



1. Project Data:		Date Posted :	09/22/2005	
PROJ ID:	P036047		Appraisal	Actual
Project Name:	Bali Urban Infrastructure Project	Project Costs (US\$M)	278.0	104.7
Country:	Indonesia	Loan/Credit (US\$M)	110.0	72.1
Sector(s):	Other social services; Roads and highways; Solid waste management; Water supply; Flood protection	Cofinancing (US\$M)		
L/C Number:	L4155			
		Board Approval (FY)		97
Partners involved :		Closing Date	12/31/2002	09/30/2004
Evaluator:	Panel Reviewer :	Group Manager :	Group:	
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2. Project Objectives and Components

a. Objectives

According to the Loan Agreement, project objectives are to assist the Borrower to (a) improve the provision of urban infrastructure services in the Province of Bali; (b) promote private sector participation in the provision of urban infrastructure services in the Province of Bali; (c) strengthen the urban and environmental management capabilities of the participating local governments and participating local water utility companies (PDAMs); and (d) improve the conservation and management of the cultural heritage of the province of Bali .

b. Components (or Key Conditions in the case of Adjustment Loans):

The project consisted of four main components:

Part A: Urban Infrastructure Investments (appraisal cost US\$250 million, actual cost US\$71.6 million) consisting of the following sub-components: (i) urban roads and traffic management including construction of about 107km of new roads and rehabilitation of about 1,127km of roads in 9 local government jurisdictions; (ii) water supply including extension of the distribution network by additional 620km of pipes and 29,400 new connections; (iii) drainage and flood control including construction, widening and rehabilitation of about 360km of drains in 25 towns; (iv) solid waste management including improvements to 37ha of waste disposal sites, 12 composting sites, provision of collection equipment and a campaign to improve awareness of urban environmental issues; (v) sanitation including construction of 7 waste water treatment plants and 5 communal toilets; (vi) kampung improvement program (KIP) covering infrastructure in 508ha of low income areas; (vii) markets including the construction or improvement of 18 markets; (viii) incremental operations and maintenance supporting O&M for existing infrastructure as well as new infrastructure; (ix) local management and administration including technical assistance for roads, water supply and other infrastructure.

Part B: Private Sector Participation (appraisal cost US\$2.0 million, actual cost US\$1.5 million) consisting of technical assistance and studies to facilitate private sector participation (PSP) mainly in water supply and solid waste management.

Part C: Cultural Heritage Conservation (appraisal cost US\$10.4 million, actual cost US\$1.9 million) consisting of improvements to Besakih temple complex, pilot conservation activities, establishment of an inventory of historic places, strengthening conservation capacity; and signboards at heritage sites .

Part D: Technical Assistance and Training (appraisal cost US\$15.1 million, actual cost US\$15.4 million) including project management advisory services, institutional development, training and studies .

In addition, the following sub-components were added during implementation, following the East Asian economic crisis in the late 1990s and the Bali terrorist bombing in 2002.

(a) Labor-intensive work (actual cost US\$ 5.2 million) to address rising unemployment and urban poverty in Bali as well as the adjoining province of Nusa Tenggara Barat province

(b) Support to good governance by streamlining bureaucratic procedures (actual cost N/A)

(c) Efficiency enhancing innovative service delivery (actual cost US\$0.9 million)

(d) Community based poverty alleviation program (actual cost US\$3.9 million)

(e) land acquisition (actual cost US\$ 5.4 million) mainly to construct the Western Ring Road in Denpasar .

c. Comments on Project Cost, Financing, Borrower Contribution, and Dates

At closing, total project costs in US Dollars were only about 38% of appraisal estimates, mainly because of the sharp devaluation of the Rupiah over the project period. In addition, the largest sub-component, for water supply under Part A which accounted for 30% of the original costs, was deleted from the project. After cancellations amounting to US\$36 million, the final IBRD loan amount disbursed was US\$72 million. The project was extended three times - to complete on-going road infrastructure sub-projects, to implement an emergency program to rehabilitate infrastructure damaged by the bomb blasts in Kuta and to extend the community-based program to Kuta - and closed twenty one months behind schedule.

3. Relevance of Objectives & Design :

Objectives are relevant in terms of CAS 1995 and continue to be highly relevant in terms of CAS 2003 (with the exception of the cultural heritage objective (d) - which project documents justify as being relevant for Bali). Project objectives, as set out in the Loan Agreement, are clear and realistic but the PAD lists project objectives somewhat differently (as "to improve urban infrastructure services in Bali in a sustainable manner to meet (i) basic needs in all important urban centers and (ii) meet the needs of growing urbanization in South Bali as a result of tourism and other economic activities"). While these objectives are generally in line with the Loan Agreement, this wording is less clear; for example, the distinction between objectives (i) and (ii).

4. Achievement of Objectives (Efficacy) :

(a) Improve the provision of urban infrastructure services in the Province of Bali : Partially Achieved. Most infrastructure investments were implemented as planned and in some instances, the physical targets were substantially exceeded. About 1,006km of roads have been built, widened or rehabilitated, and 45% of Bali's road network (against PAD target of 38%) is now in good condition. About 395km of drains have been rehabilitated, which has reduced flooding (major annual floods reduced to 22 compared to PAD target of 25) and related property damage and disruptions to the local economy. The project has also provided about 30ha of additional waste disposal sites (81% of PAD target), 38,000m³ of composting capacity (95% of PAD target), 35 communal toilets (against PAD target of 5), 4 waste water treatment plants (against PAD target of 7), 3 transport terminals (against PAD target of 4) and 2 new markets. Nine other markets were improved. Under the KIP sub-component, 873ha of kampung areas were improved (almost 150% of PAD target). In addition, labor-intensive works in Nusa Tenggara Barat province supported improvements to 110km of roads and improvements/construction of 44km of drains. However the water supply sub-component, which was the largest sub-component with US\$83million allocated in the PAD, was not implemented at all. Subsequently the local governments carried out the investments, with their own funds and independently of the project, and provided 43,200 connections (almost 150% of project target).

(b) Promote private sector participation in the provision of urban infrastructure services : Partially Achieved. Despite the completion of planned studies, private sector participation was successfully promoted only in the solid waste management sector where local governments in 4 municipalities created a new organization and competitively selected a private sector firm to operate the waste processing facility for 20 years. In the water sector, planned PSP did not take place as the financial crisis had made the PDAMs unattractive investments for the private sector.

(c) Strengthen the urban and environmental management capabilities of local governments and PDAMs : Partially Achieved. The project provided 19 Technical Assistance packages amounting to 649 training opportunities in urban and environment management. All packages had satisfactory outputs and the majority had a positive impact. Beneficiaries of the training have strengthened infrastructure planning and implementation at the national and provincial levels. Environment Management and Monitoring Plans have been implemented and projects are now rigorously screened, and revenue targets for local government, as per the Revenue Improvement Action Plan, have been achieved. However, the envisaged changes in PDAMs were only partially achieved, as they were not restructured as planned. Most of the PDAMs have since implemented Financial Recovery Action plans (which was a loan precondition) and are reported to have improved their financial condition.

(d) Improve the conservation and management of the cultural heritage : Achieved. The project supported the improvement of three cultural sites, pilot conservation activities and study tours. The establishment of the Bali Heritage Trust has enhanced capacity for heritage conservation in Bali. However, the envisaged contributions from private sector and donors did not materialize to support activities under this component.

Components not directly linked to objectives

- Under the community based poverty alleviation program, the project provided grants to 335 villages to provide small infrastructure for poor neighborhoods, which is estimated to have benefited a large number of Bali's poor.
- In all, the project provided 520,000 person days of employment through the labour-intensive sub projects component.

5. Efficiency :

Substantial. An EIRR of 24% was achieved for major roads infrastructure (as against PAD target of 19%) and 18% for major drainage investments (as against PAD target of 16%). Because of the sharp devaluation of the local currency, most project activities could be completed at a fraction of the appraisal cost.

6. M&E Design, Implementation, & Utilization:

M&E system was used mainly to track project implementation and outputs, rather than the achievement of development objectives. Baselines and targets were specified at the outset, which has helped to track outputs and assess project performance.

7. Other (Safeguards, Fiduciary, Unintended Impacts--Positive & Negative):

The Umbrella Environment Assessment (UEA) carried out under the project was the first instance of public consultation on project environmental assessment in Indonesia . This was incorporated into the Environment Management and Monitoring Plan which has been used by the Government as a model for subsequent infrastructure projects.

8. Ratings :	ICR	IEG Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Moderately Satisfactory	Objectives (a), (b) and (c) suffered significant shortcomings because of the failure to implement the water supply sub-component.
Institutional Dev .:	Substantial	Modest	Despite positive outcomes from the training activities, ID is rated as modest because institutional strengthening of PDAMs envisaged at appraisal has not been achieved, and loan proceeds were passed on to local governments as grants, rather than on-lent as planned.
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	However, there are problems with project design - particularly in relation to water supply, as the local governments were able to implement these activities, independently and on a much larger scale, despite the economic crisis .
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Unsatisfactory	

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

9. Lessons:

- **Projects should have flexibility to adapt to changing environments, while staying focused** . The East Asian financial crisis changed the conditions in the country dramatically between appraisal and implementation . Despite the difficult circumstances, the project has completed most of its activities satisfactorily and achieved most of its objectives, albeit with significant shortcomings . Several new sub-components were added to respond to the changed circumstances but these did not alter the original focus of the project .
- **Land consolidation** provides an effective option for obtaining land for infrastructure projects in complex or expensive areas, when the government is unable to provide cash compensation . However, this approach must be implemented in a fully participatory and transparent manner .

10. Assessment Recommended? Yes No

Why? To verify outcomes and learn more about project results, which were achieved under volatile conditions.

11. Comments on Quality of ICR:

Unsatisfactory with several shortcomings . The ICR is focused on outputs and provides little information about the achievement of project objectives . It could have been more upfront about the failure of the large water supply sub-component and its implications for achievement of objectives, stating instead that "planned physical investments were successfully implemented" (p.4). There are errors in the cost tables, discrepancies in cost data between the text and the annexes, and the project financing table is missing from the annexes . The ICR would have benefitted from greater consistency between the text and ratings and more thought to drawing out the lessons of this project experience.

