

Indonesia**National Slum Upgrading Project****July 12, 2016****Chair Summary***

Executive Directors approved a loan to the Republic of Indonesia for the National Slum Upgrading Project (NSUP) (R2016-0115) in the amount of US\$216.5 million on the terms and conditions set out in the President's Memorandum.

Directors commended the Government of Indonesia for a solid economic performance over the last decade despite the global economic crisis, and for the progress made in reducing poverty and improving the living standards of its people. Directors noted that the project was aligned with the Government's own medium term development agenda and to the World Bank Group's Indonesia Country Partnership Framework for 2016-2020. They also noted that it is expected to directly contribute to the elimination of slums and to improve access to urban infrastructure and services in 153 cities and one province.

Directors supported the operation, the first co-financed project between the Bank and the Asian Infrastructure Investment Bank (AIIB), and welcomed the collaboration amongst several development partners on the national slum upgrading program. Directors emphasized the importance of putting in place measures to ensure sustainability of the project. In this regard, they welcomed the comprehensive project design that comprises institutional and capacity building, implementation support and technical assistance at central and local government levels, in addition to the focus on disaster response. Directors stressed the importance of building on the lessons learned from previous slum upgrading projects, especially on aspects related to upgrading and construction of small scale infrastructure that may result in resettlement. They stressed the importance of transparency in the selection of projects and encouraged community and stakeholder consultations and involvement as critical components of project implementation.

Directors urged the Bank to help the Government of Indonesia to create national infrastructure platforms to leverage, manage and integrate diverse resources available from international development partners, national, and local level governments to reach scale and deliver services more effectively to the Indonesian people. They welcomed the "Joint Co-financing" arrangement reached between the Bank and AIIB and noted that the Bank will provide the full range of implementation support services including technical supervision and the oversight of all fiduciary and environmental and social safeguards. Directors also noted the cost sharing arrangements agreed where AIIB would reimburse the Bank for a pro-rata share of the costs incurred. They called for a discussion of lessons learnt from the Bank-AIIB collaboration at some point in future after a number of joint operations.

Finally, Directors took note of the risks associated with the project and called for close monitoring and implementation of the mitigation measures.

*This summary is not an approved record.