

Second forestry institutions and conservation project

Report No. ; Type: Report/Evaluation Memorandum ; Country: Indonesia; Region: East Asia And Pacific; Sector: Forestry; Major Sector: Agriculture; ProjectID: P003942

Indonesia: Second Forestry Institutions and Conservation Project (Loan 3243-IND)

The Indonesia Second Forestry Institutions and Conservation project (FICP II), supported by Loan 3243-IND for US\$20 million equivalent, was approved in FY90. The project was cofinanced with grants from the Government of Japan for Y=

72.5 million (US\$0.5 million equivalent), and the International Tropical Timber Organization for US\$0.8 million. The Loan was closed on schedule in FY95. The Loan was not fully disbursed and US\$10.6 million was canceled at completion at the request of the borrower because two project components were to be financed from alternative funding sources. The Implementation Completion Report (ICR) was prepared by the East Asia and Pacific Regional Office. Comments from the borrower are included as Appendix B. The objectives of this project were to reduce the pace of deforestation in Indonesia and maximize the sustainable flow of benefits from forest use. These objectives were to be achieved by strengthening the inspection, monitoring, and supervision of logging concessionaires; development of a master plan for reforestation; development of a forestry research station in Eastern Indonesia and a forestry research master plan; development of plans for improved management of mangrove resources and ten national parks; and, provision of a high-level advisor and short-term expertise to support strategic planning, forest policy review and implementation. The project was initiated when Bank support for the First Forestry Institutions project (Loan 2930-IND) had been in place for less than two years, and the borrower agency's lack of familiarity with Bank procedures contributed to weaknesses in implementation.

The project failed to achieved its major relevant development objective. Implementation of the concession management component and construction of the forestry research facility were canceled, on the grounds that they would be financed from alternative sources. But these components had not been implemented when the project closed, despite the availability of grant funds for such activities and the borrower's own, substantial Reforestation Fund. Reforestation and forestry research master plans were completed, as was master planning for conservation of mangrove resources and seven national parks, although doubts exist about the implementation of some of these plans because of institutional weaknesses. The policy advisor was appointed after an initial delay. The ICR does not report on project monitoring or why the mid-term review identified in the Staff Appraisal Report (SAR) did not take place. An Economic Rate of Return was not estimated in the SAR, nor does the ICR report on the costeffectiveness of the measures implemented.

The Operations Evaluation Department (OED) agrees with the ICR in rating the outcome of the project as unsatisfactory, institutional development as modest, and sustainability as uncertain. Similarly, the ICR and OED rate the performance of the Bank as satisfactory, but with some shortcomings elaborated below in lessons learned.

Lessons learned from this project are: (i) borrower commitment throughout the project cycle is essential for success, and the Bank could have helped prepare the borrower better to accept such a complex, technical assistance-based project; (ii) improvements in natural resource management are highly dependent on sound basic policies concerning resource pricing and allocation, before technical and other developments can bear fruit; and (iii) without effective coordination between the government, donors, and other stakeholders in tropical forestry, the benefits of technical developments promoted by the project will be realized only slowly, and the outcome will be less than expected.

The overall quality of the ICR is satisfactory. It provides a carefully worded account of project implementation by an agency that lacked familiarity with Bank procedures in a sector fraught with difficult policy issues, where the Bank seeks to be actively engaged in policy dialogue, but where opportunities for lending have been curtailed. No audit is planned.