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IMPLEMENTATION COMPLETION AND RESULTS REPORT
(TF-55626)

ON A

MULTI-DONOR TRUST FUND FOR ACEH AND NORTH SUMATRA GRANT

IN THE AMOUNT OF US\$ 17.96 MILLION

TO THE

REPUBLIC OF INDONESIA

FOR A

COMMUNITY RECOVERY PROJECT THROUGH THE URBAN POVERTY
PROGRAM IN EARTHQUAKE-TSUNAMI AFFECTED AREAS
OF NANGGROE ACEH DARUSSALAM AND NORTH SUMATRA

January 27, 2011

Indonesia Sustainable Development Unit
Sustainable Development Department
East Asia and Pacific Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective December 23, 2010)

Currency Unit = Rupiah

US\$1 = IDR 9,085

IDR 1,000 = US\$0.11

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

BKM	<i>Badan Keswadayaan Masyarakat</i> (Board of Community Trustees)
BRR	<i>Badan Rekonstruksi dan Rehabilitasi</i> (Board for Reconstruction and Rehabilitation)
CAS	Country Assistance Strategy
CDD	community-driven development
CPS	Country Partnership Strategy
CRRP	Community Rehabilitation and Reconstruction Plan
CSRPP	Community-Based Settlement Rehabilitation and Reconstruction Project
CTC	Community Trustee Committee for Reconstruction and Rehabilitation (also known by its Indonesia acronym, KERAP)
GoI	Government of Indonesia
ICR	Implementation Completion and Results Report
IDR	Indonesian Rupiah
ISR	Implementation Status Report
KDP	Kecamatan Development Project
KERAP	<i>Komite Rehabilitasi dan Rekonstruksi Kelurahan</i> (Indonesian name for CTC)
KSM	<i>Kelompok Swadaya Masyarakat</i> (self-help community group)
MDF	Multi-Donor Fund for Aceh and Nias
M&E	monitoring and evaluation
MoF	Ministry of Finance
MPW	Ministry of Public Works
NMC	National Management Consultant
OC	oversight consultant
O&M	operations and maintenance
PAD	Project Appraisal Document
PDO	project development objective
PIU	Project Implementation Unit
PNPM	<i>Program Nasional Pemberdayaan Masyarakat</i> (National Community Empowerment Program)
PMU	Project Management Unit
Sec-MDF	Secretariat of the Multi-Donor Fund for Aceh and Nias
TA	technical assistance
UPP	Urban Poverty Project

Vice President: Mr. James W. Adams
Country Director: Mr. Stefan G. Koeberle
Sector Manager: Mr. Franz R. Drees-Gross
Project Team Leader: Mr. George Soraya
ICR Team Leader: Mr. George Soraya

INDONESIA
COMMUNITY RECOVERY PROJECT THROUGH THE URBAN POVERTY
PROGRAM IN EARTHQUAKE-TSUNAMI AFFECTED AREAS

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MAP

A. Basic Information			
Country:	Indonesia	Project Name:	Community Recovery in Earthquake Affected Areas through UPP
Project ID:	P096647	L/C/TF Number(s):	TF-55626
ICR Date:	02/13/2011	ICR Type:	Core ICR
Lending Instrument:	ERL	Grantee:	GOVERNMENT OF INDONESIA
Original Total Commitment:	USD 18.0M	Disbursed Amount:	USD 17.5M
Revised Amount:	USD 17.5M		
Environmental Category: B			
Implementing Agencies: Ministry of Public Works			
Cofinanciers and Other External Partners:			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	05/10/2005	Effectiveness:	10/30/2005	11/21/2005
Appraisal:	08/02/2005	Restructuring(s):		
Approval:	08/24/2005	Mid-term Review:	12/15/2006	02/15/2007
		Closing:	12/31/2009	12/31/2009

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Satisfactory
Grantee Performance:	Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
Overall Bank Performance:	Satisfactory	Overall Borrower Performance:	Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

D. Sector and Theme Codes		
	Original	Actual
Sector Code (as % of total Bank financing)		
General water, sanitation and flood protection sector	50	65
Sub-national government administration	50	35
Theme Code (as % of total Bank financing)		
Natural disaster management	33	45
Urban services and housing for the poor	67	55

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	James W. Adams	Jemal-ud-din Kassum
Country Director:	Stefan G. Koeberle	Andrew D. Steer
Sector Manager:	Franz R. Drees-Gross	Keshav Varma
Project Team Leader:	George Soraya	George Soraya
ICR Team Leader:	George Soraya	
ICR Primary Author:	Andre Oosterman	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

To provide support for reconstruction and rehabilitation to urban communities impacted by the earthquake and tsunami.

Revised Project Development Objectives (as approved by original approving authority)

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	% Disaster victim households in the targeted kelurahan receive benefits and improved services from the projects			
Value quantitative or Qualitative)	0	75%		95%
Date achieved	08/25/2005	08/25/2005		12/31/2009
Comments (incl. % achievement)				
Indicator 2 :	% Community Trustee Committees (CTCs) formed under the project are representative, effective and operate in a participatory manner			
Value quantitative or Qualitative)	0	more than 70%		90%
Date achieved	08/25/2005	08/25/2005		12/31/2009
Comments (incl. % achievement)	The value achieved at completion is a conservative estimate, based on data about success in CRRP implementation, voting rates in CTC elections, women's participation, complaint handling performance, cost of investments, and other indicators.			
Indicator 3 :	% CTCs are able to channel other donor reconstruction funds to their communities			
Value quantitative or Qualitative)	0	50%		100
Date achieved	08/25/2005	08/25/2005		12/31/2009
Comments (incl. % achievement)	In all 402 kelurahan, the CTCs channeled funds from GoI's ongoing CDD program (UPP3 and PNPM) co-financed by the Bank; 49 kelurahan also obtained funds through the MDF-financed Community-Based Settlement Rehabilitation and Reconstruction Project.			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	% Community rehabilitation and reconstruction plans are implemented			
Value (quantitative or Qualitative)	0	90%		99.3%
Date achieved	08/25/2005	08/25/2005		12/31/2009
Comments	Almost all of the specific investments identified in the Community Rehabilitation			

(incl. % achievement)	and Reconstruction Plans were fully financed through the project's block grants. Only two of the eligible 273 kelurahan did not implement the full grant amounts planned.			
Indicator 2 :	% of kelurahan adults vote in CTC leadership elections			
Value (quantitative or Qualitative)	0	30%		30.2%
Date achieved	08/25/2005	08/25/2005		12/31/2009
Comments (incl. % achievement)	In 2005 and 2006 the voting rate was only 19% because of difficulties in registering voters, as many residents had been killed and refugees were returning to the area. From 2007, registration was more complete, and attention to CTC elections increased.			
Indicator 3 :	% Kelurahan households utilize reconstructed/rehabilitated community infrastructure			
Value (quantitative or Qualitative)	0	50%		100%
Date achieved	08/25/2005	08/25/2005		12/31/2009
Comments (incl. % achievement)	The extremely high utilization rate is explained by the fact that the Project mainly financed key infrastructure for common use (such as roads) in neighborhoods where most basic infrastructure had been destroyed by the tsunami and earthquake.			
Indicator 4 :	% Poorest household disaster victims receive social service assistance grants from CTCs.			
Value (quantitative or Qualitative)	0	Poorest 10%		48%
Date achieved	08/25/2005	08/25/2005		12/31/2009
Comments (incl. % achievement)	In retrospect, targeting the 10% "poorest" households was not deemed appropriate because many residents in the targeted kelurahan had lost so much that distinguishing the poorest 10% was not meaningful.			

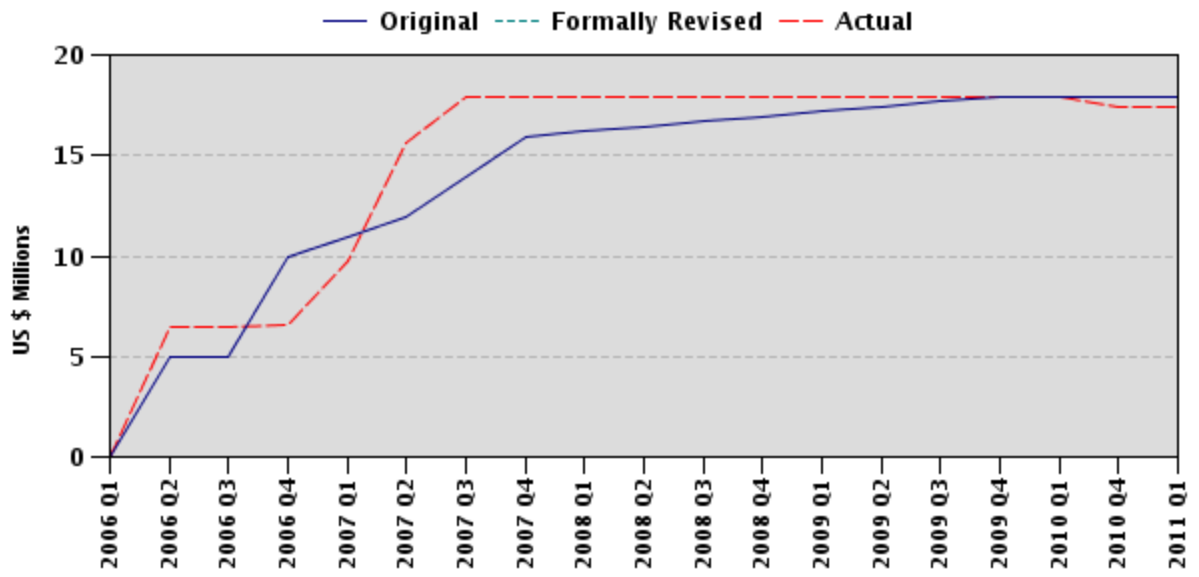
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	03/26/2007	Moderately Satisfactory	Moderately Satisfactory	17.90
2	11/06/2007	Satisfactory	Moderately Satisfactory	17.90
3	03/11/2009	Satisfactory	Satisfactory	17.90

H. Restructuring (if any)

Not Applicable

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

In December 2004, the province of Nanggroe Aceh Darussalam (better known as “Aceh”) was hit by a tsunami and earthquake that claimed over 230,000 lives and destroyed countless schools, houses, places of worship, and livelihoods. The level of death, destruction, displacement, and disorder caused by these natural disasters required a virtual reorganization of communities in the province. For rehabilitation and reconstruction purposes, as well as psychological reasons, there was a distinct need to reorganize and empower communities to be central participants in this massive task, determining for themselves what their needs and priorities would be, and how they were to rebuild not only their community infrastructure, but the communities themselves.

In the immediate aftermath of the tragedy, the Government of Indonesia (GoI) requested that the Bank lead an international team in preparing a comprehensive damage and loss assessment and, shortly afterward, in implementing a strategy of community mobilization, training, organization, and empowerment, with new and effective community organizations and local institutions. Having the Bank assume this leadership role was based on its significant experience in carrying out these types of activities, particularly in Indonesia. At the time of appraisal, the Third Urban Poverty Project (UPP3) was being prepared, and its rural counterpart, the Kecamatan Development Project (KDP), was already operating in Aceh. The proposed project (“the Project”) was a special supplemental part of the national UPP3, designed to more appropriately address the special needs in Aceh in the immediate and medium-term recovery and reconstruction period. It was fully consistent with the Bank’s 2003-06 Country Assistance Strategy (CAS) for Indonesia, which the Bank updated in 2005 by introducing a new CAS pillar, called “Disaster Risk Management”. As part of the updated strategy, the Bank committed itself, *inter alia*, to sustained heavy engagement in Aceh and Nias throughout 2005-06 and beyond.

At the time of appraisal, it was anticipated that implementation of any reconstruction project in Aceh would be extremely difficult, not only because the natural disasters had destroyed much of the infrastructure, but also because civil unrest had plagued the province since the mid-1970s. On the positive side, a large number of multilateral and bilateral donors had made significant financial commitments in support of the planned reconstruction and rehabilitation efforts, including contributions of over US\$700 million to the Multi-Donor Trust Fund for Aceh and North Sumatra (MDF). The MDF provided a US\$17.96 million grant to GoI to finance the full cost of the project.

1.2 Original Project Development Objectives (PDO) and Key Indicators

The PAD stated that “The objective of this project is to provide support for reconstruction and rehabilitation to urban communities impacted by earthquakes and tsunami.” It went on specify that “The project will provide block grants to 402 kelurahan and technical assistance to 402 urban communities. The block grants will be used to: (i) establish and support representative and accountable community organizations that are able to increase the voice of the disaster victims and vulnerable households in public decision making; (ii) make local governments more responsive to the needs of the disaster victims and vulnerable households through increased cooperation with community organizations; and (iii) ensure provision of funds transparently to community-based organizations and local governments to provide services to the urban community victims of the disaster.”

The key indicators in the PAD are:

Outcome indicators

1. 75% of disaster victim households in the targeted *kelurahan* receive benefits and improved services from the project.
2. More than 70% of the Community Trustee Committees (CTC) [*komite rehabilitasi dan rekonstruksi kelurahan*, KERAP] that have been formed are representative, effective, and operate in a participatory manner.
3. 50% of CTC/KERAP committees are able to channel other donor reconstruction funds to their communities.

Output indicators

1. 90% of Community Rehabilitation and Reconstruction Plans are implemented.
2. 30% of *kelurahan* adults vote in CTC/KERAP committee leadership election.
3. 50% of *kelurahan* households utilize reconstructed/rehabilitated community infrastructure.
4. The poorest 10% of household disaster victims receive social service assistance grants from CTC/KERAP committees.

Although the PDO and key indicators stated in the grant agreement are slightly different from those in the PAD, the differences are not substantive and do not affect their meaning or the assessment of results. For example, the grant agreement with MDF uses the word “assist” rather than “support” in its formulation of the PDO statement. The indicators in this agreement also refer to a paragraph in the agreement that describes the social service assistance grants that are to go to the 10% poorest households, and says that 90% of *kelurahan* will “implement sub-projects in line with” their CRRPs rather than saying 90% of CRRPs will be implemented. Other differences involve only minor editorial variations.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

Not applicable.

1.4 Main Beneficiaries

The primary beneficiaries of the Project consisted of some 697,600 persons living in 402 *kelurahan* (urban neighborhoods) in Aceh¹ that were thought to be most severely affected by the tsunami and earthquake. The population of these *kelurahan* would benefit both directly and indirectly from social service assistance grants and improved community infrastructure and services, planned and implemented through a community-driven development (CDD) process. Secondary beneficiaries would be (a) the Directorate of Buildings and Neighborhood Development in the Ministry of Public Works (the implementing agency), which would benefit from increased capacity, (b) village level facilitators and the staff of partner agencies providing implementation support, who would benefit from technical assistance and enhanced coordination; (c) the ten district governments in which the 402 *kelurahan* were located, who would benefit,

¹ All of these *kelurahan* were located in the province of Aceh, even though the term “Affected Area” in the Grant Agreement also encompassed the province of North Sumatra.

inter alia, from training, field studies, and institutional strengthening aimed at improving their planning capabilities, and (d) the newly created CTCs themselves, which would benefit from TA and advisory services in the process of establishing and strengthening their role in channeling CDD funds to appropriate community activities and investments.

Shortly after approval of the Project, the Ministry of Public Works (MPW) undertook a rapid survey of the Project area and concluded that only 273 *kelurahan* (in six of the ten participating district governments), with a total population of approximately 465,700, were in immediate need of improved community infrastructure as a result of severe impacts from the tsunami and earthquake. GoI and the Bank therefore agreed to channel the Project's block grants (under Component B) only to these 273 *kelurahan*. All 402 *kelurahan* would remain eligible for community development services under Component A, to enable them to tap into and better use other sources of funding, which were initially provided through UPP3, and in a later stage also through the Community-Based Settlement Rehabilitation and Reconstruction Project (CSRRP, a recently completed project financed by MDF through the Bank.) and the National Program for Community Empowerment (*Program Nasional Pemberdayaan Masyarakat* or PNPM).

1.5 Original Components (*as approved*)

The Project would be implemented in 402 *kelurahan* in ten district governments in the province of Aceh. All activities would be financed 100 percent by the MDF, through the Bank. It consisted of the following four components:

Component A: Community Development. Project Cost: US\$4.11 million

This component consisted of the provision of technical advisory services to carry out community development activities, including (a) raising awareness in target communities about the nature of the disaster and how the project could help them address community reconstruction, (b) assistance to communities in carrying out a community self-survey, (c) establishment of elected, representative, transparent, and accountable community organizations known as Community Trustee Committees for Reconstruction and Rehabilitation (CTC or KERAP) to act on behalf of the community for purposes of rehabilitation and recovery, (d) formulation of a Community Rehabilitation and Reconstruction Plan (CRRP) for each project *kelurahan*, using a transparent and participatory process, (e) organization and assistance to community self-help groups on how to prepare and submit proposals to utilize project resources and implement priority reconstruction programs, and (f) assistance to the CTCs on how to partner with other community development programs. This component involved a guided socialization process where facilitators were trained to work directly with communities in the *kelurahan*.

Component B: Kelurahan Grants. Project Cost: US\$11.73 million

This component would provide block grants to *kelurahan* to finance activities identified in the CRRPs, including (a) specific high-priority infrastructure investments, (b) competitive proposals from community groups consistent with the priorities in the CRRP, and (c) social safety net programs for the benefit of the poorest and most vulnerable groups or individuals. The 402 participating *kelurahan* were to receive a block grant with a standard value of IDR 300 million to finance investments in community infrastructure in accordance with their CRRPs.

Component C: Strengthening the Role and Capacity of Local Government. Project Cost: US\$1.00 million

This component would provide technical assistance to strengthen the role and capacity of local governments to work together with community organizations to address disaster relief, recovery, community infrastructure rehabilitation and reconstruction, based on community values.

Component D: Implementation Management Support. Project Cost: US\$1.12 million

The project would be managed by a Project Management Unit (PMU) assisted by an administrative unit (PIMPRO), with a designated representative located in Aceh, who reports regularly to BRR (*Badan Rekonstruksi dan Rehabilitasi*, a temporary government unit tasked with the coordination of the reconstruction and rehabilitation of Aceh and Nias) on Project progress for coordination purposes. The PMU would hire consultants and facilitators to assist in project implementation. Technical assistance would be provided through the existing UPP National Management Consultants at the central level, three Oversight Consultant Teams at the province level, with OC offices in the participating district governments, and facilitators and community cadres at the *kelurahan* level.

1.6 Revised Components

Not applicable.

1.7 Other significant changes

As explained in Section 1.4, the assessment of the scope of severe impact from the tsunami, and thus the number of *kelurahan* eligible for block grants under Part B of the project, was more accurately assessed after approval and prior to effectiveness. As a result, somewhat fewer *kelurahan* participated in the block grant component of the project, and the size of the block grants was somewhat greater (IDR 300-500 million) depending on the population, needs, and reconstruction plans of each *kelurahan*.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

The quality of the project at entry was high and contributed to its successful outcomes. It benefited from being part of an overall MDF-financed program for reconstruction in Aceh, and particularly from essentially being an extension of existing urban poverty projects that were either already in implementation (UPP1 and UPP2) or soon to begin implementation (UPP3).

Soundness of background analysis. The background analysis was strong in large part because the government of Indonesia had already prepared a Master Plan for the Rehabilitation and Reconstruction of Aceh and Nias that was intended to guide and coordinate all recovery programs, as attention shifted from emergency relief efforts to the reconstruction phase.

Lessons learned from previous Bank-assisted projects. The Project was an expansion of urban poverty projects (UPP1 and UPP2) that were being implemented in Indonesia at the time of appraisal. The design of the Project was therefore based on the same principles, the most important of which were to (a) establish participatory processes for planning and managing investments in community infrastructure; (b) build local government ownership of the program while retaining key features of simplicity and direct transfers; (c) institutionalize transparency and democracy from the bottom-up to complement the ongoing program of decentralization to districts; (d) establish a system of checks and balances to encourage transparency by taking into account both financial flows and flows of authority, and (e) promote local-level social inclusion, with particular attention to women.

Assessment of project design. As mentioned previously, the objectives were critical and highly relevant, and corresponded to the government’s own plans and priorities. The components and implementation arrangements were well designed, realistic, and not overly complex, having been largely adapted from proven approaches from other projects already under implementation, with specific modifications for the post-disaster environment in Aceh. The MDF, which provided the project financing, was an effective way of marshalling and coordinating the funds flowing in from many sources to help ensure that they were used in an effective and coherent manner.

Although the geographic scope for the infrastructure reconstruction grants was initially too large, this was because of the emergency nature of the program, and the government proactively carried out a more detailed field assessment before the project activities began to ensure that investments were targeted to the communities most in need. Another facet of the project that was underestimated at the design stage was the difficulty of recruiting and retaining qualified facilitators to work in the affected areas (described in more detail in section 2.2). Despite the rapid project preparation, safeguard assessments and arrangements were robust. Appropriate oversight arrangements were put in place, most investments were expected to be small in scale and limited to reconstruction of existing infrastructure, and a negative list of subprojects not eligible for financing was created, along with standard operating procedures and guidelines to help minimize or address any localized impacts. Although gender participation met the targets set in the project design, this was insufficient to ensure that the quality of the participation was high (a problem that was addressed further during implementation). Complaint handling mechanisms ultimately resulted in resolution of all but a handful of complaints.

Government commitment, stakeholder involvement, and participatory processes. The Government of Indonesia played a central role in helping to set up the MDF, created its own temporary coordination entity (BRR) for the overall disaster reconstruction program, prepared a reconstruction master plan to guide the project, and carried out an additional field impact survey to better target investments before they began. In terms of the project’s design and implementation arrangements, stakeholder involvement, participatory processes, and community-driven development were the centerpiece and underlying concept of the entire project.

Assessment of risks. The PAD rated the project as having “moderate” overall risk with mitigation, but did not include risk ratings without mitigation. The risk matrix in Annex 8 includes the team’s assessment of risk ratings without mitigation (substantial risk overall), which were inadvertently omitted from the PAD. A notable cross-cutting risk discussed in the PAD, but not listed separately in the risk matrix, was that operating in the province of Aceh generally was seen as involving some inherent risks because it was a post-disaster environment in a province that had been plagued by civil unrest for decades. However, since the Project was designed to work closely and directly with communities and was located in urban areas where the incidence of civil conflict was lower, these risks were not considered substantial. Several risks related to local capacity, cooperation, and coordination issues were considered to be substantial or high without mitigation. But with the mitigation measures included in project design, most of the identified risks to project objectives and outcomes were rated negligible or moderate. The one exception was the willingness of local government and *kelurahan* organizations to work together, which was rated substantial even with the mitigation measures of building capacity at the community and local government level, and carrying out socialization efforts to guide community understanding of the nature of the disaster and the role of and opportunities presented by the project. (Refer to Annex 8 for an overview of risks and associated mitigation measures). As reflected in Section 2.2, the risk assessment and mitigation measures were generally on target, and while some were more successfully mitigated than others, there were no unanticipated risks or missed opportunities for mitigation that seriously limited achievement of project outcomes.

2.2 Implementation

Factors outside the control of the government or the implementation agency. The project was designed with the aim of rehabilitation and reconstruction of community infrastructure that was destroyed by the December 2004 tsunami and subsequent earthquake. Because most of the infrastructure in the project area was destroyed, logistical problems were much more severe than for other community-driven development projects. At the start of implementation, all but the most basic infrastructure was lacking and a large number of persons in Aceh were still living in temporary camps. In addition, many *kelurahan* served by the project were very difficult to access, largely because a major portion of the transport infrastructure was destroyed by the natural disasters.

Factors subject to the control of the government or the implementation agency

Positive factors

- Strong political commitment and support. The Project was able to secure support at the highest levels of government. GoI's commitment to disaster relief in the Project area was highlighted by the establishment of a temporary government unit (BRR) dedicated to coordinating the reconstruction and rehabilitation of Aceh and Nias. The Project was funded entirely from Aceh reconstruction grants made available through the MDF. These funds were directed to the Grantee's overall assistance program and linked to UPP community planning and subproject implementation. To jump-start the implementation of the Project, GoI approved the utilization of US\$2.5 million from other resources (which was reimbursed when MDF funds became available).
- Long-term integration with nationwide community-driven development programs. Even though the Project was aimed at restoring basic community infrastructure on short notice, it was designed from the outset to be integrated with GoI's CDD projects that were being developed at the time of appraisal. To speed up implementation, in the first year of the project (2006) the CRRPs were prepared by the community trustee committees (CTCs) set up by the project, but beginning in 2007 responsibility for preparing these plans migrated to the more highly structured and formal *Badan Keswadayaan Masyarakat* (BKM) committees, based on a nationwide model that already existed at the time the Project was prepared.
- Flexibility. From the start of the project, the implementing agency and the Bank were willing to adapt certain aspects of project implementation in response to changing information and circumstances, to ensure that the project would achieve its objectives and have the greatest impact. As mentioned before, based on the results of a rapid survey, it was decided to allocate block grants only to those *kelurahan* (273 of the 402 *kelurahan* covered by the Project) where the tsunami and earthquake had devastated basic infrastructure facilities. Secondly, to improve the quality of women's participation in the Project, the Bank and MPW agreed in 2007 to earmark US\$2.35 million of the block grant funds to projects that were identified and chosen by community women's groups as part of a "women's empowerment program" carried out under the project. The CDD design of the block grant component and flexibility in its implementation also allowed the communities to put the available funds where it mattered most to them, which put an even greater emphasis than expected on the specific priority investments in the CRRPs rather than the competitive proposals or household grant assistance.

Negative factors

- Improper financial management. Financial management (FM) of block grants was less than satisfactory throughout the Project implementation period, as communities were often unable

to comply with FM guidelines, especially those related to the safekeeping of cash and the dissemination of financial reports. These problems were most pressing in the early part of Project implementation, when it was difficult to find qualified facilitators willing to work in a conflict area. During the second half of the Project implementation period, the FM rating improved from “moderately unsatisfactory” to “moderately satisfactory”, but shortcomings in a broad range of accountability and transparency issues continued to exist. However, these FM shortcomings did not lead to any known misuse of funds or unresolved complaints about use of funds.

- Delays in appointment of key staff and fund flow delays. Some training was provided late due to delays in disbursement of fixed-cost funds for training of facilitator teams. Facilitator performance, a vital factor in project success, was hampered by a high rate of turnover as the oversight consultants tended to rotate facilitators in order to cover vacant positions. The Bank felt reluctant to increase facilitator salaries under the Project (which were already higher than in other provinces) for fear that this would start increases in facilitator wages throughout Aceh. This, in turn, would negatively affect the operational budgets of other donor agencies and NGOs working in the province, many of which also relied extensively on facilitators.
- Limited effectiveness of social marketing programs. Socialization was much improved compared to previous UPPs. Printed materials were distributed for communities and displayed on information boards, serial meetings were conducted at the neighborhood level and mass socialization was carried out during strategic events. However, socialization was not optimal, as communities did not always clearly understand the main message of the materials, partly because these did not always sufficiently address the local context. Socialization was also negatively affected by the initial difficulty in finding facilitators who had a proper understanding of the local context and were willing to work in a post-disaster environment.
- Poor quality of some infrastructure projects. Roads and box culverts were usually constructed to MPW standards, but there were some problems related to improper (and non-standard) planning, especially for investments in drainage. The main reasons for this were (a) high-level infrastructure, such as primary and secondary drainage, was largely absent at first, thereby hampering the effectiveness of small-scale drainage systems, (b) communities generally do not properly maintain the infrastructure financed by the Project, even though most participating *kelurahan* have formally set up O&M groups, and (c) incomplete designs; for example, the Project financed access roads without needed drains, or drains without screens or frames to avoid becoming blocked by debris.
- Quality of participation of women. Initially, the quality of female participation in preparing CRRPs was poor, even though the Project met its target of ensuring that at least 30 percent of the participants in planning sessions were women. Because of the cultural context in Aceh, during both preparation and implementation, special efforts were made to include the voices and priorities of women. A notable adjustment during implementation was to reserve US\$2.35 million of the block grants for subprojects developed through a women’s empowerment program that was highly successful in improving women’s participation and financing activities proposed by women.

Mid-Term Review. The Bank has undertaken an unusually large number of supervision missions, as reflected by the considerable volume of aide-memoires and technical notes to the implementing agency. Modification of technical guidelines and manuals had to be made in response to these missions. As such, MTR objectives were carried out as part of these regular

missions. (Section 5.1 refers to the results of a mid-term review by the MDF of the entire Aceh program, including the Project.)

Effectiveness of risk mitigation. As anticipated, the risk due to the history of civil conflict in the province was not significant, though this was not so much a result of confining the Project to non-conflict areas, but rather because in the aftermath of the tsunami, GoI and the Free Aceh Movement renewed reconciliation efforts and negotiated an agreement that effectively put an end to active conflict. Mitigation of other risks was good, but mixed. The specific risks related to (a) government intervention in the CTCs or lack of cooperation between different stakeholders or levels of government, (b) politicization or misuse of funds by the CTCs, and (c) the capacity of the communities to develop realistic and good quality CRRPs were either modest or were well mitigated during implementation. However, as described above, risks related to (a) adequate maintenance of the community infrastructure, (b) financial management practices, and (c) availability of qualified facilitators were not mitigated as successfully as expected, though the shortcomings did not fundamentally undermine achievement of the project outputs or outcomes.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

- a) **M&E design.** At the beginning of implementation, the Bank established a comprehensive management information system, to help monitor and evaluate the Project. The information provided by the M&E system is generally considered to be of very high quality compared to most other development projects undertaken in Aceh. It is extremely comprehensive (providing, for example, the number of beneficiaries for each activity financed by the Project, with timely information provided on a monthly basis) and readily accessible by the public. In spite of these obvious advantages, the system could have been further improved by explicitly linking it to monitoring and evaluation of the Project's performance indicators, some which were either recorded by other systems (“% Project *kelurahan* implement subprojects in line with Community Rehabilitation and Reconstruction Plans” and “% Project *kelurahan* households utilize reconstructed/rehabilitated community infrastructure”) or had to be inferred from intermediate indicators (such as “% Disaster victim households in the targeted *kelurahan* received benefits and improved services of the project” and “Poorest household disaster victims receive social service assistance grants from CTC/KERAP committees”).
- b) **M&E implementation.** The M&E system was set up early in the Project, except for the system for the women's empowerment program (which was developed during implementation to more narrowly target part of the grant component and thereby enhance women's participation in community development activities). Data generated by the system are publicly available on the PNPM website (<http://www.p2kp.org>) in the form of downloadable MS-Excel files, which are updated on a monthly basis. However, it is not easy to understand the contents of the downloadable files (partly because the definitions of some data labels are missing).
- c) **M&E utilization.** The data collected was useful in ensuring that the CTCs were representative and that the CRRPs were of good quality and realistic. Since the data confirmed that women's participation targets were being met in percentage terms, it influenced the Bank and MPW efforts to improve the voice of women through qualitative approaches and by introducing new subproject selection strategies rather than merely increasing participation rates. The data also showed that although about 48% of households in the eligible *kelurahan* received social service assistance grants, it was not realistic or relevant to identify, much less target, the “poorest 10%” of the population for this household grant assistance, and ultimately it was not as high a priority for the communities as anticipated. It also provided

data with which to adjust the block grant amounts for some villages based on both need and effectiveness of utilization.

2.4 Safeguard and Fiduciary Compliance

The block grants were implemented by community groups in Kelurahan (KSM), and each of them managed a subproject which typically did not exceed US\$2,000 equivalent. Given the small size the subprojects financed by the Project, it was *a priori* expected that any adverse social and environmental impacts of such subprojects would be small or negligible. This expectation was confirmed by the Project's many supervision missions. Indeed, the Project generated substantial social and environmental benefits by providing key infrastructure in locations where most basic infrastructure was devastated by the natural disasters. Investments in drainage, water supply and sanitation generated direct environmental benefits. No cultural property, involuntary resettlement and indigenous people related issues were encountered during project implementation.

As to fiduciary compliance, the Project encountered problems with financial management throughout implementation, primarily because communities were often unable to comply with FM guidelines, especially those related to safekeeping (community treasurers were not supposed to keep cash balances of more than IDR 1 million for more than 48 hours from receipt) and the dissemination of financial reports (which should be displayed in at least five strategic locations within a *kelurahan*). These problems were exacerbated by difficulties in finding qualified facilitators willing to work in a conflict area. The complexity of the arrangements was not considered inappropriate nor a primary factor in the FM shortcomings. It also should be emphasized that the fiduciary problems were related to difficulties in making communities comply with proper FM procedures. In case of poor FM performance by a certain *kelurahan*, block grants to that *kelurahan* were suspended until acceptable performance was reached. In 2006, 2007, 2008, and 2009, the Project received an unqualified opinion from BPKP, the state auditor.

2.5 Post-completion Operation/Next Phase

- a) **Transition arrangements.** The Project was implemented to assist with the rehabilitation and reconstruction of community-based infrastructure. While only 273 *kelurahan* received grants to finance specific investments and subprojects, all 402 *kelurahan* received assistance to prepare CRRPs, and became eligible to finance investments identified in these plans from funds provided by UPP3 and the National Community Empowerment Program (PNPM). For both recipients of block grants as well as the capacity building and TA-only recipients, transition was an integral design element of the project since the CRRPs were intended to be the plan, or at least the platform, for longer term investment strategies that could and are being financed by other projects or sources, including the provincial government of Aceh. In addition, there has been a transition from CTCs to more structured and formal BKM committees, based on a pre-existing nationwide model.
- b) **Follow-up projects.** None (Project *kelurahan* migrated to UPP3 and PNPM; see above).
- c) **Future impact evaluation.** A study on the qualitative impact of similar UPP3-financed sub-projects was carried out. However, the study area did not include Aceh.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

In 2005, GoI completed a *Blueprint for Rehabilitation and Reconstruction in Aceh and Nias*, which guided the coordination and implementation of all recovery programs being introduced in Aceh. The Project complemented the Government's efforts to restore communities to their former

state before the tsunami and the subsequent earthquake, while at the same time pursuing its ongoing strategy of community-driven development (CDD) projects. GoI has recently confirmed its commitment to such projects, and has repeatedly stated that it will continue to implement its national CDD program (known as PNPM) until at least 2015. At the same time, the Project directly addressed three of the four pillars in the Bank's 2004–08 CAS for Indonesia: Disaster Risk Management, Governance, and Service Delivery to the Poor.

The CCD approach is also a key component of the Bank's Country Partnership Strategy (CPS) for 2009-12, which emphasizes engagements with government counterparts and other stakeholders who are committed to addressing critical governance and institutional challenges. In addition the Project was directly relevant to three of the five thematic areas that the CPS envisions as forming the core of the Bank's engagement: (a) Infrastructure, (b) Community Development and Social Protection, and (c) Environmental Sustainability and Disaster Mitigation.

3.2 Achievement of Project Development Objectives

The project was successful in achieving its objective, “to provide support for reconstruction and rehabilitation to urban communities impacted by the earthquake and tsunami,” as reflected in the three key indicators linked to that PDO:

- at least 75% of disaster victim households in the targeted *kelurahan* receive benefits and improved services from the Project,
- at least 70% of CTC/KERAP that have been formed are representative, effective, and operate in a participatory manner, and
- at least 50% of CTC/KERAP are able to channel other donor reconstruction funds to their communities.

i. Disaster victim households in targeted *kelurahan* receive benefits and improved services

The Project allocated grants for the reconstruction and rehabilitation of community infrastructure to the 273 *kelurahan* determined to be most in need of such support. At the same time, it made sure that all 402 *kelurahan* received facilitator support to help them access other sources of finance for activities identified in their CRRPs. As a result, virtually all residents of the 402 *kelurahan*, who were severely impoverished by the impact of the tsunami, received benefits and improved services from the Project. As of December 31, 2009, the largest share of Project-financed block grants for community infrastructure was allocated to roads and bridges, drainage, and water. Over 38,843 households (about 48 percent of the population in the 273 *kelurahan* selected to receive block grants) received social assistance grants. (See Annex 2 for details.)

ii. CTC/KERAP formed under the project are representative, effective and operate in a participatory manner

The Project supported the establishment of a model—which was successfully implemented elsewhere in Indonesia—for participatory planning and financing in 402 *kelurahan* across the province where communities participated in a democratic, participatory process of planning and decision-making regarding the allocation of public development funds. The vast majority of the CTCs established by the Project were deemed representative, effective and participatory, based on their composition, voting rates, women's participation, complaint handling, and their success in identifying infrastructure priorities, creating community reconstruction plans, and carrying out the needed investments (see Annex 2 for details).

iii. CTCs are able to channel other donor reconstruction funds to their communities.

The Project was highly successful in assisting communities in all 402 participating *kelurahan* to prepare the CRRPs required to mobilize additional funding from other CDD-type programs (UPP3 and PNPM), as well as from CSRRP and a UN-Habitat housing project.

3.3 Efficiency

Given the low cost of the subprojects financed by the Project and the substantial economic benefits of infrastructure investments in a location where infrastructure was largely absent in the aftermath of the tsunami, it was not deemed useful to estimate indicators such as NPVs or EIRRs or FIRRs. Efficiency was therefore gauged by unit rate norms, which are highly favorable for community-executed infrastructure projects (see Annex 3 for details).

3.4 Justification of Overall Outcome Rating

Rating: *Satisfactory*

Relevance. The PDOs and design remained relevant throughout the implementation period. The Project was not only central in efforts to support reconstruction and rehabilitation for disaster-affected communities, but was also designed to enable a smooth transition from special post-disaster assistance to the government's ongoing nationwide CDD program, using the same community planning approach and mechanisms. Modeling the Project on implementation arrangements used in past, current, and planned CCD projects helped ensure the relevance of its design.

Achievement of PDOs. The Project exceeded the targets set for the three primary indicators measuring achievement of the PDO (percent of population benefiting, establishment of effective and participatory CTCs, and ability of the CTCs to channel funds from other sources or programs. It is noteworthy that it financed the construction of community infrastructure at very high speed (with 78% of funds disbursed before half of the Project implementation period had elapsed, faster than anticipated by the PAD) in an extremely difficult working environment, where most basic infrastructure was destroyed by the December 2004 tsunami and, to a lesser extent, by the earthquake. (Refer to Annex 9 for a detailed overview of PDO achievement.)

Efficiency. As described above, the cost of subprojects financed by CDD programs tends to be significantly lower than similar subprojects financed by local governments. It should be noted, however, that these cost savings are, to some extent, offset by other factors, including: (i) technical quality (which was relatively low in the early part of implementation), (ii) limited capacity for O&M, and (iii) relatively high supervision costs (compared to other Bank-financed community-driven development projects elsewhere in Indonesia).

In spite of some caveats in terms of the efficiency of the Project, the achievement of the targets for the three key PDO indicators, coupled with the high relevance of the project objectives, justify a rating of "satisfactory" for the overall outcome of the Project.

3.5 Overarching Themes, Other Outcomes and Impacts

The Project had three unintended outcomes that benefited other programs:

- a. The Project's design was used to prepare two projects that provided emergency reconstruction assistance in rebuilding community infrastructure destroyed by earthquakes in and around Yogyakarta and Padang.
- b. The women's empowerment program, which was developed by the Project in 2007 and

successfully implemented in 2008, will become an integral part of PNPM.

- c. The provincial government of Aceh is now financing implementation of the village CRRPs from its own financial resources after the Project's *kelurahan* grants were disbursed in full instead of relying on central government or donor support.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

Not applicable

4. Assessment of Risk to Development Outcome

Rating: *Moderate*

The “Risk to Development Outcome” defined as the risk that the development outcomes of the Project—at the time this ICR was prepared—will not be sustained, is moderate. As described in Section 3.4, the central reconstruction objective of the project remained highly relevant, and despite some shortcomings in operations and maintenance arrangements, the project outcomes contributed to the higher level impact of restoring community well-being, security, and economic activity in the wake of the disaster, even if better long-term infrastructure maintenance is still needed. Furthermore, though emergency post-tsunami reconstruction needs have eased, in the process of achieving these shorter term objectives the Project also helped establish effective, participatory and representative community committees that can mobilize funds through the preparation of CRRPs, and linked these mechanisms to more permanent programs and to ongoing, non-emergency community development plans and goals. Both central and local governments have indicated a strong and long-term commitment to the financing of such plans. If the central and local governments were to withdraw their support for community-driven development plans, a major portion of the Project's investment in capacity building will have been wasted. Although the impact of such as withdrawal would be significant, the likelihood of this happening in the near future is considered only moderate given GoI's long-term commitment to CDD-type programs. For this reason, the risk to development outcome is rated as “moderate.”

5. Assessment of Bank and Grantee Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: *Satisfactory*

The Bank's performance in the identification, preparation, and appraisal of the Project was considered “Satisfactory”. A mid-term review of the entire MDF portfolio, which was conducted by an independent consultant in 2008 at the request of the donors to the MDF also had given a satisfactory rating. The main reasons for this rating were the Project's robust M&E system, the limited number of outcome indicators, a very good complaints handling system, the fact that it was based on the design of UPP2, and was prepared in only 3.5 months. The ICR preparation team believes that the Bank's performance in Project design deserves to be rated as “Satisfactory,” especially because it has become GoI's standard model for reconstruction and rehabilitation of community infrastructure throughout the country. A rating of “Highly Satisfactory” was not deemed appropriate because of minor shortcomings, mainly in financial management and in unanticipated difficulties in recruiting well-qualified facilitators which adversely affected project implementation in the initial stages. The strengths of the design can be summarized as follows:

- Nationwide applicability. GoI considers the design of the Project as a general model for disaster relief programs, and has already used it for the preparation of community-development programs in the aftermath of earthquakes in Yogyakarta and Padang (the latter project was fully financed from the Government's own budgetary resources).
- Relevance. The design of the Project incorporated from the start a transition from "disaster recovery" to "community development", and was directly linked to GoI's development policies and three of the four pillars in the Bank's CAS. More specifically, the Project's objective was consistent with the government's development priorities for the reconstruction of Aceh and the Bank's strategy for Disaster Risk Management (see the Bank's updated CAS for Indonesia, covering the period 2004-2008).
- Flexibility. The grant agreement for the financing of the Project only stipulated general principles, but did not provide detail about its implementation, which was based on a project manual prepared by the Bank. This provided GoI and the Bank with much-needed flexibility to modify implementation arrangements in response to changing circumstances.
- Sustainability. The design of the Project did not only encompass disaster reconstruction, but also sought to ensure its long-term sustainability by linking it to GoI's ongoing CDD program. A decision was made to base the design of the Project on a tried and tested model (the successful UPP and KDP series of projects), to enable the preparation of a disaster-response at short notice time, whilst maintaining proper quality at entry.
- Supportive of anti-corruption policies. Tackling corruption required a good understanding of the incentives that drive it, creativity in designing counter-incentives, and commitment to go into cases of fraud. The Bank worked closely with MPW (the implementing agency) to apply the M&E system and a complaints handling mechanism for UPP1/2 to the Project (refer to Annex for details).

(b) Quality of Supervision

Rating: *Satisfactory*

The Bank mobilized a multi-disciplinary supervision team with expertise in project management, financial management, procurement, monitoring, and safeguards. The Jakarta-based UPP task team was moved to Aceh at short notice, and assisted the Government during initial stage of Project implementation. Several team members were based in Aceh for two years to assist with resolving various coordination issues. This arrangement allowed for more frequent site visits and more sustained follow-up than for other UPP projects, and was undertaken at a relatively low cost, which was shared with other reconstruction projects. It should be noted, however, that in spite of intensive supervision, the Project continued to be plagued by less than satisfactory financial management issues, especially in the early part of the implementation period.

(c) Justification of Rating for Overall Bank Performance

Rating: *Satisfactory*

Based on the Bank's performance during Project preparation and supervision, overall performance is rated as *Satisfactory*. The Project was prepared quickly, at low cost, and with only minor shortcomings. Supervision was intensive, especially because of very limited capabilities of communities and local government institutions in the first two years following the tsunami and earthquake. This enabled the Bank to identify and proactively address key issues adversely affecting achievement of the PDOs at an early stage, notably problems with delays in budget approval, facilitator recruitment, ineffective socialization campaigns, and limited compliance with

financial management procedures. Because of these supervision efforts, performance in these areas improved over time (as described in detail in the ISRs).

5.2 Grantee Performance

(a) Government Performance

Rating: *Satisfactory*

GoI strongly supported the Project from the start, and the Ministry of Finance cooperated swiftly to reallocate \$2.5 million from other Bank-financed projects to jump-start implementation (these funds were later reimbursed from the first disbursements to the Project). Supported by the implementing agency, the Project was prepared within 3.5 months (the concept was developed in May 2005, and the grant was approved in August 2005), one of the shortest preparation times for any GoI project of this type. The Government also took steps that helped to end decades of civil unrest in the Province, which greatly facilitated the implementation of the Project.

(b) Implementing Agency or Agencies Performance

Rating: *Satisfactory*

From the outset, the implementing agency supported a bottom-up, community-driven approach to disaster management. It strongly supported the establishment of a comprehensive M&E system to maintain a high level of transparency of the outcomes of the Project. It also took steps to modify implementation arrangements where needed, and responded to complaints or suspicions about the misuse of funds with great vigor. There were, however, several avoidable problems that stronger management might have been able to correct, such as poor compliance with FM procedures, and limited sustainability of part of the capacity building investments financed by the Project. In addition, as the Project progressed, the implementing agency gradually shifted its attention to the development of other projects. However, by that time the main issues affecting implementation and outcomes had been addressed and it was not entirely inappropriate to refocus priorities on other active or proposed projects with more pressing needs.

(c) Justification of Rating for Overall Grantee Performance

Rating: *Satisfactory*

In light of the satisfactory ratings for the performance of both the Government and the implementing agency, the overall performance of the Grantee is rated “satisfactory.”

6. Lessons Learned

- CDD-type projects can be effective and can be set up on short notice to mitigate the impacts of natural disasters. This was demonstrated by using the design of the Project to prepare two other disaster relief projects on short notice (to rebuild community infrastructure destroyed by earthquakes that hit Yogyakarta in 2006 and Padang in 2009, respectively). Moreover, the Project did not only support much-needed investments, but also contributed to the psychological recovery of the victims by involving them in the decision-making processes.
- Earmarked funding can be effective to increase participation of targeted segments of community groups. The validity of this lesson was demonstrated by the successful implementation of the women’s empowerment program.
- Flexibility in design and implementation arrangements are essential for disaster recovery projects. Because of a high level of uncertainty during preparation, the Project design should

allow the Bank and the Grantee to adapt to changing circumstances during implementation when more information becomes available.

- Efficient use of funds for disaster relief programs requires coordination with long-term development plans. Such coordination is needed to ensure appropriate levels of rehabilitation for infrastructure that will be reconstructed at a large scale in a later stage, whilst at the same time considering the benefits of short-term rehabilitation to get communities “back on their feet” and develop productive activities.
- On-budget financing helps create institutional capacity and fosters long-term sustainability. Unlike many other foreign-financed disaster relief projects in Aceh, GoI and the Bank both elected to channel Project funds through GoI’s regular budgeting system (“on-budget”) instead of financing expenditures directly from foreign bank accounts, with subsequent reporting of these expenditures (“off-budget”). The Project demonstrated that on-budget financing does not need to lead to delays, and builds commitment to the Project at the various layers of government involved in preparation and utilization of budgets.
- Block grants to villages should initially be modest and applicable to all villages, and gradually increase based on performance and absorption capacity. Based on previous UPP experience, the Project provided at first a block grant of US\$30,000 to US\$50,000 (equivalent) to each village, with subsequent additional grants based on their progress and performance. This avoided wastage of funds in areas where capacity is low, and allowed for faster disbursement of funds.
- A national CDD program helps to maintain a corps of facilitators who can be mobilized at short notice in case of a disaster. For a disaster-prone country such as Indonesia, it is important to have an on-going national CDD program that maintains such a corps. The Project significantly benefited from existing UPP facilitators who were voluntarily mobilized from all over the country to start up the project.

All lessons (with the possible exception of the one on on-budget financing) have general applicability for similar operations in Indonesia and comparable countries. In addition, several products were developed during Project implementation, which were later used in modified form by UPP3 and PNPM. These innovations included: (i) a uniform financial management system, (ii) a more appropriate composition of facilitator teams (with enhanced use of municipal engineers), and (iii) a manual for the design of a small-scale infrastructure projects.

7. Comments on Issues Raised by Grantee/Implementing Agencies/Donors

(a) Grantee/Implementing agencies

The Government rates the process and the outcome of the preparation of the Project as “highly satisfactory,” partly because it was prepared at very short notice, but especially because of the design, which GoI considers a model for providing support to communities affected by natural disasters. GoI also considers the project implementation as “highly satisfactory” in delivering much-needed basic infrastructure and social support in a short period of time to *kelurahan* where this was most needed. At the same time, the Government feels that the World Bank: (i) could have provided better coordination of the disaster relief effort in Aceh, and (ii) that overtly detailed Bank supervision was sometimes counterproductive to the smooth implementation of the Project. (See Annex 5 for detailed comments of GoI on this ICR; the Grant Agreement did not require and the Executing Agency did not prepare its own completion report for the Project).

The Bank concurs with the first comment, and has already responded to this by creating a “single window” for donor assistance to the financing of relief and recovery efforts in the aftermath of the Yogyakarta earthquake in 2005. Although the Bank concedes that supervision was tight and sometimes detailed, it should be pointed out that disaster recovery programs required a difficult balance between speed and quality/accountability. The Project required more intense supervision than ordinary Bank-financed projects, because the tsunami and earthquake had severely reduced institutional capacity at the community and local government level.

(b) Cofinanciers/Donors

The Secretariat of the MDF (Sec-MDF) considers the CDD projects in its portfolio, including UPP-Aceh, as highly successful. They have demonstrated that (i) a CDD approach can be used successfully to provide communities with a role and voice in their own recovery and reconstruction in a post-disaster context, and (ii) using existing mechanisms (such as scaling up on-going national-level projects) to deliver post-disaster recovery and reconstruction programs is an effective strategy, especially because the open-menu approach offered flexibility to reach the tsunami-affected population and addressed a variety of needs ranging from rebuilding roads, bridges, town halls to social funds and providing cash grants in the immediate aftermath of the disaster. Other comments of Sec-MDF on the draft ICR can be summarized as follows (refer to Annex 6 for details).

- i. It is important to build on this model by examining what worked well, aspects that were challenging, so future project design can be shaped drawing from this experience to benefit future post disaster reconstruction. Specific areas of concern for the Sec-MDF related to sustainability and quality include inadequate arrangements for O&M.
- ii. The Bank and MDF can provide lessons for the Bank, GoI and other partners in supporting community recovery in future disasters.
- iii. UPP offers opportunities for lessons learned for reconstruction efforts in Indonesia and the world. At present, there is little documentation of what specific aspects of CDD projects work or do not work well in a post-disaster context and why.

The Bank concurs with Sec-MDF that O&M of village infrastructure remains a concern, and has supported the Government in addressing this problem in the design of PNPM.

Section 6 mentions five lessons learned, two of which are unrelated to disaster relief (earmarked funding for under-represented groups, and on-budget financing). This section also mentions several products developed during Project implementation that were “used in modified form by UPP3 and PNPM.” These are examples of specific aspects that do work well in a post-disaster context.

(c) Other partners and stakeholders

No issues were raised by partners and stakeholders other than GoI (such as provincial government agencies, NGOs, and village organizations).

Annex 1. Project Costs and Financing

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

Components	Appraisal Estimate (US\$ million)	Actual/Latest Estimate (US\$ million)	Percentage of Appraisal
Community Development	4.11	4.17	101
Kelurahan Grants	11.73	11.13	95
Strengthening the Role and Capacity of Local Government	1.00	1.02	102
Implementation Management Support	1.12	1.13	101
Total Baseline Cost	17.96	17.45	97
Physical Contingencies	0.00	0.00	
Price Contingencies	0.00	0.00	
Total Project Costs	17.96	17.45	97
Project Preparation Costs	0.00	0.00	
Total Financing Required	17.96	17.45	97

b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Multi-Donor Trust Fund for Aceh and Nias (MDF)		17.96	17.45	97
Total Financing		17.96	17.45	97

Annex 2. Outputs by Component

Component A: Community Development

Rating: *Satisfactory*

This component was implemented in all 402 *kelurahan* that were identified in the PAD. It consisted of providing technical advisory services through teams of *kelurahan* facilitators (“faskel”) to help communities formulate a Community Rehabilitation and Reconstruction Plan (CRRP) using a transparent and participatory process. This, in turn, required assistance to:

- carry out a community self-survey,
- organize the election of a transparent, representative and accountable committee (initially CTCs, later replaced with BKM, a more elaborate structure),
- prepare and submit proposals to utilize project resources and implement priority reconstruction programs, and
- obtain access to funds for community development programs.

The outputs of Component A were the following:

- Establishment of representative, effective and participatory community self-help groups. The Project supported the establishment of a model—which was successfully implemented elsewhere in Indonesia—for participatory planning and financing in 402 *kelurahan* across the province where communities participated in a democratic, participatory process of planning and decision-making regarding the allocation of public development funds. The Bank estimates that the vast majority of the CTCs established by the Project are representative, effective and participatory based on their composition, voting rates, average women’s participation, complaint handling, and their success in identifying infrastructure priorities, creating community reconstruction plans, and carrying out the needed investments. Over 30% of total population, of which 36.6% were women, participated in the CTC election process. The significance of this achievement should not be underestimated, given that prior to the tsunami and earthquake there were no community-driven development programs being undertaken in the Project area. (Indeed, the CTCs were the first democratically-elected institutions in Aceh after the tsunami).
- Transparency and accountability in fund utilization. The Project established an elaborate complaints handling system. As of January, 31 2009, 285 complaints were registered, of which only 17 (6 percent) were related to the alleged misuse of funds. The funds involved totaled only IDR 263.4 million, or 0.31 percent of total *kelurahan* grants financed by the Project. Thirteen of the 17 cases, involving 97 percent of these funds, were resolved, leaving less than 0.01 percent of the grants under allegations of misuse. Facilitators actively encouraged community members to report misuse of funds, and explained the options for doing so (anonymous reporting to Project authorities by SMS, phone, email or in writing). It should be emphasized that the complaints handling was set up as a “third line” of defense against misuse of funds. Strict financial management guidelines and continuous supervision of compliance with these guidelines were the first and second line of defense, respectively.
- Adequate participation of women and poor in CTCs. In the early stages of the Project, the quality of women’s participation in the community committees and reconstruction planning and decision-making was poorer than expected, even though the target of having women account for 30 percent of the participants in planning sessions was achieved. However, as

mentioned before, this problem was successfully addressed during implementation by introducing a women's empowerment program.

- Access by CTCs to funds for other community development programs. The Project was highly successful in assisting communities in all 402 participating *kelurahan* to prepare the CRRPs required to mobilize additional funding from other CDD programs (UPP3 and PNPB), as well as CSRRP and a housing project in Banda Aceh co-financed by UN-Habitat.

Component B: Kelurahan Grants

Rating: *Satisfactory*

This component provided block grants to *kelurahan* to finance grant proposals selected according to priorities identified in the CRRP for: (i) specific high-priority infrastructure investments, (ii) competitive proposals from community groups consistent with the priorities in the CRRP, and (iii) social safety programs for the benefit of the poorest and most vulnerable groups or individuals.

Block grant allocations. Based on the results of a rapid survey undertaken in mid-2005, 273 of 402 *kelurahan* were prioritized for the allocation of block grants. Of these, 249 received IDR 300 million. It was agreed to increase the allocation of the block grant for *kelurahan* with populations substantially above the average. For this reason, 13 *kelurahan* received a block grant of IDR 400 million, and nine *kelurahan* a block grant of IDR 500 million. Two of the 273 *kelurahan* did not receive the full block grant amount of IDR 300 million, because of misuse of funds.

In 2007, the Bank and MPW agreed to earmark US\$2.35 million of the block grant funds, which remained unallocated due to a reduction in the number of beneficiary villages (from 402 to 273), to a women's empowerment program. In 2008, 50 of the best-performing of the 273 *kelurahan* each received a block grant of IDR 100 million to finance community infrastructure projects exclusively selected by women. In 2009, these 50 *kelurahan*—plus the next best 50 *kelurahan*—were allocated another IDR 150 million each in block grants (of these, 98 prepared a plan of sufficient quality to become eligible to absorb the funds).

About IDR 74.5 billion, or 91% of the total amount available for block grants, was used for community infrastructure. As shown in the table overleaf, over 70% of these infrastructure grants were used to finance investments in roads and drainage. Clean water, public toilets and village halls accounted for most of the remainder. The other 9% of the block grant funds (IDR 7.8 billion) were disbursed as direct social service assistance to specific individuals or households. This largely consisted of small cash grants, averaging about \$21 or \$22, to the poorest *kelurahan* residents to pay for training (such as sewing or typing courses), minor home improvement or repair, health care and medical expenses, or other urgent needs.

The project was supposed to ensure that the poorest 10 percent of households received these social service grants, but it became clear that distinguishing the poorest 10 percent was not feasible or even relevant considering how large a percentage of the population was left with nothing after the disasters. The CTCs chose to both distribute this social assistance more broadly and to use a smaller share of the total block grant than expected (the original limit was 15%). In addition, the participatory and transparent mechanism created to allocate the grants helped ensure that they were awarded on the basis of merit and need. Ultimately, at least 38,843 households (about 48 percent of the population in the target *kelurahan*) received social assistance grants.

Technical quality. As reported in various aides-memoire, the technical quality of the community infrastructure was generally good and gradually improved over time as additional technical facilitators were mobilized. In general, the quality of the construction of roads and bridges was considered higher than the quality of drainage subprojects. Construction quality was lowest in 2005 and 2006, the first years of Project implementation, when human resources and capacity were still being developed and the most urgent reconstruction needs were being addressed. The construction of some local roads, bridges, drainage and other community infrastructure also suffered from the absence of higher level infrastructure, especially in the early part of the implementation period (for example, reconstructed tertiary drains that were connected to still-damaged or destroyed secondary drains).

Community Infrastructure Subprojects ^(a)

Type of infrastructure	Total output	Grant financing	
		IDR (billion)	% of total
Access road	231.4 km	29.2	39.2
Drainage	176.3 km	23.6	31.7
Clean water	4,915 units	5.7	7.7
Public toilet	405 units	5.2	6.9
Village hall	120 units	4.5	6.1
Bridge	1,382 meters	3.1	4.1
Sluices	92 units	0.8	1.1
Health post	29 units	0.8	1.1
Electricity generation unit	877 units	0.6	0.8
School building (rehabilitation)	159 units	0.6	0.8
Waste disposal units	806 units	0.3	0.4
All Types		74.5	100.0

a. Includes 91% of the block grants under Component B.
Source: Project M&E system.

Sustainability. Operations and maintenance (O&M) is a major concern for village infrastructure, not only in Project *kelurahan* but throughout Indonesia. For all infrastructure constructed, the Project required the establishment of an O&M committee at the village level, with members from the beneficiary families as well as others selected by the community, as a means to instill a sense of ownership for the infrastructure financed by the Project. Although this is considered a useful step towards improved sustainability of village infrastructure, it is uncertain, and in many cases unlikely, that formation of these committees will provide the commitment and resources needed. The Bank recognizes that long-term engagement is needed to resolve the long-standing problem of inadequate O&M (not only in Aceh but throughout Indonesia), and has supported the Government to address this problem in the design of its nationwide CDD program (PNPM).

It should also be noted that some basic infrastructure financed by the Project was replaced by higher level infrastructure. For example, BRR has widened many small access roads financed by the Project in the immediate aftermath of the tsunami and earthquake. In the latter case, it should be recognized that the Project was designed to provide immediate support to communities to rehabilitate and reconstruct infrastructure that was destroyed by a natural disaster.

Component C: Strengthening the Role and Capacity of Local Government

Rating: *Satisfactory*

Through this component, 736 person-months of consultant services were provided to strengthen the role and capacity of local governments to work together with community organizations to address disaster relief, recovery, community infrastructure rehabilitation and reconstruction, based on community values. The Project helped provincial and district governments in improving village development planning and budgeting process and in allocating their own funds through 402 community development plans developed under the project.

Component D: Implementation Management Support

Rating: *Moderately satisfactory*

This activity was managed by a Project Management Unit (PMU) in the Ministry of Public Works, with technical assistance provided through the existing UPP National Management Consultants at the central level, three Oversight Consultant Teams at the provincial level, with offices in the participating district governments, and facilitators at the *kelurahan* level. This component financed consultants (935 person-months) and facilitators (1,448 person-months) to assist in various aspects of Project implementation. The outcome was the provision of the technical assistance needed to properly manage the project and the extensive field presence of facilitators at the local level that is required to successfully implement this type of community driven project. The main shortcoming in this component was the delay and difficulty in hiring the local facilitators, which in turn effected early implementation progress as well as the quality of compliance with FM requirements.

Annex 3. Economic and Financial Analysis

Given the low cost of the subprojects financed by the Project and the substantial economic benefits of infrastructure investments in a location where infrastructure was largely absent in the aftermath of a tsunami, it was not deemed useful to estimate indicators such as NPVs or EIRRs (FIRRs were rarely applicable, given that the Project almost exclusively financed non-revenue generating subprojects). Efficiency was therefore gauged by unit rate norms, which are highly favorable for community-executed infrastructure projects. For example, a 2005 study by the National Planning Board (BAPPENAS), *Finding of Post Construction Economic Impact Analysis Study for CDD Programs*, found that the average construction cost of CDD projects was 40 percent lower than those done by contractors of local governments. The cost savings were mainly attributed to the high level of voluntary labor contributed by residents in community-driven development projects.

A more recent study², which was undertaken in 2009 at the request of the Ministry of Public Works, arrived at similar conclusions. The study, which covered six cities throughout Indonesia, found that community groups are normally able to construct small-scale infrastructure at a far lower cost than government contractors, the main reasons being: (i) lower labor costs, (ii) substantially lower prices of construction materials, and (iii) an exemption from VAT. Based on an analysis of 4,270 infrastructure activities, the study found that the cost of community-driven infrastructure development was, on average, about 47 percent lower than similar government-financed infrastructure. There was substantial variation in cost savings across sub-sectors, however. For example, the cost of paving-block roads and drainage was over 40 percent lower, whereas community-constructed concrete pathways were about 20 percent less expensive.

² *PNPM-P2KP Community-Driven Infrastructure Development Activities* (draft), PT. Shiddaq Sarana Mulya, Jakarta, March 2010

Annex 4. Grant Preparation and Implementation Support/Supervision Processes

(a) Task Team members

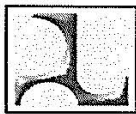
Names	Title	Unit	Responsibility/ Specialty
Lending/Grant Preparation			
George Soraya	Lead Municipal Engineer	EASIS	Task Team Leader
Yogana Prasta	Senior Disbursement Officer	EACIF	Operations Adviser
Supervision/ICR			
George Soraya	Lead Municipal Engineer	EASIS	Task Team Leader
Yogana Prasta	Senior Disbursement Officer	EACIF	Operations Adviser
Indira Dharmapatni	Senior Operations Officer	EASIS	Senior Safeguards Specialist
Christina I. Donna	Financial Management Analyst	EAPFM	Financial Management
Manoah Koletty	Consultant	EASIS	Local Government Development
Beni Oktopiansah	Consultant	EASIS	Infrastructure Specialist
Purwanto	E T Consultant	EACIF	Financial Management
Rizal H. Rivai	Senior Procurement Specialist	EAPPR	Procurement
Kumala Sari	Operations Analyst	EASIS	Training & Socialization
Andrew Daniel Sembel	Environmental Spec.	EASIS	Environmental Safeguards
Muhammad Saleh Siregar	Operations Analyst	EASIS	Infrastructure Specialist
Lilis Suharti	Consultant	EASIS	Financial Management
Unggul Suprayitno	Sr Financial Management Specialist	EAPFM	Financial Management
Andry Utama Thamrin	Finance Analyst	CTRDM	Disbursement
Jana Halida Uno	Operations Analyst	EASIS	M&E
Yuli Safitri Widyawati	E T Consultant	EASIS	MIS & Website
André Oosterman	Consultant	EASIS	ICR
Patricia Sonata	Consultant	EASIS	Financial Management
Djumadi Achmad	Consultant	EASIS	Financial Management
Marina Soemarjono	Program Assistant	EASIS	Program Assistant
Amelia Hapsari	Team Assistant	EASIS	Team Assistant

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending*	25	55
Total:		
Supervision/ICR		
FY06	8	5
FY07	33	50
FY08	33	50
FY09	33	50
FY10	50	75
Total	156	230

* The number of staff time and cost are estimates. In response to the emergency, other resources were used for project preparation.

Annex 5. Summary of Grantee's ICR and/or Comments on Draft ICR



MINISTRY OF PUBLIC WORK DIRECTORATE GENERAL OF HUMAN SETTLEMENT

Jl. Pattimura No. 20, Kebayoran Baru - Jakarta Selatan ☎ (021) 727-96158 Fax (021) 727-96155

Our Ref. : HL.02 02 -CB /669
Attachment :

Jakarta, June 23 , 2010

To
Mr. George Soraya
UPP Task Team Leader, The World Bank
Jl. Jenderal Sudirman, Kav. 52-53
12190 Jakarta

Subject: Comments for the World Bank's ICR for Community Recovery Project through the Urban Poverty Program in Earthquake-Tsunami Affected Areas in Nanggroe Aceh Darussalam (UPP-Aceh)

Dear Mr. Soraya,

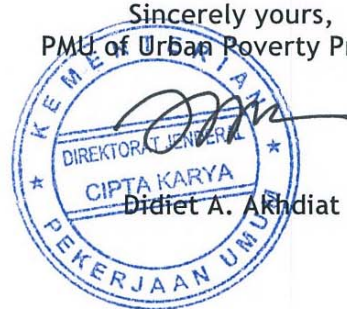
We are pleased to note that the overall outcome of UPP-Aceh is rated satisfactory. We would also like to express our appreciation of the Bank's support during the project implementation support. In general, the Government of Indonesia concurs with the Bank's assessments in the ICR. Our main comments on the report can be summarized as follows:

1. The Government was exceptionally pleased with the process and the outcome of the preparation of the Project, which it rates as "highly satisfactory", partly because it was prepared at very short notice, but especially because of the design, which Gol considers a model for providing support to communities affected by natural disasters.
2. The Government considers the implementation also rated as "highly satisfactory", instead of difficult political situation in early implementation period, the program has been carried out well as a community based post disaster recovery program. It should be noted, that the implementation of the Project suffered from logistical constraints and from civil unrest, which only subsided in 2006, about 6-12 months after a peace agreement was signed between Gol and the Free Aceh Movement. Implementation was also hampered by the fact that, due to civil unrest, there had been much less involvement from local communities in infrastructure development than elsewhere in Indonesia. However in such difficult situations, the project has been successful to deliver the following:
 - a. In short period, this program has been successful to mobilize fasilitator from all around Indonesia to facilitate Acehnese carry out this program.
 - b. Through the project, community cohesion has been strengthened between conflicted parties, especially between Free Aceh Movement (GAM) and local government in term post disaster recovery.
 - c. Although some of socialization materials could not meet the Acehnese local context, socialization as the key factor to disseminate the program contributed to performance indicator achievement.
 - d. Post Disaster Capacity building formulated by this project, proven to be an effective model on community based rehabilitation and reconstruction activities. As you may know, we considers the Project design a model for providing support to communities affected by natural disasters, and have already used this to prepare a project for rehabilitation of community infrastructure in Yogyakarta and Padang, parts of which were devastated by earthquakes in 2005 and 2009, respectively.

2. The Government considers the Project as being successful in delivering much-needed basic infrastructure and social support in a short period of time to *kelurahan* where this was most needed. Apart from providing much-needed physical infrastructure, the Project greatly helped to improve the relationship between the Gol and the Acehnese community, which had been adversely affected by many years of civil strife. However, we feel that the implementation of similar projects in the future would benefit from more effective coordination of disaster relief efforts by the Bank, as well as from less detailed Bank supervision.

Thank you for your attention and cooperation.

Sincerely yours,
PMU of Urban Poverty Project



CC:

1. Director General of Human Settlement, MPW
2. Director of Building and Neighborhood Development, DGHS
3. Head of PIU UPP

Annex 6. MDF Secretariat's Comments on Draft ICR

MDF Secretariat comments provided below and do not necessarily reflect the views of the donors or the Steering Committee.

UPP is part of the first wave of community recovery projects financed by the MDF that have been viewed as highly successful. An independent Mid-Term Review of the MDF, commissioned by the Secretariat and the European Union, viewed this also as a highly effective and relevant intervention. These projects have also demonstrated that (1) a CDD approach can be used successfully to provide communities a role and voice in their own recovery and reconstruction in a post-disaster context, and (2) using existing mechanisms (such as scaling up on-going national-level projects) to deliver post-disaster recovery and reconstruction programs is an effective strategy. For these reasons, the MDF takes a strong interest in this ICR for UPP, as well as other Community Recovery projects that are closing, not only in terms of reporting on overall achievements and impacts, but also lessons learned that are relevant for future post-disaster contexts.

UPP and KDP, working in tandem in urban and rural areas of Aceh, achieved significant results in rebuilding physical assets at the community level and meeting immediate needs on the ground. An open-menu approach offered flexibility to reach the tsunami affected and address a variety of needs ranging from rebuilding roads, bridges, health centers town halls to social funds and providing cash grants in the immediate aftermath of the disaster.

UPP offers opportunities for lessons learned for reconstruction efforts in Indonesia and the world. In post disaster context, these projects have shown that they can be scaled up for reconstruction and communities do have the capacity to guide their own recovery.

It is important to build on this model by examining what worked well, aspects that were challenging, so future project design can be shaped drawing from this experience to benefit future post disaster reconstruction. The ICR notes quality issues were a concern, some O& M arrangements were put in place but did not work very well. Are there certain types of community infrastructure that are better suited to be undertaken through a CDD approach – this may be worth exploring to improve outcomes.

UPP, a poverty program by design, was challenged to address post tsunami reconstruction needs of unprecedented magnitude. Achievements demonstrate results and one of the strengths of the UPP project was its flexibility to respond to needs and challenges encountered during implementation. However, in the rush to implement and deliver results, close monitoring and measuring of reconstruction impact was not well documented to track and measure the success of improvements to project design. The conclusion of this important set of projects in the MDF portfolio provides a unique opportunity to examine what worked, what did not and why – in transferring this proven model for poverty alleviation and community empowerment into a post disaster recovery and reconstruction context. The Bank and MDF can facilitate a means to fill this knowledge gap not only to enable reporting of impacts for this important group of MDF projects at closing but also to provide lessons for the Bank, Government of Indonesia and other partners in supporting community recovery in future disasters.

Annex 7. List of Supporting Documents

- Project Appraisal Document.
- Aide Memoires, Back-to-Office Reports, and Implementation Status Reports.
- Project Progress Reports.
- *Country Assistance Strategy for Indonesia (Report No. 27108-IND)*. EAP, World Bank. October 2003.
- *Finding of Post Construction Economic Impact Analysis Study for CDD Programs*. BAPPENAS. 2005.
- *Country Assistance Strategy Progress Report for Indonesia (Report No. 36856-IND)*. EAP, World Bank. September 2006.
- *Project Restructuring Paper: Indonesia Tsunami Emergency Recovery Support Package: Proposed Restructuring of three ongoing Projects in Response to the Late-2004 Natural Disasters*. World Bank Response to the Tsunami Disaster (SecM2005-0035), January 28, 2005.
- *Strengthening World Bank Group Engagement on Governance and Anticorruption*. World Bank. March 2007.
- *Multi Donor Fund for Aceh and Nias (MDF): Mid Term Review*, MDF. August 2009.

Annex 8. Achievement of Project Development Objectives

The Project aimed at disbursing most of its block grants for urgent disaster reconstruction needs in the first two years of implementation, and to focus on community development and less urgent investment needs in the second two years. By June 2007, about 18 months after effectiveness, almost all of the *kelurahan* investment block grants had been disbursed (not including the funds earmarked for the new women's development program). During the following two and a half years, the Project focused on block grants under the women's empowerment program and on continuation of the community development and local government strengthening activities.

The Project exceeded the targets set for the three primary indicators measuring achievement of the PDO (percent of population benefiting, establishment of effective and participatory CTCs, and ability of the CTCs to channel funds from other sources or programs).

The target for percentage of affected population³ that benefited from assistance or improved services under the Project was 75%, but the result achieved was 95% in the 273 *kelurahan* that were selected to receive block grants. In part this is because although the communities were allowed to spend up to 15% of the block grants on individual or household social service assistance, ultimately they chose to spend most of the block grants (91%) on priority infrastructure needs that provided benefits more broadly.

The other two key indicators measuring achievement of the PDO were related to establishing CTC, helping their function, and increasing their capacity of the CTCs. These indicators were related not only to the immediate reconstruction goals, but also to the longer-term sustainability of community organizations and investments, including access to financing from the government's CDD program and other sources. About 90% of the CTCs formed under the Project were representative, effective, and operated in a participatory manner (against a target of 70%). This outcome is based on data on participation, CTC composition, voting rates, compliance with financial management procedures, complaints handling, and ability to create and implement reconstruction plans in all 402 *kelurahan* participating in the Project. The target for CTCs capable of channeling funds from other sources was 50%, and the outcome achieved was 100% (including the ongoing government CDD projects as other sources).

In short, the benefits and services provided by the Project helped restore normalcy to the area and create an enabling environment for longer-term development investments, while the participatory community structures and strengthened capacity allow the communities to set investment priorities, plan development strategies, and more effectively tap into and use funds provided by PNPM and other programs.

³ The affected population in a *kelurahan* was defined as the number of persons living in or near infrastructure financed by the Project as a percentage of the total population in that *kelurahan*.

