

Rationale

The project objective – building public sector capacity - is consistent with the current Bank country strategy (Country Partnership Framework 2016-2020), and the Government's medium-term development strategy (2015-2019), including its strategy for national civil service reform. Its ongoing civil service reform is an attempt to address national regulatory weaknesses through advancing reforms at the agency level. Improving the skills of civil service staff is a key challenge, focusing on reforming human resource management policies and practices. The Bank's current Country Partnership Framework views continued institutional reform as necessary to safeguard and successfully build on past achievements in economic growth and poverty reduction. The project complements several other Bank projects that have supported institutional development and agency capacity development and reform, and builds on prior economic and sector work, as well as trust-funded technical assistance. The continued importance of this effort is reflected in the inclusion of a follow-up project to the present operation in the current Partnership Framework.

While the project objective is substantially relevant to country strategy and institutional needs, its formulation is vague and not sufficiently monitorable beyond output measures, and it offers little guidance on how to determine outcomes. This is discussed further in Section 4.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To build the participating agencies' capacity by strengthening their human resources in core functional areas

Rationale

The objective was to be achieved by enhancing the capacity of selected public agencies to formulate and implement public policies within their domain. It was to do so by linking training to ministry/agency-level medium-term human capital development plans (HCDP) that identified their human capacity building needs (skills gaps). Participating agencies were to select staff members for degree and non-degree training programs, and upon completion of the training, reintegrate the graduates into the organization, where they would serve as “agents of change”, contributing to enhanced agency performance in core competencies (Objective 1), and improvements in resource use and the internal operating environment in each agency (Objective 2). Ten public agencies (PA) and all twelve senior level units in the Ministry of Finance (MoF units) were included in the project.

Outputs

- 22 human capital development plans (HCDP) were developed to identify skills gaps
- Based on the skills gaps, 1,289 degree scholarships were awarded compared to a target 959 scholarships; and 2,662 PA staff participated in non-degree training, compared to a target of 1,667
- 93 percent of degree scholars completed their programs of study with a grade point average over 3.0.

Intermediate outcomes

The share of staff with sought-for competencies (reduction in skills gaps) increased by 24 percent on average, compared to a target of 15 percent. The gap reduction in degree programs averaged 44 percent: the median gap reduction in degree programs for PA programs was 53 percent, and 18 percent for MoF units. For non-degree training, eight PAs that included non-degree training achieved or exceeded the original 15 percent target, with a median gap reduction of 40 percent.

Providing some indication of program quality, 93 percent of degree scholars expressed satisfaction with the programs. Satisfaction has increased over time: a survey in 2017 indicated that 93 percent of MoF respondents expressed satisfaction with the scholarship program compared to 88 percent in 2015. PA-level satisfaction in 2017 was 93 percent for degree and 94 percent for non-degree training, increasing from 88 percent and 85 percent, respectively, in 2017.

The ICR (Tables 1 and 15) provide examples on the impact of the program on PA capacity to perform core functions, including case studies of capacity improvements that could be attributed to returning graduates. For instance, in the National Land Agency, BPN, 53 percent of identified skills gaps in performing core functions were addressed, and inputs by graduates in the agency allowed it to move towards fulfilling the target of publishing 25 million land certificates by 2019. As noted above, gaps appear to have been filled to a significant extent, but the impact of the program in terms of improved performance cannot be assessed. (See also the overall comment under Objective 2.)

Rating
Substantial

Objective 2

Objective

To build participating agencies' capacity by enhancing their ability to initiate and manage reforms

Rationale

The same theory of change underlay this Objective as Objective 1 - increased human resources with relevant competencies - would contribute to improving the internal operating environment (i.e. the capacity to initiate and manage reforms to the business environment). Again, gaps appear to have been filled to a significant extent, and selected impact case studies are listed in the ICR (Table 2). The intermediate outcomes indicated under Objective 1, are also relevant to Objective 2, as they refer to the same cohort. Similarly, concerns about reinsertion remain relevant to this objective. Moreover, as is the case for the first Objective, the impact of the program in terms of improved performance cannot be assessed.

In summary, while the project objective – capacity building – was straightforward, the project did not allow for direct measurement of changes in capacity beyond the upgraded formal skills that graduates brought with them - to what extent core functional areas actually were strengthened, and the ability to initiate and manage reforms enhanced. That can only be fairly determined over the longer term. Instead, the project uses formal reductions in skills gaps as proxy indicators to measure performance and changes in capacity. This may be a valid short-term approach when learning is successfully integrated into the participating agencies' processes, but the design offers no direct indicators to measure the effect. Nonetheless, procedures introduced during project implementation make it plausible that capacity was built: there is continued involvement in the change process by the two lead agencies MoF and Bappenas; annually updated HCDPs maintain awareness of evolving needs in core areas; and formalized re-entry policies facilitate the integration of returning graduates into the operating environment.

Rating

Substantial

Rationale

Overall Efficacy Rating
Substantial

5. Efficiency

The PAD did not undertake a cost-benefit analysis, or a financial analysis, noting that the principal benefits from the project are either intangible or qualitative. It did, however, note that the design was based on cost-effectiveness with its emphasis on low-cost non-degree training (over 60 percent of beneficiaries, rising to 73 percent at end-project); limiting growth in high-cost link programs; and maintaining a mix between lower cost domestic degree programs and overseas degree programs.

The ex-post assessment focused on the overseas degree programs, as they represented 90 percent of project costs. The assessment included: an estimate of net present value (NPV), identification of factors that affect efficiency, and comparison with other scholarship programs in Indonesia.

The NPV analysis is based on reasonable, conservative assumptions concerning civil service remuneration, unit costs per scholarship, the impact of training on productivity and the amortization period of 28 years (see ICR, pages 51 and 52) and suggests that investing in oversees degree programs may yield positive returns. Costs are, however, high relative to benefits (benefits estimated using baseline civil servant salaries as proxies for productivity) - even given the long time horizon, productivity increases of 26 percent (masters degrees) and 53 percent (doctorate degrees) would be required to break even. Further economic analysis by the team indicates that privately investing in overseas training is likely to yield negative returns; and recruitment of graduates from reputable foreign universities is unlikely to be successful considering current civil service salaries.

Efficiency was reportedly enhanced by targeting applicants from PAs where improved performance was expected to have particularly favorable economic, financial and human resource effects on public sector performance. Comparison with other scholarship programs in Indonesia indicates that the program was highly efficient. The project was fully implemented, on time, and with all funds fully disbursed. This contrasts with other Bank scholarship projects that often had to be restructured. At the same time, there were factors that tended to reduce efficiency: the project was not always able to draw on the most talented applicants, ensure efficient reinsertion, or insert applicants into top-ranking programs.

Efficiency Rating
Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐Not Applicable
ICR Estimate		0	0 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of the objectives is **substantial**, although the formulation is somewhat imprecise and it is not easily to monitor beyond output measures. Efficacy is rated **substantial,** reflecting met or exceeded targets in share of staff with sought-for competencies, gap reductions in degree programs, and the number of PAs carrying out non-degree training. Trainee satisfaction was high and rising, although there were weaknesses in the reintegration of graduates. Efficiency is rated **modest**, reflecting particularly the limited quality of reentry management in some PAs. Overall, shortcomings are considered moderate, leading to an outcome assessment of **moderately satisfactory**.

a. Outcome Rating
Moderately Satisfactory

7. Risk to Development Outcome

The main risk to the development outcome is the likelihood that trained staff will leave to join other agencies or the private sector. While the overall development impact at a national level might not be any less, it does risk reversing the skills gap in the original agency. This risk appears to be moderate in the Indonesian civil service culture – there may be lateral moves within the agency or between agencies, but it is much rarer that transfers occur into the private sector. Changes may be more likely to take occur as agencies reshape their manpower planning through the HCDPs. These are still relatively new and may be modified by agencies, as they adjust to changes in their resources, or the internal and external operating environment.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project drew on previous Bank support for scholarship programs, including two human resource development projects in the 1990s, and several more current bilateral scholarship programs. The project was strategically relevant to both country and Bank priorities; and its approach – explicitly linking training to agencies' institutional development strategies through the HCDP – introduced a model that, if systematically applied, should provide a rigorous mechanism for maintaining reasonable standards of quality in the civil service. The risk analysis was thorough and flagged reintegration as a medium level risk (other risks were low), which manifested itself during implementation. However, project design had two moderate shortcomings. First, the PDO was imprecisely defined, as indicated in Sections 3 and 4 above. Second, implementation arrangements were complex and initially cumbersome. There was a Steering Committee to provide general oversight, a Project Coordinating Unit, two Project Implementation Units (one in MoF and the other in BAPPENAS), and 11 participating PAs. Weak information flows between BAPPENAS and MoF, both of which were overseeing operating agencies, slowed down project start-up and implementation until the issue was addressed at the mid-term review (ICR, page 22).

Quality-at-Entry Rating
Moderately Satisfactory

b. Quality of supervision

The Bank team was proactive in supporting project implementation, and enjoyed good access to government and agency officials. Implementation issues that arose, including factors affecting start-up, were solved in a timely way, and drawn-out delays in implementation were avoided. The team provided regular reports on implementation, focusing on progress against output indicators in the results framework. A stronger focus on reinsertion and job performance of returning graduates would have been useful as it would have served as a better outcome indicator indicator than simply "return". The project did face a number of challenges due to delayed payments through the Treasury system - delayed scholarship payments risked reputational damage to the project; as did, in some instances, weak consultants. These issues were resolved by the team in collaboration with the Borrower.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

Under the guidance of the Steering Committee, the Project Coordinating Unit (PCU) performed operational coordination, overall monitoring and evaluation, and reporting on implementation progress. To measure change, the project set two proxy indicators – one as a share of trained to untrained staff; and another measuring satisfaction with the training. No outcome indicators measuring changes in overall agency performance or functional performance were included; partly because the time was too short to record useful outcome data. The results framework did include output indicators that allowed processes to be monitored – plans, gap analysis, recruitment, quality of training, graduation, and re-insertion. A database platform – TRANSPAR – was developed in 2012 for the day-to-day management of this data. Nonetheless, this falls short of measuring the objective function – whether capacity improved and whether behavior changed.

b. M&E Implementation

Implementation was carried out using the TRANSPAR database for Bappenas PAs, including mandatory recording of the applicant cycle; which ensured data accuracy and completeness. However, no information on subsequent placement and career development was collected. In the case of MoF, tracking of applicants was institutionalized in the MoF Training and Education Center. It depended on reporting by the participating units, and this was fragmented (participating first level units had a higher status than the training unit, limiting the latter's ability to manage the monitoring process).

c. M&E Utilization

M&E data was used by the Borrower and the Bank to supervise implementation, for daily management and for informing key management decisions, notably for the reallocation of funds between project components. It was applied to tracking process/output indicators and reporting to the Bank. According to the ICR (page 26), the data had only limited use for strategic management of human capital.

M&E Quality Rating
Modest

10. Other Issues

a. Safeguards

The project was rated environmental category C, and no safeguard policies were triggered.

b. Fiduciary Compliance

Financial management. A financial management capacity assessment was completed at appraisal. Two risks were noted: limited experience of both PIUs to manage Bank-financed projects; and weaknesses in internal controls. The risks were mitigated with the provision of training, technical assistance, and additional documentation of all transactions. Still, the payment function encountered problems early on, as payments through the Treasury system were delayed, reflecting perennial delays in timely release of budgeted funds, and unfamiliarity with making up-front cash payments, rather than on the basis of invoices. The payment delays risked causing reputational damage to the project, but solutions were found by mid-term, through bundling agency payments and making them several months in advance.

Procurement. A procurement assessment was conducted, risks identified, and mitigation measures agreed on. Procurement was relatively simple, including the recruitment of individual consultants for project start-up, and firm-based consultants for program management, audit, and surveys. Nonetheless, procurement delays and concerns about contractor quality appeared during implementation, causing the Bank to intervene with methodological guidance.

c. Unintended impacts (Positive or Negative)

None recorded

d. Other

None recorded

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of M&E	Modest	Modest	---
Quality of ICR		Substantial	---

12. Lessons

The following lessons are drawn from the ICR:

The approach of staff training anchored in an agency's institutional development strategy has pitfalls and should be carefully assessed. A primary concern is determining the effects on agency capacity; robust outcome indicators should be defined early on. In this project, measurement was limited to formal closing of gaps in staff skills, which put the emphasis on the quality of raining that was procured.

The re-introduction of staff into the internal operating environment should be structured. The organization should be able to make optimal use of the trained staff. This will require some understanding of the value added provided by the training, be it degree or non-degree training. Here, project results appear to have been varied, pointing to the need not only to identify a skills gap, but to combine that identification with some understanding of how the returning trainees could best be utilized.

Consideration should be given to the relative cost effectiveness of the training. Training, especially out-of-country and in a highly ranked academic environment, can be costly, and the net value of the training to the organization can even be negative, especially if the scholar does not return, or stays only for a short while. In Indonesia, low job turnover in the public sector reduced this risk, but in higher-turnover environments, returns risk being quite low. Consideration should be given to options, domestic or regional, and always with a good understanding of costs and benefits.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provided sufficient information and analysis to evaluate the project. The lessons drawn were based on carefully analyzed evidence , although a stronger discussion of the objective and outcome indicators might have provided insight that dependence on intermediate indicators alone could not provide. The original design of the results framwork, as presented in the PAD, did not offer much scope for that. The analysis was internally consistent, and in accordance with Bank guidelines. With 28 main text pages, the ICR could have been more concise.

a. Quality of ICR Rating
Substantial