



<b>1. Project Data :</b>		<b>Date Posted :</b> 07/19/2000	
<b>PROJ ID:</b> P003985	<b>OEDID:</b> L3658	<b>Appraisal</b>	<b>Actual</b>
<b>Project Name :</b> Watershed Conservation	<b>Project Costs (US\$M)</b>	487.80	26.2
<b>Country :</b> Indonesia	<b>Loan/Credit (US\$M)</b>	56.5	16.30
<b>Sector, Major Sect .:</b> Natural Resources Management, Environment	<b>Cofinancing (US\$M)</b>	none	none
<b>L/C Number:</b> L3658			
	<b>Board Approval (FY)</b>		94
<b>Partners involved :</b> none	<b>Closing Date</b>	09/30/2000	12/31/1999
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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## 2. Project Objectives and Components

### a. Objectives

The project was designed to support the implementation of the Government of Indonesia's Regreening and Reforestation (R&R) Program. It had two objectives: (i) to raise the living standards of poor upland farmers and (ii) to enhance watershed environmental quality and protect downstream watershed resources .

### b. Components

The project had three components : (i) a National Institutional Strengthening (NIS) Component; (ii) a pilot Upper Cimanuk Watershed Conservation and Development component (UCWCD); and (iii) an Investment Support for Presidential Instruction for Regreening and Reforestation Program (INPRES R&R program) component.

### c. Comments on Project Cost, Financing and Dates

As appraised total project cost was US \$ 487.80 of which the Bank share was US \$ 56.50 million, the Government share was US \$ 362.30 million and the farmer families' contribution was to be US\$ 69.00 million. Actual project cost was US \$ 26.2 million or 5.3 percent of the appraised cost. Actual Bank loan was for US \$ 16.30 million. A total of US \$ 40.2 million was canceled. Actual Government contribution was US \$ 9.10 million and farmer families' contribution was only US \$ 0.80 million. The project closed in December 1999, 9 months ahead of schedule.

## 3. Achievement of Relevant Objectives :

Though project objectives were consistent with the Country Assistance Strategy and government priorities, they were ambitious and unrealistic and the project record in achieving them was unsatisfactory . The component that provided investment support for INPRES R&R and accounted for 62 percent of project costs at appraisal was not implemented and was canceled after the mid term review . Implementation of the NIS component started too late . As a result project managers did not have the benefit of new institutional guidelines developed under this component for three years. Although the UCWCD pilot component achieved some positive results in terms of developing institutional tools for participatory planning and implementation of watershed development programs in small watersheds, it was plagued with problems like lack of mechanisms for monitoring of financial and economic project impacts, lack of cost recovery and maintenance arrangements and delay in land titling . The re-estimated ERR calculated only for the UCWCD component (as at appraisal) was 8 percent compared to 17.3 percent at appraisal.

## 4. Significant Outcomes /Impacts:

(i) New institutional tools for participatory planning and implementation of watershed development programs in small watersheds were developed; (ii) Establishment of the on-farm Key Farmers Technology Display was successfully implemented.

## 5. Significant Shortcomings (including non-compliance with safeguard policies ):

(i) As designed the project was unrealistic . It was overoptimistic about the capability of the implementing agencies to implement the project components in a timely manner . In addition the technical aspects of the project design were also not sound as the on farm treatments did not adequately take into account the constraints imposed by the small size of holdings and the difficulty of regularizing tenancy arrangements with absentee owners; (ii) Another design

shortcoming was the phasing of activities under the different components which did not allow them to be dovetailed into each other properly. As a result there was inadequate linkage between the UCWCD component which was meant to be a pilot project for developing methodologies to be applied in the R&R program and the NIS component to strengthen the planning and implementation of the national R&R program. As a consequence the largest project component-- investment support for INPRES R&R-- could not be implemented.; (iii) Limited expansion of the NIS especially its Information Support System and Watershed Planning subcomponents to more watersheds due to inadequate provisions of funds for equipment and training. (iv) Monitoring and Evaluation was unsatisfactory; (v) Technical assistance was to be used to minimize the technical risks but was unsatisfactory.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Unsatisfactory	Unsatisfactory	
<b>Institutional Dev.:</b>	Partial	Modest	
<b>Sustainability:</b>	Likely	Unlikely	Despite the fact that the project objectives were in keeping with government priorities, the government showed little commitment towards them during the life of the project. There are questions about commitment level after project closure. Further, the ICR notes that in the longer term prolonged fiscal and economic instability (Indonesia's economic crisis occurred towards the end of the project period) would adversely affect the government's capacity to finance the incremental recurrent expenditures needed to maintain the services to farmers at the level reached at the end of the project. With respect to the technology, adoption has been driven at least partly by subsidies which appear unsustainable.
<b>Bank Performance:</b>	Deficient	Unsatisfactory	
<b>Borrower Perf.:</b>	Deficient	Unsatisfactory	
<b>Quality of ICR:</b>		Satisfactory	

#### 7. Lessons of Broad Applicability :

(i) In the design of a project it is important to remember that there can be a large difference between professed government priorities and actual government support and commitment for implementation of project activities. Both ownership and capacity to implement and co-finance need to be probed well below the surface. The design of the Indonesia National Watershed Management and Conservation Project (INWMCP) placed unrealistic reliance on the capacity of the implementing agencies. (ii) Adequate borrower participation in the preparation of projects is crucial. Since borrower participation in project preparation in the case of INWMCP was limited, the borrower failed to follow up the preparation and appraisal with a detailed project implementation plan and a training program to prepare the implementing agencies for the roles that were expected of them.

8. Audit Recommended? ☐ Yes ☒ No

#### 9. Comments on Quality of ICR :

Satisfactory.