

TA COMPLETION REPORT

Division: AEWU

TA No. and Name 2655-INO: Metropolitan Bandung Urban Development Project	TA Amount Approved & Source of Funds \$600,000 JSF	
	Revised TA Amount \$600,000	
Executing Agency Directorate General of Urban and Rural Development, Ministry of Settlements and Regional Infrastructure¹	Amount Undisbursed \$17,046.14	Amount Utilized \$582,953.86
Date Approval Signing Field 30 Sep 96 07 Oct 96 20 Nov 96	Original: 31 Dec 98	Closing Date Actual: 18 June 00

TA Description

1. Bandung is the political capital of West Java Province and is a commercial, educational and cultural center in the region. The Bandung Metropolitan Area (BMA) had an urban population of 2.7 million in 1997, contained in three local government districts: (i) Kotamadya Bandung (Bandung municipality), (ii) Kabupaten Bandung (Bandung regency), and (iii) parts of Kabupaten Sumedang. Despite development progress made through externally supported projects since 1974, water supply coverage in 1996 was only 40 percent, traffic congestion was severe, local and generalized flooding continued, and several urban services enterprises were financially unsustainable. BMA contends with rapid urban growth and with poor cross-boundary coordination. The TA aimed to prepare ADB's third Bandung urban development project to improve metropolitan management and increase urban infrastructure capacities.

TA Objectives and Scope

2. The objective of the TA was to prepare the Metropolitan Bandung Urban Development Project (MBUDP), comprising (i) a program for strengthening the institutional capability and financial capacity of local governments and their agencies, including water supply enterprises (PDAMs) and sanitation service enterprises (PDK); and (ii) an integrated and prioritized package of urban infrastructure investments covering water supply, sewerage, sanitation, solid waste management, urban roads, transport, drainage, flood control, kampung improvement, and market and terminal improvement. For capacity building, the proposed project would update and expand existing local institutional development action plans (LIDAP) and revenue improvement action plans (RIAP), focusing on organization strengthening and corporatization, public-private partnerships, and reducing water losses. The feasibility study for the components suitable for ABD financing would cover (i) technical, economic, and financial feasibility of the Project components; cost estimates; priority, phasing, and implementation schedule for components; and preliminary engineering design; (ii) Project implementation arrangements; (iii) social analysis, beneficiaries, and social dimensions; and (iv) environmental considerations.

TA Inputs Evaluation

3. The terms of reference (TOR) and resources assigned to the TA were appropriate and adequate. The TA was able to draw on detailed project preparation undertaken three years earlier under the ADB's Second Bandung Urban Development Project (BUDP II). The TOR was clear on the scope for the proposed project and feasibility requirements.

4. A consortium led by Cowi AS of Denmark carried out the TA, from 20 November 1996 to mid-June 1998. The TA was implemented according to the inputs and phases specified in the TOR, except for an additional 1.5 person months and a two weeks overrun. TA results were progressively work-shopped with stakeholders, and the TA process encouraged participation by private sector and community interests. The two tripartite meetings achieved broad Government and ADB consensus on core recommendations. The Regional Development Planning Board (BAPPEDA) of the Province of West Java provided ample office space, adequate office logistical support, and assigned a Project Coordinator. The Directorate General of Urban and Rural Development (DGURD) provided overall supervision, and BAPPENAS provided policy guidance. ADB closely monitored the TA, including an Inception Mission, and two TA review missions to attend the Interim Report tripartite meeting and the Draft Final Report tripartite meeting.

¹ The name of the executing agency at the time of the TA was Directorate General of Human Settlements, Department of Public Works.

5. TA inputs were efficient, but were not fully utilized nor effective in respect of Kotamadya Bandung. The Kotamadya was reluctant to participate in the TA, citing unease over existing debt levels and lack of control over earlier development projects. This had also been the Kotamadya's response to the project preparation activities funded by BUDP II in 1994.

TA Outputs Evaluation

6. The TA Final Report (FR) produced a technically sound and comprehensive institutional and financial capacity-building program (capacity program). The TA concentrated on financial management capacity-building, since all three local governments were concerned about existing levels of debt. The capacity program included substantial assistance for key local government agencies and enterprises, and an innovative private concession proposal for PDAM Kotamadya Bandung's unaccounted-for-water (UFW) reduction program. The capacity program also included subprojects for spatial planning, geographic information systems, water resources master plan, and SWM master plan.

7. For the project formulation feasibility study, the TA scope required the TA to produce a "package which will form an intergral part of an investment program for each of the participating local governments". This was not achieved. As directed by Kotamadya Bandung, the FR included no investments for the Kotamadya except through the PDAM. The Kotamadya's affordability concerns worsened as the 1997 economic crisis took hold, and the investment program could not be expanded. Since the Project would be metropolitan-based, it was concluded that Kotamadya Bandung's full participation was essential and that only a larger project would deliver cross-boundary synergies and satisfactory rates of return and benefits. Project processing did not proceed.

8. Within the constraint imposed by the Kotamadya, the FR was well presented and technically robust. It comprised a main text volume with appendices, and four volumes of technical working papers. Local governments supported the recommended programs. The feasibility study included an innovative UFW reduction program, other transmission and distribution water supply investments, drainage rehabilitation, flood control, septic tank management, SWM, and new and upgraded urban roads. Additional consultant inputs would have been required for (i) preparing land surveys and detailed designs for some of the roads, drainage and flood control subprojects; (ii) preparing resettlement plans and environmental impact assessments, and (iii) preparing process and bid documents for the UFW concession.

TA Overall Assessment and Rating

9. The TA is rated partly successful. Whilst the capacity building program was of a good quality and the feasibility study was satisfactory for individual subprojects, the TA was unable to produce an integrated investment program suitable for ADB financing. The feasibility study remains relevant and technically sound for those subprojects and could be used for preparing a future investment program.

Major Lessons Learned

10. The TA demonstrated that local government commitment is a crucial precondition for successful project development in the Indonesian urban sector -- even more so now with regional autonomy. ADB project programming and preparation should be fully cognizant of local government commitment and demand for project support. Project, and project partner selection, should be demand-based, after poverty screening. "Demand" is not "need" or "participation", and is best measured by willingness-to-contribute.

Follow-Up Action and Recommendations

11. ADB is fully engaged in the urban development sector in Indonesia, including intensive policy dialogue on decentralized urban management, focused poverty reduction, and water supply and sanitation. The TA's inclusive approach to investment planning is highly relevant to the decentralized institutional environment. District governments are *the* key stakeholders, local economic development and private-public partnerships are vital, and all components should demonstrably reduce poverty. These are features of the 2002-programmed Urban Poverty Reduction Sector Project, which BMA districts will be eligible to participate in. The TA's capacity program and feasibility study could be used for project preparation within BMA.