



<b>1. Project Data:</b>		<b>Date Posted :</b> 07/29/2002	
<b>PROJ ID:</b> P003890		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Semarang Surakarta Urban Development Project	<b>Project Costs (US\$M)</b>	320.6	173.7
<b>Country:</b> Indonesia	<b>Loan/Credit (US\$M)</b>	174	115.9
<b>Sector(s):</b> Board: UD - General water sanitation and flood protection sec (60%), Roads and highways (27%), Sub-national government administration (7%), Other social services (3%), Housing construction (3%)	<b>Cofinancing (US\$M)</b>	0	0
<b>L/C Number:</b> L3749			
	<b>Board Approval (FY)</b>		94
<b>Partners involved :</b>	<b>Closing Date</b>	09/30/2001	09/30/2001
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
Roy Gilbert	Patrick G. Grasso	Alain A. Barbu	OEDST
<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
a) to improve the provision of urban infrastructure services and the efficiency of urban investments .			
b) to promote stronger, more autonomous, and financially more independent municipal governments .			
c) to contribute toward urban poverty alleviation, mainly through better access to essential services and an improved urban environment.			
<b>b. Components</b>			
Seven components were implemented as follows in the cities of Semarang and Surakarta (with final costs for each city: Semarang-Sem and Surakarta-Sura).			
<ul style="list-style-type: none"> <li>• Urban roads - improvement and maintenance (US\$31.1m. Sem.; and US\$20.5m. Sura.).</li> <li>• Water supply - expansion, upgrading, maintenance and studies (US\$45.6m. Sem.; and US\$10.1m. Sura.).</li> <li>• Sanitation and sewerage - expansion and rehabilitation (US\$12.3m. Sem.; and US\$7.3m. Sura.).</li> <li>• Drainage and flood control - improvements to primary, secondary and tertiary drains (US\$23.7m. Sem.; and US\$5.0m. Sura.).</li> <li>• Solid waste management - final disposal sites development and improvement (US\$5.6m. Sem.; and US\$1.6m. Sura.).</li> <li>• Urban renewal - low-income kampung improvement (US\$6.7m. Sem.; and US\$4.8m. Sura.).</li> <li>• Technical assistance - for project implementation (not executed in either city)</li> </ul>			
<b>c. Comments on Project Cost, Financing and Dates</b>			
Final costs were only 54% of those estimated at appraisal. By closing, actual investments in water supply, sanitation and sewerage, urban renewal and technical assistance were considerably below the amounts intended . By closing, 58% of the Bank loan had been disbursed . Actual Bank financing accounted for 67% of total costs, versus the 54% share foreseen at appraisal. The project closed on 09/30/2001, two years behind schedule.			
<b>3. Achievement of Relevant Objectives:</b>			
a) <i>Improved infrastructure provision:</i> mixed results. Road investments were the best implemented, and drainage works mitigated the worst of flooding in Semarang . On the other hand, sewerage and sanitation was not fully delivered owing to shortage of counterpart funds . Solid waste disposal is still not satisfactory in either city .			
b) <i>Stronger and financially independent municipalities:</i> only partially achieved. Municipal administration remains weak and undermined by poor leadership in both cities . Inflation eroded municipal revenues . Municipal water companies (PDAM) were unable to service their project loans by closing .			
c) <i>Urban poverty alleviation through better services and environment :</i> achieved. The improvement of low-income kampung areas through the introduction of basic infrastructure served 165,000 poor people, five times as many as			

planned.

**4. Significant Outcomes/Impacts:**

- Successful implementation of the well-tried *kampung improvement program* on a much larger scale than foreseen at appraisal.
- Significant improvements to traffic flows in both cities, thanks to project urban roads component .
- ERRs in excess of 50% estimated for drainage projects (using increased land values of areas protected by works as proxy for project benefits).

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

- Paralysis of decision-making at the municipal level (e.g. three years to decide on the main source for Surakarta's water component).
- Lack of counterpart funds prevented the full implementation of the project .
- Some assets improved under the project--notably urban markets--were destroyed during rioting in Surakarta in 1998.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Moderately Unsatisfactory	[OED's moderately sat. rating does not exist under the ICR's 4=point scale]. While the project achieved most of its major objectives, but there were major shortcomings in the level of urban services provided (objective a) and in the strength and financial independence of the municipalities of Semarang and Surakarta (objective b)
<b>Institutional Dev .:</b>	Modest	Modest	
<b>Sustainability :</b>	Unlikely	Unlikely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

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

**7. Lessons of Broad Applicability:**

- An integrated approach to the management of urban development is not always appropriate for large cities .
- The absence of a firm sector policy framework in support of the integrated approach can inhibit success .
- Good quality city leadership--indicated by a mayor's proper use of authority and commitment to project objectives--is of prime importance fore project success . An assessment of the quality of this leadership should be an important part of project preparation .

**8. Assessment Recommended?**  Yes  No

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

ICR is satisfactory in providing a candid and well -documented account of project achievements and failings . There is no borrower ICR to broaden the perspective on the assessment . In this case, the opinions and judgements of the authorities of the two cities concerned --Semarang and Surakarta--would have been particularly illuminating .