

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Foci and Key Activities

1. Development partners have had a long-standing engagement with Indonesia on infrastructure development. While the Asian Development Bank (ADB) and the World Bank traditionally implemented urban water and sanitation infrastructure programs, more recently the Australian Agency for International Development (AusAID), primarily through its Indonesia Infrastructure Initiative (IndII); the United States Agency for International Development, through its Indonesia urban water, sanitation, and hygiene program; and the Japan International Cooperation Agency (JICA), primarily through its urban environment improvement and climate change support programs have complemented this effort. The World Bank is currently preparing a number of regional and metropolitan solid waste management proposals. Furthermore, JICA has done considerable work on the development of mass transit systems and regional infrastructure. AusAID is working on public transport, while German International Cooperation (GIZ) is providing assistance on climate change issues through its sustainable urban transportation improvement project, as well as policy advice for environment and climate change. JICA has a focus on developing public-private participation projects that include government fiscal support provided through loan funding.

2. Technical assistance is being provided in many areas including formulation of new sewerage and drainage laws. KfW is supporting various environmental infrastructure developments like solid waste management, energy efficiency, and bus systems. UN (United Nations)-Habitat has assisted several cities in preparing city development strategies, as well as providing postdisaster support in Aceh and Yogyakarta. Most development partners channel their support through self-managed bilateral projects, while multilateral development partners channel their support through the national government. Since the Asian economic crisis in 1997, multilateral lenders have had considerable difficulty obtaining government approval for new loans. So far all development partners have used a project-by-project approach; none has as yet launched a systemic or programmatic approach to financing urban development.

3. In 1999, the World Bank started financing the Urban Poverty Project (UPP), which aimed at reducing urban poverty by increasing income of the urban poor, especially to counteract effects of the economic crisis, empower urban communities, and improve local government capacity to assist the urban poor. The UPP has created momentum for community-based and community-driven development in urban areas. Three UPP subprojects were delivered with total allocated budget of more than \$470 million. The PNPM<sup>1</sup> Urban program (partly financed by the World Bank), started in 2008, building on the UPP. It was implemented in all urban areas of Indonesia with the overall development objective of improving local government capacity and service delivery. The PNPM Urban includes three components: infrastructure investments to promote pro-poor growth, social protection, and credits for small and microenterprises. The total allocated budget for the PNPM Urban was about \$500 million.

4. Since 1972, ADB has financed more than 30 loan projects totaling \$2.3 billion in loan commitments in the urban sector, making it one of the main investment areas of ADB's portfolio in Indonesia. Most support has been for integrated urban infrastructure development projects and stand-alone water supply and sanitation projects. ADB has also financed 53 urban sector technical assistance projects amounting to \$38.4 million. One of the recently completed urban

---

<sup>1</sup> Part of a national program on community empowerment (*Program Nasional Pemberdayaan Masyarakat*) coordinated by the coordinating minister of people welfare.

sector projects, the Neighborhood Upgrading and Shelter Sector Project, is rated *successful*; it improved about 6,800 hectares of urban slums in more than 800 neighborhoods and benefited more than 800,000 poor urban households. Building on the project's success and to contribute to the Cities without Slums Program, the government requested ADB to prepare and partly finance the Neighborhood Upgrading and Shelter Project. The project 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 to establish affordable housing areas for poor families.

5. Currently, government policies on slum upgrading are organized under the Indonesia Slum Alleviation Policy and Action Plan funded by the AusAID, UN-Habitat and World Bank. The project supports the development of a national slum upgrading policy and action plan focusing on enabling local governments to improve living conditions in urban slums.

**Table 1: Major Development Partners**

<b>Development Partner</b>	<b>Project Name</b>	<b>Duration</b>	<b>Amount (\$ million)</b>
<b>Multisector</b>			
ADB	Urban Sanitation and Rural Infrastructure Support to PNPM Mandiri Project	2011–2015	100.00
	Neighborhood Upgrading and Shelter Sector Project	2004–2010	88.60
	Metropolitan Sanitation Management and Health Project	2010–2015	35.00
World Bank	National Community Empowerment Program in Urban Areas for 2012–2015	2012–2015	500.00
	Local Government and Decentralization Project	2010–2014	220.00
	Third National Program for Community Empowerment in Urban Areas	2010–2013	217.50
	Jakarta Water	2007–2013	5.00
	Indonesia Slum Alleviation Policy and Action Plan	2010–2015	0.46
	Urban Sector Development Reforms Project	2005–2013	57.00
	JICA	Infrastructure Reform Sector Development Program, III	2011–2016
JICA	Urban Flood Control System Improvement in Selected Cities	2009–2014	75.00
	Regional Solid Waste Management for Mamminasata	2010–2014	35.50
	Construction of Jakarta Mass Rapid Transit System Project	2009–2019	482.00
AusAID	Indonesia Infrastructure Initiative Facility and Indonesia Infrastructure Support Trust Fund	2008–2015	17.00
	Water and Sanitation Formulation and Action Plan Planning Facility	2009–2013	10.00

ADB = , AusAID = , JICA = , PNPM = .  
Sources: ADB, AusAID, JICA, and World Bank publications.

## **B. Institutional Arrangements and Processes for Development Coordination**

6. In 2011, the government's interministerial National Urban Development Coordination Team (TKPPN) chaired by the National Development Planning Agency (BAPPENAS) issued the

draft National Urban Policy and Strategy (NUPS)<sup>2</sup> to strengthen and elucidate the Long-Term National Development Plan, 2005–2025;<sup>3</sup> the Medium-Term National Development Plan, 2010–2014;<sup>4</sup> and the National Spatial Development Plan, 2005–2025;<sup>5</sup> and to act as a reference for synchronizing and coordinating urban planning and development. The draft NUPS is currently being revised, and the updated version is expected to be issued in 2014 as the National Urban Development Policy and Strategy.<sup>6</sup> The TKPPN coordinates and facilitates development coordination among international and bilateral financial agencies through the exchange of information and policy dialogue. ADB will continue to work with the TKPPN to identify the ADB contribution to formulation and implementation of the National Urban Development Policy and Strategy.

### **C. Achievements and Issues**

7. Projects that applied community-driven development in urban areas produced several insights and challenges that can be summarized as follows: (i) A significant number of community facilitators and consultants need to be recruited and trained; identifying qualified consultants and facilitators is often difficult, and poor performing consultants and facilitators could hamper project implementation. (ii) Communities need to be involved in all stages of planning and implementation of upgrading activities. Experience suggests that domination by informal leaders still occurs and that not all community members, particularly women and the poor, were involved in the decision-making processes. (iii) The application of the community-driven development approach was intended to improve operation and maintenance mechanisms and to ensure sustainability of infrastructure investments. However, project experience suggests that some community groups did not apply the operation and maintenance arrangements as agreed. Thus effective supervision and guidance from district and city administrations, consultants, and facilitators are required. (iv) Community members were given the liberty to decide on the types and locations of facilities. However, weak guidance from facilitators and city administration could end up in the financing and construction of a number of small-scale interventions to avoid “social jealousy” within the community (i.e., a few street lights here, a few meters of pathway there), thus the potential optimum benefits of the investments were not delivered.

### **D. Summary and Recommendations**

8. Key lessons from previous urban projects applying community-driven development for good project design and implementation include (i) community control of decision making over resources and investment choices; (ii) simple and transparent funds flow arrangements with direct transfers to community accounts; (iii) comprehensive facilitation support, including social facilitators to ensure full community participation, and engineering facilitators to oversee technical quality of civil works; (iv) strong accountability procedures, such as public disclosure of budgets and contracts; (v) community management of funds and procurement matters; and (vi) training for communities in establishing effective mechanisms to operate and maintain new infrastructure.

---

<sup>2</sup> *Kebijakan Dan Strategi Perkotaan Nasional (KSPN)*.

<sup>3</sup> *Rencana Pembangunan Jangka Panjang Nasional, 2005–2025 (RPJPN)*.

<sup>4</sup> *Rencana Pembangunan Jangka Menengah Nasional, 2010–2014 (RPJMN)*.

<sup>5</sup> *Rencana Tata Ruang Wilayah Nasional (RTRWN)*.

<sup>6</sup> *Kebijakan dan Strategi Pembangunan Perkotaan Nasional (KSPPN)*.