



# Validation Report

---

Reference Number: PVR-179  
Project Number: 31153  
Loan Number: 1770  
November 2012

## Indonesia: Marine and Coastal Resources Management Project

Independent Evaluation Department

**Asian Development Bank**

## ABBREVIATIONS

ADB	- Asian Development Bank
BAPPEDA	- Badan Perencanaan Pembangunan Daerah (provincial and district planning agency)
BAKOSURTANAL	- Badan Koordinasi Survey dan Pemetaan Nasional (National Coordinating Agency for Survey and Mapping)
GIS	- geographic information system
ICZPM	- integrated coastal zone planning and management
LIPI	- Lembaga Ilmu Pengatahuan Indonesia (Indonesian Institute of Sciences)
MCR	- marine and coastal resources
MMAF	- Ministry of Marine Affairs and Fisheries
NBIN	- National Biodiversity Information Network
PCR	- project completion report
PME	- project monitoring and evaluation
PSIC	- provincial spatial information center

## NOTE

In this report, "\$" refers to US dollars.

### Key Words

adb, asian development bank, coastal resources, evaluation, indonesia, geographic information system, management, marine resources

The guidelines formally adopted by the Independent Evaluation Department (IED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of IED management, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

In preparing any evaluation report, or by making any designation of or reference to a particular territory or geographic area in this document, IED does not intend to make any judgments as to the legal or other status of any territory or area.

## PROJECT BASIC DATA

<b>Project Number:</b>	31153	<b>PCR Circulation Date:</b>	29 Jul 2010	
<b>Loan/Grant Number:</b>	1770	<b>PCR Validation Date:</b>	Nov 2012	
<b>Project Name:</b>	Marine and Coastal Resources Management Project			
<b>Country:</b>	Indonesia		<b>Approved</b> (\$ million)	<b>Actual</b> (\$ million)
<b>Sector:</b>	Agriculture and Natural Resources	<b>Total Project Costs:</b>	70.20	66.25
<b>ADB Financing:</b> (\$ million)	<b>ADF:</b> 50.00	<b>Loan/Grant:</b>	50.00	45.48
	<b>OCR:</b>	<b>Borrower:</b>	17.90	18.67
		<b>Beneficiaries:</b>	2.30	2.01
<b>Approval Date:</b>	26 Oct 2000	<b>Effectiveness Date:</b>	27 Jun 2001	27 Sep 2001
<b>Signing Date:</b>	27 Mar 2001	<b>Completion Date:</b>	31 Dec 2008	30 Nov 2008
		<b>Closing Date:</b>	30 Jun 2007	24 Jul 2009
<b>Project Officers:</b>	M. J. Rahman W. Zhou A. Hebel M. N. Islam	<b>Location:</b>	ADB headquarters ADB headquarters ADB headquarters ADB headquarters	
<b>Validators:</b>	C. Dingcong, Consultant F. De Guzman, Evaluation Officer, IED2	<b>Peer Reviewer:</b>	A. Brubaker, Evaluation Specialist, IED1	
<b>Quality Reviewer:</b>	R. Sabirova, Evaluation Specialist, IED1	<b>Director:</b>	W. Kolkma, IED1	

ADB = Asian Development Bank, ADF = Asian Development Fund, IED1/2 = Independent Evaluation Department (Division 1/2), OCR = ordinary capital resources, PCR = project completion report.

## I. PROJECT DESCRIPTION

### A. Rationale

1. Marine and coastal resources (MCR) provide vital support to Indonesia's economy, and are of national and global importance because of their rich biological diversity. However, previous resource management efforts did not adequately meet the objectives of protecting and sustaining the use of coastal resources. Resource use and exploitation resulted in widespread environmental degradation. The situation was largely attributed to lack of (i) an integrated approach to coastal zone planning and management; (ii) information and/or data on which to base resource management decisions; (iii) transparency in resource allocation; and (iv) local government and community involvement in resource management. Thus, resource depletion and environmental degradation adversely affected coastal fishing communities, particularly the artisanal fishers.

2. Policy changes brought in a new institutional setting for natural resources management and environmental protection. The government initiated decentralization where natural resource management responsibilities were to be devolved to local governments. Under decentralization, local governments were to have larger share of revenues in the reformed fiscal arrangements. This process increased the sense of ownership of resources at the local levels, provided opportunities for community participation, and enhanced the prospect for transparency in resource allocation. However, local governments lacked the capacity for planning and sustainably managing natural resources. Delays in establishing an appropriate system of

communal resource ownership in relation to the scheme of individual ownership may have led to greater exploitation of resources to generate more income.

3. The project was envisaged to assist the local governments and relevant national agencies in strengthening their capacities for proper planning and management of MCR, and addressing the related issues in the context of the then ongoing decentralization process.

## **B. Expected Impact**

4. The project's envisaged goal or impact indicated in the design and monitoring framework at both appraisal and project completion was sustainable development and management of Indonesia's coastal and marine resources.<sup>1</sup> The impact indicator or target was "maintenance of productive ecological, socioeconomic functions and protection of biodiversity in coastal and marine areas, held at least to year 2000 levels."

5. Direct beneficiaries were to include coastal communities, many of whom have high poverty incidence. Out of 15.1 million poor people in the project provinces, 8 million live in districts for which management plans were to be developed under the project. Artisanal fishers were to benefit from the replenishment of natural resources resulting from improved management regime, including targeted small-scale schemes aimed at environmental protection, rehabilitation of degraded coastal fish habitats, and development of alternative livelihood activities.

## **C. Objective or Expected Outcome**

6. The intended outcome (purpose) of the project, as indicated in both the report and recommendation of the President and the project completion report (PCR), was enhanced local capacity to plan and manage the sustainable development of coastal and marine resources.<sup>2</sup> There are two outcome performance indicators: (i) provincial and district planning agencies (BAPPEDAs) are performing spatial planning as a routine function by 2006; and (ii) integrated hierarchy of spatial plans incorporating terrestrial, marine, and coastal environment is approved by participating provincial and district governments by year 2006.

## **D. Components and Outputs**

7. The project had four components: (1) coastal marine resource planning and management, (2) spatial data and information management, (3) marine and coastal resources laws and their enforcement, and (4) small-scale natural resources management schemes. The project was to be implemented in priority areas of 15 provinces. Provision of training in integrated coastal zone planning and management (ICZPM), geographic information system (GIS) and information technology; collection and assessment of spatial data and information on priority areas, including establishment of spatial data infrastructure; establishment of national biodiversity information network; strengthening marine and coastal resources laws and enforcement regimes; and provision of small-scale natural resources management schemes were expected to enhance local capacity to plan and manage coastal and marine resources.

---

<sup>1</sup> ADB. 2000. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to Indonesia for the Marine and Coastal Resources Management Project*. Manila.

<sup>2</sup> ADB. 2010. *Completion Report: Marine and Coastal Resources Management Project in Indonesia (Loan 1770-INO)*. Manila.

## E. Provision of Inputs

8. At appraisal, the total project cost was estimated at \$70.2 million. At loan closing, actual project cost was \$66.3 million. On the average, actual cost on a per component basis increased mainly due to inflation. Asian Development Bank (ADB) financing for the project was \$45.5 million, which was lower than the appraisal estimate of \$50 million. Government counterpart was \$18.7 million, slightly higher than the appraisal estimate of \$17.9 million mostly due to higher recurrent costs spent by local governments to implement the project. Beneficiaries for component 4 contributed \$2.1 million, which was lower than the appraisal estimate of \$2.3 million.<sup>3</sup>

9. The directorate general of budget of the Ministry of Finance established an imprest account with Bank Indonesia to expedite disbursements of loan proceeds, particularly for small contract expenditures. Consulting services were financed mostly through direct payments by ADB. The auditor's assessment indicated that the imprest account was properly used and the statement of expenditure procedure properly followed. Many local governments encountered problems with the allocation of counterpart funds. There were also problems with disbursements at local government levels mainly due to difficulty in synchronizing the timing of the government's budget (which was prepared following the fiscal year) with that of ADB's schedule for disbursement of funds. This resulted in delays in disbursements and contract awards.

## F. Implementation Arrangements

10. The Ministry of Marine Affairs and Fisheries (MMAF) was the executing agency of the project. Originally, the project was designed to be implemented at the provincial level. The initial organizational structure was composed of the MMAF and 17 implementing provincial agencies. This was revised due to the increased role of the districts in MCR management under decentralization. The organizational structure was revised to include the MMAF; two national implementing agencies: National Coordinating Agency for Survey and Mapping (Badan Koordinasi Survey dan Pemetaan Nasional [BAKORSURTANAL]) and the Indonesian Institute of Sciences (Lembaga Ilmu Pengatahuan Indonesia [LIPI]); and 56 regional (15 provinces and 41 districts) implementing units.

11. The government complied with most of the covenants with delays in some covenants, particularly on the conduct of the midterm review, the establishment of the technical advisory group, submission of the project monitoring and evaluation system, and on counterpart funds. As regards the preparation of the PCR, the government has not complied with the covenant on the submission of the borrower's PCR (Appendix 10, No. 5). The covenants were relevant and realistic. On the whole, the government's compliance with the loan covenants was satisfactory.

12. The project was supported by a technical assistance (TA) for capacity building for decentralized natural resources management. The TA was financed by ADB on a grant basis from the Japan Special Fund.<sup>4</sup> The Ministry of Home Affairs and Regional Autonomy was the executing agency for the TA and implementation was through its Directorate General for Rural Development. The PCR rated the TA *partly successful*. It was relevant in that it was consistent with the government's decentralization policy framework and commitment to sustainable natural resources management. It was partly effective. There was limited stakeholder participation mainly because resources were thinly spread among the project sites (i.e., six districts). The

<sup>3</sup> Details presented in Appendix 5 of PCR.

<sup>4</sup> ADB. 2000. *Technical Assistance to the Republic of Indonesia for Capacity Building for Decentralized Natural Resources Management*. Manila (TA 3523-INO, for \$775,000, approved on 26 October 2000).

community-based spatial planning with the natural resources management toolkits was not pilot-tested and validated as planned, and the dissemination and awareness raising activities were viewed by the PCR as ineffective. However, the government viewed the toolkits, policy analysis, technical guidelines, and information materials produced under the TA effective in strengthening the capacity of the Ministry of Home Affairs and Regional Autonomy for decentralized natural resources planning (para. 36, PCR). Overall, this validation concurs with the PCR's *less than successful* rating of the TA.

13. Consultants for the project were engaged in accordance with ADB Guidelines on the Use of Consultants. However, contracting and mobilization of consultants were delayed in components 1 to 4 (para. 37, PCR). Special studies and local training were contracted out to research and educational institutions in accordance with competitive selection criteria procedures acceptable to ADB. Based on the loan agreement, civil works contracts of \$50,000 or less for small-scale natural resources management schemes (component 4) were to involve the participation of local communities, employ labor-intensive technology, and awarded in accordance with the procedures agreed upon by the project implementation unit, community concerned, and ADB. About \$0.57 million for the schemes were withheld due to non-submission of signed contracts and bidding documents.<sup>5</sup> The PCR reported that most of the supplies, equipment, and civil works contracts were procured in accordance with ADB Procurement Guidelines (para. 39, PCR). Other than the small-scale civil works contracts, no further details (or discussions) were provided on other procurements (if any) that did not meet ADB guidelines and the actions taken to correct non-conformity with the guidelines.

14. The PCR rated the performance of the consultants *satisfactory*. Consultants for component 1 adequately provided the needed support and assistance to the project management office. In component 2, the consultants assisted the MMAF and the implementing agencies in improving spatial data information management. However, the quality of survey datasheets supplied by two consulting firms installed at the provincial spatial information centers (PSICs) was found unsatisfactory based on the criteria set by BAKOSURTANAL. The data were poorly organized and there were topological errors in the data and digital maps. BAKOSURTANAL staff had to "clean-up" the baseline and thematic survey data because the quality of outputs did not meet expectations. In component 3, the consultants provided satisfactory assistance in national and regional law-making activities, law assessment and analysis, law development and implementation, and spatial data infrastructure development. In components 4 and 5, consultants supported district and subdistrict decentralization, particularly in the devolution of MCR management and the demonstration of the tangible benefits of the ICZPM following a participatory approach. Overall, this validation rates the performance of the consultants *less than satisfactory* in view of the poor quality of survey datasheets produced under component 2. This component constituted 26% of actual total project cost, and the reliability of the survey and mapping data is critical to effective spatial data information management.

## II. EVALUATION OF PERFORMANCE AND RATINGS

### A. Relevance of Design and Formulation

15. A project preparatory technical assistance was carried out in 1998–1999 to (i) examine resource planning and management issues, (ii) identify the causes of marine and coastal

---

<sup>5</sup> Based on records from the Ministry of Finance.

resources degradation, and (iii) prepare an investment program for enhancing the institutional capacity of relevant national and regional agencies and local communities for sustainable management of resources.<sup>6</sup> The design and formulation of the project was based on the recommendations of the project preparatory technical assistance; the findings of ADB missions; review of various studies and relevant TA projects; and discussions with various stakeholders (i.e., concerned national and regional government officials, members of civil society, and coastal and small island communities). The project was consistent with ADB's country strategy and program for Indonesia.<sup>7</sup> It was also in line with the government's policies that recognized the potential of MCR and the importance of improving its management.

16. There were two changes in scope made during project implementation. First was the provision of long-term consultants based in each province as extension support to participating agencies. This was undertaken in response to developments in regional autonomy, which was not yet clear when the original project design was made. Under the original design, consulting services were concentrated at national and regional centers only. Increased decentralization of MCR management responsibility to the districts rather than to the provinces increased the project's scope of work. The second change was the addition to the project scope of a new component for Aceh to help the province recover from tsunami devastation. This validation generally agrees that assigning long-term consultants based in each province enhanced the project's relevance as these improved the capacity of local governments to manage MCR within the context of decentralization's increased coverage area. However, given the benefit of hindsight, the Aceh component, although it involved coastal communities, was more of an emergency assistance. It could have benefited from a well-formulated feasibility study of selected subprojects given the lack of capacity of local institutions.

17. The project was *relevant* at appraisal since it was consistent with ADB's country strategy and program for Indonesia. It was also in line with the government's policies on improving MCR management. The integrated approach to fishery development was relevant to the government's development objectives of increasing productivity and household incomes, conserving and protecting natural resources, and developing community groups that are self-sustaining and self-reliant. A significant development during the project implementation was the passage of Law No. 27/2007, which has become the umbrella law used to integrate bottom-up and top-down ICZPM planning.<sup>8</sup> The project's efforts to make hierarchical spatial plans consistent with this new law increased the relevance of the project. The PCR rated the project *relevant* and this validation concurs.

## **B. Effectiveness in Achieving Project Outcomes**

18. The PCR indicated that at appraisal, many indicators for targets and outputs in the design and monitoring framework were qualitative and not easily measurable. During project implementation, ADB and the government reformulated the following output indicators to make these measurable:

- (i) **Coastal and Marine Resources Planning and Management.** Expected outputs for training were generally achieved with the training of 2,451 local government staff members, 246 staff members from the executing agency and implementing agencies, as

<sup>6</sup> ADB. 1997. *Technical Assistance to the Republic of Indonesia for Marine Resource Evaluation Management and Planning*. Manila (TA 2958-INO, for \$600,000, approved on 19 December).

<sup>7</sup> ADB. 2000. *Country Operational Strategy: Indonesia 2001–2005*. Manila.

<sup>8</sup> National Law (UU No.27/2007) Coastal and Small Island Management provides the legal basis for integrated coastal management in Indonesia.

well as students, Parliament members, and individuals from nongovernment organizations and research institutions. The training covered all the targeted 15 provinces and 41 districts. Scholarships were granted for 44 master's degrees in marine policy and coastal management, 34 staff members were financially supported to participate in international MCR events, while 30 staff members were sent to take part in short courses on ICZPM. In terms of the planning subcomponent, all targeted provinces and districts prepared strategic planning documents. Most of these plans were legalized through decrees by governors and/or mayors. Public participation forums were routinely held through stakeholder workshops in 15 provinces and 41 districts.

**(ii) Spatial Data and Information Management.** The following outputs were completed for the survey and mapping subcomponent: (i) an atlas at a scale of 1:1,000,000; (ii) detailed survey of priority marine areas; (iii) baseline and thematic surveys (230 maps on a scale of 1:50,000 and 146 maps on a scale of 1:250,000); (iv) installation of 2,604 baseline data sheets and 4,218 thematic data sheets; (v) installation of baseline and thematic geo databases and disks for the marine resources GIS; and (vi) spatial data editing and verification.

In the information technology subcomponent, project outputs were the following: (i) training of 382 participants on computer technology, GIS and remote sensing, and website management; (ii) 13 staff members trained for enhancing special data infrastructure and marketing information; and (iii) a regional study on spatial data management was conducted for 13 staff members. Baseline and thematic geo databases for PSICs and *kabupaten* (district) spatial information centers were installed. All of these were made operational with varying conditions in terms of infrastructure, spatial databases, and manpower.

BAKOSURTANAL launched the project website, developed a website template for all PSICs and *kabupaten* (district) spatial information centers, and prepared the guidelines in updating and maintaining these websites. PSICs linked their websites to the National Biodiversity Information Network (NBIN) and vice versa. PSICs were assisted by the project in updating website information on a regular basis to provide useful products and services to other government agencies and the public.

The LIPI established the NBIN to improve exchanges of information on MCR biodiversity, promote public involvement in biodiversity protection, and supply information for spatial planning and implementing the national biodiversity action plan. Linkage was established with 45 nodes that were actively involved in the network as NBIN core members. At project completion, 36 nodes had established their own database while 9 were still in the process of developing their databases. Also, 149 individuals from node members were trained on biodiversity database and networking. LIPI built and developed the following: (i) prototype of core database; (ii) taxonomic reference from Flora Malesiana, Zoological Record, Species 2000, among other things; and (iii) administrative boundary data from Badan Pusat Statistik (Statistics Indonesia [BPS]). The new Indonesian and English versions of the NBIN website was maintained under LIPI's website. The PSIC websites have links to the NBIN website, providing marine and coastal spatial data. A search engine was also installed in the NBIN server. With this installation, each NBIN node can enter and update metadata on marine biodiversity by using open software (e.g., PHP and MySQL).



- (iii) **Legislative Review and Law Enforcement.** With inputs from the project, the Spatial Planning Act No. 24/1992 was revised with the enactment of Spatial Planning Act No. 26/2007. In line with the new laws on decentralization, the Spatial Planning Law 26/2007<sup>9</sup> stipulates explicitly the authority of provincial governments and district governments in spatial planning. Law 27/2007 has become the umbrella law for coastal and marine resources management in Indonesia. In connection with the new act, almost all participating provinces and districts conducted studies and legislation workshops. Furthermore, 739 participants attended the legal drafting course; 10 provinces finished local regulations related to spatial planning and natural resources management; and coastal and management local regulations were formulated to control the use and allocation of MCR.
- (iv) **Small-Scale Natural Resources Management Schemes.** Studies on identifying viable and sustainable income-generating activities were conducted in 15 participating provinces. The project supported 83 schemes including those that dealt with both conservation and economic values in marine and coastal management areas. Due to inadequate availability of counterpart funds from district authorities, two districts did not finish their schemes and one district did not participate in promoting the schemes.
- (v) **Aceh Post-Tsunami Assistance.** The completed outputs for this component were 19 subprojects, which included infrastructure, housing, boats, training, aquaculture, and input assistance in 4 Aceh districts. The PCR reported that most subprojects were disappointing mainly because territory and district-related agencies did not have clear rights and responsibilities to plan, monitor, and oversee the operation and maintenance of the subprojects during and after their completion. For example, some fishing vessels were never operated, there was no jetty to tie up the vessel, and less than 10% of the houses constructed were occupied as none had potable water, electricity, or sanitation facilities. Apparently, there was lack of ownership at the district level.

19. The expected outputs for the component on the coastal marine resources and planning and management were met. Targeted training of local government and executing agency staff members was achieved and provincial and district planning documents were legalized through decrees by governors and/or mayors. The component on spatial data and information management helped improve the availability of and access to quality spatial biodiversity data and useful information for resource planning and management. A baseline survey was completed and a spatial database has been installed in BAKOSURTANAL, the MMAF, and PSICs. The PSICs websites have been linked to the NBIN website for geo database activities. The component on legislative review and law enforcement contributed in improving the legal and regulatory framework in resource management and compliance. With inputs from the project, Spatial Planning Law No. 26/2007 was enacted directing all local governments responsible for conducting spatial planning and management as routine function. The project also supported the development of provincial and district regulations on MCR management. As regards the component on small-scale natural resources management schemes, the project supported 83 schemes that included promotion of alternative livelihoods for coastal communities. However, the expected outputs were not fully realized. As regards the component on Aceh-post tsunami assistance, lack of ownership at the district level was cited as the main reason for poor output results.

---

<sup>9</sup> Spatial Planning Law (Law 26/2007) regulates the spatial allocation and utilization of land and/or water and sea, including air space in which natural resources can be found.

20. The reduced output levels on the Aceh post-tsunami assistance, which affected envisaged outcome for that component, did not detract from the project's overall effectiveness. Assessment in the PCR clearly shows the achievement of the envisaged outcome of enhanced local capacity in planning and managing coastal and marine resources on a sustainable basis. This validation agrees with the PCR that, overall, the project is *effective* in achieving both outputs and outcomes.

### **C. Efficiency of Resource Use in Achieving Outputs and Outcome**

21. The PCR reported that most of the targeted outputs were attained without exceeding total project cost. However, this was mainly due to non-utilization of both price and physical contingencies. The base cost of the project actually increased by almost \$7 million but this was largely due to the inclusion of the component for Aceh, amounting to about \$5 million, which was not envisaged during the appraisal stage. Nonetheless, actual cost was largely in line with appraisal estimates. The PCR attributed the difference to inflation.

22. The PCR did not measure economic viability and financial feasibility of investments because the project was predominantly capacity building in nature and the scope of the physical investments was small. Also, benefits and cost data for the components were lacking since the MMAF and implementing agencies did not monitor this information. Moreover, the evaluation of the selected investments does not provide a representative sample to measure the financial and economic viability of the project.

23. The project was originally scheduled to be implemented over 6 years, from early 2001 to June 2007. The project was delayed by 2 years mainly due to financial and administrative arrangements under the new decentralization law and delays in annual budget release because government had to follow its own budgeting process. Also, there was an almost 4-month delay in the loan financial closing date due to late submission of supporting papers for past pending claims and necessary reconciliation of records between MMAF and ADB.

24. The PCR rated the project *efficient*. However, in view of these delays and two changes in scope of work, one of which yielded disappointing results because of non-completion of parts and in some cases, whole portions of several subprojects, this validation rates the project *less than efficient*.

### **D. Preliminary Assessment of Sustainability**

25. Overall, the PCR rated the project *likely sustainable* and this validation concurs. Various local governments have mainstreamed and continued supporting the project, using their own limited resources and budgets. The PCR indicated that many hold interagency meetings and collaborate in updating or revising the first-generation integrated hierarchical plans to harmonize with Law No. 27/2007, among other things. A landmark achievement of the project was helping develop Law No. 27/2007 through bottom-up approach with recognition of local rights and development of first-generation hierarchical plans consistent with Law No. 27/2007. This provided the much needed legal environment for spatial planning and enforcement at the local government level. Spatial and information data were established and made available to end users. At project completion, there were 45 nodes actively involved in the NBIN. Of these, 36 have already established their own database. Except for three districts, all districts participated in the small-scale natural resources management schemes, which on the whole were found economically viable. However, the component on the Aceh-post tsunami could not be sustained since most of the expected outputs of the subprojects were not realized.

## E. Impact

26. The PCR rated the project as having significant institutional impact, since it (i) increased local government capacity in ICPZM; (ii) enhanced the capacities of central and local governments in drafting national and local laws and regulations on MCR management; (iii) increased accountability of local governments regarding MCR management; and (iv) heightened awareness in fishing communities about MCR ecosystems, especially with regards to conservation. The PCR indicated that socioeconomic impacts included realization of more diverse fishing and non-fishing sources of income and employment; increased opportunities for women to increase their incomes; generation of more employment opportunities (17,239 jobs created); increase in incomes of fisher associations or cooperatives; and increased incomes of coastal residents through access to credit extended by cooperatives. Except for the generation of employment, these economic impacts were not quantified. Nonetheless, the project strengthened the capacity of local governments and relevant national agencies in planning and managing marine and coastal resources. At completion, 10 of the 15 provinces or 67% were categorized as having “very good” to “good” achievement (Appendix 13, PCR). For the districts, 19 of the 41 participating districts or 46% were categorized as having “very good” to “good” achievements. The project was designed principally to strengthen the marine and coastal planning and management capacity of local governments under a decentralized framework of government. To a large extent, the project has realized this objective. Overall, this validation rates the impact of the project *significant*.

## III. OTHER PERFORMANCE ASSESSMENTS

### A. Performance of the Borrower and Executing Agency

27. The PCR rated the performance of the executing agency *satisfactory*. This validation concurs. There were delays in the initial years of implementation due to a number of factors, some of which were beyond the control of the executing agency. As a result of the regional autonomy legislation, the responsibility to manage natural resources management was devolved to the districts rather than to the provinces. This increased the scope of work, span of control, and complexity of the project causing delays in implementation as the executing agency and implementing agencies adjust with the changes in the administrative and financial arrangements under the new policy and legal environment. During the initial years of implementation, the project experienced weak internal audit control that resulted in overpayment, overpricing, and noncompliance of contractors and/or suppliers with the terms of contracts.<sup>10</sup> The PCR reported that the MMAF was able to address these issues and problems. The government has not complied with the covenant on the submission of its PCR 3 months after physical completion of the project. Nonetheless, ADB consistently rated project performance as satisfactory throughout implementation period from 31 December 2000 to November 2009 (Basic Data, No. 5, PCR). Despite the difficulties faced in an environment of decentralization and the complexity of the project (with multiple components), the executing agency was able to deliver most of the expected outputs and comply with most of the loan covenants (although with delays).

<sup>10</sup> ADB Memorandum of Understanding (MOU), Midterm Loan Review Mission, 29 November–15 December 2005.

## B. Performance of the Asian Development Bank

28. ADB closely monitored and adequately supervised the project. It has fielded six regular project review missions, a midterm review, and a PCR mission. The recommendations of the review missions were useful in improving implementation. ADB responded promptly to the proposal for changes in scope, reallocation of the loan, extension of closing date, review of contracts, and other requests. The PCR and this validation both rate the performance of ADB as *satisfactory*.

## C. Others

29. In the Audited Financial Statement for FY2004, it was noted that the project had weak internal control. This resulted in overpayment, overpricing, and noncompliance of contractors and/or suppliers with the terms of the contracts. ADB discussed these findings with the project management office and project managers of local governments involved in the project. Follow-up actions were taken by the project management office and the MMAF to address these issues and problems.

# IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

## A. Overall Assessment

30. Overall, the project was *successful*. It was *relevant*, *effective*, *less than efficient*, and *likely sustainable*. Impact was also *significant*. The project contributed to the sustainable development and management of Indonesia's coastal and marine resources. The purpose of enhancing local capacity to plan and manage the sustainable development of coastal and marine resources was, to a large extent, achieved by the project (see table).

**Overall Ratings**

Ratings	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Relevant	Relevant	
Effectiveness in achieving outcome	Effective	Effective	
Efficiency in achieving outcome and outputs	Efficient	Less than efficient	Implementation delays, changes in scope of work, one of which yielded disappointing results because of non-completion of parts and in some instances, whole portions of several subprojects.
Preliminary assessment of sustainability	Likely sustainable	Likely sustainable	
<b>Overall assessment</b>	<b>Successful</b>	<b>Successful</b>	
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Impact	Significant	Significant	
Quality of PCR		Satisfactory	

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.

Source: ADB Independent Evaluation Department.

Note: From May 2012, IED views the PCR's rating terminology of "*partly*" or "*less*" as equivalent to "*less than*" and uses this terminology for its own rating categories to improve clarity.

## **B. Lessons**

31. The Independent Evaluation Department agrees with the lessons presented by the PCR. In particular, the link between the bottom-up and top-down approach with stakeholders' participation is important in successful policy formulation and in providing a strong foundation for law enforcement. The efforts to formulate measurable targets during project administration helped in directing the project toward achieving its intended targets and objectives. To be well managed and properly maintained, assets used in the project need to be handed over to the implementing agencies that use them.

## **C. Recommendations**

32. The project-related recommendations of the PCR are consistent with the lessons learned from the project. Project assets should be turned over to the participating province and/or district governments for appropriate maintenance and budgeting. Follow-up mechanisms and monitoring systems should be developed for stricter enforcement of MCR policies at the national, provincial, and district levels. This validation agrees with the general recommendations of the PCR regarding project appraisal. Given that the project has enhanced the capacity of local governments to plan and implement development projects, access to potential nonsovereign loans from ADB may be explored. The government and ADB may explore regional development banks that are local government-owned institutions as borrowers for nonsovereign loans. Furthermore, the capacity of local government to borrow funds from international and domestic sources may be explored to support the development process.

## **V. OTHER CONSIDERATIONS AND FOLLOW-UP**

### **A. Monitoring and Evaluation Design, Implementation, and Utilization**

33. To monitor and evaluate the operational performance of the agencies and institutions involved and the benefits achieved from the project investment, the MMAF, in consultation with ADB was required to establish an appropriate project monitoring and evaluation (PME) system within 1 year from loan effectiveness. The project monitoring and evaluation system was established only in November 2003, i.e., a delay of 1 year. Implementation of the PME system was undertaken only in September 2005 when a PME national consultant was mobilized (Appendix 10, PCR). The PME system was not adequate in effectively monitoring and gathering timely feedback of physical and financial accomplishments, benefits, and impact evaluation. This affected the ability to effectively monitor project performance and to take timely action on performance and implementation issues at the province and/or district level.<sup>11</sup>

### **B. Comments on Project Completion Report Quality**

34. The quality of the PCR is *satisfactory*. The PCR is consistent with the PCR guidelines and other relevant Independent Evaluation Department guidelines. The PCR used sound assumptions in the analysis, providing adequate and reliable analyses to substantiate its ratings.

---

<sup>11</sup> ADB MOU, Loan Review Mission, December 2008, para. 22; ADB MOU Loan Review Mission, October 2007, para. 27; and ADB MOU, Loan Review Mission, December 2005, para. 41.

**C. Data Sources for Validation**

35. Data for the validation report came from the project report and recommendation of the President, PCR, consultant reports, management review meeting notes, staff review committee documents, and mission reports.

**D. Recommendation for Independent Evaluation Department Follow-Up**

36. This validation finds no major deviation from the PCR's findings. Thus, a project performance evaluation report for this project is not warranted.