IEG  
ICR Review  
Independent Evaluation Group

1. Project Data:

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Prepared by: Peter Nigel Freeman  
Reviewed by: Roy Gilbert  
ICR Review Coordinator: Christopher David Nelson  
Group: IEGPS1

2. Project Objectives and Components:

a. Objectives:

To support the Rehabilitation and Reconstruction Agency’s (BRR) strategy for infrastructure reconstruction by providing high quality technical assistance services in infrastructure program management, planning, design, construction management, quality management and program monitoring (Grant Agreement, schedule 1. p.5).

Although there were three amendments to the agreement, there was no change to the project development objective (PDO). The formulation in the project appraisal document (PAD) (p. 4) was identical.

The project was part of the total reconstruction and development program following the tsunami of December 26, 2004.

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

No

c. Components:

The Indonesia Infrastructure Reconstruction Enabling Program (IREP) reviewed here was strategically integrated with the Indonesia Infrastructure Reconstruction Financing Facility (IRFF) [P101785, posted 04/30/14], another project executed with the Bank acting as Partner Agency on behalf the Multi Donor Trust Fund (MDTF). To a large extent, IRFF focused on financing the infrastructure sub-projects prepared with technical assistance from IREP.
Component 1 - Infrastructure Program Management (US$19.50 million as approved, US$10.45 million actual): to support mobilization of a highly skilled Infrastructure Program Management (IPM) team within BRR to coordinate infrastructure program planning at the macro level, in accordance with BRR’s reconstruction strategy. Assistance to BRR, and later the Ministry of Public Works (MoPW) which took over after BRR closed in April 2009, included: strategic infrastructure planning; management of the reconstruction program; review of local and provincial governments’ plans for BRR funded infrastructure investments; project quality control, supervision, and monitoring; support for procurement safeguards and anti-corruption measures, as well as management and coordination of other consultant teams for IREP, the operation reviewed here.

Component 2 - West Coast Infrastructure Planning, Design, and Construction Supervision (US$10 million approved, US$4.27 million actual): to finance a technical team to undertake the planning, project preparation, and implementation work for the West Coast Logistical Area (local authorities in the western (Aceh) area); strategic planning; project design and implementation; and institutional development support, including the development of a long term maintenance strategy, and training.

Component 3 - Nias Infrastructure Planning, Design, and Construction Supervision (US$ 5.00 million approved, US$ 6.21 million actual): to support mobilization of a technical team to undertake the planning, project preparation, and implementation work for the Nias logistical area (local authorities in the eastern Nias area) focused on repairing the transport network, as well as institutional development and training.

Component 4 - Strategic Infrastructure Project Planning, Design, and Construction Supervision (US$ 6.00 million approved, US$12.04 million actual): to finance a technical consulting team to undertake the formulation, investment planning, design, and project implementation work for strategic infrastructure projects at the national, provincial or local level (mostly ports and roads). The Provincial Governments (Aceh and Sumatera Barat) to participate in the selection and development of the “strategic projects” and the management of the technical assistance (TA) consultants.

Component 5 - Financial Management of BRR financed Projects (US$ 1.5 million approved, US $2.69 million actual): to strengthen BRR’s capacity to meet all fiduciary responsibilities with respect to this TA operation and other BRR implementation projects. The team of experts was located initially within BRR. Later, after BRR closed, team members worked side by side with the PMU at the MoPW. Establishment and maintenance of financial accounting and statement arrangements included monitoring the operation of internal controls over implementation of the contracts.

The project was formally restructured four times

1) to include additional areas in the Grant Agreement: this amendment reflected a change in the project service area and introduced the “West Coast Logistical Area” which comprised the West Coast Kabupatenes (i.e. districts) of Aceh Jaya, Aceh Barat, Nagan Raya, Aceh Barat Daya, Aceh Selatan, Aceh Singkil, Simeulue, Aceh Basear, Banda Aceh and Sabang, and such additional Kabupatenes as may be agreed by the Association in writing. The original Legal Agreement referred only to Aceh Jaya, Aceh Barat, Nagan Raya, Aceh Barat Daya, Aceh Selatan, Aceh Singkil and Simeulue; 2) to formalize the transition to the MoPW as project implementing agency after BRR closed, (BRR was created with a limited lifetime to enable the line ministries to resume their roles after the emergency period); 3) & 4) to extend the project closing date twice (see 1d below). Reallocation of funds among the components, consistent with the emergency nature of the project, did not require formal amendment in accordance with BP 8.00. The main change was to reduce the resources dedicated to components 1 and 2, and increase financing for component 4.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Project Cost:
Although US$ 19.50 million was budgeted for international program management, in the event only US$ 10.45 million was spent. The reasons for this were that it was mobilized late and its contract was not extended after improper use of funding was identified. This prompted changes in the allocations to other components as well as the need to adapt to the closure of BRR.

Financing:
The Bank contributed a grant of US $25 million to the MDTF. It was one of 15 donors that responded to the 2004 tsunami disaster. Total funding was US $655 million. The Bank and the European Commission channeled all their support through the MDTF, but some donors channelled only part of their funding through the fund (ICR, p. 1).

Borrower Contribution:
No counterpart funding was provided for this technical assistance (TA) project, but the Government of Indonesia did contribute US$ 100 million to the overall reconstruction program funded under the MDTF; none of these funds was channeled through IREP, however. (MDTF Progress Report No. IV, December 2007).

Dates:
As is normal in an emergency reconstruction loan some retroactive financing was allowed subject to later
reconciliation of accounts. However, because of unforeseen circumstances such as the delays in the mobilization of the Infrastructure Program Management consultant and the slowdown in implementation after the closure of BRR, which is the nature of such operations, the project took two years longer to complete than planned and the closing date was extended twice for a total of two years. The first extension was to align the closing dates of IREP and the IRFF; the second extension was to enable consultant assistance for ongoing contracts to be completed.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:
Substantial

The scale of the disaster was unprecedented in recent times in Indonesia and the Government assigned the highest priority to the reconstruction, establishing a multi-donor trust fund to accommodate financial contributions from 15 organizations and putting in US$ 100 million of its own money. The World Bank was a contributor and a trustee to administer the fund. Infrastructure was (and still is) crucial to Indonesia’s development, and is a pillar of the Bank’s engagement as outlined in the 2008-2012 Country Partnership Strategy (CPS). In this case the MDTF a whole was to restore damaged infrastructure. The CPS also recognizes the need to strengthen the accountability and capacity of institutions to deliver better infrastructure outcomes. The project objective was also relevant to the Bank’s strategy to play a major role in disaster reconstruction, helping to reduce Indonesia’s vulnerability to natural disasters. Moreover, this strategy stressed that the Bank would continue deepening the relationships established with the National Development Planning Agency and the local governments of Aceh and Nias in supporting decentralization and selected government actions to strengthen natural disaster resiliency. For the Bank and its partners it was crucial that the infrastructure restored in the disaster area was undertaken appropriately and with good quality workmanship, and that the works delivered would be to a better standard than existed prior to the disaster.

b. Relevance of Design:
Substantial

The results framework logically linked the outputs to the outcomes that the project sought to achieve. IEG notes, for instance, that the overall coordination of the infrastructure reconstruction program was sensibly designed to pivot around the infrastructure program management consultant (IPM) in terms of quality assurance and control, construction supervision, monthly certificates preparation as well as any program revisions required through aide memoirs. Allocating a substantial amount for “integrated program management” to support BRR in oversight was, in IEG's view, a sound approach to ensure the quality aspects of the objective were achieved. It recognized the risks associated with capacity constraints and provided a record of fiduciary problems. In addition, separating out the financial management and other fiduciary support from the IPM functions provided a countercheck to avoid any conflict of interest. Paying attention to process as an element of quality, as formalized in several indicators, stressing participatory consultation (government and donors), and inclusion of local government infrastructure sub-projects in their annual investment programs -- helped ensure responsiveness to local needs, and proper sequencing of the infrastructure with the private housing reconstruction undertaken separately (a need stressed in the PAD, p.3). Having construction supervisory consultants report directly to BRR rather than the IPM emphasized government sovereignty and ownership.

Designing two separate lending instruments for technical assistance (IREP), and infrastructure reconstruction (IRFF) had the advantage of allowing the sub-components to proceed at different paces depending on the progress of planning, and awarding of contracts. Similarly, dividing up construction management support packages by geographical area helped ensure that local environmental issues were taken into account in design, and facilitated participatory consultation. A separate component for planning of “strategic investment projects” to fill unforeseen gaps in the program was also a sound design aspect.

There were some minor design weaknesses. The results framework in the PAD (Annex 1, p. 24-25) had some small differences from that stated in the ICR (p. iii in the project data sheet). The planned role and capacity’s of the IPM and the PMU was also over-estimated.

4. Achievement of Objectives (Efficacy):

The objective of the project was to support BRR’s strategy for infrastructure reconstruction by providing high quality technical assistance services in infrastructure program management, planning, design, construction management, quality management and program monitoring. Note that IRFF focused on financing the infrastructure sub-projects, while IREP provided technical assistance services to support the investment projects.

Substantially achieved
Infrastructure Program Management:
The IPM consulting firm was appointed one year later than planned. The total budget for the whole IRFF program was approximately US$ 255 million (including additional financing) and in the event with the support of IREP US$ 239 million of reconstruction works were delivered. The ICR states (p.16) that the IPM consultant provided solid support to BR’s management of the work programs, performance and output of the three planning, design and construction supervision consultants, as well as the financial management consultant. IEG notes, however, that initially the performance of the IPM was inadequate and this to begin with affected quarterly and mid-term reporting as well as project implementation schedules. The high turnover of IPM leadership also affected its coordination capacity and strained its working relationship with BR leading to a rescheduling of work in 2008, when a WB supervision mission agreed with government that the IPM should limit its focus to areas of core implementation, such as quality assurance, and limit capacity development responsibilities for which there was insufficient budget.

Ongoing discussions have continued between the Bank and the Government of Indonesia to determine the best strategy for building local government capacity. Later, due to some financial improprieties (confirmed by the WB Integrity Department), MoPW decided, on the basis of lack of trust, not to extend the contract of the IPM beyond March 2010. This is why only US$ 10.45 million was spent for the IPM in comparison to a budget of US$ 19.5 million.

Planning:
The strategic planning details were discussed appropriately and agreed with donors and stakeholders and the sub-projects related to the requirements of the respective local governments.

Design:
Two sub-projects (three and a half percent of all sub-projects), the Siron Water Pipe Bridge and the Siggli Water intake, had design problems and could not be finished before the IRFF project closed. These two were subsequently redesigned and construction is now underway financed from the MoPW’s own budget. Designs were also prepared for a few projects that were not completed under the program for various reasons. These included four that were terminated due to contractor nonperformance and one because of security concerns in the area. They were later completed by the Government of Indonesia using its own funds. The MDTF mentioned that “the preparation of Construction Environmental Action Plans (CEAPs), introduced under IREP, that have now been accepted as good practice, and have been introduced as a requirement for future MoPW road construction design.”

Construction Management:
The ICR states (p.15) that 54 out of 56 sub-projects were completed satisfactorily. The TTL also mentioned that the use of the CEAPs did lead to capacity building of some local contractors, and he also gave some examples where the environmental plans and monitoring made a difference in design — e.g. taking account of prevalent soil and drainage conditions meant that the resulting infrastructure was more durable and better able to withstand disasters in the future.

Quality Management:
Ninety seven percent of the projects met acceptable quality standards. Donor comments about the outcomes, especially quality, of the project (received through the MDTF) were generally positive.

Program Monitoring:
Data on performance indicators were collected and assessed, i.e. the monitoring framework and strategic plan for infrastructure reconstruction was established. Appropriate safeguard measures were taken. However, the MIS as designed proved to be incompatible with that used by the government and an alternative system had to be used.

In the view of IEG, overall, considering time constraints at the beginning, and the nature of the operation as a large and urgent reconstruction operation, the primary objective of helping government meet high quality reconstruction standards was met in 97 percent of the projects. Major capacity building within this context was unrealistic, as both the government and the Bank acknowledged, but the overall reconstruction goal was largely achieved and project funds were redistributed with flexibility when necessary in reaction to changing circumstances. The objective was substantially achieved.

5. Efficiency:

While it is understood that technical assistance and emergency reconstruction loans (ERLs) are subject to time constraints in disaster situations, the ICR should try to apply ex post appropriate cost effectiveness criteria to assess efficiency. Current procedures do not exempt the team from this responsibility.

The disbursement profile in the ICR also shows that there were substantial delays in project disbursements. This begs the question as to whether an ERL disbursing two to three years late can still be categorized as an emergency response. IEG observes that the borrower did not treat the project with the urgency it deserved, as exemplified by the lethargic one year delay in appointing the pivotal IPM firm.

The ICR notes that the midterm review concluded that the project provided low value for money. This was because the ratio of the cost of the overall technical assistance provided by IREP (US$ 42 million) was relatively high in relation to the capital investment (between US$ 250 and 300 million), i.e. between 14 and 16 percent, (which falls...
outside of the Indonesian good practice range of 8 to 12 percent. Although the IPM was intended to serve the overall infrastructure construction process (i.e. all GOI, BRR and other donor projects), in practice it focused mostly on IRFF sub-projects only. With regard to supervision costs, while admittedly technical assistance by its nature requires additional supervision, the ICR indicates (footnote in Annex 4) that the estimated cost was almost two and a half times normal coefficients recorded for similar projects in Indonesia.

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

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

6. Outcome:

With substantial relevance of objectives and design, substantially achieved efficacy, but modest efficiency reflecting delays in disbursements and a one year delay before appointing the IPM, the overall outcome rating is moderately satisfactory.

a. Outcome Rating: Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating:

Out of the 56 IRFF sub-projects, 13 accounting for 34 percent of the total IRFF costs, have been transferred to the central authorities. These packages are being managed in accordance with national standards using national budget allocations. Nine provincial road sub-projects (32 percent of IRFF costs) were transferred to the Aceh and North Sumatra provincial governments; these roads are being managed by the Provincial Dinas (city administrations) with adequate maintenance budget allocations. This means that two thirds of the sub-projects are low risk as far as their future development outcomes are concerned (ICR p. 14).

The problem lies with the remaining one third, comprising a range of small infrastructure projects deemed important by local authorities (34 percent of IRFF costs), because reportedly the financial capacity of local governments does not always ensure sufficient funds for maintenance. Given the fact that many local governments have a limited ability to finance, operate and maintain their infrastructure, and given that the project’s planned local government capacity building did not take place, the risks for such sub-projects are significant. Memoranda of Understandings for asset hand-over have been signed between BRR and local governments, but the risk remains that there will neither be the funds nor the capacity to ensure maintenance is adequate.

Overall, the risk to the development outcome rating weighted across all projects is moderate.

a. Risk to Development Outcome Rating: Moderate

8. Assessment of Bank Performance:

a. Quality at entry:

The project design included appropriate and verifiable outcome indicators that were linked to the development objectives. Although there were some minor discrepancies between the indicators shown in the PAD and the ICR, the substance was the same, and the intent clear.

Having two separate lending instruments, one for technical assistance, and the other for infrastructure reconstruction allowed each set of sub-components to proceed at its own pace according to progress of planning, and awarding of the relevant contracts. The project preparation activities for IREP were completed on a fast track basis in six months, which was commendable given the need for speed in emergency situations; the resulting plans proved reasonably effective. Flexibility was built into the design, because experience from other emergency projects has shown that in a post disaster situation adjustments are usually needed due to unforeseen circumstances. Capacity development measures were included in the project and a risk analysis based on the learning from other ERLs was undertaken during preparation. The project took cognizance of the need for
effective coordination with development partners and government reconstruction programs (in this case through the MDF). It also recognized the need for better spatial planning and divided the sub-projects accordingly into five geographical areas to make this task easier. The project design included appropriate arrangements for safeguards including numerous planned site visits by locally based Bank staff, financial management through designating the use of Bank procedures including planned audits and, to the extent possible, future maintenance. There were a couple of shortcomings. These were the assumption that the IPM would have the capacity to play a “super-consultant” role, and similarly that the PMU could effectively channel the communications between the Bank, the donors, the contractors and the implementing agencies. In both cases the capacity need was underestimated.

Quality-at-Entry Rating: Satisfactory

b. Quality of supervision:

The ex-ante definition of the portfolio in the emergency situation, initially led to pressure to include some non-emergency projects for political reasons, but this was resisted by the Bank. There were frequent missions from Washington DC, as well as strong support from the Bank’s local Banda Aceh office. In 2010, when the decision was made not to extend the IPM contract, the Bank TTL was transferred to Banda Aceh in recognition in part of the importance of this large post-disaster reconstruction program. Supervision costs, financed by the MDF, were thus relatively high (see section 6), but the supervision strategy was considered a success given the high profile of the project. Examples from the ICR (p.19-20) where Bank pro-activeness made a difference included working with the PMU to address weaknesses in reporting and financial management; close attention to technical supervision and quality issues; and advice concerning the design of post-BRR institutional arrangements with MoPW, MoF and the planning ministry (Bappenas). Due diligence was paid to a balanced skills mix in staffing: aide memoirs, management letters, supervision reports, and other project communications and documents were completed in a timely manner with clear references to needed actions. Poor initial reporting by the IPM was resolved satisfactorily. The Government in its comments on the ICR praised the regular supervision missions and the WB staff’s contribution to coordination and monitoring. There were two negative aspects: the first was insufficient provision for capacity building for local government, although not specifically targeted by the PDO. Twelve local government capacity assessments were, nevertheless, made and capacity building plans produced, but follow up was left for post project operations. The second aspect was the “one-door” communication system, that relied on the PMU as the only channel. This caused some bottlenecks, but in the end delivery of nearly all the works was achieved, despite delays.

Quality of Supervision Rating: Satisfactory

Overall Bank Performance Rating: Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The performance of GOI was moderately satisfactory. It showed strong and sustained commitment to the PDO (ICR, p.20) and facilitated the coordination with the various international donors and the setting up of the MDTF to which it added US$ 100 million of its own funds. The line counterpart agencies (MoF, MoPW and Bappenas) were cooperative and took decisive action as necessary in a timely manner. In particular this included the timely preparation of sufficient yearly budget allocations and ensuring proper channeling of funds. The hand-over from BRR to MoPW when BRR closed was smooth. Some subcontracts entered into by GoI that were not expected to be completed beyond the closing dates of IREP and IRFF, were finished by GOI using own funds. This demonstrated government commitment to the objective of the project. On the other hand, the IPM consulting firm was appointed a year later than planned showing a lack of urgency, which meant that it was unable to influence strategic planning at an early stage. It also did not help properly position the IPM in the driving seat in terms of leading the reconstruction planning process (ICR p 26).

Government Performance Rating: Moderately Satisfactory

b. Implementing Agency Performance:

The ICR states (p.16) that the IPM consultant (once appointed) provided solid support to BRR’s management of the work programs, performance and output of the three planning, design and construction supervision (PDCS) consultants, as well as the financial management consultant. However, it also says (on P.8) that the IPM was
The IPM eventually strengthened the coordination arrangements with the PDCS consultants, contributing after a shaky start to quality assurance and control, construction supervision, monthly certificates preparation, and program revisions.

The high turnover of IPM leadership affected its coordination capacity and strained its working relationship with BRR leading to a re-evaluation of work in 2008, when a WB supervision mission agreed with government that the IPM should limit its focus to areas of core implementation, such as quality assurance, and limit capacity development responsibilities. Later, due to some financial improprieties (confirmed by the WB Integrity Department), MoPW decided, on the basis of lack of trust, not to extend the contract of the IPM beyond March 2010. This is why only US$ 10.45 million was spent for the IPM in comparison to a budget of US$ 19.5 million. A new IPM was not appointed.

BRR was staffed with people from relevant agencies and established to respond to the emergency with quick decisions. Transition from BRR to the Ministry of Public Works (MoPW), nevertheless, was smooth, and both agencies “protected the integrity of the project and sustained its development objective” (ICR p.20). According to the disbursement profile, there was not a marked slowdown of implementation following the transition, but increased supervision measures became necessary by the Bank task team to compensate in the latter part of project implementation for the absence of IPM oversight. This was to ensure adherence to fiduciary and safeguard standards. This said, the costs of supervision were 2.4 times higher than normally experienced in Indonesia according to the ICR (Annex 4, page 32).

BRR did not allow any sub-project to make any change that would have led to an increase of the signed contract price. Thus, the only option in the face of any increase in costs was to reduce the scope of the works. This led to some incomplete works. While this policy gave BRR a tighter control on the budget, it also adversely affected some sub-projects. Incomplete works were grouped as “gaps” packages and were later tendered separately, which turned out to be more costly. Also, loading the consultancy contracts with reimbursable payments resulted in some fund misuse and false reporting on reimbursable expenses, as was the case in the IPM contract, (ICR p 21).

There were delays in some contracts, leading to two extensions, but only two contracts out of 56 were not completed by project closing. The project did not put enough emphasis on effective training in infrastructure management, operation and maintenance of local government staff, as was underscored by the reduction of funding devoted to these activities. This was agreed between the GOI and the Bank to ensure the completion of works, but it is unclear what arrangements have been put in place to follow up on this gap.

Implementing Agency Performance Rating : Moderately Unsatisfactory

Overall Borrower Performance Rating : Moderately Unsatisfactory

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

Due to the importance of the M&E in both guiding project implementation and assessing outcomes, and the shortcomings in the capacity of BRR, the design called for the IPM to provide support in carrying out the M&E functions. After the IPM was no longer operational this function became the responsibility of MoPW. The design included for the development of a computerized monitoring information system (MIS), which was expected to facilitate the monitoring of outcome indicators and routine project implementation and financial management for both IREP and IRFF. There were some minor discrepancies between the indicators shown in the PAD and the ICR, but the substance was similar; the ICR indicator puts greater stress on participatory processes and alignment with local plans. While overall, indicators covered important aspects of the expected results associated with the PDO, they could have had a stronger qualitative aspect. For example, “all sub-projects under the TA will be of higher standards (than technical standards that were used previously).” Although 95 percent of the sub-projects were said to have achieved these higher standards, a broader indication of what they comprised would have been appropriate.

b. M&E Implementation:

According to the ICR (p. 9), The IPM successfully produced regular M&E reports, which were integral parts of the semi annual reports that compiled data provided by the PDCS and the FM consultant (and confirmed by IPM quality assurance staff). In addition, the PMU developed a monthly portfolio review for quick oversight of the progress of all sub-projects including those of IREP and updated the performance indicator matrices for both IREP and IRFF. However, the efforts of IPM to develop a stand-alone computerized monitoring system were “not fully successful.” (It
was never used, as the computerized software was incompatible with Government systems, according to TTL meeting). Development of the MIS took longer than expected and, having lost a year, the BRR developed its own system, which ultimately was centrally connected to the Bappenas’ MIS, enabling sharing of the project information at the central level. The TTL said the supervision reports’ were based on government monitoring, which concentrated on status/progress of contracts.

c. M&E Utilization:

The ICR states (p.9) that “the data and information gathered from the field were compiled by the IPM consultant and communicated to the PDCS consultants to review the designs of some sub-projects.” This had a positive impact on some road projects where the soil turned out to be unstable and there was a need to strengthen the road shoulders in order to mitigate the impact of potential landslides. The IPM reportedly regularly monitored performance of the PDCS consultants and discussed findings with the PMU, prompting an agreed action plan for effective utilization. In addition it developed and used a tracking system for safeguard compliance. However, once the services of the IPM were not renewed the responsibility fell on the MoPW and the ICR is silent about whether the activities continued and if they did how well the information was utilized.

M&E Quality Rating: Modest

11. Other Issues

a. Safeguards:

The treatment of safeguards was satisfactory in the PAD. Although this was a TA project, safeguards policies were triggered since the project would propose “finished projects for financing.” Environmental assessment (OP 4.01), involuntary resettlement (OP 4.12) and indigenous peoples (OP 4.20) safeguards were triggered. The environmental screening was determined to be Category “B” requiring a partial assessment. Annex 9 of the PAD covered a framework for treatment of indigenous peoples.

To speed up arrangements for attention to safeguards it was agreed from the start that the Indonesian environmental and social legislation and procedures would be used, particularly for the planning and design of the packages. However, some environmental assessment studies were found not to meet Bank standards, and following a 2007 supervision mission, it was agreed that a supplementary construction environmental action plan (CEAP) would be carried out at the construction stage for all IRFF sub-projects going forward (22 projects already approved or in procurement stage were excluded). According to the ICR (p 13) these tasks were followed through.

IPM developed social management plans for any sub-project with a potential social impact on surrounding communities following Bank requirements for those sub-projects. Bank supervision missions regularly provided updates on the status, and also monitored submission of reports on the Indigenous People safeguard issues. The ICR notes (p13) that timely compensation was provided for the 10 identified sub-projects eligible for compensation.

b. Fiduciary Compliance:

Procurement

In the first year of IREP, BRR was assisted in procurement by a Procurement Advisor financed by United Kingdom. There was a one-year delay in appointing the IPM consultants, after which procurement support became an IPM responsibility. The ICR (p. 10 - 11) provides a detailed description of the support provided by IPM in procurement. It advises that all major procurement subsequently was performed satisfactorily and on time, with the exception of supervision of sub-projects carried out “under relatively minor gaps of IRFF.” The Bank supervision mission of December 2008 confirmed that the procurement process was being carried out efficiently and in accordance with the scheduling. After the contract with the IPM was ended prematurely, procurement for the remaining sub-projects was slower.

Financial Management

While the financial management (FM) consultants helped assure FM aspects were in compliance with Bank procedures, their oversight role was constrained by lack of access to sufficient information. In the early stages of implementation, there were delayed payments of PDCS consultants, and chronically late interim financial report submissions (due also in part to the failed MIS). During an April 2009 supervision mission, it was noted only 30 percent of payments had been verified by the FM consultant. Gradually, after intensified supervision, the FM improved.

Auditing

The standard annual external audits were unqualified. However, there was also a "Supreme Audit" oversight (not fully explained in the ICR, but presumably by the Government of Indonesia), which raised issues regarding payments
of consultants, the use of the setaside budget for environmental plan reimbursement, and questions concerning the accountability for approving consultant contracts. The TTLs responded on these issues to the GoI and the TTL mentioned in the meeting with IEG that the accountability query arose from a “misquotation” in a legal clause and the matter was eventually resolved.

c. Unintended Impacts (positive or negative):
None

d. Other:

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<th>Reason for Disagreement /Comments</th>
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<td>Outcome:</td>
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<td>Satisfactory</td>
<td>Moderately Unsatisfactory</td>
<td>The IPM consulting firm was appointed a year later than planned. Its services were not extended after improprieties were discovered, but no new IPM was appointed so the Bank task team had to compensate in the latter part of project implementation for the absence of IPM oversight. There were delays in some contracts, leading to two extensions. the costs of supervision were 2.4 times higher than normally experienced in Indonesia, while loading the consultancy contracts with reimbursable payments resulted in some fund misuse and false reporting on reimbursable expenses,</td>
</tr>
</tbody>
</table>

Quality of ICR: Satisfactory

NOTES:
- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The “Reason for Disagreement/Comments” column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:
1) While it is sound practice to limit increases in the signed contract amount, it is not necessarily always the best policy to reduce the scope of the works because of this. The concept of grouping incomplete works into an additional separate package tendered separately may turn out to be more costly than funding a cost overrun.
2) Implementation entities created to facilitate and speed up assistance in a disaster situation should be designed with a limited lifetime to enable the line ministries to resume their normal roles seamlessly after the entity’s emergency work is done. It is useful for such an entity to have its own procurement unit to manage the procurement activities.
3) The opening of a local office supported by the donors can greatly facilitate implementation of post disaster recovery on a day to day basis and provide continuous support to the client.; in the case of IREP, the opening of a field office in Banda Aceh was facilitated by funding from the MDF.
14. Assessment Recommended?  ○ Yes ● No

15. Comments on Quality of ICR:

The ICR assembled sufficient evidence to make an adequate assessment of the project, was internally consistent and complied for the most part with the guidelines for ICRs. The report was reasonably concise and yielded some useful lessons for other disaster-related projects. However, the ICR's description of the actual scope of the project was unclear and could have been improved. For instance, it would have been useful to have had a clearer layout of the costs of all sub-projects supported by all the different agencies. There were also no calculations to demonstrate efficiency. While it is understood that technical assistance and ERLs are subject to time constraints in disaster situations, the ICR is still expected to apply ex post appropriate criteria to assess efficiency. In the event that an ERR or NPV could not be calculated, then some other form of cost effectiveness analysis should be used to determine whether the project met the expected least cost solution to attain identified benefits.

Quality of ICR Rating: Satisfactory