



1. Project Data:		Date Posted : 03/30/2004	
PROJ ID: P056074		Appraisal	Actual
Project Name: Municipal Innovations Project	Project Costs (US\$M)	7.2	7.7
Country: Indonesia	Loan/Credit (US\$M)	5.0	4.7
Sector(s): Board: UD - General water sanitation and flood protection sec (60%), Sub-national government administration (30%), Animal production (10%)	Cofinancing (US\$M)		
L/C Number: L4440			
	Board Approval (FY)		99
Partners involved :	Closing Date	12/31/2001	06/30/2003
Prepared by :	Reviewed by :	Group Manager :	Group:
Roy Gilbert	John R. Heath	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
(a) to encourage efficient municipal innovation projects; (b) to promote the dissemination of successful innovation projects; and (c) to improve central government practices affecting municipalities . [municipal innovations supported by this project were varied, including : simplification of permit issuing processes; disseminating information to the public about local government activities; recycling of solid waste; and private finance of local vendor locations (markets), among others.]			
b. Components			
(i) Municipal Innovations subproject (US\$6.4m. both estimated and actual cost) including efficiency enhancing infrastructure services and pilot projects to improve municipal administration;			
(ii) Institutional Development (US\$1.2m. actual cost) through capacity building of the project management unit (PMU) in project administration, supervision, and monitoring; workshops and dissemination activities; training of selected local government staff; and to implement a program of awards of excellence for municipal innovation projects .			
c. Comments on Project Cost, Financing and Dates			
Appropriately, the project design opted for a Learning and Innovation Loan (LIL) lending instrument as an incentive to experiment with different solutions to those already well-tried in the Indonesian urban context and to underwrite the risk taking involved. Actual project costs were similar to those estimated at appraisal . The Bank loan financed 61% of total costs, down from the 69% share foreseen at appraisal . This was partly because, actual government counterpart of US\$3.0m. exceeded the appraisal estimate of US\$2.2m. Nevertheless, delays in releasing counterpart funding--through an unusual mechanism directly from the Ministry of Finance to subproject managers --and sluggish implementation by some local governments led the project to close eighteen months later than planned .			
3. Achievement of Relevant Objectives:			
(a) <i>fully achieved:</i> innovations were introduced through the successful completion of more than half of the 66 subprojects supported by the project (two-thirds more than the 40 subprojects anticipated at appraisal--even though it is too early to judge the full impact of several innovations that have only just been completed) .			
(b) <i>fully achieved:</i> dissemination of activities was achieved through a dedicated website, a regularly published newsletter (13 editions so far) distributed to more than 300 municipalities.			
(c) <i>fully achieved:</i> central government practices toward municipalities improved by following the approval of a new fund disbursement model, a new approach to selecting trainees			
4. Significant Outcomes/Impacts:			
<ul style="list-style-type: none"> • Through repeated project workshops, the operation facilitated an exchange of experiences among the participating local governments and facilitated the transfer of those experiences from participating to non-participating local governments . • Successful implementation of participatory budgeting systems by two cities that enabled them to prepare their budgets in more transparent and accountable manner . 			

- Initiation of an "Award of Excellence" program for municipal innovations. Five awards have been made to date, at a ceremony presided by the Minister of Home Affairs. Prizes included a study visit to Malaysia.
- External benefits innovations introduced by this project that can be replicated at lower cost elsewhere.

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

- Staffing shortages, that meant that the public of the municipality of Surabaya was not properly informed about the initiation of a public complaints system.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	Modest	Modest	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Exemplary	

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

7. Lessons of Broad Applicability:

- Creating an enabling environment and some degrees of freedom are pre-conditions for inducing and empowering local institutions and officials to initiate and carry out innovations.
- An operational environment that is conducive to innovation is one that has flexible procedures that allow for unexpected approaches and changes called for by innovations.
- The personal commitment by high-level political leaders--such as ministers and city mayors--to innovation and their acceptance of the risks involved in it are crucial to successful innovation.
- Sustainability of innovative projects depends in part upon adequate consultation of project beneficiaries during subproject preparation and implementation.
- Innovations are more likely to succeed if they require organizational changes in one agency only, or in one unit only within an organization. An innovation that depends upon the complete reform of the agency or organization is less likely to prosper.

8. Assessment Recommended? Yes No

Why? To learn more about the status of municipal innovation and to update knowledge about its replication throughout Indonesia (as part of an OED cluster assessment of other urban projects in the country).

9. Comments on Quality of ICR:

This is an excellent ICR, that candidly explains the successes and shortcomings of the learning and innovation experiences. It provides summary details of many innovative sub-projects financed by the project. More details--that limits to the size of ICRs preclude--would be needed for a better understanding of the different technical solutions adopted by the project. Moreover, the innovations would have been placed in even higher relief if the ICR had given more details of the earlier (archaic) methods and instruments used by municipalities (to issue permits, for instance). Even so, the ICR provides an excellent and informative set of lessons that demonstrate clearly the value added by this Learning and Innovation Loan.