

Human Settlements Improvement Project (2)

Report Date: March 2000

1 Project Summary and Japan's ODA Loan

This project aimed to provide water supply systems, environmental sanitation facilities, housing and other social service infrastructure for the purpose of improving living environments and public sanitation in both rural and urban areas throughout the Republic of Indonesia. Continuing the Phase 1 project between 1994 and 1996, this project was carried out to provide the materials and equipment needed for executing programs aimed at improving the living environments in Indonesia.

The ODA loan covered the entire foreign currency portion and a part of the local currency portion.

Borrower	Republic of Indonesia
Executing Agency	Directorate General of Human Settlements, Ministry of Public Works
Loan Amount	¥13,069 million
Loan Disbursed Amount	¥10,012 million
Date of Exchange of Notes	December 1995
Date of Loan Agreement	December 1995
Loan Conditions	
Interest Rate	2.3% (2.1% for consultant)
Repayment Period (Grace Period)	30 years (10 years)
Final Disbursement Date	December 1998



2 Analysis and Evaluation

(1) Project Scope

This project determined the criteria for selecting individual projects from among those put forth by the various target sectors. Specifically speaking, the individual projects were selected from among those requested by local governments based on these criteria. During this selection process, revisions and modifications to the original plan may be seen for many of the individual projects when it is deemed that preparations by the local governments have been insufficient, when the proposed project is already being implemented by a different budget, or other such cases.

It can be said that the original purpose of this project was fully achieved, especially when considering the large amount of individual projects, the size of the target area, and the project effects expected to be seen in the future. However, there were some individual projects that did not fully meet their targets. In some cases this was due to the fact that the project was applied only to a section of a large facility and therefore the contents of the project became fragmented. There were also problems of poor compatibility among related facilities and services, and there was poor execution in other cases. Weaknesses at the local level in terms of planning, designing and implementation monitoring were also causes for failing to meet project targets.

Plans were to have one contract covering all consulting services such as project management and detailed design. However, there were actually some 174 contracts signed for the provision of consulting services with international bids accepted for just project management and domestic bids accepted for the detailed designs. The original package was based on the wishes of the Indonesian side, but much time was needed for procurement and thus a change was made to a package that would allow for easier procurement. This change was judged to be a proper and rational decision as it helped to move the project forward.

(2) Implementation Schedule

This project was started roughly one year later than it was originally planned at the time of appraisal as a considerable amount of time was needed on the Indonesian side to coordinate with local governments, select and prepare individual projects, change and modify plans, and allocate budgets. As a result, the overall project was completed in September of 1998, some 16 months behind schedule. The main reasons for this delay were the large number of contracts (1,450 contracts), the slow decision-making system used by the executing agency, and the lengthy administrative procedures. Even though a considerable amount of time was needed to get the project started, execution proceeded smoothly for the most part once the project was underway.

(3) Project Cost

There were no major changes to the scope of the project, but still the yen-denominated project expenses (infrastructure section) shrank by 10% due to the sharp depreciation of rupiah that started in the summer of 1997. It can be said that project costs were appropriately planned and implemented.

Comparison of Original Plan and Actual

Item	Plan	Actual
1. Project Scope		
Water supply sector		
a) Water loss reduction and rehabilitation	30 cities	a)-d) Provided water supply systems to a total of 627 locations. Improved water supply capacity to a total of 5,250 l/s.
b) Utilization of idle capacity	27 regions	
c) Supporting strategic areas	121 regions	
d) Acceleration of ongoing projects	94 regions	
e) Institutional and human resources development (HRD)	27 provinces	e) Carried out training and educational seminars at 67 locations.
Environmental sanitation sector		
a) Solid waste	47 cities	a) Provided waste collection and processing facilities to 43 cities.
b) Drainage	70 cities	b) Improved 172,163m of disposal drains for 186 cities.
c) Human waste	52 cities	c) Provided sewage processing facilities to 17 locations and human waste processing facilities to 170 locations.
d) Institutional and HRD/Public housing sector	44 locations	d) Carried out training and educational seminars at 43 locations.
a) Kampong improvement program	159 locations	a) Provided streets, drains, water supply/ living environmental sanitation facilities and social facilities to 213 locations.
b) Urban fishermen's housing improvement	7 locations	b) c) Provided the same facilities as in a) to 62 locations. Improved 590 public housing units.
c) Rural fishermen's housing improvement	41 locations	

d) Supporting strategic areas	183 locations	d) Provided the same living environment facilities as in a) to 177 villages, as well as production and distribution facilities.
e) Supporting low cost housing	50 regions	e) Provided access roads and drainage ditches for 25,066 low-cost housing units.
f) Institutional and HRD	27 provinces	f) Carried out training and educational seminars in 27 provinces.
2. Implementation Schedule		
Bidding	September 1995 to August 1996	June 1996 to Feb. 1997
Procurement	March 1996 to August 1996	November 1996 to June 1997
Construction	March 1996 to May 1997	November 1996 to September 1998
Consulting Services	April 1996 to December 1998	June 1997 to November 1998
3. Project Cost		
Water supply sector	¥4,575 million	¥4,249 million
Environmental sanitation section	¥3,271 million	¥2,765 million
Public housing sector	¥3,810 million	¥2,956 million
Contingency	¥1,166 million	
Consulting Services	¥247 million	¥42 million
Tax	¥1,307 million	¥1,001 million
Total	¥14,376 million	¥11,013 million
ODA loan portion (the entire local currency portion was covered except consultant portion)	¥13,069 million	¥10,012 million
Exchange Rate	Rp. 1 = ¥0.045	Rp. 1 = ¥0.040

(4) Project Implementation Scheme

There were no major changes to the implementation scheme, but in some cases the planned loan provision to a local government was not carried out. In accordance with the original plan, projects were implemented as central government projects, and then facilities were transferred to the local governments upon completion of the project.

A considerable amount of time was needed for the decision-making and administrative procedures of Directorate General of Human Settlements, the executing agency for this project. It can be pointed out that before the start of the project, there was a major reorganization that distributed power and responsibility to numerous departments and bureaus.

The planning and monitoring of individual projects was performed by project managers designated by each province, or the staff of these managers. However, the quality of the projects varied depending on the limits to the skills and resources in each region. The executing agency routinely provided the local governments with technical assistance and this project provided training to staff members of both the central and local governments. These efforts helped to improve the capabilities of the local governments in executing the projects, but still some of the local governments did not make sufficient plans and preparations. Other problems that stood in the way of project implementation included insufficient budgets for general administration and management, confusion over procedures and difficult social preparations within the communities. The performance of the contractors that made detailed designs and executed the projects were for the most part very satisfactory. Consultants in charge of providing project management support were only able to provide technical support for the second half of the project due to the large procurement delays and due to the fact that only consultants in Jakarta were hired as was stipulated in the original plan.

(5) Operations and Maintenance

All of the facilities provided by this project were eventually transferred to the local governments (level 2 autonomous bodies, communities). The division of responsibility differed depending on the type and scope of the facilities, but the ultimate responsibility for operating and maintaining the facilities rested with the local government or recipient community.

According to reports from the executing agency and the results of the sample study, there were relatively few problems in transferring facilities to communities and having these communities operate and maintain the facilities when the facilities were small and simple, such as in the housing and other sectors. However, there were some reports in each sector of technical and financial problems related to operating and maintaining the facilities in cases in which comparatively large facilities were transferred to the communities or when the facilities were of a new type that was unfamiliar to the community. For example, even when such problems were not completely solved, the facilities still had to be transferred upon completion of the project. The financial affairs for most of Indonesia's local regions fell into very difficult situations following the economic crisis. This is why it is especially important to ensure that an adequate budget will be ready for the proper maintenance and operation of the transferred facilities.

(6) Environmental and Social Impacts

The individual projects were comparatively small and there were no reports of burdens being placed on the society or environment.

(7) Project Effects and Impacts

(i) Quantitative Effects

According to reports from the executing agency, the quantitative results listed below were obtained when operating the facilities prepared by this project. This project was considered to be a supporting element to Indonesia's 6th 5-Year Plan (1994/95–1998/99) and made a specific contribution to some of the national targets set for this period.

- Water provision capabilities increased by a total 5,250l/s (17.5% of national target of 30,000l/s)
- City waste processing capabilities improved by a total of 500t/day
- Prepared 172,163m of city drainage and improved approximately 860ha of drainage
- Provided sewage processing facilities at 17 locations and human waste collection and processing facilities at 170 locations
- Provided 3,119ha of city streets, drainage ditches, water provision, environmental sanitation and other facilities (14.2% of national target of 22,000ha)
- Provided access roads and drainage ditches for some 25,066 households in a low-cost housing area
- Provided living environment facilities, production and distribution facilities for 177 important regions such as farming villages (8.9% of national target of 22,000ha)

The planned service population is as follows: 1.54 million for city water provision, 600,000 for rural water provision, 760,000 for waste collection and processing, and 1.53 million for sewage and human waste processing. However, sample surveys taken six months to one year after the completion of individual projects showed some cases in which the planned performance and target number of beneficiaries were not achieved. This was mainly due to mistakes in forecasting demand, poor integration with other facilities and government services, the inability of some sections of the project to function fully, and other planning problems.

(ii) Qualitative Effects

Individual projects are expected to provide the following benefits to local residents when properly planned and executed.

- Increase in the number of residents able to use clean drinking water. Reduction in work needed to draw well water.
- Reduction in floods and damage caused by floods.
- Improved environmental sanitation conditions.
- Improved accessibility to residential areas (access throughout the year, access by car), reduced commuting and transportation costs.
- (Indirect effects) Improved health of the residents and lower medical expenses. Expanded social and economic activities in the communities. Sample surveys have shown that to a certain degree such impacts are already being seen when the facilities function as planned. In particular, impacts from city street and drainage ditch projects were seen right away. Improved living environments and increased economic activities through self-help efforts on the part of the residents were confirmed.

3 Lessons Learned

When individual projects are planned by a local government, it is very important to have the central government help bolster the plans put forth by the local government by clearly determining technical and project monitoring policies, accurately conveying these policies to the local government, providing technical training and hiring consultants.

Sample surveys showed that there were some cases in which the full potential of individual projects could not be achieved due to problems in planning.

The overall effectiveness of a project such as this, which is made up of many small projects, depends very much on how appropriately the individual projects are selected and planned, or in other words, how advanced are the project planning capabilities. Furthermore, with a project such as this that is fragmented into many different parts, efforts must be made to avoid a drop in the balance of costs to benefits due to delays in realizing project benefits. It is hoped that the project would be made up of a package of products based on a long-term and comprehensive plan with consideration giving to sufficient integration with other related projects. In projects such as this in which the smaller projects are planned mainly by the local governments, it is very important for the central government to provide technical assistants to the plans created by the local governments, while at the same time carefully confirming the contents of these plans. For this reason, it is very important to have the central government help bolster the plans put forth by the local governments by clearly determining technical and

project monitoring policies, accurately conveying these policies to the local governments, providing technical training and hiring consultants.



A Public Water System with a well, Toilets, a Bath and a Washhouse in a Remote Rural Village, Sumatera Utara



Provided City Street in Sumatera Utara



Provided Access Roads in Kalimantan Timur