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IMPLEMENTATION COMPLETION REPORT
(SCL-43300; IDA-34530)

ON A

LOAN

IN THE AMOUNT OF US\$ 225 MILLION

TO THE

REPUBLIC OF INDONESIA

FOR A

KECAMATAN DEVELOPMENT FUND

JUNE 20, 2003

Environment and Social Development Department
East Asia and Pacific Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 15, 2003)

Currency Unit = Indonesian Rupiah
Indonesian Rupiah = US\$ 1
US\$ 1 = Rps. 850,000.00

FISCAL YEAR

January 1 December 31

ABBREVIATIONS AND ACRONYMS

AJI	Association of Independent Journalist
Bappenas	National Development Planning Agency
BPKP	Government Audit Agency
CAS	Country Assistance Strategy
DPRD II	Local Parliaments
EIRR	Economic Internal Rate of Return
FAO	Food and Agriculture Organization
GOI	Government of Indonesia
KDP	Kecamatan Development Program
Kecamatan	Subdistrict
LP3ES	Social and Economic Research Institute
NGO	Non-Government Organization
NMC	National Management Consultant
NTT	East Nusa Tenggara
O & M	Operation and Maintenance
OED	Operation Evaluation Department
PMD	Community Development Agency
UNDP	United Nation Development Program
UPK	Kecamatan Financial Management Unit
VIP	Village Infrastructure Project
WSSLIC	Water and Sanitation for Low Income Communities

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**INDONESIA
ID-KECAMATAN DEV FUND**

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<i>Project ID:</i> P045337	<i>Project Name:</i> ID-KECAMATAN DEV FUND
<i>Team Leader:</i> John Victor Bottini	<i>TL Unit:</i> EASES
<i>ICR Type:</i> Core ICR	<i>Report Date:</i> June 20, 2003

1. Project Data

Name: ID-KECAMATAN DEV FUND *L/C/TF Number:* SCL-43300; IDA-34530
Country/Department: INDONESIA *Region:* East Asia and Pacific Region

Sector/subsector: General transportation sector (21%); General agriculture, fishing and forestry sector (20%); General water, sanitation and flood protection sector (20%); General education sector (20%); General public administration sector (19%)

Theme: Civic engagement, participation and community driven development (P); Rural policies and institutions (P); Rural services and infrastructure (P); Other social protection and risk management (S); Gender (S)

KEY DATES

<i>PCD:</i> 06/27/1997	<i>Effective:</i> 07/30/1998	<i>Original</i>	<i>Revised/Actual</i>
<i>Appraisal:</i> 03/16/1998	<i>MTR:</i>		08/25/1998
<i>Approval:</i> 06/02/1998	<i>Closing:</i> 09/30/2002		12/31/2003

Borrower/Implementing Agency: REPUBLIC OF INDONESIA/MINISTRY OF HOME AFFAIRS
Other Partners:

STAFF	Current	At Appraisal
<i>Vice President:</i>	Jemal-ud-din Kassum	Jean Michel Severino
<i>Country Director:</i>	Andrew D. Steer	Dennis N. De Tray
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2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

Outcome: HS

Sustainability: L

Institutional Development Impact: H

Bank Performance: S

Borrower Performance: S

	QAG (if available)	ICR
<i>Quality at Entry:</i> HS		S
<i>Project at Risk at Any Time:</i> No		

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:

When KDP was conceived in 1998, Indonesia was in the midst of an extreme financial and political crisis. A prolonged drought had pushed the rural poor in many regions deeper into poverty. Economic growth declined to minus 14 percent in 1998, in marked contrast to the eight percent annual growth rates of earlier years. While the country had made significant progress for decades on poverty reduction, those gains were quickly being reversed as millions of rural poor fell below the poverty threshold and significant numbers of people increased their vulnerability and clustered around the poverty line. The economic crisis brought to the forefront the vulnerability of Indonesia's approach to economic development and governance. Thirty-two years of authoritarian rule had stifled local-level initiative and decision-making. The government in the past had undermined local capacity and placed heavy restrictions upon local community organizing. Government programs in general had not been responsive to local needs and the mismanagement of public projects and funds had led to general disillusionment with the government's ability to provide essential services.

KDP's Original Objectives. KDP was designed to address this myriad of problems by improving local governance and increasing the participation of communities in their own development. The Program's development objectives are: (1) to strengthen kecamatan (sub-district) and village level government and communities by empowering them to manage increased funding and become accountable for it; and (2) to contribute to rural development by providing increased economic opportunities at the village level in the poorest kecamatan.

KDP's goals were consistent with the Bank's 1997 Country Assistance Strategy (CAS) as well as the government's poverty alleviation strategy. The CAS consisted of four main objectives: poverty reduction; efficient delivery of basic services; participation in development planning and implementation; and decentralization. This was consistent with the government's overall poverty strategy for poverty reduction through financial transfer programs; improvement of the scope and quality of basic social services; regional development programs; development of better methodologies for information systems for identifying and targeting poor groups; and support for local economic initiatives and labor-intensive civil works.

KDP's objectives reflected the critical needs and concerns of the Government and nation at the time.

3.2 Revised Objective:

The project development objectives are to: raise incomes, strengthen kecamatan and village government and community institutions and to build infrastructure through labor intensive methods.

3.3 Original Components:

Project Component 1: Block Grants to Kecamatan

*** USD 221 million**

This component supports block grants of 350 million to one billion rupiah (USD 44,000 to USD 125,000) annually over three years to kecamatan. After a three to four-month socialization and planning process, villages generate proposals that are approved at inter-village fora composed of

village representatives. The funds are used for a variety of development activities including rural infrastructure, (i.e., roads, water supply, sanitation, bridges, schools and health facilities, etc.) and social and economic loan activities.

Project Component 2: Technical Assistance for Implementation USD 32 million

This component supports technical assistance for implementation of the Program. The Government hires consultants at the national, provincial, district and kecamatan levels to assist the government and villagers in implementing the project cycle.

Project Component 3: Monitoring USD 2 million

This component includes monitoring activities of NGOs and independent journalists as well as impact monitoring and surveys, technical studies, case studies and financial oversight.

Project Component 4: Policy studies USD 2 million

This component was originally intended to focus upon district level procurement guidelines, however it was eventually eliminated because of the passage of the decentralization laws in 1999 which established its own local procurement regulations.

*Component budget amounts are based upon final actual budget amounts. See Annex 2

The design of all components was clearly related to the aforementioned objectives. By providing funding and technical assistance directly to communities to plan and implement their projects, KDP strengthens and empowers local communities and increases rural development in the poorest villages. Project implementers and independent actors such as NGOs and the media monitor the project cycle.

The components and the design of the Program took into account best practices and relevant lessons learned in earlier studies and projects. KDP's immediate predecessors, the Village Infrastructure Projects (VIP)1 and 2, demonstrated that communities can receive funds directly and manage them effectively for their self-identified infrastructure projects. VIP and other Bank experience with community infrastructure projects all pointed to the lower costs, higher quality, and greater ownership that comes from community participation. The Local Level Institutions study showed that communities have enormous capacity to manage their own projects. The effective use of local organizations however requires giving them resources and responsibilities.

3.4 Revised Components:

Component; Cost; Rating

INVESTMENTS; \$201,800,000.00; S

TECHNICAL IMPLEMENTATION ASSISTANCE; \$69,000,000.00; S

MONITORING REVIEWS, ETC; \$2,000,000.00; HS

POLICY; \$2,000,000.00; S

Project cost recording is slightly skewed against the project because significant funds were added to KDP's grant category. GOI added \$35,000,000.00 to the Kecamatan Grant Component (Comp. 1) during the project's second year. This was done outside of the project's legal structure but with the concurrence of the Bank. A supplemental Credit of \$49.0 million was also added to the project, again primarily in Category 1. Thus, the project's technical assistance also had to cover nearly \$90 million in extra grant funds.

3.5 Quality at Entry:

Quality at Entry is rated as highly satisfactory. A QAG assessment completed in 1999 rated Quality at Entry as highly satisfactory due to the consistency of objectives with the CAS, government priorities and the Bank's safeguard policies. As described in the sections above, KDP's objectives were very much complementary to the CAS' emphasis on poverty reduction; efficient delivery of basic services; participation in development planning and implementation; and decentralization. Assumptions made regarding project risks and external factors were reasonable and justified given the experience of past government programs and the fluid political and economic situation of the country at that time.

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

Achievement of objectives and outputs under KDP was satisfactory. These achievements are all the more impressive given the tumultuous political and economic backdrop throughout the project period: a prolonged drought; severe financial crisis; one political coup followed by the first free general elections held in 44 years; four presidents in four years; armed insurgencies; ethnic riots and repeated terrorist attacks around the archipelago; and the Bali bombing of October 2002.

KDP continued relatively unscathed from these political events. From 1998 to 2002, KDP funded over 50,000 physical infrastructure, economic and social activities across the country worth USD 189 million. Field studies and household surveys cite high satisfaction with KDP's results which opened economic opportunities at the village and kecamatan level and improved access to markets, town centers, education and health facilities and clean water supply. Economic loans were used to expand business opportunities, especially among women.

KDP's second objective, the strengthening of kecamatan and village level government and communities, is a long-term process. KDP was envisaged as the first phase of a longer-term local governance and investment program. Changes in attitudes, procedures and practices by necessity take time in order to reverse years of authoritarian attitudes, top-down development planning, and lack of accountability and transparency. KDP1 took a large step in the right direction by providing technical assistance and giving communities direct responsibility for planning and implementing their identified development projects. Along with specific training for government officials, consultants and communities, KDP followed a "learning by doing" process.

4.2 Outputs by components:

1. *Improved planning process and plans – Highly satisfactory*

By the end of 2002, KDP had worked in some 18,000-20,000 villages, almost one out of every four villages in the country, with a total beneficiary population of some 35 million people. Over 126,000 village-wide public meetings were held on KDP with an average of 36 percent women attending and 53 percent representing the poorer members of the communities. The planning process was implemented in all these villages and 986 financial management units (*UPKs*) at the kecamatan level were formed and trained.

2. Public infrastructures – Highly satisfactory

For detailed description of outputs, see listing in Annex 1.

Seventy-six percent of KDP grant funds (Rps 1.2 trillion or USD 133 million) went towards productive infrastructure activities, benefiting an estimated 35 million beneficiaries in the participating villages. Roads were by far the most popular, followed by irrigation and drainage schemes, bridges, clean water supply, sanitation and other infrastructure such as markets, boat docks, etc. The infrastructure works generated 25 million workdays for over 2.8 million villagers. External technical evaluations found that the general quality of KDP infrastructure was good to very good, especially for bridges and market structures. In terms of cost effectiveness, village infrastructure built through KDP methods cost significantly less – on average about one-third less – than equivalent works built through government agencies such as the Ministry of Public Works. This was due to savings in the costs of labor, materials, equipment (using manual labor instead of heavy equipment) and technical assistance.

3. Economic investments – Unsatisfactory

Twenty-three percent of KDP grant funds (Rps 357 billion or USD 40 million) went towards economic loan activities such as loan and savings groups (*simpan pinjam*), animal husbandry, trading, agriculture and home cottage industries. Over 18,000 groups representing some 280,000 persons received economic loans. Economic activities were particularly popular for women's groups. Seventy-four percent of women's proposals were for economic loans, especially loan and savings groups, followed by trading and animal husbandry. Field reports show that borrowers used KDP funds to start new businesses or more often, to augment the capital for their existing businesses.

The bad news is that loan repayment was a major challenge for the program. Repayment rates for loans from the first two project years were averaging only 45 percent nationwide with wide provincial variation. The eastern provinces of Nusa Tenggara Timor and Papua had the lowest repayment rates averaging 10 to 20 percent while Yogyakarta and Central Java, with a long tradition of village credit activities were averaging approximately 85 to 90 percent repayment rates. The targeting of the loans was also a problem. External evaluation reports and household surveys indicate that a large portion of loans was allocated to better-off villagers because communities were reluctant to lend to the poor for fear of poor repayment, (although "better off" in this context still meant an average daily per capita income of only \$1.25-\$2.00). KDP

commissioned an independent external evaluation of KDP's credit portfolio in September 2001, resulting in a complete redesign of the micro-credit portfolio for KDP Phases Two and Three.

4. Studies - Satisfactory

The original intention of this output component was to focus on studies to improve district procurement guidelines. However, as explained earlier, new decentralization laws of 1999 preempted the implementation of this study.

KDP commissioned numerous studies to inform the design and management of the Program. These studies included:

- Eight Internal Monitoring case studies on women's participation, role of village facilitators, improvements in local governance, etc.
- KDP activities in conflict areas
- 4,600 household impact survey on community participation and organization
- Two technical studies and ex-post evaluations on infrastructure activities
- Economic loan study
- Information, Education and Communication strategy studies
- Fighting corruption in KDP
- Legal assistance program for KDP communities
- NGO Special Monitoring Work of KDP Implementation in Five Provinces in Java
- The Experience of Mass Media in Monitoring KDP

Almost all the findings from these studies and research led to significant improvements in KDP design and procedures.

4.3 Net Present Value/Economic rate of return:

Economic Rate of Return

A November 2001 ex-post evaluation of select KDP infrastructure outputs found that the economic internal rate of return (EIRR) for the main KDP infrastructure types ranged from 14 to 83 percent with a weighted average of 60 percent. (Much more conservative assumptions for returns to road would still yield a total IRR of 38%). Generally, the nature of small-scale rural infrastructure projects is such that the marginal productivity of capital can be very high and only relatively small injections of capital are needed to release large incremental benefits.

Table 1: Economic Internal Rate of Return for KDP Infrastructure

Projects	EIRR
Water supply	83.3%
Bridges	58.7%
Roads	32.8%
Irrigation/Drainage	14.8%
Weighted Average	60.1%

Virtually all the benefits have been captured by villagers who report the following direct benefits:

- Improved access to neighboring villages, local markets, schools and other public facilities
- Decrease in travel and transport costs especially for agricultural commodities
- Time savings in travel particularly with roads and new bridge construction
- Increase in agricultural production due to irrigation projects
- Opening up of businesses and transport services due to new roads, bridges and piers
- For water and sanitation projects, improved water quality, ease of access to clean water supply, decreased costs of buying water and improved health conditions. Time savings due to new water supply systems were particularly significant, representing potentially an estimated 50 million person days saved.

An independent impact survey conducted with 4,600 households in KDP areas confirmed that community leaders and beneficiaries were satisfied with KDP's outputs and cited the positive impact of KDP projects on household income, access to markets, school participation (for females as well as males) and access to health facilities. These responses compared favorably to control groups in non-KDP project areas.

4.4 Financial rate of return:

Financial rate of return was calculated at 38.9%. Factoring in all technical assistance and facilitation costs, the overall weighted IRR comes to 20.3%, which is well above the break-even point on the loan.

4.5 Institutional development impact:

One of the development objectives of KDP was to strengthen kecamatan and village level government and communities (see earlier discussion under Achievement of Objectives) By building the capacities of government institutions and community organizations to plan, manage and implement development activities, they will be able to continue to carry on development activities effectively in the future.

Through KDP, the national level government developed its capacity to manage a large-scale national program covering almost one out of every four villages in Indonesia, and involving the recruitment and training of some 34,600 consultants and village facilitators. The implementing agency, PMD, and the Ministry of Finance increased its contracting and financial management capabilities, managing over 61 contracts and disbursing approximately USD 253 million of development funds.

The local governments at the provincial, district, kecamatan and village levels also gained skills in project monitoring, supervision, management, and handling complaints. With the increasingly prominent roles played by the districts, KDP provided orientation and training to district officials and local parliaments (DPRD II) so that they could expand their monitoring roles.

Full partnerships with NGOs and the media were institutionalized through contracts with over 40 NGOs and 31 journalists based in the provinces who were involved in independent monitoring of KDP. KDP provided training to these groups and sponsored national workshops to exchange ideas and experiences. Feedback from these civil society groups emphasized their improved

monitoring skills in overseeing government development projects and fulfilling new roles as “independent or citizen watchdogs”. Lastly, the skills of communities have been built in project planning, implementation, management and monitoring of infrastructure and economic activities. Over a four-year project period, communities themselves planned and implemented some 50,000 infrastructure, economic and social activities.

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:

External factors affecting KDP’s implementation included:

1. Internal conflicts/security- Internal conflicts affected project implementation in at least six of KDP’s 22 provinces. In Aceh and Papua, separatist conflicts meant heightened security measures for staff, and in Aceh province, fighting between separatists and government forces resulted in the suspension of activities in several districts.

In other parts of the country such as Central Kalimantan, Poso in Central Sulawesi, Maluku and North Maluku, ethnic and religious conflict broke out and KDP was forced to remove its consultants and suspend activities for extended periods of time until the security situation improved. The violent conflicts took the lives of one KDP kecamatan facilitator in Maluku and one village facilitator in Aceh.

5.2 Factors generally subject to government control:

2. Government commitment – The Government demonstrated its commitment to KDP in a number of ways. First, the Government showed surprising willingness to experiment and adopt several unique and progressive design features, such as media and NGO independent monitoring, information transparency mechanisms, supplementary funding window for widows and orphans, and a legal assistance component. In the context of Indonesia’s decades of authoritarian rule and corruptive practices, the Government’s willingness to allow a greater role for civil society and to embed more open, transparent procedures into the project, was in fact revolutionary.

Secondly, current GOI policy promotes the KDP design as a foundation of its national poverty reduction strategy, and its “flagship” poverty project. If KDP was proven successful, the Government envisioned adopting the KDP development model and allocating its own fiscal resources to continue the program. KDP should eventually shift into the regular government system of budget transfers, relying on decreasing injections of external aid. This aim has already been partially fulfilled and there is strong evidence of the Government’s commitment to sustaining KDP:

- The Government has always showed strong support for expanding KDP across Indonesia. KDP started its first year with 150 more subdistricts than originally planned during project appraisal, and scaled up KDP coverage an average of 40 percent each year. By the end of the Program, KDP exceeded the geographical target for kecamatan coverage by 35 percent.
- In 2001, the Government complemented KDP funding shortfalls with a USD 48 million Supplementary Credit at a time of drastically reduced foreign borrowing.

- In 2001, the government also initiated a USD 25 million program following KDP procedures and mechanisms in order to channel fuel subsidy transfers to poor villages off Java.
- For KDP Phase Two (2002-2006), 70 districts or 35 percent of the total participating districts, will be contributing funds out of their own internal budgets for the capital grants to the program while KDP provides the technical assistance. Almost 25 percent of the Program's funds will come from these district contributions.
- Lastly, in response to the Oct 2002 bombing in Bali and the December 2002 Aceh peace accords, the government has requested the World Bank to expand KDP in these provinces. KDP will expand to an additional 47 kecamatan in Bali and eventually an additional 70 kecamatan in Aceh because of recent political events.

The Government has also demonstrated its strong commitment to KDP by committing considerable staff resources to the Program. Management of KDP was the responsibility of the Ministry of Home Affairs, Community Development Agency (PMD). PMD formed a national secretariat with close to 25 staff. The Government formed coordination teams, representing various ministries at the national, provincial and district levels, headed by the National Development Planning Agency (Bappenas) and its provincial and district offices. At the kecamatan level, the PMD section head served as KDP's local project manager. Project supervision missions have involved consistently a high level of participation by the concerned government agencies.

5.3 Factors generally subject to implementing agency control:

3. Management effectiveness - While the Government demonstrated strong commitment to KDP, PMD's management capabilities were fairly weak throughout the project. Three problems were especially prominent. First, there was disagreement over the roles and responsibilities of PMD and the consultants. Despite several written clarifications, there was continuous tension related to the duplication of responsibilities and ambiguity regarding task management. Secondly, the PMD national secretariat handled with great difficulty some 61 different contracts, not including numerous extensions and amendments. Contract management and procurement was slow and inefficient at all stages, from contract bidding, to selection, to finalization of contracts and amendments. Delays in the issuance of contracts for consultant companies, NGOs and other service providers adversely affected the project schedule and delayed implementation for months at a time. Lastly, PMD was slow to act in solving problems or implementing agreed upon decisions. For example, in cases of corruption such as in Papua or Lampung provinces, PMD was slow to address the problems or apply sanctions even when there was ample evidence of corruption or procedural violations.

4. Strong Level of Civil Society Participation – One shining light through KDP was the strong commitment and participation of Indonesian civil society groups in monitoring the Program. Under the Suharto regime, NGO activities and the media were extremely restricted in their activities. KDP contracted 40 Indonesian NGOs to monitor independently project activities and provide monthly oral and written reports to the provincial coordination teams including

government and consultants. The Program also contracted thirty-one journalists from radio and print media through a leading Indonesian NGO, LP3ES and the Association of Independent Journalists to write uncensored news reports regarding KDP. Feedback from both the NGOs and journalists was very positive about their monitoring activities. Lastly, by Year Three of KDP, the Program had developed a pilot 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. In summary, the support from civil society, which is only at a nascent stage of development since Suharto's fall in 1998, has played a critical and active role in KDP.

5. Beneficiary commitment – KDP is a popular program especially among local government officials and beneficiary communities. For three decades under Suharto's New Order regime, ordinary villagers were "disempowered" and uninvolved in the political and democratic process. KDP has changed that paradigm by providing citizens with a mechanism to put democratic village-level decision-making into practice. The communities are the ones who actually implement KDP, and without their considerable time and commitment, the program would fail. Village and kecamatan meetings to socialize and plan KDP activities show strong attendance and participation of villagers with women generally comprising 26 to 45 percent of all participants. Community contributions are also a tangible indicator of interest and participation in project activities. Community contributions, both in-kind and cash, average about 17 percent of total projects costs; variance around this figure is very high and in some areas, community contributions match or exceed the total amounts received from KDP.

6. Corruption – Given the high risk and corruption-prone environment in which KDP operates, the Program purposely built several anti-corruption measures into its design. These mechanisms were strengthened each year. First, KDP reduced design complexity. KDP simplified financial systems and project procedures to allow full understanding and community control over decision-making and financial management. There were no hidden transaction costs or complicated budgets. Secondly, transparency was one of the key principles of KDP and formed the core of KDP's anti-corruption strategy. Program and financial information was shared and publicly displayed in villages. A strong internal and external monitoring system was established including government and consultant monitoring, civil society monitoring, joint World Bank and PMD supervision missions, and audits of 30-35 percent of kecamatan each project year. Lastly, complaints were responded to and reports of misused funds were investigated and followed up.

Has this strategy worked? There is evidence of measured success. First audit findings by BPKP, the government audit agency, KDP's own internal audit unit and the World Bank reveal only Rps 8.7 billion (USD 967,000) or 0.5% of grant funds being diverted. Misappropriation of funds in individual cases was generally for small amounts on average USD 1,000 to 2,000. Common perceptions by villagers themselves are that much less goes missing in KDP projects than in other development projects. And in cases, where funds have been misused, action is taken. Also, an independent evaluation of infrastructure projects in 2001 found that KDP infrastructure projects are 23 percent less expensive than comparable government projects primarily because of lower transaction costs, costs of labor and technical assistance, pricing of goods, materials and equipment.

Despite this progress however, corruption in KDP does exist and it is difficult to eliminate. A household survey reported numerous complaints about the lack of transparency in some infrastructure and more particularly, economic loan activities. Out of the 724 cases of misused funds reported up to July 2002, only 37 percent of those cases have been resolved; others are still in process.

5.4 Costs and financing:

The original loan amount for KDP was USD 225 million. In 2001, the World Bank added a supplementary credit of USD 48 million to ensure adequate funds for the expansion of KDP, bringing the total project funds to USD 273 million. As of Jan 2003, the project had spent 253 million or 93 percent of the loan funds.

6. Sustainability

6.1 Rationale for sustainability rating:

The Project's sustainability is rated as likely for several reasons.

- 1. Strengthened capacities of government agencies and communities** - By building the capacities of government institutions and communities to plan, manage and implement development activities, they will be able to continue to carry out these activities effectively in the future. The longer term impact of KDP will be in developing within communities the capabilities for planning, procurement, financial management and project implementation. (see earlier section on Institutional Development Impact.)
- 2. KDP as a model for community-based development in Indonesia** - KDP has established a participatory, community-based model for development in Indonesia. The Government has demonstrated its commitment to KDP by adopting the mechanism across a broad range of donor and nationally funded initiatives (see section above on Government commitment).
- 3. Decentralization policy framework** - The government's recent decentralization program, outlined in the Regional Governance Laws 22 and 25 of 1999, provides a supportive policy environment for KDP to operate. Through the new laws, local governments, especially at the district and village levels gain greater autonomy, power and a share of resources. The trend in Indonesia is to decentralize planning and finances, and move services closer to the people. Through the new revenue-sharing arrangements, districts will be more capable of providing their own resources to KDP. All this bodes well for KDP's principles of decentralization and community participation.
- 4. Sustainability of infrastructure subprojects** - In terms of sustainability and maintenance of the infrastructure projects, KDP required villagers to have Operations and Maintenance (O&M) plans and committees in place once the infrastructure projects were completed. Field reports and an August 2001 technical study revealed that 86 percent of Year One infrastructure was being maintained (one and a half years after construction), of which 94 percent were done by

village Operations and Maintenance teams or independently by community members on a periodic or regular basis. KDP1 only recently finished so ex-post evaluations will be needed in the future. The experience of the Village Infrastructure Project, KDP's predecessor, reveals that five years after construction, two-thirds of the villages on Java had maintained their infrastructure, but less than one third on Sumatra. Thus, follow-up will be needed to assess the maintenance status of KDP projects in the future. Under KDP2, one of the responsibilities of the KDP engineers will be to check on maintenance of previous KDP infrastructure projects. It remains a question whether or not communities will continue to maintain their projects using their own internal resources and whether or not KDP's technical resources will be overstretched by supervising these old kecamatan.

5. However, there are also certain undesirable changes likely to happen to the core design if the transition to on-budget sustainability happens too quickly. The biggest of these is that line agency interests remain extremely strong within local and national government. In local government adaptations of KDP, village options for procuring their own technical services and equipment from the open market are nearly always replaced by requirements for them to use government technical services. KDP's transparency rules also remain far from standard procedure within local government.

6. The preferred strategy for sustainability, discussed below, is for the Bank and Bappenas to retain a longer term involvement in the overall KDP program by financing the facilitators, while shifting the block grant contributions onto the local government budget. This will allow central government withdrawal to proceed in tandem with the development of more open and participatory local government.

6.2 Transition arrangement to regular operations:

The second phase of KDP has already begun. KDP2's Project Appraisal Document was approved in May 2001 with the loan agreement for USD 320 million signed in August 2001. KDP2 became effective in January 2002.

The Government and the Bank agreed upon several design changes based upon lessons learned from the first phase (see Lessons Learned section). For 50 of the high performing kecamatan finishing their three-year cycle of funding, KDP2 will continue to provide technical and financial assistance to them. Under KDP2, consultants will also be checking upon KDP1 infrastructure projects to ensure that they are maintained after funding for the village has ceased. KDP Phase 3, which is currently under concept review, will provide continuing technical assistance to "graduate" kecamatan of KDP1 and 2.

KDP2 continues many of the same monitoring and evaluation systems as in the first phase, namely regular consultant and government supervision and monthly reporting, civil society monitoring, case study development, financial audits and supervision missions. (See indicators listed in Annex 1) However, due to decentralization of staff, more monitoring is expected to occur from district level staff and the local parliaments.

The World Bank will continue to monitor closely the project through KDP2. A future impact evaluation by OED will be useful during the mid-term review of KDP2 or at the end of KDP2.

7. Bank and Borrower Performance

Bank

7.1 Lending:

Identification and Preparation – In designing and preparing KDP, the World Bank built upon the experience of a number of projects and studies including: World Bank social funds; Village Infrastructure Projects 1 and 2; WSSLIC 2; NGO experience in community organizing in Indonesia; FAO Integrated Pest Management Project, and the Local Level Institutions Study. All combined, these projects and studies provided key lessons and rich information regarding community organizing, social capital, training, infrastructure development, and financial management that were eventually built into the design and mechanisms of KDP.

The Bank also had the foresight to allocate significant funds for monitoring, evaluation and studies. The Bank advocated for a significant civil society role in monitoring and evaluating the program. The Bank also suggested the addition of several other innovative program components to KDP in later years, including a legal aid and advocacy program, widows and orphans component, and studies on conflict prevention in KDP areas.

7.2 Supervision:

Throughout the Program, the Bank was deeply involved in overseeing financial management and procurement. Perhaps more so than in other programs, Bank vigilance and tight supervision were needed in a working environment riddled with weak procedures and leakage. The Bank organized supervision missions that tapped the expertise of other Bank staff as well as Indonesian NGOs and other donors in the country such as UNDP, AusAid, and the Dutch government.

One weakness in Bank performance was the completion of Project Status Reports. These did not serve as a useful instrument for project management either in the field office or Headquarters.

7.3 Overall Bank performance:

The Bank's overall performance was satisfactory. The Bank benefited from an experienced, multi-disciplinary team of Indonesian and expatriate professionals with expertise in community development, engineering, training, institutional development, procurement, and financial management. The team also had a deep understanding of the Indonesian context and development environment; expatriate team members had between four to 22 years of working experience in Indonesia. The Task Manager was based in Jakarta throughout the project period in order to facilitate discussions with the government and provide close guidance and supervision.

Borrower

7.4 Preparation:

The Government's performance during preparation was highly satisfactory. Originally, the Project was lodged with the national planning agency, BAPPENAS, which provided a strong central management unit experienced with the Village Infrastructure Projects. All three core agencies (Home Affairs, Bappenas, and Finance) did an outstanding job at introducing and implementing new, more efficient financial management procedures.

Due to changes in roles and responsibilities of government agencies, KDP moved to the Ministry

of Home Affairs, Community Development Agency (PMD). PMD formed a central management secretariat which provided policy and operational guidance to KDP. From the outset, the Government also formed an inter-ministerial coordination committee that included the Ministries of Public Works, Home Affairs, Finance, Education, Health and Agriculture.

As mentioned earlier, the Government also deserves significant credit for its willingness to experiment with several unique design features. For example, the Government agreed in the loan agreement to independent monitoring and reporting by NGOs and the Association of Independent Journalists (AJI), at a time when AJI was officially banned under the Suharto regime. Later in the Program, the Government also agreed to add special funding windows and programs for widows and orphans as well as legal advocacy.

7.5 Government implementation performance:

The Government's implementation performance was satisfactory albeit with numerous weaknesses and inefficiencies as mentioned in other sections. Throughout the Project, BAPPENAS faced great difficulties with poverty targeting and the selection of the poorest kecamatan to participate in each KDP project cycle. This led to mistargeting in a few cases. Also, four personnel changes in Directorships and Project Managers in PMD during the course of the project period resulted in implementation delays and often changes in direction. As mentioned earlier, there were recurrent problems with contracting, invoicing, and problem resolution. The Bank played a strong role in ensuring that the program was kept on course and problems and issues were addressed in a reasonable time frame but there were significant delays nevertheless.

In general, there were very few problems with the Ministry of Finance and funds transfer to villages. The government audit agency, BPKP, conducted their annual audits with no significant issues or deviations from the agreed upon Terms of Reference.

7.6 Implementing Agency:

Implementing agencies' performance ranged from satisfactory to highly satisfactory. There were 26 private companies and NGOs providing national and field consultants, 28 provincial monitoring NGOs, one journalist organization (Association of Independent Journalists), two training companies, one communications company (Johns Hopkins University); one institute handling the impact evaluation (University of Indonesia, Demographic Institute) and two printing companies. Several of the NGOs as well as the communications company performed very satisfactorily.

7.7 Overall Borrower performance:

The overall Borrower performance was satisfactory to highly satisfactory. Any evaluation of the Government's performance must be done within the context of the complexity and enormity of the task before it. KDP was a USD300 million program, spread across 18,000 villages nationwide, with a kecamatan scale-up of 40 percent annually, and over 34,600 consultants and facilitators requiring training and supervision. Given the complexity and scale of the Program, KDP was an enormous management task for any organization. External political and economic factors also deserve mention. During the project period, Indonesia experienced severe economic, political and financial crises. Despite these daunting challenges, all performance output targets for the Program, except the micro credit, were exceeded. Managerial weaknesses and

implementation delays aside, the Program consistently moved forward and exceeded its major targets.

8. Lessons Learned

KDP presented many useful lessons for community-driven development projects both in Indonesia and in other countries. (For a more complete description of lessons learned, see KDP1 Final Report and KDP2 Project Appraisal Document) Some of the more important lessons learned are listed below:

Human resource development and capacity building are good investments and critical to program success. Training was especially important since KDP was introducing principles and procedures (i.e., participation, transparency, accountability, etc.) that represented a radical departure from the practices built up under years of authoritarian rule and centralized, top-down planning. While significant progress was made, KDP fell short in addressing effectively a number of training competences. Consultants and facilitators needed additional training in community facilitation, encouraging actively the inclusion of women and marginal groups, field supervision, technical and civil engineering skills, project management, and reporting. Technical assistance and supervision for village infrastructure projects in particular need to be strengthened, and for KDP2, the technical skills of kecamatan and district consultants must be upgraded. Communities also required more quality training in the areas of planning, financial management, and construction skills. Government officials lacked appropriate training in the principles and procedures of KDP and supervision. KDP Phase 2 has placed greater emphasis and increased funds for training and human resource development. Training must be 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.

Improved performance also is dependent upon an enabling environment that allows for job security, career development options, and incentive or reward programs for high performing consultants and facilitators.

Improved community participation and poverty targeting – KDP was fairly successful at mobilizing communities for meetings and other project activities. However, the quality of that participation can be improved. Years of authoritarian rule have made communities complacent and accepting of external decision-making and unaccountable government practices. A transformation of attitudes and behavior will by necessity take time. Community participation can improve through better facilitation, communications and outreach. Also, poverty targeting within village was weak which led to the exclusion of some of the more marginal and poorer segments of the population. KDP2 has adopted more participatory rural appraisal techniques involving wealth ranking and social mapping which will be used during the initial socialization period to increase inclusion and transparency.

Increased women's participation – Gender issues in Indonesia are neither simple nor easy to address. KDP's bold affirmative action measures were a first step, (see later section on Gender) but they were not enough to empower women. Women formed a significant block of participants at the village and inter-village meetings, 32 to 37 percent of participants, but they were still the

minority, and a generally silent one at that. Women's representation at meetings and in the consultant ranks did not translate into a significant lobbying group for women's empowerment or investments that benefit them. In most cases, men continued to "call the shots". In the future, KDP must 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.

Independent civil society monitoring worked well and served a dual purpose of providing quality independent monitoring of KDP as well as improving the capacities of NGOs and media as vigilant "watchdogs" of public funds. The future direction should be to continue support for these activities but to deepen the groups' abilities to monitor and report effectively, and increase their coordination with local government officials and consultants.

Monitoring, evaluations and studies are worthwhile investments when Program management is open and willing to use the results to improve design and procedures. KDP set aside approximately USD 2 million for monitoring, special studies and evaluations (not including regular consultant salaries). Almost all findings were incorporated and used effectively to improve the program and its management.

Redesign the economic loan portfolio – The micro-credit component of KDP was extremely difficult to manage and control and it will be redesigned for improved financial management. This redesign includes: the development of new procedures, more financial and loan management training for the kecamatan-level financial unit (UPK) and villagers; improved reporting formats, and better targeting of loan beneficiaries.

Mechanisms to reduce corruption do exist and they can be effective – KDP established the systems to track complaints and misuse of funds. These systems and mechanisms can be improved through more in-depth training for project stakeholders on dispute resolution, reporting and monitoring. The community is usually in the best position to resolve disputes using their customary local practices. However, in cases where issues cannot be solved, KDP government officials and consultants must help to resolve these cases expeditiously. Preventing corruption requires constant vigilance by all stakeholders. Sanctions need to be enforced and persistent follow-up of cases should be supported.

Involvement of local government officials - Getting government officials from all levels into the field is the key to changing hearts and minds. Policy dialogue is useful and sector work also provides guidelines on better ways to do things, but making these projects not only sustainable but also interesting to local governments requires a large number of "events" and opportunities to visit sites themselves. Funds for this should be channeled through private contracts. Eventually, KDP will want to build upon this foundation of support and growing interest in KDP, and widen its constituency within government especially at the local level.

9. Partner Comments

(a) Borrower/implementing agency:

One cooperative effort of the World Bank and the Government of Indonesia, in this case the Directorate General of Community and Village Capacity Enhancement ("PMD") of the

Department of Home Affairs is the Kecamatan Development Project (KDP). PMD, as the agency tasked with guiding and supervising the implementation of KDP, judges that the implementation of the first phase of KDP has contributed to reducing poverty and enhancing the capacity of villagers. These results were realized based on the excellent cooperation between the World Bank and PMD.

KDP is different from other poverty alleviation programs of the government. The special character of KDP is dual: First, KDP provides a block grant and facilitation to assist villagers to decide for themselves, in an open manner, what economic infrastructure or facilities to build or whether to borrow funds as capital for small business or trade. Secondly, KDP tries to recreate space for villagers to express their aspirations; it tries to actually “emancipate” them, allowing them to manage their own local resources in a self-reliant manner.

One aspect of empowerment is a guarantee of sustainability of the emancipatory development process. Local governments can directly begin the process of capacity enhancement by creating and promoting a participatory development planning process. Then they can provide funds and TA (local facilitators) to assist with village development, especially pro-poor development efforts. KDP provides valuable experience and lessons to local governments in their efforts to reduce poverty on their own, with their own resources.

In other words, KDP has a direct impact on strengthening local autonomy. A number of elements of the impact of KDP on local autonomy are:

1. KDP provides a learning ground for local governments to promote the development of villagers’ aspirations and allowing villagers to decide on their own development needs.
2. KDP provides local governments a learning ground for managing village development on their own, with passion, democratically, in a participatory manner, and transparently.
3. KDP provides a learning ground for local governments to take responsibility for poverty alleviation and pro-poor investments, encouraging them to contribute funds for KDP activities locally, and thereby giving them hands-on experience in poverty alleviation efforts.

Eventhough KDP has the potential to push and to strengthen regional autonomy, in fact the role of local governments in supervising KDP is not yet optimal. KDP still depends heavily on its consultants. This is a serious issue in view of the sustainability of the project as a model for participatory and transparent poverty alleviation. Therefore steps to improve KDP's design, including KDP 2 and KDP 3, are needed to increase the role of local governments in concrete ways. The ultimate hope is that local governments will be willing to adopt the KDP principles and design voluntarily as local development policy. Besides the results of KDP that both the World Bank and the Government of Indonesia recognize as being highly satisfactory, it is also recognized that the implementation of KDP 1 was not free of a number of weaknesses and even problems which significantly negatively impacted on implementation of the project in the field. The Secretariat in PMD acknowledges that the division of responsibilities and tasks between the Secretariat and the project's National Management Consultant team was not clear and that there was too much overlap and duplication. Also it is recognized that tendering and contracting was much too slow and that this negatively affected field activities. At the beginning of the

implementation of KDP 2, based on lessons learned from KDP 1, improvements have been made in project management. First of all, it has been made clear that the National Management Consultant team has full responsibility for management of project implementation, while the Secretariat is more responsible for project administration and basic project policies as they relate to overall government policy. In order to increase administrative effectiveness, the project manager has tried to improve communications with the team task manager of the Bank with respect to the issuance of NOLs, for example, and in general on coming to agreement on actions needed. The project manager with the agreement of the team task manager have agreed on adding qualified personnel to the Secretariat to deal with procurement and general project administration. These steps it is hoped will improve the quality of KDP 2 and KDP 3 implementation.

(unofficially

translated from Indonesian: original on file)

(b) Cofinanciers:

(c) Other partners (NGOs/private sector):

10. Additional Information

ASSESSING PERFORMANCE IN SELECTED THEMATIC AREAS

Poverty Alleviation and other Social Objectives

Gender Concerns

KDP undertook a number of initiatives to improve gender equity and increase women's participation in the project:

- Each participating village elects one male and one female village facilitator
- In Year Three, two assistant kecamatan facilitators – one male and one female – were added to every kecamatan to assist the main facilitator
- The inter-village meetings to discuss projects must include respected village leaders and representatives, at least one man and two women from each participating village;
- Out of the two village proposals submitted by a village to the inter-village form, at least one proposal must be from women's groups.
- Learning from the experience of the first two years, in year three, KDP included special separate meetings for women to discuss, prepare and decide upon women's proposals. These separate meetings allowed women to express their interests and project preferences more openly.
- Gender training was included in Year Two for all consultants
- KDP monitors and collected gender-disaggregated data through all phases of project implementation.
- In February 2002, KDP started a pilot project for vulnerable widows and orphans in the four provinces of Aceh, NTT, Southeast Sulawesi and West Java.

Results of these affirmative action measures have in general been positive. Because of the requirement for equal numbers of male and female village facilitators, KDP hired and trained over 16,465 village women who now form a formidable work force for future work in community development. Many of them have already applied to be consultants for KDP in the next phase of the project.

In terms of women's participation in KDP's project cycle, women generally comprised 26 to 45 percent of all participants in KDP village and hamlet meetings. This is an impressive statistic considering that traditionally in Indonesia, women have been confined to more domestic roles while men are more active in the public domain. It has been more difficult however for women to participate actively in the discussions due to cultural norms, the timing of meetings, or their already heavy workload at home.

Women have also benefited tremendously from KDP's infrastructure and loan investments. On average, women formed 53 percent of the loan beneficiaries. They also benefit from improved access to markets, schools, health facilities and other services such as clean water supply and sanitation.

The next phase of KDP will make several improvements to increase gender equity. More concerted efforts were made to recruit female consultants who currently only comprise 22 percent of the KDP consultant ranks. A special program to train 180 female engineers as apprentices is scheduled to begin in 2003. KDP2 also includes more gender training, women's leadership training, and more effective and participatory gender and poverty mapping and needs identification exercises during the proposal preparation phase.

Environmental Objectives

KDP1 ensured that environmental harm was minimized first through a negative list banning subprojects which used environmentally hazardous goods such as chemicals. Secondly, KDP's standard operating procedures and standardized designs for infrastructure screened for negative environmental impact including community roads into protected areas. Prior to subproject approval, KDP district engineers review and approve community proposals, including for environmental impacts. Due to the small-scale nature of KDP's subprojects and the above-mentioned measures, there were few adverse environmental impacts.

Indigenous People

Indigenous people's concerns were met primarily through the design of KDP itself since the whole purpose of community and demand-driven investment funds like KDP is to allow local decision-making and control over how development resources are used. However, this is easier said than done and inevitably there were problems of marginalized indigenous groups becoming vulnerable to problems of elite domination and corruption. Also in villages and communities which are not ethnically homogeneous, the majority ethnicities and factions usually dominated the process and decision-making. KDP took a number of steps to address these problems. First, KDP's recruitment process favored the hiring of consultants from the area so they are familiar

with local customs and dialects. Secondly, some KDP facilitators took the lead in translating project material into the local language and using local, indigenous community and religious groups to spread information.

Papua presented a special and challenging case for KDP where the core problem is the systematized exclusion of indigenous communities from mainstream activities and institutions, especially in government, business and higher education. KDP adjusted its program to these unique circumstances in several ways. First, because of the province's disperse geographical environment and lack of inter-village fora, decision-making for KDP was pushed down from the kecamatan level to the villages. Travel and communications allowances were increased for facilitators and KDP experimented with using a church-based NGO to assist with implementation of the project in one area. The Program developed a special operations manual specific for Papua. Lastly, a major obstacle to sustainable development using the KDP model in Papua is the limited number of qualified Papuans to be project facilitators and technical advisors. To address this situation, in 2002, KDP, together with Papuan staff and progressive government officials, developed a special training and education program in collaboration with a local educational institute to prepare young Papuans to work in KDP. Each KDP participating kecamatan nominated candidates who will spend up to one year at the educational institute, followed by KDP work back in their sponsoring communities.

Annex 1. Key Performance Indicators/Log Frame Matrix

Exhibit A: Summary of Key KDP Outputs Phase One: 1998 – 2002

Infrastructure Outputs:

- 16,700 roads built or upgraded, 19,000 kms roads built or upgraded
- 3,500 bridges built or reconstructed
- 2,800 clean water supply units built
- 1,300 sanitation units built
- 5,200 irrigation systems built
- 400 public market structures built, 16 rehabilitated
- 260 rural village electrification activities
- 35 million estimated number of beneficiaries
- 25 million workdays generated from infrastructure projects
- Over 2.8 million villagers earned short-term employment through infrastructure works

Economic Activity Outputs:

- 18,000 economic loan activities
- 280,000 + loan beneficiaries (average of 53% women)

Social Activity Outputs:

- 140 village health posts supported
- 285 new schools built, 190 rehabilitated, 380 scholarships distributed
- 85 grants to provide school equipment and materials

Other:

- Over 126,000 village-wide public meetings held on KDP, average 36% women, 53% poorer members of community attending
- 986 UPKs (kecamatan financial management units) formed and trained
- Increased village capacity to plan and manage projects

Management and Training:

- 23 provinces, 139 districts, 1,029 kecamatan, 18,250 villages participated in KDP, 40% average annual increase in kecamatan coverage.
- 34,600 consultants and facilitators hired and trained (49% women)
- 1,614 complaints/grievances reported; 965 (60%) cases solved, 649 (40%) in process
- Preparations for KDP-Phase 2 completed including: selection and approval of Phase 2 sites; 150 kecamatan supported by local government resources (matching grants); performance evaluations of all KDP current consultants; recruitment of 3,200 consultants from over 22,000 applications; new operation manuals and training plans prepared.

Supervision and monitoring

- Community participatory monitoring occurring in every KDP village
- Regular monitoring by government officials and consultants
- Bi-monthly newsletter distributed to 35,000 KDP stakeholders
- 40 NGOs contracted and conducting independent monitoring in all KDP provinces
- 31 AJI journalists monitoring and reporting; over 850 newspaper articles written or radio broadcasts

- aired on KDP.
- Semi-annual Supervision Missions
- Financial audits – an average of 30% of kecamatan audited annually
- 8 case studies, 14 special studies completed
- 4,600 household impact survey conducted

Exhibit B: Performance Indicators
(Schedule 6 of KDP Loan Agreement)

I. Inputs	Loan Agreement Yr 3	Actual for Yr 3	Difference for Yr 3/ Comments
Number of project kecamatan	725	986	+261 kecamatan +304, if East Timor is included, KDP has worked in a total of 1,029 kecamatan since 1998
Number of villages with subprojects	6,000	15,000	+9,000
Grants and subloans disbursed (Rp billion)	Rps. 450 billion	Rps 1,600 billion	+ Rps 1,150 billion
II. Outputs			
Number of subproject agreements	>6,000	15,000	+9,000
Percentage of work agreed completed	>80%	95%	+15%, Final Year 3 figures are not yet complete but 95% is estimated.
Percentage of sites visited by supervision staff	>10%	100%	+90% , All villages are visited by government and project staff
Recommendations from studies received	Yes	Yes	Studies and evaluations completed in 2001-2002. Recommendations incorporated into program design.
III. Impacts			
1. Sub-project impacts			
Benefits/returns	>20%	60%	+40%, Weighted average taken from sample of KDP infrastructure
Number of beneficiaries	3 million	Est. 35 million	+ 32 million
Sub-loans; % repaid by schedule	>80%	45%	-35%
2. Poverty assessments using Susenas household data	X	Yes	Power and sample size feasibility study completed in 2001. Economic impact assessment to be completed at the beginning of 2003 when last round of Susenas data is available
3. Governance			
% of infrastructure subprojects with O&M committees formed	>50%	86%	+36%
In kecamatan with sub-loans % of UPKs operative % of revolving funds with increased capital	>50% >80%	100%	+50% Survey underway in June 2002 to ascertain final amount for KDP1.
Audits (kecamatan sample)	2.5%	30%	+27.5%
Independent monitoring Number of locations providing	20	240	+220

information on kecamatan list Number of trips by journalists to monitor villages	20	>250	(distributed through NGOs) >+230
Agreed study recommendations	Yes	Yes	Studies completed

Annex 2. Project Costs and Financing

Project Cost by Component (in US\$ million equivalent)

Component	Appraisal Estimate US\$ million	Actual/Latest Estimate US\$ million	Percentage of Appraisal
Grant to Kecamatan	189.00	189.00	100
Technical Assistance for implementation	34.00	61.90	182
Monitoring	2.00	2.00	100
Policy Studies			
Total Baseline Cost	225.00	252.90	
Total Project Costs	225.00	252.90	
Total Financing Required	225.00	252.90	

Actual/latest estimate: NMC estimates as of 10 January 2003

Percentage of final budget: Final budget includes the supplementary credit of 48.2 million

Project Costs by Procurement Arrangements (Appraisal Estimate) (US\$ million equivalent)

Expenditure Category	ICB	Procurement Method			N.B.F.	Total Cost
		NCB	Other <small>Community Participation and Procurement of small works</small>			
1. Works	0.00 (0.00)	0.00 (0.00)	189.00 (0.00)	0.00 (0.00)	189.00 (0.00)	
2. Goods	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	
3. Services	0.00 (0.00)	0.00 (0.00)	34.00 (0.00)	0.00 (0.00)	34.00 (0.00)	
Consultant Services						
4. Miscellaneous	0.00 (0.00)	0.00 (0.00)	2.00 (0.00)	0.00 (0.00)	2.00 (0.00)	
Monitoring						
5. Miscellaneous	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	
6. Miscellaneous	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	
Total	0.00 (0.00)	0.00 (0.00)	225.00 (0.00)	0.00 (0.00)	225.00 (0.00)	

Project Costs by Procurement Arrangements (Actual/Latest Estimate) (US\$ million equivalent)

Expenditure Category	ICB	Procurement Method			N.B.F.	Total Cost
		NCB	Other <small>Community Participation and Procurement of small works</small>			
1. Works	0.00 (0.00)	0.00 (0.00)	189.00 (0.00)	0.00 (0.00)	189.00 (0.00)	

2. Goods	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
3. Services Consultant Services	0.00 (0.00)	0.00 (0.00)	61.90 (0.00)	0.00 (0.00)	61.90 (0.00)
4. Miscellaneous Monitoring	0.00 (0.00)	0.00 (0.00)	2.00 (0.00)	0.00 (0.00)	2.00 (0.00)
5. Miscellaneous	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
6. Miscellaneous	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Total	0.00 (0.00)	0.00 (0.00)	252.90 (0.00)	0.00 (0.00)	252.90 (0.00)

^{1/} Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

^{2/} Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Project Financing by Component (in US\$ million equivalent)

Component	Appraisal Estimate			Actual/Latest Estimate			Percentage of Appraisal		
	Bank	Govt.	CoF.	Bank	Govt.	CoF.	Bank	Govt.	CoF.

Annex 3. Economic Costs and Benefits

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating	
	Month/Year	Count	Specialty	Implementation Progress
Identification/Preparation 9/1/97	9	Economist (1), anthropologist (1), engineer (1), planner (2), Disbursement (1), Financial specialist (1), Environment (2)		
Appraisal/Negotiation 3/15/98	5	Anthropologist (1), Economist (1), Disbursement/procurement (1), lawyer (1), engineer (1)		
Supervision				
10/15/1998	8	ECONOMIST (4); IRRIGATION ENGINEER (1); NGO (2); GENDER (1)	S	HS
10/18/1999	5	MONITORING AND EVALUAT (1); ENGINEERING AND GENDER (1); POVERTY ECONOMIST (1); RURAL DEVELOPMENT (1); COUNTRY OFFICER (1)	U	HS
05/20/2000	5	TTL, SOCIAL SCIENTIST (1); RURAL DEVELOPMENT (1); GENDER SPECIALIST (1); ECONOMIST (1); ENVIRONMENTAL SPEC. (1)	S	HS
05/20/2000	1	TASK MANAGER (1)	S	HS
ICR 4/1/03	2	Anthropologist (1), Institutions specialist (1)	S	HS

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US\$ ('000)
Identification/Preparation	30	90,000
Appraisal/Negotiation	2	10,000
Supervision	100	300,000
ICR	3	6,000
Total	135	406,000

Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	Rating				
<input checked="" type="checkbox"/> <i>Macro policies</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input checked="" type="checkbox"/> <i>Sector Policies</i>	<input checked="" type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input checked="" type="checkbox"/> <i>Physical</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input checked="" type="checkbox"/> <i>Financial</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input checked="" type="radio"/> N	<input type="radio"/> NA
<input checked="" type="checkbox"/> <i>Institutional Development</i>	<input checked="" type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Environmental</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA

Social

<input type="checkbox"/> <i>Poverty Reduction</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input checked="" type="checkbox"/> <i>Gender</i>	<input checked="" type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Private sector development</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input checked="" type="checkbox"/> <i>Public sector management</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA

KDP has had a significant impact on government and donor thinking about community-based development in Indonesia. A large number of local governments have copied the core model. Bank and other donor programs, including the Urban poverty projects, Basic Education, and several Rural Development Projects, have moved towards the KDP program of direct community financing for subprojects selected through a community based planning procedure. Paradoxically, while this is all to the good, there are also some perverse outcomes because the enthusiasm for the KDP system can blind people both to its rigidities and to the need for intensive work in the areas that KDP doesn't address, such as technical service quality, sub-village targeting, and the need to reform higher level development planning.

Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance

- Lending
- Supervision
- Overall

Rating

- HS S U HU
- HS S U HU
- HS S U HU

6.2 Borrower performance

- Preparation
- Government implementation performance
- Implementation agency performance
- Overall

Rating

- HS S U HU

Annex 7. List of Supporting Documents

1. World Bank Aide-Memoires and Supervision Mission Reports (semi-annual)
2. KDP First Annual Report (1998-1999). Ministry of Home Affairs, Community Development Agency, KDP National Secretariat and National Management Consultants. (English version)
3. KDP Second Annual Report (1999-2000). Ministry of Home Affairs, Community Development Agency, KDP National Secretariat and National Management Consultants. (English and Indonesian versions)
4. KDP Phase One: Final Report, (1998-2002). Ministry of Home Affairs, Community Development Agency, KDP National Secretariat and National Management Consultants. (English and Indonesian versions)
5. Internal Monitoring Case Studies: (NMC) (in Indonesian)
Edition 1: Year 2/2001 Lessons Learned From KDP Year One
Edition 2: Year 2/2001 Participation of Women and the Poor in KDP
Edition 3: Year 2/2001 Conflict Resolution in KDP
Edition 4: Year 2/2001 Information Dissemination and the Role of the FD
Edition 5: Year 3/2001 Community Participatory Monitoring
Edition 6: Year 3/2001 The Role of Women Leaders in KDP
Edition 7: Year 3/2002 The Impact of KDP1 on Local Governance
Edition 8: Year 3/2002 Infrastructure Best Practices under KDP1
6. KDP Bi-Monthly Bulletins, 4 editions between August 2001 and May 2002 (Indonesian)
7. “Brief Overview of KDP”, NMC, December 2001 in English and Indonesian
8. “KDP Activities in Conflict Areas”, NMC, June 2002, in English and Indonesian
9. “Evaluation of Kecamatan Development Program (KDP) Impacts on Community Organization and Household Welfare: Book - 1, Demographic Institute, Faculty of Economics, University of Indonesia, May 2001.
10. “Evaluation of Kecamatan Development Program (KDP) Impacts on Community Organization and Household Welfare: Power and Sample Size Calculation for Feasibility Study”, Demographic Institute, Faculty of Economics, University of Indonesia, May 2001.
11. “Evaluation of Kecamatan Development Program (KDP) Impacts on Community Organization and Household Welfare: Second Round Survey”, Demographic Institute, Faculty of Economics, University of Indonesia, Final Report, July 2002.
12. “Ex-Post Evaluation of Kecamatan Development Program (KDP) Infrastructure Projects”, Geoffrey Dent, Project Appraisals Pty Limited, November 2001.
13. “Technical Study on Infrastructure”, Infrastructure Technical Study Team, September 2001. (Indonesian)

14. "Report of the Economic Study Team", Economic Study Team, July 2001. (Indonesian)
15. "Review of the KDP Microcredit Approach", Consultancy Report, Dr. Detlev Holloh, September 2001.
16. "Behavior Change Communication Strategy, KDP: Final Report", Johns Hopkins University/Center for Communication Programs, August 2001.
17. "Focus Group Discussion Results for the Development of Communication Materials", presentation materials, Johns Hopkins University/Center for Communication Programs, April 2002.
18. "Fighting Corruption in KDP", Andrea Woodhouse, July 2001.
19. "Legal Assistance Program for KDP Communities: A First Assessment of the Legal Assistance Pilot Project in Central Java and North Sumatra, August – October 2001", Pieter Evers, 15 November 2001.
20. "Do Women Make Any Difference?" Gender Data Analysis Interim Report, Susan Wong, February 2002
21. "Transparency in Development: The Experience of Mass Media in Monitoring KDP", CESDA-LP3ES, November 2001.

Consultants, contracted companies, NGOs and journalists also provided monthly and periodic field reports which are in the project files.

