



Indonesia: Neighborhood Upgrading and Shelter Project (Phase 2)

Project Name	Neighborhood Upgrading and Shelter Project (Phase 2)		
Project Number	46094-001		
Country	Indonesia		
Project Status	Active		
Project Type / Modality of Assistance	Loan		
Source of Funding / Amount	Loan 3122-INO: Neighborhood Upgrading and Shelter (Phase 2)		
	Ordinary capital resources	US\$ 74.40 million	
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth		
Drivers of Change	Governance and capacity development Partnerships		
Sector / Subsector	Water and other urban infrastructure and services - Urban housing - Urban policy, institutional and capacity development - Urban slum development		
Gender Equity and Mainstreaming	Effective gender mainstreaming		
Description	The expected impact of the project will be improved living conditions in urban areas. The outcome will be improved infrastructure and access to service delivery in poor urban neighborhoods in 20 project cities. The Project will have three outputs: (i) Institutional capacities for managing pro-poor urban development are strengthened; (ii) Infrastructure investment plans to upgrade poor neighborhoods are aligned with the overall city development plans and implemented; and (iii) Public private partnerships are established to promote new settlements for poor families.		

Project Rationale and Linkage to Country/Regional Strategy

Indonesia is one of the fastest urbanizing countries in Asia. Today, about half of the population (51%) lives in cities. The rapid urbanization rate is set to continue. By 2025, it is projected that about 68% of the population will live in urban areas. Many of Indonesia's growing cities face issues to cope with the rapid growth of in-migrants, who are seeking new economic opportunities in cities, but forced to settle in disadvantaged neighborhoods due to limited financial resources, lack of affordable adequate housing and/or failure to find well paid jobs . In 2011, about 12% of the urban population was forced to live in slum areas.

Better public infrastructure is considered vital to sustain inclusive economic growth and further stimulate economic opportunities of the growing urban population. Yet infrastructure improvements have not been able to keep up with the rapid urbanization and infrastructure investment has lagged economic development. Mostly, infrastructure and public services in poor neighborhoods are inadequate to serve the needs of their growing inhabitants. Environmental and social problems related to accessibility to adequate services for the people's daily needs are increasing due to widespread constraints in provision of clean water, insufficient sanitation facilities, deteriorating roads, pathways and drainages, ineffective flood control, lack of constant power supply, and poor solid waste management. Only about 40% of the urban population has access to safe water, and about 28% do not have access to improved sanitation facilities. About 35% of urban areas lack proper drainage systems. Problems are further aggravated by the absence of sound land use planning and land management regulations that are contributing to increased congestion and haphazard informal development. A multi-faceted approach is required to address these challenges, which include strengthening the capacities of city administrations to manage urban development in an environmentally and socially sustainable manner, modernization of land policies and permitting regulations; expanding access to, and targeting of, housing finance and subsidies; increasing community involvement in spatial planning; and engaging the private sector in development planning. Aside from investment in basic urban infrastructure, the rapid urbanization has triggered a growing demand for housing, which needs additional attention. The availability of affordable housing in cities for low-income groups appears to be declining. While estimates of Indonesia's housing deficit vary, all indicate a significant backlog in supply.

Insufficient investments in infrastructure had been identified as one cause for poverty in the National Medium Term Development Plan 2010-2015 (RPJMN), thus improving basic infrastructure is considered an effective catalyst to alleviate poverty and close gaps in income inequality in disadvantaged urban neighborhoods. While Indonesia has generally made good progress towards accelerating achievement of the millennium development goals (MDG), the MDG targets for achieving significant improvement in the livelihood of slum dwellers (MDG target 7D) and halving the proportion of urban households without sustainable access to safe drinking water and basic sanitation (MDG target 7C) need special attention. The project's purpose of upgrading basic public infrastructure in slums will contribute towards meeting both MDG targets.

To address issues of the rapid urbanization the Government launched the Cities without Slums Program and issued Law No. 1/2011 on Housing and Settlement Areas. To contribute to the Cities without Slums Program, the Government requested the ADB to prepare and partly finance the Neighborhood Upgrading and Shelter Project (NUSP). NUSP will assist about 20 large and medium sized towns to develop and implement inclusive pro-poor city development plans and improve living conditions in slums, through (i) providing resources to local governments and communities for upgrading basic infrastructure in slum areas; (ii) strengthening planning and management capacities of local administrations for inclusive pro-poor urban planning; (iii) establishing sustainable mechanisms to engage communities in urban development planning processes; and (iv) launching public private partnerships (PPPs) to establish affordable housing areas for poor families.

The proposed project is included in the ADB Country Operations Business Plan (COBP 2013-2014). Supporting government's efforts to achieve more inclusive growth through improving infrastructure, particularly by supporting catalytic projects to develop community-driven basic infrastructure for poor communities, and improving access to water supply and sanitation in selected cities is included in ADB's country partnership strategy (CPS) 2012-2014. The project will contribute to achieve the targets of the CPS Results Framework and ADB's Strategy 2020. The project is also aligned with ADB's Urban Operational Plan 2010-2012 as it (i) provides support to urban shelter sector programs; (ii) contributes to upgrading of local infrastructure in the four core areas of water supply, sanitation, water management and urban transport; and (iii) improves community services, employment opportunities and livelihood development. The proposed project builds on lessons from (i) the Neighborhood Upgrading and Shelter Sector Project (NUSP, Loans 2072/2073-INO), which closed in December 2010 and was rated successful , (ii) the Rural Infrastructure Support to PNPM Mandiri Project (Loan 2449-INO), and (iii) the ongoing Urban Sanitation and Rural Infrastructure Support to PNPM Mandiri Project (Loan 2768-INO). All projects were/are implemented by MPW. In particular the following lessons have been incorporated into the project design: (i) the importance of involving beneficiaries in the planning and implementation of neighborhood upgrading, (ii) clearly defined landownership and strong political commitment to support pro-poor urban development, (iii) advantages to promote integrated development approaches and link upgrading investments of individual communities with the overall city development planning, (iv) reduce the number of project cities and neighborhoods to cut down transaction costs in project management, (v) increase the investment amount per neighborhood to boost up means for improving the living conditions in slums in a more broader way, (vi) transparent fund flow and implementation mechanisms and promoting community control of decision-making over resources and investment choices; (vii) strong accountability procedures, such as public disclosure of budgets and contracts; and (viii) training for communities in establishing effective mechanisms to operate and maintain new infrastructure.

Impact

Improved living conditions in urban areas.

Project Outcome

Description of Outcome	Improved infrastructure and access to service delivery in poor urban neighborhoods in project cities
Progress Toward Outcome	The project suffers start-up delays. Delays in the recruitment of consultants and restructuring of the MPWPH have contributed to delays in overall project start-up and implementation and in the compliance of some loan covenants. However, since the restructuring has been completed that that all project management and implementation consultants are mobilized, it is expected that project implementation will be speeded up. As of March 2017, slum upgrading activities (civil works) has been implemented in 209 neighborhoods, and about 150,000 households living in slums have benefitted from the project and 4,900 hectares of slum were covered and upgraded. In general the quality of the work is satisfactory and in accordance with the technical standard issued by DGHS.

Implementation Progress

Description of Project Outputs	Institutional capacities for managing pro-poor urban development in an environmentally and socially sustainable manner are strengthened Infrastructure investment plans to upgrade poor neighborhoods are aligned with the overall city development plans and implemented PPP to promote new settlements for poor families are established
Status of Implementation Progress (Outputs, Activities, and Issues)	The Slum Improvement Action Plans have been prepared in 20 project cities. The documents have been made as the reference for planning slum upgrading programs. The cities' infrastructure investments to upgrade slums and poor neighborhoods are in line with the overall development plans.
Geographical Location	

Safeguard Categories

Environment	B
Involuntary Resettlement	B
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	The project is categorized as environmental category B. Upgrading slum infrastructure will, overall, have positive impacts on the environment and improve the quality of life of the urban population.
Involuntary Resettlement	no resettlement issues are envisaged
Indigenous Peoples	The Project is not expected to have any negative impacts on indigenous peoples.

Stakeholder Communication, Participation, and Consultation

During Project Design	consultations with all project stakeholders including potential beneficiaries was carried out.
During Project Implementation	during project implementation, consultations particularly with community members (beneficiaries) will continue.

Business Opportunities

Consulting Services	<p>The project will require an estimated 2,297 person-months of national consulting services at national and district/city levels. Community advisors to assist community in planning and implementing the project will also be recruited (About 3,900 person-months of community advisors will be required under the management consultant team at the regional level).</p> <p>Consulting service requirement:</p> <p>A national team of management consultants will assist the PMU and three regional teams of management consultants will cover the following regions: (i) West (Sumatra and Kalimantan), (ii) Central (Java and Nusa Tenggara), and (iii) East (Sulawesi and Maluku). The national management consultant (NMC) will be responsible to help the DGHS in the overall project management and implementation. The NMC will also be tasked to supervise and evaluate the performance of the RMCs. NMC should ensure that works carried out by the RMCs are in line with the project design and guidelines. RMCs will report to the DGHS and the NMC. In implementing their tasks and responsibilities, RMCs will be guided by project guidelines and procedures (JUKLAK/JUKNIS and other guidelines) that will be prepared by DGHS with the supports from the NMC.</p> <p>Each regional team will also have city coordinators; which will be assigned specifically in each participating city/district. The community advisors will also be contracted under the regional consultant contracts. The national team will assist the DGHS in the overall project management and implementation. The RMCs will assist DGHS and LCOs in the project management and implementation at the regional level through providing technical and managerial support, establishing and implementing a sound financial management and monitoring system, implementing the complaints-handling mechanism, implementing the PPMS, which is a part of the M&E framework, and (vi) undertaking training of community advisors, and community members (BKM/CIO).</p> <p>Three individual consultants will also be recruited to carry out an independent monitoring and evaluation of the safeguards. At the end of project implementation, a team of consultant will be recruited to conduct an impact evaluation and assist the EA in the preparation of a project completion report.</p> <p>Consulting firms will be engaged using the quality- and cost-based selection (QCBS) method with a standard quality cost ratio of 80:20. The consultants will be recruited in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The management consultants as well as the impact evaluation consultants will be recruited through national firms.</p>
Procurement	<p>All procurement to be financed under the ADB loan will be carried out in accordance with ADB's Procurement Guidelines (2012, as amended from time to time). Depending on the complexity of technical designs to upgrade infrastructure, civil works will be carried out directly by the communities or tendered to construction firms. It is expected that a large proportion of civil works will be managed by communities through their CIOs and carried out by local manual labor. Simple civil works for neighborhood investments will be contracted out to the communities based on an agreement between a BLM/CIO and city Satker/LCO, and in compliance with the requirements for community participation in procurement as specified in ADB's Procurement Guidelines. Community contracts will include evidence of community facilitation, the design of facilities to be constructed under the contract, a community O&M plan for these facilities, and clear duties and responsibilities of both parties for the project activities. The first two community contracts in selected five cities will be submitted to ADB for prior approval. All contracts will be monitored under the management information system. More complex infrastructure upgrading works, which the community is considered not to have sufficient capacity, will be contracted out to firms/contractor to be engaged by the EA through the city satkers.</p>

Responsible Staff

Responsible ADB Officer	Hasanah, Siti
Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Indonesia Resident Mission
Executing Agencies	<i>Directorate General of Human Settlements, MOPW Jl. Pattimura No. 20 Kebayoran Baru Jakarta, Indonesia</i>

Timetable

Concept Clearance	14 Jun 2013
Fact Finding	04 Jul 2013 to 19 Sep 2013
MRM	21 Oct 2013
Approval	31 Mar 2014
Last Review Mission	-
Last PDS Update	30 Mar 2017

Loan 3122-INO

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual

31 Mar 2014

23 Apr 2014

17 Jul 2014

30 Jun 2018

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Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	102.00	Cumulative Contract Awards			
ADB	74.40	31 Mar 2014	36.89	0.00	50%
Counterpart	27.60	Cumulative Disbursements			
Cofinancing	0.00	31 Mar 2014	38.11	0.00	51%

Project Page <https://www.adb.org/projects/46094-001/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=46094-001>

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