1. Project Data:

- **OEDID:** L3304
- **Project ID:** P003943
- **Project Name:** East Java Bali Urban Development
- **Country:** Indonesia
- **Sector:** Other Urban Development
- **L/C Number:** L3304
- **Partners Involved:**
  - Prepared by: Alcira Kreimer, OEDST
  - Reviewed by: Hernan Levy
  - Group Manager: Roger Slade
- **Date Posted:** 05/26/1998

2. Project Objectives, Financing, Costs and Components:

The main objective of the East Java Bali (EJB) project was to improve the quality of the urban infrastructure investment and service delivery in East Java and Bali. The operational objectives were to (a) support urban infrastructure investment (including rehabilitation) in up to 45 local governments in East Java and Bali; (b) improve urban infrastructure expenditure programming, financial planning and information management in these local governments; (c) encourage local revenue generation, improve financial management, and strengthen local government human resources and institutions; and (d) assist sector development nation-wide, including preparation of future projects.

The total cost of the implemented project was $405 million, about 12% higher than the original estimate. The EJB loan financed $173 million.

The project components comprised (a) infrastructure development, rehabilitation and operations and maintenance through a five-year expenditure program in the Integrated Urban Infrastructure Development Program (IUIDP) sectors; (b) program management for sub-project preparation and for project implementation; and (c) institutional development, including municipal management improvement and sector development.

3. Achievement of Relevant Objectives:

The project achieved the objective of improving urban infrastructure programming, financial planning and information management in local governments. The objectives to encourage local revenue generation, improve financial management and strengthen local government human resources and institutions were achieved.

4. Significant Achievements:

The sector development objective was achieved. The project made a contribution in operationalizing the decentralisation objectives of the Government of Indonesia's (GOI) Urban Policy Statement.

5. Significant Shortcomings:

Although integrated planning, an objective of the IUIDP program, made a good start at the city-wide level, it remained sectoral at the local level. An additional drawback was the inadequate attention to preparing sectoral master plans as the basis for investment programs, and a tendency to focus instead on short term needs on an ad hoc basis. The project failed to make a contribution towards advancing the agenda in the water sector.

6. Ratings:

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<td>Satisfactory</td>
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7. Lessons of Broad Applicability:
   a. Future urban projects should focus on programmatic packages, limited to (i) smaller urban centers in at most a single province and (ii) municipal local governments.
   b. Sectoral projects in larger metropolitan centers should be based on strategic infrastructure development plans of the metropolitan area.
   c. Future focus of urban projects should be on capacity building for urban management and improved infrastructure service delivery.
   d. A major reform agenda should be promoted for the water sector.

3. Audit Recommended?
   Yes ☐ No ☑
   Why? This project is a key link in the GOIs/Bank efforts to promote decentralisation in the urban sector. Although the project contributed to the decentralisation objectives, it achieved insufficient integration between the central and local governments. The audit should focus whether the needed incentives and disincentives to achieve an efficient urban decentralisation program in Indonesia were included in project design and implementation. The ICR recommends the preparation of an Impact Evaluation study of this project and the four projects that constitute the IUIDP project set, along the lines of the one OED conducted in the past on earlier urban projects.

3. Comments on Quality of ICR:
The ICR provides a good summary of why the general project objectives were met, and why some of the specific objectives were not (e.g. water sector). It also describes in detail the plans for future operations included in the project.