



1. Project Data:		Date Posted : 05/26/2004	
PROJ ID: P036053		Appraisal	Actual
Project Name: Second Sulawesi Urban Development Project	Project Costs (US\$M)	341.2	104.1
Country: Indonesia	Loan/Credit (US\$M)	155.0	73.5
Sector(s): Board: UD - General water sanitation and flood protection sec (60%), Roads and highways (20%), Central government administration (10%), Sub-national government administration (5%), Other social services (5%)	Cofinancing (US\$M)		
L/C Number: L4105			
	Board Approval (FY)		96
Partners involved :	Closing Date	12/31/2001	12/31/2002

Prepared by :	Reviewed by :	Group Manager :	Group:
Roy Gilbert	John R. Heath	Alain A. Barbu	OEDST

2. Project Objectives and Components

a. Objectives

- (a) To improve the provision of urban services through appropriate economic investments in physical infrastructure (roads, water supply, sanitation, drainage, solid waste management, markets, and transport terminals).
- (b) To strengthen operations and maintenance (O&M) activities for urban services, and support improved planning, programming, budgeting, financial management and local revenue generation by local governments .
- (c) To improve urban environmental management and reduce local environmental impacts . (The ICR mentions that an employment generation objective was added to address the East Asian economic crisis that erupted less than six months after loan effectiveness . There was no formal amendment to incorporate this change, however . The ICR does not assess the achievement of this "objective ", nor account in the project cost tables for the US\$ 11 million costs reported incurred in trying to achieve it.)

b. Components

There were ten components (with actual costs in parentheses):

- (i) Urban Planning (US\$na) - inc. district plans and town plan studies; (ii) Water Supply (US\$14.7m) - Inc. leakage detection and repair programs, transmission and distribution networks, reservoirs, lab equipment; (iii) Human Waste/Sanitation (US\$0.8m.) - inc. treatment plants, communal toilets, septic tanks and related equipment; (iv) Drainage/Flood Control (US\$17.4m.) primary and secondary canals, normalization of river banks, flood control systems, public awareness packages; (v) Urban Roads (US\$16.0m.) - land acquisition, arterial, collector and local roads, bridges and some maintenance; (vi) Solid Waste Management (US\$5.7m.) - collection equipment and disposal sites and facilities; (vii) Kampung (poor neighborhood) Improvement Program - KIP (US\$4.3m.) - footpath, drainage, water supply, access, and road construction in under -served Kampung; (viii) Markets and Transport Terminals (US\$1.6m) - rehabilitation and construction of serviced market and terminal superstructures; (ix) Detailed Design (US\$9.5m) - for sub-projects financed by the project; (x) Resettlement and Rehabilitation (US\$na)

c. Comments on Project Cost, Financing and Dates

Apart from the US\$70m. costs incurred through the above components, the ICR reports US\$ 34m. costs attributed to categories--such as civil works, training, incremental O&M--that cannot be attributed to specific project components . Actual project costs totalled US\$ 104.1m., only 30% of the US\$341.2m. total cost estimated at appraisal. Final loan disbursements were US\$73.5, less than half the US\$155m. loan committed. By completion, the loan financed 71% of all projects costs, significantly higher than the 45% planned at appraisal. Only US\$32.6m. of counterpart funding came from central, provincial and local governments out of US\$ 186.2m. expected (biggest shortfall was from local governments: only US\$17.8m. against US\$102.6m. expected). Despite these shortfalls, project closing was extended one year beyond the original closing date envisioned, even though no net disbursements were made beyond the original closing date.

3. Achievement of Relevant Objectives:

(a) *Not achieved*: as the project was only partially implemented, much less was achieved than intended . Results varied across sectors and across provinces . Better outcomes came from road and solid waste collection investments . Weaker results came from drainage and flood control, water supply, and environmental management . The ICR does not inform how performance varied across provinces . The KIP had the best overall performance, but it was only on a small scale.

(b) *Not achieved*: O&M was not strengthened. Local governments did not budget for O&M, nor was the project's Performance Oriented Maintenance Management System (POMMS), considered too complicated to be used in Sulawesi, implemented.

(c) *Not achieved*: In spite of some equipment provided, new facilities do not operate properly . Solid waste is still disposed into uncontrolled open dumps instead of sanitary landfills . Septic tank desludging is not carried out because of a lack of local regulations . Adverse environment impacts therefore continue in Sulawesi (as they still do in Java and Bali, too).

4. Significant Outcomes/Impacts:

Road access improved in some provinces thanks to the project .

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

- Project provided numerous consultants to assist local governments with every aspect of project implementation, even though local governments in Sulawesi were recognized as being too weak to have any capacity to absorb the consultants' inputs, or even to manage and coordinate the consultants' activities .
- The very large number of agencies involved --3/5 per each of 41 participating local governments--geographically widespread across four provinces created exceptional challenges for both government oversight and Bank supervision. Project design assumed that strong central government support and provincial government oversight would be forthcoming even though it was clear at appraisal that it was unlikely .
- Project design did incorporate a large set of performance indicators to monitor, but baseline data were not provided, nor were the indicators systematically monitored during implementation .
- Following the conclusions of a 'fiduciary review mission', project implementation was suspended in mid -2002 (six months after the original closing date) when the final closing might have been preferred option, especially as there were not net disbursements after the original December 2001 closing date.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Unsatisfactory	Unsatisfactory	
Institutional Dev .:	Negligible	Negligible	
Sustainability :	Unlikely	Unlikely	
Bank Performance :	Unsatisfactory	Unsatisfactory	
Borrower Perf .:	Unsatisfactory	Unsatisfactory	
Quality of ICR :		Unsatisfactory	

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

7. Lessons of Broad Applicability:

The five most significant, according to OED :

- Borrower project management units (PMUs) should routinely carry out, with the assistance of consultants as needed, technical audits of completed subprojects to ensure that technical and costs specifications of completed works are fully met in every case .
- To help ensure M&E to overcome inherently weak sustainability of projects such as this in Indonesia, the Bank and government could consider greater involvement of civil society (including local NGOs). Civil society involvement can help bring greater pressure upon local government to provide adequate funding for the operation and maintenance of infrastructure services .
- The Bank should make greater efforts during supervision to ensure that management tools introduced through the project--such as POMMs for instance--are actually put into practice by local government stakeholders .
- Given the sensitivity of Bank supervision missions reporting concerns about possible corruption in mission aide memoires, standard procedures for staff to report their concerns to Bank management should be put in place . As part of its anti-corruption drive, Bank management should not hesitate to seek changes in the borrower personnel composition of tender committees when there are justifiable concerns about the probity of procurement processes .
- The Bank should be cautious about 'scaling up' a project by extending the original design's coverage to include many additional cities, when such extension is driven by lobbying by cities whose genuine commitment and implementation capacity are weak .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR was prepared against a backdrop of incomplete project records and conflicting data sets generated by various project teams (ICR p.6) and the frequent rotation and the lack of fiduciary responsibility of most project managers that resulted in improper procurement processes, disorganized filing systems and unsatisfactory financial management (ICR p.23). Not surprisingly in these circumstances, the resulting report is less than fully satisfactory, according to four criteria used by OED (i) Data adequacy is unsatisfactory. The report itself infers this, but does not guide the reader toward the data that is reliable and warn the reader about which data is questionable . The ICR reports without comment, for instance, that the physical output of the project 's sanitation component was exceeded, even though only 11% of the expected costs were incurred . Data on other components indicate wide and varied disparities between financial and physical performance, leaving the reader to either question how these differences arose, or to doubt the validity of the data . The ICR does not provide guidance on this . (ii) Soundness of the analysis in the self-evaluation of the ICR is therefore undermined by the poor quality of the data used . The ICR analysis would have been more sound had it reviewed and rejected the most questionable data . It might have narrowed the scope of the self-evaluation, but would have given it a sounder footing . It also could have helped point to conclusions or lessons for evaluators who might have to face similar data problems in the future . (iii) Compliance with ICR guidelines was not sufficient for a report that exceeded the recommended length three -fold and where key learning messages were crowded out by the 27 lessons presented (the guidelines' good practice example comes with just four lessons). (iv) Internal consistency, especially as far as project implementation and achievements are concerned, is not adequate. The ICR rates, for instance, the Sanitation Component as unsatisfactory (despite exceeding its physical output targets for only 11% of the costs), and the Kampung Improvement Program as satisfactory (despite achieving just 45% of its physical output for 25% of costs). A closer look at the data with a more critical eye might have led the ICR to different assessments, that ultimately might have resulted in more consistency between ratings and evidence to support them . (For want of an alternative, OED's assessment here is based upon data reported in the ICR on an 'as is' basis).

- OED recognizes that the particularly difficult circumstances of implementing this project, notably in the absence of credible data, inevitably undermine the final quality of an ICR such as this one .