

PROJECT DOCUMENT

Republic of Indonesia

National Slum Upgrading Project

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CURRENCY EQUIVALENTS

(Exchange Rate Effective as of 31/05/2016)

Currency Unit = Indonesian Rupiah (IDR)
US\$ 1.00 = IDR 13,378.15

Fiscal Year (GoI)

January 1 – December 31

ABBREVIATIONS

AIIB	Asian Infrastructure Investment Bank
CSP	Community Settlement Plans
DA	Designated Account
ESMF	Environmental and Social Management Framework
ESSP	Environmental and Social Safeguard Policies
GoI	Government of Indonesia
IBRD	International Bank for Reconstruction and Development
MPWH	Ministry of Public Works and Housing
NSUP	National Slum Upgrading Program
PIU	Project Implementation Unit
PMU	Project Management Unit
SIAP	Slum Improvement Action Plans
WB	World Bank

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Project Summary Sheet

Republic of Indonesia National Slum Upgrading Project

Project No.	000004
Client Borrower Implementation Agency	Republic of Indonesia Ministry of Public Works and Housing
Sector(s)	Urban transport , solid waste management, water supply
Project Objectives/Description	<p>To improve access to urban infrastructure and services in targeted slums in Indonesia. The Bank’s proposed co-financing will support the Government of Indonesia’s program of urban slum infrastructure investments for 154 cities in the central and eastern parts of Indonesia. Direct and indirect beneficiaries of the project are expected to include the 9.7 million slum dwellers who live in the 154 cities. These slum dwellers are likely to experience significant betterment of living conditions due to improvements in access to and quality of urban infrastructure.</p> <p>The Project comprises the following 5 components:</p> <ul style="list-style-type: none"> (a) Institutional and Policy Development: This will support institutional strengthening and capacity building of central government ministries and agencies that are responsible for the management of the national slum upgrading program. (b) Integrated Planning Support and Capacity Building for Local Governments and Communities: This will support the recruitment and deployment of experts and community facilitators to support capacity building of governments and communities in selected cities to design and implement slum improvements. (c) Urban Infrastructure and Services in Selected Cities: This comprises implementation of sub-projects to support primary and secondary infrastructure improvement. (d) Implementation Support and Technical Assistance: The provision of technical support, management and advisory services, and training for project management and stakeholder collaboration at national, provincial and city levels, as well as monitoring and evaluation. (e) Contingency for Disaster Response: This is to ensure preparedness and rapid response measures to address disaster, emergency and/or catastrophic events, as needed.
Project Implementation Period (Start Date and End Date)	Start Date: 01 September 2016 End Date: 30 June 2021

Project Cost and Financing Plan	<p>The project is estimated to cost US\$ 1743 million. The financing sources are as follows (in US\$ million):</p> <table border="1" data-bbox="592 320 1453 633"> <tr> <td>Total Project Cost:</td> <td>1743.00</td> <td>Total AIIB Financing:</td> <td>216.50</td> </tr> <tr> <td>Financing Gap:</td> <td>0.00</td> <td></td> <td></td> </tr> <tr> <td colspan="3">For Loans/Credits/Others</td> <td>Amount</td> </tr> <tr> <td colspan="3">Recipient</td> <td>1310.00</td> </tr> <tr> <td colspan="3">AIIB</td> <td>216.50</td> </tr> <tr> <td colspan="3">World Bank</td> <td>216.50</td> </tr> <tr> <td colspan="3">Total</td> <td>1743.00</td> </tr> </table>	Total Project Cost:	1743.00	Total AIIB Financing:	216.50	Financing Gap:	0.00			For Loans/Credits/Others			Amount	Recipient			1310.00	AIIB			216.50	World Bank			216.50	Total			1743.00
Total Project Cost:	1743.00	Total AIIB Financing:	216.50																										
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AIIB			216.50																										
World Bank			216.50																										
Total			1743.00																										
AIIB Loan (Size and Terms)	Sovereign backed loan of US\$ 216.50 million with a maturity of 16.5 years including a grace period grace period of 7 years at the Bank’s standard interest rate for sovereign guaranteed loans with the corresponding weighted average maturity.																												
Co-financier(s) (If any)	World Bank																												
Conditions for Effectiveness and Disbursement	Effectiveness of the IBRD Loan Agreement is a condition of effectiveness																												
Key Covenants	The Government of Indonesia has assured the Bank and the World Bank that implementation of the Project shall conform to all applicable Bank and World Bank policies, including those concerning anti-corruption measures, environmental and social measures, procurement, consulting services, and disbursement, as described in the loan documents. The Government has agreed with the Bank and the World Bank on certain covenants for the Project, which are set forth in the loan agreements with the Bank and the World Bank.																												
Environmental and Social Category	B																												
Key Legal Agreements	Loan Agreements of the Bank and the World Bank, and the Project Co-Lenders Agreement between the Bank and the World Bank																												

I. STRATEGIC CONTEXT

A. Country Context

1. Rapid urbanization has placed cities at the center stage of Indonesia's development priorities. Urban poverty is increasingly acknowledged as a major problem and access to basic infrastructure services remains low, particularly for the urban poor. Slums remain a key challenge and are a visible indicator of the gaps in availability of basic infrastructure and urban poverty.

B. Sectoral and Institutional Context

2. The Government of Indonesia (GoI) is committed to an ambitious target of eliminating slums and providing universal access to safe water and sanitation by 2019. The GoI has established a National Slum Upgrading Program (NSUP) as a national delivery platform for achieving the target of zero percent slums. The NSUP is financed by multiple sources, including central and local governments, the private sector, communities, and multilateral donors. In addition to the Bank and the World Bank (WB), the Asian Development Bank and the Islamic Development Bank will each provide financing for other subsets of cities under the NSUP.

C. Rationale for the Project

3. The Bank's involvement with the NSUP will enable the Bank to join a well-established and successful program of urban infrastructure investments that has been given a high priority and substantial funding by the GoI. As the first Bank project in Indonesia, it will also help establish the Bank's reputation as a reliable partner to the GoI in assisting its future infrastructure development.

II. THE PROJECT

A. Project Objectives and Key Indicators

4. The objective of the proposed project is to improve access to urban infrastructure and services in targeted slums in Indonesia; The Bank's proposed co-financing will support the GoI's ambitious program of urban slum infrastructure investments for 154 cities in the central and eastern parts of Indonesia. Co-financing will be with the WB, which will be the lead co-financier. Tertiary infrastructure investments and institutional capacity building support will be provided in all 154 project cities. The improvement of primary and secondary infrastructure in the vicinity of slums, and construction of connecting infrastructure will take place in a subset of 50 cities. The Project will be delivered through the utilization of an existing and proven national delivery platform. The platform is financed by multiple sources, including central and local governments, the private sector, communities, and multilateral donors. Direct and indirect beneficiaries of the Project are expected to include 9.7 million slum dwellers who live in the 154 cities. These slum dwellers are likely to experience significant betterment of living conditions due to improvements in access to and quality of urban infrastructure.

5. Achievement of the Project's objectives will be measured by the improved infrastructure under the Project. This includes:

- (a) Number of people provided with:
 - Improved water sources;
 - Improved sanitation;
 - Access to all-season roads within a 500-meter range;

- Regular solid waste collection;
 - Improved drainage;
- (b) Slum area alleviated (hectares);
 - (c) Percentage of slum dwellers who are satisfied with the quality of urban infrastructure and services;
 - (d) Percentage of complaints resolved;
 - (e) Establishment of functional task force for slum alleviation at local level; and
 - (f) Direct project beneficiaries.

B. Project Design and Components

6. The Project comprises the following components:

- (a) **Component 1 – Institutional and Policy Development:** This will support institutional strengthening and capacity building of the central government ministries and agencies that are responsible for the management of the NSUP, through carrying out such activities as: (i) institutional analysis at the national level and at a sample of municipal governments to identify the nature of support needed to facilitate inter-agency coordination during program preparation, implementation and supervision stages; (ii) strategic national upstream policy level studies to facilitate the development of government policy to support the sustainability of slum upgrading and prevention efforts.
- (b) **Component 2 – Integrated Planning Support and Capacity Building for Local Governments and Communities:** This will support the recruitment and deployment of experts and community facilitators to support capacity building of governments and communities in selected cities to design and implement slum improvements, including the development of Slum Improvement Action Plans (SIAPs) and Community Settlement Plans (CSPs).
- (c) **Component 3 – Urban Infrastructure and Services in Selected Cities:** This comprises implementation of sub-projects to support primary and secondary infrastructure improvement, site development, and construction of connecting infrastructure in selected cities. Participating Kelurahan (city districts) will be provided with grants to fund sub-projects for tertiary infrastructure upgrading in selected cities, based on a community-driven approach. These will include, inter alia, small scale water supply, drainage, sanitation, footpaths, fire safety and site improvements, as well as construction of livelihood-enabling facilities and services for strengthening community-based livelihoods as important for slum prevention.
- (d) **Component 4 – Implementation Support and Technical Assistance.** The provision of technical support, management and advisory services, and training for project management and stakeholder collaboration at national, provincial and city levels, as well as monitoring and evaluation.
- (e) **Component 5 – Contingency for Disaster Response** This is to ensure preparedness and rapid response measures to address disaster, emergency and/or catastrophic events, as needed, through carrying out sub-projects and/or using project implementation arrangements.

C. Project Cost and Financing Plan

Project Components	Project Cost (US\$ million)				
	Total	Central Government	Provincial and Local Governments, Communities, and others	World Bank	AIIB
Component 1: Institutional Development and Policy Development	7	5	0	1	1
Component 2: Integrated Planning Support and Capacity Building for Local Government and Communities	84	6	0	39	39
Component 3: Urban Infrastructure and Services Investment Support	1,578	610	658	155	155
Component 4: Implementation Support and Technical Assistance	74	31	0	21.5	21.5
Component 5: Contingency for Disaster Response (\$0). ¹	0	0	0	0	0
Total	1,743	652	658	216.5	216.5

D. Institutional and Implementation Arrangements

a. WB Supervision

7. The WB will be the lead co-financier and will administer the Bank's loan on behalf of the Bank, including procurement, disbursements, environmental and social compliance, and project monitoring and reporting. This will provide a single point of contact for the GoI and therefore enable a more efficient and seamless approach to project implementation. A Project Co-Lenders Agreement between the Bank and the WB will also be signed, as a project specific supplement to the existing Co-financing Framework Agreement. The Bank's operational, procurement, and environmental and social policies permit the Bank to apply another co-financier's policies in its projects when those policies meet certain requirements. The WB policies are satisfactory for these purposes and on that basis the WB will administer the Bank's loan and apply the WB's policies and procedures.

b. Implementation Management

8. The Project will be implemented over five years, from September 2016 to June 2021. The GoI will implement the Project under its national delivery platform, NSUP, and the executing agency will be the Ministry of Public Works and Housing (MPWH). The MPWH will be responsible for the procurement and management of all contracts, financial management of loan proceeds, and implementation of environmental and social safeguards, in accordance with WB policies and guidelines.

c. Procurement

9. All procurement will be conducted in accordance with the WB's Procurement and Consultant Guidelines dated January 2011 (revised July 2014). These Guidelines are materially consistent with the Bank's Articles of Agreement, and the Bank's Procurement Policy.

¹ This component has a zero budget since it is purely a vehicle for which funds can be reallocated to in the event of a disaster

d. Fund Flow Arrangements and Disbursements

Expected Disbursements (in USD Million)						
WB Fiscal Yr. - 1 July to 30 June						
Fiscal Year	2017	2018	2019	2020	2021	2022
Annual	15.00	50.00	50.00	50.00	30.00	21.50
Cumulative	15.00	65.00	115.00	165.00	195.00	216.5

10. The WB will provide disbursement services for the Bank. The available disbursement method will be (1) “Advance,” (2) “Direct Payment,” and (3) “Reimbursement”, and it is anticipated that the “Advance” method will be used. One pooled Designated Account (DA) denominated in US dollars will be opened by Directorate General Treasury, Ministry of Finance in the Bank Indonesia (Central Bank). Advances from the Bank and WB will be deposited into this DA and will be solely used to finance eligible expenditures. The WB will review withdrawal applications and make necessary payments for eligible expenses from the special account on behalf of the Bank.

E. Monitoring and Evaluation of Project Results²

11. A monitoring and evaluation framework has been developed for the NSUP to track progress in implementation, measure intermediate outcomes, and evaluate project impacts. The framework includes monitoring efforts at national/local government and community levels, and an approach for beneficiary feedback at the individual level. The Project will also carry out a baseline survey in a sample of communities, which will be repeated at the end of the Project for post evaluation purposes. At the mid-term and the end of Project, a process evaluation will be carried out to assess implementation and understand outcomes related to the Project.

F. Loan Conditions and Covenants

12. The Bank and the WB will have matching conditions of effectiveness for the two sets of loan documents, which is customary for jointly co-financed projects, relating to the effectiveness of the other co-financer’s loan agreement. The following covenants will apply:

1. The MPWH shall enter into a memorandum of understanding with each participating city outlining the obligations of each part regarding implementation activities in the SIAP’s as further described in the Project Operations Manual
2. The Recipient shall, in conjunction with the WB, carry out a mid-term review of the Project, covering the progress achieved in the implementation of the Project. Following the mid-term review the Recipient shall act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary by the WB to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

III. PROJECT ASSESSMENT

A. Technical

13. Slum profiling data to determine the infrastructure gap is currently being established across the country with MPWH oversight. This includes detailed data on household socio-economic conditions

² See further details in Annex 1

and infrastructure access (residential building regularity, water, sanitation, drainage, road, solid waste, and fire safety). The preliminary results of such profiling have recently been made available and will guide the design of plans at the city and community levels. The design of slum upgrading and capacity building will be presented at sub project level through SIAPs and CSPs. These will then be reviewed and approved under the NSUP.

B. Financial Arrangements

14. The GoI will provide a portion of the Bank/WB loan on a grant basis to local governments for primary, secondary, and tertiary infrastructure. Provincial and local governments will co-finance investments in primary and secondary infrastructure from their own budgets. For local governments, the average annual contribution is estimated to be IDR 2-15 billion (US\$0.2-1 million), which is 2 to 5% of their annual investment budgets of IDR 120-300 billion per year; this is deemed politically and financially feasible. The average annual contribution of provincial governments is expected to be about IDR5.6 billion (US\$0.4 million), which accounts for about 3-5% of the investment budgets of most provinces; these contributions are also considered politically and financially feasible.

C. Economic Analysis

15. Sub-projects to be financed by the Project are not yet defined; economic analysis of sub-projects will be carried out once they are defined. A standard economic feasibility analysis will be undertaken for the first ten locations for which investment programs will be approved, covering a limited number of infrastructure components for which monetary benefits are quantifiable with a reasonable degree of accuracy (e.g., water supply, roads).

D. Fiduciary and Governance

a. Anti-Corruption:

16. The Project is designed to maximize participation of stakeholders and beneficiaries at all levels in order to ensure better governance and accountability, and improve the quality of implementation. The Project will place citizen participation and ownership at the core of implementation through various instruments, including consultations and discussion (in addition to consultations for environmental and social safeguards), information disclosure, civil-society oversight in monitoring of sub-project outcomes, a web-based project information and complaints handling mechanism, and peer-to-peer learning and knowledge sharing.

b. Financial Management:

17. The MPWH will have overall responsibility for the financial management of loan proceeds. The financial management of the proposed project has the following risks related to local government capacity in monitoring project implementation and verifying work progress, performance of national and regional consultants, and the capacity of field consultants to assist community groups on financial management aspects: (i) payment verification at the local government level by Project Implementation Units (PIUs) for primary and secondary infrastructure investments; (ii) payment verification at the Project Management Unit (PMU) level for consultants' expenditures; and (iii) community groups' use of, and accounting for, funds.

18. Actions that will be taken to mitigate these risks include a Management Information System that covers disbursements, contractor and consultant contracts with payment progress, financial management performance of community groups, and follow-up of audit findings. In addition to the existing government verification procedures, the PMU and the PIUs will: (i) assign additional staff to conduct detailed verification prior to the issuance of payment orders (based on guidelines developed for verification, including random third party confirmation), improving the accountability of the verification

team through official appointment of team members, as well as through ensuring that a verification report is produced; and (ii) the application of community-based controls, including facilitators' review and certification of community reports, establishment of community oversight, display of financial reports in public areas, and improved complaints-handling mechanisms through text messaging and web-based systems.

E. Environmental and Social

19. The Bank has decided to use the WB's Environmental and Social Safeguard Policies (ESSP) since (a) they are consistent with the Bank's Articles of Agreement and materially consistent with the provisions of the Bank's Environmental and Social Policy and relevant Environmental and Social Standards; and (b) the monitoring procedures that the WB has in place to ascertain compliance with the WB ESSP are appropriate for the Project. Under the WB ESSP, the Project has been assigned Category B, as the potential risks and impacts are expected to be site specific, readily identified and addressed through mitigation and monitoring measures that were defined in an Environmental and Social Management Framework (ESMF) prepared for the project. The ESMF will provide guidance for project management staff at all levels, consultants, facilitators and community groups, to manage environmental and social safeguards, including issues addressed in WB Operation Policies for Environmental Assessment, Physical Cultural Resources, Indigenous Peoples and Involuntary Resettlement. Subprojects eligible for financing should not include Category A sub-project activities.

20. The potential environmental and social impacts from sub-projects at the community level in slum areas will be low to moderate, site-specific and can be managed by the beneficiaries. The improvement of primary and secondary infrastructure and construction of connecting infrastructure with the tertiary infrastructure of slum areas will have low to moderate impacts that are not significant/sensitive, non-irreversible and not unprecedented. Implementation of community driven development-type tertiary infrastructure improvement projects will have insignificant adverse impacts. Overall, the project will improve the environmental and social conditions of slum dwellers and cities/districts.

21. Where slums exist in disaster-prone areas or are very overcrowded and there is no alternative, the possibility of resettlement/relocation may be explored as a last resort in consultation with, and with the agreement of, local governments and communities, to find a tailored solution. The Project may require some land acquisition, particularly for the construction of connecting infrastructure to existing secondary and primary infrastructure, but to the greatest extent possible will avoid or minimize involuntary resettlement/relocation. Tertiary infrastructure in slum areas will highly likely use donated land or village land. Slum upgrading will be carried out on-site with improvement of tertiary infrastructure, and relocation will be avoided.

F. Risks and Mitigation Measures

22. Political and governance risks are considered by the WB to be moderate. There is expected to be a stable political environment in Indonesia over the next four years, with the completion of presidential and legislative elections in 2014. There is substantial political support for the Project, which constitutes a key component of the GoI's efforts to reach its target to eliminate slums by 2019 and builds on several successful national urban programs. The risk of lack of GoI commitment to the Project is considered to be low. Alleviation of urban poverty has been a strong priority of GoI. The Project enjoys a high level of political commitment and buy-in from the relevant GoI agencies.

23. Technical design risk is considered by the WB to be moderate. Key risks will be at the national level in setting up the overall project for slum upgrading towards the zero-slum target, including the design and operationalization of a platform for collaboration at all levels. This platform will need to integrate participatory community based approaches with local government-level provision of more

macro- scale infrastructure. Tertiary infrastructure interventions are low risk because they are relatively inexpensive to maintain and not technically complex. Primary and secondary infrastructure requiring improvement not yet been identified given the design of the project and may involve risks related to its technical complexity. Based on the WB experience of other similar projects delays in the mobilization of consultants who are central in supporting some of the technical aspects of the project may pose another area of risk.

25. The institutional capacity for implementation and sustainability (both institutional and infrastructure) risk has been rated as substantial. However, substantive measures proposed under the project to mitigate this risk have been included under Components 1, 2 and 4. Local governments will receive capacity building on developing infrastructure operational maintenance plans, SIAPs will include budgeting for the maintenance of investments.

26. The overall risk rating of the project has been assessed by the WB as being moderate.

G. Annex 1: Results Framework and Monitoring

Indonesia National Slum Upgrading Project

Project Development Objectives								
PDO Statement								
The overall project development objective is to improve access to urban infrastructure and services in targeted slums in Indonesia.								
These results are at		Project Level						
Project Development Objective Indicators								
Indicator Name	Baseline	Cumulative Target Values						
		YR1 (2016)	YR2 (2017)	YR3 (2018)	YR4 (2019)	YR5 (2020)	YR6 (2021)	End Target
People provided with improved infrastructure under the project (Number)-(see note 1)	0.00	--	--	2,900,000	--	--	9,500,000	9,500,000
People provided with “improved water sources” under the project (of which women) (Number - Sub-Type: Breakdown)	0.00	--	--	240,000	--	--	800,000	800,000
People provided with “improved sanitation” under the project (of which women) (Number - Sub-Type: Breakdown)	0.00	--	--	360,000	--	--	1,200,000	1,200,000
People provided with access to all-season roads within 500 meter range under the project (of which women) (Number - Sub-Type: Breakdown)	0.00	--	--	1,110,000	--	--	3,700,000	3,700,000
People provided with regular solid waste collection under the project (of which women) (Number - Sub-Type: Breakdown)	0.00	--	--	450,000	--	--	1,500,000	1,500,000
People provided with “improved drainage” under	0.00	--	--	1,080,000	--	--	3,600,000	3,600,000

the project (of which women) (Number - Sub-Type: Breakdown)								
Slum Area Alleviated (Hectare(Ha))	0.00	--	--	2,200	--	--	7,800	7,800
Percentage of slum dwellers who are satisfied with the quality of urban infrastructure and ser- vices (of which women, of which bottom 40%, of which poor) (Percentage)	--	--	--	60	--	--	80	80
Percentage of complaints resolved (Percentage)	--	--	--	80	--	--	90	90
Establishment of functional task forces for slum alleviation at local level (%Local Governments) (Percentage)	0.00	--	30	60	70	80	90	90
Direct project beneficiaries (Number) - (Core)	0.00	--	--	3,000,000	6,000,000		9,700,000	9,700,000
Female beneficiaries (Percentage - Sub-Type: Supplemental) - (Core)	0.00	--	--	1,500,000	3,000,000		4,850,000	4,850,000
Intermediate Results Indicators								
Indicator Name	Baseline	Cumulative Target Values						
		YR1 (2016)	YR2 (2017)	YR3 (2018)	YR4 (2019)	YR5 (2020)	YR6 (2021)	End Tar- get
Component 1: Institutional and Policy Development								
Indicator 1.1. Establishment of functional task force for slum alleviation at national level (Yes/No)	No	--	--	Yes	--	--	--	Yes
Indicator 1.2. Establishment of slum inventory database/profiling (Text)	No	--	Yes	--	--	--	Updated	Done and Updated

Component 2: Integrated Planning Support and Capacity Building for Local Government and Communities								
Indicator 2.1. Percentage of local governments that have completed Slum Improvement Action Plans (SIAPs) which have been approved by Bupati/Walikota (Percentage)	0.00	--	30	60	70	80	90	90
Indicator 2.2. Percentage of kelurahans which have Community Settlement Plans (CSPs) that have been consolidated with SIAPs (Percentage)	0.00	--	50	70	80	90	90	90
Component 3: Urban Infrastructure and Services Investment Support								
Indicator 3.1. Number of cities which have completed 80% of primary and secondary infrastructure works and services connected to slum areas (Number)	0.00	--	--	20	30	35	40	40
Indicator 3.2. Number of kelurahans that have completed 90% of tertiary infrastructure and services implemented in slum areas (Number)	0.00	--	1,400	1,600	2,000	2,200	2,500	2,500
Indicator 3.3. Percentage of good quality of infrastructure and services (Percentage)	0.00	--	--	80	90	90	90	90
Indicator 3.4. Percentage of infrastructure built that is fully functioning (Percentage)	0.00	--	--	--	--	--	70	70
Component 4: Implementation Support and Technical Assistance								
Indicator 4.1. Percentage of local governments that have a project monitoring structure and provide regular information on project implementation (Percentage)	0.00	--	20	30	50	60	70	70

Indicator 4.2. Percentage of kelurahans with completed annual financial audits (Percentage)	0.00	--	80	80	90	90	90	90
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Note: PDO targets for people provided with improved infrastructure under the project represents the total population provided access to at least one of the services under the core indicators: improved water, roads, solid waste, sanitation and drainage. Achievements for each of these services will be monitored and recorded in the MIS.