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|--|------------------------------|---------------------------------|---------------|
| <b>1. Project Data:</b>  |                              | <b>Date Posted :</b> 08/21/2000 |               |
| PROJ ID: P003977   |                              | <b>Appraisal</b>                | <b>Actual</b> |
| <b>Project Name:</b> Third Jabotabek Urban Development Project | <b>Project Costs (US\$M)</b> | 97.0                            | 80.0          |
| <b>Country:</b> Indonesia                                      | <b>Loan/Credit (US\$M)</b>   | 61.0                            | 54.6          |
| <b>Sector(s):</b> Urban Environment                            | <b>Cofinancing (US\$M)</b>   | 0                               | 0             |
| <b>L/C Number:</b> L3246                                       |                              |                                 |               |
|  | <b>Board Approval (FY)</b>   |                                 | 91            |
| <b>Partners involved :</b>                                     | <b>Closing Date</b>          | 12/31/1996                      | 12/31/1999    |
| <b>Prepared by :</b>   | <b>Reviewed by :</b>         | <b>Group Manager :</b>          | <b>Group:</b> |

**2. Project Objectives and Components**

**a. Objectives**  
During the mid-1980s, the GOI adopted an approach to its cities' problems known as Integrated Urban Infrastructure Development Programming (IUIDP), IUIDPs strategically grouped investments in urban transport, water supply, sewerage and sanitation, drainage and flood control, solid waste management and neighborhood improvement (KIP). Jabotabek (*Ja* karta, *Bo* gor, *Ta* ngerang, *Bek* asi) IUIDP project activities were divided into three complementary projects: the first (Ln. 2932-IND) covered urban transport; the second (Ln. 3219-IND) dealt with water supply and sanitation, flood control and drainage, and the third (Ln. 3246-IND), dealt primarily with KIP and solid waste management and infrastructure maintenance. The specific **objectives** were (a) to introduce a more participatory, effective and sustainable approach to the provision of basic services in low-income communities; (b) to strengthen environmental protection and pollution monitoring in the Jakarta region; and (c) to improve maintenance of existing infrastructure networks, and facilitate improved investment planning.

**b. Components**  
Kampung Improvement Program (US\$58.4 m); Solid Waste (US\$8.4 m), Pollution Control and Environmental Management (US\$4.6 m); Urban Spatial Management (US\$3.9 m); Infrastructure Maintenance (US\$0.9 m); and Project Coordination (US\$1.2 m). Technical assistance and studies were intended to assist in developing management capacities.

**c. Comments on Project Cost, Financing and Dates**  
The original project was estimated at US\$97 million (loan amount of \$61 million). The actual cost is estimated at US\$80 million (loan amount of \$54.6 million). A total of US\$6,444,861 was canceled from the original \$61 million loan on November 26, 1998 and December 13, 1999. The Rupiah exchange rate savings were greater than the rate of inflation, and foreign costs were much less than anticipated.

**3. Achievement of Relevant Objectives:**  
The project introduced a more sustainable approach to providing basic services in low-income communities through community participation . More KIP activities were carried out than originally planned with a direct impact on the poor during the economic crisis. After the floods of 1996 GOI requested that unspent contingency funds be used for drainage works rather than simply canceled. Additional drainage works were also a flood response. Water supply coverage in participating kampungs improved and reliance on water vendors decreased. Beneficiary surveys showed that access to sanitation facilities improved. The number of beneficiaries reporting solid waste dumping on vacant lands was reduced from 13% in 1990 to 1.4% in 1996, those reporting dumping in rivers was reduced from 5.4% to 3.8%. The ICR estimated a 6% of improvement in containerized waste collection. Pollution control was strengthened and the environmental laboratory now routinely monitors about 5,000 industries per year. Overall environmental conditions have not yet demonstrably improved.

**4. Significant Outcomes/Impacts:**  
About 2.5 million people are estimated to have benefited from KIP activities. Direct hiring of NGOs was a GOI first. The project established some 80 community credit unions providing over 400,000 loans, and community-based activities developed through the project became a model for the rest of Indonesia. DKI Jakarta is also now much more willing to enter into more comprehensive poverty alleviation programs and has now expressed interest in dealing with squatter settlements originally excluded from JUDPIII. Storm water drainage was improved, and new

works were designed with excess capacity to protect against future flooding.

**5. Significant Shortcomings (including non-compliance with safeguard policies):**

Better solid waste management was not realized but important lessons were learned. Improving maintenance of infrastructure was not achieved, and study results were informative but have not yet been implemented. The project did not improve maintenance of existing infrastructure (the ICR argues that substantive improvement may have been unrealistic to expect from just one study). More emphasis on implementing the TA recommendations on environmental, urban spatial, and infrastructure management activities was needed. Although Kampung Melayu and Tanah Tinggi, Jakarta improved service delivery, they experienced lower rates of overall improvement than the other KIPs. The PIU was very weak as a coordinator.

| 6. Ratings :                | ICR          | OED Review   | Reason for Disagreement /Comments |
|-----------------------------|--------------|--------------|-----------------------------------|
| <b>Outcome :</b>            | Satisfactory | Satisfactory |                                   |
| <b>Institutional Dev .:</b> | Modest       | Modest       |                                   |
| <b>Sustainability :</b>     | Likely       | Likely       |                                   |
| <b>Bank Performance :</b>   | Satisfactory | Satisfactory |                                   |
| <b>Borrower Perf .:</b>     | Satisfactory | Satisfactory |                                   |
| <b>Quality of ICR :</b>     |              | Exemplary    |                                   |

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

**7. Lessons of Broad Applicability:**

- Both clearly defined civil works activities and more general community-intensive activities are important and benefit the poor. While strong arguments can be made for each type of intervention, the optimum approach may include a blend of the two (in the same city at the same time) to take advantage of possible synergies.
- The role of women needs to be expanded beyond KIP micro-credit activities to include greater involvement in all KIP activities. Affirmative action should be used for setting minimum levels of female KIP management staff.
- Micro-credit activities and the creation of new credit unions would benefit from professional and private financial institution assistance. A review of the provision of micro-credit in Indonesian urban areas is warranted.
- If the World Bank wants to continue to support KIP-type activities, an ability to move more quickly to adjust assistance mechanisms to changes in beneficiary requirements is critical. Supervision requirements would, of course, increase for this type of intervention. Similarly, local governments usually need to speed up the planning and implementation of KIP-centered activities to be effective.
- Delays between planning and implementation reduce the project's credibility with low-income beneficiaries. Local governments in Jabotabek should prepare plans on how they will assist the urban poor and these should be made public and reviewed periodically. Donor programs should fit within these strategies.
- Use of a private agency to lease garbage collection vehicles proved to be a good use of loan funds and should be further evaluated. This may be a useful role for the IFC.
- Government-sponsored activities in pollution control should involve civil society.
- Cost-effectively avoiding flooding can be accomplished by better managing land development and solid waste collection. Avoiding flooding is a function of drainage and better enforcement of land use guidelines working together. The capacity of some canals and rivers is reduced by as much as 75% due to poor solid waste collection.
- Within the Bank, a focus on outcome and output indicators is critical in broadly conceived activities aimed at "poverty alleviation". For community-based development type projects, there should be frank discussion on objectives and how they will be monitored
- In some larger cities with strong Bank partnerships, "lines of credit" should be explored (with clear mechanisms to access the funds). Wholesaling assistance through national governments and pooled funds may reduce the effectiveness of a quick response. Working with fewer cities with longer and deeper partnerships, in some key sectors, may be warranted. A publicly reviewed city development strategy that cities themselves prepare and maintain should be a prerequisite of any long-term partnership with the Bank.

**8. Assessment Recommended?**  Yes  No

**Why?** The Bank's encouragement of greater community involvement in basic service provision was innovative, and the experience is potentially broadly applicable.

**9. Comments on Quality of ICR:**

The Borrower's inputs were exceptional in terms of concern with project outputs and development impact. Having the borrower take this sort of stance is an important objective of completion reporting. Throughout the document--both Bank and Borrower parts-- the analysis of what worked and what did not is exceptionally detailed and forward-looking. Prescriptions are based on a careful analysis of the project experience.

