Report Number: ICRR14902

IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted:	06/03/2016	
Country:	Indonesia			
Project ID:	P126424		Appraisal	Actual
Project Name:	Indonesia: Pnpm Peduli	Project Costs (US$M):	3.71	8.20
L/C Number:		Loan/Credit (US$M):	3.71	8.20
Sector Board:	Social Development	Cofinancing (US$M):		
Cofinanciers:		Board Approval Date:		04/14/2011
		Closing Date:	06/30/2012	11/30/2014
Sector(s):	Micro- and SME finance (20%); Health (20%); General education sector (20%); Law and justice (20%); General agriculture; fishing and forestry sector (20%)			
Theme(s):	HIV/AIDS (20%); Indigenous peoples (20%); Social risk mitigation (20%); Micro; Small and Medium Enterprise support (20%); Child health (20%)			

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2. Project Objectives and Components:

a. Objectives:

The project was designed as part of the ongoing National Program for Community Empowerment (PNPM) established by the Government of Indonesia and international development partners in 2007. The overall project was designed in two phases and this project was the first pilot phase that was planned to last one year.

The Project Development Objectives were stated in the Grant Agreement (p. 6) as:

> **" to strengthen capacities of Civil Society Organizations to reach and empower marginalized groups to improve their socio-economic conditions".**

The Project Design Document's statement of objectives is different (p.5):

> **"to fill gaps of government poverty reduction programs in reaching marginalized groups by capitalizing on the comparative advantage of local CSOs in reaching and working with these groups . It seeks to tap into and learn from the innovative and inclusive poverty reduction practices of Indonesian Civil Society Organizations and strengthen their management capacities and sustainability ".**

This Review uses the Grant Agreement's version of the objectives.

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

Yes

If yes, did the Board approve the revised objectives/key associated outcome targets?

No

c. Components:

The Project originally had four components (as specified in the Project Design document, p. 6-7), however the ICR

reported on three components. The project team subsequently explained that the components were recast or represented differently to clearly indicate the focus by activities, rather than by mechanism. To be more specific the first two components of the design document (1. Grants and 2. Sub-Grants) were merged into one component. The final components were:

1. Partnership between CSOs and Marginalized groups *(Appraisal estimate was US$ 2.84 million, actual cost was US$ 6.13 million).*
The partnership was to be based on implementing strategies that would empower marginalized groups to become more self-reliant, take action, and access services. Grants were to be awarded through a competitive selection process to around 3-4 Indonesian Civil Society Organizations (CSOs), called Executing Organizations (EOs). The EOs would then sub-grant to local CSOs or allocate funds to their sub-national branches that were implementing poverty reduction activities targeting marginalized groups. The funds were allocated for small economic activities, supporting access to health/education, and legal services and activities on rights and social justice.

2. Strengthening Indonesian CSO Capacities to Empower Marginalized Groups *(Appraisal Estimate US$ 0.55 million, Actual US$ 1.18 million).*
This component aimed to strengthen the capacity of Indonesian CSOs to act as facilitators in a development process where marginalized men, women, children and transgender persons were to empowered to take action, access services and participate. This would initially include developing activity work plans and budgets, conducting monitoring and evaluation, and in reporting on sub-grant funds and activities. The sub-granted CSOs/branches would also receive training on issues such as fiduciary management, fundraising, proposal writing, organizational learning, and governance and transparency. Funds supported capacity-building activities to CSOs that included training, learning forums, peer review and learning and mentorship.

3. Strengthening Capacities of the Executing Organizations (Appraisal Estimate US$ 0.32 million, Actual US$ 0.89 million).
This component aimed to strengthen the capacities of Indonesian Executing Organizations (EOs) at the national level to manage small grants, identify and provide technical support to CSO partners that work with marginalized groups and to develop strategies to translate their knowledge and learning to bring about change at the local and national level (policies, regulations or societal attitudes). Capacity-building support was to be provided to EOs based on their specific needs. The level and type of training for each EO would be assessed based on specific capacity development plans. Funds were to be provided to finance technical assistance, capacity support and mentoring to EOs.

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

Project Costs:
Total costs increased from the appraisal estimate of US$3.71 million to US$8.20 million because three tranches of Additional Financing were added to the project to enable scaling-up of select project activities.

Financing:
The project was financed by Recipient Executed Trust Funds. Funds were provided by periodic delivery of relatively small tranches of Additional Financing and associated Grant Agreement extensions to EOs, but without any formal longer term commitment, beyond each Grant Agreement extension, which proved to be timely and costly. The original grant of US$3.71 million was fully disbursed. Total additional financing of US$4.6 million was added via three different approvals in June 2012, January 2013 and February 2014. By project closing US$ 8.2 million had been disbursed and US$ 0.96 million was cancelled.

Borrower Contribution:
There was no borrower contribution.

Dates:
The original closing date of June 30, 2012 was extended thrice to November 30, 2014, and the ICR did not report on the reasons for extension. The project team subsequently stated that the reasons for extensions: The first extension from 30 June 2012 to 31 Dec 2013 was to support the project activities for a further 18 months and to carry out a Mid-Term Review. Based on findings from the MTR, the task team used its recommendation to support the 2nd extension from 31 December 2013 to 30 May 2014; this extension not only provided continued support for the 3 national NGOs/EOs and 72 CSOs partners, but also for scaling-up the activities, testing the improved EO's financial management systems and simplifying procurement procedures, and to carry out design work and draft proposals for phase 2 (as originally planned). The 3rd extension from 30 May – 30 November 2014 was to ensure a smooth transition to Phase II under new implementation arrangements (financing by the Australian Department of Foreign Affairs and Trade (DFAT) and implementation through The Asia Foundation), as well as to minimize any implementation gaps at the local level, as DFAT prepared their own grant arrangements.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

Substantial

The project development objectives were relevant to the country strategies and priorities. Indonesia has successfully reduced the poverty rate from 23.4 percent in 1999 to 11.4 percent in 2013. However, inequality is still an issue for the 68 million Indonesians still living just above the poverty line and non-income poverty has continued to rise. Furthermore, Indonesia remains a highly stratified society with social hierarchies and discriminatory practices, which leads to the exclusion of a sizeable section of the population from mainstream decision-making, markets and service delivery.

The Government's focus on inclusive and equitable growth has been reflected in the National Mid-Term Development Plan (2009-2014), which states that Indonesia's development efforts should reach all people. In addition, there are several legislative and policy provisions that give recognition to the situation of specific groups including equal employment opportunities, services for people with disabilities, land rights of indigenous populations, social protection for the elderly, and services for victims of conflict. While transgender populations have been given representation recently on the National Commission for Women, legal and policy implementation of these measures is weak across the country.

The project development objectives were also aligned with the Country Partnership Strategy (FY2013-15), that aims to enhance Indonesia's domestic capacity for reducing poverty and boosting equitable and sustainable prosperity. In 2007, the Government with World Bank support, launched the National Program for Community Empowerment (PNPM Mandiri) as a broad-based community-driven development (CDD) poverty reduction program, which is the world's largest CDD program, covering 65,000 villages with an annual budget of almost US$1.7 billion (CPS FY 2013-15). The core program aims to empower local communities in addressing their basic infrastructure and social services needs. The World Bank also manages a multi-donor support facility that provides technical assistance and strategic inputs to PNPM. The support facility finances a number of innovative pilot operations, including PNPM Peduli (CPS p. 27). A 2010 World Bank study found that very poor, marginalized and socially excluded individuals had limited access to the decision-making processes in PNPM Mandiri as village meetings were often dominated by local activists or elites. In order to address this PNPM Peduli was designed as a stand-alone project that would provide operational learning to accelerate the integration of marginalized groups into mainstream development programs.

However, the articulation of the project development objectives was not very clear-cut, and this is discussed in the next section.

b. Relevance of Design:

Modest

The project was designed in two phases, the first being a very short pilot phase of 18 months to allow for testing innovative ideas of poverty reduction that could later be scaled-up by other poverty programs. The second phase, to be implemented in three years, was designed to promote synergies between Civil Society Organizations and government programs as well as integrating the innovative approaches into government poverty reduction programs. With the aim to improve the lives of marginalized people, the project design aimed to work directly with the CSOs. Unlike the parent PNPM Mandiri project, that provided funds to the communities, the project directly funded the CSOs.

Component I provided direct assistance for CSOs so that they could target communities to support their access to improved livelihoods opportunities, social assistance and social services via funds supporting small activities carried out by local CSOs with community groups. Component II and III aimed to build CSO capacity to identify and help organize marginalized groups so that their voices could be heard and they could interact with the Government entities and programs.

However, there are a couple of shortcomings with the project design:

- The articulation of the development objectives was ambiguous creating divergent expectations from the project, i.e. both CSOs as well as marginal communities as beneficiaries. Thus some stakeholders envisioned the project as a poverty alleviation tool for specific groups, others identified it as a capacity-building program for CSOs.
- Although the focus of the project was socially-excluded groups, the mechanisms put forward by the project primarily targeted economically marginal populations
- The phased approach created uncertainties and the very short duration and insufficient budget for Phase I led to difficulties in implementation. Thus the project ended up extending Phase I for more than two years and Phase I financing had to be increased three times.
- Although the main idea behind the project was to accelerate integration of marginal groups into mainstream program, the project lacked sufficient mechanisms for effective communication and collaboration with the other government programs. For example, the absence of a communication strategy led to ineffectiveness in sharing of

lessons, collaboration and interaction with the government.
- The budget and human resources for capacity building activities were not matched to the activities and desired outcomes.

The results framework had several weaknesses including the ambiguity of the development objectives as mentioned above. Consequently, the outcome indicators did not include socially excluded communities and instead focused on the economically marginal populations. Even then, the result framework lacked the indicators to measure key achievements regarding how socio-economic conditions of marginal communities groups were improved through the project efforts.

4. Achievement of Objectives (Efficacy):

" to strengthen capacities of Civil Society Organizations to reach and empower marginalized groups to improve their socio-economic conditions".

There are thus three objectives: (i) to strengthen capacities of Civil Society Organizations (ii) to reach and empower marginalized groups and (iii)to improve their socio-economic conditions.

(i) To strengthen capacities of Civil Society Organizations (CSOs): Modest

Outputs:
- Executive Organizations worked to strengthen the capacity of partner CSOs in their efforts on empowering targeted groups through training, workshop, technical assistance and supervision. The activities included participatory outreach, participatory rural appraisal, project management, gender awareness and human rights, advocacy to local governments, communication strategies to promote social inclusion, development of micro-enterprises, financial management and M&E.
- Three EOs (15 staff) were trained by the project in fiduciary, project management and organizational development skills; understanding of social inclusion; program quality assurance mechanisms, community assessment and monitoring and evaluation. In total, 15 EO staff participated regularly in capacity-building activities.
- However, the very limited funds for capacity-building activities focused on Executive Organizations' project personnel rather than broader organizational development as originally intended.

Outcomes:
- 209 CSO staff participated in capacity-building activities (exceeding the target of 147) that included training, workshop, technical assistance and supervision activities, and all of them reported increases in their technical capacity across a range of relevant topics.
- 59 local CSOs engaged with local government and actively promoted PNPM Peduli activities. As a result of this active engagement, 38 local CSOs have influenced 29 various changes in local policies, regulations and attitudes that concern the life of marginalized groups in 44 rural districts/urban municipalities or provinces.
- Capacity-building efforts of Executive Organizations reportedly resulted in improved knowledge and skills, particularly related to financial management, with all EOs complying fully with World Bank fiduciary standards. They also developed logical frameworks as a management tool for designing, monitoring and evaluating their projects. In addition, the concept of partnership encouraged the EOs to engage with the national government, especially Kemenkokesra (one of government's Coordinating Ministries), to advocate socially inclusive programming in order to improve access of marginalized people to services, space and markets.
- The degree and pattern of influence on the systems of local CSOs was quite varied. Specific and locally targeted capacity-building activities were limited in scope and participation. While originally the Peduli project intended to strengthen the overall capacities of the EOs over the duration of the project period, with the termination of the consulting firm hired to provide implementation support, much of the support was given to only the members of the Peduli project team within each EO.

(ii) To reach and empower marginalized groups : Modest

Outputs:
- Direct beneficiaries from marginalized groups were 19,645 (exceeding the target of 15,000); this included 11,494 females (exceeded the target 9,260); and 7,684 males (exceeding the target 5,400; Transgender beneficiaries were 467 (exceeding the target of 340).
- 442 community groups/village branches engaged with the local government on their rights, access to services and improving their livelihood (exceeding the target of 440 community groups).

Outcomes:
- Empowerment of marginal groups as a result of CSOs engaging with the local government had some impact,

Emerging changes included land allocation for the indigenous people, training and technical assistance provided to the marginalized groups, local government registration system that accommodates specific circumstances faced by marginalized groups, and improved service delivery for the marginalized groups.
- The targets vis-à-vis beneficiaries from marginalized groups exceeded targets. However, there is no evidence whether these beneficiaries were empowered through the project support.

(iii) To improve their socio-economic conditions: Modest

Outputs:
- 66 local projects working with marginalized people were funded (less than the target of 80). The projects covered three areas (i) access to basic services (7 CSOs); (ii) economic livelihoods (56 CSOs); and (iii) access to social justice (3 CSOs).
- 30.7 percent of beneficiaries (6,026 people) were engaged in micro and small income-generating activities.
- Activities covered 231 villages (target 280), in 91 rural districts/urban municipalities (target 91) in 25 provinces (target 24).

Outcomes:
- The ICR did not report on how the socioeconomic conditions of the marginalized groups improved. It was not clear how the micro and small income-generating projects helped to improve livelihoods. The results reported by the ICR were mainly at the output level and did not include discussion of the counterfactual.
- 67.5 percent of beneficiaries (13,254 people) reported improved access to health and education services. However it was not clear what the basis and extent of this information was, and whether this was as a result of the project.

5. Efficiency:
Modest

Economic and Financial Efficiency
Measures of the direct financial costs of social exclusion across different segments of society in Indonesia do not exist, making it difficult to develop an economic rate of return measure for the project either at appraisal or closure. Hence, the project design document did not include an ex-ante economic analysis.

Despite these difficulties, an economic rate of return analysis was undertaken at project closure. Assuming certain marginal benefits from access to services, economic livelihood and social justice areas, the Net Present Value and Internal Rate of Return were estimated for two different scenarios for a 10-year investment horizon. The assumptions regarding beneficiary characteristics and income levels were based on the main project, PNPM Project beneficiaries. The optimistic case, with higher rates for income increases, resulted in an internal rate of return (IRR) of 17.3 percent and the more " reasonable" income increases produced an IRR of 7.8 percent. In comparison, the annual discount rates in Indonesia are over 10 percent.

Operational and Administrative Efficiency
The project (Phase I), which was planned as 18 months had to be extended three times for 2 years 5 months. The piloting of a new approach by directing grants through Civil Society Organizations took longer than anticipated to establish the required implementation structure. This situation became even more challenging when the contract with the local consultancy firm to provide implementation/supervisory services failed. In addition CSOs' unfamiliarity with the World Bank procurement procedures resulted in bottlenecks and delays. There were also three additional tranches of financing and every few months the Task Team and CSOs entered into the same lengthy administrative process even though program funds had been committed. Together these created high transaction costs for a small grant project that could have been avoided if a full budget envelope had been assigned at project start. The periodic delivery of relatively small tranches of Additional Financing (AF) and associated Grant Agreement extensions to Executive Organizations, but without any formal longer term commitment was inefficient. The process of AF from drafting paperwork to funds being available in CSO designated bank accounts took up to 3 months, and even longer for disbursements to small local CSOs.

The lack of a robust economic analysis, and operational and administrative inefficiencies, leads to an efficiency rating of **modest**.

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

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	No		

ICR estimate	Yes	7.8%	100%

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

6. Outcome:

The achievement of the objectives had major shortcomings. Although the relevance of objective is rated as substantial, the relevance of design is rated as modest due to several weaknesses in the results framework, and an ambiguous statement of development objectives that created divergent expectations from stakeholders. Achievement of all three objectives is rated modest due to limited results on capacity development for civil society organizations and no measurable outcomes on empowerment and improvement of socio-economic conditions of the marginal population. Efficiency is rated modest due to lack of a robust economic analysis based on actual data at the beneficiary level, as well as administrative and operational inefficiencies.

a. Outcome Rating: Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating:

Lessons from the Project have been well integrated into Phase II design being used by Australian Department of Foreign Affairs and Trade, including the understanding that intensive capacity-building support and technical assistance to CSOs is still needed.

Financial and technical support for the implementation of Phase II is ensured given that Australia has committed AUD 18 million for implementation for this project. Phase II has now been launched under a grant to an organization with long-term experience in addressing social inclusion issues in Indonesia and a history of facilitating networks and coalitions among NGOs/CSOs.

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

a. Quality at entry:

The project design focus was on testing and learning in order to accelerate integration of marginal groups into mainstream programs. Preparation time for the design was less than 6 months following on from the Marginalized Peoples' Study (June 2010) to a final Design Note (December 2010), indicating the Bank's responsiveness to an identified government priority. However, more time should have been allowed for the appraisal team to determine the main priorities for the project, thus mitigating some of the later divergence in stakeholder expectations, and allowing for tightening of the broad development objectives, which covers both CSOs and marginalized groups as beneficiaries. The appraisal team conflate 'marginal groups' with 'socially excluded' groups. Furthermore, the design did not provide sufficient mechanisms for effective coordination and collaboration with other government programs. Underestimating the budget needed given the project's complexity, and limited duration (for the first phase) created uncertainties and difficulties in implementation. The design used a new business model for provision of grants but without developing the necessary capacity and procedures for this new model. Appraisal was also inadequate in its appraisal of CSOs that were not familiar with Bank procurement practices.

The design document did not identify any risks. Risks related to capacity of Executive Organizations working with, and capacity for on-granting to, marginalized groups were not considered.

Finally, the appraisal team's approach to systematically producing a project appraisal document left much to be desired and confusion about project components.

Quality-at-Entry Rating: Moderately Unsatisfactory

b. Quality of supervision:

The Bank Task Team tailored and mobilized technical assistance to the EOs. The team also found various ways to resource capacity-building efforts, including funds for executive organizations to hire external assistance as well as direct mentoring and training delivered by the Task Team and other WB personnel, on areas such as monitoring, evaluation, procurement and financial management. Notably, when the contract with the project management company fell apart the team directly carried out some of the project implementation responsibilities. The task team also tried to raise awareness about the confusion surrounding the project's scope and issues of

social exclusion and marginalization. Finally, the Task Team pursued further simplification of the procurement provisions to enable the EOs to use their own procurement forms and procedures, consistent with the procurement principles of the Bank's Guidelines, and adopted by other WB projects.

However, there were several important shortcomings of supervision. The project experienced frequent leadership changes (3), some at critical phases, and these changes contributed to delays in planning and financing approvals. When the mid-2013 Joint Management Committee decided to hand-over Phase II to DFAT to consolidate the portfolio and minimize the transaction costs of smaller-scale engagements, an impression was given that the Bank had little consideration for the impact of its decisions on beneficiaries, particularly civil society. As a result of this seemingly *ad hoc* decision, considerable resources that had been invested by beneficiaries, CSOs, EOs and the WB appeared to be wasted.

The fact the Bank also had a conflict of interests when it accepted the dual role of due diligence / oversight for the development partners and responsibility for implementation. This duality hampered strategic communications with the EOs as it was difficult to maintain a 'light touch' oversight approach while providing technical support. It is not also the Bank's role to substitute for the client's lack of capacity as this harms the capacity-building process.

The conceptual shift from working with the economically marginalized to socially excluded individuals and groups was highlighted in project documents but was not pursued through any restructuring at the level of objectives or indicator changes. Similarly, a communications strategy was not mobilized to clarify differing stakeholders expectations: some stakeholders envisioned the project as a poverty alleviation tool for specific groups, others identified it as a capacity-building program for CSOs.

Quality of Supervision Rating :	Moderately Unsatisfactory
Overall Bank Performance Rating :	Moderately Unsatisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The Joint Management Committee provided strong support, and commitment, which was demonstrated by the approval in 2013 of financing for a second phase. Also, the support of one of the Coordinating Ministries was highly valuable. However, the interaction with wider stakeholders in the government could have further highlighted the added value of civil society organizations' involvement in development activities and may have generate additional opportunities for government/ civil society partnerships. Thus the government's involvement did not extend to integrating learning from PNPM Peduli with other PNPM programs. Although the Coordinating Ministry of People's Welfare was in general open to consulting and collaborating with civil society, occasionally the Executive Organizations were perceived as implementers of a government program, rather than as development partners.

Government Performance Rating	Moderately Satisfactory

b. Implementing Agency Performance:

The Technical Support Group (TSG), a local private firm, was contracted to provide key implementation support functions. These included undertaking CSO organizational assessments and developing a related capacity-building strategy; providing technical support for partners; routine monitoring, project evaluation and documenting learning and establishment of MIS. Quality issues and differing expectations resulted in an early and mutually agreed termination of the contract in June 2012. As a result oversight tasks fell on the (expanded) Bank Task Team enabling the Project to continue without interruption. However, this led to some shortcomings: several key tasks such as a communications strategy, and MIS system, and safeguard oversight could not be completed and there was some discontinuity in capacity-building assessments;

The main implementing agencies (Executive Organizations), demonstrated sound performance in selection of CSOs partners. They provided guidance to help CSOs target marginalized groups and ensured that financial, procurement and fiduciary procedures met WB standards. Despite funding uncertainty and operational challenges of working with WB processes and procedures, the EOs continued to implement their activities, albeit with some shortcomings: quality of reporting; prioritization and utilization of an adequate MIS; and cascading of information from the national to local level partners..

Implementing Agency Performance Rating :	Moderately Satisfactory
Overall Borrower Performance Rating :	Moderately Satisfactory

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

a. M&E Design:

M&E design outlined in the project design note was fairly minimal, and a set of Key Performance Indicators and an M&E system were later developed in consultation with the EOs in order to guide routine monitoring and reporting needs. However, the weakness of the M&E framework continued as no outcome indicators were designed to measure the impact of the project on socio-economic conditions of marginalized communities. Moreover, due to the demand-driven nature of the project, the project was not able to identify sub-grant recipients and areas /sectors *a priori*, and therefore an overarching baseline was not conducted at the sub-grant level. Instead it was only carried out at the Executive Organization level in order to benchmark capacity needs and changes.

b. M&E Implementation:

The Bank's Task Team took on responsibility for M&E support after the consulting firm stopped working. Several workshops were conducted with EOs to improve project performance based on emerging results. EOs reported improved capacity for M&E including log-frame design, conduct of community assessments and better data collection. However, the cascade approach for M&E involving the Task Team, EOs and CSOs was made difficult by the lack of dedicated CSO M&E personnel, and relatively weak documentation of findings. Despite these limitations, there were reportedly improvements in EO capacity for M&E over time, due mostly to intensive coaching and mentoring from the Task Team. However, the web-based MIS-system development, while initiated, was not completed by the contracted MIS consultant. This gap in 'live' systems meant the Task Team relied heavily on EO progress reports for data, combined with field visits and related team reports. A revised set of outcome indicators and full Results Framework were prepared with the Executive Organizations and other stakeholders as part of Phase II preparation, refining the project target groups and building on the pilot experience and results of the Mid-Term Review.

c. M&E Utilization:

Quantitative and qualitative data were used to compile reports and produce information on the Project, which reportedly enhanced stakeholder support for the Project and increased their awareness of social inclusion priorities, risks and benefits. It was noted that in a number of cases, M&E data proved instrumental in being used with Local Governments to decide on further action in favor of the marginalized communities.

M&E Quality Rating: Modest

11. Other Issues

a. Safeguards:

The project was categorized as "B" under OP/BP4.01 Environmental Assessment and OP/BP4.12 Indigenous Peoples safeguard policy was triggered. The Project used the World Bank's updated PNPM Implementation Guidelines on Social and Environmental Safeguards as the main compliance and guidance instrument. At appraisal it was thought unlikely that the project would lead to significant adverse social and environment impacts.

The Task Team reported that an environmental assessment was prepared and followed. The indigenous safeguards implementation was also satisfactory, since most local projects involving indigenous people were assessed and reviewed by safeguard specialists and, given the entire project's positive orientation towards the more marginalized, indigenous groups were among the prime beneficiaries of Peduli. Although safeguards training was given in a cascade approach: WB to EOs, and EOs to CSOs, the findings indicate that EOs and partners had not fully understood the safeguards they were applying and how safeguard criteria informed their own and their partners' project designs - they were blindly following the procedures without a true understanding of the value of the activity. The task team has therefore taken lessons from the project's social and environmental safeguard experience and incorporated these into a Quality Assurance Tool for project implementation that is being finalized at the time of ICR preparation and will be made available to other projects in Indonesia. World Bank assessments found that, overall, safeguard compliance was satisfactory throughout implementation and no specific issues were observed (ICR page

12).

b. Fiduciary Compliance:

Financial Management: There were regular annual financial management system reviews, and limited transaction reviews were conducted both at EO level and at the CSO partner's offices. Only two cases of fraud were reported during the Project period, which were pro-actively responded to by EOs and the task team, and were addressed to the satisfaction of both the Bank and the local community. Reportedly, internal control systems worked well; Interim Financial Reports were submitted on time; and Audit Reports were submitted on time and with unqualified opinions. However, submission of financial reports and supporting documentation from CSO partners to EOs was not routinely on time. Overall, financial management in the project was rated as Moderately Satisfactory in the ICR (page 13).

Procurement: The Bank allowed EOs and CSOs to use their own procurement forms and procedures, which were reviewed and found to be consistent with the key procurement principles of the Bank's Guidelines and to the extent that they were not inconsistent with the provisions of the Grant or Sub-Grant, while providing guidance on good procurement practices for further improvement. Thus in March 2013 the Project introduced further simplified procedures for procurement to meet EOs' and CSOs' needs through revisions of the original procurement procedures specified in the Project Operation Manual and with issuance of a dedicated guideline for CSOs in carrying out Procurement of Goods, Non-consulting services, Works, and Consulting Services ("the Booklet for Procurement").

c. Unintended Impacts (positive or negative):

d. Other:

12. Ratings:	ICR	IEG Review	Reason for Disagreement/Comments
Outcome:	Moderately Satisfactory	Moderately Unsatisfactory	The project had major shortcomings in definition of objectives, design, achievement of objectives and efficiency
Risk to Development Outcome:	Moderate	Moderate	
Bank Performance:	Moderately Satisfactory	Moderately Unsatisfactory	Both the Quality at Entry and Quality of Supervision is rated Moderately Unsatisfactory, due to weaknesses in the results framework that was not addressed during implementation.
Borrower Performance:	Moderately Satisfactory	Moderately Satisfactory	
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:

The Implementation Completion Report offers five lessons of which the following are the most important (with some reformulation of language):

- **Local level civil society organizations (CSOs) are critical in reaching hard-to-reach groups and direct funding to these organizations enables them help shape policy and play a more strategic role on emerging policy**

issues of national interest. The project experience showed that working with Executive Organizations enabled the Project to tap into their partner CSOs' field expertise to reach beneficiary groups not easily accessed – physically or socially. In addition, CSO partners can play a useful role in filling the gap in accessing and delivering services to those groups for whom the government is less able to reach, particularly in remote locations or where available services do not meet the specific needs of the most marginalized and excluded groups.

- **Economic poverty alleviation efforts and livelihood improvement is a useful but not sufficient entry point for reaching excluded groups.** A multifaceted approach is needed to address the complexity of exclusionary systems/practices, particularly related to issues of stigma and systemic discrimination. Empowerment of excluded citizens requires a rights-based approach involving the whole community, rather than only focusing on meeting direct and immediate material needs. Performance indicators need to capture comprehensive information about changes to the lives of beneficiaries, for example, in access to services (health, education legal and financial); in increased social interaction between groups (thus measuring social cohesion); and in attitudinal changes and increased participation in community life. Such Projects would also need to monitor and measure efforts for knowledge management and policy influence to be able to adapt and link the investment with the broader development agenda.

- **Adapting World Bank financial and administrative processes and requirements when granting to (national) CSOs makes them more accessible and functional for local CSO partners in the field, while still meeting globally accepted fiduciary and governance.** The project experience showed that this involves the World Bank ensuring performance for results, rather than compliance, to avoid delays in implementation while still adhering to fiduciary principles. Adhering to these modified guidelines provides the CSOs with an opportunity to ensure that their internal systems are up to standards necessary for effective functioning as well as their long-term legitimacy.

IEG adds an additional lesson:

- **For small-sized grant-funded pilot projects ensure that financing is adequate.** This project had a very limited initial budget that had to be topped-up several times. An approach could be adapted whereby a full budget envelope is indicated prospectively at project inception, with tranches captured through amendments to existing Grant Agreements. This method would not only reduce transaction cost of processing trough several Additional Financing, but also would provide more certainty and clarity about the project's financial resources.

14. Assessment Recommended? ● Yes ○ No

Why? In order to be able to assess the overall CDD program together with the complementary projects like this one, so that interlinkages among the different programs and any synergy generated can be used to derive overall lessons to improve poverty reduction efforts.

15. Comments on Quality of ICR:

The ICR was candid with well articulated lessons but there were also the following weaknesses: (i) Reasons for extensions were not explained; (ii) Safeguard policy implementation results and mitigation on Environmental Assessment and Indigenous Population; (iii) Outcomes on the objective to improve socio-economic conditions for marginal communities were not presented.

a.Quality of ICR Rating: Satisfactory