

Banda Aceh, Indonesia

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PROJECT OVERVIEW

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| PPS period | October 2008 – April 2009 |
| Focus sectors | Urban transport |
| CDIA supported activities | (i) Review of river-based urban infrastructure development program (ii) Preparing an investment plan and linking projects to financing |
| Linking to finance status | Funded by the National and Local Government |



Background

Banda Aceh, the capital city of Aceh Province in the western part of Sumatra in Indonesia, was severely hit by the tsunami in December 2004. Thousands of people lost their lives and many more saw their livelihoods washed away by the catastrophic waves. Although some of the basic infrastructures were rehabilitated through international aid, the city's old central business district (CBD) was still badly in need of infrastructure that could help revitalize its economy.

The government's long-term vision for Banda Aceh is for the city to become a premier tourist

destination and economic hub in Aceh Province. In pursuit of this vision, the city government submitted an application for technical assistance in April 2008 for the conduct of a project preparatory study (PPS) of the **Consolidated Urban Development Program for Krueng Aceh River.**

In June 2008, CDIA approved the city application, and in October 2008, a PPS team was dispatched to Banda Aceh with the following objectives: (i) investigate the viability of a comprehensive river-based urban infrastructure development program; (ii) assist the city in preparing an investment

plan and linking the prioritized projects to financing; and (iii) strengthen the capacity of the project coordination unit of the city government (TimKo) in preparing and implementing infrastructure investments.

In April 2009, the PPS team submitted its final report recommending three projects that were prioritized in close consultation with TimKo, namely: (i) revitalization of the old CBD in Peunayong area; (ii) improvement of wastewater treatment and drainage in the old CBD; and (iii) development of the Keudah bus terminal.

Recovering from the 2004 tsunami which wreaked havoc to Banda Aceh and its people, its government envisages to become a premier tourist destination and economic hub in the Aceh Province.



Implementation Progress as of May 2019

After the PPS was completed in 2009, the Banda Aceh city government gradually implemented the PPS recommendations with funding support from the national government. Key members of TimKo that worked closely with the CDIA PPS team were mobilized as members of the PPP team tasked by the city government to mobilize private sector investments in the prioritized infrastructure projects. To date, two of the three prioritized projects have been partially implemented with total investments estimated at \$8.1 million (IDR 115 billion).

Revitalization of old Peunayong CBD. Peunayong is part of the old downtown of Banda Aceh which has commercial and social importance given the existence of heritage buildings, hotels, related infrastructure, this part of the city is far from making full use of its economic potential. With the aim of enhancing the unique urban character of the old Peunayong

CBD, the PPS recommended the following infrastructure investments: (i) rehabilitation of pedestrian walkways; (ii) provision of urban infrastructure elements in the Krueng Aceh riverfront; (iii) construction of pedestrian bridge across Krueng Aceh; (iv) improvement of drainage and sanitation; (v) improvement of traffic control measures; and (vi) construction of multi-storey parking facilities.

Project implementation began in 2016 with an initial budget allocation of IDR 15 billion from the Department of Public Works and the National Slum Upgrading Programme (NSUP). Rehabilitation of pedestrian walkways in major streets of the CBD has been completed while landscaping and construction of a 3-km river walk along Krueng Aceh are ongoing. According to the City Director, the city government will pursue the Peunayong CBD revitalization program using future budgetary allocations to the city from the provincial and national government.



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Wastewater treatment and drainage improvement in Peunayong CBD.

Development of wastewater treatment and drainage system in the CBD is important to avoid flooding and improve sanitation in the inner city area. In line with this, the PPS recommended the construction of: (i) 100 communal anaerobic wastewater treatment systems to service residential and business users, markets, hotels and hospitals; and (ii) tertiary drainage system in six districts, namely: Peunayong, Keuramat, Laksana, Kampung Baru and Pauniti.

In 2017, the city built communal wastewater treatment and drainage facilities in four locations within the old CBD using the IDR 500 million grant from the NSUP. Due to operation and maintenance issues, only the wastewater treatment facility in Peunayong market is currently operational serving some 50 households and market stalls. Also, in 2015, the city was included as one of the pilot cities of the Sewerage System Development Project (SSDP) of the national government. An initial project budget of IDR 100 billion from the Department of Public Works was allocated to the city for the construction of the pilot wastewater treatment

plant (WTP) in Kampung Jawa and drainage pipe network that will connect 5,000 households to the WTP.

Construction of the pilot WTP was 90 percent completed when some historical artifacts were discovered during the excavation of the last treatment pond. This prompted the city government to suspend construction activities until a supplementary impact study is conducted by an independent entity to verify the historical significance of the area where the artifacts were found.

The city is currently looking for funds for the conduct of the supplementary impact study. According to the Secretary of the City Department of Environment and Sanitation, construction of the three WTPs in the three other sites within the city pilot can only proceed when the study is completed. When the four WTPs become fully operational, some 20,000 households representing about 40 percent of the current city population will be benefitted.

Development of Keudah Terminal.

The city owns a one hectare Keudah

Terminal that is strategically located in the Krueng Aceh riverfront and within the old city center. To harness the high economic, touristic and social potential of the area, the PPS recommended that the city develops the site in partnership with the private sector and make the project a catalyst for economic growth, tourism and urban development. Part of the plan is to close the existing bus terminal and develop the site into a multi-use complex consisting of two types of facilities: (i) commercial (e.g., hotel, shops, restaurants, and parking facility); and (ii) public (e.g., women's livelihood center, public conference and exhibition facilities, public library, parks and playground for children and tourism information office).

After the PPS was completed in 2009, the city government established a PPP team with the main task of linking the project to private sector financing. In 2013, the PPP team was able to secure technical assistance from Bappenas for the preparation of the project feasibility study which became the basis for subsequent market sounding activities. After a number of unsuccessful attempts at linking the project to financing, the city was able to attract a reputable private investor in the Keudah Terminal Project in 2018.

To cope with the high investment cost, this investor is currently looking for local partners who are willing to infuse additional funds into the project. To demonstrate its readiness to take the project forward, the city has already closed the terminal and designated the Keudah roadside as one of the stopping points of Trans-Koetaradja, the Bus Rapid Transit Network operating in Banda Aceh as recommended by the PPS.



Intervention Results

Although a number of the PPS-recommended priority infrastructure investments have yet to be fully implemented, city officials clearly recognize the important benefits that the PPS intervention has brought to Banda Aceh specifically in terms of building the capacity of the city in project planning, improving the basic infrastructures in the old city center and promoting riverfront development in the Kreung Aceh River.

Enhanced project planning and prioritization skills. One of the PPS objectives was to strengthen the capacity of TimKo, the project

coordination unit of the city government. As part of the capacity building strategy, TimKo members were engaged in the entire PPS process from project identification to PPS report preparation with the PPS team working with them in the same office provided by the city government. According to the City Director, the TimKo members learned to think “out of the box” and this new learning proved to be useful in subsequent planning and prioritizing other urban infrastructure projects in the city.

Improved capacity in linking projects to financing. Apart from

enhancing their project planning and prioritization skills, city officials acknowledged that their skills on linking infrastructure projects to PPP financing were enhanced as a result of the CDIA capacity building support during the PPS intervention and their participation in linking to finance trainings given by CDIA to some of these officials after 2009. Following the recommendation of CDIA, the city government formed a PPP team composed of officials involved in the PPS with the primary task of marketing the city's infrastructure projects to private investors. Eventually, this team was able to package and secure private



Kreung Aceh riverfront improvement

sector funding for two PPP projects in Banda Aceh, namely, the Aceh market in the old CBD and a modern shopping mall in the new CBD. The same team is now managing the PPP arrangements for the Keudah terminal guided by the PPS recommendations in 2009.

Revitalized urban infrastructure in the old city center. Some of the PPS-recommended infrastructures have been implemented by the city including the rehabilitation of pedestrian walkways within the CBD, construction of view decks and riverfront footpaths along Krueng Aceh river and improvement of wastewater

treatment and drainage in the Peunayong market. While other infrastructures recommended in the PPS have yet to be realized, these completed initiatives are viewed by the city government as catalysts for the integrated development of the old CBD in Peunayong. When fully implemented, the consolidated urban development program in the old city center is expected contribute to the expansion of the economy of Banda Aceh through increased commercial activity in the area and improved environmental quality that will ultimately benefit some 20,000 residents, about half of whom are women.

CITY OFFICIALS HAVE RECOGNIZED THE BENEFITS OF CDIA PPS IN:

- building the capacity of the city in project planning
- improving the basic infrastructure in the old city center and
- promoting riverfront development in the Kreung Aceh River



Conclusion and Lessons Learned

The ongoing and completed urban infrastructures observed in the old Peunayong CBD and Krueng Aceh River in Banda Aceh can be traced to the PPS supported by CDIA in 2009. Factors that may have facilitated the implementation of the PPS-prioritized projects include: (i) alignment of the PPS projects to the city and national plans; (ii) capacity building inputs by CDIA during the PPS process; (iii) financial support from the national government; and (iv) ownership of the project by key officials involved in the PPS who later on assumed key positions in the city government.

A number of key lessons can be learned from the CDIA intervention in Banda Aceh. These include: (i) importance of building on existing local governance structures (e.g.,

TimKo); (ii) engagement of key city stakeholders to ensure that projects are taken forward after the PPS intervention; and (iii) follow-up capacity building support to facilitate linking projects to financing.

City officials recognize the challenges in implementing urban infrastructure projects with high investment requirements. However, given the strong project ownership demonstrated by key city stakeholders and continuous financial support from the national government, it is likely that the city government will be able to take the PPS-recommended infrastructure projects forward until its vision of becoming a premier tourist destination and economic hub in Aceh Province is achieved.

KEYS TO INTERVENTION RESULTS:



- **Alignment of PPS to city and national plans**
- **Capacity development of project implementers**
- **Project ownership**



