

**Work-in-Progress: Not for Quotation**

Subject: Proposed Evaluation Approach Paper for the Project Performance Evaluation of Loan 1511-INO: Metropolitan Bogor, Tangerang and Bekasi Urban Development (Sector) Project

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**A. Background**

1. Jakarta's Metropolitan region, known as Jabotabek, comprises Jakarta itself, and Botabek made up of Bogor, Tangerang, Bekasi. The population of Jakarta, the capital of Indonesia and the largest metropolitan in Southeast Asia grew rapidly during the last twenty years of the 20<sup>th</sup> century. In 1994 Jakarta City which occupies an area of 660 square kilometers had a population of 11.5 million which had an annual growth rate of 4.3% between 1990 and 1995. The pressure of this growing population and the accompanying environmental deterioration on Jakarta City led to suburbanization or the movement from the central city to the peripheral areas including Bogor, Tangerang and Bekasi, commonly known as Botabek (see Appendix 1 for map).

2. Suburbanization saw a decline in the population of Jakarta concomitant with a drastic increase in population for Botabek. For the period 1990—2000 the population of Jakarta increased by only 0.15% following a decline in 1995—2000. In contrast the population of Bogor City expanded by double digits to 10.6% while the population of Tagerang and Bekasi grew by about 4% (Table 1). Many people who moved from Jakarta to Botabek still need to commute to Jakarta everyday for work. The daytime population of Jakarta is about double its nighttime population.

**Table 1: Population of Jabotabek**

City	Population		Average Annual Growth Rate (%)
	1990	2000	
Jakarta	8,259,266	8,384,853	0.15
Bogor City	271,711	743,478	10.59
Bogor	3,936,897	4,635,801	1.65
Tagerang	2,765,189	4,087,181	3.98
Bekasi	2,104,459	3,282,238	4.54

Source: Available: <http://www.mukimits.com/megurb.htm>.

3. The suburbanization process in the region brings to the forefront concerns about (i) efficient resources allocation, (ii) environmental deterioration, and (iii) social aspects. To support the high priority given by the Government of Indonesia to the improvement of living conditions in the urban areas, the Asian Development Bank approved Botabek Urban Development Project<sup>1</sup> (Botabek Project I). Botabek Project I consisted of improvements in water supply and sanitation,

<sup>1</sup> ADB. 1990. *Botabek Urban Development Project*. Manila. (Loan 1077-INO approved on 31 January for \$80 million.

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urban roads, drainage, solid waste management (SWM), and kampong<sup>2</sup> improvement programs (KIPs). Botabek Project I was substantially completed in December 2006. Both the project completion and the project performance audit reports rated it “successful.”

4. In detail, the first Botabek Project was also an integrated urban development project, which had several sub-sectors; i.e. water supply, drainage, sanitation, solid waste, kampong improvement plan (KIP), market infrastructure improvement program, urban roads, and guided land development (GLD). The PPAR rated all the Project's components, except the GLD component, relevant. Un-accounted-for-water levels were not reduced in all project cities, and the effects of GLD in Bekasi and Tangerang were so small as to make it impossible to distinguish them from development spilling over from neighboring areas. Most roads improved by the Project were well used or in fact overused, resulting in early degradation of surface conditions as maintenance was less than adequate. The KIP was highly successful with community participation. However, the Project's contribution to institutional development is rated unsuccessful. The transfer of responsibility from the project monitoring unit to the local government for ownership of O&M was insufficient. Of many lessons identified from the evaluation exercise, the important one was that potable water need not be distributed through a piped water supply. In the project areas, the local water enterprises produce only clean water, but not potable. People prefer to buy drinking water from vendors who tap the shallow-well groundwater with handpumps. The fundamental problem is the pollution of groundwater, due to inadequate sanitation practices. This problem cannot be overcome by extending piped water supply alone, which requires greater investment. Two advisory technical assistance (ADTA) grants were attached to the loan: (i) Botabek Institutional Development,<sup>3</sup> and (ii) Environmental Management of Urban Development Projects.<sup>4</sup> Self evaluation reported in a technical assistance completion report rated the two ADTAs as “generally successful.”

#### **B. Project Objective and Scope at Appraisal**

5. On 19 December 1996 ADB approved another project to support the rapid development taking place in Botabek and the many new development areas that emerged since the formulation of Botabek Project I, The Metropolitan Bogor, Tangerang and Bekasi Urban Development (Sector) Project.<sup>5</sup> (Metro Botabek) was formulated as a sector loan because the proposed investments were numerous, scattered throughout the Project area and small in value (ranging from \$50,000 to \$5 million equivalent). The Project was to have two parts: institutional development and subprojects.<sup>6</sup>

6. The Project objectives were to (i) enhance the capacity of sector institutions, particularly the local governments and water supply enterprises (PDAMs) to (a) provide, operate, maintain, and finance urban infrastructure services, (b) enter into public-private partnerships (PPPs) for the provision of such services, and (c) manage the urban environment; and (ii) accelerate the provision of essential urban infrastructure in the Project area.

<sup>2</sup> The original meaning of "kampong" was "countryside" or "village" but it is also often used to indicate the unplanned and densely populated neighborhoods which stretch out in the back of the official roads, and maintain a village-like social structure.

<sup>3</sup> ADB. 1990. *Botabek Institutional Development*. Manila. (TA 1471-INO approved on 31 January for \$600,000).

<sup>4</sup> ADB. 1990. *Environmental Management for Urban Development Projects*. Manila. (TA 1473-INO approved on 31 January for \$500,000).

<sup>5</sup> ADB. 1996. *Metropolitan Bogor, Tangerang and Bekasi Urban Development (Sector) Project*. Manila. (Loan 1511-INO approved on 19 December for \$80 million.)

<sup>6</sup> See Appendix 2: Basic Data for the Project.

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7. The scope of the Project was to include institutional development of central, provincial, and local governments and their enterprises, and rehabilitation and expansion of infrastructure services such as water supply, roads and bridges drainage, solid waste, sanitation, kampung and market infrastructure improvement, and bus terminals.

#### **C. Major Issues Raised During Loan Processing**

8. **Management Review Meeting (MRM).** the MRM authorized appraisal and endorsed advance action for consultants to assist in Project management and prepare detailed designs and bid documents. The MRM advised the Mission to review the Government's fiscal assumptions during appraisal to ensure financial sustainability of the local governments.

9. **Staff Review Committee Meeting (SRC).** The subsequent SRC again raised concerns about the local government contribution to the Project. The Mission assured the SRC that the financial position of the local governments in the Project area was sufficiently strong. The SRC also proposed that the detailed procedures and criteria for subproject planning and appraisal be presented in more detail in the report and recommendation of the President (RRP) and the loan documents. It was also agreed that benefit monitoring and evaluation (BME) be placed under the planning agencies rather than the implementing agencies to ensure broader treatment of BME and incorporation in the development planning and implementation process.

10. **Board Discussion.** Metro Botabek received unanimous support from the Board mainly due to the strengthening of the local governments' capacity, the proposed private-public partnership and the provision of the necessary urban infrastructure to the project area. The concerns that were raised included: (i) the need to establish and maintain cost recovery tariff setting especially in water supply projects, (ii) the capability of local governments to mobilize their own resources to meet their obligations in local infrastructure projects, (iii) environmental and social issues in subproject selection, (iv) choice of private investors be guided by transparency, competitiveness and minimal impact on poor residents.

#### **D. Major Findings of the Project Completion Report**

11. The PCR circulated to the Board in November 2005, a year after the physical completion of the Project, rated the Project as relevant, efficacious, efficient, less likely to be sustainable and environmental and socio cultural impacts as moderate. Overall, the Project was rated as "successful". The PCR also reported that physical construction components were largely completed but there some shortfalls in other areas. In water supply household connections fell short of targets;<sup>7</sup> in sanitation nine units of sewage trucks were purchased against 16 units envisioned at appraisal; and in drainage, reduced flooding covered only 71 hectares compared to 168.25 hectares at appraisal. The Project's private sector participation underperformed<sup>8</sup> partly because PDAMs failed to fully exploit opportunities and partly because of the absence of adequate and clear guidelines, regulatory frameworks, and standards. To date of PCR, PSP efforts have been limited to (i) installment of reticulation networks and water supply house

<sup>7</sup> The Project's water supply component has contributed to a rise in service level to targeted beneficiaries from 20% to 37.8%, while the appraisal target was 54%.

<sup>8</sup> According to the PCR, the PDAMs have done little to exploit PSP opportunities, and there seems to have been uncertainty about the authority of setting tariff-setting. Reform on the national water sector regulatory system did not materialize, as the PCR mentioned, "it was beyond the scope of the Project". PCR says that, "the PSP under the Project was unsatisfactory"

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connections in a part of Bogor, (ii) installment of water supply connections in a part of Depok, and (iii) sludge processing plant (IPLT) of Karawachi in Tangerang city. The Asian financial crisis led to shortage of counterpart funding which in turn resulted in the cancellation of \$40.3 million (50% of the original ADB loan). ADB financing amounted to \$39.7 million or 49.6% of the approved amount of \$80 million.

12. The PCR proposed one follow-up recommendation specific to the Project. It recommended that the Ministry of Public Works (MPW) conduct operations and maintenance training within the next two years related to facilities at risk and implement environmental mitigation programs more rigorously with the full involvement of the local government environmental agency.

13. **Past OED CAPE and PPAR Findings and Recommendation.** The past CAPE Indonesia (Dec. 2005) stressed that future infrastructure projects need to develop the "more holistic assistance in the overall public service delivery package, not just infrastructure element". Some local governments considered integrated urban infrastructure development projects as a means only for improving physical infrastructure, not as investment support for the long-term delivery of municipal services. Future ADB projects should emphasize (i) capacity building, (ii) balancing physical infrastructure with complementary activities promoting economic development, (iii) employment creation, and (iv) income generation. In another PPAR carried out in December 2004 on Loan INO-1532 Rural Water Supply and Sanitation Sector Project, one of the recommendations on both rural and water supply was PDAM needs to be fully involved in design and implementation of externally funded projects, and fully responsible for O&M. (Appendix 3: Loan and TA list for SAPE).

## **E. Key Issues of Concern for Operations Evaluation Mission (IEM)**

14. The project performance audit report (PPER) will assess the Project against the standard evaluation criteria of relevance, efficiency, effectiveness, and following the *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*.<sup>9</sup> The evaluation will cover, among others, the following issues:<sup>10</sup>

- (i) Assess the appropriateness of the sector approach to urban development projects, and whether the past lessons have been implemented in this loan;
- (ii) Assess the financial and physical sustainability of the assets created and/or rehabilitated, and determine the adequacy of operations and maintenance to make the Project sustainable;
- (iii) Assess the health, social, and environmental impact of the solid waste management facilities;
- (iv) Determine the operational performance of the Project's water facilities focusing on the physical condition of the facilities, water quality, water delivery, and unaccounted for water;
- (v) Assess the level of community participation at project design, during project implementation and post project completion;
- (vi) Assess the level of private sector interest and participation (or lack thereof) in urban development projects;
- (vii) Review available benefit and monitoring reports to assess the impact on project beneficiaries;

<sup>9</sup> ADB. 2006. *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*. Manila.

<sup>10</sup> See Appendix 4 for Evaluation Matrix.

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- (viii) The PPER will estimate the FIRR/EIRR of selected Project components based on current data. It aims to include information on health and other social impacts to the extent data are available;
- (ix) The Project aimed for stronger institutions by building capacity in financial management, improving capital budgeting and project preparation capabilities at the level of central, provincial, and local governments and their enterprises. Assess how much was achieved toward this end including the retention in the institution of any improvement in capacity;
- (x) Assess the extent to which local governments could claim ownership of the Project; and
- (xi) Lessons from the Project to benefit future assistance, especially those in the pipeline.

15. **Project Specific Issues:** The following issues will be addressed specifically:

- (i) **Solid Waste Final Disposal Sites.** The PCR stated that the Project financed and supported seven solid waste final disposal sites, out of which, two in Jatiwaringin (Tangerang) and Pasir Muncang (Tangerang district) remained idle due to unresolved operational issues. Environmental issues and ground water intrusion seem to be the primary reason, however, Independent Evaluation Mission (IEM) will analyze what went wrong and what lessons might be learned from this experience in the Indonesian context.
- (ii) **Community Participation in Drainage component.** The PCR cites that absence of community participation resulted in sub-par O&M programs ensuring cleanliness and maintenance of drains, which get clogged with garbage and other solids. IEM will see whether there are any successful drainage O&M programs in Indonesia as comparison.
- (iii) **Bus terminals.** The PCR cites that there has been steady progress with the Tangerang Bus Terminal, which is not only refinancing itself, but is creating additional income for Tangerang City. IEM will conduct FIRR analysis on this component, and analyze what really made this component successful from urban planning and financial point of view.
- (iv) **Project Schedule.** Late approval notices from ADB and contractors' weak performance (which had to be funded through other sources) are cited for the reason for extending the Project duration by one year. IEM will see if adequate action was taken by ADB, and how PMU has fared in mitigating the delay.
- (v) **Private Sector Participation (PSP).** The PCR states that "the PSP was not emphasized enough in the Project design or during the training that the component did not perform well. The PDAMs have done little to exploit PSP opportunities, and there seems to have been uncertainty about the authority of tariff-setting under PSP – a debate that is aggravated in an environment where increased service tariffs can become political issue (end of quote)". The IEM will see (i) if there was adequate appraisal concerning the conduciveness of PSP in the sector, (ii) if there was adequate policy tools and incentives in the Project to induce such initiatives, and (iii) whether assumptions and assistance extended within the means of the Project was realistic and adequate.

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- (vi) **Government's efforts in complying with ADB's Resettlement Plan and EIA requirement.** The PCR cites, "ADB requests for clarification on resettlement and repeated reminders concerning the EIAs, particularly for final disposal sites of solid waste remained unanswered (end of quote)," and both the non-compliance of the Resettlement Plan and EIA have contributed to cancellation of some sub-components. IEM will examine how ADB should have communicated to the Government, whether appraisal was adequate to assume that the Government could comply with these requirements, and check the general capacity for the Government to conduct such assessment in future projects.

**F. IEM Composition and PPER Approach and Schedule**

16. The evaluation will include the following key activities:

- (i) Desk review of relevant and available documents in ADB;
- (ii) Consultation with staff from SEOD, SESS, and IRM;
- (iii) Consultations with staff of relevant government offices;
- (iv) Field visits to the project site to hold discussions with local officials, nongovernment organizations, and the project beneficiaries;
- (v) Wrap-up meeting with stakeholders in Botabek; and
- (vi) Drafting and finalizing the PPER according to standard IED procedures.

17. A Senior Evaluation Specialist from IED will lead the PPER. The evaluation team will comprise: (i) the IED Team Leader, (ii) an IED Evaluation Officer (Juana Dimayuga); (iii) an Operations Evaluation Assistant (headquarters-based for intermittent administrative, logistic support and report finalization); (iv) an international Urban Development Specialist (consultant); and (v) a domestic Urban Infrastructure Specialist (consultant), with experience in urban development project preparation/implementation, impact assessment, socioeconomic surveys, participatory institutional development in water supply and integrated urban development projects.<sup>11</sup> The IEM will be planned (fielded) from 4 to 31 March 2009 (tentative – depending on the Government clearance). An international Urban Development Specialist will review relevant files and documents in ADB's Indonesia Resident Mission (IRM) and will discuss the Project with current and past staff involved. The evaluation specialist/mission leader will arrive in the second week, and lead the IEM in field visits and discussions. The international Urban Development Specialist will be especially taking lead in collecting and initial analyzing (and drafting of his/her findings in IED standard format) of data relevant for the bottom-up assessment dimension of the PPER, including: implementation issues; review the operations of project facilities; re-estimation of EIRR and FIRR; review the BME system (if any of it was properly carried out and recorded during the implementation, as PCR is silent on this); and provide guidance in the conduct the environmental and social assessment. The terms of reference for the PPER team consultants are attached (see Appendix 5). The Team Leader will have overall responsibility for the PPER preparation, methodology and scope of the analysis, and final rating and presentation of the evaluation.

18. The following schedule is proposed for the mission and preparation of the PPER, assuming that concurrence for the mission from the Government will be received in time for the fielding of the IEM as proposed:

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<b>Activity</b>	<b>Schedule</b>
Evaluation Approach Paper Preparation	II February 2009
Recruitment of Consultant	by III February 2009
Independent Evaluation Mission	I-III March 2009
IED Internal Review	III April 2009
Interdepartmental Circulation	II May 2009
Draft to Editor	IV May 2009
Submission to the Director IED2	III June 2009