

**MANAGEMENT RESPONSE TO THE PROJECT PERFORMANCE EVALUATION
REPORT FOR THE CAPACITY BUILDING PROJECT IN THE WATER
RESOURCES SECTOR IN INDONESIA (Loan 1339-INO)**

On 13 November 2006, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management reviewed OED's Project Performance Evaluation Report (PPER) for the Project and has the following comments.

A. General Comments

2. The Project aimed at assisting the Government in strengthening national and provincial institutional capacity for sustainable and economic management of water resources for multisectoral use. Approved in December 1994, it was one of the few capacity building projects that was supported by a loan rather than technical assistance (TAs). The willingness to borrow at ordinary capital resources terms for the Project confirmed the strong Government commitment to project objectives. This was further demonstrated by the early signing of the loan agreement and the early fulfillment of loan effectivity conditions by the Government.

3. The fiscal crisis of 1997 and subsequent reorganization of the Directorate General of Water Resources Development (DGWRD), the executing agency (EA) for the Project, and decentralization of its functions and mandate affected the project design and its implementation arrangements. ADB and the Government responded to the changing needs, and adjustments were made to the project scope and implementation arrangements. However, frequent changes in the senior management and middle executive positions of the EA and delays in formulating enabling laws and regulations for implementation of the new water law enacted with project support had their impacts on the project performance. We note that the PPER has rated the overall performance of the Project as partly successful, one class lower than the successful rating derived by the project performance report of August 2005.

B. Lessons Learned

4. As the first ADB project of its type in the water resources sector, the Project provides a number of important lessons that have been highlighted in the PPER. We agree with the PPER that (i) considering the inherent difficulties and long-term process involved in it, capacity building objectives may not always be best achieved through a single project, and consideration should be given to alternative arrangements such as a TA cluster loan or a capacity building loan under multitranches financing facility; (ii) support for higher education of government staff, as provided under the Project, is highly productive; (iii) new concepts such as results-oriented management tried under the Project should be carefully integrated with the existing systems and build on existing strength; and (iv) on-the-job training of trainees may be more expensive, but it is generally more effective.

C. Follow-up Actions

5. Management has the following comments on the proposed follow-up actions.

- (i) We agree with the recommendation that an assessment could be made as part of a TA whether hydromet and water quality data should continue to be monitored by several agencies or the responsibility should be streamlined. However, the suggested timing should be end-2007, and not end-2006.
- (ii) We agree that considerable TA will be required to help develop additional river basin organizations for management of water resources with the basin concept. Any such new initiative should be based on a strong commitment of the regional and national governments, and should draw experience from the ongoing initiatives in major river basins with ADB and other donor assistance. We will initiate dialogue with the government to assess the demand and commitment and may propose suitable assistance, if required, during 2007–2009 period.
- (iii) While we support the PPER recommendation to dispose off redundant project assets, we consider the suggested timing of mid-2007 as unachievable, considering the Government's internal procedural requirements that would need to be followed for such disposal of assets. It would be more realistic to indicate end-2007 as a target date.
- (iv) We support the recommendation for an assessment of hydromet data demand and identification of available options for making data available to potential users.
- (v) We support the PPER recommendation for assembling all guidelines, manuals, and teaching materials produced under the Project, making those available to all interested parties.
- (vi) We support the recommendation to prepare and maintain a register of technical skills and training capability at the Water Resources Data Center by end 2007.
- (vii) We welcome OED proposal to encourage local participation in future evaluations by OED and its willingness to support such participation costs from OED budget.