4970244 (4)
10-AAD-850-81

PROJECT EVALUATION SUMMARY

14p

1. Mission or AID/W Office Name INDONESIA	2. Project Number 497-0244 Loan No.: 497-T-038
3. Project Title IDMU AREA & TRANSMIGRATION DEVELOPMENT PROJECT	

4. Key project dates (fiscal years)			5. Total U.S. funding-life of project
a. Project Agreement Signed 10/75	b. Final Obligation 6/81	c. Final input delivered 4/81	$ 15.0 million
6. Evaluation number as listed in Eval. Schedule 77-22	7. Period covered by this Eval. From: 10/75 Month/year	To: 8/77 Month/year	8. Date of this Evaluation Review 9/13/77 Month/Day/Year

9. Action Decisions Reached at Eval. Review, including items needing further study (Note--This list does not constitute an action request to AID/W. Use telegrams, airgrams, SPARS, etc., for action)	10. Officer or Unit responsible for follow-up	11. Date action to be completed
- Assist GOI in drafting implementation plan and documentation to meet CPs for REC and FCC Subprojects.	Agriculture Division	12/77
- Assist GOI draft implementation plan for Health Subproject	Population & Health Division	12/77
- Assist GOI draft implementation plan for Training Subproject	RTrostle	12/77

12. Signatures:

Project Officer	Mission or AID/W Office Director
Signature: Ronald Trostle	Signature: Thomas C. Niblock
Typed Name: Ronald G. Trostle	Typed Name: Thomas C. Niblock
Date: 9-23-77	Date: 9/29/77

Mission Evaluation Officer: RFZimmerman: [illegible]

13. **SUMMARY** - Summarize in about 200 words the current project situation, mentioning progress in relation to design, prospects of achieving purpose, major problems encountered, etc.

All of the nine subprojects have had delays. The irrigation, land clearing and impact evaluation subprojects have had the least delays. Considering the other subproject's functional inter-relationships with the whole Project the delays in the transmigration and health subprojects are not deleterious to the Project's goals. The more serious problems have been with the road, training, agricultural extension (REC) and farmer cooperative (FCC) subprojects. The road subproject has finally reached a point where it should progress in a straight forward manner. The REC and FCC subprojects require implementation plans in order to meet conditions precedent. The training subproject requires an implementation agreement with the National Administration Institute (LAN).

The Project's purpose is expected to be achieved although attaining the objectives will be delayed.

The main problems have been administrative rather than technical. The fixed amount reimbursement (FAR) financing mechanism and the small percentage of total project cost financed by AID have reduced USAID's leverage and influence on the Project (See Block 25). Documentation for the package of nine subprojects has required an inordinate amount of staff time. AID's effort to emphasize GOI involvement has led to some delays.

Coordination among the subprojects has been an important factor in both the progress and the problems of the Project. The Luwu Project Office, which is responsible for project coordination, has performed a very useful function in coordinating activities both directly and indirectly related to the Project. In general, those subprojects which are having the most problems are of those agencies which communicate and coordinate least with the Luwu Project Office. Effective utilization of the recently arrived long-term advisors should facilitate coordination for both the GOI and USAID.

14. EVALUATION METHODOLOGY - Describe the methods used for this evaluation, i.e. was it a regular or special evaluation? Was it in accordance with the Evaluation Plan in the PP with respect to timing, study design, scope, methodology and issues? What kinds of data were used and how were they collected and analyzed? Identify agencies and key individuals participating and contributing.

This evaluation is based on recent field trips to inspect project activities by several AID staff and discussions with numerous individuals. Individuals contributing to or directly participating in the evaluation include: the GOI's project manager - and his staff -, subproject managers, other central, provincial and local GOI officials, Indonesian contractor personnel, expatriate consultants, and AID DH staff responsible for various subprojects. This Project Evaluation Summary exercise also draws on the recently completed baseline study executed under the Luwu Project's long-term socio-economic impact evaluation subproject.

15. DOCUMENTS TO BE REVISED

The GOI has modified its organizational structure for carrying out agricultural extension and research. Thus the organizational structure and implementation plan for the Rural Extension Center subproject will also be restructured. Although this subproject's implementation will be somewhat different from the way it was described in the CAP the final objectives of the subproject are still expected to be attained.

16. Evaluation findings about EXTERNAL FACTORS - Identify and discuss major changes in project setting which have an impact on the project. Examine continuing validity of assumptions.

The agricultural extension function, within the MOA, now has a new organizational structure. The organizational framework for the REC subproject - and to some extent the REC concept itself:- as set forth in the CAP is not viable within this new organizational structure.

Responsibilities for land clearing have recently been assigned to a different agency. The reorganization has raised some administrative and technical issues.

One of the assumptions for achieving the LATDP's institution building purpose is that the GOI agencies associated with the LATDP's subprojects are motivated to coordinate their activities. As the Project moves from planning into implementation multi-agency coordination has become less voluntary. The Directorate General of Transmigration's attitude toward and policy regarding area development has deemphasized the use of formal organizational structure for accomplishing interdisciplinary, multi-agency, multi-sector coordination.

Each of the above has caused some implementation difficulties.

17. Evaluation findings about GOAL/SUBGOAL - For the reader's convenience, quote the approved sector or other goal, (and subgoal, where relevant) to which the project contributes. Then describe status by citing evidence available to date from specified indicators and by mentioning progress of the other projects (whether or not U.S.) which contribute to same goal. Discuss causes--can progress toward goal be attributed to project, why shortfalls?

The Project's goal is to: "Improve the well-being of small farmers by raising productivity sufficiently to increase both per capita consumption and the movement of marketable surpluses to food deficit areas". It is too early in the project to determine progress towards the goal.

18. Evaluation findings about PURPOSE:
(a) Quote the approved project purpose. Cite progress toward each End-of-Project Status (EOPS) condition. When can achievement be expected? Discuss causes of progress or shortfalls.

The Project's purposes are to:

a. Increase agricultural productivity.
b. Improve the well-being of the rural poor through increased income and employment opportunities.
c. Institution building (for multi-sector rural development capacity).

As yet there is little direct impact on agricultural productivity. During the last year approximately 1,500 people have been employed in the initial stages of project implementation. Regarding institution building, although no formal organizational structures have been established outside the Luwu Project Office, many entities within the GOI are gaining a better appreciation of both the advantages and disadvantages of the "coordinated multi-sector development approach" to rural development.

(b) What is current priority of Project with the GOI? Do USAID and GOI share common perception of Project Purpose? How is this priority and common perception manifest in project implementation?

The GOI's priority for the project is manifested in several ways. The Minister of Manpower, Transmigration & Cooperatives has said that he expects the Luwu Development Program to be the "show piece" for all of Indonesia. The GOI has budgeted more than adequately for most of the sub-projects and for general project organization & support. Indeed, the constraint on project progress is administration and implementation capacity, not budgets. Provincial level support was recently expressed when the Governor traveled to Palopo to personally inaugurate the Project Office's new Headquarters. Enthusiasm is building in a number of GOI agencies for follow-on activities. The GOI is showing non-project commitment to the Luwu Area as well. They are exploring other donor assistance for several projects USAID would probably not take on (large dam construction and extensive irrigation rehabilitation, and connecting road links on the Trans Sulawesi highway).

There are many GOI entities involved in this multi-sector project. The Ministry of Manpower, Transmigration and Cooperatives, the Directorate General of Water Resources Development, and a number of individuals in BAPPENAS do share with USAID a common perception of the Project's purpose and priority. In general, the other GOI agencies involved either view their involvement as traditional single sector efforts or do not give the Project a very high priority.

19. **Evaluation findings about OUTPUTS and INPUTS - Note any particular success or difficulties. Comment on significant management experiences of host contractor and donor organizations. Describe any necessary changes in schedule or in type and quantity of resources or outputs needed to achieve project purpose.**

The following outputs have been completed:

a. Construction work is underway on the Kalaena Irrigation subproject diversion weir and primary canal. The first secondary distribution block will be tendered for construction soon. Tender Documents are also ready for additional construction work in Kalaena Area "A" and for the entire Bone-Bone Irrigation subproject.

b. Two of the four Rural Extension Centers have been constructed. For reasons set forth in Block 16 above the GOI has not met the necessary CP's and does not intend to request reimbursement for these two REC's.

c. Since the Project was authorized some advanced crop production technology has been introduced which was not a direct impact of the Project. (new rice varieties, pesticides and improved vegetable production)

d. Construction of timber bridges on the Wotu-Malili road segment. This is force account work preceding the major work to be done under contract. The GOI may decide not to request reimbursement for this work because they feel it is not worth the trouble for the small amount of financing involved.

e. Physical facilities and staff for the Luwu Project Office are in place and functioning. Only a minor amount of training has taken place.

f. The socio-economic impact evaluation subproject's baseline study has been completed under contract with the provincial university.

g. Land clearing work has been done on 2,000 ha. AID's present position is that AID will not reimburse because CP's were not met.

Regarding INPUTS the following problems have been encountered.

a. Provision of adequate construction equipment by irrigation subproject contractors has not been forthcoming. Mobilization and logistical costs are high in remote Luwu. Contracts were awarded to the lowest bidders - which were below engineers' cost estimates. It is reported that contractors are running into financial difficulties on these contracts.

b. Road subproject delays in finalizing designs, tender documents and contracting. The approach to the road subproject is to improve the capacity of the GOI's Highway Department by emphasizing their execution of design and contracting. There have been more and longer delays than expected at the time of the CAP's preparation.

c. It took more than a year to get the long-term consultants on board.

d. Several of the subprojects have not yet been initiated because there have been changes in external factors and/or USAID staff have not spent sufficient time in working with the GOI to finalize implementation plans. As noted in Block 23 USAID will have to invest more staff time in order to get these subprojects initiated.

The coordination of this project and its subprojects has been complex and time consuming for both the GOI and USAID. (See Block 24 for further observations.)

20. Evaluation findings about UNPLANNED EFFECTS - Has project had any unexpected results or impact, such as changes in social structure, environment, health technical or economic situation? Are these effects advantageous or not? Do they require any change in plans?

As information about the development activities planned for Luwu spreads, several unplanned effects have occurred. There has been a large spontaneous in-migration of people. Kabupaten Luwu's population is reported to have increased from 340,000 to about 400,000 in about two years (10% growth rate). Traffic volume on the Palopo-Wotu road has increased quite noticably even though many road improvements have yet to be executed. Some areas previously programmed for organized settlement have been filled by spontaneous transmigration or by resettlement of people within Luwu. There is currently a lot of residential, commercial and government building construction throughout the area. Three additional Community Health Centers have been established.

21. Does this project have any impact on the five development criteria outlined in Section 102(d) of the FAA (i.e.: a. increasing agricultural productivity through small farm labor intensive agriculture; b. reduce infant mortality; c. control population growth; d. promote greater equality is income distribution; and e. reduce rates of unemployment and underemployment). Explain.

Agricultural productivity, by farmers with two hectares or less, will increase due to increased land productivity (opening up irrigation and new dry land cultivation); due to higher levels of production technology being applied; and due to increased labor productivity (decreased un- and underemployment resulting from the generation of agricultural production jobs, and the access to new markets indirect impact on incentives for both agricultural and non-agricultural production).

National population growth may actually be greater (although insignificantly) as there is evidence that people have larger families when they become transmigrants than they would have if they had stayed in their original high population density, labor surplus locations.

The direct impact of the project will increase income equality. Transmigrants and spontaneous transmigrants from nearby areas with little or no land will obtain more land in the Luwu area, thereby increasing their wealth and income positions. The Project will also generate numerous non-farm jobs for local unskilled and semiskilled workers.

The 30,000 continuous agricultural production jobs and the 7,000 project implementation jobs created by the project will reduce the area's general level of unemployment. In addition, the irrigation and diversified agriculture aspects of the Project will also reduce the seasonal nature of agricultural employment and income flows in the project area. This will have a multiplier effect to reduce employment seasonality in the non-agricultural sectors.

22. Who are the direct and indirect beneficiaries of this project? (Identify, describe nature of benefits and number of those benefiting). Finally, do the benefits justify the costs?

A. Direct Beneficiaries	176,400
1. People trained by Project	470
2. People employed in project implementation	7,380*
3. People assisted by people trained by Project	500*
4. People whose economic, social or physical wellbeing is directly improved by completed project** (agricultural and Project construction jobs)	170,000
5. People receiving increased experience, authority, or status from participation in planning or implementing the Project	50
B. Indirect Beneficiaries	55,600
1. People who consume surplus of agricultural products sold by farmers from increased production and/or to people accessible by improved transportation	35,000
2. People who are less vulnerable to infections, diseases or sicknesses due to health subproject: Kalaena area households x 5.0 =	20,600*

* They include some people counted in other categories.
** Assumes family of 5 including the worker.

As yet there is insufficient empirical evidence to justify a statement that benefits justify the costs. However if the benefits set forth in the CAP are generated - and there is no indication that they will not - then the social, economic and political benefits seem to justify the costs.

23. **CHANGES IN DESIGN OR EXECUTION - Explain the rationale for any proposed modification in project design or execution which now appear advisable as a result of the preceding findings (items 16 to 20 above) and which were reflected in one or more of the action decisions listed on page 2 or noted in Item 15 on page 3.**

In order to get several of the subprojects implemented USAID will have to take a considerably more active role, vis-a-vis the GOI, in finalizing implementation plans and helping to draft the necessary documentation.

For the agricultural extension (REC) subproject we will have to liberally interpret the lengthy CPs of the loan agreement and help draft the necessary documentation as well as work with provincial and local level Ministry of Agriculture officials in detailing implementation plans. The same applies to the farmer cooperative (FCC) subproject.

USAID has a verbal agreement with the Ministry of Health on the Health subproject which has a $100,000 budget. USAID must persistently push the MOH and offer to help with the drafting work, if the necessary implementation plan is to be forthcoming. The same applies to USAID's relationship with the National Administration Institute regarding the training subproject.

24. **LESSONS LEARNED** - What advice can you give a colleague about development strategy -- e.g., how to tackle a similar development problem or to manage a similar project in another country? What can be suggested for follow-on in this country? Similarly, do you have any suggestions about evaluation methodology?

The Luwu Project offers several lessons regarding "coordinated, multi-sector, multi-agency, area specific development programs". Such programs are more complex and take longer to plan and to implement than the same activities executed independently by individual sectoral implementing agencies in the normal single sector project approach. In addition, the administrative overhead for the coordination necessary to improve allocation and use of resources results in a cost not found in single activity projects. Although the inter-relationships between the various sectoral projects offer many opportunities to increase efficiency and to improve effectiveness, often these can only be taken advantage of by a responsive, decentralized administrative system for project specific decision-making and implementation. In such a foreign aid project, if either the host country or the donor have rigid, centralized administrative procedures or do not provide for the administrative overhead, the project will loose some of its impact. When considering "integrated rural development projects" such as the Luwu Project, AID should ask itself whether it has the capability or is willing to provide the appropriate administrative support.

Close horizontal inter-agency communication and coordination is necessary in a coordinated multi-sector rural development project. In the case of the LATDP coordination has involved linkages with six Directorates General directly involved, four directorates General indirectly involved, two universities, two research institutes, a training institute, four foreign donors, two private voluntary organizations, and a large multinational corporation. Coordination among them becomes bureaucratically complex and is enough to tax the capacity of even the most capable and well intentioned administrators. Inter-agency coordination is most important during the planning stage and the LATDP was fortunate to have good support and cooperation during this time. However, although the GOI continues to pay lip service to the desirability of coordination and cooperation, in general it has been very difficult to maintain cooperation by all entities. The result has been delays, frustration for all, and lagging enthusiasm in some circles for the project as well as for the coordinated multi-sector approach to rural development.

25. (a) SPECIAL COMMENTS or REMARKS (For AID/W projects, assess likelyhood that results of project will be utilized in LDC's).

The fixed amount reimbursement (FAR) mechanism as executed in Indonesia has been the source of some implementation problems. These problems are characterized by the GOI proceeding to implement a particular activity without obtaining USAID approvals for designs, costs estimates and implementation plans as usually required by the loan agreement. (for example: We are not able to reimburse for either the construction of two extension centers under the REC Subproject or the training under the FCC Subproject. Only by considerable last minute effort are we able to reimburse for the first two irrigation contracts. USAID's posture regarding the first two land clearing contracts is not to reimburse for work completed under the contracts. There is reason for new concern regarding this year's land clearing, FCC and REC activities.

The source of the problem may be the way FAR is perceived by different elements of the GOI. BAPPENAS allocates Rupiahs to the implementing agencies on the basis of general plans submitted in their DIPs and USAID's dollar commitments. These Rupiahs eventually end up under the control of a subproject manager whose agency puts pressure on him to get the job done. He understands the subproject's objectives, he has the Rupiah at his disposal, so he proceeds. He may have only a vague understanding of the FAR system, foreign exchange transfers from the USG to the GOI's Ministry of Finance are of little real concern to him and USAID's CP requirements are felt to be difficult to fulfill. The tendency is to proceed with GOI implementation without bothering to obtain the approvals prerequisite to USAID reimbursement.

(b) Overall assessment of project performance.

Unsatisfactory		Satisfactory			Outstanding	
1	2	3	4	5	6	7
		X				

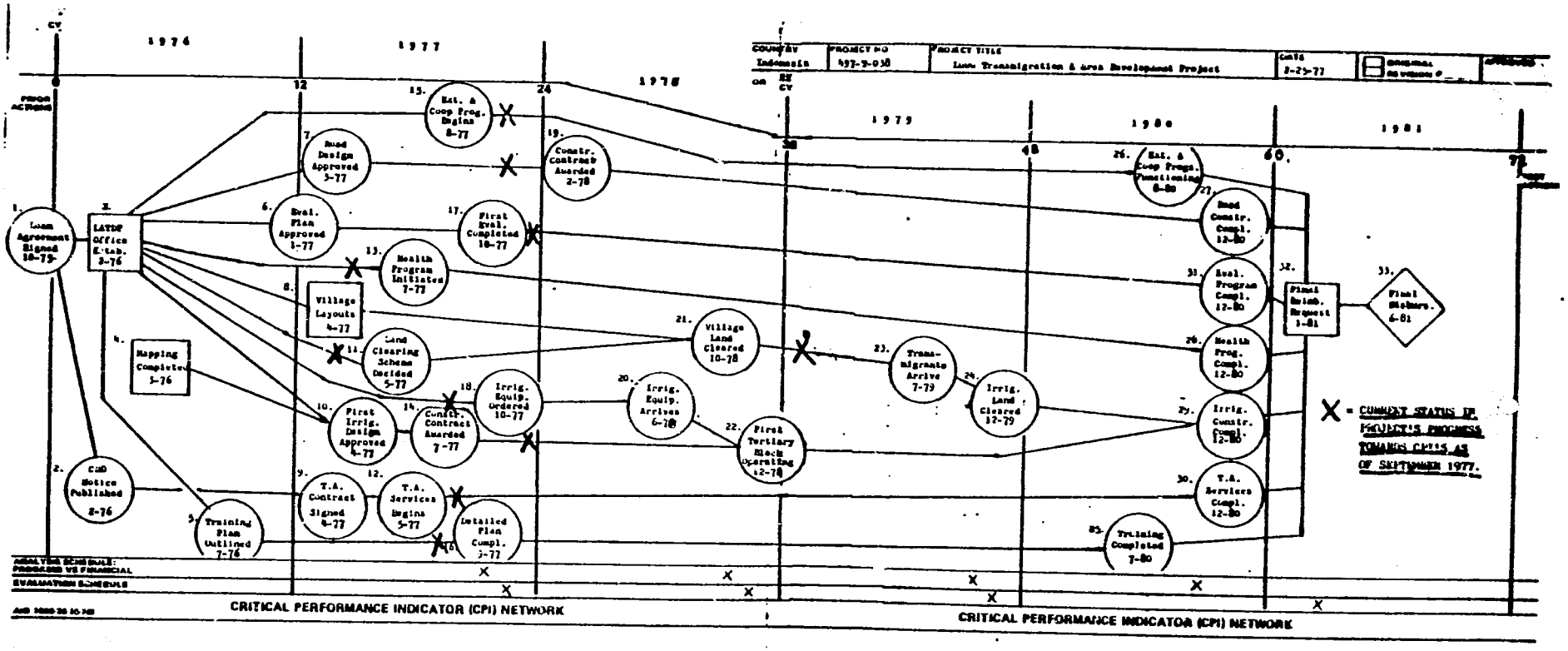
Narrative statement explaining ranking:

Narrative Statement

The LATDP might more appropriately be described as an area specific development program involving a number of projects. Each of the projects deserve their own individual review.

In summarily evaluating the entire program it must be noted that some of the projects are proceeding as planned, others are hardly progressing at all, and still others are being pushed ahead by the GOI with little of the coordination with USAID that is specified in the loan agreement and with no GOI expectation of reimbursement.

In general the project is considerably behind schedule. On the other hand this coordinated multi-sector rural development program in a remote location is much more complex than traditional single-sector projects. It also involves considerable innovation - conceptual, organizational, institutional and administrative innovation - by both the GOI and AID. It was not expected to be an easy, risk free project. The Project, itself has brought about a focus on the area and the undertaking of beneficial subprojects which probably otherwise would not have been considered. Also it has already had an impact on the GOI's general orientation towards multi-sector coordination of development efforts. It has provided the USAID Mission with valuable insight into the rural development scene and the experience has been useful in developing other projects.


COUNTRY
Indonesia
PROJECT NO
497-9-038
PROJECT TITLE
Luwu Transmigration & Area Development Project
DATE
8-25-77
1976
1977
1978
1979
1980
1981
1. Loan Agreement Signed 10-75
2. CAD Notice Published 8-76
3. LATDP Office Estab. 3-76
4. Mapping Completed 3-76
5. Training Plan Outlined 7-76
6. Eval. Plan Approved 1-77
7. Road Design Approved 5-77
8. Village Layouts 4-77
9. T.A. Contract Signed 4-77
10. First Irrig. Design Approved 4-77
11. Land Clearing Scheme Decided 5-77
12. T.A. Services Begins 5-77
13. Health Program Initiated 7-77
14. Constr. Contract Awarded 7-77
15. Est. & Coop Prog. Begins 8-77
16. Detailed Plan Compl. 3-77
17. First Eval. Completed 10-77
18. Irrig. Equip. Ordered 10-77
19. Constr. Contracts Awarded 2-78
20. Irrig. Equip. Arrives 6-78
21. Village Land Cleared 10-78
22. First Tertiary Block Operating 12-78
23. Trans-migrants Arrive 7-79
24. Irrig. Land Cleared 12-79
25. Irrig. Constr. Compl. 12-80
26. Est. & Coop Progs. Functioning 8-80
27. Road Constr. Compl. 12-80
28. T.A. Services Compl. 12-80
29. Health Prog. Compl. 12-80
30. Eval. Program Compl. 12-80
31. Training Completed 7-80
32. Final Reimb. Request 1-81
33. Final Mshmrs. 6-81
X = CURRENT STATUS OF PROJECT'S PROGRESS TOWARDS GOALS AS OF SEPTEMBER 1977.
CRITICAL PERFORMANCE INDICATOR (CPI) NETWORK
CRITICAL PERFORMANCE INDICATOR (CPI) NETWORK