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|---|------------------------------|---------------------------------|---------------|
| <b>1. Project Data:</b>   |                              | <b>Date Posted :</b> 09/15/2003 |               |
| <b>PROJ ID:</b> P045337   |                              | <b>Appraisal</b>                | <b>Actual</b> |
| <b>Project Name :</b> Id-kecamatan Dev Fund   | <b>Project Costs (US\$M)</b> | 273                             | 253           |
| <b>Country:</b> Indonesia   | <b>Loan/Credit (US\$M)</b>   | 273                             | 253           |
| <b>Sector(s):</b> Board: PS - General transportation sector (21%), General agriculture fishing and forestry sector (20%), General education sector (20%), General water sanitation and flood protection sec (20%), General public administration sector (19%)   | <b>Cofinancing (US\$M)</b>   | 0                               | 0             |
| <b>L/C Number:</b> C3453; L4330   |                              |                                 |               |
|   | <b>Board Approval (FY)</b>   |                                 | 98            |
| <b>Partners involved :</b> None.  | <b>Closing Date</b>          | 09/30/2002                      | 12/31/2003    |
| <b>Prepared by :</b>  | <b>Reviewed by :</b>         | <b>Group Manager :</b>          | <b>Group:</b> |
| Kavita Mathur   | Christopher D. Gerrard       | Alain A. Barbu                  | OEDST         |
| <b>2. Project Objectives and Components</b><br><b>a. Objectives</b><br>The objectives of the project were:<br>(1) To raise rural incomes;<br>(2) To strengthen kecamatan and village government and community institutions; and<br>(3) To improve public infrastructure through labor intensive methods.<br><b>b. Components</b><br>The project had four components:<br>(a) Block Grants to Kecamatan -- To provide block grants of 350 million to one billion rupiah (US\$ 44,000 to US\$ 125,000) annually over three years to selected kecamatan for a variety of development activities including rural infrastructure (e.g., roads, water supply, sanitation, bridges, schools, and health facilities) and social and economic loan activities. Sub-project proposals from village, sub-village, and/or neighborhoods were ratified in the LKMD (Village Council) and were sent to UDKP (Kecamatan Council of Village Heads) for verification, review and funding.<br>(b) Technical Assistance for Implementation of the Kecamatan Development Program (KDP) to National Management Consultants (NMC), Provincial Management Consultants (PMC), Kabupaten Engineers (KE) and Kecamatan Facilitators (KF).<br>(c) Monitoring -- Including impact monitoring through surveys and qualitative reviews.<br>(d) Policy studies -- Originally intended to focus upon district level procurement guidelines, this component was eventually eliminated because of the passage of the decentralization laws in 1999 which established its own local procurement regulations. However, the KDP commissioned numerous studies from its own resources to inform the design and management of the program.<br><b>c. Comments on Project Cost, Financing and Dates</b><br>The original loan amount was US\$ 225 million. In 2001, the World Bank extended the closing date of the project by 15 months and added a supplementary credit of US\$ 48 million to scale up and accelerate the project in response to the macroeconomic crisis. At project closing, US\$ 253 million was disbursed. |                              |                                 |               |

### 3. Achievement of Relevant Objectives:

The first objective, raising rural incomes was achieved. In the short run, infrastructure works funded by the project generated 25 million workdays for over 2.8 million villagers. In the long run, improvement in roads is expected to open economic opportunities at the village and kecamatan level through improved access to markets, town centers and neighboring villages. Improved irrigation is expected to increase agricultural production. Also, economic loans for animal husbandry, trading, agriculture and home cottage industry were used to expand business opportunities (see section 5 which indicates poor repayment rates).

The second objective, strengthening kecamatan and village government and community institutions was achieved. At the national level, the KDP developed the capacity to manage a large-scale national program covering one out of every four villages in Indonesia. At the district and kecamatan level the project provided technical assistance for project monitoring, supervision, management and handling of complaints. The financial capacity at the kecamatan level was significantly improved through the creation and training of about 986 Financial Management Units (UPK).

The third objective, improving public infrastructure through labor-intensive methods was achieved. The economic rate of return for infrastructure sub-projects ranged from 15% to 83%. ERR for irrigation and drainage subprojects was 15%, roads was 33%, bridges was 59% and water supply was 83%. Village infrastructure built using labor-intensive methods under the project cost significantly less -- about one-third less than the equivalent works built through government agencies.

### 4. Significant Outcomes/Impacts:

- The capacity of communities to plan and implement infrastructure and social projects was improved. Over the four-year project period, about 50,000 projects were planned and implemented by the communities. Community contributions in-kind and cash were about 17% of the total project costs.
- The project fostered partnerships with NGOs and the media. The role of civil society in monitoring was increased. The NGOs and journalists are acting as "independent or citizen watchdogs" to monitor government development projects.
- Improved access to markets, town centers, health and education facilities. New construction of roads and bridges has significantly reduced travel time.
- Access to clean water has resulted in decreased costs of buying water and has improved health conditions. Time savings due to new water supply systems is estimated at 50 million person-days saved.
- The KDP model for community based development is being internalized by the Government of Indonesia. The government is promoting it as a foundation for its national poverty reduction strategy.
- The KDP piloted a legal aid program called "Justice for the Poor". The program funded legal aid NGOs and paralegal groups to provide legal advocacy services and education in select KDP areas.

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

- Poverty targeting within villages was weak, especially for economic loans, leading to the exclusion of some more marginal and poor communities. For economic loans, a large proportion of the loans were allocated to better-off farmers.
- Poor repayment rates for microcredit -- 45% for the first two project years.
- Weak management by the Community Development Agency (PMD). Contract management and procurement was slow and inefficient.

| 6. Ratings:                 | ICR                 | OED Review   | Reason for Disagreement /Comments   |
|-----------------------------|---------------------|--------------|---|
| <b>Outcome:</b>             | Highly Satisfactory | Satisfactory | The project achieved its relevant objectives but with some shortcomings that do not justify a highly satisfactory outcome (see section 5). Also, while the ICR rates the outcome as highly satisfactory in section 2, it rates it as satisfactory in paragraph 4.1. |
| <b>Institutional Dev .:</b> | High                | Substantial  | Communities need more quality training in the areas of planning, financial management and construction skills; and  |

|                           |              |              |   |
|---------------------------|--------------|--------------|---|
|                           |              |              | government officials lack appropriate training in the principles and procedures of KDP supervision. |
| <b>Sustainability :</b>   | Likely       | Likely       |   |
| <b>Bank Performance :</b> | Satisfactory | Satisfactory |   |
| <b>Borrower Perf .:</b>   | Satisfactory | Satisfactory |   |
| <b>Quality of ICR :</b>   |              | Satisfactory |   |

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

#### **7. Lessons of Broad Applicability:**

Several important lessons are identified by the ICR. Five are repeated here for their broad applicability:

1. Capacity building requires training that is addressed through a sustained strategy for developing capacities continuously and transferring skills gradually over a period of time, rather than one-time generic training workshops.
2. Community participation can be substantially improved through better facilitation, communications and outreach.
3. The Bank needs to substantially improve the poverty targeting mechanism for allocating funds at the village level.
4. Women's representation at meetings does not necessarily translate into women's empowerment or investments that benefit them. The Bank needs to move beyond the first step of mandatory representation and include more systematic gender awareness and women's leadership training programs to raise the voices of women.
5. Independent civil society groups including NGOs and media can provide quality monitoring.

#### **8. Assessment Recommended?** ☒ Yes ☐ No

**Why?** (i) To verify the ratings for outcome, institutional development impact and sustainability; and (ii) to feed into OED's evaluation of the Bank's Community Driven Development projects.

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

The overall quality of the ICR is satisfactory. The main shortcoming of the ICR is the lack of consistency in the information provided. Under section 2, outcome is rated as highly satisfactory whereas under section 4, it is rated satisfactory. Also, the does not discuss the status of the government counterpart funding. In the Project Appraisal Document, the government contribution was listed as US\$ 47 million. In this regard, the cost tables in Annex 2 are incomplete, since these only provide the loan amounts, not the total project costs.