Implementation Status & Results
Indonesia
Aceh Economic Development Financing Facility (P109024)

Operation Name: Aceh Economic Development Financing Facility (P109024)
Project Stage: Implementation
Seq.No: 3
Status: ARCHIVED
Last Modified Date: 30-Mar-2011

Country: Indonesia
Country Code: ID
Approval FY: 2009

Product Line: Recipient Executed Activities
Region: EAST ASIA AND PACIFIC
Lending Instrument: Emergency Recovery Loan

Implementing Agency(ies): Ministry for The Development of Disadvantaged Areas (KPDT), Bappeda

Key Dates
Board Approval Date: 16-Dec-2008
Original Closing Date: 30-Jun-2012
Planned Mid Term Review Date: Last Archived ISR Date: 17-Sep-2010

Effectiveness Date: 30-Mar-2009
Revised Closing Date: 30-Jun-2012
Actual Mid Term Review Date: 15-Mar-2011

Project Development Objectives
Project Development Objective (from Project Appraisal Document)
The objective of the Economic Development Financing Facility is to assist the province of Aceh and the local and provincial governments to improve opportunities for private business and private sector jobs and to continue fostering sustainable equitable long term economic development in Aceh.

Has the Project Development Objective been changed since Board Approval of the Project?
☐ Yes ☐ No

Component(s)

Component Name | Component Cost
--- | ---
Sub-Project Grants | 44.50
Consultant Services | 5.25
Incremental Operating Costs | 0.24

Overall Ratings

<table>
<thead>
<tr>
<th></th>
<th>Previous Rating</th>
<th>Current Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progress towards achievement of PDO</td>
<td>Moderately Unsatisfactory</td>
<td>Moderately Unsatisfactory</td>
</tr>
<tr>
<td>Overall Implementation Progress (IP)</td>
<td>Moderately Unsatisfactory</td>
<td>Moderately Unsatisfactory</td>
</tr>
<tr>
<td>Overall Risk Rating</td>
<td></td>
<td></td>
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</tbody>
</table>

Implementation Status Overview
After initial delays and a lengthy preparation period for sub-project proposals, the EDFF project has now gained momentum, although it continues to face important implementation challenges. This was confirmed during the Mid-term Review of the project which was held from February 27, 2011 to March 14, 2011. This review was prepared and conducted jointly with representatives of the World Bank, the project implementing and executing agencies of the central Government, including BAPPENAS and Ministry for Development of Disadvantaged Areas (KPDT) and the Government of Aceh (including the Governor's Office and BAPPEDA Aceh). Representatives of the Multi-Donor Fund for Aceh and Nias (MDF), as well as MDF donors also participated.
The mission found that the project has made significant implementation progress overall since June 2010. The Government’s main achievement has been to select and sign sub-grant agreements with eight international and local non-governmental organizations (sub-project implementing entities, or SIEs) for a total value of USD 42,649,602. The sub-projects focus broadly in the areas of fisheries, livestock, cocoa, coffee, rice, emping, patchouli and marketing and cooperative development—and are fully in line with the demands of the local economy in Aceh and local government priorities. All eight SIEs have signed MOUs with the district governments to carry out the related activities and started activities in the field. Estimated direct sub-project beneficiaries include approximately 25,000 primary producers, 813 farmer/fisherman/producer groups, 46 cooperatives, and 147 small and medium sized enterprises. The project also has support from local governments, which participate in monitoring the sub-projects, provide office space for some sub-projects and land for project activities and staff to be trained to ensure sustainability. According to Client Connection as of March 21, 2011, 56.2 percent ($28.1 million) of project funds has been disbursed with 12 months left in implementation of sub-projects and 15 months for the project overall.

Despite this progress, however, the project requires significant additional support and intensive effort to ensure that the sub-projects reach their overall goals on a sustainable basis. The main findings of the mission were as follows:

• All SIEs have made significant implementation progress in the last six months, mobilizing communities, hiring key project staff, initiating training of beneficiaries, and preparing for construction of physical works. While progress varies substantially across sub-projects, it remains possible, but challenging, for the most to largely deliver on their key project output targets by sub-project closing in March 2012. This will require intensive support from all partners and stakeholders, and sustainability of the gains is highly doubtful given the time constraints.

• Short implementation timeframe. The funding source for the project (the Multi-Donor Fund for Aceh and Nias) definitively closes in December 2012 and therefore EDFF must close by June 2012, without the possibility of extension. This short implementation timeframe brings about three key issues that affect the potential for the EDFF to fully achieve its anticipated outcomes. First, the short timeframe does not leave room for any unexpected implementation delays at the sub-project level. The ability of SIEs to carry out timely procurement of goods and services is a particularly high risk factor. Second, the short timeframe has forced certain SIEs to accelerate their implementation. Third, it has substantially reduced the potential for sustainability of outcomes, without coordinated additional follow up support provided to the beneficiaries, cooperatives, and provincial and district governments. Hence, sustainable returns on the EDFF investment after March 2012 are unlikely without further support to the relevant beneficiary groups, cooperatives and/or district governments.

• Procurement and financial management capacity. Procurement and financial management capacity continue to be a major implementation challenge. Given that the use of World Bank and some Government policies and procedures are new to the SIEs as well as to PMU/PMC, the mission found that a lack of familiarity of the guidelines under the project has created implementation delays.

• Sustainability. As mentioned above, the short remaining implementation timeframe until the closing of the EDFF project puts sustainability of the outcomes at risk for all of the sub-projects. The mission team discussed sustainability options extensively with all partners to gather views and ideas. The mission found strong support from key partners—including the central Government, Government of Aceh, district governments, communities, and SIEs on the need to coordinate follow-up so that sub-projects have the best chance to achieve their full/longer term development objectives. To this end, the mission identified three preliminary options for sustainability, after the sub-projects end in March 2012. All of these options need further evaluation of feasibility, advantages and risks.

Results

Project Development Objective Indicators
### Employment generated

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Baseline</th>
<th>Current</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment generated</td>
<td>Value</td>
<td>5818.00</td>
<td>25000.00</td>
</tr>
<tr>
<td></td>
<td>Date</td>
<td>31-Dec-2010</td>
<td>30-Jun-2012</td>
</tr>
<tr>
<td></td>
<td>Comment</td>
<td>This is the number of farmers, fisherman, and community groups supported, as of Dec 31, 2010, as reported in EDFF Annual Report (by PMC).</td>
<td></td>
</tr>
</tbody>
</table>

### Enterprises supported

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Baseline</th>
<th>Current</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprises supported</td>
<td>Value</td>
<td>0.00</td>
<td>350.00</td>
</tr>
<tr>
<td></td>
<td>Date</td>
<td>31-Dec-2010</td>
<td>30-Jun-2012</td>
</tr>
<tr>
<td></td>
<td>Comment</td>
<td>This information is based on the EDFF Annual Report (by PMC). Activities are expected to accelerate in this area in 2011.</td>
<td></td>
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</table>

### Data on Financial Performance (as of 25-Mar-2011)

#### Financial Agreement(s) Key Dates

<table>
<thead>
<tr>
<th>Project</th>
<th>Loan No.</th>
<th>Status</th>
<th>Approval Date</th>
<th>Signing Date</th>
<th>Effectiveness Date</th>
<th>Closing Date</th>
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</thead>
</table>

#### Disbursements (in Millions)

<table>
<thead>
<tr>
<th>Project</th>
<th>Loan No.</th>
<th>Status</th>
<th>Currency</th>
<th>Original</th>
<th>Revised</th>
<th>Cancelled</th>
<th>Disbursed</th>
<th>Undisbursed</th>
<th>% Disbursed</th>
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<tbody>
<tr>
<td>P109024</td>
<td>TF-93358</td>
<td>Effective</td>
<td>USD</td>
<td>50.00</td>
<td>50.00</td>
<td>0.00</td>
<td>28.10</td>
<td>21.90</td>
<td>56.00</td>
</tr>
</tbody>
</table>

### Disbursement Graph
Key Decisions Regarding Implementation
None

Restructuring History
There has been no restructuring to date.

Related Projects
There are no related projects.