

PD-CAG 089

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MEMORANDUM

TO : See Distribution
FROM : ASIA/DP, Maureen Norton
SUBJECT : LUWU Evaluation Debriefing

A debriefing on the results of the LUWU evaluation will be held on Thursday, November 3, 1983 at 10:00 a.m. in room 1207 NS.

The debriefing will be given by Dr. Chew Siew Tuan, the rural sociologist on the evaluation team.

The executive summary of the report is attached.

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EXECUTIVE SUMMARY
Russell H. Betts

The Luwu Area and Transmigration Development Project is now scheduled to be completed in December 1983, following nearly an eight-year implementation life. This report summarizes the conclusions and recommendations of an independent, outside Study Team which spent a six-week period ending in early September 1983 investigating selected project components of the overall integrated area development effort. No attempt at comprehensiveness was made because this activity was expected to constitute only the first of two phases in the final evaluation of Project Luwu. This first phase was planned to be restricted to an assessment of the effectiveness of the manner in which key components of Project Luwu (e.g., Farmers Cooperative Centers, the irrigation systems, and the strengthening of local government capacities primarily through the District Planning Board) were implemented, and the second phase was intended to assess more broadly the effectiveness of the integrated area development approach applied in Luwu as a general means of accelerating development efforts. During the course of the first-phase inquiries, it emerged that the second phase evaluation might not take place. Where possible, the report therefore goes beyond the boundaries initially set for it in an attempt to comment, at least provisionally, on some of the key issues which the second phase of this final evaluation might have been expected to address.

The Study Team's key conclusions and recommendations are detailed below.

A. The Farmers Cooperative Center Project Component

(Legal status could be problem success overall)

The activities of the Farmers Cooperative Centers (FCCs) have, in the short time-span of four years since they were established, served effectively to strengthen the capacity of village-unit cooperatives (KUDs) in Luwu to perform effectively and efficiently the various services, including provision of agricultural inputs and marketing, they provide to their members. The FCCs thus have come to play a vital, positive, and important role in the dynamics of rural development in the project areas. The Team's firm conviction is that the FCCs must be provided with the latitude and support required to enable their further development and strengthening. All of the available evidence suggests that the FCC experience in Luwu can provide a replicable and highly appropriate model for the future development of an Indonesian cooperative movement.

The Team also notes the need for timely attention to the status of the FCCs in Luwu following termination of Project Luwu, both for their own sake and in order to contribute to on-going GOI efforts to redesign and refine Indonesia's policies toward farmers' cooperatives.

The Team's principal recommendations are that:

1. Legal status should be granted to Cooperatives Centers at the kabupaten level. This does not currently exist. There is a definite need under certain circumstances to provide a legal basis for bridging the gaps between kabupaten-level PUSKUDs and individual KUDs.

2. The option for having more than one FCC per kabupaten should be left open. The current policy of only one FCC per kabupaten seems not well-advised, especially in circumstances such as exist in Luwu where the size of the area to be served, its remoteness from provincial centers, and its state of economic and institutional development all have contributed to a situation where more than one functioning FCC within the kabupaten clearly benefits the farmers and promotes the region's development.

3. Serious consideration should be given to granting business autonomy to kabupaten-level PUSKUDs primarily to simplify logistics and to improve incentives for economic efficiency in order to help accelerate the country's regional economic growth and development.

4. For similar reasons, and to encourage development of strong local cooperative activities in accordance with emerging national policy, considerable care needs to be exercised to keep national directives from encumbering the effective operation of individual kabupaten-level PUSKUDs. Concurrently, however, caution needs to be exercised in not prematurely withdrawing government financial support from kabupaten-level activities such as the FCC program in Luwu.

5. Finally, care needs to be exercised to keep the rural elite from capturing for themselves any disproportionate share of the economic benefits from farm cooperative activities.

B. The Irrigation Systems Project Component

(locked this is it failure?)

In marked contrast to the FCC project component, the Team determined that the irrigation systems project component is in serious trouble. This situation has arisen because of unsatisfactory construction of the irrigation infrastructure and has been immeasurably compounded by inadequate attention to operating and maintaining completed parts of the systems. Several parts of the infrastructure constructed under Project Luwu, including parts which were completed as recently as only a few months ago, are either now non-functional or are likely to become non-functional in the near future unless substantial investments are made to correct underlying structural inadequacies and to assure appropriate on-going operations and maintenance capabilities.

Under these circumstances, plans in Luwu to continue construction of further new irrigation infrastructure for the next several years at the rate of between 2,500 and 4,000 hectares of additional land annually does not, in the Team's opinion, represent rational strategy. Discussion needs to be undertaken by national and provincial policy-makers to assure greater awareness of:

1. The requirements of proper systems design;
2. The trade-offs between using funds for new construction and using those same funds for properly operating and maintaining existing systems;
3. The crucial importance of making provision in irrigation system design for the establishment and implementation of proper operations and maintenance programs on each section of a system as it is completed, and;

4. The need to assure clear understanding of the procedures and timing for transferring responsibility for completed systems from those who construct them to those who must then operate and maintain them.

Concurrently, policy-level discussion is needed regarding the relative inflexibility which presently is built into the design of the Luwu irrigation development program. The program has minimal tolerance for adjustments that might come to be required by policy, economics, social, or environmental change. For example, the system is presently designed to service a rice monoculture on a double crop basis. As such, it must operate under carefully controlled conditions. If these conditions are disrupted (as, for example, they seem likely to be because of physical failure), productivity of the system is likely to decrease; impacts could be severe not only economically, but socially as well.

C. The Rural Extension Centers Project Component

Although not required to do so, the Team superficially examined the process by which the Rural Extension Centers (REC) component was implemented, primarily to provide basés for comparison with other project components. These inquiries led the Team to conclude that REC accomplishments may have been greater than apparently has been assumed (at least by USAID/Indonesia). Of particular note is the extent to which the REC training methodology emphasized on-site field training geared to location-specific circumstances and needs. This, we understand, is an important innovation in extension training and the provision of extension services in Indonesia. If this is true, then the REC project merits more careful examination and evaluation than we were able to give it, because there may be important lessons to learn which might be applicable elsewhere in Indonesia.

Similarly, the Team notes with concern that comparatively little attention is being paid to the need to resolve the status of the RECs following termination of Project Luwu (PROLU). Given the high regard in which REC activities appear to be held by those most directly affected, i.e., Luwu farmers, it would seem to constitute poor planning and/or insensitivity to end user needs and preferences if this was not done. Careful consideration should be given to providing an institutional base for REC activities which might encourage continuation of the user-oriented approach to training and to the provision of extension services.

D. Development of Local Government Capabilities Project Component

This project component was added to Project Luwu only in 1981, at the time of the USAID project amendment providing grant support to enable continuation of expatriate technical assistance. It is thus a "late comer" to PROLU, and its activities have had to be accelerated accordingly. Project activities have focused on helping create, in January 1982, a Kabupaten Planning Board (Bappeda Tk. II) and on then strengthening, through training and the introduction of a capability to employ computer-based input-output analysis models and techniques, that body's capacity to carry out integrated area planning and development following the termination of Project Luwu. This work was still very much "in process" at the time of the Team's visit; not only was the training schedule not yet completed, but the programming work necessary to adopt the input-output model to Kabupaten Luwu needs and circumstances was several weeks away from being

finalized. Thus, the total system has not yet been tested, and final judgments regarding this set of activities would be premature. The Team can, however, make note of certain observations and provisional recommendations:

1. Project Luwu personnel involved with this project component, i.e., two expatriate consultants, have implemented a well-conceived set of activities designed to bring Bappeda Tk. II to an impressive level of competence, at least relative to similar efforts Study Team members have observed elsewhere in Indonesia. Training programs have been formulated to address defined needs, have been skills-oriented, and have involved considerable learning-by-doing. Concurrent training programs for personnel from other agencies of the local government have been designed to heighten awareness of and interest in the more rational use of existing (and continuously collected) data for development planning purposes. The possibility thus has been heightened of these agencies generating continuing demands for the types of data analyses which Bappeda Tk. II staff have been trained to supply.

2. As indicated, however, it is too early to tell if this experiment will succeed. The system needs to be put into a higher level of implementation to see what happens. If this is done, the key variables to watch will be:

- The Bappeda Tk. II staff's capabilities to use the technologies and the model in dynamic and useful ways, and;
- The continuing enthusiasm and willingness of other local government agencies to provide appropriately formatted data and to make meaningful use of Bappeda Tk. II's analyses and development plans for decision-making purposes.

3. Concurrently, assuming that there is a continuation in the momentum which Bappeda Tk. II has developed, it will be useful for concerned parties in both the GOI and the international donor community to investigate and consider whether (and, if so, how) the experiment might be replicated elsewhere--possibly via the Provincial Planning Board (Bappeda Tk. I) in Ujung Pandang and selected kabupaten-level Bappedas in South Sulawesi--in order to begin testing its wider applicability to regional development planning activities.

Thus, the Team recommends that this experiment be appropriately nurtured in order to provide the additional time which will be required before any definitive assessment can be made regarding its applicability or replicability. It also recommends that a proper assessment of project continuation be conducted sometime after March 1984 by properly qualified evaluators. The Team is well aware of the concerns being expressed in some quarters, especially within USAID/Indonesia, that input-output modelling may be unnecessarily sophisticated for situations such as currently exist in Kabupaten Luwu. The Team is not prepared at this time to pass any judgments on this matter and therefore, prefers only to observe that a good basis appears to have been laid to enable the technology a modest opportunity to "prove itself" in a unique and, in some ways, difficult environment. If it can be shown to have any long-term applicability in addressing Luwu's continuing development planning needs, then this should be demonstrated and documented so that GOI and foreign donor agency personnel might consider how and where it might be incorporated into other development programs.

4. An important related issue concerns broader questions of the local government's ability and/or willingness to assume, upon termination of PROLU, the burdens previously assumed by project headquarters and project implementing agencies. Without wishing to duck the issue, the Team notes that its inquiries have led it to the conclusion that questions couched in such terms may be missing a more fundamental point. Aside from the Bappeda Tk. II and local government training activities noted above, PROLU was not conceived, designed, or implemented in ways which might have meaningfully involved it, over the long haul, in efforts to enhance local government capabilities. PROLU was created outside the existing local government structure, was charged with implementing a nationally conceived and directed program and, therefore, in many ways constituted an alternative to the local government structure. Thus, but again excepting the Bappeda Tk. II project, PROLU's impact on the capacity of the local governmental structure to sustain developmental momentum following project termination seems both marginal and indirect--the latter primarily through the precedents it may have set and, most importantly, because of the higher level of governmental services which the people of Luwu have come to expect in consequence of the accelerated rate of development which has resulted from Project Luwu activities over the past eight years.

If, therefore, the local government has the capacity to assume PROLU burdens (and the Team discovered no intrinsic reason to believe that it could not), it will be because of its own efforts more than because of anything (other than the Bappeda project component) which Project Luwu has done for it.

There is a second, and equally crucial, intervening variable. As a nationally conceived and directed set of project activities, before the local government can know what burdens it will be required to assume, important decisions must first be made at the national level regarding what responsibilities will be transferred to whom, and with what budgetary provisions and other conditions. Conclusions drawn and recommendations made throughout this report illustrate the extent to which less than four months prior to project termination many such major decisions remain to be made.

E. Project Structure and Interministerial Coordination

The preceding discussion leads the Team to make two final observations.

1. Project Luwu provides a good case study of a basic dilemma which needs to be considered when designing such large-scale area development programs in areas where the capacities of existing local government infrastructure are felt to be limited. That is, if management leadership is vested in a special "Project Office" outside local government, as with PROLU, implementation might proceed more smoothly and simply than if implementation were folded into existing systems and structures. But the activity's ability to significantly contribute to enhancing local institutional capacities for sustained growth following completion of such special projects would in all probability be lessened. Choices need to be made at the project design stage. PROLU's efforts, late in the game, to strengthen Kabupaten Luwu's development planning capabilities was admirable and may well have lasting effect. But it was neither structural nor systemic, and the many decisions regarding the transfer of responsibility for PROLU activities which have not yet been taken provides ample verification of the extent to which long-term institutional capacity building was not integral to the

basic project design. Given the GOI's declared desire to strengthen local government capacities, we believe that in planning for future area development programs, the responsible authorities should consider structural arrangements which explicitly provide, either from the outset or on a phased basis, for significant levels of local government involvement. While this may initially complicate implementation, it offers perhaps the most rational means of assuming the sustainability of project benefits over the long term.

2. The issue of "interministerial coordination"--which, after all, was perhaps the underlying rationale for Project Luwu having been set up and implemented in the way that it was--needs to be carefully examined. The experience of Project Luwu suggests that "coordinated," or at least concurrent, implementation of a number of related projects can have far greater impact on the development of an area than would the "uncoordinated" introduction of comparable activities over a longer period of time. And it must be acknowledged that Project Luwu realized significant achievements in spite of the magnitude and complexity of the site-specific challenges to effective implementation with which it had to deal.

But it cannot be concluded from this that PROLU represents a successful example of active interministerial coordination in the implementation of an area development project. In fact, interministerial coordination in the meaningful sense initially anticipated for Project Luwu has been an illusion. Despite periodic rhetoric to the contrary, the Government of Indonesia was unable, throughout the eight years of PROLU, to establish any adequate forum or mechanism for coordination. This extends from policy determination and budget allocations at the national level through providing guidance for management tools to PROLU for project control and fiscal monitoring at the project site. The difficulties faced throughout the history of PROLU by project management because of these coordinative shortcomings occasionally were immense, and it is to project management's credit that it functioned as well as it did at times.

Interestingly enough, however, this does not lead the Study Team to any conclusion that "coordinated area development" does not work in the Indonesian context. As indicated earlier, in fact, the evidence from Project Luwu suggests that it does--but perhaps, at times, in spite of itself.

Project Luwu was initially designed as an integrated and coordinated effort, with the important consequence that policy decisions made at that time established the basic project parameters. As a consequence, a set of activities were set in motion in Luwu which, notwithstanding the extent to which during implementation they may have appeared to be running on separate and frequently unrelated tracks, were in fact running on parallel tracks in pursuit of the common goals which had been established at the outset. The result appears to be a case where the final, after-the-fact reality has become the desired synergistic impact of the coordinated approach. If so, then it has occurred not because of interministerial coordination, but rather in spite of it--and instead because an approximately correct mix of activities were implemented in geographic and temporal proximity, all under the aegis of "The Project."

Thus, the illusion of coordination may be as valid as its actuality, provided that appropriate preproject planning and design has taken place. While it is tempting to do so, further exploration into the implications of this interpretation lie far beyond the scope of the current study, and therefore must be left for others.