

Independent Evaluation of Eastern Indonesia National Road Improvement Project (EINRIP) MANAGEMENT RESPONSE

Aid Activity Objective

To support regional economic and social development in Eastern Indonesia by improving the condition of the national road network.

Aid Activity Summary

The Eastern Indonesia National Roads Improvement Project (EINRIP) is supporting major national road and bridge improvements to promote economic and social development in Eastern Indonesia. EINRIP is supporting 20 major road projects across 9 provinces, totalling around 395 km of national roads and some 1300m of fabricated steel bridge structures.

Australia is providing a concessional loan of up to \$300 million for construction works and supervision. This is supported by an additional \$31 million grant program for high quality road engineering designs, a program of technical and financial auditing to ensure roads are constructed to a high standard, and ongoing monitoring and evaluation of project implementation.

The civil works road and bridge improvements include: road widening to meet a 6 metre minimum standard for national roads; road alignment and grade improvements; pavement reconstruction, drainage and road safety signage and guard-railing; culvert replacement, repair and installation; and bridge replacement, repair and installation including fabricated steel trusses for priority new bridges.

Aid Activity Name			
AidWorks initiative number	ING633 (Loan) and ING406 (Grant)		
Commencement date	1 July 2007	Completion date	30 June 2013
Total Australian \$	AUD331,000,000		
Total other \$	AUD33,000,000 (GoI contribution)		
Delivery organisation(s)	Directorate General of Highways		
Implementing Partner(s)	Ministry of Public Works, Government of Indonesia		
Country/Region	Indonesia		
Primary Sector	Infrastructure		

Independent Evaluation Summary

Evaluation Objective:

- To evaluate the progress of the civil works implementation and provide recommendations for improving the effectiveness of coordination mechanisms and accountabilities among the key EINRIP stakeholders to help address progress and quality of civil works implementation over the remainder of the loan period.
- To assess the operational effectiveness of the loan safeguards framework, including social and environmental, technical and financial audits, anti-corruption measures and HIV-AIDS awareness components.
- To undertake analysis of the impact upon DGH of the governance and capacity building aspects of EINRIP to date, and comment on some broader program planning and management questions.

Evaluation Team:

1. Mr. Hatim Hajj, Team Leader,
2. Mr. Mark Barrett, Infrastructure Adviser, AusAID Canberra
3. Mr. Graham Gleave, Infrastructure Evaluation Specialist
4. Ms. Farida Zaituni, Environmental and Social Safeguard Specialist

Key Messages

EINRIP is compliant with AusAID's overall objectives and has established an effective working relationship between the Government of Australia and Government of Indonesia. Despite delays and initial problems with construction quality, the program can be expected to deliver roads built to their original design standards, which is significantly higher than the average currently evident in Indonesia.

Management Response

The Independent Progress Review of EINRIP is a comprehensive and well informed document that adequately addresses the key objectives of the evaluation and provides practical recommendations to inform ongoing implementation of the program. The review concluded that EINRIP is compliant with AusAID's overall objectives and noted the effective working partnership between Government of Australia and Government of Indonesia. Despite delays and the ongoing need for monitoring of construction quality, the program can be expected to deliver roads built to a significantly better standard than found on most Indonesian roads. The review noted that the program is behind schedule. Under current forecasts 15 of the 20 EINRIP road projects will be completed by the scheduled loan closing date of 31 March 2013. Delays have largely been unavoidable, a product of changes to the national road width standard from 4.5 metres to 6 metres; slow processes of land acquisition in national road corridors; lengthy DGH processes of procurement and internal processing of contract variation orders; and the low capacity of local contractors to mobilize promptly and keep to the contracted time schedule.

The review contains both *EINRIP specific* recommendations and *general* recommendations. AusAID agrees with four of the five *EINRIP specific* recommendations in the IPR report, and disagrees with one recommendation. AusAID agrees with all four *general* recommendations in the IPR report.

Commentary on selected recommendations is provided below:

- Recommendation one of the *EINRIP specific* recommendations states that the loan period should be extended to cover the completion of all 20 packages. This would allow for work to proceed smoothly without alternative funds having to be sourced, and would ensure that important safeguards are met and existing supervision arrangements stay in place to ensure quality construction. AusAID agrees that the loan closing date should be extended to accommodate the full implementation of all EINRIP road projects, and has sought confirmation from Government of Indonesia as to when ongoing land acquisition can be completed for remaining packages, and what impact this would have on revised completion dates for these packages.
- Recommendation two of the *EINRIP specific* recommendations states that steps should be taken to improve the quality of supervision under EINRIP. Two options are presented dependent on whether the loan closing date is extended or not. If the loan is not extended it is recommended that pressure be applied to the Supervision Consultant to improve supervision; where the loan is extended it is recommended that DGH replace the Supervision Consultant. AusAID agrees with the need to improve the quality of supervision, however disagrees with the recommendation to replace the Supervision Consultant under the scenario of an extended loan closing date. AusAID's timing for conducting the IPR, at a time of growing criticism of the quality of supervision, has had the immediate effect of sending a strong message to DGH and the Supervision Consultant that AusAID is serious about quality, without having to take the more extreme measures of suggesting DGH terminate their contract with the Supervision Consultant. The Supervision Consultant has responded quickly with a country visit from their Head Office (Paris) based Regional Manager in February 2012; mobilisation of an internal audit team to assess contractor performance; replacement of poorly performing staff, including the Team Leader for the project and a Chief Supervision Engineer; and, an 'Action Plan' outlining a series of actions to improve the quality of supervision. The Action Plan is

now jointly reviewed on a monthly basis at EINRIP coordination meetings against its stated target deliverables.

- Recommendation four of the *EINRIP specific* recommendations states that the monitoring and evaluation program for EINRIP should be extended to run for at least 5 years after project completion. AusAID agrees that this extension should be undertaken given that the full benefit of EINRIP's approach can only be fully assessed some time after construction has been completed. Given the existing EINRIP monitoring and evaluation program extends three years beyond the current loan closing date (to 2016), AusAID will assess an extension following further implementation and initial findings from the existing program.