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PROJECT PERFORMANCE ASSESSMENT REPORT

REPUBLIC OF INDONESIA

SECOND URBAN POVERTY PROJECT (CR. 3658 AND LOANS 4664 AND 7752)

THIRD URBAN POVERTY PROJECT (CR. 4063 AND LOANS 4779 AND 7759)

June 10, 2015

IEG Public Sector Evaluation
Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Indonesian Rupiah (IDR)

Year	US$	IDR
2002	1.00	8,722
2003	1.00	8,189
2004	1.00	9,296
2005	1.00	9,791
2006	1.00	9,299
2007	1.00	9,042
2008	1.00	9,182
2009	1.00	10,389
2010	1.00	9,074
2011	1.00	8,773
2012	1.00	9,419
2013	1.00	11,563
2014	1.00	11,674

Abbreviations and Acronyms

BKM	Badan Keswadayaan Masyarakat, (Board of Community Trustees)
BPKP	Badan Pengawasan Keuangan dan Pembangunan (Government Auditing Agency)
CDD	Community Driven Development
CDP	Community Development Plan
CPS	Country Partnership Strategy
DCA	Development Credit Agreement
GFDRR	Global Facility for Disaster Reduction and Recovery
GNI	Gross National Income
GoI	Government of Indonesia
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion and Results Report
IDA	International Development Association
IDR	Indonesian Rupiah
IEG	Independent Evaluation Group
IEGPS	IEG Public Sector Evaluation
ISR	Implementation Status Report
Kabupaten	District
Kelurahan	Urban neighborhoods (wards)
KDP	Kecamatan Development Program
Kota	City
KPI	Key Performance Indicator
KSM	Kelompok Swadaya Masyarakat (community groups)
Lurah	Headman of community
M&E	Monitoring and Evaluation
MIS	Management Information System
MPW	Ministry of Public Works
MTR	Mid-Term Review
ND	Neighborhood Development
NMC	National Management Consultants
OC	Oversight Consultants
PAD	Project Appraisal Document

PAPG	Poverty Alleviation Partnership Grant
PMU	Project Management Unit
PNPM	Program Nasional Pemberdayaan Masyarakat Mandiri Perkotaan (National Program for Community Empowerment)
PPAR	Project Performance Assessment Report
PROPENAS	Program Pembangunan Nasional (National Development Plan)
TTL	Task Team Leader
UPP1	Urban Poverty Project 1
UPP2	Urban Poverty Project 2
UPP3	Urban Poverty Project 3
USAID	United States Agency for International Development

Fiscal Year

Government: January 1 – December 31

Director-General, Independent Evaluation	:	Ms. Caroline Heider
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Contents

Fang Xu and Peter Freeman prepared this report. The projects were assessed in the field in January 2015.The report was peer reviewed by Ramachandra Jammi and panel reviewed by Soniya Carvalho. Romayne Pereira provided administrative support.

Principal Ratings

SECOND URBAN POVERTY PROJECT (CREDIT 3658; LOANS 4664 AND 7752)

	ICR*	ICR Review*	PPAR
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Risk to Development Outcome	Negligible to Low	Moderate	Negligible to Low
Bank Performance	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Moderately Satisfactory	Moderately Satisfactory

* The Implementation Completion and Results Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

Loan 4664 was changed to Loan 7752 because of a change of loan terms from variable to fixed spread, effective June, 2009 when additional finance was approved

THIRD URBAN POVERTY PROJEC T (CREDIT 4063; LOANS 4779 AND 7759)

	ICR*	ICR Review*	PPAR
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Risk to Development Outcome	Negligible to Low	Moderate	Negligible to Low
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Moderately Satisfactory	Moderately Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.
# Loan 4779 was changed to Loan 7759 because of a change of loan terms from variable to fixed spread, effective June, 2009

Key Staff Responsible

SECOND URBAN POVERTY PROJECT (CREDIT 3658; LOANS 4664 AND 7752)

Project	Task Manager/Leader	Division Chief/ Sector Director	Country Director
Appraisal	Anirrudha Dasgupta	Jemal-ud-din Kassum	Mark Baird
Completion	George Soraya	James Adams	Stefan Koeberle

THIRD URBAN POVERTY PROJECT (CREDIT 4063; LOANS 4779 AND 7759)

Project	Task Manager/Leader	Division Chief/ Sector Director	Country Director
Appraisal	George Soraya	Jemal-ud-din Kassum	Andrew Steer
Completion	Evi Hermirasari	Pamela Cox	Stefan Koeberle

IEG Mission: Improving World Bank Group development results through excellence in evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25 percent of the Bank's lending operations through fieldwork. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is sent for comment by the responsible Bank department. The PPAR is also sent to the Borrower for review. IEG incorporates both Bank and Borrower comments as appropriate, and the Borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEG Rating System for Public Sector Evaluations

IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sector approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: http://worldbank.org/ieg).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sector assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, and Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, or Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, or Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, or Highly Unsatisfactory.

Borrower Performance: The extent to which the Borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agencies' performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, or Highly Unsatisfactory.

Preface

This is a Project Performance Assessment Report (PPAR) for two Indonesian projects:

1. The *Second Urban Poverty Project* (credit 3658 and loans 4664 and 7752): A World Bank IBRD loan 4664 in the amount of US$29.5 million and an IDA credit of US$70.5 million, were approved on June 13, 2002. In April 2007 additional finance was also approved comprising a credit of US$135.5 million to accommodate a large geographic extension of the project to new areas. On July 22, 2009 the loan was converted into loan 7752 because of a change in the loan terms from variable to fixed interest rates. The project closed on December 31, 2010, two and a half years later than planned, and US$3.2 million was cancelled.

2. The *Third Urban Poverty Project* (credit 4063 and loans 4779 and 7759): A World Bank IBRD loan of US$67.3 million and an IDA credit of US$71.4 million, were approved in May 2005. In July 2009 the loan was converted into loan 7759 because of a change in the loan terms from variable to fixed interest rates. The loan closed as planned on March 31, 2011, with US$66.6 million disbursed, and US$0.6 million was cancelled. For the credit, which also closed on March 31, 2011, US$71.4 million was disbursed, and an amount of US$0.02 million cancelled. The cancellations were primarily due to the exchange rate fluctuation between the US dollar and the Indonesian Rupiah.

The PPAR is set in the context of the evolution of the Urban Poverty Program (UPP), which transitioned to become the Indonesian National Community Empowerment Program (PNPM). UPP1 was not included in this PPAR because it was designed as a crisis intervention to respond to the 1997 Asian economic crisis; in retrospect, however, there would have been some value in including it in the evaluation, but lessons from its implementation are recorded in this report. The Urban Poverty projects aimed to provide improved services for the urban poor and strengthen community and government institutions for responsive service delivery.

IEG selected the above projects for a field assessment to verify their results and assess their sustainability in the context of the ongoing national program. The experiences and learning from this mission would contribute to the IEG strategic engagement area of “Sustainable service for the poor.” and to further comparative work on community driven development (CDD). This report is informed by a review of project documents, including Implementation Completion and Results Reports (ICRs), Project Appraisal Documents (PADs), legal documents, and project files and reports as well as discussions held with Bank staff involved in the projects. A further source of information was studies on PNPM commissioned by the Government of Indonesia.

An Independent Evaluation Group (IEG) mission visited Indonesia in January 2015 to review the projects’ results and met with a range of people including national officials and experts, local officials and project staff. The IEG mission made field visits to project sites in Pekalongan and Yogyakarta in Central Java. These visits gave the mission opportunities to engage directly with final beneficiaries of the projects under review. IEG gratefully acknowledges the courtesies and attention freely given by these interlocutors

and the excellent planning and logistical support received from the Government of Indonesia Ministries of Finance, Home Affairs and Public Works, as well as local authorities, community organizations, National and Provincial Planning Agencies and the Bank's country office in Jakarta.

Following standard IEG procedures, copies of the draft PPAR was sent to government officials and agencies for their review and comments, and no comments were received.

Summary

This is a Project Performance Assessment Report for two Bank supported urban poverty projects in the Republic of Indonesia. These community-driven development (CDD) projects formed part of a rapidly evolving Urban Poverty Program (UPP), which transitioned with Bank support to become the urban component of the Indonesian National Community Empowerment Program (PNPM) covering the entire country. Indonesia's poverty alleviation model covers small infrastructure provision as well as various forms of social and economic assistance.

Second Urban Poverty Project

The Second Urban Poverty Project (UPP2) was an expansion of the Bank supported first Urban Poverty Project (UPP1), focused on alleviating urban poverty and fostering greater involvement of the urban poor in decision-making. UPP2 extended this concept and became the primary vehicle to help mainstream the Government of Indonesia's urban poverty reduction program. Both the Bank and the Borrower realized that greater dialog with the targeted communities would achieve better consensus on the way forward through participatory processes. The Government's decision to scale up the project to become its national program demonstrated its singular commitment to transform the project into a vehicle for delivering support to poor communities throughout Indonesia.

Additional financing requested by the Government, enabled coverage to be expanded from 2,227 to 7,273 *kelurahans* (urban wards). UPP2 had three development objectives. The first, was to establish (or further support) representative and accountable community organizations to provide services for the urban poor and increase their voice in public decision-making. Second, the project was intended to make local government more responsive to the needs of the poor through increased cooperation with community organizations, and third, to improve financial and social services, especially infrastructure, for the urban poor. Co-financing from the local governments' own budgets enabled considerable leverage of the Bank's contribution.

Third Urban Poverty Project

UPP3 was implemented in parallel to UPP2 and was a further geographical expansion to the remainder of the country with similar objectives. The project was to cover additional urban neighborhoods in 15 provinces and, in addition, provided institutional assistance and grants to further strengthen community organizations supported in the UPP1 and UPP2 areas. Together, the three UPP operations, using combined IBRD/IDA financing of US$473 million and government financing of US$ 345 million, resulted in a significant investment in Indonesia's urban community development. Since the project closed, IBRD has committed another US$708 million to further strengthen the program, and this work-in-progress will bring the Bank's cumulative investment to over one billion US$ making the program one of the largest poverty reduction initiatives in the world.

Project Ratings

Virtually all the *kelurahan*s completed community development plans with projects prioritized by the communities. Boards of Trustees were elected democratically and over a fifth of members elected were women. Links between communities and local government were strengthened resulting in additional and sustainable funding at local level. A strong and transparent management information system (MIS) was established. Some shortcomings, however, were insufficient evidence of project efficiency, inadequate maintenance arrangements, and sketchy evidence of improvements to the "voice of the poor". Some areas where improvements can still be made are in enhancing the role of women in civic affairs and in identifying and implementing better ways to create employment, improve micro lending and small business opportunities. Performance of revolving credit facilities was also below expectations. The overall development outcome of both projects was **rated moderately satisfactory.** Risk to development outcome, however, was rated **negligible to low**. Bank and Borrower performance were rated **moderately satisfactory.**

Monitoring and Evaluation (M&E)

The M&E system of necessity had to be extensive to cover the widespread geographical locations of the beneficiaries and the large volume of data to be collected. Because of this complexity, the system only became functional in mid-2005, and did not start to generate values for most performance indicators until 2006, over three years after project effectiveness. Nevertheless by closure the MIS website was fully operational and provided ready access to information on the program. Despite early implementation problems, once the MIS became operational it became invaluable. It helped identify and remedy issues of service quality, it incorporated better controls, it fine-tuned and targeted resources where they were most needed, and it improved transparency and strengthened public confidence in the program.

Lessons

The main lessons are as follows:

- **Fundamental to the flourishing of Indonesia's urban CDD program has been the communities' strong ownership.** The program's popularity is demonstrated by the peoples' willingness to participate in the allocation of small grants for community development priorities, provide voluntary labor for the projects, and in some instances to freely give up parcels of land for the communal good.

- **Facilitators play a crucial role in the success of CDD** and more attention should be paid to the timely renewal and updating of their contracts and salary payments to avoid periodic shortages of these key individuals.

- **Developing trust and confidence between public officials at the local government level and communities is essentia**l in promoting effective civic participation. Transparency in the disclosure of all activities through a highly effective management information system has helped to develop greater cooperation between all parties.

- **Community participation is a necessary, but in itself an insufficient measure to ensure sustainability of improved infrastructure.** Greater attention is needed to strengthen the technical capacity of communities to enable them to operate and maintain the facilities established and to harmonize planned new investments with appropriate maintenance programs and budgets. The facilitators can play a stronger role in stressing the importance of maintenance when Community Development Plans are drawn up.

Caroline Heider
Director-General
Evaluation

1. Background

The Context of Urban Development in Indonesia

1.1 The Republic of Indonesia is a sovereign state in Southeast Asia. It is a vast archipelago that includes the five large main islands of Java, Kalimantan, New Guinea, Sulawesi and Sumatera. With a population exceeding 250 million, Indonesia is the world's fourth most populous country. Since the mid-sixties, the country has made progress in reducing its poverty rate. However, the Asian financial crisis of 1997 was a serious, if temporary, setback to the overall positive trend. During this time, the country experienced severe economic contraction, depreciation, inflation and political turmoil. This presaged the end of authoritarian rule and the democratic elections of 1999. Addressing the discontent and secessionist pressures (East Timor seceded in 1999), the Government of Indonesia (GoI) *inter alia* passed new decentralization laws in 2001 that gave district government greater autonomy and authority over the design and implementation of local development programs (Ministry of Public Works, 2010). These laws shifted many responsibilities for government affairs from the central government to provincial, district and municipal governments and also provided these regional governments with the financing needed to implement their new mandate.

1.2 Against this background, the GoI created a National Development Plan (known as *Program Pembangunan Nasional* or PROPENAS) for the 2000-2004 period aimed at increased public participation, improved governance, and economic recovery. With respect to urban development, the plan emphasized the need to establish partnerships between Government, local communities and the private sector, and to increase efforts to overcome poverty and social instability. Indonesia's GNI per capita rose steadily from US$2,200 in 2000 to US$3,853 in 2013 (World Bank, 2014) and during this period the country was reclassified as a lower middle-income country.

1.3 However, despite progress in reducing the poverty rates for both the urban and rural poor, nearly 12 per cent of the country's population (thirty million people) continues to live in poverty, while the incomes of about 40 per cent of households are not far above the poverty line and thus highly vulnerable to economic shocks. In the cities, 18 per cent of the population is poor or near poor, representing some 20 million people. This is 40 per cent of the poor in Indonesia, but because of rapid urbanization the number of urban poor is expected to surpass the rural poor by 2020 (Urban Poverty and Program Review, 2013).

1.4 The GoI has a comprehensive poverty reduction strategy and its community driven development (CDD) program, covering both rural villages and urban wards, is the largest program of its kind in the world. PNPM Mandiri is the National Program for Community Empowerment, an umbrella program that brings together all CDD initiatives, both urban (PNPM urban) and rural (PNPM rural). Unemployment has steadily fallen from 10.4 per cent of the workforce in 2006 to 5.9 percent in 2014. Social assistance programs include rice subsidies, health insurance, a conditional cash transfer program (for the extremely poor), as well as a cash-for-poor-students program. For the urban poor the CDD program with Bank assistance has delivered block grants for small-scale infrastructure, and, to a lesser extent, small projects for social and economic development. The urban poor in Indonesia share common characteristics with those in other countries. They tend to have low education levels, work in the informal sector, live in low quality housing, lack security of tenure, and have relatively inadequate access to basic services. Two thirds of the urban poor in Indonesia live on the island of Java.

Bank involvement in Urban Poverty in Indonesia

1.5 Participatory development programs in Indonesia can be traced back to the 1970s, when Central Government managed these early programs. The first initiative supported by the Bank was in 1998, the Kecamatan Development Program (KDP), which centered on rural villages, and in 1999 the first Urban Poverty Project (UPP1) focused on urban wards or districts known as *kelurahans.* These programs were intended to help GoI alleviate the Asian crisis and transition from a top-down to a decentralized development strategy. KDP's growth was impressive – from 25 pilot villages in 1997 to over 28,000 villages by 2003 (Guggenheim, S, 2004). UPP1 aimed to improve basic infrastructure in 2,600 low-income *kelurahans* and strengthen the capability of local agencies at a cost of US$103 million by project closure. At that time there was political uncertainty and little trust between the communities and government agencies.

1.6 To better help implement its new strategy, GoI requested the Bank to develop a Second Urban Poverty Project (UPP2) with Bank financing (initially) of US$127 million. This project was in effect a scaling-up of UPP1, which, although a crisis intervention, had already demonstrated that alleviating urban poverty meant securing greater participation of the urban poor in decision-making. UPP1 had relatively modest objectives and covered only selected urban areas in Java. UPP2, on the other hand, was intended to expand the program significantly and became an important mechanism to assist the mainstreaming of GoI's urban poverty reduction program. The project covered urban areas in the outer islands of Sulawesi, Kalimantan and West Nusa Tenggara (as well as some urban areas in the southern parts of Java that were not covered by UPP1). Importantly, UPP2 set out to establish or support representative and accountable community organizations able to provide services to the urban poor and increase their voice in public decision-making. In April 2007 the Bank approved a request for additional financing in the amount of a further US$135.5 million to expand the project in support of the Government's National Community Empowerment Program (PNPM), extending the program to the rest of the country in conjunction with UPP3. Thus the coverage was escalated significantly under UPP2 from 2,227 to 7,273 *kelurahans* (urban wards). The GOI also contributed a further US$141 million and the communities US$110 million.

1.7 The Third Urban Poverty Project (UPP3) was a parallel geographical expansion of the program, but with slightly different components. UPP3 covered 1,736 *kelurahans* in 15 provinces in Sumatera, Kalimantan, Maluku, North Maluku, Papua, Bali, and East Nusa Tenggara. In addition, the project also provided institutional support and grants to further strengthen approximately 660 community organizations selected in the UPP1 and UPP2 areas. The emphasis of UPP3 was to strengthen community and government institutions for more responsive service delivery. UPP3 operated in parallel to UPP2 from 2005 and closed three months later than UPP2 in 2011.

1.8 A recent beneficiary study indicated that the program is an effective approach for community participation and for addressing basic infrastructure at the community level (GoI/World Bank, Policy Note, 2013). Risks were identified, however. These centered on the continuity of program funding, the adequacy of maintenance of community infrastructure, sound financial management and procurement practices, and the continuing availability of skilled facilitators. These areas are explored further in this PPAR, which examines likely sustainability from the progress of three follow-on Bank-financed projects, the last of which closes in December 2015. The entire urban program, showing Bank commitments exceeding US$1.2 billion is shown in Table 1.

Table 1: Bank Financial Support for Indonesia's Urban Poverty Program and Follow-on Community Empowerment Program (PNPM)

PROJECT/PHASE	PERIOD	IDA/IBRD (US$M)	CLOSING DATE
Urban Poverty Project (UPP) 1	1999- 2004	103*	Jun 30, 2004
Urban Poverty Project (UPP) 2 with Additional Financing (PPAR)	2002-2010	258*	Dec 31, 2010
Urban Poverty Project (UPP) 3 (PPAR)	2005-2011	138*	Mar 31, 2011
PNPM Urban I + PNPM additional financing (PNPM II)	2008-2011	292	Dec, 31, 2011
PNPM Urban III	2010-2013	150	Dec 31, 2013
PNPM Urban 2012-2015	2012-2015	266	Dec 31, 2015
TOTAL	**1999-2015**	**1,207**	**Dec 31, 2015**

Source: ICRs for completed projects; PADs for PNPM projects; * actual amount at closure; shaded area indicates projects evaluated in this PPAR.

1.9 In the above table UPP1, 2 and 3 projects have been completed and ICRs have been prepared and reviewed by IEG. The first two PNPM projects are complete, but no ICR is yet available; PNPM Urban 2012-2015 is still active. The follow-on projects are important because they point to the likely sustainability of the whole program. The PPAR methodology in this regard is to assess evidence in the document files, supervision reports and from the IEG mission's discussions and site visits. The UPP/PNPM program has evolved incrementally over a 16-year period. UPP2 and UPP3 took cognizance of learning from UPP1 and this process has continued in subsequent projects. The GoI has also given uninterrupted support to the program, which has now existed (with name changes) through the tenure of four consecutive Indonesian Presidencies. Indonesia's PNPM (urban wards and rural villages) has become the largest CDD program in the world and as such its outcomes are watched with great interest by other countries and development partners.

1.10 The PPAR focuses on what lessons have been learned in the urban program as well as what pitfalls should be avoided as, along the way, a few missteps were apparent that had to be corrected either in the project concerned or in follow-on projects. There is considerable overlap between UPP2 and UPP3, and they shared similar development objectives. The operational approach was similar, except that UPP3 targeted new *kelurahans* in several provinces in which the Bank had not previously been involved. The Bank had the same TTL and several team members common to both projects, while the GoI created a unified management structure for all UPPs, which provided a solid foundation for PNPM. In the ICRs for UPP2 and UPP3, some sections are duplicated word-for-word, because of the identical approach. This PPAR has deliberately avoided duplicating text, but has cross-referenced some sections in UPP3 with the relevant text found in UPP2. This has shortened the review of UPP3, while concentrating on aspects that were indeed different from UPP2.

Table 2: Coverage of Kelurahans in UPP2 and UPP3 by Total and Poor Population

Source: MIS: National Urban wards as per 2012; population; as 2014; UPP2 data at April 2006; UPP3 data at Dec 2010; poor defined as those people living on IDR312,328 per month (see below).

CATEGORY	KELURAHANS URB WARDS	POPULATION HOUSEHOLDS	POPULATION PERSONS	POOR POPULATION HOUSEHOLDS	POOR POPULATION PERSONS
National	11,070	23,359,826	122,479,920	5,307,710	18,682,019
UPP2	2,059	2,213,823	8,892,806	903,120	3,351,686
%	18.6	9.5	7.3	17.0	17.9
UPP3	1,470	1,210,516	5,258,975	409,258	1,632,962
%	13.3	5.2	4.3	7.7	8.7

1.11 An interesting question is the extent to which the UPP covered the targeted urban communities and the identified poor population prior to becoming a national program. The data for UPP2 (prior to additional financing) and UPP3 are shown in Table 2 above. Some 31.9 per cent of the *kelurahans* were covered, which included 11.6 per cent of the urban population and 26.6 percent of the urban poor. The earlier UPP1 project covered a further 23.7 per cent of the *kelurahans*, meaning 55.6 per cent of all urban wards were covered in the three projects.

1.12 In 2014, the GoI defined the absolute poor as those with a monthly per capita income of IDR312, 328 - or about US$26 (www.indonesia-investments.com, 2015). This is below the World Bank yardstick of US$1.25/day. Some 11.8 per cent of the population (29 million people) is currently below this threshold, and a similar number live in relative poverty just above it (World Bank data). At least 54 per cent of Indonesia's population resides in cities and this number is projected to rise to 67 per cent by 2025. While in 2014, some 8.2 per cent of urban dwellers were living below the poverty line, this percentage has steadily declined since 2006, when it was 13.5 per cent. On the other hand, there is evidence that income inequality has increased because the Gini coefficient rose from 31.7 in 1999 to 38.1 in 2011 (World Bank data) and this disparity is said to be worse in urban areas (PAD, National Community Empowerment Program, 2012-2015). The UPP projects, however, are pro-poor and aim to reduce the degree of inequality.

1.13 Having assisted GoI to scale-up the PNPM to nationwide coverage in almost 11,000 *kelurahans*, the Bank approved three further projects with a combined further investment amount of US$708 million between 2008 and 2012. During this time the focus was on adding value to the program, which included the concept of neighborhood development, and a sustainable livelihoods pilot program described in more detail in Chapter 4. Funding was also mobilized for disaster risk management under PNPM with grants of US$2.4 million from the Global Facility for Disaster Reduction and Recovery (GFDRR), and US$23.5 million for a gender pilot program in Aceh, Sumatera, provided by the United States Agency for International Development (USAID).

2. Second Urban Poverty Project

Objectives, Design, and Relevance

OBJECTIVES

2.1 The objectives of the Project laid out in the development credit agreement (DCA), 3658-IND, schedule 2, are to assist the Borrower:

i. *To establish or support representative, responsive and accountable community organizations that are able to provide services to the urban poor and increase the voice of the poor in local decision making;*

ii. *To make local government more responsive to the needs of the poor through increased cooperation with community organizations;* and

iii. *To improve services for the urban poor (financial services, social services and infrastructure).* The loan agreement also refers to schedule 2 of the credit agreement in its preamble. When additional finance was approved in April 2007 the project development objectives were unchanged.

RELEVANCE OF OBJECTIVES

2.2 The objectives of UPP2 were more specifically focused on institutional aspects than was the case in the preceding project (UPP1). UPP2’s first objective was to assist communities to establish representative community bodies that would plan and implement projects that were prioritized by the local people. The Bank and GoI realized that in scaling-up it would be necessary in UPP2 to improve effectiveness by giving more attention to ensure the community organizations involved were representative, responsive and accountable. Moreover, the need to improve the links between local government and the community organizations was also identified (objective two), while the last objective was to seek improvement of the services delivered. Over time the program assumed such importance that GoI requested and was granted additional financing by the Bank in 2007 to enable a major expansion to nationwide coverage. The continued relevance of the project objectives is emphasized by the request for further Bank support for follow-on operations and assurances that the program would be implemented until at least the end of 2015, but most likely beyond.

2.3 At appraisal, the project addressed two of the three pillars of the then current Bank Country Assistance Strategy FY01-03, namely, sustaining economic recovery and promoting broad-based growth, and delivering better public services to the poor. In the Country Partnership Strategy (CPS) for Indonesia FY09-12, current at closure, "community development and social protection" was one of the five thematic areas that formed the core of the Bank's engagement. The CPS for FY09-12 states (pages 26 and 27) that the Bank will "continue to support Government in the design and effective expansion of programs that promote more inclusive growth and social protection, and also enhance the accountability of elected officials and service providers." In 2012 a short-term CPS was agreed covering the period until 2015, after which a newly elected Presidential administration would review the priorities with the Bank. The 2013-15 CPS continued to follow Indonesia's Master Plan for economic development (Government of Indonesia, 2011), which included pro-poor support to better reach the poor and vulnerable households. Thus the objectives continued to be highly relevant. Government officials in planning and finance with whom the IEG mission discussed this matter did not anticipate a major change in direction since poverty alleviation would continue as a priority, but it was expected that there would be more emphasis on slum upgrading. Relevance of objectives is rated **high**.

DESIGN

2.4 The project as originally devised was to be implemented in approximately 2,227 *kelurahans* in thirteen provinces throughout Indonesia. Finance at approval was split between the Bank (US$100 million), GoI (US$13.28 million) and the communities (US$13.72 million) for a total of US$127 million. It consisted of four components:

Component A: Community Development and Local Government Capacity Building. (Project cost: appraisal estimate US$17.08 million; actual at completion US$29.24 million).[1]

2.5 This component comprised the provision of technical advisory services to carry out community development and local government capacity building activities, including (i) the formation (or confirmation) of elected bodies of representatives known as BKMs (*Badan Keswadayaan Masyarakat* or Board of Community Trustees), (ii) the formulation of a community development plan (CDP) for each project *kelurahan,* using a transparent and participatory process, and (iii) assistance to BKMs on how to form associations, known as BKM Forums, as well as to local governments to build capacity for working with both BKMs and BKM Forums. This component involved a process whereby facilitators were trained to work directly with communities in project *kelurahans* and with local government officials at both provincial and district/city (*kabupaten/kota*) levels.

Component B: *Kelurahan* Grants. (Project cost: appraisal estimate US$58.82 million; actual at completion US$325.93 million).

[1] All project component costs shown are total costs (IBRD, IDA, GoI and communities). Annex 1 of the ICR does not give a breakdown of costs from each financing source by component at completion. Strictly speaking, the community contributions were parallel contributions and not counterpart funds as usually defined.

2.6 This component provided block grants to participating *kelurahans* to finance activities identified in the CDP, including: (i) specific high-priority infrastructure investments, (ii) competitive proposals from community groups consistent with the priorities in the CDP, (iii) microcredit loans for community groups, and (iv) social safety programs for the benefit of the poorest and most vulnerable groups or individuals. *Kelurahan* grants would not finance activities on the project's "negative list" (such as religious buildings or government offices). Each participating *kelurahan* was eligible to receive a one-time block grant of IDR 150-500 million to finance investments in one of more of the above categories, in accordance with their CDPs.

Component C: Poverty Alleviation Partnership Grant. Project cost: Appraisal estimate US$35.23 million; actual at completion US$88.35 million.

2.7 The purpose of this component was to encourage partnerships between local government and communities and institutionalize a consultative process between the two partners for future activities undertaken by local governments. It provided local governments with access to matching grants (the Poverty Alleviation Partnership Grant or PAPG) to finance poverty alleviation sub-projects that were: (i) too big to be financed by the *kelurahan* grants (in the range of IDR 30-200 million) or that required local government involvement, (ii) or were located in more than one *kelurahan*, (iii) that were not on the negative list for *kelurahan* grants, and (iv) that were jointly prepared, proposed and implemented by BKMs in collaboration with the relevant local government departments. Both local governments and eligible subprojects were to be selected on a competitive basis.

Component D: Implementation Support. (Project cost: appraisal estimate US$9.73 million; actual at completion US$58.49 million).

2.8 The project was to be managed by a Project Management Unit (PMU) in the Ministry of Public Works. The PMU hired consultants and facilitators to assist in project implementation. Technical assistance was provided through National Management Consultants (NMC) at the central level, and the Oversight Consultant (OC) teams at the provincial level, with OC offices in the participating district governments, and facilitators and community cadres at the *kelurahan* level. NMC and OCs also assisted the Borrower with monitoring. Evaluation was to be carried out separately by Evaluation Consultants independent from the NMC.

2.9 Five main lessons were taken from UPP1: *Time to build awareness*: It became clear that the building of community awareness took longer than originally thought necessary and, therefore, more than twice the time was allowed for this process to run its course in UPP2 and UPP3. *Accountability and transparency*: Community representatives were not paid and thus had no vested interests in the elective process. Voters could vote for any member of the community based on their own previous interactions. *Facilitators*: In UPP2, a slightly smaller number of facilitators was planned to create a space to be filled by volunteer facilitators. According to country office, Bank staff interviewed by the IEG mission and as discussed in the ICR for UPP1, the practice of paying a two per cent commission to facilitators for helping to prepare proposals was discontinued since this in some cases had led to their being called "Mr. two-per-cents." The poor had perceived the facilitators to be mainly motivated by the commission and some BKM members expressed doubts about their true commitment.. Accordingly, in UPP2 and 3 they received a modest salary and no incentive bonus. *Need to involve local government more strongly*: The PAPG component was added to UPP2 and UPP3 to try and actively involve local governments more with community plans. *Issues with the micro-credit component*: It was realized in UPP1 that the administrative skills to run a revolving credit program were not widely available at *kelurahan* level. While this was found through audit checks not lead to corruption, there was, nonetheless, a lack of accountability. This led to a more focused approach involving a stronger awareness process and a requirement for each BKM to follow standardized rules and principles to operate such funds.

2.10 The components were not revised, but the scope, costs, and Bank financing were substantially increased as a result of additional financing in 2007 in the amount of US$135.5 million to expand the project, in support of the Government's new National Community Empowerment Program (PNPM). The project was extended to new areas and coverage was greatly expanded to 7,273 *kelurahans.* This also provided an opportunity to strengthen the indicators, and improve the overall quality of monitoring and evaluation (M&E). The Borrower contribution (GOI and communities) was originally estimated at US$27 million, but after the project was expanded, it increased significantly to US$250 million. International Development Association (IDA) credits were for US$70.47 million at appraisal and US$228.19 million at completion. International Bank for Reconstruction and Development (IBRD) loans were US$29.53 million at appraisal and US$29.50 million at completion.

RELEVANCE OF DESIGN

2.11 The PAD did not include a complete results framework, as is current practice today and initially there were no targets for the outcome indicators, (although this was corrected in the Project Paper for additional financing). Some *kelurahans* may also have been selected that were not truly urban. Nevertheless, the development objectives were clearly stated and there was a logical causal chain for the project design to attain the project outcomes including components, activities and implementation arrangements. It was obviously intended that progress towards the first objective (representative, responsive and accountable) would evolve and not be absolute since indicators specified the degree of these qualities. The components were developed from the proven approach used in UPP1 (see par 2.9 above) and accepted by the GoI as a cornerstone of its long-term poverty alleviation program.

2.12 Component A made provision for local consultants, facilitators and capacity building to increase the voice of the poor in decision-making as intended by the first objective. This capacity building was financed through component C (poverty alleviation grants) and managed together with the rest of the program through component D (implementation support). Component B (*kelurahan* grants) was designed to finance activities in the CDPs including small-scale infrastructure improvements and micro financed activities. These grants were to enable the achievement of the second objective to increase cooperation between local government and the needs of the poor, as well as the third objective to improve services for the urban poor. Overall, the components were well designed, realistic and not overly ambitious. The relevance of design is accordingly rated **substantial.**

IMPLEMENTATION

Institutional Framework

2.13 The implementing agency was the Ministry of Public Works (MPW), which established a project management unit (PMU). The communities elected voluntary members to represent them on the community groups (BKMs) for a three-year cycle and prepared community development plans. The block grants to the BKMs were disbursed directly from a special account through a commercial bank to bank accounts held by the BKMs. The Poverty Alleviation Grant (PAPG) allocation to the local government could only be made through the normal budgeting process and could only be accessed from the special account if the BKMs and the local government had jointly prepared proposals and a poverty alleviation strategy was in place. Matching funds were available for local authorities prepared to contribute grants to the program. The idea was to evolve a fiscal relationship between the local government and the BKMs and encourage local government to take more responsibility for such contributions in the future. Each participating city had to establish an independent selection committee, representative of the BKMs, local government and NGOs, for dissemination of PAPGs and the evaluation of proposals.

Implementation Experience

2.14 The original project was approved by the Board on June 13, 2002 and became effective on November 18, 2002, but startup was eight months later than anticipated because of delays in consultant recruitment by MPW.

2.15 Since there were some issues in UPP1 with the micro-credit component, UPP2 benefitted from this experience and focused on building more awareness of the rules and ensuring a standardized set of criteria and principles were first agreed. However, this did not solve the problem and implementation of this aspect continued to be a concern. A further change was to ensure local governments were not by-passed by involving them in the planning and financing of PAPGs. Both the Bank and the implementing agency adopted a flexible attitude to changes that might become necessary because of specific local circumstances, so the communities were able to deploy the funds where it mattered most to them. In 2005 UPP3 was approved for US$138.7 million extending the program to 14 additional provinces and providing additional institutional support in parallel with UPP2. Also in 2005, UPP2 was restructured to enable it to provide for emergency assistance and reconstruction grants to the urban poor following the 2004 earthquake and tsunami.[2]

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[2] This was to be augmented by a grant of US$1.26 million from the Japanese Social Development Fund. However, because of the successful establishment of a Multi Donor Trust Fund for this emergency, which was already deploying substantial resources, it was decided not to implement this aspect of the UPP2 restructuring and the project essentially continued uninterrupted.

Additional Finance

2.16 In 2007, there was a substantial expansion of UPP2 with additional finance approved in the amount of US$135.5 million. The development objectives were not changed, but the scope was expanded considerably. Though UPP3 was also active by this time it made more sense to add finance to UPP2, because the main gap in *kelurahan* coverage was the areas expected to be covered by UPP2 and because the project management staffs in UPP2 were more experienced than those in UPP3 and could more easily handle the greatly increased volume. The Poverty Alleviation Grants intended to finance larger projects were not included in the additional financing because the PNPM program was focused on smaller infrastructure. The financing plan for the original project and the additional finance are shown in Tables 3 and 4:

Table 3: Original UPP2 Financing Plan (US$ millions)

Original Project Component	Bank Financing	Government Financing	Community Financing	Total
Community/local gov. cap build	16.26	0.81	0	17.07
***Kelurahan* block grants**	51.15	2.56	5.12	58.83
Poverty Alleviat. Grants (PAPG)	17.19	9.45	8.59	35.23
Implem. Support	9.27	0.46	0	9.73
Unallocated & front-end fee	5.87	0	0	5.87
Subtotal	**100**	**13.28**	**13.71**	**127.00**

Table 4: UPP2 Financing Plan for Additional Finance (US$ millions)

Additional Finance Project Comp	Bank Financing	Government Financing	Community Financing	Total
Community/local gov. capac build	30.1	0	0	30.1
***Kelurahan* block grants**	85.7	23.8	8.6	118.1
Poverty Alleviat. Grants (PAPG)	0	0	0	0
Implem. Support	19.7	4.3	0	24
Subtotal	135.5	28.1	8.6	172.2
TOTAL UPP2 including AF	**235.5**	**41.38**	**22.31**	**299.20**

Source: Project Paper for additional financing of UPP2

Fiduciary Management

2.17 Attention to financial management was necessary throughout implementation, but the situation did improve after 2007 when a financial management assessment was undertaken in preparation for the additional finance. IEG examined the Implementation Status Reports (ISR) ratings for fiduciary management and found they were moderately satisfactory or better, but noted that the revolving funds, about 10 per cent of total costs, were sometimes unable to comply with the Bank's financial management guidelines, especially those related to safekeeping and the dissemination of financial reports. Compliance with repayment schedules was also lower than anticipated due to a misperception by a few beneficiaries that the loans were grants and did not have to be repaid. The IEG mission ascertained that the strengthening measures introduced in 2007 included enhancements to control measures including improved audit sampling, hiring additional facilitators, extensive training of facilitators and BKM staff in financial matters and prior reviews of formal agreements with commercial banks that were to handle local funds. Revolving fund loans henceforth were to be limited to those *kelurahans* that had already benefitted under the component and had demonstrated repayment rates of at least 80 per cent. It was identified, however, that further analysis was necessary on the weaknesses of revolving funds. Despite these improvements, the financial management risk was still considered high and continuous attention had to be given to mitigate these risks to the extent possible.

2.18 Procurement followed Bank guidelines as laid out in the UPP2 operational manual. This document greatly increased the transparency of the procurement process and after tightening the rules under the review that accompanied the additional finance the adherence to the procedures was said by both Government officials and Bank staff to have improved. The IEG mission noted that audit reports were generally furnished on time and only one audit report (for fiscal 2005) had a qualified opinion. This case was due to significant differences between aggregate financial expenditures reported and those actually spent. On investigation, however, the financial management team established that there was a misunderstanding because the reported figures excluded expenditures pre-financed by the GoI. Minor internal control weaknesses (mentioned above) at the PMU level were followed up and procedures strengthened. BKMs were also audited on a sample basis (minimum 20 per cent). An anti-corruption plan was implemented, and improved in 2007 with civil society oversight as well as a complaints handling mechanism. No known misuse of funds occurred due to financial management weaknesses.

Safeguards

2.19 Reporting on compliance with safeguard policies was superficial in the ICRs for both UPP2 and UPP3 and did not include a compliance rating. The ISRs indicated these ratings to have been moderately satisfactory or better. There had been no individual sub-projects expected to exceed the ceiling of US$3,000 for individual sub-projects or micro-loans and US$20,000 for PAPGs; none of the projects were expected to have any large-scale, significant or irreversible impacts and so the overall project was classified as category B (correctly, in IEG's view since the sub-projects were of the size anticipated). While it is always possible that the cumulative effect of many sub-projects in close proximity could have a more substantial effect (OED, 2005) there was no evidence of this in the Indonesian case since the sub-projects were not clustered too closely together. Safeguard policies triggered were environmental assessment (OP 4.01), natural habitats (OP 4.04), cultural property (OP 4.11), indigenous peoples (OP 4.10) and involuntary resettlement (OP 4.12). Negative environmental impacts recorded were mainly due to poor site management; other safeguard policies, though flagged, were not contravened.

2.20 The IEG mission *inter alia* visited three riverside improvement projects and found no evidence of site mismanagement. There was also no involuntary resettlement, although in some cases residents had given up land for the purpose of allowing walkways to be built adjacent to the rivers. In these cases the land was either voluntarily donated to the community or compensation was negotiated in the form of home improvements for the affected households. The mission also observed that many of the sub-projects actually generated substantial social and environmental benefits, especially through investments in drainage, water supply and sanitation. Road improvements giving better access to schools also improved safety in their vicinity. In a few cases waste was sorted and recycled; these eco-activities produced compost used to nurture plantings of shrubs and trees. Local students also decorated some concrete walls with artwork.

2.21 The IEG mission met with safeguard specialists in the Bank office in Jakarta. They indicated that, although part of the team, they were not always adequately consulted when documents like ICRs were prepared. They clarified, however, that Bank procedures were generally followed in the implementation of UPP2 and 3 and the minor adverse impacts that came to their attention were because of inadequate guidance, monitoring and supervision by facilitators and oversight consultants. This aspect was corrected by additional training and through illustrated manuals produced in *Bahasa* and English showing correct and incorrect construction practices. Sub-projects were not accepted if they used items on a negative list (such as illegal timber) or if they could cause adverse impacts on cultural property. However, records of potential social and environmental impacts, given that there were literally thousands of sub-projects, remained patchy and could still be improved.

ASSESSMENT OF OUTCOMES

Efficacy

Objective One: To establish or support representative, responsive and accountable community organizations that are able to provide services to the urban poor and increase the voice of the poor in local decision making. *Substantially achieved*

Representativeness and Responsiveness:

Outputs:

- All participating *kelurahans* to complete and ratify community development plans (CDPs) for the provision of services to the urban poor, 99 per cent achieved (target 100 per cent);

- Beneficiary communities, local authorities and other targeted areas to receive technical support from national management consultants, oversight consultant teams and other facilitators, 99 per cent achieved (target 90 per cent);
- Participation in community discussions by the *kelurahan* members during project implementation, 19 per cent achieved (target 30 per cent);
- Voting in the final stage of Board of Trustee (BKM) elections, two per cent achieved (target three per cent).
- Percentage of women elected to BKMs, 22 percent achieved (target 20 per cent).
- Percentage of the adult population voting in BKM elections at neighborhood level, 35 per cent achieved (target 30 per cent);
- Community volunteers recruited per *kelurahan*, 44 achieved (target 25);
- Participation by women and vulnerable groups, 42 per cent achieved (target 30 per cent).

Outcome:

- At least 5,092 (70 per cent) of the BKMs to be operating in a representative, effective and participatory manner (<70 per cent achieved; based on the above output indicators and the judgment of evaluation consultants who assess the information provided by the *kelurahans*).

2.22 The project established over 5,000 democratically elected BKMs. All community members had the opportunity to propose BKM members and to vote in a secret ballot. The program became a pillar of the National Poverty Alleviation Strategy and it was rolled out to all 11,000 *kelurahans.*

2.23 The facilitators together with trained volunteers helped socialize the communities to increase awareness of the purpose and the process of the elections. Nearly all the participating *kelurahans* completed and ratified CDPs and of these more than two thirds of the plans were implemented against a target of 25 per cent. The CDPs were presented for comment at open community meetings. The main targets of capacity building under the project have been the facilitators. They play a crucial role in the success or otherwise of the program as they are the frontline at community level. Their responsibilities include assisting both BKMs and KSMs in proposal writing, budgeting and cost control, technical project guidance, making provision for maintenance, prioritization, socialization[3], community mapping, monitoring construction works and ensuring compliance with guidelines. They also are instrumental in the setting up the BKMs, helping the communities to understand the principles and practice of elections and ensuring that the participation of women and the really poor meet the targets set. Mansuri and Rao (2013) report that positive feedback on facilitators from communities is linked to the frequency of their visits.

2.24 While the quantitative targets for voter turnout and female representation were met and two thirds of the communities were aware of the proposals, IEG notes that the average participation level in *discussions* about the projects was lower than expected (19 per cent against 30 per cent). According to the facilitators and others interviewed by IEG,

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[3] Community awareness and understanding

the whole process was new to the communities, but participation gradually improved over time and continued to improve after the project closed. However, it was also clear that since many people had competing commitments, not everyone wanted to become involved in detailed discussions.

2.25 Female participation was higher than expected, but the quality of women's inputs was apparently very variable depending on the cultural norms of the communities concerned. Whereas the IEG mission observed women freely participating in Central Java, studies show that in more conservative areas of Indonesia their participation was largely confined to providing refreshments and men made nearly all the important decisions.

2.26 Further evidence comes from a study of UPP2 by *Pradhan, M et al of the World Bank Development Economics Group* in 2010. This study carried out three impact evaluation surveys using questionnaires and interviews between 2004 and 2007, (i.e. prior to additional financing). The surveys covered 15,000 people in 73 treatment and 38 control *kelurahans* randomly selected in four provinces. The study used a logistic model that found that BKM members were predominantly from the upper end of the educational spectrum. They were in general better off and often had official connections. However, this was not necessarily elite capture, but a recognition by the community that such persons were more likely to provide appropriate management and leadership skills. IEG notes that some experts argue that there is a greater risk of elite capture in urban development when the gap between poor and non-poor is large (see Darmawan, R and Klasen, S, 2013). Most people living in UPP areas expressed satisfaction with the program, but IEG notes the limitation of beneficiary surveys in that they tend to be prone to biased responses, including hoping that positive responses will lead to receiving further unspecified potential benefits. All studies <u>after 2007</u> focused on the PNPM as a whole and not just the UPP-financed part of it.

Increased Voice of the Poor:

- Participation by women and vulnerable groups, 42 per cent achieved (target 30 per cent).

2.27 Although information is given for women and vulnerable groups, there is no target indicator *specifically* for the number of poor people participating (some women are not poor). In terms of the targeting of UPP2 *at appraisal*, however, information from the MIS shows that 3.4 million poor people and 0.9 million poor households were eligible participants. With the additional financing in 2007 all *kelurahans* became eligible for the program regardless of income level.

2.28 In the project design in the PAD the richest communities were excluded and those with the higher incidence of poverty were included in consultation with local government. Some 42 per cent of women and vulnerable groups (such as disabled, elderly and infirm) participated, as opposed to a target of 30 per cent. Through socialization and poverty mapping by the BKMs and volunteers, the poorer community members were given the *opportunity* to become involved, but frequently they had other pressing demands on their time, since making a living was a constant challenge. Since they were free to nominate whoever they wished in the community to represent them, they would usually nominate articulate, educated people such as teachers or public servants, who were likely of course to be more affluent.

2.29 The CDPs were developed following a community self-survey process using pro-poor planning methods. The CDPs identified individuals for special grant assistance (e.g. medicines, health care, food supplements etc.) and up to 10 per cent of the BKM allocation could be used for such purposes. A “complaints handling system” was developed and was accessible to all.

2.30 There was no shortage of volunteers to assist with the project work (44 per *kelurahans* against a target of 25). Many of the volunteers worked on a pro bono basis and prior to the additional finance some 25,537 members were actively assisting the poor.

Accountability: (refers to transparency and awareness as well as financial accountability)

Outputs:

- *Kelurahan* population aware of CDPs, 25 per cent target (no actual figure available in ICR);
- *Kelurahan* population awareness of the project and of its objectives, 66 per cent achieved (target 25 per cent);
- Oversight consultant teams to provide accurate and timely data on the operations of *kelurahans* and cooperation with local government through the MIS, 87 per cent achieved (target 90 per cent);
- Ninety nine per cent of BKMs completed annual financial audits (target 40 per cent);
- Repayment rates of revolving credit better than 90 per cent were achieved in 49 per cent of cases (target was 70 per cent).

2.31 With regard to transparency, the public received information from newsletters, advertisement boards and was free to attend all meetings. The MIS system was open to the public and contained information on indicators, bids and awards, as well as all complaints and responses to such complaints.

2.32 Attention to financial management was necessary throughout implementation due to inadequate capacity and skills at BKM level, but the situation improved after 2007 when a financial management assessment was undertaken in preparation for the Additional Finance. An analysis of the implementation supervision reports and interim financial reports showed, however, that although there were problems the performance was not worse than moderately satisfactory. The IEG mission ascertained that the strengthening measures introduced in 2007 included enhancements to control measures including improved audit sampling, hiring additional facilitators, simplifying financial reporting complexity, extensive training of facilitators and BKM staff in financial matters and prior reviews of formal agreements with commercial banks that were to handle local funds.

2.33 Revolving funds, accounting for about a quarter of *kelurahan* grant amounts, did not always comply with the Bank's financial management guidelines due to a lack of skills, especially those related to safekeeping and the dissemination of financial reports. Compliance with repayment schedules was also lower than anticipated due to a misperception by a few beneficiaries that the loans were grants and did not have to be repaid. Revolving fund loans after 2007 were limited to those *kelurahans* that had already benefitted under the component and had demonstrated repayment rates of at least 80 per cent. It was identified, however, that further analysis was necessary on the weaknesses of such funds. The financial management risk was still considered high and continuous attention had to be given to mitigate these risks to the extent possible.

2.34 Procurement followed Bank guidelines as detailed in the UPP2 operational manual. This document greatly increased the transparency of the procurement process and after tightening the rules under the review that accompanied the additional finance the adherence to the procedures was said by both Government officials and Bank staff to have improved. An Anti-Corruption Plan was put in place, but few actual instances of corruption were evident since the communities themselves were self-policing. At the end of 2010 it was reported that only 13 corruption cases were substantiated, accounting for a misuse of US$183,000, most of which was recovered.

2.35 The IEG mission noted that audit reports were generally furnished on time and only one audit report (fiscal 2005) had a qualified opinion. This case was due to significant differences between aggregate financial expenditures reported and those actually spent. On investigation, however, the financial management team established that there was a misunderstanding because the reported figures excluded expenditures pre-financed by the GoI. Minor internal control weaknesses at the PMU level were followed up and procedures strengthened. BKMs were also audited on a sample basis (minimum 20 per cent).

2.36 Overall, taking into account the setting up of BKM's that were representative, responsive and accountable, the objective made significant progress, although there is limited evidence on the extent of strengthening the voice of the poor. The objective was, notwithstanding, **substantially achieved.**

Objective Two: To make local government more responsive to the needs of the poor through increased cooperation with community organizations. *Substantially achieved, but with some shortcomings with respect to the needs of the poor.*

The phrase "more responsive to the needs of the poor" is somewhat vague, but the idea was to encourage local government to understand what they could do in terms of supporting poverty alleviation and be more proactive in partnering with local communities to achieve this goal. The incentive was access to additional funding in return for a willingness to form joint proposals and to treat each other as equal partners. Since this involved creating an understanding of what was required, including an understanding of the government's poverty alleviation strategy, a series of workshops and focus group discussions were held for local government. Communities could have been surveyed to ascertain whether they believed local government had become more responsive as a result.

Outputs:

- Forty poverty alleviation partnership grant (PAPG) cities (and their selection committees) participated in the project (target 30)
- The number of partnership grant sub-projects per city was 81, (target of 40).
- A policy paper on long-term poverty alleviation was published by central government.
- Fifty seven per cent of participating local governments formed Trustee Forums (target 40 per cent).

Outcomes:

- The contribution of local governments co-financing in poverty alleviation grant supported initiatives was 43 per cent against a target of 25 per cent.
- Regarding finance, 117 local governments provided their own resources for project monitoring, participation in partnerships with *kelurahans*, channeling of resources to support CPDs and implementation. The target was 78. On average communities contributed over 30 per cent of total investment costs.

2.37 PAPG grants financed sub-projects (mostly infrastructure) that were too big to be financed through *kelurahan* grants or involved more than one *kelurahan*. Co-financing funded from the local governments' own budgets enabled considerable leverage of the Bank's contribution. This increased over time due to legislated changes in the financial arrangements. From 2008, provincial, district and municipal level governments selected to participate in the project were required to finance *kelurahan* grants from their own budgetary resources. From 2009 they also had to finance at least 50 per cent of PAPGs from their own resources. The introduction of the Trustee Forums (comprising representatives of local government and clusters of BKMs) enabled the sharing of ideas and experiences. This proved beneficial according to IEG interviews and in many instances such gatherings led to more joint activities. The practice has been continued in subsequent projects and supports the GoI's policy of decentralization.

2.38 This PAPG pilot was introduced in 2009 to strengthen linkages between communities and local governments. The intention was to encourage constructive partnerships between local governments and communities. In UPP2 some 30 cities were expected to participate and in the end 40 took part, there were 81 sub-projects per city as opposed to the target of 40, and the contribution from local governments to such projects was 43 per cent against a target of 25 per cent. Upon completion of the PAPGs the partnership arrangement usually continued, though the mechanism was often adapted to suit local circumstances such as available budget and the orientation of city planning. According to the MIS some 75 per cent of local governments in Indonesia now provide counterpart funds. The ones that contributed to PAPG contributed more than 40 per cent of the funds for sub-projects. The outcome was a greater level of interaction according to the RAND study (2011). While a primary driver for local government was to leverage additional funds there was also an imperative to enhance local government planning. Because the local government had to consent to the communities' plans, the review process brought the parties together at least once a year usually with positive results. The second objective, which was <u>to make local government more responsive to the needs of</u>

the poor through increased cooperation with community organizations, was **substantially achieved.**

Objective Three: To improve services for the urban poor (financial services, social services and infrastructure). ***Substantially achieved.***

Infrastructure:

Outputs:

- Fifty six per cent of all poor households in *kelurahans* covered by the project benefitted from infrastructure grants (target 35 per cent),
- About 58 per cent of *kelurahan* grants were invested in physical infrastructure, primarily housing rehabilitation, village roads, bridges, irrigation canals, drainage, sanitation facilities including public toilets, and water supply as shown in Table 5.

Table 5: Distribution of Infrastructure sub-projects Financed by Block Grants Completed under UPP2

TYPE	MEASURE	UPP2 (ORIG)	UPP2 (AF)	TOTAL
Village roads	Km.	2,799	6,982	9,780
Small bridges	Units	73	188	261
Irrigation canals	Km.	228	129	358
Drainage facilities	Km.	983	2,451	3,434
Water supply facilities	Units	10,679	39,229	49,908
Sanitation facilities	Units	13,291	39,248	52,539
Markets/shops	Units	95	1,449	1,544
Houses rehabilitated	Units	12,970	49,290	62,260
Waste disposal facilities	Units	5,957	33,353	39,310
Electricity connections	Units	5,139	14,219	19,358
Health facilities	Units	1,116	5,138	6,254
Education facilities	Units	44	5,067	5,111

Source: Project M&E System (as at end 2010)

A breakdown of costs by sub-sector is not provided, but is available for UPP3, which would be fairly similar.

Social Services:

- Fifty three per cent of poor families received financial social grant assistance (target 10 per cent).
- Sixteen percent of the *kelurahan* grants financed social infrastructure and services.

Regarding social services, 59 per cent of poor households received social assistance against a target of 15 per cent. These amounts were generally small and were for such things as scholarships, skills training, child and reproductive health matters, and support for the elderly.

Financial Services:

- About 27 per cent of *kelurahan* grants were on lent as micro-credit loans.

- Grants for micro-credit loans and social services were channeled to the poorest residents.
- Sixty one per cent of grant recipients were women (target 30 per cent)
- The project provided 19 percent of all poor households in its coverage area with access to microcredit through revolving funds (target 15 per cent).

2.39 Overall, two thirds of the funds were spent on physical infrastructure including 9,780 km of village roads, 261 small bridges, 358 km of irrigation canals, 983 km of drainage facilities, nearly 50,000 clean water supply units, over 52,000 sanitation units, and over 60,000 house improvements. The remaining third of the funding provided revolving credit as well as social assistance grants. According to the Pradham Study, (pre-2007) access to adequate sanitation increased by three percent for the general population and ten per cent for the poorest quintile. The same study found that many of the persons that received project-funded credit were able to secure lower interest rates than from alternative sources. However, the survey was unable to identify a statistically significant impact on the welfare of the population living in the UPP2 project areas. Nevertheless, based on the findings of several surveys, despite their limitations described in paragraph 2.26, a 2013 policy evaluation study concludes that most community respondents perceived the urban poverty programs as well received and beneficial (GoI/World Bank, 2013).

2.40 Micro credit facilities via revolving funds had some success, but the loan repayment rate was lower than expected. While some 19 per cent of poor people had access to the revolving funds the percentage of revolving funds with repayment rates in excess of 90 per cent was 49 per cent against a target of 70 per cent. Some beneficiaries claimed they thought they were being given grants, while others used the loans for consumption purposes. Only between 17 and 26 per cent of beneficiaries, according to the RAND Corporation Study, were likely to experience income increases due to the UPP loan. The RAND Corporation in association with SurveyMETER (2011) carried out a process evaluation in 16 *kelurahans* from 16 provinces of which 13 were randomly chosen and three purposely selected. Data gathering involved focus groups and in depth interviews as well as data drawn from the MIS. A study by the Micro Finance Innovation Center in Jakarta noted that training in basic business management was needed (MICRA, 2008). It is also evident that the poorest people were not usually considered creditworthy, so despite good intentions loans tended to be allocated to those who appeared more likely to be economically productive. Because of the relatively inadequate performance of micro-credit loans, such funds were restricted from 2007 onwards to a 10 per cent ceiling of *kelurahan* grants. As a result the share of *kelurahan* grants allocating such loans fell to 11.7 per cent after the additional financing.

2.41 In summary, it is clear that the population received many outputs (sub-projects) and that they would rather continue doing this than not. However, outcome evidence is thin. There was little evidence of health improvements or improved income from sales or reduced travel time for example. While these benefits likely existed, they were not measured and included in the results framework. Based on the available evidence, the objective of service provision was **modestly achieved.**

Efficiency

2.42 Given the low cost and large number of the individual sub-projects financed, the Bank project teams contended that it would not serve a useful purpose to estimate economic rates of return, since the sub-projects were not pre-defined, but were demand driven by the communities. In addition they claimed the standard economic feasibility analysis was not supported because of capacity constraints at local level, and the relatively high cost of undertaking such analysis. Instead efficiency was gauged by unit rate norms, which were considered by the teams to be a useful measure for community executed infrastructure projects. This approach commenced with UPP1 and has been continued through all six projects in the UPP program.

2.43 IEG does not concur with this view, however, as a *sample* of expected returns from typical projects could have been made as recommended in its 2005 study on CDD (OED, 2005). Comparing other Indonesian CDD projects, the findings of an early study commissioned by the National Planning Board Agency (BAPPENAS) showed that for a random sample of 32 projects, the average return was 52 per cent. Only three projects were under 12 per cent, nine projects were between 12 and 24 per cent and 20 projects were over 50 per cent. This did not include a general income multiplier factor of 1.16. Similar rates of return were also evident from village infrastructure projects and KDP projects (National Planning Board, 2005). While it is probable that similar high economic returns could be expected in UPP sub-projects, which constitute a fairly similar mix of infrastructure types, this is still conjecture and lacks evidence.

2.44 In terms of cost efficiency, the 2005 BAPPENAS study found that the average construction cost of CDD projects was 49 per cent lower than those undertaken by contractors of local governments. This was primarily due to the high level of voluntary labor contributed by residents in CDD projects. A 2009 study of PNPM sub-projects (that were also part of UPP2) in 12 *kelurahans* in six diverse urban areas on three major islands concluded that community-driven infrastructure activities were on average 21 per cent cheaper while projects undertaken by contract, and that local materials could be up to 70 per cent cheaper, while community work was also exempt from taxation (LPPM, 2010). Similarly, small-scale infrastructure constructed by communities in a parallel Bank-financed project in Aceh/Nias was 23 per cent less than projects undertaken by local government.

2.45 Overall, the preparation and supervision costs of UPP2 were unusually low, accounting for less than 0.4 per cent of the loan size and there were no major cost overruns. Additional financing extended the reach of the program to new areas and was not to finance higher than expected costs. With regard to the quality of the infrastructure built in the communities, the RAND Corporation study found that most respondents (including government officials) believed that the project quality was acceptable and often better than similar government constructed projects. Objective assessments by professional engineers were also largely positive (Burger, N et al 2011).

2.46 The revolving credit funds, on the other hand, were less efficient than expected because of insufficient training and weak management of micro-loans. Consequently, such funds were cut back and assigned only to beneficiaries with a proven track record.

2.47 Overall, although an indirect case has been made for the likely extent of efficiency, in the absence of direct evidence, efficiency is rated **modest**.

Ratings

OUTCOME

2.48 The project outcome rating is defined as "the extent to which the project's major relevant objectives were achieved, or expected to be achieved, efficiently." UPP2 is notable in that the GoI decided to adopt the program and expand it to make it the national model for CDD in Indonesia, an expansion accomplished in just three years. Taking into account the high relevance of the project objectives, substantial relevance of project design, and that two of the three project objectives were substantially achieved (though not without minor shortcomings), together with modest efficiency (due to a lack of evidence), the overall outcome rating is **moderately satisfactory.**

RISK TO DEVELOPMENT OUTCOME

2.49 The risk to development outcome is the risk that the anticipated development outcomes of the project will not be maintained or realized. UPP2 is part of a program that began in 1999 and is to continue *with Bank support* until at least the end of 2015 and likely beyond in a modified form. In 2007 the design supported by the Bank was accepted as the model for rolling out a national CDD program. The Government has shown solid commitment to this program as a major pillar of its poverty alleviation strategy. Moreover, during the program's 16-year life the Bank has developed a close long-term partnership with the GoI, and officials advised the IEG mission that the advice and assistance from the Bank has proved invaluable. The project has contributed to establishing reasonably effective, participatory and representative community committees that can mobilize funds through the preparation of CDPs. Both central and local governments have indicated a strong and long-term commitment to the financing of such plans. A large number of local governments elected to co-finance implementation of CDPs from their own financial resources after the project's *kelurahan* grants were disbursed in full, using the planning and financing principles developed under Component C of the project.

2.50 The communities take responsibility for the maintenance of their projects. This takes several forms including repairs by community members living in the project vicinity, repairs by persons paid by the community, and funds collected or contributed for the purpose of maintenance by the residents. The IEG mission took particular note of the state of maintenance in the projects observed in eight communities. In two cases there were minor problems such as weeds growing between paving blocks and trash that had not been cleaned up, but on the whole there were no serious problems, and in fact levies at public toilets normally exceeded cleaning costs and made a small profit for the community. Residents living adjacent to public washroom facilities often did not have such facilities in their own homes and established a roster system to keep them clean. In just one case IEG found a facility that fell short of the required standards. The communities have a strong sense of ownership and for that reason wish to keep the projects in good condition. Admittedly, however, because of the relatively short period that most projects have been in service few major repairs have yet been necessary. The maintenance aspect is therefore considered to be a moderate risk.

2.51 Most importantly the Government at both central and local level is committed to the continuance of the program and funding has continued to be made available from allocations transferred to the regions. Such transfers increased by 9.3 per cent from 2014 to 2015 - this was a real increase of 2.8 per cent taking account of inflation (Indonesia Investments, 2015). The new administration in Indonesia will discuss a new partnership agreement with the Bank during 2015. Early indications are that the emphasis will be on slum upgrading using the same model developed for PNPM, and on eliminating infrastructure bottlenecks.

2.52 Finally, the GoI and the Bank have worked together over the past 16 years to improve the program with various innovations and pilots. These improvements are discussed in chapter 4 on sustainability. Taking all these factors into account, the risk to development outcome is rated as **negligible to low**.

BANK PERFORMANCE

Quality at Entry

2.53 The model developed and refined by the Bank and the Government has been accepted as the national *modus operandi* for CDD in Indonesia. Since the legal documents stipulated general principles rather than implementation details, this allowed the project to be based on a project manual prepared by the GoI. This gave the Bank and the Borrower the flexibility to modify implementation arrangements in response to changing circumstances and reduced the cost of supervision and preparation. Flexibility was also built into the design of the block grant component insofar as communities were able to allocate available funds to the priorities that mattered most to them. On the other hand the results framework lacked targets and baseline figures at appraisal and there was also no attempt to estimate efficiency other than by reference to cost savings and inferences of results from other projects.

2.54 Three key lessons were included in the project based on the experiences in UPP1, namely: i) the need for additional time to build solid consensus in communities on the best way forward – in UPP2 four to six months was allowed for improving awareness and socialization as opposed to less than two months under UPP1; ii) the need to establish clear standardized criteria, rules and principles for the operation of the revolving funds (arguably these are still insufficient); and iii) the need to mainstream community development plans into local government policies and activities to encourage productive and sustainable relationships with the communities. This led to the introduction of the PAPG component aimed at a stronger degree of local government support and participation. In order to address governance issues and strengthen anti corruption policies, the Bank worked closely with the MPW, the implementing agency, to design and improve a "complaints mechanism" also based on a model conceived under UPP1.

2.55 On the other hand, not all risks were adequately mitigated. For example, despite a history of avoidable delays due to late budget approvals and consultant appointments, this aspect did not feature as a risk in the project preparation. The PAD proposed cancellation of the PAPGs where communities and local governments were unable to work together, but this appears at odds with the notion that these grants were intended to bring the parties together.[4]To ensure the availability of proposed counterpart funding, the PAD also advocated the principle of requiring the counterpart funds to be used first, but this proved difficult to apply in practice. Despite the fact that historically in Indonesia problems with financial management and inadequate management of infrastructure facilities were commonplace in Bank projects, the risks of weaknesses in the monitoring of funds by *kelurahans* and inadequate maintenance of infrastructure were rated, somewhat surprisingly, as negligible to low. Fortunately, the documents in respect of additional financing contained a more thorough risk analysis with specific mitigation measures.

2.56 More significantly, the establishment of stronger criteria and rules for the operation of revolving funds, though a move in the right direction, was insufficient. There were serious issues with non-payment and the financial management proved inadequate. In addition, there were a few weaknesses in M&E design, which were also addressed to the extent possible retrospectively during the preparation of additional financing.

2.57 Although the method of selecting participating *kelurahans* included criteria such as excluding the 30 per cent richest sub-districts in a participating district, as well as those with a high poverty incidence of at least 20 per cent, in practice the selection procedure proved more complicated and was not always consistent. This led to the selection of some neighborhoods that were more peri-urban and less populated in nature than intended. This could largely have been avoided if information on population densities had been obtained during preparation. Thus there were moderate shortcomings in preparation and appraisal and the **quality at entry** rating is **moderately satisfactory.**

Quality of Supervision

2.58 The Bank deployed a largely local multi-disciplinary team with expertise in project management, financial management, procurement, and safeguard policy compliance. On average there were four supervision missions a year involving coverage of at least150 *kelurahans*, and this enabled the Bank to try to proactively tackle issues as they arose. Although not mentioned in the ICR, the IEG mission established from discussions with and records from safeguards specialists, that appropriate due diligence was undertaken with regard to ensuring that any safeguard related infringements were rectified as soon as possible. Other matters tackled by the supervision team included helping resolve problems concerning delays in the establishment of the MIS, budget execution and revision, consultant mobilization, and facilitator recruitment.

2.59 Despite these intensive efforts, the project "continued to be plagued by less than fully satisfactory performance of the MIS and financial management of the revolving funds, especially in the early part of the implementation period."[5] The National Management Consultant's mid-term review noted that there had been delays and these

[4] In the event, this proved to be a non-issue as the parties worked well together in virtually all cases

[5] ICR page 14

were primarily due to a higher turnover of facilitators than expected because of delays in salary payments, and delays in the disbursement of *kelurahan* funds due to a change in the regulations for channeling them.

2.60 However, such delays were eventually compensated in part by the fact that the project team, together with the Borrower, was able to achieve a fourfold expansion in project coverage and activities following the approval of additional financing. The Bank team ensured that sufficient capacity was added on the Borrower side to meet the expanded project needs, improvements were made in disbursement capacity, while additional training programs were added for facilitators and other consultants. The team also modified funding rules to mobilize additional PAPG contributions from local government budgets, while the anti corruption measures and the complaints handling system were progressively improved in close cooperation with the implementing agency. Although the team proactively assisted the Borrower in changing the composition of the *kelurahan* grant allocations away from the poorly performing micro credits in favor of social infrastructure targeting the very poor, this was a *de facto* admission that the system to provide small loans as devised was not working. Greater attention could also have been directed to the future maintenance aspects of the sub-projects. **Quality of supervision** is rated **moderately satisfactory** and, **overall Bank performance** is rated **moderately satisfactory.**

BORROWER PERFORMANCE

Government Performance

2.61 Because the project was fully in line with Government policy it secured strong commitment from the GoI and was prepared in just twelve months, which is above average for Bank-financed projects in Indonesia especially considering the size and complexity of the initiative. The Government's decision to scale-up the project to nearly four times its original size demonstrated its singular commitment to transform the project into a vehicle for delivering support to poor communities throughout Indonesia.

2.62 Despite this signal achievement, however, the GoI could have been much more proactive in preventing delays in budget execution, since revisions were amongst the principal causes of the extended implementation period. This situation was also exacerbated by a further slow-down in the months following the 2004 national election. The best performing *kelurahans* were rewarded with additional grants, but some of the most impoverished districts were excluded, because of non-performance or lack of interest. The Government recognized, however, that progress would be incremental and that the program would have to be improved over time. This also applied to the adequacy of capacity with the massive scale-up of the project; GoI was aware that there was a history of delays and errors in procurement due to the PMU's limited capacity. Moreover, facilitators' contracts were renewed annually, which did not provide certainty or reliability and together with late salary payments partly accounted for the shortage of facilitators, who played such a key role. Government performance overall was **moderately satisfactory.**

Implementation Agency Performance

2.63 The implementing agency, the MPW, with the collaboration of the Bank accomplished the fourfold expansion of the complex project within a year. It also fully supported the bottom-up community driven approach adopted in the project. Though not without roll-out problems the M&E system in time made the outcomes of the project reasonably transparent to communities and indeed all stakeholders. In due course, MPW adapted the MIS to cover PNPM as a whole. The implementing agency was also willing to be flexible when implementation arrangements needed to be modified, and responsive to complaints – or even suspicions that funds had been misused.

2.64 This said there were several avoidable problems that could have been corrected with stronger implementing agency management. These included poor compliance with established financial management procedures in respect of revolving funds, and late payments to facilitators. There were also delays in the MPW recruitment of consultants to act as facilitators at both national and local levels. Delays in consultant recruitment meant too that the government's survey of project results, based on key performance indicators, had not been delivered at the time that ICR was being prepared, though ultimately the project outcomes were delivered satisfactorily. **Implementing agency performance** was rated **moderately satisfactory** and **overall borrower performance moderately satisfactory**.

MONITORING AND EVALUATION

2.65 The M&E system of necessity had to be extensive to cover the widespread geographical locations of the beneficiaries and the large volume of data to be collected. Responsibility was given to the MPW to establish and operate the MIS. The initial concept was that the MIS should encompass UPP1, 2 and 3 and the intention was for the information to be regularly updated and publicly accessible through the web. It was also envisaged that it would include a system for posting and dealing with complaints. The MIS was over-ambitious in terms of complexity and data demands in the time planned for its implementation and it also took longer than expected to design. Six out of eight outcome indicators and five of the 31 outcome indicators required a survey. Many of the indicators proposed in the PAD also lacked baseline data and time-bound targets, while more attention should have been given to measuring the participation and voice of the poor, as well as the responsiveness of local government.

2.66 Because of this complexity, the system only became functional in mid-2005, and did not start to generate values for most performance indicators until 2006, over three years after project effectiveness. To address the lack of progress the implementing agency appointed a team of consultants to undertake this activity and delayed payment until the data were brought up to the required standard. Together with spot check monitoring, these measures improved the quality of information, although some data collection problems, according to the ICR, remained throughout implementation. Nevertheless by closure the MIS website was fully operational and provided ready access to information on the program.

2.67 Despite early implementation problems, once the MIS became operational it became invaluable. It helped identify and remedy issues of service quality, it incorporated better controls, it fine-tuned and targeted resources where they were most needed, and it improved transparency and strengthened public confidence in the program. The public was able to see the fairness of the resource allocation process and the tangible benefits to poor households were visible. The outputs of the system became publicly available on the National Community Empowerment Program website www.p2kp.org in the form of downloadable Microsoft Excel and PDF files most of which are updated on a monthly basis.

2.68 From 2007 onwards, the system also published information on contracts financed by the project and payments to contractors. Complaints could be registered on the site and the responses available to all, which ensured high transparency. Between 2004 and 2009 there were 27,155 complaints, virtually all of which were resolved. The content of the site was in *Bahasa*, but for most of the content an English translation was also available. The IEG mission was briefed on how to use the system and made extensive use of it in the preparation of this PPAR. The data has become the website for the entire PNPM program and continues to be improved. The GoI is now using the MIS on an intensive basis to monitor its nationwide community development program and this strongly supports the system's likely sustainability. Accordingly, in spite of the long and difficult establishment process M&E quality is rated **substantial,** but greater attention should have been focused on measuring the voice of the poor and responsiveness of local government.

3. Third Urban Poverty Project

Objectives, Design, and Relevance

OBJECTIVES

3.1 The project development objective stated in both the development credit agreement 4063-IND (page 21) and the PAD (page 6) is *to provide improved services for the urban poor and strengthen community and government institutions for responsive service delivery*.

3.2 As indicated in paragraph 1.10, there was considerable overlap between UPP2 and UPP3 for nearly five years. The latter commenced in parallel with UPP2 and was completed one year later. Although the development objectives of UPP3 were more concisely stated, the meaning was essentially the same. The operational approach was also similar, except that UPP3 targeted new *kelurahans* in several provinces in which the Bank had not previously been involved. For this reason some sections that follow cross-reference to the findings of UPP2, either where no new evidence is available or where the activities are identical.

RELEVANCE OF OBJECTIVES

3.3 UPP3 was approved in parallel to UPP2 in May 2005. It was a further geographical expansion of UPP2 to other areas of the country, leading to the establishment of a national program as part of the government's poverty reduction strategy. UPP3 was in line with core engagement three, (the community development and social protection pillar) of the FY2009-2012 CPS. The Bank aimed to improve the socioeconomic and local level governance conditions of the urban and rural poor through wider implementation of poverty reduction and community empowerment programs. This reflected Government strategy; GoI launched a major two-pronged poverty reduction program in 2006 through community empowerment and conditional cash transfers. These measures were aimed at cutting the poverty and unemployment rates in conjunction with national community-driven development and labor-intensive activities. The relevance of objectives is rated **high.**

DESIGN

3.4 The project comprised four components as follows:

Component 1: Community Development and Local Government Capacity Building (appraisal estimate US$11.4 million; actual at completion US$12.5 million). This component was to provide technical advisory services to carry out community development and local government capacity building activities, including:

i. The formation (or confirmation) of an elected body of representatives in each *kelurahan* known as BKMs (Board of Community Trustees);
ii. The formulation of a Community Development Plan (CDP) for each project *kelurahan*, using a transparent and participatory process;
iii. Organizing and assisting community groups *Kelompok Swadaya Masyarakat* (KSM), which would submit proposals to the Trustees to utilize project resources and implement programs identified in the CDPs; and
iv. Assistance to Trustees on how to form associations with local governments to build capacity for working with the Trustees and their associations, as well as the preparation of city level plans for implementation of regional poverty alleviation strategy programs. Facilitators were to be trained to work directly with communities in project *kelurahans* and with local government officials at the provincial and *kabupaten/kota* levels in a “guided socialization process.”[6]

Component 2: Kelurahan Grants (appraisal estimate US$93.8 million; actual at completion US$96.0 million). Block grants to participating *kelurahan* to finance activities identified in the CDP, including:

i. Specific high-priority infrastructure investments;
ii. Competitive proposals from community groups consistent with the priorities in the community development plans;
iii. Revolving fund loans for community groups, and
iv. Social safety programs for the benefit of the poorest and most vulnerable groups of individuals.

Kelurahan grants would not finance potentially sensitive activities on the project’s negative list (such as religious buildings or government offices). Each participating

[6] Whereby facilitators were trained to work with communities to increase their awareness and offer advice.

kelurahan was to receive a one-time block grant of IDR 200-500 million (US$24,000 to US$59,000) to finance investments in one or more of the above categories, in accordance with their CDPs. *Kelurahan* grants would be disbursed in three tranches to ensure proper management and fund use, and to encourage better outcomes.

Component 3: Poverty Alleviation Partnership Grants (appraisal estimate US$64.9 million; actual at completion US$83.5 million). The purpose of this component was to encourage partnerships between local government and communities and to institutionalize a consultative process between the two partners for future activities undertaken by local governments. It would provide 30 participating districts with access to matching grants, known as Poverty Alleviation Partnership Grants (PAPGs) to finance poverty alleviation sub-projects that were:

a) Too big to be financed by the *kelurahan* grants (i.e. in the range of IDR 30-200 million or U$3,500 to US$24,000) or that required local government involvement,
b) Located in more than one *kelurahan,*
c) Not on the negative list for *kelurahan* grants, and
d) Jointly prepared, proposed and implemented by the Trustees in collaboration with local government departments. Both local governments and eligible sub-projects were to be selected on an agreed and competitive basis.

Component 4: Implementation Support (appraisal estimate US$13.0 million; actual at completion US$14.3 million). The project was to be managed by a project management unit (PMU) in the MPW. The PMU was to hire consultants and facilitators to assist in project implementation. Technical assistance was to be provided through national management consultants at the central level, and oversight consultant (OC) teams at the provincial level, with oversight consultants' offices in the participating district governments, and facilitators and community cadres at the *kelurahan* level.

RELEVANCE OF DESIGN

3.5 The statement of objectives was clear and there was a logical causal chain between the activities to be supported and the intended outcomes. The design was adapted and improved from that used in UPP1 and UPP2. For example, the objective to provide improved services to the urban poor and strengthen government institutions was to be achieved through the *kelurahan* block grants and the PAPGs, while capacity building at community level was to be achieved through technical advisory services based on CDPs and implemented through elected bodies of representatives known as BKMs. It was expected that project activities would strengthen the link between the local governments and the communities, which in turn would lead to more responsive service delivery. The implementation arrangements were realistically designed and not overly complex.

3.6 A minor weakness, as in UPP2, was that while the project design supported the strengthening of the capacity of communities to organize, plan and prioritize their development projects, it made limited provision for the operation and maintenance of the newly created infrastructure. Although community members received some technical training in this area, it was fairly superficial. On balance, however, relevance of design is rated **substantial.**

IMPLEMENTATION

3.7 The project was approved by the Board on May 17, 2005 and became effective on October 28, 2005. It was completed on schedule on March 31, 2011, three months after UPP2 closed. Project activities were sometimes interrupted or postponed because of avoidable delays in execution, budget revisions or consultant recruitment, but in the end this did not affect the completion date.

3.8 Financial management of revolving funds was on balance less than satisfactory during implementation, although this did not lead to any known misuse of funds. In 2006 the Ministry of Finance changed a regulation to permit GoI to channel *kelurahan* grants through a commercial bank. Although this initially caused some delays in fund disbursements, ultimately it had positive effects on the project's financial management and the transparency in the flow of funds.

3.9 It was intended in the PAD that the project would provide grants to 660 *kelurahans* supported in the two previous Urban Poverty Projects where the Boards of Community Trustees had been functioning well. During implementation, after consultation between the Bank and the Borrower, this number was reduced to 273, of which ten were located in areas not previously covered by either of the two prior urban poverty projects. However, each of the 273 *kelurahans* was to receive a higher additional grant (up to one billion IDR), to be disbursed in three tranches for a combination of improvements. These grants were called Neighborhood Development (ND) schemes and were to be used as a comparator to regular PAPG grants to see whether larger grants were more effective.

3.10 GoI created a unified management structure for all UPPs during the implementation of UPP3. Although this reorganization slowed project operations in the short-term, it also provided a solid foundation for placing UPPs within the framework of the new National Community Empowerment Program in Urban Areas. Furthermore, it made provision for a separate national management consultant for the PAPGs and gave special attention to the ND Program.

Fiduciary management

3.11 During the project there was a gradual improvement of the financial reporting capability of the PMU in the MIS and this was confirmed by independent financial audits. At the district, provincial and central levels, project implementation units used the Government's computerized accounting system. At the village level, community Boards of Trustees used manual accounting systems. Nevertheless, the project still encountered problems with financial management, despite some improvement after 2007 (see paragraph 2.17 and 2.18), primarily because the revolving funds sub-component was often unable to comply with financial management guidelines, especially those related to safekeeping and the dissemination of financial reports. These problems were exacerbated by difficulties in finding qualified facilitators. The performance ratings given in the ISRs reviewed in total by IEG for financial management were moderately satisfactory or better.

3.12 The overall project was audited by *Badan Pengawasan Keuangan dan Pembangunan* (BPKP), a Government auditing agency. The auditor's opinions of the project's financial reports were unqualified. In addition all *kelurahans* were required to have an independent public accountant to audit the accounts of their Boards of Trustees. According to the Final Quantitative Evaluation Report, based on a sample of 80, the percentage of BKMs with Audited Financial Reports increased from 30 per cent in 2007 to 80 percent in 2010, but a few were qualified due to the poor compliance with financial management procedures relating the use of revolving funds as well as late payments. According to the operational staff, the financial management shortcomings did not, however, lead to any known misuse of funds or unresolved complaints about the use of funds.

3.13 The ICR was silent regarding issues involving governance of procurement. Yet, project activities were postponed because of lengthy delays in consultant mobilization and facilitator recruitment (even though this was the third project using similar implementing arrangements, and the Bank had already provided the implementing agency with a short list during loan negotiations). According to financial staff interviewed by IEG, to minimize procurement risks with community-procured works and goods, a series of mutually reinforcing measures were put in place. These included: (i) an extensive complaints handling system, (ii) publication of the consultants' invoices in the project's public website, (iii) regular spot checks, (iv) independent audits, (v) intensive Bank supervision, (vi) disbursements of funds to communities only after verification of financial management performance of the community board of trustees, and compliance with community development plans by facilitators and a community board of trustee cosignatory, as well as (vii) oversight by consultant teams at both district and national levels.

Safeguards.

3.14 The project was classified as category B as there could be some sub-projects with potentially adverse consequences. Four safeguards policies were triggered: OP4.01 (Environmental Assessment), OP 4.12 (Involuntary Resettlement), OP 4.20 (Indigenous People), and OP 4.11 (Cultural Property). The same environmental and social specialists involved in UPP2 also covered UPP3 since the two projects significantly overlapped. Consequently, the comments in paragraphs 2.19 to 2.21 above apply to both projects. ISR ratings of safeguard compliance were all in the satisfactory range.

ASSESSMENT OF OUTCOMES

Efficacy

3.15 Although all three Urban Poverty Projects had broadly the same aim, attributing the results to individual projects was facilitated by the fact that geographical coverage was different in each case. The intended beneficiaries of this project consisted of two groups: some 8.4 million persons (of which an estimated 3.55 million were classified as poor) living in about 1,736 *kelurahans* in 78 districts (*kabupaten and kota*) in 15 provinces throughout Indonesia that were previously not covered by either UPP1 or UPP2:

Objective 1: To provide improved services for the urban poor: *Substantially Achieved*

Outputs

- About 49 per cent of *kelurahan* grants were invested in physical infrastructure, followed by revolving loan funds (27 per cent) and grants for social infrastructure and services (24 per cent). Most of the grants for physical infrastructure was invested in roads (1,516 km of village roads, 44 per cent of total cost), followed by: drainage (753 km, 20 per cent of total cost), and water supply (19,900 clean water units, 11 per cent of total cost). The remaining infrastructure comprised small bridges, sanitation and housing rehabilitation, irrigation canals, markets, shops, and electricity connections. (See Table 6).

Table 6: Distribution of Infrastructure sub-projects Financed by Block Grants Completed under UPP3

TYPE	MEASURE	UPP3	% TOTAL COST	TOTAL COST US$
Village roads	Km.	1,516	44.6	11.87
Small bridges	Km.	61	8.5	2.25
Irrigation canals	Km.	52	1.2	0.32
Drainage facilities	Km.	753	20.4	5.42
Water supply facilities	Units	19,900	10.7	2.84
Sanitation facilities	Units	10,430	7.8	2.07
Markets/shops	Units	162	0.1	0.02
Houses rehabilitated	Units	8,320	4.2	1.13
Waste disposal facilities	Units	6,240	0.9	0.26
Electricity connections	Units	4,488	1.6	0.44
Total			100.0	26.62

Source: MIS (May 31, 2011)

- Some 273 participating *kelurahans* were funded by PAPGs against a target of 660, because of the decision to make the grants larger.

- Local Government, the private sector, and others provided about 58 per cent of sub-project financing, which was higher than the target of 50 per cent. Communities contributed 14 per cent of the financing. Most of the PAPG investments were used for physical infrastructure, particularly roads, drainage, housing rehabilitation, education facilities, water supply, and irrigation.

- Social programs covering aid for the elderly, scholarships for students and skills training, accounted for about 550,000 beneficiaries of whom 59 per cent were reportedly poor urban households.

- The project provided revolving funds to 32,881 community groups of which about 46 per cent were women. However, only 45 per cent of the community groups with revolving funds had repayment rates over 90 per cent.

Outcomes

- 53 per cent of poor households benefited from PAPGs against a target of 60 per cent.
- 50 per cent of poor households in the targeted *kelurahans* received benefits and improved services.
- 74 per cent of poor households used project infrastructure against a target of 75 per cent
- 48 per cent of poor households had access to micro credit against a target of 40 per cent
- 59 per cent of poor urban households received grant assistance against a target of 15 per cent.

3.16 The ICR for UPP3 does not provide outcome indicators because the quantitative and qualitative study to measure the outcome and results of the project was still ongoing when the ICR was completed. However, information from the final report (provided by the project team to IEG) show that nearly all indicator targets were met or exceeded.

- About 90 per cent of the poor households in the targeted *kelurahans* received benefits and improved services from the project compared to the year five 2010 target of 50 per cent. Improved services from road access were cited most frequently as the major benefit from the project - about 95 per cent of the respondents noted improved access to markets.

- The second most frequently cited service was improved loan access. More than 80 per cent of households that had applied for a revolving fund loan stated that the loan procedure was simple and the loan-processing time was short. About 38 per cent of the revolving fund recipients indicated increases in their income level. The report also found that 88 per cent of the BKMs formed were representative, effective, and operated in a participatory manner compared to the year five 2010 target of 70 per cent.

3.16 The PAPGs were designed to increase partnership between the communities and local governments and this is demonstrated by the frequency of meetings and the commitment of funds by local governments (119 in both UPP2 and UPP3). The ND pilot program based on larger grants was introduced to encourage community involvement in wider urban spatial planning. It is still under assessment (see chapter 4), but preliminary findings suggest that community participation is less than envisaged due to the complexity of bigger projects and the relatively small number of residents who perceived a direct impact from them (World Bank Policy Note, 2013).

Objective 2: To strengthen community and government institutions for responsive service delivery: *Substantially achieved*

Outputs

- The capacity building activities conducted under the project comprising training, focus group discussions, workshops, etc. have enabled the local governments to prepare a Regional Poverty Alleviation Strategy for each city - 70 Regional Poverty Alleviation Strategy papers were completed against a target of 40.

- The project supported the establishment *kelurahan* organizations, 100 per cent of the participating local governments formed the Community Board of Trustees (BKMs) against a target of 80 per cent per cent to provide services to the urban poor and increase the voice of the poor in public decision-making. The vast majority of the BKMs were established through democratic election processes that involved about 35 per cent adult voters, which is higher than the targeted value of 30 per cent. About 86 per cent of the BKMs completed financial audits against a target of 80 per cent.

- The community organizations established under the project included 22 per cent of women as elected members. Over 35 per cent of female and vulnerable groups (compared to the target of 30 per cent) participated in discussions about the project. The vast majority (99 per cent) of all participating *kelurahans* completed and ratified CDPs for the provision of services to the urban poor.

Outcomes

3.17 The project was successful in encouraging partnership between local governments and community organizations participating in the PAPGs to plan and invest in community infrastructure and social programs as evidenced by: (a) the number of local governments participating in PAPG was much higher than expected (70 instead of a target of 40), (b) 30 local governments financed more than 40 per cent of the cost of sub-projects from their own budgets, thereby leveraging the use of Bank financing by a considerable margin, (c) about 35 local governments replicated the PAPG approach in their *Kota/Kabupatens*, and (d) the PAPG mechanism was pursued by local governments for implementing their neighborhood upgrading program for the poorest and will likely be used in the upcoming slum upgrading program. The IEG mission confirmed considerable enthusiasm for joint participation by communities and local government alike. Though not intended by the project, emergency reconstruction projects to replace housing and small-scale infrastructure destroyed in natural disasters also adopted the UPP model of community involvement.

Efficiency

3.18 As in UPP2 the sub-projects were not pre-identified, and no cost-benefit analysis or cost-effectiveness analysis was carried out at appraisal. The ICR also did not calculate an ex-post economic rate of return. However, studies from comparative CDD projects in Indonesia showed that returns could be expected to be very substantial and the average construction cost of CDD projects was also 49.4 per cent lower than those undertaken by contractors of local governments. See also paragraphs 2.32 and 2.33 above.

3.19 However, the ICR for UPP3 notes (p. 12) that these cost savings are sometimes partly offset by other factors, including: lower technical quality (especially for relatively complex infrastructure, such as housing units and water supply systems), limited capabilities for operations and maintenance, and a heavy reliance on facilitators, which resulted in higher project implementation costs. To counter this, illustrated operational manuals were developed in Bahasa and English that showed the right and wrong way to build and maintain infrastructure. In the view of the operational staff and confirmed by the IEG mission, these manuals were highly appreciated and widely used. Overall, given the lack of evidence, efficiency is rated **modest.**

Ratings

OUTCOME

3.20 The relevance of objectives is rated high, while the relevance of design is rated substantial. The efficacy of the first objective - to provide improved services for the urban poor - is rated substantial, while the second objective - to strengthen community and government institutions for responsive service delivery - is also rated substantial, since the urban poor were successfully targeted and the capacity of beneficiaries, local and urban governments to plan together was enhanced. Efficiency is rated modest, however, so the overall outcome is assessed as **moderately satisfactory.**

RISK TO DEVELOPMENT OUTCOME

3.21 The risk to development outcome needs to be assessed in the context of the overall program, which is still continuing and has been incrementally improved over time. GoI has shown solid commitment and the program has become a pillar of the national CDD program. This and other arguments are fully described in paragraphs 2.35 to 2.38 and recent developments including arrangements for maintenance are discussed in chapter 4.

3.22 Risks associated with financial management and the ability of the communities to monitor the use of the funds provided in the future is fairly limited at BKM level, as most have proved their ability to manage and audit the block grants successfully. The ICR for UPP3 did though note though that the management of the revolving fund loans was less than satisfactory as beneficiaries were not always able to comply with the financial management guidelines. The project team pointed out that the grants for revolving funds, however, were substantially lower than grants for infrastructure or social services (i.e. only eight per cent of the project cost) and given the intention of Bank and Borrower to limit micro loans to beneficiaries with a proven track record, the risk is diminishing further. Overall, the risk to development outcome rating is rated as **negligible to low.**

BANK PERFORMANCE

Quality at Entry

3.23 The project was a geographical expansion of UPP2, which was in implementation at the time of appraisal. While formal lessons learned from UPP2 could not be incorporated in UPP3 since the findings from the impact evaluations were at that time not yet available, the Bank team was still able to incorporate learning from two previous projects. Mitigation measures were appropriately identified. These were provisions for stronger support to local governments; allocation of more grants per *kelurahan* to well-performing BKMs in UPP1 and UPP2 locations; and inclusion of easily measurable targets. Risk identification was also adequate. The PAD rated the overall risk for the project as modest with the only risk element rated above either negligible or modest as the “willingness of local governments and *kelurahan* structures to work together” - rated as "substantial". However, as with UPP2, this was found in practice to be a non-issue. Other risks included the potential for political interference in either the establishment of the ward level community organizations (BKMs) or the risk of the BKM’s being co-opted by the local elite. Concerns were also justifiably raised regarding the financial management in the light of previous experience and should have been flagged as substantial. The mitigation measures were generally simple and focused on capacity building.

3.24 Since this was the third project in this series, the overall risk rating of modest appears not unreasonable, although financial management difficulties were clearly underestimated. However, there were also weaknesses in M&E design since the performance indicators were largely output based and there were no baseline estimates. The qualitative aspects of monitoring the responsiveness of local governments should have been stronger. As in UPP2, there was also no attempt to estimate efficiency other than by reference to cost savings and inferences of results from other projects. Accordingly, performance at entry is rated **moderately satisfactory.**

Quality at Supervision

3.25 The Bank mobilized a mostly locally-based multi-disciplinary supervision team with expertise in project management, financial management, procurement, monitoring, and safeguards. The project team typically fielded two full supervision missions per year in addition to many shorter site visits between missions. It made sense to combine missions for UPP2 and UPP3 since the team composition was nearly identical. Virtually all team members were based in the country office, which allowed for much closer and more continuous interim supervision. All core members of the Bank’s task team remained unchanged over the course of eight years, allowing for continuous learning and long-term relationships with Government counterparts.

3.26 Intensive supervision enabled the Bank to identify and proactively address key issues adversely affecting the achievement of the project development objectives at an early stage, notably delays in budget execution and revision, consultant mobilization, facilitator recruitment, implementation of the PAPGs, and limited compliance with financial management procedures for the revolving funds. The Bank team systematically visited over 100 villages per year. In addition, the team developed various innovations in supervision including a website, a complaint handling mechanism and a teleconference system between project operators and the communities. Performance is rated **satisfactory** and overall Bank performance is rated **moderately satisfactory.**

BORROWER PERFORMANCE

Government Performance

3.27 The GoI displayed a strong commitment to the project as shown in its 2000-2004 National Development Plan to guide the project, and in support for its long-term strategy for poverty alleviation. As further strong evidence of its ownership of the project, the Government established an Inter-Departmental Team consisting of the Coordinating Ministry of Social Welfare, the National Planning Agency, the MPW, the Ministry of Finance, and the Ministry of Home Affairs, to improve coordination at the central level. The Government created a unified management structure for the three urban poverty projects that enabled the projects to be placed within the new National Community Empowerment Program in Urban Areas. It made adequate funding available for local governments and encouraged them to participate. Moreover, it established a separate National Management Consultant for Poverty Alleviation Partnership Grants and the Neighborhood Development Program in view of the special attention that these components required.

3.28 In 2006, the Ministry of Finance changed a regulation on fund channeling that allowed the Government to route *kelurahan* grants through a commercial bank. Initially, the implementation of this regulation led to delays in fund disbursement, but ultimately it had positive impacts on the project's financial management and transparency in the flow of funds. The Government contribution to the project increased significantly from US$23.8 million to US$42.0 million during implementation, a 76 per cent increase. Performance was **satisfactory.**

Implementing Agency Performance

3.29 The implementing agency was the MPW and the PMU was housed in this Ministry. MPW took steps to modify implementation arrangements where needed and responded appropriately and quickly to complaints about the misuse of funds. The implementing agency also created a detailed master schedule, which helped the Government reduce avoidable delays during project start up and implementation. The design of the block grant component and flexibility in its implementation allowed the communities to put the available funding where it mattered most to them. Anti-corruption measures such as the complaints handling unit were introduced to report incidences of suspected corruption. As of December 31, 2010, the project had resolved 7,384 of 7,394 reported complaints.[7] A total of 121 cases of corruption were identified, accounting for an estimated misuse of funds of approximately US$ 310,342 equivalent. The ICR does not mention how many of these reported cases were substantiated but notes (p. 19) that the PMU successfully recovered all of these funds.

3.30 There were, however, several shortcomings that stronger management might have been able to correct, such as poor compliance with financial management procedures regarding the revolving funds, late payments, the high turnover of facilitators, late arrival

[7] In reality many of the “complaints” were actually requests for information. Most genuine complaints were resolved at community level without the need for formal investigation.

of socialization materials, and lengthy delays in consultant recruitment (even though the Bank already provided the implementing agency with a short list of consultant requirements during loan negotiations). **Implementing agency performance** was **moderately satisfactory** and **overall Borrower performance** was **moderately satisfactory.**

MONITORING AND EVALUATION

3.31 This is fully described in paragraphs 2.52 to 2.55 above. At the end of project implementation, the project's website not only provided access to data on all three of the urban poverty projects, but also on all follow-up projects (see Annex C for KPIs). The system was also adopted for other projects in MPW. M&E was rated **substantial.**

4. Enhancing: Recent Developments in PNPM Urban

4.1 In this chapter developments after UPP3 closed in 2011 are discussed, since they have a direct bearing on the risk to development outcome of the program. The discussion incorporates some of the main findings of various studies completed since that date, details of some pilot projects under implementation and ideas on possible future changes to the program.

Social Assistance and Revolving Funds

4.2 While basic infrastructure is clearly important, findings of the qualitative assessment of the needs of the urban poor suggest that social assistance programs to help poor household out of destitution or that help avoid vulnerable households from falling into poverty are more highly valued by the beneficiaries (Burger N et al, 2012). Frequently mentioned challenges in urban focus groups are inadequate incomes, as well as difficulty in finding jobs, and school expenses. In part this reflects the classic public goods problem in that individuals tend to undervalue projects that provide collective benefits in favor of those that provide direct assistance. On the other hand more than 80 per cent of the *kelurahan* grants were allocated to infrastructure in terms of the CDPs. Both the Bank and the Borrower nevertheless realized there could be merit in encouraging a larger share is allocated for funding of social and economic programs.

4.3 To date, around 15 per cent has been aimed at the poorest of the poor in terms of social benefits, while a further ten per cent has been allocated to revolving funds, which have not had a stellar performance. Although the Bank strongly considered phasing out these funds, this was contrary to the wishes of the communities. A better option, pursued since 2011, has been to redesign the program to better meet the economic and social needs of the poor. "An increased focus on social activities could help the poor to access existing social protection programs for which they may be eligible" (GoI/World Bank Policy Note, 2013). Assistance could also be given to realistically identify and market new products that the poor can sell. Inevitably some not-so-poor people would also benefit from these programs, so the challenge is to maximize the benefits to the really poor. Findings in one recent work suggest that community-based development efforts may provide only partial relief on income poverty. Projects with significant microfinance components do show positive impacts on savings and assets, but these effects have often been confined to the life cycle of the project. There is also some evidence that community-based development projects improve nutrition and diet quality, especially among children, although some studies find that larger benefits tend to accrue to better-off households (Mansuri G, and Rao, V, 2013). Capacity building in connection with the management of revolving funds according to the facilitators interviewed needs to be more focused on the beneficiaries who should take a compulsory training course before being granted the micro-loan.

4.4 Given the history of problems with revolving credit funds, the Bank is piloting a new approach in Aceh Province under a USAID trust fund grant. The "Livelihoods" approach, as it is known, differs from existing revolving loan fund activities in four respects:

- It targets the poorest in the urban communities with a view to their empowerment through developing opportunities such as introducing products, expanding market networks and creating jobs;
- It focuses on institution building and group capacity development;
- It provides training in basic financial management, and
- It creates a system to provide participants with demand-based technical assistance.

4.5 The pilot in 56 selected *kelurahans* is based on strengthening the group through non-negotiable requirements (or principles) that include weekly meetings, savings contributions, and training in bookkeeping, internal lending and repayments. Results are expected in December 2015.

Feedback from Facilitators

4.6 Facilitators are relatively poorly paid to avoid allegations of perceptions that they are benefitting strongly from their duties. They also often experience uncertainty concerning the renewal of their contracts. A typical facilitator profile is a relatively young educated person seeking vocational fulfillment. Moreover, as the IEG mission found in two focus group meetings, the effectiveness of the facilitators depends to a large extent on their workload and IEG's discussions revealed they sometimes have to work with a greater number of communities and groups than they can effectively manage.

4.7 They also indicated that while they appreciated the training they had received, more capacity building was needed. One improvement suggested was to recruit and train new facilitators twice a year instead of once, as is currently the case. Because of this lack of training frequency, vacancies can sometimes remain unfilled for many months. Training materials are good and on several occasions facilitators spoke commendably about the construction guidelines that showed pictorially the right and the wrong way to construct infrastructure projects. One change during the evolution of the program has been to fully involve the local headman (*lurah*) in the capacity building, since this leads to greater commitment. In the early stages of UPP, involvement of the *lurah* had actually been discouraged because of the need to encourage more direct community participation.

Between 2007 and 2015, however, over 10,000 *lurah* have been trained using the same training modules as for BKM members. Community volunteers also play an important role, including in the planning, administration, implementation and maintenance of projects. However, volunteers were not always available when needed due to other calls on their time, including paid employment, but on the whole this was manageable.

4.8 The auditing capacity of the communities has also been enhanced. Under PNPM the external audit now goes further than merely providing an opinion on the accounts. An opinion is also expected on the strength of the internal control framework and compliance with the project manual. The BPKP audit manual for CDD has been improved as well so as to be risk based and focused on internal controls. The auditor now has to assess and report on the achievement towards the KPIs that relate to selected areas of governance and financial management. Under PNPM Urban III the Bank requested BPKP to further increase the number of audit samples in 2010 and provided funds to train local inspectors.

Gender Issues

4.9 It is now a requirement of the World Bank East Asia Region that all projects are reviewed for the potential to improve the gender content. Country office management in Jakarta uses a "dashboard" monitoring system to track gender activities in Bank projects in Indonesia. In the Bank-funded Urban Poverty Program and the subsequent National Program for Community Empowerment (UPP/PNPM), the participation rate by women and vulnerable groups in community discussions was 35 per cent against a target of 30 per cent in 2011. The latest PNPM Management Information System data for 2014 (three years after UPP3 closed) show that the momentum has been maintained and for all 10,922 *kelurahans* in 33 provinces the average participation rate for women is now 47 per cent. The highest participation rate is West Sulawesi (61 per cent) and the lowest Central Kalimantan (37 per cent). Some 35 per cent of community facilitators are now women.

4.10 However, the *quality* of women's participation overall and especially in the remoter locations remains problematical. Participation by women is influenced by local traditions and culture. Male members largely manage most relationships with facilitators and local government, and often dominate BKMs. The situation is better in areas such as Central Java, where there is evidence that the women participate in real decision-making. In the more conservative areas, however, the women may attend the meetings, but their role is primarily providing refreshments and sometimes performing secretarial duties. Participation of the poorest women is said to be particularly weak, although no figures for this aspect are available.

4.11 In Java and a few other areas some success has been achieved by holding separate preparatory meetings for the women only, in which they are encouraged through facilitation to express their views. However, these views are only likely to be aired at the main meeting if there are strong female committee members to put them forward. The general guidelines for facilitators are gender neutral, but the contracts for individual facilitators stress that gender issues must be given attention. A 2012 report on enhancing women's participation in PNPM Urban found diverse views and perceptions about the roles of women and men in community development across the seven *kelurahans* studied, and this diversity had a significant impact on the level of women's participation in the *kelurahans* visited (Dewayanti, R, 2012).

4.12 Nonetheless, a $24.8 million grant that includes a pilot initiative on improving women's empowerment is now active in 13 districts in Aceh Province.[8] This involves the formulation of KPIs, the development of a technical manual and implementation of an empowerment program. There are guidelines available, but at this stage they are only available in *Bahasa.*

4.13 In the locations visited by the IEG mission in Central Java (Pekalongan and Yogyokarta) women's participation shown in the MIS was between 41 and 43 per cent, and the quality of the participation was good. Usually the regular monthly BKM meetings were primarily attended by elected members, although any community member could be present if they wanted to. However, the annual meeting reviewing progress and finances was nearly always well attended. The mission went to one such meeting (*Kelurahan* Duwet in Pekalongan) and some 260 people were present. This meeting continued until late at night. In meetings attended by the mission many women held back initially, but gained confidence during the proceedings and in several cases became quite animated. Women who had been elected as BKM members participated without any such restraint.

4.14 Women interviewed said they participated in poverty mapping, helped in project selection, preparing proposals and project reports, and even assisted with complaints handling. In general, the women tended to prefer projects that would increase household income or were family orientated such as health clinics, kindergartens and playground areas. They also supported infrastructure projects that improved access to schools and improved road safety or that enhanced health such as drainage and public toilet facilities. Voluntary work, however, often took the form of providing food and drink for the male workers.

4.15 Some women took advantage of the revolving fund micro loans to start small businesses either individually or in groups. These included selling local foods and delicacies for tourists. They also made and sold souvenirs such as ceramics, handicrafts, clothing and novelties. One woman interviewed operated a successful business producing food on an improved riverside walk. Her latest loan was for Rp one million ($80). Repayments on her loan were Rp100, 000/month ($8) and Rp15, 000 ($1.2) covered the interest, (the rate was determined by the community), but her earnings were Rp200, 000/day ($16). This was her third loan. The first two loans were smaller, but because she successfully repaid the capital amounts she established a track record and so was allowed a larger amount with each successive loan.

PAPGs and Neighborhood Development

4.16 "Indonesia's institutions have evolved considerably over the past decade with its sub-national governments now playing a major role in service delivery. As local governments take on a greater role in service delivery, it is increasingly important to ensure that the PNPM Urban operates effectively in the context of this decentralization,

[8] TF012192 using USAID funds

particularly in ensuring good collaboration between the PNPM Urban and local governments" (Government of Indonesia/World Bank, Policy Note, 2013). The PAPG concept was introduced to strengthen linkages between communities and local governments. The intention was to encourage constructive partnerships between local governments and communities and this was achieved. Upon completion of the PAPGs the partnership arrangement has usually continued, though the mechanism was often adapted to suit local circumstances such as available budget and the orientation of city planning. Some 75 per cent of local governments in Indonesia now provide counterpart funds. The ones that contributed to PAPG contributed more than 40 per cent of the funds for sub-projects. The outcome was indeed greater interaction, but the results do appear to reflect more community participation in local government activities than local government support of CDD driven initiatives. The primary driver for local government was clearly to leverage additional funds.

4.17 In later Bank supported projects such as the National Community Empowerment Program in Urban Areas, 2012-2015, the concept of Neighborhood Development grants (ND) was introduced. The idea was to introduce more systematic urban upgrading by significantly increasing the size of the grant and ensuring that spatial planning would be included as a core activity. The pilots have thus far have had mixed results. These larger projects require stronger financial management and the complexity has taxed the ability of non-trained volunteers. It is also evident that since only the best-performing *kelurahans* were selected for ND pilots, many of the weaker communities would just not have the capacity to effectively plan and implement such projects. It was also observed that project requests at PAPG level were seen in most cases to be adequate, perhaps suggesting, though, that project requests were already scaled to meet expectations about available resources (Government of Indonesia/World Bank, Policy Note, 2013).

Disaster Management

4.18 Indonesia is a country with a high risk of natural disasters including earthquakes, tsunamis, typhoons and volcanic eruptions. In UPP2 the potential to reallocate funds for the 2004 tsunami and earthquake in Aceh and other provinces was identified, but the provision was not utilized because of ample availability of funds through the multi donor trust fund facility set up separately. However, the project design using the BKM concept was replicated in that facility for prioritizing emergency reconstruction assistance with local communities. The 2009 earthquake in West Sumatera enabled some urban neighborhoods to benefit from project funds. Similarly under UPP3 the GoI benefitted by being to mobilize an immediate response through the community structures to the 2006 Jogyakarta and Central Java earthquake. The facilitators were used to help assess the damage and to assist in assessing re-prioritized community needs. After this it was decided from PNPM Urban III onwards that a special category of disbursement could be used in the loan agreement to speed up reallocations when needed to finance disaster response. Using the PNPM platform has thus become pivotal for GoI's post disaster recovery strategy.

Concluding Remarks

4.19 Since 1999 when the first UPP started, the Bank has committed over US$1.2 billion in financing for urban CDD programs in Indonesia. The program has financed *inter alia* 5,042 km of access roads, 1,667 km of drainage systems and the rehabilitation of 29,480 houses. About 85 per cent of the project beneficiaries surveyed indicated that they were satisfied or very satisfied with the outcomes of the projects; infrastructure built through the PNPM Urban programs is at least 20 per cent less expensive than that built by non-community-based approaches in 80 per cent of the participating *kelurahans* and reported to be of good quality in 94 per cent of the cases sampled (Arnold, M et al, 2014). According to a recent study by the World Bank Development Economics Research Group, only a few studies worldwide compare community-managed infrastructure projects with similar projects delivered by governmental line departments using the more "top-down" delivery mechanism. These studies, however, find that community engagement seems to improve both the quality of construction and the management of local infrastructure—possibly implying lower levels of corruption relative to government provision (Mansuri G, and Rao, V, 2013).

4.20 A legitimate concern, however, is that infrastructure maintenance needs could be neglected in some sub-projects affecting the flow of benefits over their expected life. The supposition is that the communities will take ownership of the projects and on a voluntary basis attend to any short-term maintenance needs. The program has not been running long enough for any major problems to occur, but IEG believes that both local government and the facilitators could play a stronger role in ensuring that maintenance needs are prioritized in CDPs alongside new project proposals.

4.21 The MIS developed with the Government is proving invaluable. IEG acknowledges the considerable efforts made to set up the MIS system, maintain it and ensure that it is adequately utilized. Since UPP3 closed, the system has been further refined and has become a major tool at all levels of government. It is updated frequently and shows *kelurahan* performance across the nation. There is a "dashboard" for a quick strategic overview, but it is also possible to drill down to the actual contracts let for individual *kelurahans.* Training in this area appears to have reaped major dividends as most elected representatives interviewed were aware of the system and used it regularly.

4.22 Actual complaints and the actions taken regarding them are now included on the MIS website. This was extended in PNPM Urban 2012-2015 to include the use of mobile phones for SMS complaints since it was found that such phones reach most urban areas. Increased transparency was also achieved by posting summaries of audit results and details of contract bids and awards. Less transparent is the local government spending reports, which should be publicly available by national law. According to an Asia Foundation survey, in 2010 around 60 per cent of such reports were not easily accessible by the public (MacLauren L, 2010). This may have improved, but no recent figures are available.

4.23 Clearly the democratic environment is still evolving, but the PNPM approach has become central to Government policy. Government is looking to leverage PNPM Urban for larger scale upgrading in urban slum areas. The PNPM program is aligned with the

National Urban Policy and Strategy and the National Medium Term Development Plan, 2015-2019, signed by the new President, Joko Widodo (Jokawi), in Presidential Decree No 2 of 2015. This is expected to feature strongly in the forthcoming CPS to be prepared by the Bank and the GoI during 2015.

5. Finding and Lessons from UPP2 and UPP3

5.1 Overall, the Indonesia UPP program became a solid foundation for the PNPM National Urban Program and subsequent related projects. The effectiveness of the approach for enhanced community participation for addressing basic infrastructure requirements and, to a lesser extent, social and economic activities, has been demonstrated. The program has continuously evolved over a period of 16 years; new ideas have been tried and many have succeeded in improving the reach and effectiveness of the program. Sustainability is not in doubt provided the Government continues to support the concept, which is politically highly likely. Some areas where improvements can still be made are in enhancing the role of women in civic affairs and in identifying and implementing better ways to create employment, improve micro lending and small business opportunities.

5.2 The main lessons are as follows:

- **Fundamental to the flourishing of Indonesia's urban CDD program has been the communities' strong ownership.** The program's popularity is demonstrated by the peoples' willingness to participate in the allocation of small grants for community development priorities, provide voluntary labor for the projects, and in some instances to freely give up parcels of land for the communal good.

- **Facilitators play a crucial role in the success of CDD** and more attention should be paid to the timely renewal and updating of their contracts and salary payments to avoid periodic shortages of these key individuals.

- **Developing trust and confidence between public officials at the local government level and communities is essentia**l in promoting effective civic participation. Transparency in the disclosure of all activities through a highly effective management information system has helped to develop greater cooperation between all parties.

- **Community participation is a necessary, but in itself an insufficient measure to ensure sustainability of improved infrastructure.** Greater attention is needed to strengthen the technical capacity of communities to enable them to operate and maintain the facilities established and to harmonize planned new investments with appropriate maintenance programs and budgets. The facilitators can play a stronger role in stressing the importance of maintenance when Community Development Plans are drawn up.

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Annex A. Basic Data Sheet

SECOND URBAN POVERTY PROJECT (CREDIT 3658; LOANS 4664 AND 7752) P072852

Key Project Data (amounts in US$, millions)

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Total project costs	126.99	507.65	399.76
Loan amount (IBRD)	29.53	29.50	99.90
Credit (IDA)	70.50	81.14	115.09
Credit (IDA) additional finance	135.50	139.63	
Co-financing (not applicable)			
Cancellation (IBRD)		0.40	
Cancellation (IDA)		3.18	

Cumulative Estimated and Actual Disbursements

FY03	*FY03*	*FY04*	*FY05*	*FY06*	*FY07*	*FY08*	*FY09*	*FY10*	*FY11*	*FY12*	*FY13*
Appraisal estimate (US$M)	6.45	27.92	60.84	83.00	91.92	100.00	0.0	0.0	0.0	0.0	0.0
Actual (US$M)	5.3	19.0	27.7	80.5	106.5	195.4	246.6	246.6	250.5	250.3	250.3
Actual as % of appraisal	82.2	68.1	45.3	97.0	106.5	195.4	00.0	0.0	0.0	0.0	0.0
Date of last disbursement: September 2011											

Project Dates

	Original	Actual
Concept Review	-	06/20/2001
Appraisal	-	04/01/2002
Board approval	-	06/13/2002
Effectiveness	-	11/18/2002
Additional Finance		05/22/2007
Closing date	06/30/2008	12/31/2010

Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	**USD Thousands (including travel and consultants)**
Lending		
FY01	18	62.11
FY02	48	174.37
Total:	66	236.48
Supervision/ICR		
FY03	22	103.94
FY04	33	176.40
FY05	17	79.57
FY06	30	48.20
FY07	30	93.40
FY08	12	38.97
FY09	30	70.00
FY10	30	70.00
FY11	30	70.00
Total:	**234**	750.48

Task Team Members

Names	Title	Unit	Responsibility/Specialty
George Soraya	Lead Municipal Engineer	EASIS	Task Team Leader
Aniruddha Dasgupta	Lead Urban Planning	OPCRS	Task Team Leader
Yogana Prasta	Operations Adviser	EACIF	Operations adviser
Indira Dharmapatni	Senior Operations Officer	EASIS	Safeguards
Unggul Suprayitno	Specialist	EAPFM	Financial Management
Rizal H. Rivai	Senior Procurement Specialist	EAPPR	Procurement
Parwoto Tjondro Sugianto	Consultant	EASIS	Guidelines and Training
Evi Hermirasari	Operations Analyst	EASIS	Evaluation
Kumala Sari	Operations Analyst	EASIS	Training and Socialization
Supervision/ICR			
George Soraya	Lead Municipal Engineer	EASIS	Task Team Leader
Peter M. Brandriss	Operations Analyst	EASSD	Portfolio Analyst
Yogana Prasta	Operations Adviser	EACIF	Operations Adviser
Indira Dharmapatni	Senior Operations Officer	EASIS	Safeguards

Names	Title	Unit	Responsibility/Specialty
Unggul Suprayitno	Senior Financial Management Specialist	EAPFM	Financial Management
Rizal H. Rivai	Senior Procurement Specialist	EAPPR	Procurement
Jana Halida Uno	Operations Analyst	EASIS	Evaluation
Kumala Sari	Operations analyst	EASIS	Training and Socialization
Yulia Herawati	Operations Analyst	EASIS	Evaluation
Budi Permana	Procurement Analyst	EAPPR	Procurement
Zenthu Liu	Senior Procurement Specialist	EAPPR	Procurement
Christina Irma Donna	Financial management Analyst	EAPFM	Financial Management
Zoe Elena Trohanis	Infrastructure Specialist	EASIN	Infrastructure
Manoah Koletty	Consultant	EASIS	Local Government Development
Parwoto Tjondro Sugianto	Consultant	EASIS	Guidelines and Training
Lilis Suharti	Consultant	EASIS	Financial Management
Patricia Sonata	Consultant	EASIS	Financial Management
Djumadi Achmad	Consultant	EASIS	Financial Management
Vivianti Rambe	Consultant	EASIS	Safeguards
Tri Dwi Budi Rianto	Consultant	EASIS	Infrastructure
Virza S. Sasmitawidjaja	Consultant	EASIS	Safeguards
André Oosterman	Consultant	EASIS	ICR Report
Purnomo Sutantyo	Consultant	EASIS	Procurement
Yuli Safitri Widyawati	Consultant	EASIS	MIS
Dea Widyastuty	Consultant	EASIS	Local Government Development
Amelia Hapsari	Team Assistant	EASIS	Team Assistant
Isabel Duarte A. Junior	Program Assistant	EASIN	Program Assistant
Marina Soemardjono	Program Assistant	EASIS	Program Assistant

THIRD URBAN POVERTY PROJECT (CREDIT 4063 AND LOANS 4779 AND 7759) – P084583

Key Project Data (amounts in US$ million)

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Total project costs	186.10	208.50	112.04
Loan amount (IBRD)	67.30	66.60	99.26
Credit (IDA)	71.40	71.38	99.97
Co-financing (not applicable)			
Cancellation (IBRD)		0.62	
Cancellation (IDA)		0.02	

Cumulative Estimated and Actual Disbursements

	FY05	*FY06*	*FY07*	*FY08*	*FY09*	*FY10*	*FY11*	*FY12*
Appraisal estimate (US$M)	25.5	65.7	98.0	121.0	135.7	138.7	138.7	138.7
Actual (US$M)	0.0	11.3	59.3	111.8	121.8	138.0	138.0	138.0
Actual as % of appraisal	25.5	17.1	60.5	92.3	89.8	100.5	100.5	100.5
Date of last disbursement: November 2011								

Project Dates

	Original	Actual
Concept Review	-	09/08/2003
Appraisal	-	02/27/2004
Board approval	-	05/17/2005
Effectiveness	-	10/28/2005
Closing date	03/31/2011	03/31/2011

Staff Time and Cost

	Staff Time and Cost (Bank Budget Only)	
Stage of Project Cycle	**No. of staff weeks**	**USD Thousands (including travel and consultants)**
Lending		
FY04	75	264.50
FY05	10	32.99
Total:	**84**	**297.49**
Supervision/ICR		
FY06	48	65.15
FY07	27	78.80
FY08	35	66.77
FY09	21	63.63
FY10	14	74.16
Total:	**145**	**348.51**

Task Team Members

Names	Title	Unit	Responsibility/Specialty
George Soraya	Lead Municipal Engineer	EASIS	Task Team Leader
Evi Hermirasari	Operations Officer	EASIS	Project Management and Monitoring
Yogana Prasta	Operations Adviser	EACIF	Operations Adviser
Unggul Suprayitno	Senior Financial Management Specialist	EAPFM	Financial Management
Rizal H. Rivai	Senior Procurement Specialist	EAPPR	Procurement
Kumala Sari	Operations Analyst	EASIS	Training and Socialization
Parwoto Tjondro Sugianto	Consultant	EASIS	Guidelines and Training
Vivi Alatas	Senior Economist	EASPR	Evaluation
Rumana Huque	Senior Urban Specialist	AFTUW	Task Team
Anniruddha Dasguptas	Senior Poverty Socialist	EASUR	Task Team
Farida Zaituni	Consultant	EASIS	Safeguard
Menno Prasad Pradhan	Consultant	EASHD	Evaluation
Supervision/ICR			
George Soraya	Lead Municipal Engineer	EASIS	Task Team Leader
Evi Hermirasari	Operations Officer	EASIS	Project Management and Monitoring
Jana Halida Uno	Operations Officer	EASIS	Evaluation
Yogana Prasta	Operations Adviser	EACIF	Operations Adviser
Indira Dharmapatni	Senior Operations Officer	EASIS	Safeguards
Unggul Suprayitno	Senior Financial Management Specialist	EAPFM	Financial Management
Christina Irma Donna	Financial Management Specialist	EAPFM	Financial Management
Kumala Sari	Operations Analyst	EASIS	Training and Socialization
Yulia Herawati	Operations Analyst	EASIS	Evaluation
Zenthu Liu	Senior Procurement Specialist	EAPPR	Procurement
Rizal H. Rivai	Senior Procurement Specialist	EAPPR	Procurement
Budi Permana	Procurement Analyst	EAPPR	Procurement
Purnomo Sutantyo	Consultant	EASIS	Procurement
Parwoto Tjondro Sugianto	Consultant	EASIS	Guidelines and Training
Lilis Suharti	Consultant	EASIS	Financial Management

Names	Title	Unit	Responsibility/Specialty
Patricia Yossianty Sonata	Consultant	EASIS	Financial Management
Djumadi Achmad	Consultant	EASIS	Financial Management
Yuli Safitri Widyawati	Consultant	EASIS	MIS
Vivianti Rambe	Consultant	EASIS	Safeguards
Virza S. Sasmitawidjaja	Consultant	EASIS	Safeguards
André Osterman	Consultant	EASIS	ICR Report

Annex B. List of Persons Met

Bank Staff

Judy Baker, Lead Economist, GURDR
Josephine Bassinette, Portfolio and Operations Manager, EACIF
Ida Ayu Dharmapatni, Senior Operations Officer (Social), GSURR
Rati Dewayanti, Consultant Operations Analyst, GSURR
Evi Hermirasari, Senior Urban Development Specialist, GSURR
Krisnan Isomartana, Environmental Specialist, GENDR
Evi Rosantini, Consultant Financial Management Specialist, GSURR
Yuli Safitri, Consultant MIS Expert, GSURR
Kumala Sari, Operatioms Analyst, GSURR
Patricia Sonata, Financial Management Analyst, GDODR
George Soraya, Lead Municipal Engineer, GSURR
Parwoto, Sugianto, Consultant Community Development Expert, GSURR
Jana Uno, Operations Analyst, EASIF

Government of Indonesia

Ministry of Public Works

Adjar Prajudi, Director of Building and Neighborhood Development
Danny Sutjiono, Former Head PMU of UPP2 and UPP3

National Planning Board Agency (Bappenas)

Rudy Prawiradinata, Director of Poverty Reduction

Ministry of Finance

Ms. Ayu Sukorini, Head of Sub-Directorate for International Cooperation
Meeting with Quantitative Evaluation Team

Indonesian National Government Internal Auditors (BPKP)

Salamat Simanullang, Director, Directorate of Loans and Grants

Ministry of People Welfare

Wahnarno Hadi, Director

Ministry of Home Affairs

Dadang Sumantri, Director for Urban Development

Annex C: Field Trip - List of visited Kelurahans

Kota Pekalongan

1. Kelurahan Yosorejo, Kecamatan Pekalongan Selatan
2. Kelurahan Medono, Kecamatan Pekalongan Barat
3. Kelurahan Podosugih, Kecamatan Pekalongan Barat

Yogyakarta

4. Desa Kepuharjo, Kecamatan Cangkringan, Kabupaten Sleman (REKOMPAK—rehabilitation and reconstruction of post Mount Merapi eruption in 2006 and 2010)
5. Kelurahan Tirtonirmolo, Kecamatan Kasihan, Kabupaten Bantul
6. Kelurahan Karangwaru, Kecamatan Tegalrejo, Kota Yogyakarta

RELEVANT INFORMATION ON ACTIVITIES AND PEOPLE

No	List of Visited Location	Date/time	Activities	List of participant
Pekalongan				
1.	Local government office of Kota Pekalongan	Jan 13, 2015 (01.00-01.30 PM)	Meeting with the City Mayor	1. City Mayor: dr. Basyir Ahmad) 2. Anton (Leader of the BKM Forum of Kota Pekalongan) 3. Usman (Rep. of PMU-Ministry of Public Works) 4. Anton and Endar (Reps. of Regional Management Consultant of UPP/PNPM)
2.	Local government office of Kota Pekalongan	Jan 13, 2015 (02.00-04.00 PM)	Meeting with local department officials of Kota Pekalongan	Around 20 people representing various organizations: 1. Rep. from Local Planning Agency (Cayekti) 2. Rep. from Transportation Dept of Kota Pekalongan 3. Rep. from Public Works Dept of Kota Pekalongan 4. Former PAPG Committee 5. BKM from several kelurahans 6. City Coordinator and Assistants (Askot)

No	List of Visited Location	Date/time	Activities	List of participant
				7. Rep. from Ministry of Public Works (PMU)—Mr. Usman 8. Rep. from Advisory Group of PMU (Mr. Hari Prasetyo) 9. Rep. from Regional Management Consultant of UPP/PNPM (OSP 5 Central Java)-Mr. Anton and Mr. Endar 10. Rep. of WB (Evi, Ratih)
3.	Office of the Local Planning Agency (Bappeda)	Jan 13, 2015 (04.00-06.00 PM)	Meeting with City Coordinator, Assistant Coordinators, and Kelurahan Facilitator Teams of Kota Pekalongan	Around 30 people participating, representing: 1. Rep. from Ministry of Public Works (PMU)—Mr. Usman 2. Rep. from Community Empowerment Dept of Kota Pekalongan (Ms. Ninik) 3. Rep. from Advisory Group of PMU (Mr. Hari Prasetyo) 4. Rep. from Regional Management Consultant of UPP/PNPM (OSP 5 Central Java)-Mr. Anton and Mr. Endar 5. City Coordinator: 6. Assistant Coordinator for Community Development 7. Assist. Coord for Data Management 8. Assist. Coord for Infrastructure 9. Assist. Coord for Financial Management 10. Five Teams of Kelurahan Facilitators (hired by the UPP/PNPM Project) 11. One additional Team of Facilitators hired by Local Government)
4.	Kelurahan Duwet, Kecamatan Pekalongan Barat	Jan 13, 2014 (8.00-11.00 PM)	Annual community meeting	Around 260 community members attended the meeting held in the village government office
5.	Kelurahan Podosugih, Kecamatan Pekalongan Barat	Jan 14, 2015 (09.00-11.00 AM)	Informal meeting with BKM Site visit to Neighborhood Dev (ND) location (river walk) and some facilities built through UPP/PNPM	More than 30 people gathered for the public meeting. Key persons attended the gathering: 1. Mr. Anton (BKM coordinator of Kel. Podosugih) 2. Three BKM members (two were women, one male-youth) 3. Two members of Kelurahan Facilitator Team

No	List of Visited Location	Date/time	Activities	List of participant
			Interviews with random beneficiaries	4. Two reps from local government office (Ms. Ninik and Ms. Resti) 5. Rep. of the PMU (Mr. Usman) 6. Rep. from Advisory Group of PMU (Mr. Hari Prasetyo) 7. Rep. from Regional Management Consultant of UPP/PNPM (OSP 5 Central Java)-Mr. Anton and Mr. Endar 8. Reps. of WB (Evi, Ratih)
6.	Kelurahan Medono, Kecamatan Pekalongan Barat	Jan 14, 2015 (11.00 AM – 12.00 PM)	Site visit to the Eco Park river walk (copied the design from the adjacent kelurahan), and brief presentation of kelurahan profile and project performance by BKM Coordinator. Interviews with random beneficiaries.	Person presenting the profile and project performance (Doyo Budi Wibowo, as BKM Coordinator). Interviews with several beneficiaries.
7.	Kelurahan Yosorejo, Kecamatan Pekalongan Selatan	Jan 14, 2015 (01.00-03.30 PM)	Site visit to kindergarten, plant nursery, community facilities and public toilets	Reps of BKM Kel. Yosorejo 1. Nur Ali M. (BKM Coordinator) 2. Senior Facilitator
Yogyakarta				
8.	Desa Kepuharjo, Kecamatan Cangkringan, Kabupaten Sleman	Jan 15, 2015 (09.00-11.30 AM)	Site visit to Permanent Relocation Settlement at Mount Merapi (recent volcanic eruption) Meeting with former committee of REKOMPAK Relocation Project	Meet with Sairin (Head of Sub-Village Kepuh, Desa Pedukuhan), former resident in Mount Merapi area 1. Arif (former REKOMPAK coordinator) 2. Tri (WB consultant for REKOMPAK) 3. Members of REKOMPAK project committees. Note: the meeting was attended by around 15 people, but only one woman was present
9.	Kelurahan Tirtonirmolo, Kecamatan Kasihan, Kabupaten Bantul	Jan 15, 2015 (01.30-03.00 PM)	Meeting with BKM in village office	Around 20 people gathered in this formal meeting. 1. Sugita (Village Government Secretary) 2. Sri Hono Eko Putro (BKM Coordinator)

No	List of Visited Location	Date/time	Activities	List of participant
			Site visit to PAPG project location	3. Representatives of BKM and community groups were five women and five men 4. Other participants were village government staffs with no specific roles in the project People met in the PAPG project location: Women's group managing all activities related to women, pregnant women, children, and senior citizens. The leader was Mrs. Wiwik (whose house was used for the base camp of all women's activities); another 10 group members were present during the visit.
10.	Kelurahan Karangwaru, Kecamatan Tegalrejo, Kota Yogyakarta	Jan 15, 2015 (04.00-06.00 PM)	Site visit to ND project location	Site visit, accompanied by BKM of Karangwaru
11.	Office of the Head of Kabupaten Bantul	Jan 16, 2015 (09.00-10.00 AM)	Meeting with Bupati (Head of Kab. Bantul)	1. Sri Suryawidadi (Head of Bantul Regency—equal to City Mayor)— note: the lady receives visits from the poor in her office every morning and tries to resolve their problems with various government departments. 2. Riyantono (Secretary to the District Government) 3. Daeng Daeda (reps of Basic Education Dept of Bantul) 4. Agus R. (reps of Marine and Fishery Dept. of Bantul) 5. Heru (reps of Public Works Dept of Bantul) 6. Suprihana (reps of Local Project Management Unit for UPP/PNPM, Public Works Dept of Bantul) 7. Fauzan Muarifin (reps of Local Planning Agency) 8. Toto (reps of Education Dept. of Bantul) 9. Agus (Secretary to the Local Planning Agency) 10. Journalist from local newspaper (Kedaulatan Rakyat)
12.	Office of Local Planning Agency (Bappeda)	Jan 16, 2015 (11.00-11.30 AM)	Presentation	1. Fauzan Muarifin (reps of Local Planning Agency) 2. Heru (reps of Public Works Dept of Bantul)

No	List of Visited Location	Date/time	Activities	List of participant
				3. Suprihana (reps of Local Project Management Unit for UPP/PNPM, Public Works Dept of Bantul) 4. Agus (Secretary to the Local Planning Agency) 5. Endar (reps of PNPM Regional Management Consultant for Yogyakarta Region)
12.	Office of Local Planning Agency (Bappeda)	Jan 16, 2015 01.00-03.00 PM	Meeting with facilitators	List of participants 1. Imam (City Coordinator) 2. Giri Kusnanta (Assistant Coordinator for Financial Management) 3. Rahmanto (Assistant Coordinator for Infrastructure) 4. Wahyu Puguh (Sub-expert for Financial Management) 5. Nurokhman (reps of Regional Management Consultant 5 of Yogyakarta Region) 6. Satriyo Cahyo (Assist Coordinator and Urban Planner) 7. And 31 Kelurahan Facilitators

Annex D - Key Performance Indicators

UPP 2 - UPP 3 - PNPM Urban/AF - PNPM Urban 3 - PNPM Urban 2012 -2015

No	Indicators	UPP 2		UPP 3		PNPM Urban AF		PNPM Urban 3		PNPM Urban 2012-2015			
		Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement		
											2012	2013	2014*
	OUTCOMES INDICATORS												
1	% of poor households in 7,273 *kelurahans* receive benefits and improved services from UPP-PNPM	30%	59%	50%	90%	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	- % of revolving fund recipients have increased their income level	20%	79% [c]	50%	38%	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	- Infrastructure built is 20% cheaper than that built by non-community based methods and meets the needs of the community (in line with the CDPs) in 80% (5,818) of participating *kelurahans*	5,818	> 80% [d]	80%	> 80% [d]	4,900	21% less expensive in 4,900 *kelurahans*	4,080	20% less expensive in all provinces in 2012 (on average, 33.42% less expensive)	80% (5,040 *Kelurahans)*	Not yet due	Not yet due	Not yet due
	- The provision of the grant assistance continues in 35% (2,545) of	2,545	7,273 PNPM is now a nationwid	70%	100% [e]	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			

No	Indicators	UPP 2		UPP 3		PNPM Urban AF		PNPM Urban 3		PNPM Urban 2012-2015			
		Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement		
											2012	2013	2014*
	participating *kelurahans*		e progr am										
	- 80% satisfaction level of beneficiaries regarding improved services	80%	92% (applies to microcredit only) [e]	Not Applicable for UPP 3		80%	43.9% - 95.1%	≥ 80%	NA	> 80%	Not yet due	Not yet due	Not yet due
2	At least 70% (5,092) of the BKMs are representative, effective, and operate in a participatory manner	5,092	> 70% [f]	70%	88%	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
3	Number of local governments provide their own resources for project monitoring, partnership, channeling program to support the CDPs, etc.	78 (30% of 260 local gov.)	117 (44% of 268 local gov.)	30%	35% [g]	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
4	Central government establishes a long term financial framework for its poverty reducing program	100%	100%	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	INTERMEDIATE RESULT INDICATORS												
	Component One												

No	Indicators	UPP 2		UPP 3		PNPM Urban AF		PNPM Urban 3		PNPM Urban 2012-2015			
		Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement		
											2012	2013	2014*
a	(1) % of population participated in series of community discussions during implementation of UPP-PNPM	30%	11%	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	(2) % of female and vulnerable are recruited per *kelurahan*	30%	42%	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
b	# of community volunteers are recruited per *kelurahan*	25	44	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
c	% of the *kelurahan* population aware of the project and its objectives	25%	66% [c]	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
d	(1) % of the adult population voting in BKM elections at the neighborhood level	30%	35%	30%	35%	≥ 30%	38%	≥ 30%	34.40%	≥ 30%	39.20%	31.40%	31.40 %
	(2) % of the adult population voting in the final stage of BKM election	2%	3%	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	(3) % of women elected as BKM member	20%	22%	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
e	(1) % of *kelurahans* with CDPs completed and ratified	95%	92%	Not Applicable for UPP 3		≥ 90%	93%	≥ 90%	100%	Not Applicable for PNPM Urban 2012-2015			

No	Indicators	UPP 2		UPP 3		PNPM Urban AF		PNPM Urban 3		PNPM Urban 2012-2015			
		Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement		
											2012	2013	2014*
	(2) % of CDPs implemented	25%	67%	90%	99%	Not Applicable for PNPM AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	(3) % of *kelurahan* population aware of CDP	25%	NA (awaiting results from GoI survey)	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
f	% BKM forums formed as percentage of participating local governments	40%	57%	80%	100%	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	Component Two												
a	(1) % of poor families benefiting from infrastructure development	35%	56%	75%	74%	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	(2) % of infrastructure works evaluated as high quality	70%	NA (awaiting results from GoI survey)	Not Applicable for UPP 3		≥ 70%	97% of certified infrastructure	≥ 70%	98% of certified infrastructure	≥ 70%	99%	98%	99%
b	(1) % of poor families with access to revolving fund	15%	19%	40%	48%	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	(2) % of female revolving fund recipients	30%	61%	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
c	% of *kelurahans* with revolving funds having repayment	70%	49%	70%	45%	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			

No	Indicators	UPP 2		UPP 3		PNPM Urban AF		PNPM Urban 3		PNPM Urban 2012-2015			
		Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement		
											2012	2013	2014*
	rates over 90%												
d	(1) % of poor families receiving grant assistance	10%	53%	15%	59%	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	(2) % of female grant recipients	30%	NA	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
e	% of female in community groups (KSM)	30%	39%	Not Applicable for UPP 3		≥ 30%	47%	≥ 30%	39%	Not Applicable for PNPM Urban 2012-2015			
f	% of BKMs receiving financial assistance from other agencies	10%	NA	30%	100%[h]	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	Component Three **												
a	# of PAPG cities selected	30	40	40	70	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
b	% of local government staff aware of PAPG in PAPG cities	30%	NA (awaiting results from GoI survey)	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
c	# of PAPG selection committees formed	30	40	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
d	# of PAPG sub-projects completed per city	40	81	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
e	% of local government co-financing PAPGs	25%	43%	50%	58%	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			

No	Indicators	UPP 2		UPP 3		PNPM Urban AF		PNPM Urban 3		PNPM Urban 2012-2015			
		Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement		
											2012	2013	2014*
f	% of poor direct beneficiaries of services provided under PAPG/percent poor in city population	1.6	NA (awaiting results from GoI survey)	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
g	% of *kelurahan* population aware of PAPG in PAPG cities	30%	NA (awaiting results from GoI survey)	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
h	Central Government issues a policy paper for long term poverty reduction	100 %	100%	Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	Component Four												
a	% of targeted areas receiving technical support	90%	99%	95%	100%	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
b	% of OCs providing timely and accurate data through MIS	90%	87%	100%	90%	≥ 90%	97%	≥ 90%	83.80%	≥ 90%	99.70%	93.90%	79.50 %
c	% of BKMs with completed annual financial audits	40%	99%	80%	86%	≥ 70%	91%	≥ 70%	96%	≥ 90%	99%	99%	Not yet due
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	UPP 3												
	Component Three												

No	Indicators	UPP 2		UPP 3		PNPM Urban AF		PNPM Urban 3		PNPM Urban 2012-2015			
		Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement		
											2012	2013	2014*
a	# of Regional Poverty Alleviation Strategy papers completed	Not Applicable for UPP 2		40	70	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
b	% of poor households receiving services through partnership at the receiving BKM	Not Applicable for UPP 2		60%	53%	Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	PNPM Urban AF												
	OUTCOMES INDICATORS												
	Improved household expenditure rates or improved access to economic and social services in 80% *kelurahan* (wards).	Not Applicable for UPP 2		Not Applicable for UPP 3		4900	NA	Not Applicable for PNPM Urban 3		Not Applicable for PNPM Urban 2012-2015			
	INTERMEDIATE RESULT INDICATORS												
	Component One												
	Min 40% participation rate of poorest and most vulnerable members of the community in planning and decision making meetings	Not Applicable for UPP 2		Not Applicable for UPP 3		≥ 40%	33.2%	≥ 40%	45.80%	≥ 40%	44.90%	46.80%	46.80%

No	Indicators	UPP 2		UPP 3		PNPM Urban AF		PNPM Urban 3		PNPM Urban 2012-2015			
		Targ et	Achi eve ment	Targ et	Achie veme nt	Tar get	Achi eve men t	Targe t	Achi eve ment	Targ et	Achievement		
											201 2	201 3	2014*
	Min 40% participation rate of women in planning and decision making meetings	Not Applicable for UPP 2		Not Applicable for UPP 3		≥ 40%	43%	≥ 40%	42.9 0%	≥ 40%	43%	43.9 0%	43.90 %
	BKMs formed in minimum of 90% of *kelurahans*	Not Applicable for UPP 2		Not Applicable for UPP 3		≥ 90%	99.7 0%	≥ 90%	100%	Not Applicable for PNPM Urban 2012-2015			
	Min 80% of local governments provide cost sharing: 20% cost sharing for local governments with local fiscal capacity, and 50% cost-sharing for LGs with high fiscal capacity	Not Applicable for UPP 2		Not Applicable for UPP 3		≥ 80%	92% (201 2-201 3), 21% (201 4)	≥ 80%	84%	≥ 80%	92%	92%	92%
	Component Two												
	Number of each type of infrastructure , economic, and social activities completed in at least 80% *kelurahan* (wards)	Not Applicable for UPP 2		Not Applicable for UPP 3		80% (49 00 Kel)	89.5 % (5,8 47 Kel)	80% (4080 Kel)	70.8 %	80% (535 5 Kel)	99%	57% *	42%
	Min 70% of *kelurahan* with revolving loan funds (RLFs) having a loans at risk (LAR) ratio ≥ 3 months of < 10%	Not Applicable for UPP 2		Not Applicable for UPP 3		≥ 70%	23.5 0%	≥ 70%	25.7 0%	Not Applicable for PNPM Urban 2012-2015			

No	Indicators	UPP 2		UPP 3		PNPM Urban AF		PNPM Urban 3		PNPM Urban 2012-2015			
		Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement		
											2012	2013	2014*
	Min 90% of *kelurahan* with RLFs have a cost coverage ratio of > 125%	Not Applicable for UPP 2		Not Applicable for UPP 3		≥ 90%	78.80%	≥ 90%	79.30%	Not Applicable for PNPM Urban 2012-2015			
	Min 90% of *kelurahan* with RLFs have annualized return of investments of > 10%	Not Applicable for UPP 2		Not Applicable for UPP 3		≥ 90%	31.20%	≥ 90%	32.40%	Not Applicable for PNPM Urban 2012-2015			
	PNPM Urban 3												
	OUTCOMES INDICATORS												
	Improved access to infrastructure, economic and social services in at least 80% *kelurahan* (wards) in 2013	Not Applicable for UPP 2		Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		4080	NA	80% (5040 Kel)	Not yet due	Not yet due	Not yet due
	Number of people in urban areas provided with access to all season roads within a 500 meter range under the project	Not Applicable for UPP 2		Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		-	NA	Not Applicable for PNPM Urban 2012-2015			
	Min 90% of complaint are resolved	Not Applicable for UPP 2		Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		≥ 90%	98.30%	> 90%	99.50%	99.10%	97.80%
	PNPM Urban 2012-2015												
	Beneficiaries												
	Project beneficiaries	Not Applicable for UPP 2		Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		6 mill	2.28 mill	4.16 mill	4.21 mill

No	Indicators	UPP 2		UPP 3		PNPM Urban AF		PNPM Urban 3		PNPM Urban 2012-2015			
		Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement		
											2012	2013	2014*
	Of which are 40% of female (beneficiaries)	Not Applicable for UPP 2		Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		40%	52.70%	52.10%	53.30%
	Component Two												
	Percentage of *kelurahan* with revolving loan funds (RLFs) having a portfolio at risk (PAR) ratio ≥ 90 days of < 10%	Not Applicable for UPP 2		Not Applicable for UPP 3		Not Applicable for PNPM Urban AF		Not Applicable for PNPM Urban 3		≥ 50%	Indicator not used before 2013	28.80%	28.80%

* = Data is in progress (to be completed)