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Kemitraan Australia Indonesia

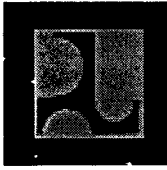


THE EASTERN INDONESIA NATIONAL ROAD IMPROVEMENT PROJECT (EINRIP)

PROJECT IMPLEMENTATION PLAN (PIP)

Version 12
June 18, 2007

19/06/07



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PROJECT IMPLEMENTATION PLAN (PIP) FOR EINRIP:

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LIST of ABBREVIATIONS

Governments

GOA	Government of Australia
GOI	Government of Indonesia

Donors

ADB	Asian Development Bank
AIP, AIPRD	Australia-Indonesia Partnership for Reconstruction and Development
AusAID	Australian Agency for International Development which administers AIP, AIPRD
IBRD, WB	International Bank for Reconstruction and Development – World Bank

Projects

EINRIP	Eastern Indonesia National Roads Improvement Project
EIRTP1	Eastern Indonesia Region Transport Project 1 – IBRD Loan 4643-IND signed 22 Jan 2002
EIRTP2	Eastern Indonesia Region Transport Project 2 – IBRD Loan 4744-IND signed 23 July 2004

Agencies

Balai	Balai Pelaksanaan Jalan Nasional – DGH Regional Implementation Agencies
Bappenas	Badan Perencanaan Pembangunan Nasional – National Development Planning Board
BPK	Badan Pemeriksa Keuangan - Supreme Audit Agency
BPKP	Badan Pemeriksa Keuangan Pembangunan –Development Finance Audit Agency
BI	Bank Indonesia
Bina Marga	Directorate General of Highways within the Ministry of Public Works
DGH	Directorate General of Highways within the Ministry of Public Works
Dit Bipram	Directorate of Planning within DGH
Dit Bintek	Directorate of Technical Affairs within DGH

LIST of ABBREVIATIONS

	KPPN	Kantor Pelayanan Perbendaharaan Negara – Ministry of Finance Treasury Office in a Province or District
	MOF	Ministry of Finance
	MPW	Ministry of Public Works
	P2JJ	Perencanaan dan Pengawasan Jalan dan Jembatan – Road and Bridge Design and Supervision Unit
	PMU	Project Management Unit (to be qualified by Project name, e.g. PMU-EINRIP)
	PPU	Project Preparation Unit (for EINRIP, established on 21 February 2006)
	SatKer	Satuan Kerja – Work Unit that is responsible for a budget
Provinces		
	NTB	Nusa Tenggara Barat – West Nusa Tenggara
	NTT	Nusa Tenggara Timur – East Nusa Tenggara
Consultants		
	CTC	Core Team Consultant – consultant supporting PMU under EIRTP2
	FAC	EINRIP Financial Audit Consultant
	PAS	EINRIP Procurement Advisory Services
	PPC	EINRIP Project Preparation Consultant
	PMSC	EINRIP Project Management Support Consultant
	RSC	EINRIP Regional Supervision Consultant
	RDSC	Regional Design and Supervision Consultant under EIRTP2
	TAC	EINRIP Technical Audit Consultant
Documents		
	ACAP	Anti-Corruption Action Plan
	ANDAL	Analisa Dampak Lingkungan - Environmental Impact Study
	APBN	Anggaran Pendapatan dan Belanja Nasional - National Revenue and Expenditure Budget
	DIPA	Daftar Isian Pelaksanaan Anggaran - detailed Budget Document prepared annually
	EMP	Environmental Management Plan
	EMiP	Environmental Mitigation Plan
	EMoP	Environmental Monitoring Plan
	FMR	Financial Monitoring Report – quarterly expenditure report and cash forecast for six months
	LARAP	Land Acquisition and Resettlement Action Plan
	SLARAP	Simplified LARAP
	PIP	Project Implementation Plan
	PMM	Project Management Manual
	SBD	Standard Bidding Documents
Systems		
	IIRMS	Indonesian Integrated Road Management System
	IRMS	Interurban Road Management System
	IBMS	Integrated Bridge Management System
Other Terms		
	AWP	Annual Works Program e.g. AWP1 = first batch of works, which may take more than one year to build
	ANDAL	Analisa Mengenai Dampak Lingkungan - Environmental Impact Assessment Process
	N8K, Nat8K	The 8000 km of New National Road added under KepMen PU 369/2005
	KepMen 369	Public Works decree No. 369/2005 (Jaringan Jalan Nasional) – list of National Roads
	EIRR	Economic Internal Rate of Return (%)
	ESC	Environmental Special Clauses (previously SOP – Standard Operating Procedures)
	ICB, NCB	International Competitive Bidding, National Competitive Bidding
	IRI	International Roughness Index – a measure of roughness of pavement surface.
	MC	Monthly Certificate – known as Interim Payment Certificate in the SBD
	NPV	Net Present Value (usually calculated at 15% discount rate)
	QCBS	Quality and Cost Based Selection
	PHO, FHO	Provisional Handover, Final Handover of works under a contract
	PPK	Commitment Officer in Satker, also known as Project Manager
	RFP	Request for Proposals
	ROW	Right of Way (<i>Ruang Milik Jalan</i>)

LIST of ABBREVIATIONS

SEC, SpEC	Standard Environmental Clauses; Special Environmental Clauses
SOE	Statement of Expenditures
SP2D	<i>Surat Permohonan Pencairan Dana</i> – Payment Order
SPP, SPM	<i>Surat Perintah Membayar</i> - Payment Request
TOR	Terms of Reference
UKL	<i>Upaya Pengelolaan Lingkungan</i> – site-specific Environmental Mitigation Plan (same as EMiP)
UPL	<i>Upaya Pemantauan Lingkungan</i> – site-specific Environmental Monitoring Plan (same as EMoP)
VOC	Vehicle Operating Costs
VOT	Value of Time Costs
WA	Withdrawal Application

**PROJECT IMPLEMENTATION PLAN FOR THE EASTERN INDONESIA
NATIONAL ROAD IMPROVEMENT PROJECT (EINRIP)**

1. THE PROJECT

1.1 Background

AusAID, the Australian Agency for International Development, in partnership with the Government of Indonesia (GOI), administers the Australia Indonesia Partnership (AIP). The primary objective of the AIP is to support Indonesia's reconstruction and development efforts, both in and beyond tsunami-affected areas, through sustained cooperation focused on the Indonesian Government's programs of reform, with an emphasis on economic and social development. The Governments of Australia and Indonesia intend to commit AIP loan funds to the Eastern Indonesia National Road Improvement Project (EINRIP).

The Government of Indonesia wishes to continue the strengthening of the National Road system in Indonesia, and the proposed EINRIP will support a program of National road and bridge improvement works throughout Eastern Indonesia. The major focus of EINRIP will be those roads which have recently been reclassified as National roads, and which were previously Provincial or non-status roads, of which there are some 4,300 km in Eastern Indonesia. The main objective of the program will be to improve these links to an acceptable standard, suitable to their new status, to help ensure that the National road network provides acceptable standards of service and accessibility, and is capable of supporting local and regional economic development. In addition, provision will be made for supplying superstructures to allow a number of bridges located in eastern and western Indonesia to be replaced.

A similar project funded by the World Bank will provide support for roads recently reclassified as National status, in western Indonesia (Java and Sumatra). The preparation consultancy for the Western Indonesia National Roads Improvement Project (WINRIP) is in an advanced stage of procurement and the project will be prepared in 2007.

1.2 Project development objectives

The project development objective is:

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

1.3 Project content and timing

The major target for the Project will be those inter-urban roads which have recently been reclassified as National roads, but the rest of the National road network is not to be ignored, and consideration will be given to the inclusion of high-priority sub-projects that reinforce the National road network.

The Project will include:

- Betterment treatments including minor widening

- Bridge replacement or major repair as required for bridges on links for which betterment treatments have been identified
- A limited number of capacity expansion ('capex') projects in Bali and Sulawesi.
- A separate steel truss bridge replacement program, with existing selected deteriorated bridges to be replaced by steel truss bridges, and associated works.

Project preparation, including all feasibility studies and final engineering design of identified works, is directly funded by Grant Funds from the AIPRD financing facility, and Project Preparation Consultants (PPC) (appointed in March 2006) will undertake full project identification preparation and final engineering design of all road and bridge sub-projects. Their Services are expected to conclude in late 2008.

The EINRIP Loan will provide for all civil works, and the procurement of steel truss bridges included in the project. It will also provide for Project Management Support Consultants, and for Design and Supervision Consultants during project implementation.

For reference purposes, separate batches of projects will be prepared and implemented. These batches of projects are termed Annual Work Programs (AWPs) in line with terminology used in other Bina Marga projects, but they are not in fact "annual" programs as such. It is expected that the first of these (AWP1) will be ready for implementation in the second half 2007 and be completed by early 2010. The second Annual Work Program (AWP2) is expected to be ready for implementation by mid 2008 and be completed by mid 2010. A third Annual Work Program (AWP3) is expected to be implemented during 2009-2010.

1.4 Project preparation

1.4.1 Approach to project planning and identification

A detailed process of identification, prioritisation and selection of sub-projects for inclusion in the project has been undertaken in formulating the project content for EINRIP. In summary, this involved a hierarchical search process, with a number of discrete steps:

- A network screening study of national road betterment needs for the whole of the Eastern Indonesia Region (EIR), which was conducted using the Integrated Indonesian Road Management System (IIRMS);
- Identification of major road corridors with the greatest need for road improvements, based on economic evaluation;
- Field reviews of priority corridors to verify project needs and priorities, identify the likely extent of sub-projects within the corridor including bridges, and undertake initial environmental screening
- Review of DGH and regional priorities for road improvement
- Selection, prioritisation and programming of projects, particularly taking into account possible needs for land acquisition, or further environmental and social impact assessment
- Further detailed field investigations as needed for later year projects.

It was decided at the outset to adopt a corridor focus for the project. This takes a 'holistic' view of road improvement needs within the corridor, with the objective of bringing priority road corridors to a consistent internal standard. This contrasts with the more usual practice of selecting sub-projects based only on economic priorities, without regard to their inter-relationships.

For the first year work program, it was necessary to identify readily-implementable projects which could be prepared quickly. In particular, sub-projects requiring land acquisition or detailed environmental/social impact assessment will be deferred until later in the project.

1.4.2 Selection of Sub-projects

All sub-projects are required to satisfy economic evaluation criteria and environmental and social safeguards, as summarised below:

Economic evaluation: Sub-projects with an estimated EIRR $\leq 15\%$ will be accepted for inclusion in the project only if it can be demonstrated that they have a significant potential development impact.

Environmental Safeguards: It was agreed from the outset of the project that the Environmental and Social Safeguards would be those used for comparable projects to be funded by the World Bank. The Environmental and Social Safeguards (ESS) prepared and agreed for the project are included as Annex 4.

The ESS ensure that provisions of the Australian Environment Protection and Biodiversity Conservation (EPBC) Act (1999) are complied with. Thus, all environmental and social screening and assessment procedures will be undertaken according to the requirements of the ESS, using guiding procedures and key specifications from:

- World Bank OP4.01 "Environmental Assessment" and related provisions;
- Australian Environment Protection and Biodiversity Conservation (EPBC) Act (1999)
- Related GOI regulations and DGH Guidelines.

Social Safeguards: Social safeguards will be established as part of a Land Acquisition and Resettlement Framework (LARF), based on World Bank OP 4.12, as set out in Part II of Annex 4.

Whether a simplified Land Acquisition and Resettlement Action Plan (SLARAP) or a full LARAP will be required will depend on the numbers of persons affected by the project. Threshold numbers are set out in Annex 4. The presence of any affected indigenous or vulnerable people may trigger the requirement for an Indigenous and Vulnerable Peoples' Development Plan

All candidate sub-projects will be examined for compliance with the requirements of the ESS, using the procedures summarised in Annex 4.

The environmental and social screening process identifies:

- Those sub-projects with significant environmental or social impacts requiring further preparation of an ANDAL¹ or full LARAP, as well as further investigation as required by the GoA EPBC Act, before they can be considered for implementation;
- Those sub-projects with minor environmental or social impacts, requiring preparation of Environmental Management and Monitoring Plans (UKL/UPL) or Simple LARAP, and preparation of Standard Environmental Clauses (SECs) plus Special Clauses (SpECs) if needed;
- Those sub-projects for which no further environmental preparation is required, need only SECs and SpECs.

Readiness criteria.

Readiness criteria defined by Bappenas will be met as described in Annex 14 of this PIP.

¹ Detailed Environmental Impact Assessment

1.5 Project Description

1.5.1 Project Component A: Civil Works

The civil works program will be executed in three annual work programs (AWP), summarised in Table 1.1. The table shows the costs of civil works and bridge trusses at current (year of implementation) prices, excluding taxes.

Table 1.1: Proposed Physical Works by Program

	AWP1 Batch 1		AWP1 Batch 2		AWP 2&3		Total	
	(km/m)	A\$m.	(km/m)	A\$m.	(km/m)	A\$m.	(km/m)	A\$m.
Road Betterment	254	63.8	537	115.7	158	41.0	949	220.4
Bridge Works	1,365	18.9	1,841	14.1	796	8.7	4,002	41.7
Total (Current Cost)		82.7		129.8		49.7		262.2
Bridge Trusses								10.0
Total (Roads & Bridges)								272.2

The first batch of program AWP1 will be started in 2007, and funds are included in the 2007 budget.

Table 1.2A: Program AWP1, Batch 1

Province	Link	Status	Proposed Treatment	Length (km)	Length of Bridge (m)	Total Cost (A\$m)	EIRR	Env/Social Studies Required
Proposed AWP1 Batch 1:								
South Sulawesi	Sengkang Impaimpa	- N8K	Betterment (6.0m)	3.4	13	1.1		SEC
	Impaimpa Tarumpakae	- N8K	Betterment (6.0m)	22.1	69	6.5		SEC
	Package			25.5	82	7.6	92%	
	Bantaeng Bulukumba	- N8K	Betterment (6.0m)	30	220	11.8	39%	SEC
North Sulawesi	Molibagu Mamalia	- Prev. National	Bridge Repair (After Flood)		65	0.7	na	UKL/UPL
	Mamilia - Taludaa	Prev. National	Bridge Repair (After Flood)		296	3.1	na	UKL/UPL
	Package				361	3.8		
South East Sulawesi	Tinanggea Kasipute	- N8K	Betterment (6.0m)	61.7	98	14.2	66%	UKL/UPL
NTB (Sumbawa)	Pal IV - Km 70	Prev. National	Betterment (6.0m)	8.9	33	3.3		SEC
	Sumbawa Besar Bypass	Prev. National	Betterment (6.0m)	33.3	9	8.9		SEC
	Package			42.2	42	12.2	19%	
NTT (Alor)	Taramana Maritaing (Phase I) Bridges	- N8K	Bridge Repairs only		94	1.2	na	
Bali	Tohpati Kusamba Km 3.5-13.8	- Current Non Status *)	Dualization of Road (Incl Bridges)	10.4	428	12.6	65%	UKL/UPL
West Kalimantan	Pontianak - Tayan	N8K	Betterment (6.0m)	65.6		13.9	28%	SEC
South Kalimantan	Martapura - Ds. Tungkup	- Prev. National	Betterment (7.0m)	18.5	40	5.3	77%	SEC
	Total:			253.9	1365	82.7		

* *) catatan Calon Jln Nasional

Table 1.2B: Program AWP1, Batch 2

Projects Proposed for inclusion in AWP1 Batch 2:								
Province	Link	Status	Proposed Treatment	Length (km)	Length of Bridge (m)	Total Cost (A\$m)	EIRR	Env/Social Studies Required
South East Sulawesi	Kasipute - Bambaia	N8K	All proposed for Betterment	35.2	27	6.6		SEC
	Bambaia - Boepinang	N8K		47.7	54	11.5		SEC
	Package			82.9	82	18.1	11%	
South East Sulawesi	Belalo - Andowia	N8K		23	86	5.3		UKL/UPL
	Andowia - Asera	N8K		11.4	84	2.9		UKL/UPL
	Asera - Landawe	N8K		47.4	48	10.7		UKL/UPL
	Landawe - Bts. Sulteng	N8K		38.4		9.8		UKL/UPL
	Package			120.2	218	28.7	-9%	
South East Sulawesi	Awunio - Lainea	N8K		21.7	123	6.3		UKL/UPL
	Awunio - Amolengu	N8K		24	44	6.8		UKL/UPL
	Lapuko - Awunio	N8K		19	12	5.1		UKL/UPL
	Package			64.7	179	18.2	-10%	
Central Sulawesi	Lakuan - Buol	Prev. National		49.2	595	15.7		UKL/UPL
	Buol - Bodi	Prev. National		48	507	13.1		UKL/UPL
	Package			97.2	1102	28.8	10%	
Central Sulawesi	Bodi - Paleleh	Prev. National		51	126	10.6		UKL/UPL
	Paleleh - Umu	Prev. National		36.6	40	9.6		UKL/UPL
	Package			87.6	166	20.2	-6%	
NTB (Sumbawa)	KM 70 - Cabdin Dompu	Prev. National		60.5	35	8.8		UKL/UPL
	Cabdin Dompu - Banggo	Prev. National		38	60	7.0		UKL/UPL
	Package			84.5	95	15.8	-2%	
	Sub-Total AWP1 Batch 2			537.1	1,841	129.8		
	Total AWP1			790.9	3,206	212.5		

* N8K: part of around 8,000 km of roads added to the National road network in 2005.

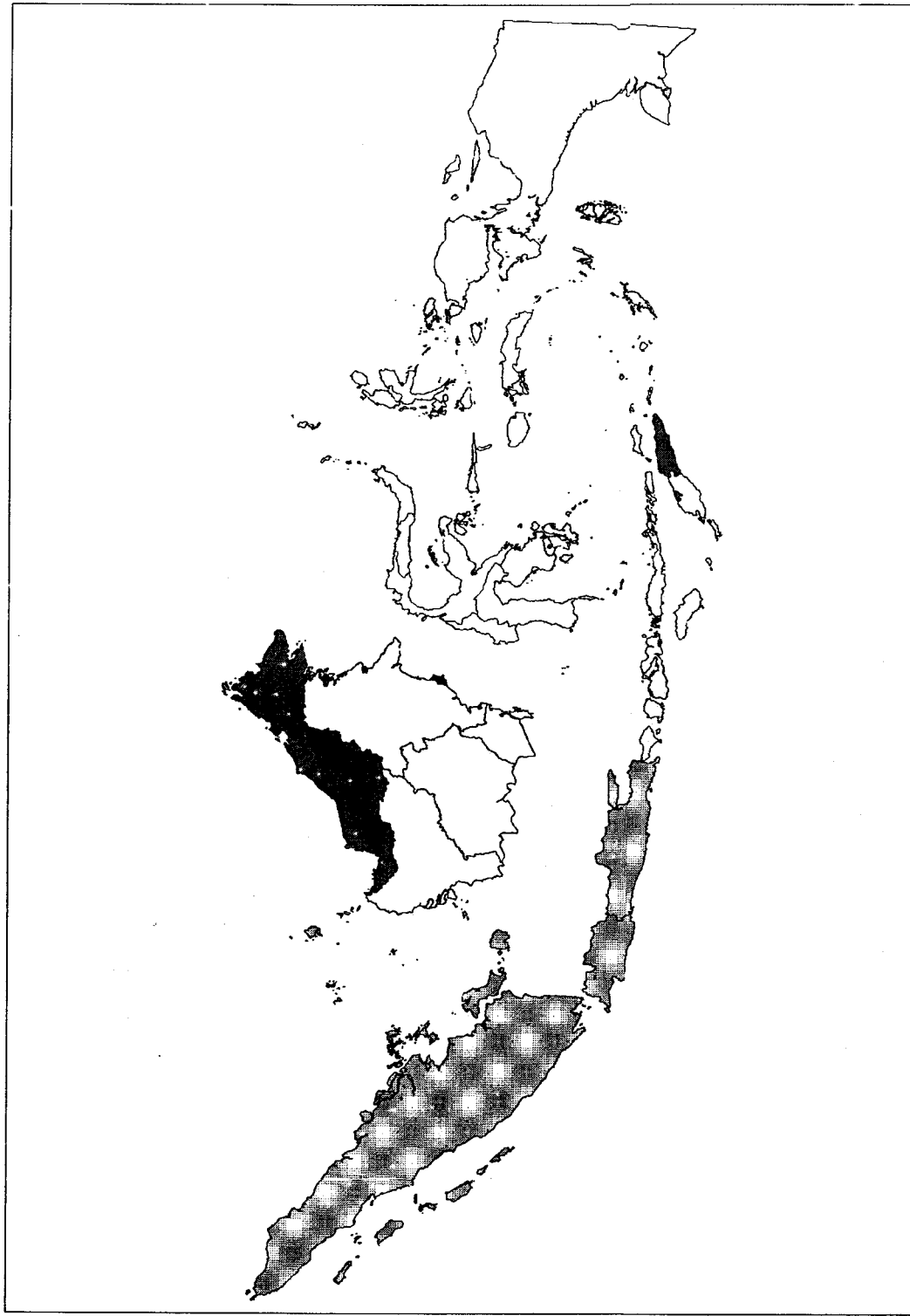
Projects proposed for AWP1 Batch 1 have been accepted by AusAID for inclusion in the program, subject to completion of environmental and social screening, to confirm that there are no land acquisition or resettlement requirements outstanding.

Feasibility studies and environmental/social screening remains to be completed for projects proposed as AWP1 Batch 2, therefore the list is indicative only at this stage.

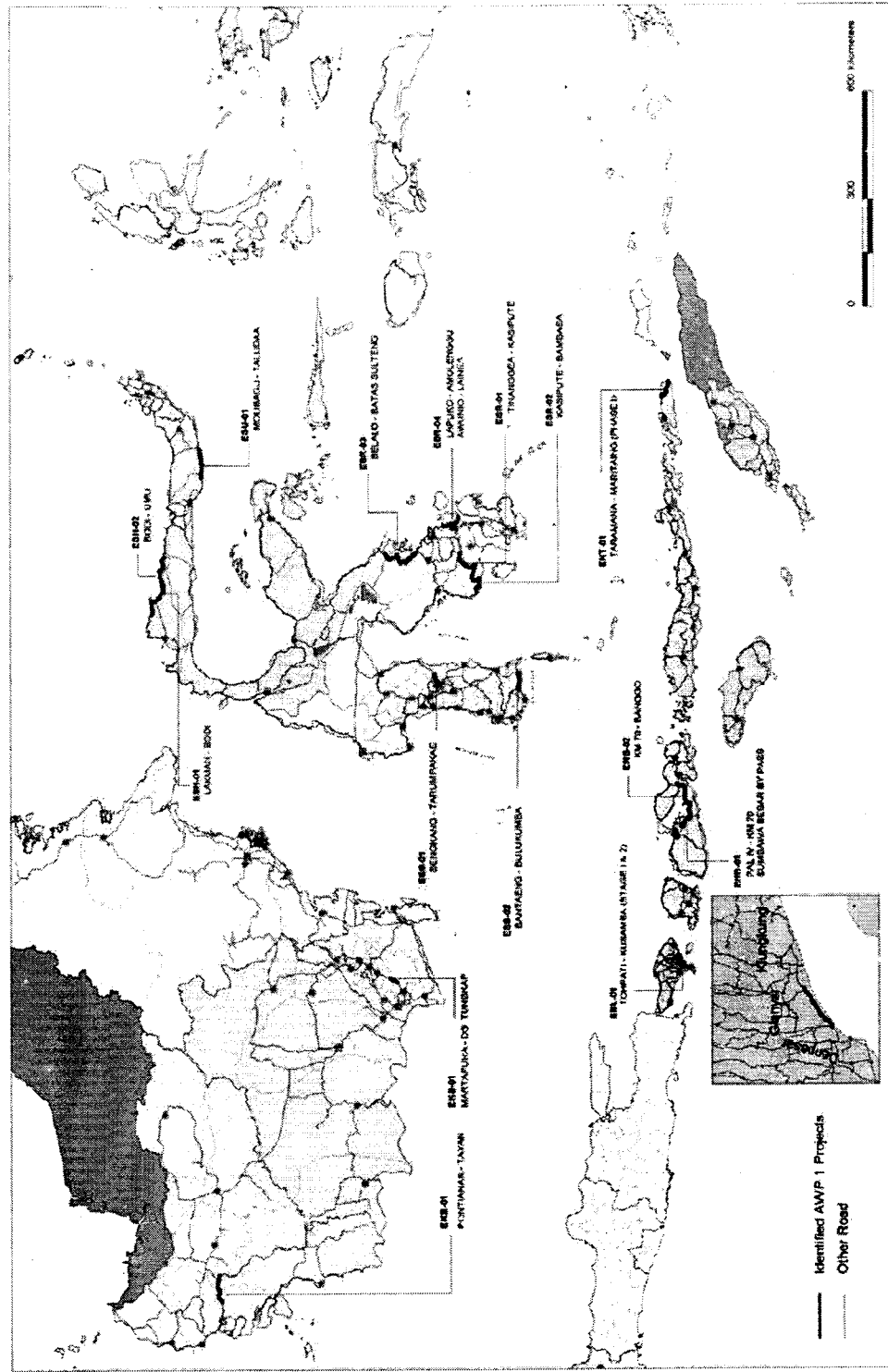
Sub-projects to be included in AWP2 and AWP3 are currently under preparation. Candidates for those programs are provided in Annex 1. They will be selected up to the provisional ceiling amount for AWP 2/3 shown in Table 1.1.

The maps overleaf show 1) the Provinces included in EINRIP; 2) the location of AWP 1 packages (Table 1.2.); and 3) the location of candidate links for AWP 2/3.

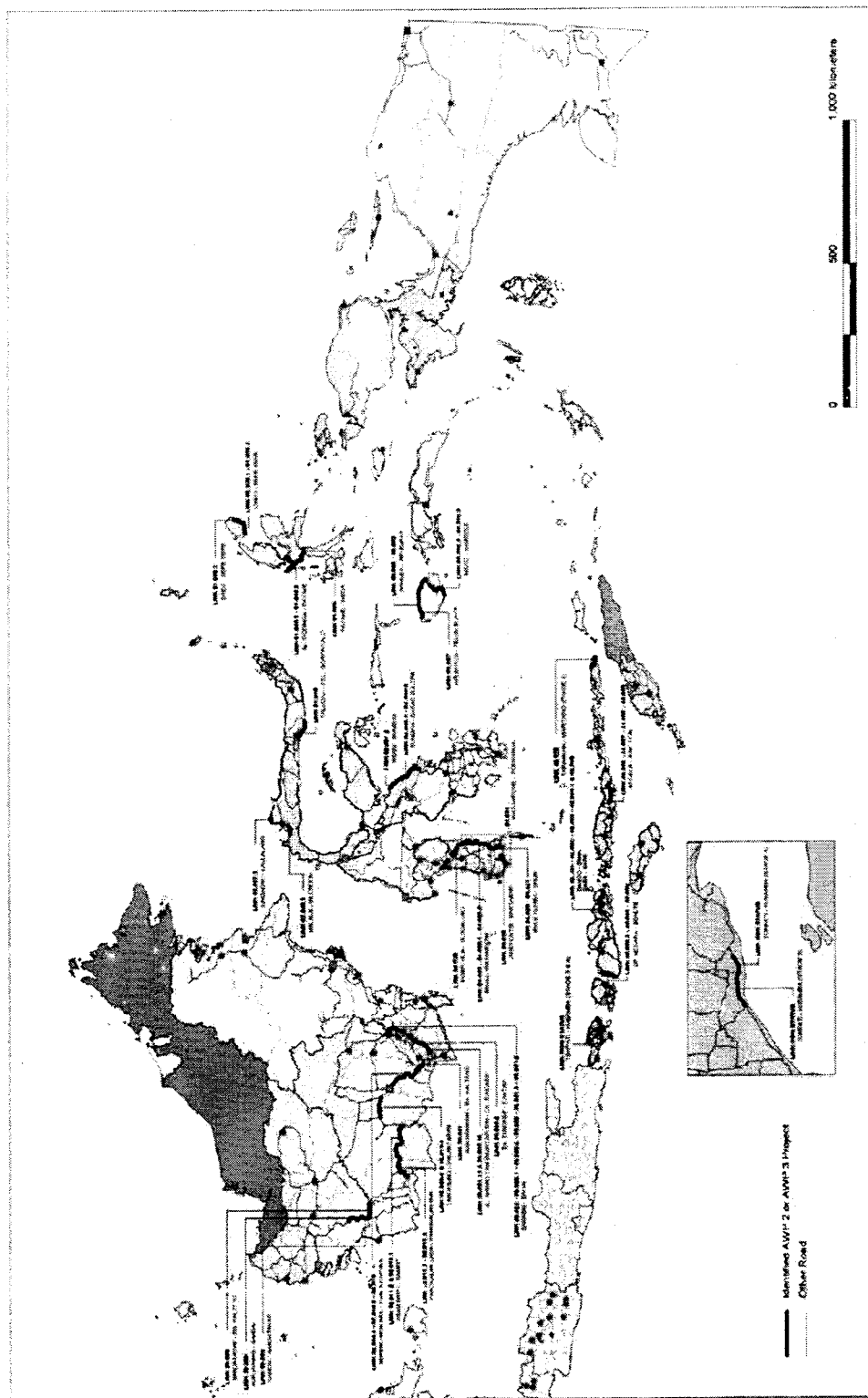
Map 1: Eastern Indonesia



Map 2: Location of AWP1 Packages



Map 3: Location of Candidate Links for AWP2/3



Bridge trusses. This sub-component will include procurement of prefabricated steel bridge material for those bridge replacements where steel trusses are the selected superstructure. The cost is CIF to DGH's depot in Surabaya. Delivery to site and erection is to be included in the relevant civil works contract.

1.5.2 Project Component B: Implementation Support

This component covers consulting services to support project management and implementation so as to ensure implementation efficiency and overall quality of the works. It also includes funds for a small amount of equipment, and for incremental operating costs for the project.

Project Management Support Consultants (PMSC). The PMSC will provide support to the PMU and DGH in management of the Project, based in Jakarta. Their tasks include financial and progress monitoring and reporting, information management and dissemination, quality assurance and performance review for the Regional Supervision Consultants, implementation and monitoring of the anti-corruption action plan, support for project monitoring and evaluation, and support for implementation of a training program to support project management and implementation. Outline scope of services and estimated resources required by the PMSC are included in Annex 2 to this PIP.

Regional Supervision Consultants (RSC). A Regional Supervision Consultant (RSC) will be responsible for supervision of works and have the role of 'Engineer' under a FIDIC-type contract. The tasks include the preparation and maintenance of a quality assurance plan, validation and updating of designs, supervision of all civil works, environmental and social monitoring and management, and support for financial and progress monitoring and reporting. The RSC will also be responsible for quality assurance of materials and workmanship, certifying whether or not contractors have achieved the required results, as well as documentation and reporting based on the financial management plan. They will prepare a Quality Assurance system covering all subprojects, and continuously monitor the effectiveness of their supervision procedures. The team will be contracted and managed by DGH through the Directorate of Roads and Bridges, Eastern Region, and will be based in Makassar. Outline scope of services and estimated resources required by the RSC are included in Annex 2 to this PIP.

Procurement Advisory Services (PAS) to Support DGH. Procurement Advisory Services (PAS) will provide support to the Project Managers and Procurement Committees, to help ensure that procurement and award decisions are undertaken in such a way as to avoid collusive and fraudulent practices. The team will be based in Jakarta, but will spend extended periods of time in delivering the services in the Provincial Satker offices. Outline scope of services and estimated resources required are included in Annex 2 to this PIP.

Interim Arrangements for AWP1. In the period before the PMSC is mobilised, the Project Preparation Consultants will provide advisory support to procurement committees for the procurement of civil works.

Equipment. This sub-component will include a small amount of office and communications equipment to support the PMU in management of implementation of the Project.

Incremental Operating Costs. This sub-component will provide for operational costs which would not have been incurred without the project, by DGH's Project Management Unit (PMU) and units implementing the project components at Central and Provincial level. It excludes Government staff salaries and allowances. Eligible items will be detailed in the Project Management Manual and will include staff travel and per diem allowances,

communications, consumables, web page operation and maintenance (assisted by PMSC staff), advertisement of bidding, printing and publication of Project information, rental of meeting facilities and payments for specific output-related services.

1.6 Project Cost

1.6.1 Summary project cost

The estimated project cost by category of expenditure is given in Table 1.3 below. Baseline costs are estimated at March 2007 constant prices and physical contingencies have been included at 5% for civil works only. Price contingencies have been included at 3% per annum from 2006 and represent about 11.6% of the total cost.

Table 1.3: Project Cost by Category

No.	Category	GOA (A\$m.)			GOI (A\$m.)		
		100%	Tax	Total	100%	Tax	Total
1	Civil Works						
	National Roads	228.7	-	228.7	-	-	-
	Sub Total:	228.7	-	228.7	-	-	-
2	Goods						
	Bridge Trusses	9.9	-	9.9	-	-	-
	Equipment	0.6	-	0.6	-	-	-
	Sub Total:	10.2	-	10.2	-	-	-
3	Incremental Operating Costs						
	PMU	0.7	-	0.7	-	-	-
	Sub Total:	0.7	-	0.7	-	-	-
4	Implementation Support						
	Project Management Support	6.3	-	6.3	-	-	-
	Regional Supervision	17.7	-	17.7	-	-	-
	Procurement Adviser	1.2	-	1.2	-	-	-
	Training and Workshops	-	-	-	1.0	0.1	1.1
	Sub Total:	25.2	-	25.2	1.0	0.1	1.1
	Total Baseline Cost	265.1	-	265.1	1.0	0.1	1.1
5	Unallocated						
	Physical Contingencies	13.6	-	13.6	-	-	-
	Price Contingencies	21.3	-	21.3	-	-	-
	Sub Total:	34.9	-	34.9	-	-	-
	TOTAL	300.0		300.0	1.0	0.1	1.1
	Sub Total Civil Works + Trusses (current)	272.2	-	272.2	-	-	-

Note: Estimated base costs as of 2007, excluding taxes. Physical contingency Civil Works is 5%, price contingency is 2.5% p.a. on foreign component and 8% p.a. on local component, equivalent to an average of 3% per annum. Exchange rate A\$1 = Rp. 7,000.

Counterpart funds will be provided by GoI for the cost of training and workshops, and for payment of all ROW land acquisition costs. The total project costs including VAT (exempted on Loan-funded amounts) are shown in Table 1.4 below.

Table 1.4: Project Costs by Category Including Value Added Taxes

No.	Category	Cost (A\$m.)	Tax (10% on non-Loan cost, by GOI)	Total Cost (A\$m.)
1	Civil Works	228.7	0.0	228.7
2	Goods	10.5	0.0	10.5
3	Incremental Operating Costs	0.7	0.0	0.7
4	Implementation Support	26.2	0.1	26.3
5	Unallocated	34.9	0.0	34.9
TOTAL		301.0	0.1	301.1

1.6.2 Contributions to Project

The contributing sources of funds for preparation and implementation of the project are shown in Table 1.5 below.

Table 1.5: Major Contributions to Project

Item	Loan	Grant	GOI
Project preparation		√	
Design of sub-projects		√	
Monitoring and evaluation during implementation		√	
Eligible expenditures on civil works	√		
Eligible expenditures on goods	√		
Eligible expenditures on services	√		
Eligible expenditures on incremental operating costs	√		
Consultancy services for Implementation Support	√		
ROW land acquisition costs			√
Staffing and office space for the PMU			√
Training and Workshops			√
Applicable taxes (by exemption)			√
Financial and technical audit		√	
Procurement Agent (EINRIP and SRIP)		√	

1.7 Project Rationale and Benefits**1.7.1 Lessons Learned from Previous Projects**

Recent Projects in DGH have provided examples of good performance to be emulated and poor performance to be addressed and corrected. The World Bank's Implementation Completion Report for EIRTP-1 evaluated the performance of DGH and its Project Management Unit as Satisfactory.

- i. There were concerns over the engineering designs by the provincial works agencies and their consultants, with a significant number of requests for revisions to the detailed designs by the construction teams. It was concluded that additional expense and time should be allocated to improve the quality of design. Preparation of EINRIP has taken this into account.

- ii. There were concerns about the quality of the construction works. It was concluded that bidding documents, responsibilities and quality of supervision should be improved. Preparation of EINRIP has taken this into account.
- iii. There were governance concerns, particularly in the procurement process. Some works tendered by Procurement Committees under provincial works agencies were re-bid after suspicions of collusion and fraud were confirmed. EINRIP is a national government, national roads project and all procurement will be undertaken by DGH, whether physically in Jakarta or in the relevant province. While this more centralised model should lend itself to higher quality, procurement advisory support to Procurement Committees will be provided to combat this risk.
- iv. Relations between consultants working for DGH were constrained by a belief that one consultant cannot communicate with another. Under EINRIP, PMSC will assist PMU by undertaking independent performance monitoring of the effectiveness of construction supervision, and the compliance of the RSC with their stated QA standards.

In EINRIP the design and design checking processes have been strengthened through the adoption of a comprehensive Design Specification, and Final Engineering Design and preparation of associated Bidding Documents is being undertaken directly by the Project Preparation Consultants. The implementation arrangements have been clarified to enable the consulting engineers in civil works contracts to have clearer authority and responsibility and thus improve accountability for approving and paying for completed works. Monitoring of the effectiveness of supervision procedures will be undertaken by the RSC and overseen by the PMSC. Technical audits will also address quality of work issues, and will be used to verify the adequacy of all works. The Project Management Manual will be improved for EINRIP.

1.7.2 Benefits and Target Population

The target population will be road users in participating provinces, districts and towns in the Eastern Indonesia Region. The project benefits and impacts on the target population are expected to be the following:

- a) Improved road conditions and connectivity between major centres and modes of transport will lower transport costs for passengers and freight. This will reduce the cost to local industries and of inputs to local agriculture, and the cost of transporting products to markets, and provide a significant stimulus to regional economic development;
- b) Improved transport services in the EIR will have a significant impact on the poor, given that the EIR has a higher percentage of the poor than the rest of Indonesia, and the project will provide significant benefits to isolated communities with poor populations. Improved roads and accessibility will increase access to jobs, health, social and educational facilities in disadvantaged rural areas; and
- c) The project will strengthen the ability of central and regional based units to manage their road assets. The project's emphasis on transparency and accountability will impact on governance in all areas.

1.7.3 Project Economic Evaluation

An initial economic evaluation has been undertaken of all civil work components in Batch 1 of AWP1. Batch 2 evaluation is ongoing. Nearly all projects proposed for inclusion in EINRIP AWP1 have an EIRR greater than the minimum level of 15% required. The few

projects/corridor links which do not meet the 15% EIRR standard may be justified by additional criteria, including broader socio-economic and development benefits. **Annex 3** provides details of the economic evaluation for the civil works, the largest component of the project.

1.8 Environmental and Social Safeguards

1.8.1 Environmental Safeguards

Gol environmental safeguards for EINRIP are based on the Environment Impact Assessment System (AMDAL) as mandated by various laws and regulations as detailed in Annex 4, which details the Environmental and Social Safeguards (ESS) adopted for EINRIP.

All proposed EINRIP subprojects are subject to environmental impact screening (Figure A4-1, Annex 4) to identify one of three treatments: i) basic environmental clauses, ii) an environmental mitigation and monitoring plan (UKL/UPL) report or iii) a full EIA (ANDAL). Process ii) and iii) must include an examination of potential impacts on both the biophysical and the socio-cultural and built environment, although the extent of the social impact in terms of land acquisition and resettlement has an impact on ANDAL only when land acquisition extends to more than 30 ha outside the RoW for inter-urban roads and less for increasingly urban areas. In such cases a full ANDAL is triggered.

Mitigation and monitoring measures must be provided for all impacts not complying with Gol regulations and standards.

AusAID environmental safeguards for EINRIP are defined by the Australian Environment Protection and Biodiversity Conservation (EPBC) Act (1999) Guidelines 1.1 (2005). These safeguards impose standards through a case-by-case technical examination of likely environmental effects, based in the boundaries defined by Australia's comprehensive set of laws, regulations and standards.

Australia's environmental impact assessment process uses a two-tiered screening to identify projects with potentially significant effects on nationally important biophysical and socio-cultural features, which if present require referral to the Australian Department of the Environment (DoE) for assessment. There are 7 first-order features, of which 5 apply to Indonesia. These are:

- Ramsar wetlands of international importance
- Listed threatened species and communities protected under international conventions
- Listed migratory species
- Nationally protected marine/coastal environment
- Nationally Important Cultural/Historical Site

If the first tier screening indicates that nationally important features will not be significantly degraded a second tier of analysis must be completed where impacts, also in terms of significance, must be assessed for key ecosystem components as defined in the EPBC Guidelines (2005).

Determination of significance is the key characteristic of each likely impact, and will establish if the project can go forward or if it must be referred to the Australian DoE for evaluation.

1.8.2 Joint Application of GoI and GoA Environment Safeguards

All sub-projects will be screened according to the GoA exclusion and referral procedures and if cleared, subject to the GoI screening steps defined in Figure A4-1. The GoA clearing process will likely be invoked only for projects that require full environmental assessment.

For all projects clearing the GoA screening process and not requiring any additional environmental studies, based on Figure A4-1, a set of standard environmental clauses (SECs) will be included in the bid/contract documents. In some cases a further set of Special Environmental Clauses (SpECs) may be added to emphasize potentially problematic conditions, for subprojects that have issues but did not warrant full UKL/UPL status.

For subprojects which require the Environmental Mitigation and Monitoring Plans, a UKL/UPL report, plus SECs will be prepared.

Formats for all required documentation have been agreed and will be detailed in the Project Management Manual.

1.8.3 Social Safeguards

AusAID and the GoI agreed to apply the Work Bank's OP 4.12 and based on that a Land Acquisition and Resettlement Planning Framework (LARF). The LARF defines conditions under which project-affected-people and households are identified and categorized, how compensation is established and distributed, and how follow-up monitoring is to be undertaken. Current GoI regulations (Presidential Proclamation No. 65, year 2006; *Perpres 65/2006*) regarding land acquisition and compensation will be used in cases where the Framework provides less specific instructions and where Indonesian laws must be applied.

The EINRIP process as defined in the LARF requires that either a full Land Acquisition and Resettlement Plan (LARAP) or a simplified LARAP (SLARAP) be completed whenever there are people who lose their property or fixed assets. Specifically, if ≥ 40 households or ≥ 200 people are affected and if any minority or vulnerable people are affected a LARAP is needed. If < 40 households or < 200 people are affected an SLARAP is to be undertaken².

In the event that land acquisition takes place for any subproject within 2 years of the start of any proposed EINRIP LARAP exercise, all relevant data on land acquisition must be provided to DGH. This includes a description of the process applied, its schedule, compensation process and entitlement data, amount of land acquired, location and number of HH or individuals compensation, the amounts provided and the complete list of all those compensated (usually available in tabular form). The PPC, on behalf of AusAID will then conduct a "tracer study", including interviewing a sample of project-affected-people (PAPs) to independently certify for the Government of Australia that the LARAP process was completed fairly and credibly (a specific requirement of AusAID).

All SLARAPs, while prepared by the PPC³, will have primarily Kabupaten-level involvement. For LARAPs the provincial BAPPEDA's and local governments where the subprojects are located will be directly involved in implementing this process, and in forming a Land Acquisition Committee (LAC) as defined in *Perpres 36* (2005), which will govern all entitlement and grievance issues, plus oversee the compensation. It is likely that a local NGO will be involved as independent compliance monitors.

² Also, if $< 10\%$ of the physical assets are lost and no people are displaced, a SLARAP may be all that is needed.

³ LARAPs and SLARAPs may be undertaken by consultants retained by the PPC.

Should any proposed EINRIP subprojects involve construction along existing national roads and bridges in areas where indigenous people live and where either land or fixed assets are at risk, an *Indigenous People's Development Plan* will be prepared as defined in the World Bank Framework. Guidance will be sought from the Indonesian Department of Social Affairs (Departemen Sosial) and all relevant GoI laws and regulations will be referenced.

1.8.4 Environmental and Social Safeguards Due Diligence

All project-specific environmental and social studies completed as part of the safeguards process will be subject to a due diligence audit by the PPC, with output submitted to AusAID as part of the overall project approvals process. Projects will not move forward to implementation until both environmental and social safeguard requirements have been met.

2. INSTITUTIONAL

The institutional arrangements for implementation and management of EINRIP will be adapted and improved from that for EIRTP-1, which was designed for National and Provincial programs. The overall Project Organisation is shown in **Figure 2.1**, and particular aspects are reviewed in this section.

2.1 Organisations responsible for project implementation

An inter-agency Steering Committee chaired by BAPPENAS' Deputy for Production, Trade and Infrastructure and including representatives from the Ministry of Finance (MoF), and Ministry of Public Works (MPW) is responsible for facilitation of coordination among the Ministries for the purposes of Project implementation. DGH within MPW is the Executing Agency (EA) for the Project. The Steering Committee will have a Secretariat chaired by the Director of Transportation, Bappenas with members appointed from the implementing agency within the Directorate General of Highways as well as the Bureau of Planning and International Cooperation of the Secretariat General, Ministry of Public Works.

The Central Government working group consists of DGH as the Executing Agency and the Bureau of Planning and International Cooperation of the Secretariat General, representing the Ministry of Public Works. DGH is represented by the Directorate of Planning, Directorate of Technical Affairs, and the Directorate of Roads and Bridges, Eastern Region.

The Directorate General of Highways (DGH) as the lead Implementing Agency (IA) for the Project will form a Project Management Unit (PMU-EINRIP). PMU-EINRIP will be chaired by the Director of Planning in DGH. The PMU-EINRIP will be responsible for coordination of all EINRIP activities, and the Director General of Highways is ultimately responsible for oversight of all procurement.

The project organisation for implementation of civil works in Non-Metropolitan areas is shown in **Figure 2.1**, overleaf, followed by **Figure 2.2**, the project organisation for implementation of civil works in Metropolitan areas.

Figure 2.1: Project Organisation for Implementation of Non-Metropolitan Works

EASTERN INDONESIA ROAD IMPROVEMENT PROJECT (EINRIP) PROJECT IMPLEMENTATION ORGANISATION

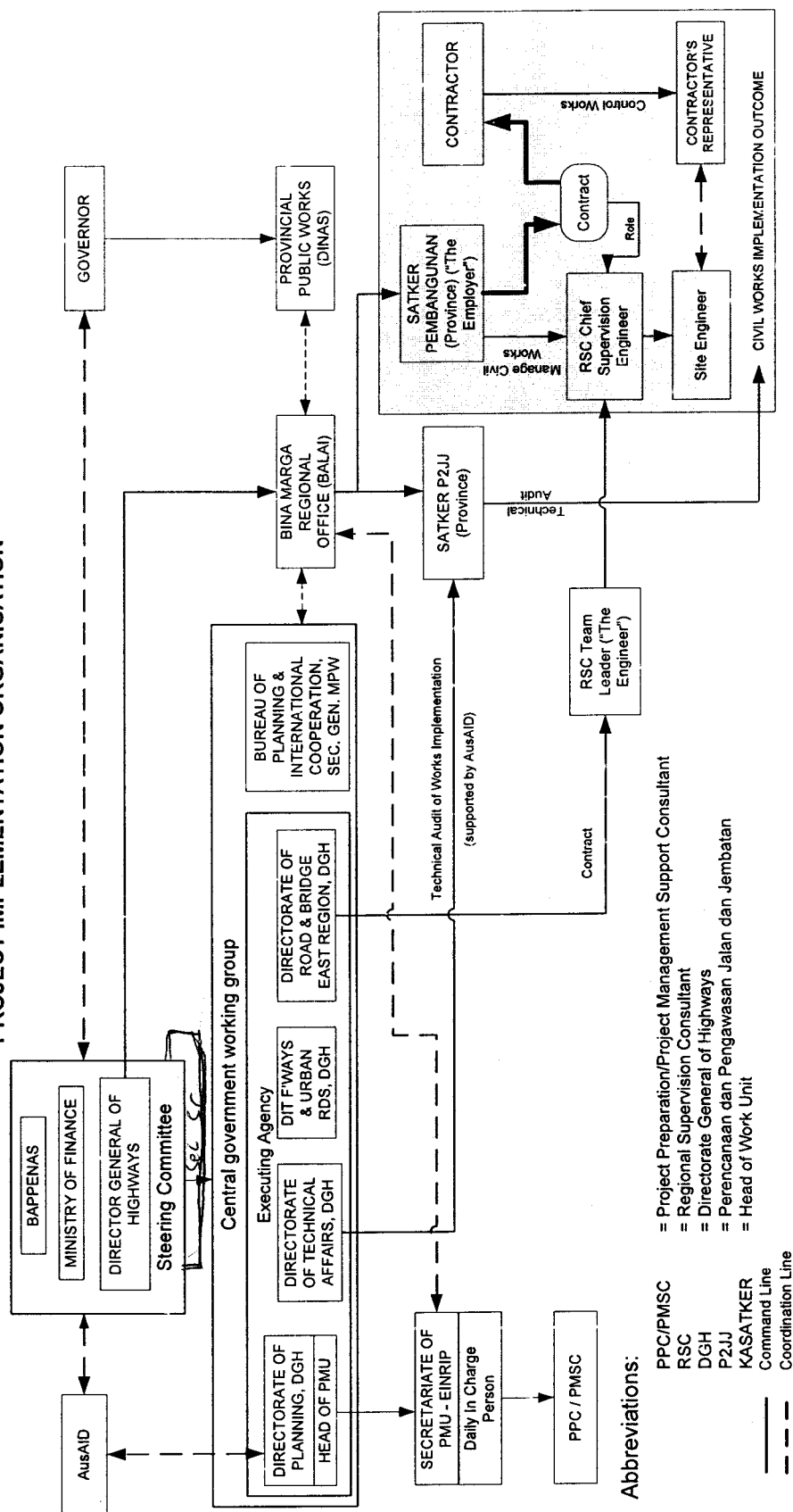
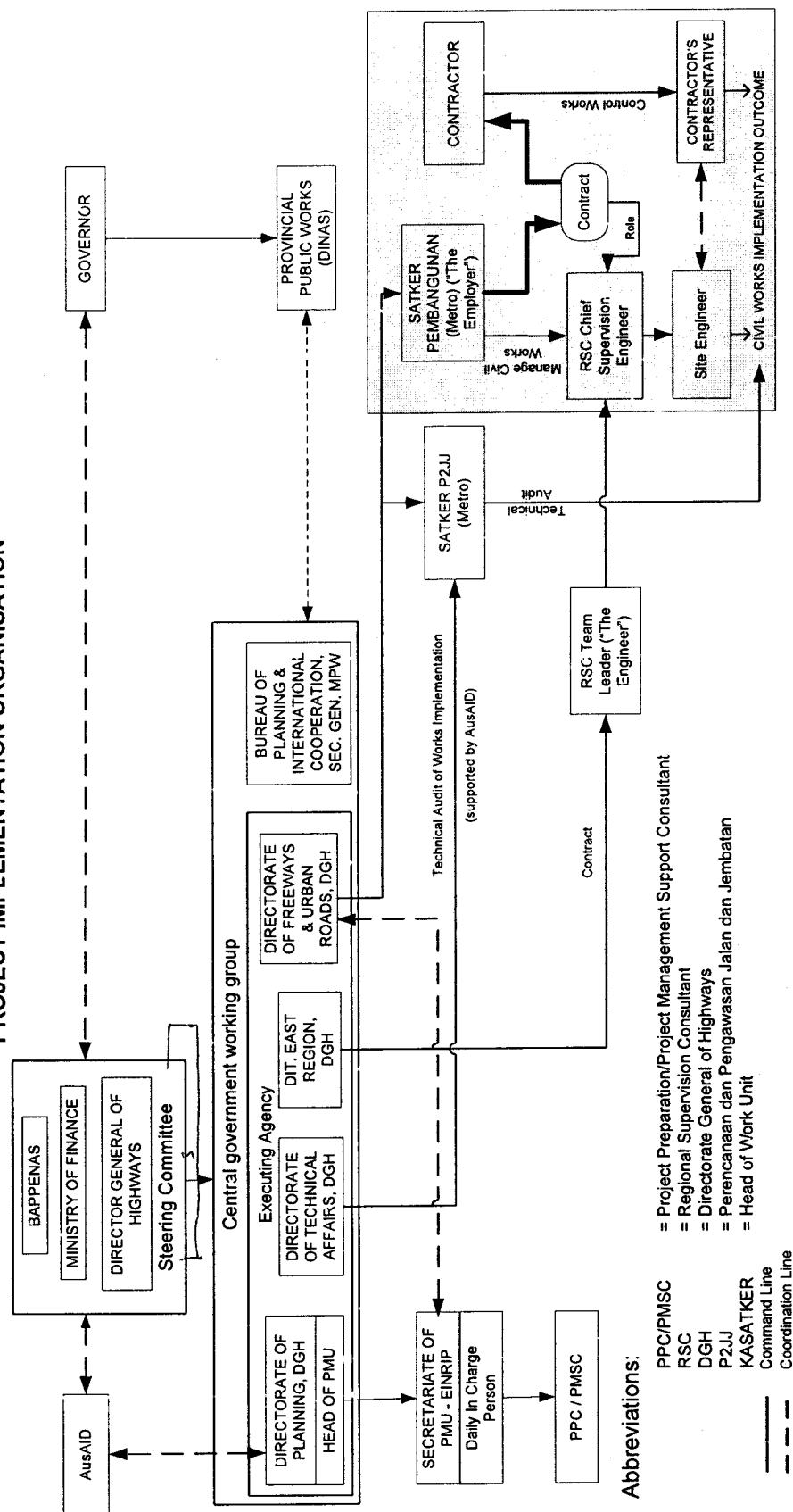


Figure 2.2: Project Organisation for Implementation of Metropolitan Works
EASTERN INDONESIA ROAD IMPROVEMENT PROJECT (EINRIP)
PROJECT IMPLEMENTATION ORGANISATION



The proposed roles and responsibilities of government agencies and implementation support services for EINRIP implementation are summarised in Table 2.1.

Table 2.1: Summary of Roles and Responsibilities for EINRIP Implementation

Agency/Position	Role	Responsibilities
Minister of Public Works	Oversee Executing Agency	Approve contracts over Rp. 50 billion Oversee budgets and evaluate progress of Loan absorption (through Biro PKLN)
Director General of Highways (DGH)	Executing Agency	Approve contracts up to Rp. 50 billion Approve contract variations involving price increases Issue Project Management Manual
DGH Directorate of Planning (<i>Dit Bipram</i>)	Planning, programming of subprojects, packaging Manage PMU Manage procurement, implementation of PMSC	Budget for all Project activities Establish, direct and supervise the Project Management Unit (PMU) Manage PMSC contract (financial) through <i>Bipram's</i> Work Unit (<i>Satker</i>) Manage procurement of PMU equipment
Project Management Unit (PMU)	Secretariat (channel of communications) between AusAID and GOI, and between all GOI units implementing Project components Ensure effective implementation of the ACAP	Monitor project status and all related commitments Prepare Financial Monitoring Reports Keep Project Management Manual updated and keep implementing units aware of their responsibilities Manage PMSC services (technical) Manage effective implementation of provisions specified in ACAP
DGH Directorate of Technical Affairs (<i>Dit Bintek</i>)	Establish technical standards Approve designs for Non-Metropolitan roads/bridges Procure steel bridge trusses	Manage technical audit Manage environmental aspects for all road/bridge works Approve design standards, standard bidding documents and specifications for all road/bridge works Approve designs for Non-Metropolitan roads/bridges Manage procurement of steel bridge trusses
DGH Directorate of Eastern Region (<i>DitWilTim</i>)	Manage procurement, implementation of RSC Oversee Balai in Non-Metropolitan areas Monitor implementation of Non-Metropolitan	Manage RSC services (technical) Manage RSC services (financial) through <i>DitWilTim's</i> Work Unit (<i>Satker</i>) Assist Director General in civil works contract matters

Agency/Position	Role	Responsibilities
	road/bridge works	
DGH Directorate of Freeways and Urban Roads	Oversee the design, procurement and implementation of works in Metropolitan areas ⁴	Approve designs for Metropolitan roads/bridges Ensure that agreed standards and procedures are applied, conduct quality assurance of works and environmental and social safeguards
Regional Implementation Agencies (<i>Balai Pelaksanaan</i>)	Oversee implementation of road and bridge works in Non- Metropolitan areas	Ensure that agreed standards and procedures are applied, conduct quality assurance of works and environmental and social safeguards
Specific Work Units (SNVT) for Construction (<i>Satker Pembangunan Provinsi or Satker Pembangunan Metropolitan</i>)	Manage procurement and implementation of works Administer civil works contracts as the Employer (implementing unit for civil works)	Responsible to ensure quality of technical and financial implementation by acting as the Employer under civil works contracts with responsibility including: manage bidding process; evaluate bids; award and sign contract; arrange permits; inform Contractor of financing; appoint the Engineer; approve Variation Orders that increase cost or extend time; arrange payments; take over the site; be entitled to terminate Contract.
Design & Supervise Unit (P2JJ) and related SNVT	Liaison for Technical audit	Liaise between Dit BinteK, PMSC and specific works unit for technical audit Provide testing facilities for technical audit under <i>Dit BinteK</i>
Provincial Public Works Agencies	Liaison with Governor	Synchronise planning of all National road works in the Province Assist Director General/ Directors/Balai as required Coordinate with other concerned agencies, local governments and communities to support preparation and implementation of works

Within the Directorate General of Highways, the Directorate of Planning (*Direktorat Bina Program = Dit Bipram*) is responsible for planning, programming and budgeting of works on National roads including land acquisition costs.

The Director General of Highways manages works on National roads in Eastern Region through Regional Implementation Agencies (*Balai*) for rural roads, and through Directorate of Freeways and Urban Roads (*Direktorat Jalan Bebas Hambatan dan Jalan Kota*), for metropolitan roads. There are two metropolitan areas in Eastern Indonesia: Denpasar City and the surrounding districts of Badung, Gianyar and Tabanan; and Makassar City and the surrounding districts of Maros, Sungguminasa and Takalar. For EINRIP, one metropolitan package, Tohpati-Kusamba in Denpasar, will be administered by the Directorate of Freeways

⁴ Provisionally only Tohpati-Kusamba in Bali

and Urban Roads, through its Sub-Directorate of Metropolitan Road and Bridge Construction (*Sub. Dit. Pelaksanaan Jalan dan Jembatan Metropolitan*).

The Director General of Highways is assisted by Directorate of Roads and Bridges, Eastern Region (*Direktorat Jalan dan Jembatan Wilayah Timur*) and by Regional Implementation Agencies (*Balai Besar Pelaksanaan Jalan Nasional* located in Makassar and Banjarmasin for Sulawesi and Kalimantan respectively, and *Balai Pelaksanaan Jalan Nasional* located in Denpasar for Bali, NTB and NTT, Ambon for Maluku and North Maluku, and Jayapura for Papua and Irian Jaya Barat). Tasks and responsibilities of each position in the Balai and Satker were specified by MPW regulation late in 2006.

Standards for technical design, bid documents, specifications and quality control for all works will be authorised by the Directorate of Technical Affairs (*Direktorat Bina Teknik, BinteK*) of DGH through its Sub-Directorate of Standards and Guidelines Preparation (*Sub Dit Penyusunan Standar dan Pedoman*), while its Sub-Directories for Road Engineering (*Sub Dit Teknik Jalan*) and Bridge Engineering (*Sub Dit Teknik Jembatan*) will supervise the design of civil works by consultants. Urban works adopt *BinteK* standards for design, bid documents, specifications and quality control, but designs are authorised through the Sub-Directorate of Urban Road and Bridge Design (*Sub Dit Perencanaan Teknis Jalan dan Jembatan Kota*).

Standards and procedures for environmental management and monitoring for all works will be prepared by the Sub-Directorate of Environmental Engineering (*Sub. Dit. Teknik Lingkungan*) of the Directorate of Technical Affairs (*Direktorat Bina Teknik*) of DGH. Any land acquisition to be funded by central government for urban roads is managed by the Sub-Directorate of Land Acquisition (*Sub. Dit. Pengadaan Lahan*) in the Directorate of Freeways and Urban Roads. For non-urban roads, any land acquisition is managed by the respective Work Unit (*Satker*).

The RSC (including the field team for Tohpati-Kusamba in Bali) will be managed by the Directorate of Roads and Bridges, Eastern Region.

Training is the responsibility of Personnel and Administration Division of the DGH Secretariat. Financial administration is the responsibility of each agency allocated a budget, overseen by DGH Secretariat's Finance Division. Loan accounting and financial monitoring is the responsibility of PMU. The financial management arrangements are further described in Section 3.3 of this PIP.

2.2 Appointment and Delegation of Authority of the Engineer

Under EINRIP, the Team Leader of the Regional Supervision Consultant team will be appointed by DGH (as the Employer) to be the Engineer for all civil works. The Standard Bidding Documents require the Engineer to be named in the Contract Data for each contract.

The RSC Team Leader as the Engineer for each Contract will delegate their authority in writing to a Chief Supervision Engineer (CSE) and advise DGH in writing of this delegation. Each civil works contract under EINRIP will be the responsibility of a nominated CSE. DGH will inform the respective Regional Implementation Agency (Balai) and the Head of the Work Unit and the Project Manager of this delegation. To ensure quality, the Engineer's duties under the contract include approving variations (subject also to DGH approval), authorisation of payments, issuance of completion certificates, as well as providing decisions in contractual matters and taking action relating to disputes, etc.

2.3 Project management and staffing

2.3.1 Project Management Unit (PMU-EINRIP)

Project management will be coordinated through a Project Management Unit (PMU-EINRIP) which will be established before Loan Effectiveness by a decree of the Director General of Highways.

The PMU-EINRIP will be responsible for day-to-day management and implementation of the Project, and will be chaired *ex-officio* by the Director of Planning (*Bipram*) in DGH. The Executive Head of the PMU shall be a government official with sufficient project experience to provide for the efficient functioning of the PMU. The PMU shall be provided at all times with adequate funds and other resources, and staffed by qualified and experienced personnel in adequate numbers, as shall be necessary to accomplish its functions, responsibilities and objectives. The responsibilities, structure and staffing of PMU-EINRIP and a description of the equipment and incremental operating costs are described in **Annex 5** to this PIP.

The Directorate of Planning was appointed by the Director General of Highways to manage all aspects related to loan preparation of EINRIP. Daily management of this activity is provided by a Project Preparation Unit (PPU), part of the Directorate of Planning. Involvement of DGH in loan preparation is as the technical client.

A PPU has been operating since 21 February 2006 to coordinate preparation of the project and planning and design of civil works. After the PMU is appointed, PMU will begin coordination of implementation, to be arranged by the Director of Planning as Head of PPU/PMU.

The PMU will be supported by consultants, Project Management Support Consultants, PMSC, (and Project Preparation Consultants, PPC, until their services are finished), with activities summarised in **Annex 2**. PMU will have the responsibility to oversee the implementation of the Anti-Corruption Action Plan (duties of PMU in **Annex 5**).

2.3.2 Project Management Manual

A comprehensive Project Management Manual (PMM) is being prepared that will describe all requirements and procedures that must be followed by all parties, covering such areas as:

- Procurement regulations, procedures and requirements;
- The Financial Management Plan, including budgeting, disbursement, accounting and reporting of project finances, and auditing;
- Project Implementation Management Information and reporting systems and procedures, including the financial management information system (FMIS);
- Provisions of the Anti-Corruption Action Plan;
- The Environmental and Social Safeguards (ESS)

Because of the large number of separate agencies, project managers and Procurement Committees involved, a Training Program will be required to be undertaken prior to and during project implementation, as described in **Annex 9**.

The PMM is being prepared in English, and will be translated into Bahasa Indonesia prior to its dissemination.

2.4 Roles of other institutions

A significant number of other institutions will participate in and contribute to the project. For ease of presentation, these are summarised in the table below.

Table 2.2: Roles and responsibilities of other institutions

Agency	Role	Responsibilities
Badan Perencanaan Nasional (National Development Planning Agency – BAPPENAS)	Chair of Steering Committee	National investment strategy Coordinate GoI policies in relation to Project Annual budget preparation
Ministry of Finance (MoF) DG Budgets DG Treasury DG Debt Management	Budgeting Accounting	Budget and Treasury policy Annual budget preparation Budget execution and reporting Loan Negotiations and Loan Repayments
Bank Indonesia	Disbursement processing	Disbursement processing Operation of Special Account
BPK BPKP Inspectorate General of MPW	Audit	The roles of the three agencies in financial audit is explained in Section 3.3.5 and in technical audit in Section 3.4.5 .

2.5 Coordinating mechanisms

Every six months there will be a meeting between AusAID, MPW and the Ministry of Finance to review measures taken in response to key audit report findings (see ACAP, Annex 11).

It will be the responsibility of the Steering Committee to coordinate central government Ministries and Agencies. For day-to-day implementation, the Steering Committee will appoint staff to maintain coordination between the Steering Committee, the PMU and the other institutions outside MPW.

Coordination within DGH between the PMU and field staff will be facilitated by the Head of the related DGH Regional Implementation Agency (*Balai*). The Balai will monitor the timeliness and accuracy of the periodic reporting of project performance and financial data from each project, and assist to overcome any problems. Similarly, the Regional Office will provide necessary assistance to ensure proper coordination and reporting between the RSC and the PMU and its PMSC.

3. PROJECT ADMINISTRATION

3.1 Monitoring and reporting arrangements

A major project management function of the PMU and its consultants will be to monitor the overall performance of the project and its implementation. A number of separate monitoring and reporting tasks can be identified:

- i. Implementation of procurement
- ii. Physical progress of implementation of the project components
- iii. Financial performance (and comparison where appropriate with corresponding physical achievements)
- iv. Compliance with prescribed procedures including contract administration
- v. Achievement of overall project objectives.

These monitoring and reporting arrangements will be enumerated in detail in the PMM. For financial and audit aspects, Section 3.3 provides details. A separate Project Monitoring and Evaluation program will be undertaken under the direction of AusAID, as described in Section 5.

The following intermediate and final progress reports will summarise all actions and outputs:

- a. Financial Monitoring Reports (FMR). A quarterly Financial Monitoring Report (FMR) will be prepared by DGH/PMU and submitted to AusAID. The FMR will monitor and report all aspects of the financial performance of the project, including:
 - Financial expenditure under each of the civil works contracts;
 - Financial management including projected sources and application of funds for the three month period following the reporting period so to allow for timely replenishment of the Special Account.
- b. Project Progress Reports (PPRs). Monthly PPRs will be prepared by the DGH/PMU and submitted to AusAID. The PPRs will monitor and report progress, identify delays and provide plans to overcome them, on a number of aspects to be agreed, including:
 - Progress with procurement and pre-contract preparation;
 - Physical progress in project implementation for each civil works contract;
 - Details of any delays in the processing of invoices (see annex 8);
 - Overall progress against the planned implementation schedule.
- c. Monthly Reports of Consulting Services. All Consultants will prepare and submit monthly progress reports during their assignments. These will be submitted to AusAID by the PMU.
- d. Technical and Final Reports of Consultants. Copies of all technical and Final Reports produced by Consultants will be submitted to AusAID by the PMU.
- e. Annual Progress Report on the Project. An Annual Progress Report summarising all aspects of project implementation over the preceding 12 months, and detailing project implementation plans for the coming year, is to be prepared by DGH/PMU and submitted to AusAID.
- f. Project Implementation Completion Report. Within six months of the closing date of the Loan, the DGH/PMU shall submit to AusAID an Implementation Completion Report in a format to be agreed.

3.2 Procurement management

3.2.1 Procurement management and plan

The project will involve procurement of:

- Civil works,
- Goods (bridge trusses and equipment) and
- Consultant services.

MPW's Semi E-Procurement system will be used for the procurement of all consultancy and civil works contracts, and for procurement of the fabrication and supply of steel bridge trusses. Prior to the commencement of procurement under EINRIP, MPW will ensure that enhancements to the Semi E-Procurement system are in place in accordance with the ACAP (Annex 11).

DGH will use an integrity pact for all EINRIP procurement exercises (See ACAP, Annex 11).

An Annual Procurement Plan, to be approved by AusAID, shall specify details of all packages. Any deviation from this Procurement Plan will require the written agreement of AusAID.

Further details regarding procurement are provided in Annexes 6 and 7.

3.2.2 Prior Review

AusAID will undertake Prior Review of all procurement (Table 3.1), to support issuance of No Objection Letters (NOLs) at each stage of the procurement process. The stages for Prior Review and/or issuance of NOLs for Civil Works, Goods and Consultancy Services procurement are detailed in Annex 6.

Prior Review for a civil works contract award will consider, among other things, whether a Chief Supervision Engineer has been appointed by DGH for the respective contract.

Prior review for the RSC contract will consider, among other things, the adequacy of remuneration for field staff and qualifications, experience and background of the persons(s) nominated as the Chief Supervision Engineer(s).

Table 3.1: Summary of Prior Review procurement thresholds and procedures

Description and Value	Procurement Procedure
Civil Works: Construction contracts (roads and bridges)	ICB – Limited international competitive bidding (AIPRD eligibility criteria) with prior review
Goods: ▪ goods over A\$ ^{1.4} 0.3 million (Fabrication and supply of steel bridge trusses)	ICB – Limited international competitive bidding (AIPRD eligibility criteria) with prior review
▪ goods under A\$ ^{1.4} 0.3 million (IT equipment)	NCB national competitive bidding with prior review
Consultant's Services: Implementation support and technical assistance	ICB –international bidding with prior review, Quality and Cost Based Selection

Note. AIPRD eligibility criteria – limited to 3 countries, Australia, New Zealand and Indonesia.

3.2.3 Procurement procedures

A Procurement Agent will support DGH in the procurement of Consultancy Services.

For the procurement of Civil Works and Goods, there will be no pre-qualification of bidders. Post qualification procedures will be applied, based on criteria to be agreed between AusAID and DGH before procurement commences.

World Bank procurement procedures shall be followed for EINRIP, subject to the following:

- AIPRD eligibility criteria (see Annex 6) will apply for all except procurement of the PMSC, RSC, Procurement Advisory Services and ~~Proof Engineering Consultants~~; X
- There will be no limitation on the number of bidders that may be shortlisted from any one country.

General and additional requirements are outlined in Annex 6, Annex 7 and Annex 11.

3.2.4 Standard Bidding Documents

Bidding documents for civil works will be the MDB/FIDIC Harmonised Standard Bidding Documents (SBD), March 2006.

The “ruling language” and the “language for communications” as defined in the SBD will be English. Materials in Indonesian explaining the SBD are being prepared by PPC to support training, and will be marked as “not valid as Bidding or Contract Documents”.

Bidding documents for procurement of Goods shall be the World Bank’s SBD for Procurement of Goods, May 2005, amended as noted in Annex 7.

Consultant services contracts will be procured in accordance with the “Consulting Services Manual 2006”, including World Bank’s standard Request for Proposals, and standard contract formats.

3.2.5 Procurement Agencies

a. Civil Works

Procurement for civil works will be undertaken by DGH, through Procurement Committees to be appointed in each involved province, under the Work Unit for Road Construction (*SatKer Pembangunan*), and with procurement support to be provided by the Procurement Advisory Services. Whereas these units were previously responsible to the Head of the Provincial Works Agency, from 1 January 2007 they will be responsible to the Head of the related Regional Bina Marga Office (*Balai*), and hence more clearly under the authority of the Director General of Highways.

b. Goods

Procurement of goods includes bridge trusses and equipment. Procurement will be undertaken by Procurement Committees to be appointed by DGH at central level.

c. Consultant Services

Consultant services for PMSC, RSC, Procurement Advisory Services and ~~Proof Engineering Consultants~~ will be procured by a Procurement Committee, assisted by a Procurement Agent. The Procurement Agent will be funded by an AusAID grant.

An outline Terms of Reference for the Procurement Advisory Services, as well as for PMSC, RSC and Proof Engineering Consultants, are included in Annex 2.

3.3 Financial Management Plan

The Project Management Manual will be prepared and include defined processes to ensure fiduciary safeguards are applied to budgeting, disbursements, accounting, contract administration, financial reporting and monitoring of all expenditures under the Project is undertaken appropriately. It will also integrate the existing financial accounting and reporting systems used by Government and AusAID. The plan is described in more detail in Annex 8.

3.3.1 Existing systems

a) Government

All Government projects must be budgeted, implemented and reported through the existing government systems which are based on Ministry of Finance systems. These are described in Annex 8.

b) AusAID

AusAID will keep records of loan disbursements and cumulative loan drawdown and will send statements of account to the MOF, copied to PMU, at agreed intervals. The PMM will include safeguards to ensure that these statements are reconciled with the Government records.

3.3.2 Budgeting and Funds availability

GOI budgets include all costs disbursed by government, including those funded from foreign Loans and Grants. In order to keep a tight rein on expenditure, budgeting is carried out on a strictly annual basis, with no provision made for multi-year funding allocations even for long term projects.

The PMM will detail that the PMU will prepare and submit Work Plans and applications for budget allocations in accordance with the budget preparation timetable so that the allocations made in the final budget (DIPA) should reflect the true funding needs of the project. The

PMM will also provide for project management to prepare for AusAID forecasts of loan drawdown as or when required.

3.3.3 Disbursement of loan funds

a) Disbursement Plan

Based on the Project Implementation Schedule in Annex 12, a Disbursement Plan has been prepared to estimate the disbursement of funds during each six-month period beginning in January 2008, shown in Annex 8. The amount required to cover disbursements before July 2008 is estimated to be A\$ 33 million. The maximum amount required in any six-month period during the Project period is estimated to be A\$ 77 million.

b) Channels

There are three channels, described further in Annex 8, through which funds from a loan can flow:

- Special Account
- Reimbursement by GOI by AusAID (SBUN), a subset of the Special Account
- Direct Payment

It is proposed that EINRIP adopt the Special Account procedures for all disbursements. The Special Account will be established in Australian Dollars.

c) Certification and Payment Procedures

Payments due to contractors under civil works contracts will be certified by the Engineer (defined in Section 3.4.4). Other payments will be certified using procedures as set out in PMM.

3.3.4 Reporting

a) Monthly

A comprehensive monthly report is required. The content is described briefly in section 3.1 and will be detailed in the PMM.

b) Quarterly

The primary document for financial control will use an existing format called Financial Monitoring Report (FMR) which has been developed for use with Special Accounts and is currently in use on several projects. Produced quarterly, a principle objective of this report is to provide a forecast of future funding needs that will then trigger a transfer of loan funds from AusAID to the Special Account. The operation of the FMR will be detailed in the PMM.

c) Periodic forecasts

During project implementation, periodic forecasts of "Cost to Completion" should be prepared. These allow AusAID to check that the loan funds allocated are still sufficient to carry out the project to its latest design and specification. This forecast should also analyze latest expected final cost between the Loan Cost Categories to identify any reallocation of funding which may be required. Timing of the preparation this forecast is flexible and depends on events.

3.3.5 Audit

EINRIP will be subject to financial audit by an independent auditing firm, procured by AusAID with grant funds (see ACAP, Annex 11). Terms of Reference will be determined by AusAID in consultation with MPW and BPKP.

In addition, all contracts are liable to audit by the agencies whose task is to audit at random disbursements from government budgets including those funded from Loans or Grants. These agencies include both external and internal audit:

- a) BPK, the external auditor which audits high level activities and semi-government agencies, reporting to parliament (DPR), not government;
- b) BPKP, the internal audit agency which examines government projects, reporting to the President;
- c) The Inspectorate General of the Ministry of Public Works which examines any MPW activity, reporting to the Minister. In addition to routine audits, the Inspectorate General conducts special audits in cases where corruption is suspected, through its Special Audit Division. The Inspectorate General discusses its findings with the public and with all affected parties, including Donors and Lenders.

The MDB Harmonised General Conditions of Contract provide in Article 1.15, and Standard Form of Contract for Consultants' Services provide in article 3.6, that the Contractor or Consultant permit the Client and/or the Lender to inspect their accounts and records.

3.4 Contract Management

3.4.1 The contracting environment

The contracting and supervision arrangements under EINRIP have been designed appropriate to the present contracting and consulting environment, and past practices which have failed to ensure good quality will be abandoned. The short life of road and bridge works is indicative of lack of integrity among contractors, and weak supervision by DGH and their consultants.

In the past, DGH appointed the Project Manager as Engineer under the Contract, on the assumption that only a government official had the authority to approve payments for works, and carry out the other duties of the Engineer as stated in the Conditions of Contract.

However, this placed the Project Manager in a more vulnerable position than was intended by the authors of the Conditions of Contract, and reduced the supervision consultants to mere observers. The lack of genuinely impartial and experienced Engineers who understand the Contract and can correct either party to the Contract, Employer and Contractor, is the main problem in the contracting environment.

EINRIP will re-establish normal relationships between Employer, Engineer and Contractor along FIDIC lines, while ensuring that the powers of each party are supported by clear legal arrangements.

3.4.2 The consulting environment

The outcome of the poor contracting environment has been to diminish the commitment of supervising consultants to the quality of work, and discourage the employment of highly qualified professional engineers as supervisors. Further, the low pay of supervising engineers, lack of regulation of professional minimum pay, in parallel with downward pressure on billing rates through regulation and strong competition, and domination of professional

engineering organisations by business and government rather than employee interests, make them a weak link in efforts to improve quality.

EINRIP will follow other Donors in using the QCBS method to select firms, taking care that excessive price competition does not further erode the quality of supervision. A weighting of 15% for financial score and 85% for technical score is proposed. The main constraint on quality is the responsibility given to the supervising consultant, and the degree to which their work is managed and supported.

The supervisors' work will be facilitated by ensuring that their contracts include good transport and communication facilities. All field staff will be provided with communication equipment such as mobile phones or radio communications, to facilitate requests for backup on difficult decisions. It is however not practical to enforce all aspects of work-place agreements for supervisors in remote locations.

3.4.3 Laboratory equipment and testing

Quality control of materials and works has been vulnerable to abuse in the past, and will be subject to special attention of supervisors and auditors under EINRIP. The Engineer will be required to observe testing by Contractors, and may carry out independent tests. The Bidding Documents will require certification of laboratory technicians.

A comprehensive list of equipment to be provided by each contractor is normally appended to DGH technical specifications, if required under the Scope of Works. However, the contract does not prohibit the contractor using external testing facilities, either their own or commercial. The Engineer is entitled to observe the Contractor's testing but there is no contractual obligation for the Contractor to make their testing facilities available to the Engineer.

In practice materials and works quality testing by Contractors is minimal – the comprehensive list of equipment is excessive to what is appropriate for most works, and technicians competent in all tests are not widely available. Supervising consultants are not usually provided with their own equipment.

No additional laboratory equipment is proposed under EINRIP, on the understanding that the equipment recently procured under EIRTP2 will be made available for the use of the RSC. This equipment was delivered to the P2JJ in the provinces in early 2007, and will be allocated for use of the EIRTP2 and EINRIP projects by the Director General. Maintenance and operating costs will be borne by users. Arrangements will also be made for periodic calibration of the laboratory equipment.

3.4.4 Quality Assurance

Under EINRIP, the Team Leader of the Regional Supervision Consultant team will be responsible for quality assurance for all works (**Annex 2**). Chief Supervision Engineers (CSE) will be responsible for a number of civil works contracts, with authority delegated in writing by the Engineer. They will direct and supervise the Field Supervision Team (FST) for each contract.

The Team Leader of the RSC will prepare and implement a Quality Assurance Plan that will identify measures to ensure the consistent achievement of proper standards of supervision across all contracts and FSTs. This Plan will be implemented in the field by the CSEs, under the supervision of the Team Leader according to procedures that will be specified in the QA Plan.

The PMSC will provide additional monitoring and reporting of the implementation and effectiveness of the QA Plan (see Annex 2).

3.4.5 Technical Audit

Technical audit will be undertaken during implementation of civil works packages to assess to what extent the required quality has been achieved. Technical Audit findings will be used by DGH in assessing the performance of the RSC and the civil works contractors. This information will also be presented at the six monthly meeting of MPW, AusAID and the Ministry of Finance.

Although the agencies mentioned in Section 3.3.5 (financial audit) can include compliance with technical criteria for programming, design and implementation in the scope of audit, they may only cover a limited number of works, and their audit may not be timely. To ensure an independent evaluation, and to ensure that the audit can be mobilised at short notice, technical audits of civil works will be undertaken by a Technical Audit Consultant, procured via an AusAID grant. If technical audits uncover findings of corruption, Special Audits may also be undertaken by GOI.

Non-compliance of works at technical audit will be remedied through the Contracts.

3.5 Training and Workshops

For reasons of efficiency training will be conducted largely in regional centres. Annex 9 provides further details of the proposed Training Program, summarised in the following Table 3.2.

These activities are apart from the mentoring and training to be provided by the RSC consultants under their TORs, for their own staff and for contractors' staff.

Table 3.2: Summary of Training Program

Topic	Purpose	Target Agencies/Units	Estimated Trainees/Yr
Procurement training (including provisions of ACAP)	<ul style="list-style-type: none"> Special training in procurement for members of Procurement Committees Detailed provisions of ACAP 	<ul style="list-style-type: none"> Procurement Committees at Province level Procurement Committees at Central level 	60
Training in Project Management	<ul style="list-style-type: none"> Required civil service training 	<ul style="list-style-type: none"> Prospective staff for Satker (Work Units) 	70
Refresher Training in Project Management	<ul style="list-style-type: none"> Feedback to project management staff from wider experience 	<ul style="list-style-type: none"> Work Units (SatKer) in Provinces 	125
Application of PMM (including other provisions of ACAP)	<ul style="list-style-type: none"> Familiarisation with Project Management requirements Awareness of particular requirements of ACAP 	<ul style="list-style-type: none"> Senior staff of Provincial Agencies Administrative staff Technical staff 	200
Financial Management Reporting Training (follows on from PMM Training)	<ul style="list-style-type: none"> Procedures for monthly data collection, consolidation and reporting, for Procurement, Disbursements, Physical Progress 	<ul style="list-style-type: none"> Staff of SatKer Technical staff 	100
Environmental Management Workshops	<ul style="list-style-type: none"> Review of results of ESCs (Environmental Special Clauses) 	<ul style="list-style-type: none"> Provincial Works Agencies Supervising consultants Contractors 	160
Training for Treasurers (Brevet A course)	<ul style="list-style-type: none"> Basic civil service training for financial officers 	<ul style="list-style-type: none"> Project Units (SatKer) in Provinces 	40

These training activities will be made available during the project, to ensure that project preparation, procurement and implementation is adequately supported. The above number of trainees has been estimated without identifying candidates. If job-holders have previously undergone the relevant training, and additional training is not required, these trainee numbers and possibly the course topics may not be achieved. PMU will monitor and report training related to EINRIP in the Project Progress Reports (PPRs).

3.5.1 Procurement training

The training of all project managers and procurement committees in the procurement procedures required to be used under EINRIP is crucial. This training program is on the critical path for procurement, as indicated in the Project Implementation Schedule reviewed in Section 4.1, and it will need to be prepared and delivered as soon as possible to ensure that procurement of AWP1 contractors is not delayed. This training takes two days.

Experienced staff of DGH will act as trainers, alongside AusAID staff, advisors and potentially the Procurement Advisor.

3.5.2 Training in Project Management

Project Managers in the SatKer Units at National/Provincial level are required to have successfully completed a special training program before being appointed. These training programs are provided annually by DGH.

Typically, class sizes are limited to 30 people, and the course will last one month. It is possible that two classes will be required for staff in readiness for AWP1, and a single class will be needed for subsequent years.

3.5.3 Refresher Training in Project Management

It is proposed give staff currently occupying key positions in Work Units a brief updating in latest developments in project management. Case studies of recent project failures and successes will be presented, with lessons learned. The course will last 3 days.

3.5.4 Application of the Project Management Manual

The PMU will conduct a significant program of dissemination of the provisions of the Project Management Manual (PMM) as soon as all lending provisions have been finalised (at the time of Loan Effectiveness). This training program will be complete before project implementation commences, and will be followed by refresher training each year. Regional Workshops lasting for two days will be held in provinces where EINRIP activities are commencing in the same year. Refresher courses, held annually each year after, will be of one day duration.

3.5.5 Training for Financial Management Reporting

To ensure proper and regular reporting of financial and physical progress of projects under implementation, and the timely receipt of detailed and accurate data, training will be needed in Financial Management Reporting. The Workshops will be held after the PMM Workshops and will take two days, or one day if a refresher course.

Workshops will be provided for the staff of the agencies and firms involved in the receipt, collation and reporting of project information, particularly that concern:

- i. Procurement
- ii. Disbursements
- iii. Project progress

3.5.6 Environmental Management Workshops

Environmental Management Workshops will be held at appropriate intervals during the project to give involved staff and contractors an understanding of proper environmental management procedures to be used during project implementation. Staff of each Field Supervision Team and of each Contractor will be required to attend these workshops which will take two days, one day being spent in the field.

3.5.7 Training for Treasurers (Brevet A)

This training in treasury and financial management will be provided to staff occupying key financial positions in work units (Balai and SatKer). This course lasts two days.

3.6 Timebound implementation schedule

The time-critical activities that have the potential to delay effective commencement of the project are not so much the tasks of implementation, but the preparation tasks preceding implementation. It is extremely important that a strong foundation for the project be established, by ensuring that the essential preparation tasks are carefully considered and properly executed.

The Implementation Schedule provided in **Annex 12** identifies the critical preparation tasks needed to be completed before implementation of AWP1 begins. These include the critical tasks of:

- i. Ensuring that all procedural arrangements are put in place as early as possible (project managers appointed; procurement committees established and staff appointed; budgets established; etc.)
- ii. Training provided to Project Managers and Procurement Committee staff
- iii. Prepare the Project Management Manual, and conduct full socialisation and project management training
- iv. Preparations for the procurement of TA services for Implementation Support (PMSC, PAS and RSC)

The Implementation Schedule identifies these initial tasks, and the critical activities and their overall timeframe required for effective implementation of the project.

3.7 Information Disclosure and Complaints Handling

The PMU, assisted by the PMSC and the Procurement Advisory Services, is responsible for establishing a project website before the procurement of civil works contracts can commence. All information on the website will be provided, as far as is practical, in both English and Indonesian. Project information to be disclosed on the website (and updated monthly) is detailed in Annex 11.

The Project Manager for each civil works contract is responsible for making project information available to communities in the project area before commencement of civil works and during implementation. Additionally, the monthly project progress reports will be made available, upon request, to civil society and media.

Regulation of the Minister for Public Works No.323/PRT/M/2005 "Concerning a Mechanism for Handling the Information from the Public relating to Public Works" will be implemented for EINRIP with the additional enhancements as noted in the Annex 11.

4. RISK MANAGEMENT

4.1 Risk management matrix

Implementation of the Project will require the management of a number of risks, in the following categories:

- i. Economic risks
- ii. Financial risks
- iii. Environmental, social and cultural risks
- iv. Project management risks
- v. Technical risks

These risks have been identified, the likelihood and consequences assessed, and the subsequent Risk Level evaluated. These are detailed in **Annex 10**. The mitigation actions for each risk are also shown in the Matrix. The Anti Corruption Action Plan also addresses many of the risks, as follows.

4.2 Anti Corruption Action Plan

4.2.1 Purpose

The anti-corruption action plan (ACAP) for EINRIP has been developed to ensure that the project's goal of road improvement is not compromised by corruption which in turn reduces the quality and quantity of civil works. The ACAP will be adopted by GOI as a legally binding commitment, ensuring that anti-corruption measures are an integral part of the implementation of EINRIP and not standalone or optional requirements.

Transparency and accountability have been highlighted as core principles of the AIPRD loan by both the Indonesian and Australian Governments. With more than half of the AIPRD loan funds allocated to EINRIP, both Governments are eager to ensure that the funds are administered in a transparent and accountable manner on this project. The ACAP adapts the principles of transparency and accountability to the particular circumstances of EINRIP and provides a roadmap for their implementation.

The measures in the ACAP are aimed at preventing and detecting corruption in all its forms, whether it involves a party working on the implementation and oversight of the project or a third party hoping to improperly obtain a benefit from the project. It also aims to involve all stakeholders in ensuring the project is properly implemented – Government, consultants, contractors, beneficiaries, civil society, the media and the general public.

A risk analysis of the EINRIP project, based on similar previous projects in the sector, has shown that the key areas of weakness to be addressed in the ACAP are inadequate oversight of civil works; and collusion/corruption in procurement processes.

4.2.2 Key features

The key features of the EINRIP ACAP are:

- a) **Transparency of project information** – key project documents and updated reports on financial and technical aspects of project implementation, complaints handling mechanism and results, and audit results will be publicly available, including on the EINRIP website and dissemination by email and post, to allow for monitoring and oversight of the project by a broad range of stakeholders.

- b) **Strengthened supervision and audit** - EINRIP includes strengthened supervision of civil works by appointing the RSC as the Engineer for the purposes of the FIDIC contract, as well as more robust financial and technical audits, including financial audits by an independent commercial accounting firm. This will result in an increased likelihood of detecting sub-standard civil works and misappropriated funds.
- c) **An emphasis on prevention** – The focus of supervision and audit will be on detecting problems early so that they can be addressed before they threaten the project. Sanctions will be clearly stated.
- d) **Strengthened procurement** – the ACAP includes a large number of measures to increase the efficiency and accountability of procurement processes on EINRIP, including the use of a Procurement Agent for the selection of consultancy services and Procurement Advisory Services (PAS) for the selection of civil works contractors, and improvement of MPW's existing e-procurement system.

These features are elaborated in **Annex 11**.

4.2.3 Responsibility for implementation

The PMU will be responsible for ensuring the ACAP is properly implemented and for revising the Project Management Manual on an annual basis to incorporate necessary improvements to processes and procedures.

5. MONITORING AND EVALUATION

5.1 General Approach

5.1.1 Overview

AusAID is providing grant funding support for a separate Monitoring and Evaluation (M&E) programme, intended to establish the extent to which EINRIP meets its objectives, which are to support economic and social development in Eastern Indonesia.

The development of the regions will depend on many other factors besides road provision, and the impact of the road programme will be difficult to measure. Accordingly, it has been decided to concentrate on the measurement of variables known to directly affect vehicle operating costs, which result in economic benefits that can be attributed to the road improvements. In addition, a programme of social surveys, using panels of key informants, will be used to provide anecdotal evidence and qualitative insights into local social and economic changes that might arise following road improvements and to identify any unanticipated outcomes. Finally, secondary sources will be used to monitor regional and social developments at macro-level.

The information and data obtained from the survey programmes will support:

- i. Assessment of the changes in Key Performance Indicators (see below), and reporting in the Annual Progress Reports of project performance (Section 3.1);
- ii. Performance Monitoring and Reporting by GOI in satisfaction of its own requirements.

5.1.2 Surveys and reporting

Baseline surveys will be carried out, starting in 2007. Monitoring will continue until 2013, three years after the completion of the construction programme. Annual reports of the results of the survey programme will be prepared. On completion of the monitoring period in 2013, a Final Project Review will be undertaken, to provide an overall evaluation of the project.

The achievement of the above objectives will be monitored on an annual basis by measuring performance indicators relating to each objective and comparing the outturn with the target for each year. A progress report will be produced annually to describe the results of the monitoring exercise.

5.1.3 Key Performance Indicators

Key Performance Indicators (KPI) will be developed by the M&E consultant in consultation with DGH and AusAID. The KPI will be measured over the whole programme and changes in variables will be calculated annually. The set of indicators is expected to include:

- Traffic Growth
- Road Condition as measured by International Roughness Index (IRI)
- Average speeds
- Accident Rates ✓
- Vehicle Operating Costs

5.1.4 Organisation of Monitoring

The monitoring surveys will be carried out by local independent consultants, on contract to AusAID, under the supervision of the PPC (initially), and later the PMSC. After the termination of the PMSC's contract, the surveys will supervised directly by AusAID, with advice from DGH.

5.1.5 Preparation of the M&E Programme

An M&E Specialist has been employed to prepare a detailed programme for M&E activities, together with all necessary manuals, which will contain instructions for the conduct of the surveys and formats for reporting.

5.2 Monitoring Programme

5.2.1 Road Surveys

The M&E programme will include a series of annual road surveys to record traffic levels and road condition. Surveys will be carried out at baseline (before construction), starting in 2007, and monitoring surveys will be carried out until three years after road construction is complete, to 2013. In addition, speed surveys will be carried out at baseline and one year after project completion.

Surveys will be carried out on all project road links and a set of control links, chosen to match (as closely as possible) the main physical characteristics of the project roads.

5.2.2 Social Surveys

Social surveys will be carried out in a small set of villages on project and control roads at baseline and one year after project completion. Focus group discussions will be used to explore possible changes in economic activities, in social service provision and usage, in passenger transport services, in the distribution system for local products and consumption goods and in perceptions of road safety.

5.2.3 Data Collection from Other Agencies

Accident Data: Accident data will be collected from the local police annually for project and control roads.

Maintenance: Data on maintenance activity and expenditure levels will be collected from Bina Marga provincial offices for both project and control roads.

Economic and Social Indicators: National Statistics Service (BPS) data will be obtained for provincial GRDP and social poverty and education indicators.

5.3 Evaluation of Performance

Double-difference comparisons will be used as the basis of the evaluation, comparing the project roads with baseline (before & after) and with the control roads (with & without). Quantitative measures of road condition (roughness), speeds, traffic volumes and accidents will be reported annually. In addition, estimates will be made of the economic benefits of savings in vehicle operating costs on project roads.

The Final Project Review will provide an overall assessment of the performance of the project, reporting on the quality of road design and construction, the accuracy of traffic forecasts, and social and economic impacts identified in the social survey programme. All relevant project data, including the feasibility study, the project completion reports, and the annual monitoring reports will be reviewed. Revised estimates of the economic internal rate of return (EIRR) for the programme will be prepared. The Review will also comment on the M&E design and identify any lessons that can be applied to the future road projects.

Annex 1:

Proposed Civil Works Programs AWP2/3

High Priority Candidate Projects for Potential Inclusion in AWP2/3									
No.	ISLAND GROUP Province	Link Name	Road Status	Recommended Treatment	Proposed length (km)	Bridge replacement length (m)	Total Cost A\$m	EIRR%	Environmental & Social studies required
SULAWESI									
1	South Sulawesi	Jeneponto - Bantaeng	N8K	Betterment (6.0m)	32	54	8.1	44%	SLARAP
2	South Sulawesi	Pompanua - Ulugulung	N8K	Betterment (6.0m)	14	66	3.0	48%	SLARAP
3	South Sulawesi	Watampone - Pampanua	N8K	Betterment (6.0m)	48	92	11.5	31%	SLARAP
4	South Sulawesi	Bl.Kumba - Tondong	N8K	Betterment (6.0m)	60	70	11.3	70%	SLARAP
		Tondong - Sinjai	N8K	Betterment (6.0m)	7		1.2	56%	SECs
5	South Sulawesi	Sinjai - Bajo	N8K	Betterment (6.0m)	4		1.0	132%	SECs
		Bajo - Arasoe	N8K	Betterment (6.0m)	30	50	7.1	40%	SLARAP
		Arasoe - Watampone	N8K	Betterment (6.0m)	5		1.2	10%	SECs
6	Central Sulawesi	Wosu - Bungku	N8K	Betterment (6.0m)		799		1200%	SLARAP
		Wosu - Bungku	N8K	Betterment (4.5m>6.0m)**	50	303	12.0	56%	SLARAP
7	Central Sulawesi	Malala - Silondou	Prev. National	Betterment (4.5m>6.0m)**	16	58	3.3	4%	SECs
		Lingadan - Laulalang	Prev. National	Betterment (4.5m>6.0m)**	4		0.6	5%	SECs
8	Gorontalo	Taludaa - Pel. Gorontalo	Prev. National	Side Slope Stabilisation	76	257	17.3	6%	SECs
KALIMANTAN									
9	West Kalimantan	Aur Kuning - Sandai	Prev. National	Betterment (4.5m>6.0m)**	41	58	7.3	20%	SLARAP
10	West Kalimantan	Sandai - Nangelayap	Prev. National	B'ment (earth 4.5m>6.0m)**	48	163	9.7	34%	SLARAP
11	Central Kalimantan	Pangkalan Lada - Pangkalan Bul	Prev. National	Betterment (6.0m)	54		9.0	39%	SECs
		Asam Baru - Pkl. Lada	Prev. National	Betterment (6.0m)	46		7.6	20%	SECs
12	Central Kalimantan	Kasongan - Palantaran	Prev. National	Betterment (6.0m)	65	85	12.5	34%	SECs
		Tangkiling - Kasongan	Prev. National	Betterment (6.0m)	48		9.3	3%	SECs
13	South Kalimantan	Ds. Tungkap - Rantau	Prev. National	Betterment (7.0m)	27	99	18.1	129%	SLARAP
14	South Kalimantan	Bi.masin - Bts. Kalteng	Prev. National	Betterment (7.0m)	14		4.4	48%	SECs
15	South Kalimantan	Jl. A.Yani (Martapura)	Prev. National	Widening to 7.0m	11	171	3.3	39%	LARAP
		Martapura - Ds. Tungkap	Prev. National	Widening to 7.0m	13	42	4.0	181%	SLARAP
NUSA TENGGARA									
16	Bali	Tohpati-Kusamba 3: Km 13.8 to 17.6	Prev. National	Road + Bridge Dualization	4	110	3.1	72%	SECs
17	Bali	Tohpati-Kusamba 4: Km 17.6 to 23.3	Prev. National	Road + Bridge Dualization	5	390	6.6	63%	SECs
18	NTT (Flores)	Ende - Aegela	Prev. National	Betterment (4.5m>6.0m)**	18	147	3.8	15%	SECs
		Ende - Detusoko	Prev. National	Betterment (4.5m>6.0m)**	22	72	4.6	34%	SECs
		Detusoko - Wologai	Prev. National	Betterment (4.5m>6.0m)**	9	18	1.9	6%	SECs
		Wologai - Junction	Prev. National	Betterment (4.5m>6.0m)**	10		2.0	19%	SECs
19	NTT (Alor)	Taramana - Maritang (Phase II)	N8K	Betterment (4.5m>6.0m)**	49		7.8	36%	SLARAP
** (4.5m > 6m: preliminary analysis for 4.5m width, 6m proposed)					Totals	827	3,104	192.7	

Candidate Projects Under Further Review for Potential Inclusion in AWP2/3									
No.	ISLAND GROUP Province	Link Name	Road Status	Recommended Treatment	Proposed length (km)	Bridge replacement length (m)	Total Cost A\$m	EIRR%	Environmental & Social studies required
20	SULAWESI Central Sulawesi	Bungku - Bahodopi Bahodopi - Bts. Sultra	N8K N8K	Betterment (4.5m>6.0m)** B (4.5m>6.0m) Impassable	42 70		6.7 11.2	8% na	
21	NUSA TENGGARA NTB (Sumbawa)	Sp. Negara - Taliwang Taliwang - Jereweh Jereweh - Benete Bango - Dompu Dompu - Sija Sija - Talabiu Talabiu - Birma Raba - Sape	Prev. National N8K N8K Prev. National Prev. National Prev. National Prev. National Prev. National	Betterment (6.0m) Betterment (6.0m) Betterment (6.0m) Betterment (6.0m) Betterment (6.0m) Betterment (6.0m) Betterment (6.0m)	19 16 12 11 24 17 17 17	44 8	3.4 2.8 2.2 1.9 4.3 3.0 3.1 3.0	6% 14% 26% 14% 12% 11% 15% 12%	SECS SECS SECS SECS SECS SECS SECS SLARAP
23	KALIMANTAN South Kalimantan	Barabai - Kapar Kias Kapar Kias - Ds. Hamparaya Ds. Hamparaya - Mantimin Mantimin - Paringin Paringin - P. Panjang P. Panjang - Dzhai	Prev. National Prev. National Prev. National Prev. National Prev. National Prev. National	Betterment (6.0m) Betterment (6.0m) Betterment (6.0m) Betterment (6.0m) Betterment (6.0m) Betterment (6.0m)	4 11 6 12 9 1		0.7 2.0 1.0 2.1 1.6 0.1	44% 38% 39% 24% 90% 29%	SECS SECS SECS SECS SECS SECS
24	West Kalimantan	Nangatayap - Bts. Kalleng	Prev. National	B'tment (earth 4.5m>6.0m)**	62	92	11.1	4%	ANDAL
25	Central Kalimantan	Sp. Bangkal - Asam Baru Sampit - Sp. Bangkal Bering Bengkel - Piliang Piliang - Pulang Pisau Pulang Pisau - Kuala Kapuas	Prev. National Prev. National Prev. National Prev. National Prev. National	Betterment (6.0m) Betterment (6.0m) Betterment (6.0m) Betterment (6.0m) Betterment (6.0m)	58 60 8 44 33		9.7 10.1 1.3 7.6 5.6	14% 7% 11% 5% 3%	SECS SECS SECS SECS SECS
27	North Maluku	Sp. Dodinga - Akelamo Akelamo - Payahe Payahe - Weda Daruba - Daeco Daeco - Berebere Daeco - Berebere	N8K N8K N8K N8K N8K N8K	Betterment (6.0m) Betterment (6.0m) B (4.5m>6M) + Slope Stabilis'n Betterment (4.5m) Betterment (4.5m) B (4.5m>6m) Impass. Realign	56 51 22 25 26 46	710 643	21.7 19.6 5.2 4.8 5.0 7.3	8% 6% 6% 22% 52% -10%	SECS SECS UKL/UPL UKL/UPL SECS SECS
31	Maluku	Namlea - Samalagi Samalagi - Air Buaya Air Buaya - Teluk Bara Mako - Modanmohe Modanmohe - Namrole	N8K N8K N8K N8K N8K	Betterment (4.5m) Betterment (4.5m) B (4.5m>6m) Impass. Realign B (4.5m>6m) Impass. Realign B (4.5m>6m) Impass. Realign	46 55 30 44 43	175 535 30 30 30	11.5 13.6 4.3 7.4 7.3	8% 12% na na na	SECS SECS SECS SECS SECS
** (4.5m > 6m: preliminary analysis for 4.5m width, 6m proposed)					Totals	393	2,640	202.8	

Annex 2:

Outline of Consultant Services

- 2.1: PROJECT MANAGEMENT SUPPORT CONSULTANT (PMSC)**
- 2.2: REGIONAL SUPERVISION CONSULTANTS (RSC)**
- 2.3: PROCUREMENT ADVISORY SERVICES (PAS)**
- 2.4: TECHNICAL AUDIT CONSULTANT (TAC)**
- 2.5: FINANCIAL AUDIT CONSULTANT (FAC)**

A2.1: PROJECT MANAGEMENT SUPPORT CONSULTANT (PMSC)

A2.1.1 OVERVIEW OF SERVICES

Project Management Support Consultants (PMSC) will provide ongoing support to the Project Management Unit for EINRIP (PMU), to be established within the Directorate of Planning (DOP) of the Directorate General of Highways (DGH). Their tasks include financial and progress monitoring and reporting, information management and dissemination, quality assurance and performance review for the Regional Supervision Consultants, implementation and monitoring of the anti-corruption action plan, support for project monitoring and evaluation, and support for implementation of a training program to support project management and implementation.

Interim arrangements will be made to ensure adequate support to the PMU will be available in the period between Loan Agreement and the appointment of the PMSC. In particular, support for all procurement activities will be provided.

PMSC will assist DGH by undertaking independent performance monitoring of the effectiveness of construction supervision, and the compliance of the RSCs with their stated QA standards.

A2.1.2 ROLE AND FUNCTIONS OF THE PMSC

The PMSC role is to provide needed administrative and managerial support to the PMU, in its dual tasks of directing and managing the implementation of EINRIP to the standards agreed between GOI and AusAID.

As such, the functions of the PMSC will be very broad, and will include but may not be limited to the major Task Areas summarised below.

- a. *Project Management Support.* Provide full support to the PMU in the exercise of all its functions.
- b. *Financial Management and Monitoring.* Establish and maintain financial management, monitoring and reporting procedures appropriate to the needs of GOI and GOA, and ensure the timeliness and accuracy of all financial reports.
- c. *Progress Monitoring and Reporting.* Develop a monthly Project Progress Report that satisfies the needs of all stakeholders, and ensure the timeliness and accuracy of all reports.
- d. *Quality Assurance and Performance Review for Supervision Consultants.* Undertake an independent performance monitoring of the effectiveness of construction supervision, and the compliance of the RSCs with their stated quality assurance standards. This will include monitoring the effectiveness of implementation/supervision of environmental management procedures, and compliance with the SECs.
- e. *Implementing the Anti-Corruption Measures, and Monitoring their Effectiveness.* Provide assistance as required with the establishment of anti-corruption measures necessary to support the project, and monitor and report their effectiveness.
- f. *Information Management and Dissemination.* Assist with the establishment and management of data and information capture systems and procedures, ensure the availability of all necessary information to stakeholders, and the effectiveness of information dissemination procedures.
- g. *Support for Project Performance Monitoring and Evaluation.* Provide administrative support for the conduct of post-implementation surveys of project performance, using previously-prepared guidelines and procedures.
- h. *Training to Support Project Implementation.* Support the implementation of the proposed training program.

- i. *Reporting.* Support the PMU's reporting requirements as well as reporting on the Consultant's own services. Assist with the preparation of the Borrower's Project Completion Report.

A2.1.3 SCHEDULE AND STAFFING

The PMSC services will be provided from end-2007 to mid 2011, a period of 40 months. It is expected that the Team will include the following professional personnel:

Position	No	Staff Months:	
		Professional A	Professional B
Team Leader	1	40	
Assistant Team Leader	1		40
Senior Contracts/Quality Assurance Specialist	1	40	
Project Mgt/Contracts Specialist	1		40
Senior Financial Management Specialist	1	9	
Financial Management Specialist	2		60
Information management specialist	1		40
MIS/Programmer	1		20
Senior Environmental Specialist	1	12	
Senior Transport Economist	1	3	
Transport Economist	1		3
Regional Liaison	2		80
Quality Assurance Team:			
Quality Assurance engineers	2		80
Environmental Specialists	1		40
Totals			
Professional A	5	104	
Professional B	12		403

A2.1.4 COST ESTIMATE

The estimated cost for these Services, including provision for accommodation and travel, is approximately A\$6.3 million.

A2.2: REGIONAL SUPERVISION CONSULTANTS (RSC)

A2.2.1. OVERVIEW OF SERVICES

The Regional Supervision Consultants (RSC) for EINRIP will be responsible for supervision of works and have the role of 'Engineer' under a FIDIC contract. They will play a major role in supporting project management and implementation. A major focus of EINRIP is to provide support to DGH in achieving significant improvements in the quality of finished construction to be achieved through strengthened design and construction supervision processes. The task of the RSCs is to provide high-quality construction supervision that will increase the quality of construction for all civil works, and provide a strengthened stance against corruption.

It has previously been the case in Indonesia that Construction Supervision Consultants also provided a substantial "design review" function, because detailed designs were not always of a high quality. As part of the preparation of EINRIP, significant emphasis has been given to the preparation of good quality Final Engineering Designs (FEDs) for all civil works projects prior to tendering. Therefore, it is expected that the size of the "design review" task will be substantially reduced. As a safeguard against excessive redesign in the name of design review, updating of designs must be based on the original Design Brief and Specification as described in the Design Report, and an updated Design Report must be prepared for the approval of DGH.

There will be a need to conduct design validation surveys prior to tendering, and for occasional updating of current designs if conditions have changed since design completion. This function will be carried out by the Project Preparation Consultants (PPC). After PPC have demobilised, this role will be assumed by the RSC, with the above safeguards against excessive redesign.

One team of Regional Supervision Consultants (RSC) will be engaged, to be based in Makassar.

A2.2.2. ROLE AND FUNCTIONS OF THE RSC

The particular responsibility of the RSC is to provide quality-assured construction supervision of all civil works implemented under the project.

The RSC will report to the Director for Roads and Bridges, Eastern Region, and the team will be structured as follows:

- A Management Team, comprising the Team Leader, up to six Chief Supervision Engineers, specialist and support staff based in Makassar, and field teams assigned in each province according to the project packages.
- Field Supervision Teams (FST) comprising a Site Supervision Engineer, Quality Engineer and Quantity Engineer/Chief Inspector and Inspectors for each civil works contract. For projects including significant bridge works, the Site Supervision Engineer must have demonstrated bridge qualifications/experience.
- The FST will be monitored by a Project Officer responsible for administrative matters, located in the Work Unit (Satuan Kerja or SatKer) for Construction.

The Site Supervision Engineer will be engaged for 3 months after the scheduled date of completion of construction in order to supervise any outstanding works and remaining defects (after issue of the Taking Over Certificate). The Team Leader will be engaged intermittently for 3 months during the year after the completion of construction of the last package, to inspect the works and certify the Performance Certificates at the end of all packages' Defects Notification Periods.

The Commitment Officer in the Satker for each contract will be the Employer as defined by FIDIC. The Team Leader of the RSC will be appointed by DGH as the Engineer for each contract,

and will delegate authority in writing to the Chief Supervision Engineer responsible for overseeing the contract.

The task of the RSC is to ensure that the contractors correctly carry out quality control tests on the contractor's materials and workmanship as required by the Technical Specification, and either to certify that they have achieved the required results or to reject the materials / workmanship found to be sub-standard.

The RSC will be required to establish a Quality Assurance program, which will provide a framework within which internal performance monitoring will be continuously conducted, and supervision performance can be assessed. It is expected that this will provide a basis for continued improvement of supervision practices and procedures in each Field Supervision Team.

Separately, the performance of the RSC in this activity will be independently verified by the PMSC, and will be required to meet predetermined and agreed standards. Sanctions will be applied in the event of sub-standard performance. The performance monitoring regime to be applied, the standards to be reached, and sanctions for non-compliance, will be set out in the Terms of Reference, and will constitute a binding Performance Compact.

The organisation for works implementation is shown in Figure 2.1 in Section 2.

A2.2.3. SCHEDULE AND STAFFING

The RSC services will be provided from end-2007 to mid 2011, a period of 40 months. It is expected that the structure of the Team will be as outlined below:

Professional Staff Positions	No.	Months		
		Prof. A	Prof. B	Prof. C
Central Team:				
Team Leader	1	40		
Senior Quality/Pavement/Materials Specialist	1	40		
Pavement/Materials Engineer	1		40	
Chief Supervision Engineer A	3	94		
Chief Supervision Engineer B	3		94	
Deputy Team Leader	1		40	
Bridge Engineer	1		22	
Senior Environmental Specialist	1	12		
Environmental Specialists	3		100	
Draftsmen	2			80
Design Team:				
Highway Design Engineer	1		12	
Design Draftsman	1			12
Field Supervision Teams:				
(31 contracts*21 months average)				
Site Supervision Engineer	31		627	
Quality Engineer	30		537	
Quantity Engineer/Chief Inspector	30		537	
Bridge Engineer	5		85	
Inspector	34			627
Surveyor	31			537
Lab Technician	30			532
Totals			2094	1788

Professional A		186		
Professional B			2094	
Professional C				1788

A2.2.4. COST ESTIMATE

The cost of the Services required to achieve an appropriate quality standard, is likely to be approximately **A\$17.7 million**.

A2.3: PROCUREMENT ADVISORY SERVICES (PAS)

A2.3.1. OVERVIEW OF SERVICES

Procurement Advisory Services will provide ongoing support to the Procurement Committees to be established in the Provincial *Satker* for each contract package. The Services will provide support to the Project Manager and the Procurement Committees, to help ensure that procurement and award decisions are undertaken in such a way as to avoid collusive and fraudulent practices.

Interim arrangements will be made for Advisory support for procurement for AWP1 projects that will begin before the appointment and mobilization of these services. It is expected that such arrangements will be made under the umbrella of the Project Preparation Consultants (PPC).

The Procurement Advisory support will complement the services being provided by the Procurement Agent assisting DGH with the procurement of Consulting Services to support EINRIP Implementation.

A2.3.2. ROLE AND FUNCTIONS OF THE PROCUREMENT ADVISOR

The Procurement Advisory role is to provide needed professional, administrative, managerial and technical support for the procurement of all Civil Works and Goods purchasing contracts to be implemented under EINRIP. The Services will help ensure the efficient and timely award of all contracts, free from the influence of collusive and fraudulent practices.

The functions of the Procurement Advisory Services (PAS) will include but may not be limited to the activities summarised below.

- i. For each project, review all arrangements made to support project procurement, including the "readiness" of the Procurement Committee (staffing, experience, training); administrative and support arrangements; adequacy of equipment and materials; suitability and feasibility of the proposed Procurement Schedule for the contract, and all related matters. Recommend any strengthening measures needed to ensure that procurement can proceed effectively, and review the adequacy of the response. Report to DGH and to AusAID on the readiness of the Committee and its supporting arrangements to initiate procurement. The recommendations of this report will be a precondition for AusAID's NOL to start procurement;
- ii. Assist in setting up and managing the use of a "semi" e-procurement system for EINRIP in the offices of each of the Provincial Project Managers responsible for EINRIP contracts;
- iii. Provide support for the publication on the official website of all required materials, including:
 - Invitations to Bid
 - Bidding documents and drawings
 - Clarification of bids
 - Bid opening minutes
 - Information on contract award
 - Other materials as required by DGH and provisions of ACAP (Annex 11).
- iv. Develop measures/protocols to help avoid collusive/fraudulent practices on the bidding of contracts, and assist and monitor their implementation and application;
- v. Monitor the Committee's adherence to the Procurement Schedule, and help ensure that all procurement processing and award decisions are made within the agreed time frame, and that delays and associated risks are avoided;

- vi. Liaise with the parallel Advisory services to be established under SRIP, and draw on their experience to find ways to assist the performance of the procurement processes;
- vii. Monitor the field experience of the ongoing PA Services, to identify emerging issues and the effectiveness of measures being developed to deal with them. Put in place procedures to "feed back" this experience into the ongoing Services, and to DGH generally.

A2.3.3. SCHEDULE AND STAFFING

The PAS services will be provided from late 2007 to end 2009, a period of 24 months.

The team will be based in Jakarta, but will spend extensive periods of time in Provincial centres where the services are to be provided. It is expected that services will be required intermittently for a total of 2 months per contract, and that one Field Procurement Adviser will be able to provide support to 2 Committees in parallel.

It is expected that the Team will include the following professional personnel:

Position	No	Staff Months:	
		International Experience	Indonesian Experience
Team Leader	1	24	
Provincial Procurement Advisers	4		80

A2.3.4. COST ESTIMATE

The cost of the Services is estimated to be **A\$1.25 million**.

A2.4 TECHNICAL AUDIT CONSULTANT (TAC)

A2.4.1 OVERVIEW OF SERVICES

Technical audit will be undertaken during implementation of civil works packages to assess to what extent the required quality has been achieved. An independent Technical Audit Consultant will manage this program, and will be procured directly by AusAID.

It is proposed that an Audit Committee be established to oversee all independent audit activities (Technical and Financial Audits), with the following membership:

- Inspectorate General, MPW (Chair)
- AusAID (Secretary)
- Construction Industry and Human Resources Board, MPW (Badan Pembinaan Konstruksi dan Sumber Daya Manusia, BPKSDM)
- Finance Division, Secretariat of Director General of Highways
- Directorate of Roads and Bridges, Eastern Region
- Directorate of Technical Affairs
- Directorate of Planning
- Road and Bridge Research and Development Centre, MPW (Pusat Penelitian dan Pengembangan Jalan dan Jembatan, PUSJAL)
- PMU

The Technical Audit Consultant will support the Directorate of Technical Affairs, who will report to the Audit Committee.

Terms of Reference are being prepared by PPC/AusAID, for review and approval by DGH and the Inspectorate General, MPW.

A2.5 FINANCIAL AUDIT CONSULTANT (FAC)

A2.5.1 OVERVIEW OF SERVICES

An independent consultant for Financial Audit will be procured by AusAID to audit financial activities conducted under EINRIP.

The Financial Audit Consultant will support the Finance Division, Secretariat of Director General of Highways, who will report to the Audit Committee (described in A2.4), which will oversee all financial audit activities.

Terms of Reference for these services will be prepared by AusAID, for review and approval by DGH and the Inspectorate General, MPW.

Annex 3:

Initial Economic Evaluation of Civil Works

Annex 3: Initial Economic Evaluation of Civil Works

A3.1. INTRODUCTION

This Annex presents a summary of the results of the initial economic evaluation of road and bridge projects proposed for inclusion in the Eastern Indonesia National Road Improvement Project (EINRIP).

Evaluation results will need to be reviewed and updated, and feasibility confirmed, after completion of final engineering design of all proposed projects.

A3.2. METHODOLOGY

Benefit-cost analysis was used for the evaluation of all proposed projects, using conventional methods. These compare the construction costs of implementing a subproject with the benefits to users, in particular reductions in travel time and vehicle operating costs compared with the do-nothing or do-minimum reference case. For road improvements, the magnitude of user benefits depends on the volume and composition of traffic, and the roughness of the road surface before and after the works are carried out.

IRMS was used for initial identification and evaluation of proposed projects. In most cases, road condition data was relatively recent, but field inspection of all projects proposed for inclusion in AWP1 was undertaken to validate both the appropriateness of proposed treatments, and the accuracy of data in the IRMS database. The Economic Review Module (ERM) within the Indonesian Road Management System (IRMS) was used to define and analyse identified sub-projects to provide the cash flows for the sub-projects over a 20 year analysis period. For the initial analysis, economic costs were based on the financial costs because all costs are provisional.

For bridge improvements, the benefits depend on traffic volume and composition, the existing condition of the bridge, the distance by which traffic would have to divert in the event of the bridge collapsing, and the year in which the bridge is predicted to become unusable in the do-nothing scenario. In some cases, a bridge may not currently exist and the wet crossing is passable only at certain times of year, namely in the dry season. Benefits will therefore result from the provision of a permanent bridge which avoids the suppression of trips and the need for lengthy traffic diversions in the wet season.

Where access is constrained by unsurfaced roads, further review will focus on additional development benefits that include:

- Access
 - Education
 - Markets
 - Ports
 - Health
 - Resources
- Connectivity between provinces
- Agricultural development potential

A3.3. NATIONAL INTER-URBAN ROADS AND BRIDGES

The Interurban Road Management System (IRMS) was used for preliminary economic evaluation of project proposals on National inter-urban roads. No separate bridge analysis has been carried out but the analysis of AWP1 for betterment projects includes the costs of the bridges.

Annual Work Programme 1 consists of road schemes in Bali, South East Sulawesi, South Sulawesi, Nusa Tenggara Barat and West Kalimantan, and bridge schemes in North Sulawesi

and Nusa Tenggara Timur, which were found to be eligible in the economic evaluation. These were selected as the most viable and not requiring any additional studies. AWP2 and AWP3 are provisional at this stage, since they contain some schemes which appear to be ineligible, but which require field checking of IRMS data.

The analysis is based on estimated average costs of the works and costs for specific projects will be changed when detailed design and BOQ data is available.

A3.4. ECONOMIC EVALUATION OF THE CIVIL WORKS PROGRAM

Table A3.1 summarises the economic evaluation of the proposed civil works in EINRIP by individual component. For AWP1 and AWP2/3. Overall the civil works are estimated to have an EIRR of 43%, AWP1 having an EIRR of 48%, and AWP2/3 an EIRR of 41%. If bridge costs are included the EIRR is estimated at 40% for AWP1 and 35% for AWP2/3.

The economic appraisal of AWP1 considers only 9 packages with no access constraint which were defined prior to December 2006 (Batch 1). Six additional packages have been included in the AWP1 (Batch 2) which consider links with access constraints. These are currently under review to consider additional development benefits, and in the following text and tables are considered part of AWP2/3.

The AWP2/3 currently selected, does not include any projects from Papua or Maluccu which are expected to yield lower EIRR. Inclusion of these provinces will reduce the overall EIRR for AWP2/3. The EIRR of other projects under review for AWP2/3 range from -10% to 52%. The analysis does not include the project management or supervision costs.

Table A3.1: Economic Evaluation of Proposed Civil Works for EINRIP

Work	Road Cost Aus\$	Length Km	Road Cost/KM Aus\$000	Total Cost Aus\$	Bridge Cost Aus\$	IRR Road Only	IRR with Bridges
AWP1							
Betterment (4.5m)	5.9	62.0	95	7.1	1.2	16.3%	13.3%
Betterment (6.0m)	20.6	107.6	192	21.8	1.2	24.9%	23.7%
Betterment + Widening to 6m	10.5	55.4	189	12.9	2.4	40.6%	32.5%
Betterment + Widening to 7m	3.5	18.5	190	4.0	0.5	227.6%	197.7%
Dualization of Road	10.2	10.4	988	10.2	0.0	64.6%	64.6%
Bridges	0.0	0.0	0	5.0	5.0	na	na
AWP1 Total	50.7	253.8	200	61.0	10.3	47.7%	39.9%
AWP2/3							
Betterment (4.5m)	37.8	236.8	160	47.4	9.6	23.5%	15.3%
Betterment (from 4.5m earth rd.)	7.7	48.0	160	9.7	2.0	33.9%	26.7%
Betterment + Widening to 6m	47.1	231.9	203	50.7	3.6	30.4%	28.1%
Betterment + Widening to 7m	12.0	53.5	224	13.8	1.8	106.9%	89.4%
Dualization of Road	3.1	4.4	717	3.1	0.0	71.9%	71.9%
Widening to 6m	28.3	165.4	171	29.1	0.9	41.5%	40.1%
Widening to 7m	2.1	10.6	195	4.2	2.2	38.7%	24.2%
AWP2/3 Total	138.0	750.5	184	158.1	20.0	41.0%	35.1%

Table A3.2 gives a detailed evaluation of AWP1 by category of work and sub-project for all projects defined for AWP1.

All costs are based on estimated financial works costs. These will be revised following design of AWP1 projects.

The without project scenario assumes that periodic maintenance would be undertaken at IRR of 10.

Table A3.2: Economic Evaluation of Sub-projects in AWP1

Analysis 20 years

P ID	Province	roadcode	linkname	Recommended Treatment	Road Cost Aus\$m	Length Km	Road Cost/KM Aus\$000	Total Cost Aus\$m.	Bridge Cost Aus\$m.	IRR Only Road	IRR with Bridges
AWP1											
54	Sulawesi Selatan	54038	SENGKANG - IMPA IMPA	Betterment + Widening to 6.0m	0.50	3.4	149	0.54	0.04	51%	45.6%
54	Sulawesi Selatan	54039	IMPA IMPA - TARUMPAKKAIE	Betterment + Widening to 6.0m	4.49	22.1	204	4.94	0.45	76%	58.6%
					4.99	26.4	197	5.48	0.49	71%	56.7%
54	Sulawesi Selatan	54019	BANTAENG - BULUKUMBA	Betterment + Widening to 6.0m	0.34	2.0	170	0.47	0.13	18%	15.2%
54	Sulawesi Selatan	54019	BANTAENG - BULUKUMBA	Betterment + Widening to 6.0m	1.59	9.3	170	2.18	0.59	33%	26.6%
54	Sulawesi Selatan	54019	BANTAENG - BULUKUMBA	Betterment + Widening to 6.0m	0.91	5.3	170	1.25	0.34	30%	21.4%
54	Sulawesi Selatan	54019	BANTAENG - BULUKUMBA	Betterment + Widening to 6.0m	1.77	10.4	170	2.43	0.66	32%	25.9%
54	Sulawesi Selatan	54019	BANTAENG - BULUKUMBA	Betterment + Widening to 6.0m	0.50	2.9	170	0.68	0.19	64%	37.7%
					5.10	30.0	170	7.01	1.91	32%	25.0%
50	Sulawesi Utara	50.045.1	Molibagu - Mamalia		0.00	0.0	C	0.89	0.89	na	na
50	Sulawesi Utara	50.045.2	Mamalia - Taludaa		0.00	0.0	0	2.90	2.90	na	na
					0.00	0.0	0	3.79	3.79	na	na
56	Sulawesi Tenggara	56011	TINANGGEEA - KASIPUTE	Betterment (4.5m > 6m)**	0.23	1.9	121	0.27	0.04	10%	7.9%
56	Sulawesi Tenggara	56011	TINANGGEEA - KASIPUTE	Betterment (4.5m > 6m)**	1.34	11.1	121	1.56	0.22	11%	8.7%
56	Sulawesi Tenggara	56011	TINANGGEEA - KASIPUTE	Betterment (4.5m > 6m)**	4.18	34.5	121	4.85	0.69	14%	12.0%
56	Sulawesi Tenggara	56011	TINANGGEEA - KASIPUTE	Betterment (4.5m > 6m)**	1.76	14.5	121	2.04	0.29	72%	44.1%
					7.51	62.0	121	8.74	1.23	16%	13.3%
42	Nusa Tenggara Barat	420301	PAL IV (KM 4.00) - KM 70.00	Betterment (6.0m)	0.45	1.9	240	0.45	0.00	30%	29.6%
42	Nusa Tenggara Barat	4208511	SUMBABA BESAR BY PASS	Betterment (6.0m)	2.14	8.9	240	2.14	0.00	21%	21.3%
42	Nusa Tenggara Barat	420301	PAL IV (KM 4.00) - KM 70.00	Betterment (4.5m > 6m)**	6.42	31.2	240	7.50	1.08	27%	23.8%
					9.00	42.0	214	10.08	1.08	27%	23.9%
44	NTT (Alor)	44.120	Taramana - Mariang (Phase I) Bridges		0.00	0.0	0	1.18	1.18	na	na
40	Bali	40500	TOHPATI - KUSAMBA	Dualization of Road	5.55	5.0	1121	5.55	0.00	59%	59.0%
40	Bali	40500	TOHPATI - KUSAMBA	Dualization of Road	4.68	5.4	867	4.68	0.00	73%	72.9%
					10.23	10.4	988	10.23	0.00	40%	64.6%
30	Kalimantan Barat	30043	PONTIANAK - TAYAN	Betterment (6.0m)	2.19	13.7	160	2.19		17%	39.5%
30	Kalimantan Barat	30043	PONTIANAK - TAYAN	Betterment (6.0m)	4.89	30.6	160	4.89		39%	17.4%
30	Kalimantan Barat	30043	PONTIANAK - TAYAN	Betterment (6.0m)	2.79	17.5	160	2.79		24%	39.2%
30	Kalimantan Barat	30043	PONTIANAK - TAYAN	Betterment (6.0m)	0.49	3.9	160	0.62	0.13	228%	18.3%
					10.35	65.6	158	10.48	0.13	51%	23.5%
36	Kalimantan Selatan	360031	MARTAPURA - DS. TUNGKAF	Betterment + Widening to 7.0m	3.52	18.5	190	4.02	0.50	228%	197.7%

** (4.5m > 6m; preliminary analysis for 4.5m width, 6m proposed)

Table A3.2 continued: Economic Evaluation of Sub-projects in AWP1,

Analysis 20 years

Prov	Province	roadcode	linkname	Recommended Treatment	Road Cost Aus\$m	Length Km	Road Cost/KM Aus\$000	Total Cost Aus\$m	Bridge Cost Aus\$m	IRR Road Only	IRR with Bridges
56	South East Sulawesi	56.013.5	Kasipute - Bamba	Betterment (4.5m > 6m)**	3.52	22.0	602	3.87	0.35	16%	n.a
56	South East Sulawesi	56.013.4	Bamba - Boepinang	Betterment (4.5m > 6m)**	0.40	2.5	261	1.08	0.68	12%	n.a
56	South East Sulawesi	56.018.3	Belalo - Andowia	Betterment (4.5m > 6m)**	3.92	24.5		4.95	1.03		
56	South East Sulawesi	56.018.4	Andowia - Asera	Betterment (4.5m > 6m)**	0.67	23.0	300	1.75	1.08	12%	n.a
56	South East Sulawesi	56.018.5	Asera - Landawe	Betterment (4.5m > 6m)**	0.86	5.4	73	1.92	1.06	-4%	n.a
56	South East Sulawesi	56.018.6	Landawe - Bts. Sulteng	Betterment (4.5m > 6m)**	6.64	41.5	54	7.24	0.60	-15%	n.a
			AWP1		5.36	33.5		5.36		15%	n.a
56	South East Sulawesi	56.024.4	Awunio - Lainea	Betterment (4.5m > 6m)**	6.03	56.5		7.11	1.08		
56	South East Sulawesi	56.029	Awunio - Amolengu	Betterment (4.5m > 6m)**	2.24	22.5	264	3.78	1.54	8%	n.a
56	South East Sulawesi	56.024.3	Lapuko - Awunio	Betterment (4.5m > 6m)**	3.84	24.0	116	4.39	0.55	12%	n.a
					2.08	13.0	79	2.23	0.15	16%	n.a
52	Central Sulawesi	52.027.3	Lakuan - Buol	Betterment (4.5m > 6m)**	8.16	59.5		10.41	2.25		
52	Central Sulawesi	52.028.1	Buol - Bodi	Betterment (4.5m > 6m)**	7.84	22.5	301	15.69	7.85	16%	n.a
			AWP1		2.90	18.1	215	9.59	6.70	3%	n.a
52	Central Sulawesi	52.028.2	Bodi - Paleleh	Betterment (4.5m > 6m)**	7.84	22.5		15.69	7.85		
52	Central Sulawesi	52.028.3	Paleleh - Umu	Betterment (4.5m > 6m)**	4.78	29.9	83	6.45	1.67	4%	n.a
		Package			5.84	36.5	27	6.37	0.53	1%	n.a
42	NTB (Sumbawa)	42.030.2	KM 70 - Cabdin Domp	Betterment (4.5m > 6m)**	10.62	66.4		12.82	2.20		
42	NTB (Sumbawa)	42.030.3	Cabdin Domp - Banggo	Betterment (4.5m > 6m)**	2.55	14.7	659	2.99	0.44	12%	n.a
					1.85	12.8	613	2.61	0.76	9%	n.a
					4.40	27.5		5.60	1.20		
					91.68	510.7		117.58	25.90		

** (4.5m > 6m: preliminary analysis for 4.5m width, 6m proposed)

Sensitivity analysis was carried out to determine the impact on these results of alternative assumptions about construction costs and user benefits. The results are summarised in Table A3.3 and show that the project remains economically viable even with significant changes in these parameters. For example, with a 40% reduction in user benefits, the overall EIRR of the civil works is estimated to fall to 30%. An EIRR of 32% is estimated for a 50% increase in construction costs.

When bridge costs are included in the road analyses, the base case estimate of EIRR is 37%.

Table A3.3: Sensitivity Analysis of Economic Evaluation of Proposed Civil Works for EINRIP

Scenario	Average EIRR (%)		
	AWP1	AWP2/3	Total AWP1/2/3
Basic evaluation without bridge cost	48%	41%	43%
Percentage variation in construction costs:			
-20%	57%	48%	51%
-10%	52%	44%	47%
10%	44%	38%	40%
20%	42%	36%	38%
30%	39%	34%	36%
40%	37%	32%	34%
50%	35%	30%	32%
Percentage variation in user benefits:			
-40%	33%	28%	30%
-20%	40%	35%	37%
-10%	44%	38%	40%
10%	51%	44%	47%
20%	55%	47%	50%
Basic evaluation with bridge cost	40%	35%	37%

Annex 4

Environmental and Social Safeguards

PART I: EINRIP ENVIRONMENTAL AND SOCIAL SAFEGUARDS (ESS)

A4.1 APPLYING ENVIRONMENTAL AND SOCIAL SAFEGUARDS

A4.1.1 Environmental Safeguards

GoI environmental safeguards for EINRIP are based on the Environment Impact Assessment System (AMDAL) as mandated by:

- GOI PP No. 27, 1999;
- Ministry of Settlements and Regional Infrastructure KepMen Kimpraswil No. 17, 2003,
- MPW, Director General Highways, Guidelines for Env. Management of Road Projects, 2004
- Ministry of Environment Regulation No 11, 2006

All proposed EINRIP subprojects are subject to environmental impact screening (Figure A4-1) to identify one of three treatments: i) standard environmental clauses, ii) an environmental mitigation (EMiP) and monitoring (EMoP) plan (UKL/UPL) report or iii) a full EIA (AMDAL). Processes ii) and iii) include a requirement for an examination of potential impacts on both the biophysical and the socio-cultural and built environment, although the extent of the social impact in terms of land acquisition and resettlement has an impact on AMDAL only when land acquisition extends to more than 30 ha outside the RoW for inter-urban roads and less for increasingly urban areas. In such cases a full AMDAL is triggered.

Mitigation and monitoring measures must be provided for all impacts not complying with GoI regulations and standards.

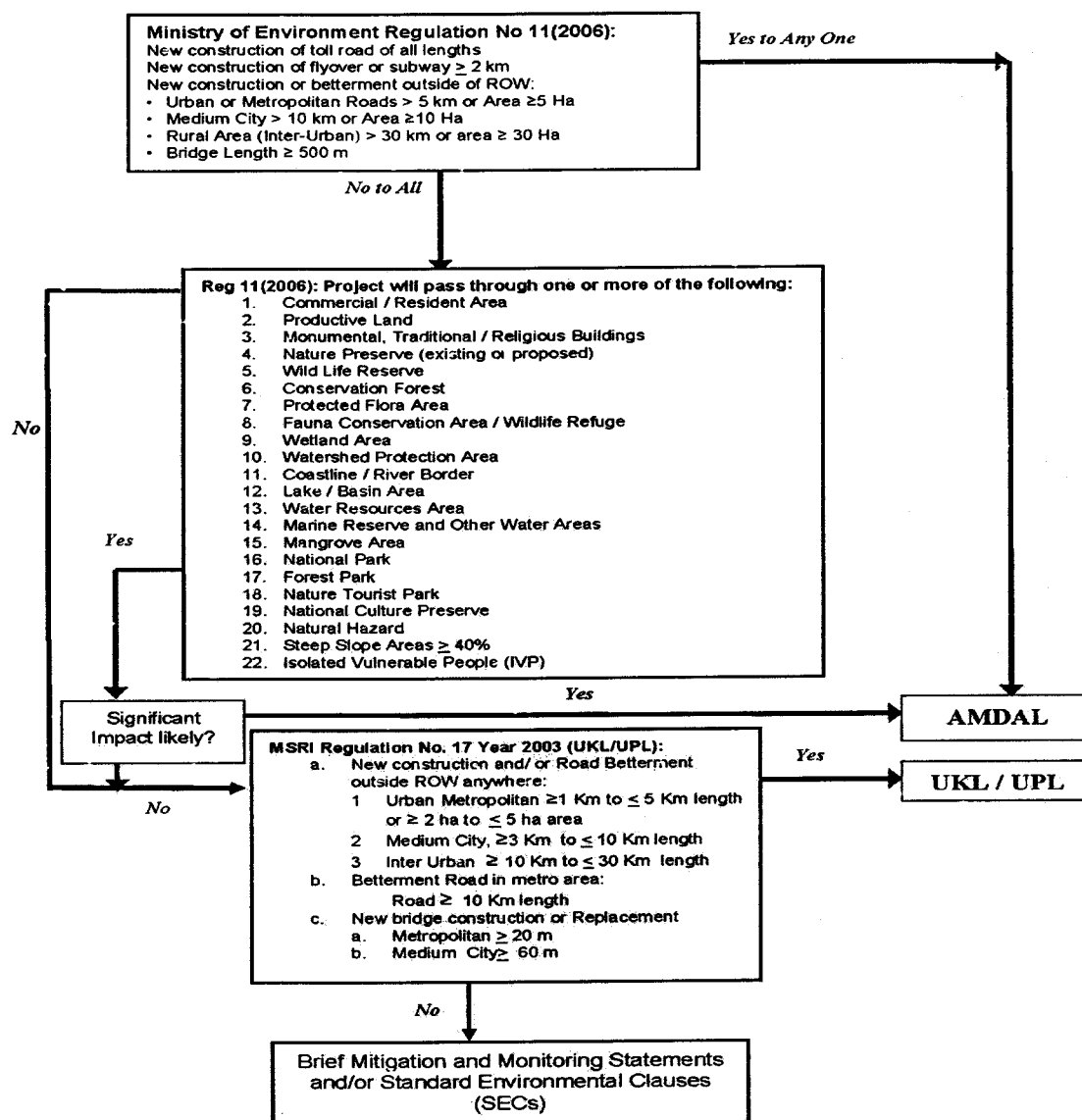
AusAID environmental safeguards for EINRIP are defined by the Australian Environment Protection and Biodiversity Conservation (EPBC) Act (1999) Guidelines 1.1 (2005). These safeguards impose standards through a case by case technical examination of likely environmental effects, based on boundaries defined by Australia's comprehensive set of laws, regulations and standards. Determination of significance is the key characteristic of each likely impact establishing if the project can go forward or if it must be referred to the Australian Department of Environment (DoE) for evaluation.

Australia's environmental impact assessment process uses a two tiered screening to identify projects with potentially significant effects on nationally important biophysical and socio-cultural features which if present require mandatory referral to DoE for assessment. There are 7 first-order features, of which 5 apply in Indonesia. These are:

- RAMSAR wetlands of international importance
- Listed threatened species and communities protected under international conventions
- Listed migratory species
- Nationally protected marine/coastal environment
- Nationally Important Cultural/Historical Site

If the first tier screening indicates that nationally important features will not be significantly degraded a second tier of analysis must be completed where impacts, also in terms of significance, must be assessed for the following ecosystem components:

Figure A4-1: Indonesian Environmental Impact Screening Process



- Landscapes or soils
- Coastal or ocean landscapes, processes or life forms
- Water resources
- Pollutants, chemicals and toxic substances
- Plants and/or animals
- People and communities
- Heritage

If any of these ecosystem components are significantly degraded, using the criteria defined in detail in the EPBC Guideline, an EIA may be needed and referral to DoE will be required.

A4.1.2 Application of Environmental Safeguards

All sub-projects will be screened according to the screening process defined in 1.2. ~~For projects identified as not requiring any additional environmental studies,~~ A set of standard environmental clauses (SECs) will be included in the bid/contract documents. These provide a standardized set of instructions for the mitigation of potential environmental impacts from any project. In some cases a further set of Special Environmental Clauses (SpECs) may be added to provide for potentially problematic conditions that might be expected to be encountered.

For subprojects which have the potential to generate some adverse but not significant environmental impacts, the preparation of Environmental Mitigation and Monitoring Plans (UKL/UPL) will be required. This site-specific field investigation will identify the particular mitigation measures required for any subproject, and the monitoring processes required to be undertaken during implementation.

Projects which are identified as potentially generating significant environmental impacts require a full Environmental Impact Assessment (AMDAL), and this larger field study will identify whether the project as designed can be undertaken, and the mitigation measures needed to be included. Projects triggering an AMDAL are also likely to require referral to the Australian DoE under the provisions of the EPBC Act, and additional study may be required to satisfy these requirements.

The formats for reporting for both UKL/UPL studies and AMDAL studies, have been agreed and are summarized in the Project Management Manual (PMM).

A4.1.3 Social Safeguards

AusAID and DGH have agreed to apply the Work Bank's Land Acquisition and Resettlement Planning Framework (LARF) (adapted from previous World Bank projects) as providing the relevant set of social safeguards to be used for EINRIP. The Framework outlined in Part II of this Annex defines the conditions under which project-affected-people and households are categorized, and the procedures to be used for land acquisition, resettlement and compensation. Current GoI regulations (Presidential Proclamation No. 36/2005 and No 65/2006) regarding land acquisition and compensation will be used only in cases where this Framework provides less specific instructions, and/or where Indonesian laws must be applied.

The LARF identifies the conditions under which a Land Acquisition and Resettlement Action Plan (LARAP) or simplified LARAP (SLARAP) is to be prepared whenever there are people who lose their property or fixed assets.

AusAID and DGH have agreed that if land acquisition or land consolidation takes place for any subproject less than 2 years before the start of EINRIP, a "tracer study" will be required. This will be used to determine retrospectively whether land acquisition was conducted in a manner consistent with the requirements of a properly-conducted LARAP. If a positive finding is returned, the subproject will be accepted for inclusion in the EINRIP program.

The preparation and implementation of LARAP and SLARAPs will be the responsibility of the relevant local government agency (BAPPEDA), but these may be assisted by DGH and the Project Preparation Consultant (PPC) with the conduct of socio-economic surveys. BAPPEDA will be responsible for the issuance of all necessary Decrees, and the formation and management of Land Acquisition Committee (LAC) which will govern all entitlement and grievance issues, and oversee the compensation process. It is likely that a local NGO or University will be involved as independent compliance monitors.

Should any proposed EINRIP subprojects be located within 10 km of any Isolated Vulnerable Peoples (IVP), a Social Impact Assessment (SIA) study will be required. If this identifies that the subproject will have a significant impact, then a full IVP Development Plan will need to be prepared, to identify ways of ensuring that adverse impacts are fully mitigated.

A4.1.4 Roles and Responsibilities for Environmental and Social Safeguards Management

All subprojects are to be identified and prepared in a manner that is fully compliant with the provisions of the agreed environmental and social safeguards. DGH, through its Project Preparation Unit (PPU), Project Management Unit (PMU) and Sub-Directorate of Environmental Affairs, will manage and support the activities of the Project Preparation Consultants (PPC) in such a way as to ensure this outcome.

The PPC will undertake all required subproject field surveys, environmental investigations and social studies according to the requirements of these Safeguards, the provisions of relevant World Bank Guidelines and Indonesian Government laws and regulations.

The PPC will jointly support the requirements of both DGH and AusAID in all matters, and draft final reports of all environmental and social investigations will be submitted by DGH to AusAID for its review and “no objection” to finalization of such reports. In particular, AusAID’s “No objection” to the adequacy of Design and Bidding Documents, and the initiation of procurement for any subproject, will require the prior submission and acceptance of all required environmental and/or social impact studies and documents. AusAID’s “No Objection” to contract award will require that documentary evidence of the satisfactory completion of implementation of SLARAP or LARAP programs be provided.

A4.2 THE ENVIRONMENTAL AND SOCIAL ASSESSMENT PROCESS TO BE APPLIED

A4.2.1 Preparing a UKL/UPL or AMDAL

The environmental screening process for all DGH road and bridge projects is summarized in Figure A4-1. Comparison of the circumstances of a subproject against the long-list of criteria found in Figure A4-1 will identify whether the project requires an AMDAL, an UKL/UPL or a simple set of SECs.

With either an AMDAL or UKL/UPL, mitigation and monitoring plans must be prepared. The preparation of the UKL/UPL or AMDAL documentation is specified in detail in the Indonesian law and regulations, and will be elaborated in the Project Management Manual (PMM). The 12 steps identified in Figure A4-2 generally define the process through the conduct and approval of the UKL/UPL and the implementation of the mitigation and monitoring plans.

Subprojects requiring AMDAL will need case-by-case planning and a timetable specific to the issues to be assessed. Involvement of both the Australian DoE as well as Indonesia’s Ministry of Environment is likely.

Figure A4-2: Schedule of Steps for Completion of Subproject UKL/UPL Studies

Step	Description of Key UKL / UPL Activities PER Contract Package	Direct Responsibility	Months												
			1	2	3	4	5	6	7	8	9	10	11	12	13 to 24
1	Conduct UKL / UPL study.	PPC	■	■											
2	Check / endorse UKL / UPL to Bapedalda for approval.	Sub-Dit			■										
3	Review / approve UKL / UPL (maximum 30 day review).	Bapedalda				■	■								
4	Integrate UKL / UPL measures into Detailed Design & Owners' Estimate	PPC					■								
5	Approve of Owner's Estimate for UKL / UPL measures for Bid Docs.	PMU						■							
6	Review UKL / UPL docs & include cost for required measures in Bid.	Civil Works Contractors						■							
7	Confirm UKL / UPL costs included in Bid Evaluations.	PMU						■							
END OF PPC RESPONSIBILITY															
8	Coordinate with Bapedalda in UKL / UPL monitoring and reporting.	RSC / P2JJ													
9	Implement Required UKL / UPL Measures.	Contractors													
10	Supervise UKL / UPL performance of PMSC / RSC.	Sub-Dit													
11	Monitor subproject performance.	PMU													
12	Monitor overall project performance & Environmental compliance.	AusAID													

A4.2.2 Preparing the SLARAP and LARAP

If any subproject requires land acquisition or the displacement of existing occupants or users of land affected by a subproject, a SLARAP or LARAP may be required. It is essential that these be carefully and properly conducted, so that no individual suffers adverse impacts without adequate compensation being paid, and that all processes used be fully transparent.

The process must start with a census of people and assets impacted or potentially impacted by the project. Based on this data, the SLARAP or LARAP process is triggered, each with a slightly different set of steps.

The steps identified in Figure A4-3 outline the process to be followed for EINRIP subprojects.

Figure A4-3. Key Steps Required for LARAP and SLARAP Preparation

Step	Description of Key SLARAP or LARAP Activities	Direct Responsibility	Months								
			1	2	3	4	5	6	7	8	9
1	Establish approx number of PAPs/PAHs involved and categorize as LARAP or SLARAP	PPC, PMU & BAPEDA	■								
2	Conduct SLARAP or LARAP, including PAP survey, entitlement matrix, implementation schedule	PPC		■	■	■	■				
3	Review / finalize draft SLARAP/LARAP, for approval.	PPC/BAPEDA / PMU					■				
4	Review / approve draft SLARAP/LARAP, including proposed cost compensation.	AusAID						■			
5	Authorize GOI funding for SLARAP/LARAP implementation and agreed compensation payments.	PMU & BAPEDA							■		
6	Form Land Acquisition Committee (LAC) to oversee LARAP process (not needed for SLARAP).	BAPEDA & Local Government						■			
7	Implement SLARAP/LARAP, including payment of agreed compensation.	LAC or BAPEDA							■	■	■
8	Monitor and report on SLARAP/LARAP implementation.	PPC/ BAPEDA / PMU							■	■	■
9	Review SLARAP/LARAP monitoring report / issue NOL for civil works contract.	AusAID									■

Note: For an SLARAP the process from identification of PAPs to completion of compensation agreements and an implementation schedule, should take no more than 2 months. The disbursement of the compensation depends on GOI actions but should agree with the schedule.

A4.2.3 Environmental Impact Mitigation and Monitoring

The Indonesian impact assessment process includes the requirement for three key tables, one defining the likely impacts, one describing the mitigation measures and one defining the monitoring activities to be undertaken during the three project stages, namely preconstruction, construction and operation. This approach will be followed and the mitigation (EMiP) and monitoring plan (EMoP) tables, to be prepared in the UKL/UPL documents, will be slightly modified to permit their use as contract clauses, easily cross-referenced and easily used by contractors.

A4.2.4 Social Impact Mitigation and Monitoring

The SLARAP and LARAP process requires the definition of mitigation and monitoring measures and their listing in an implementation schedule, defining when the measures designed to mitigate land acquisition and relocation impacts must be started and completed. The implementation schedule, together with other sections of the LARAP, will guide the type and timing of the delivery of all mitigation measures and monitoring actions. As part of the SLARAP/LARAP documentation, monitoring and reporting tasks during and after the completion of all compensation actions will also be added to the implementation bar chart.

The PMU or its designated representative in the field will be required to submit short monitoring reports, describing the delivery of the compensation package to each PAP/PAH as per the implementation bar chart. The monitoring of the LARAP/SLARAP process will be undertaken by an independent monitoring team.

A4.3 OTHER PROVISIONS

A4.3.1 Language of Environmental and Social Documentation

AusAID has indicated that the only English translations required will be short executive summaries for each UKL/UPL, AMDAL and LARAP. The main documents will be prepared in Bahasa Indonesia, unless Bina Marga has specific other requirements.

PART II: LAND ACQUISITION AND RESETTLEMENT POLICY FRAMEWORK (LARF)

A4.4 DEFINITIONS

Compensation: Replacement of land at replacement value, either with land-for-land of equivalent size or productivity, or payment of cash equivalent to replacement value if land is not available or the PAP choose cash, and includes the replacement value of buildings, plants and/or other assets connected with the land as impact of the right of land release or transfer.

Cut-Off Date: The calendar date after which any claims for compensation and PAP status are not valid unless legal documentation is submitted to the appropriate authorities. This is usually the date when the inventory of PAPs within the study area begins.

Impact Corridor: The area of influence of a sub-project within which land acquisition and resettlement issues are included as part of the Land Acquisition and Resettlement Plan. This boundary is determined through consultation and a preliminary census to establish the geographic extent of the impact.

Land acquisition: Action taken by any level of Government to obtain land, buildings or other assets on the basis of eminent domain from Project Affected Persons (PAP) for the purposes of the Project, in return for the provision of agreed-to compensation and assistance.

LARAP: Land Acquisition and Resettlement Action Plan to be prepared when social impacts become sufficiently significant (see triggers defined under 'SLARAP'). If more than 5 HH are displaced, a LARAP will also be required.

NJOP: "Nilai Jual Obyek Pajak" refers to the land appraisal data, based on taxes applied, used as part of the determination of fair market price for land acquisition.

Physically Displaced Persons: People affected by the project who have to relocate because: (i) the remaining land or building is not sufficient for shelter or work place, or (ii) the remaining land is less than 60m², or (iii) the remaining agricultural land is no longer adequate for cultivation.

Project: The EINRIP (Eastern Indonesia National Road Improvement Project) including all Project components, sub projects and its activities as described in the Loan Agreement between the Republic of Indonesia and the Commonwealth of Australia (GoA).

Project Affected Households (PAH or HH): A family unit or group of people living in one dwelling affected by the construction and operation of a sub-project. In Indonesia an average household is counted as having 5 people.

Project Affected People (PAP): Persons or institutions which are impacted by sub-projects through the: (i) loss of ownership or right to use of land or buildings; (ii) loss of livelihood; (iv) loss of other physical assets which are acquired or affected temporarily or permanently.

Relocation Assistance: Assistance provided to displaced persons/families to cover (i) the costs of moving from their previous to a new location, and (ii) an allowance equal to the local average costs of living if a transition period is needed to resettle in a new location of residence or business.

Resettlement/Rehabilitation Assistance: An effort/activity to improve ability and PAP economic and social life, so that they can improve their standard of living or at least equal with their previous life. The assistance includes support for livelihood reestablishment through training or other means, and measures to assist the difficulty in transition period.

Resettlement: An effort/activity to relocate the Project Affected Persons into a new location which meets the requirements of settlement so that they can develop a better life or at least equal with the previous condition.

SLARAP: Simplified or abbreviated LARAP which is triggered if the number of PAPs is <200 or ≤40 households, or where <10% of productive PAP assets are affected, and less than 5 households are physically displaced.

Tracer study: A due diligence study conducted to ensure proper procedures have been carried out if land acquisition and/or resettlement has occurred to prepare for a proposed sub-project within two (2) years prior to the date of EINRIP loan signing. The procedures required for a "tracer study" will depend on the circumstances, but will generally attempt to determine whether the land acquisition procedures used would produce a similar result to a properly-undertaken LARAP.

A4.5 GENERAL PRINCIPLES

- a. Land acquisition and/or resettlement should be avoided where feasible, or minimized to the extent possible. During design, consideration of technical options shall involve a concurrent assessment of potential associated land acquisition impacts, to identify design alternatives that minimize such impacts.
- b. Where it is not feasible to avoid land acquisition and/or resettlement, physically displaced people should be assisted in their efforts to re-establish their livelihoods and standards of living at least equal to what they had, but preferably with some improvements.
- c. PAPs will receive proper compensation based on calculation of the real replacement cost of the assets they lose as a result of the sub-project, using prices based on NJOP values and market prices.
- d. PAPs should be fully consulted and should receive proper information of their rights and be provided with opportunities to participate in planning and implementation of land acquisition and resettlement, to the extent that they are willing and able.
- e. If the PAPs and Local Government are unable to come to an agreement on a resettlement action plan after more than a year, the sub project will not be included in the EINRIP program.
- f. If the PAPs number less than 200 people (≤ 40HH), or if less than 10% of productive assets are lost and less than five households or 25 people are physically displaced, an abbreviated LARAP can be undertaken, otherwise a full LARAP will be required. The specific requirements for an abbreviated or full LARAP for any sub-project should be reviewed on a case-by-case basis.

A4.6 SOCIO ECONOMIC SURVEY, INFORMATION AND CONSULTATION

A4.6.1 Socio-Economic Survey and Inventory of Assets Lost

- a. As part of the planning and land acquisition process for full LARAP, the relevant level of Government will conduct a survey to (i) define the areas affected by the sub-project; (ii) collect basic socio-economic data on the PAPs (iii) identify the impacts on each PAP (or affected family) with regard to all assets lost and whether they will be displaced. The survey will constitute the baseline against which implementation

progress will be monitored. For SLARAPs the survey will be based on a basic inventory of each person affected and the establishment of appropriate compensation based on site discussions and agreement.

- b. The socio-economic survey should be conducted after project designs are provided or at least after the road corridor alignment is determined.
- c. The date of the socio-economic survey or PAP inventory will be the cut-off date after which persons claiming to reside in the project affected area and seeking compensation, will need to provide written certified documentation verifying their claim before being considered for any compensation and resettlement assistance.
- d. The Socio-economic Survey, will vary in detail depending on whether it is part of an SLARAP or full LARAP, but will include a detailed description of PAPs' social economic condition before the sub-project is implemented. The survey will include such information as:
 - i. Social characteristics of all PAPs and households: numbers, age, gender, education, job, standard of living, time of stay (as a table).
 - ii. Information about vulnerable groups, such as low-income groups, female-headed households, elderly, orphans, minorities, and handicapped, those without legally protected title to land, and other marginal groups.
 - iii. Land tenure and transfer systems including patterns of authority over land.
 - iv. Impacts on the PAP's patterns of economic and social activity, including impacts on social networks and social support systems.
 - v. Where relocation is to take place, the scale of that relocation, the location of the host community, as well as its capacity to provide services such as school, medical and water to accommodate those people/families being relocated.
- e. The inventory of lost assets will record for each PAP/HH (i) the precise extent of property loss (area of agricultural land; residential, business and other structures, crops and trees etc), (ii) the legal ownership status of land, and (iii) whether the PAP will be displaced. The inventory will also include NJOP and market prices of land and building. The information should be based on the written information from authoritative institutions such as local banks or land brokers.
- f. The socio-economic survey and inventory of lost assets will be the basic information of both LARAP documents.

A4.6.2 Information, Awareness, and Consultation

- a. Local government will conduct consultation with all communities affected by sub-projects. The purpose of the consultation is to accommodate the opinions / aspirations, and suggestions of PAPs and related stakeholders about land acquisition and resettlement policy and strategies.
- b. The consultation program will provide information about planned subproject activities, possible subproject impacts, and compensation and resettlement options. It will be conducted at the same time as the socio-economic survey of all PAP and related stakeholders, using focus group discussions, dialogue, or other methods appropriate to the local condition and the scale of LARAP to be undertaken. Care should be taken to ensure consultations are held with any vulnerable and poor people affected.

A4.6.3 Independent Organization

Socio-Economic Surveys as defined above for full LARAPs, need to involve independent institutions with experience in socio-economic surveys or community development work. For SLARAP, Kabupaten staff or other stakeholders can complete the survey.

A4.6.4 Full (LARAP) and Simple (SLARAP) Land Acquisition and Resettlement Action Plan

Based on the results of the Socio-economic Survey described above, the appropriate level of Government prepares a comprehensive Land Acquisition and Resettlement Action Plan (LARAP) or Simple/Abbreviated LARAP (SLARAP) depending on the level of possible impact as described above. Procedures and reporting formats to be used will be included in the Project Management Manual (PMM).

- a. A full LARAP will contain the following elements :
 - i. Sub-project description
 - ii. potential impacts of the subproject, including those from project activities, and the area affected;
 - iii. main objectives of the Land Acquisition and Resettlement Action Plan
 - iv. findings of the socioeconomic survey and inventory of PAPs and assets lost
 - v. institutional framework identifying the agencies responsible for planning, implementation, and monitoring of resettlement activities, and any steps necessary to enhance the capacity of those agencies to carry out resettlement activities
 - vi. eligibility criteria for PAPs for various kinds of compensation and resettlement assistance
 - vii. valuation of assets;
 - viii. resettlement measures, including description of the packages of compensation and other resettlement measures for each category of eligible persons; site selection, preparation and relocation strategies for those PAPs that will be relocated to new sites; housing, infrastructure and social services; environmental protection and management where appropriate; mechanisms of community participation in the resettlement process (including host communities);
 - ix. grievance procedures
 - x. implementation schedule, including costs and budget
 - xi. monitoring and evaluation arrangements.
- b. Abbreviated or Simple LARAP (SLARAP) will be undertaken if < 200 people or 40HH are affected, or if <10% of all productive assets are affected by the subproject, and if less than 5 HH are displaced. An abbreviated LARAP will contain, at a minimum, the following elements:
 - i. Census survey of PAPs, assets lost, and valuation of assets
 - ii. Compensation and resettlement assistance description;
 - iii. Consultation with PAPs about compensation alternatives
 - iv. Institutional responsibility for implementation and procedures for grievance redress;
 - v. Arrangements for monitoring and implementation; and
 - vi. Schedule and funding.
- c. The draft LARAP will be prepared by the appropriate level of government, and submitted to the EINRIP PMU for review and submission to AusAID for their NOL. After AusAID approval, the LARAP will be formally issued by the Bupati/Walikota.
- d. AusAID will issue a NOL for procurement to proceed for the subproject once land acquisition is complete. AusAID's NOL for contract award will be issued after documentary evidence is received that all PAPs have received compensation as established by the LARAP.
- e. During implementation of the LARAP, the Kabupaten(s) will submit regular progress reports to the EINRIP PMU. These reports will be copied to AusAID.

A4.6.5 Tracer Study

If land acquisition for any proposed subproject has been undertaken within two (2) years prior to EINRIP Loan Signing, a Tracer Study shall be conducted, in accordance with procedures to be agreed by DGH and AusAID. The objective of the tracer study will be to ensure that all PAPs were properly and fairly dealt with in accordance with the provisions of this LARF. A satisfactory conclusion to the tracer study will be a precondition for the inclusion of the subproject in the EINRIP program.

A4.7 LAND ACQUISITION

A4.7.1 Compensation

- a. The PAPs will receive fair compensation calculated at real replacement cost. Replacement costs are:
 - i. **for agricultural land:** the pre-project or pre-displacement value, whichever is higher, market value of land of equal productive potential or use located in the vicinity of the affected land, plus the cost of preparing the land to levels similar to those of the affected land, plus the cost of any registration and transfer taxes.;
 - ii. **for land in urban areas:** the pre-displacement market value of land of equal size and use, with similar or improved public infrastructure facilities and services located in the vicinity of the affected land, plus the cost of any registration and transfer taxes;
 - iii. **for housing and other buildings:** replacement based on material market price to build replacement building similar to the affected building, or to repair a partially affected structure, plus cost of transporting building materials to construction site, plus cost of any labor and contractors fees and cost of registration and transfer taxes. In determining this replacement cost, depreciation of assets and material salvage value are not countable, nor are lost assets affected by value added as a result of project activities.
- b. Compensation for trees, plants and other assets are to be negotiated based on established price standards for various kinds of trees and cash crops.
- c. Monitoring and evaluation of the implementation of the compensation process will be conducted to make sure that the PAPs receive the compensation determined by the LARAP. Monitoring will be conducted by independent teams, which may include local NGOs or Universities, and will include a census or sampling survey depending on the number of PAP HH. The report and any recommendations will be made publicly available.

A4.7.2 Relocation Assistance

Displaced persons/families will be assisted with regard to:

- i. the costs of moving from their previous location to a new location
- ii. an allowance equal to the local average costs of living if a transition period is needed to resettle in a new location of residence or business (e.g. during the time it takes to build a new house/business).

A4.7.3 Resettlement/Rehabilitation Assistance

In addition to the compensation for land, building, and fixed assets, PAPs, who have suffered an income or welfare loss due to the displacement or other subproject impacts (e.g. job loss) will receive assistance to help them in reestablishing or improving their livelihoods in the new

environment. Resettlement assistance can be provided in parallel with subproject construction and implementation, and may include training or other forms of rehabilitation assistance.

A4.7.4 Compensation Alternatives

- a. Based on the agreement reached at the negotiation concerning compensation, the eligible PAPs can choose to receive cash compensation, land replacement or resettlement.
- b. PAPs who are physically displaced will receive full replacement cost for assets lost.
- c. Physical displacement may include provision of serviced sites, land swaps, low cost housing, real-estate housing provided through a Bank Tabungan Negara (BTN) credit facility, or other schemes organized by the appropriate level of Government.
- d. PAPs can also form cooperative housing groups to construct housing. For this, Local Government will coordinate with relevant institutions to provide service and rehabilitation assistance as needed.
- e. The Displaced Persons will not bear the costs of depreciation of their buildings, and charges or taxes related to the relocation or compensation.
- f. PAPs can take and bring their salvaged building materials to the new site.
- g. Cash compensation must be given to PAPs before their move to a new location or the destruction of their old building.

A4.7.5 Categories of Project Affected Persons

PAPs can be grouped into:

- Those who have legal land certificate, girik, or adat title (individual or communal);
- Those who occupy land in a residential, commercial, or industrial zone in the Project area, but do not hold a certificate or legal title;
- Those who occupy public land on sites such as rivers, roads, parks, or other public facilities in the Project area; and
- Those who are renters.

a. *Persons who Have Land Certificate, Girik or Adat Title*

- i. PAPs who have land certificate, girik, or adat title, will receive compensation for the land, building, and fixed assets appropriate with ownership status and its environmental condition.
- ii. PAPs who are displaced by the Project, can choose to receive cash compensation or the other options as described in above.
- iii. The lots at the resettlement site will have land title of the same level or higher (whenever possible) than they previously had, and the certificate will be issued within 6 months after displacement of the physically displaced persons.
- iv. PAPs will receive transport allowance to move themselves and their belongings.
- v. PAPs who suffer an income decline due to resettlement will also receive resettlement assistance to increase their ability to improve their lives.

b. *Persons Who Occupy Land in a Residential, Commercial or Industrial Zone in the Project Area But Do Not Hold Legal Documents*

- i. PAPs who are recorded in the baseline survey and who occupy land in a residential, commercial, or industrial zone in the Project area, but do not hold a

land certificate, girik, or hak adat, will receive compensation of land, building, and fixed asset according to the length of their stay and the replacement value of the assets.

- ii. PAPs who are displaced, can choose to receive cash compensation or the other options as described above.
- iii. The lots at the new site will have Hak Pakai or a higher land title, and the certificate will be issued within 6 months after the displacement.
- iv. PAP will receive transport allowance sufficient to move their belongings.
- v. PAP who suffer an income decline due to resettlement will also receive resettlement assistance from the Local Government to increase their ability to improve their lives.

c. Persons Who Occupy Public Land on Infrastructure or Public Facility Sites

- i. PAPs who are recorded in the socio-economic survey as occupying areas that are clearly delineated as public land such as railway, under bridge or fly over, etc., will receive allowance and other resettlement assistance from the local government.
- ii. In cases that (i) the public area has been occupied for long period of time without any sanction from the government, (ii) people occupying the land have received recognition from the government by incurring the obligation to pay land tax or fees, or (iii) a camat/lurah agreement has been effected on land transactions such that it is no longer clear the land is public land, then the PAP should receive compensation based on the recommendation of the socio-economic survey

d. Persons Who Are Renters

PAP who are renters, and are recorded in the socio-economic survey, will be assisted in finding a rental house, or a housing site of similar size to the one lost, which can be rented or rent-purchased through affordable installments.

A4.7.6 Land donation

Land donation is acceptable only if:

- i. the PAP donating the land gets direct benefit from the subproject and is not poor;
- ii. the PAP has been informed clearly of their right to compensation as stated in this framework and they are still willing to donate without any pressure.

The donor shall provide a written statement indicating willingness to donate the land. This statement shall be duly signed by the PAP with appropriate stamp/materai and witnessed by third parties.

The PMU and AusAID should ensure that there is no pressure on or intimidation of the PAP in the process of land donation.

A4.7.7 Resettlement Site

- a. The resettlement site provided for relocating displaced persons will include adequate infrastructure and public facilities to promote development of a good social and economic life, including:
 - i. Road or footpath as necessary;
 - ii. Drainage system;
 - iii. Potable water supply (if a piped water distribution network is not available, there should be wells that comply with health standards);
 - iv. Electricity;

- v. Access to health facility, education, work places, religious services, and sport facilities, in accordance with the size of the new community; and
- vi. Access to public transport facilities.
- b. The location reserved for resettlement as described in point 1 of this sub-chapter will be widely publicized so that the general public will be well informed.
- c. Physically displaced people will be informed of the completion of the resettlement site at least one month before relocation, and they will be invited to survey the new site.
- d. The physically displaced persons will move to the new site after the infrastructure and facilities at the resettlement site are completed and feasible to live in as confirmed by the Project supervisor and local community leader.

A4.8 LIVELIHOOD RESTORATION ASSISTANCE

A4.8.1 Types of Assistance

- a. PAPs whose job, income, or living are disturbed by the Project or are physically displaced will receive assistance to improve their standard of living or at least to maintain it at the level before the implementation of the subproject. The assistance program will give priority to vulnerable community members and groups, including women headed households.
- b. In implementing the assistance care should be taken to smoothly integrate the newly resettled people with the host community in the resettlement area. The assistance can be linked to existing programs and resources.
- c. Resettlement/rehabilitation assistance may include one or more of the following:
 - i. Allowance.
 - ii. Motivation development;
 - iii. Skill and vocational training;
 - iv. Assistance to start and develop small businesses;
 - v. Small scale credit;
 - vi. Marketing development;
 - vii. Strengthening of community based organization and services
 - viii. Conflict resolution and mediation
 - ix. Training to promote gender equality, such as woman access and participation in decision-making.
 - x. Health training about the environment, reproduction, HIV/AIDS.

A4.8.2 Assistance Schedule and Cost

- a. For those PAPs to be relocated, the assistance will start during the consultation prior to displacement. The target for delivery of this displacement assistance should be for one budget year, but the use of funds and services can be used over several years as agreed to with the PAP.
- b. Funds for the extended assistance will be reserved from the Project funds or other sources as defined in the LARAP based on decisions by the Bupati/Walikota.

A4.9 LAND ACQUISITION COMMITTEE (LAC)

The various activities described above will be implemented in coordination with the Land Acquisition Committee (LAC) in each Local Government.

A4.9.1 Head, Members, and Tasks of the Land Acquisition Committee

- a. The Land Acquisition Committee will be chaired by the Bupati/Walikota, with members from the relevant agencies in the Local Government
- b. The tasks of the Land Acquisition Committee include, among others:
 - i. to inform and consult to the PAPs on plans for subproject implementation;
 - ii. to prepare a comprehensive plan for land acquisition, resettlement and assistance
 - iii. to conduct asset inventory to be acquired;
 - iv. to disclose affected asset in places that can be accessed easily by PAPs
 - v. to negotiate and reach agreement on compensation with PAPs

A4.9.2 Consultation and Assistance by Independent Institution

- a. In the planning and implementation, especially related to the information/awareness, consultation, training and assistance to the community, the LAC will be assisted by independent institutions which are experienced in LARAP requirements and community development.
- b. Transparency and consultation should be strengthened to solve local problems quickly and effectively. Complaints that cannot be solved locally will be processed through the procedures described in Presidential Proclamation (Perpres) No. 36 of 2005 as revised by Proclamation No. 65 of 2006 and Regulation of the Minister of Agrarian Reform No.1 of 1994.

A4.9.3 Coordination between BAPPEDA and LAC

Bappededa should act as the main coordinator handling all social matters connected with the subproject. This includes consultation, land and building acquisition and compensation, resettlement, and rehabilitation assistance. Bappededa should also be responsible for liaison with all stakeholders and non-governmental organizations

A4.10 MONITORING AND EVALUATION

A4.10.1 Internal Monitoring and Reporting

Internal monitoring and reporting on the preparation and implementation of full LARAPs will be undertaken by the monitoring team comprising representatives from Local Government, project-affected people, and NGO or University on a regular basis. This monitoring team will be established no later than when the census survey begins and will have a draft monitoring schedule prepared by the PPC. The monthly monitoring reports will include:

- a. List of consultations held, including locations and dates during LARAP preparation and implementation;
- b. The type and timing of the delivery of compensation and rehabilitation entitlements as stipulated in the LARAP comprising (i) the timely provision of compensation to individual PAPs, and (ii) the timely provision of resettlement assistance (relocation and income restoration assistance) to individual PAPs.
- c. A record of grievance applications and/or grievance redress dealt with;
- d. Table on baseline socio-economic conditions of PAPs (detail matching the type of LARAP undertaken) including listing of PAPs, their assets taken as recorded during the preparation of the LARAP.

Should any non-compliance or potentially non compliance issues arise, monthly monitoring information on each subproject will be shared with AusAID.

Quarterly project reports will include consolidated information on the status of LARAP implementation prepared by the PMU and submitted to AusAID.

The budget for internal monitoring will be borne by the Project.

For full and SLARAPs the Kabupaten(s) involved will be required to provide monthly progress reports on the delivery of the compensation measures as defined in the LARAP documents. Details will be provided in the PMM.

A4.10.2 External Monitoring and Evaluation

- a. Independent institutions may be retained as a requirement of AusAid, once before the start of the construction period and once at the start of the operating period of at least 15% of the contracts to periodically carry out external monitoring and evaluation of the implementation of the LARAPs.
- b. The budget for External Monitoring and Evaluation will be borne by the Project.

Annex 5:

The Project Management Unit

Annex 5: The Project Management Unit (PMU)

Summary

Project management will be coordinated through a Project Management Unit (PMU-EINRIP), chaired by the Director of Planning (Bipram) in DGH.

The PMU-EINRIP will ensure implementation of all aspects of the Project Management Manual and the preparation and submittal to the Lender and Steering Committee of monthly, quarterly and annual progress reports on project implementation.

Duties

1. Make recommendations to the Steering Committee, carry out policies of the Steering Committee, and coordinate implementation of all aspects of the project in line with the Loan Agreement;
2. Provide Loan management by coordinating and monitoring communications in relation to EINRIP, both internally within DGH and with external agencies;
3. Monitor all project activities following the Project Implementation Plan (PIP) and the Project Management Manual (PMM) until project completion, including overseeing all activities under the Anti-Corruption Action Plan;
4. Keep the Project Management Manual (PMM) up to date, and ensure that its users are aware of its contents;
5. Ensure that unaudited reports are prepared consisting of financial reports, procurement and physical progress reports for goods and services, and compile consolidated unaudited interim financial reports for the whole project for submission to AusAID.
6. Submit the interim unaudited financial reports to AusAID no later than 30 days after the end of the respective quarter;
7. Facilitate correspondence with AusAID through the Directorate of Planning, Directorate General of Highways.
8. Follow up on matters relating to quality of sub-project work, based on reports received;
9. Make recommendations on proposals for technical or administrative matters that are to be submitted to AusAID for their approval;
10. Serve as the primary point of contact for all AusAID inquiries;
11. Ensure effective implementation of the Anti Corruption Action Plan;
12. Carry out other duties as required, related to the Loan Agreement and its attachments.

Structure and Staffing

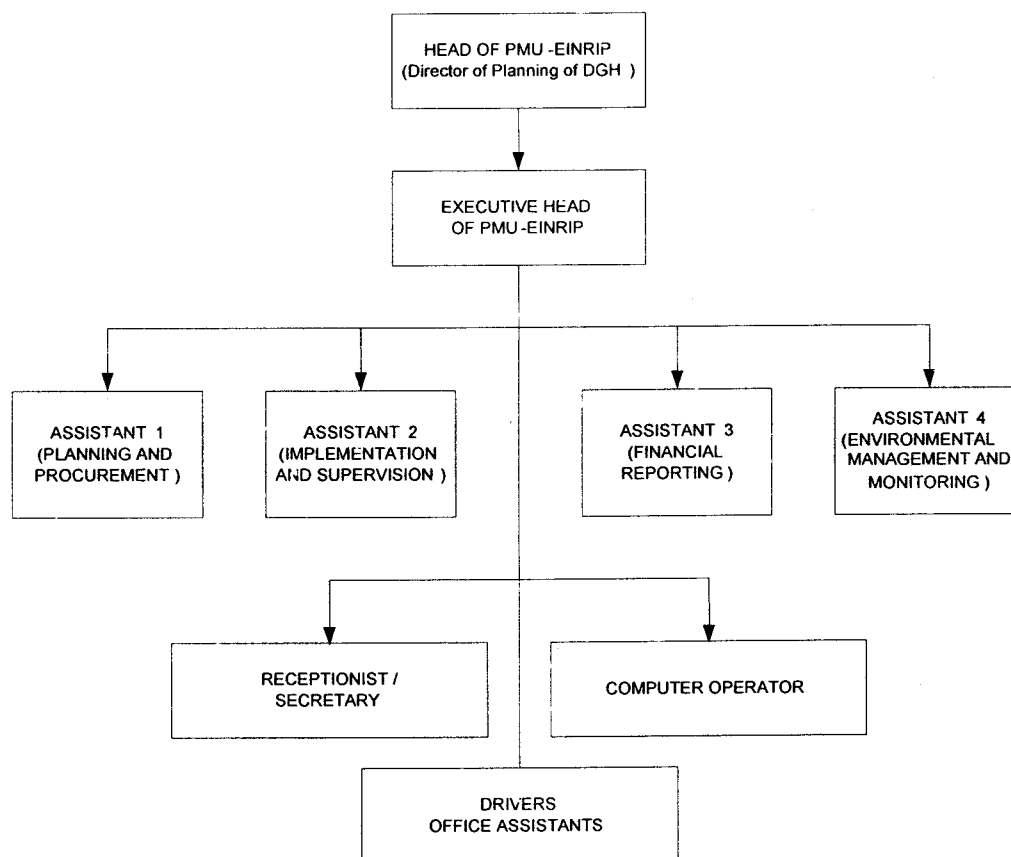
The full-time professional positions in PMU-EINRIP are as follows:

- a) Executive Head at an appropriately senior level;
- b) Assistant 1 for Planning and Procurement
- c) Assistant 2 for Implementation and Supervision
- d) Assistant 3 for Financial Reporting
- e) Assistant 4 for Environmental Management and Monitoring

There will also be two full-time sub-professional staff, Receptionist/Secretary and Computer Operator, as well as Drivers and Office Assistants.

The organisation structure and staffing of the PMU will be as shown below:

Figure 1. Organisation Structure and Staffing of PMU-EINRIP



Equipment

This sub-component will include a small amount of office and communications equipment to support management of implementation of the project by the Directorate of Planning in DGH.

A small quantity of equipment will be required for the EINRIP PMU, estimated in value at Rp 3,920 million (A\$ 560,000).

Incremental Operating Costs

This sub-component will reimburse expenditures which would not have been incurred without the project, by DGH's Project Management Unit (PMU) and units implementing the project components at Central and Provincial level. It therefore excludes Government staff salaries and routine allowances/ honoraria. Eligible items include staff travel and per diem allowances, communications, consumables, web page operation and maintenance, advertisement of bidding, printing and publication of Project information, rental of meeting facilities and payments for specific output-related services.

Based on experience of the PMU for EIRTP1 (2002-2006), an average expenditure per month of A\$ 15,000 is expected, around A\$ 0.7 million for the 48 months of implementation.

Annex 6:

Procurement Arrangements

Annex 6: Procurement Arrangements

General Procurement Requirements:

The general procurement requirements are outlined, in order of precedence, in the following documents:

- i. The Project Loan Agreement.
- ii. The World Bank's "Guidelines for Procurement under IBRD Loans and IDA Credits, May 2004" (the Procurement Guidelines) - for works and goods, where references to "IBRD" or "Bank" shall be understood to include AusAID.
- iii. The World Bank's "Consulting Services Manual 2006" (the Consultant Procurement Guidelines).
- iv. Presidential Decree No. 80 of 2003 and its subsequent amendments, insofar as it is consistent with i., ii., and iii. as varied by procurement arrangements to be set out in the Loan Agreement.
- v. The Project Management Manual (PMM) for EINRIP.

Specific Procurement Requirements

1. Eligible Countries

Except in relation to consulting services (PMSC, RSC and PAS), bidding is restricted to Australian, New Zealand and Indonesian firms. An Indonesian firm is defined as an entity carrying on business in Indonesia, established in accordance with Indonesian laws and regulations, which, in the case of an incorporated company, has majority Indonesian local ownership/shareholding.

This eligibility provision overrules Article 1.6 of the World Bank's Procurement Guidelines, and Articles 41 (2) and 42 (1) of Keppres 80/2003.

2. Prior Reviews and Approvals by AusAID – No Objection Letters (NOLs)

AusAID will undertake Prior Review of all procurement over predefined thresholds (Table A6.1), to support issuance of No Objection Letters (NOLs) at each stage of the procurement process.

Prior Review for a civil works contract award will consider, among other things, whether a Chief Supervision Engineer has been appointed by DGH for the respective contract.

Prior review for the RSC contract will consider, among other things, the adequacy of remuneration for field staff and qualifications, experience and background of the persons(s) nominated as the Chief Supervision Engineer(s).

In addition, documentary evidence of the satisfactory completion of any environmental or social impact studies, and any land acquisition, must be submitted as a pre-condition for issuance of a NOL for Procurement.

Documentary evidence of the satisfactory completion of any SLARAP or LARAP activities is to be submitted as a pre-condition for issuance of a NOL for Contract Award.

AusAID requires prior review and approval to support issuance of No Objection Letters (NOLs) for all procurement. The respective documents which must be submitted for AusAID review and NOL issuance at each stage of civil works, goods and consultant services procurement are summarized as follows:

Table A6.1: Summary of Prior Review procurement thresholds and procedures

Description and Value	Procurement Procedure
Civil Works: Construction contracts (roads and bridges)	ICB – Limited international competitive bidding (AIPRD eligibility criteria) with prior review
Goods: ▪ goods over A\$ 0.3 million (Fabrication and supply of steel bridge trusses)	ICB – Limited international competitive bidding (AIPRD eligibility criteria) with prior review
▪ goods under A\$ 0.3 million (IT equipment)	NCB national competitive bidding with prior review
Consultant's Services: Implementation support and technical assistance	ICB –international bidding with prior review, Quality and Cost Based Selection

Note. AIPRD eligibility criteria – limited to 3 countries, Australia, New Zealand and Indonesia.

- i. Copies of all draft Bidding Documents prior to their release to potential bidders or short-listed firms, including:
 - Budget cost estimate.
 - Owner's estimate.
 - Timed Bidding schedule.
 - Invitation to Bid.
 - Instruction to Bidders/RFP.
 - General Conditions of Contract.
 - Special Conditions of Contract or Conditions of Particular Application.
 - Specifications, designs and drawings and TORs.
 - Schedule of quantities.
- ii. Copies of Bid Evaluation Report and Draft Contract, including:
 - Bidding and evaluation schedule.
 - Bid opening record.
 - Evaluation of all bids for administration, technical and arithmetic errors.
 - Record of all clarifications (if any).
 - Copy of bid advertisement.
 - Copy of bid security from recommended lowest bidder.
 - Lowest evaluated bidder qualification summary.
 - Unit price details or lump sum price breakdown.
 - Value of Owner's estimate.
- iii. Copies of signed contract document detailing any contract amendments
- iv. Amendments to contracts
 - Technical justification and considerations for costing
 - Correspondence between Engineer, Project Manager and Contractor
 - Proposals for adjustment of Major Pay Items, if any
 - Revised detailed work schedule by pay item

3. Registration and Possible Eligibility Restrictions

- i. Bidding shall not be restricted to pre-registered firms.
- ii. Where registration is required the lowest evaluated bidder identified in the evaluation process:
 - a. shall be allowed a reasonable time to complete the registration process prior to contract signing, and
 - b. shall not be denied registration for reasons not related to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

4. Pre-qualification

Pre-qualification shall not be undertaken.

5. Post Qualification

Post qualification procedures will be applied, based on criteria to be agreed between AusAID and DGH before procurement commences.

6. Joint Ventures

A bidder declared the lowest evaluated responsive bidder shall be required to form a joint venture or to sub-contract part of works, services or the supply of goods as a condition of award of the contract, if the value exceeds Rp. 50 billion (works), Rp. 10 billion (goods) or Rp. 5 billion (services).

7. Preferences

- i. No preference of any kind shall be given to bidders.
- ii. Regulations issued by a sectoral ministry, provincial regulations and local regulations, which restrict national competitive bidding procedures to a class of contractors or a class of suppliers shall not be applicable to procurement procedures under the Loan.

8. Advertising

- i. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of 30 days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to 24 hours prior to the deadline for the submission of bids.
- ii. All tender notifications must be advertised in national and provincial newspapers, on the MPW Semi E-Procurement system, on the EINRIP website, UNDB on-line and dg Market websites.
- iii. In addition to availability on the internet free of charge, bid documents shall be made available, by mail or in person, to all who are willing to pay the reasonable required fee.
- iv. Bidders domiciled outside the area / district / province of the unit responsible for the procurement shall be allowed to participate regardless of the estimated value of the contract.
- v. Foreign bidders complying with AIPRD eligibility criteria shall not be precluded from bidding. If a foreign firm is declared the lowest evaluated bidder, it shall be given a reasonable opportunity for registering for operation in Indonesia.

9. Bid Security

Bid security, at the bidder's option, shall be in the form of a letter of credit or bank guarantee from a reputable bank.

10. Bid Opening and Bid Evaluation

- i. Bids shall be opened in public, in accordance with the requirements of the World Bank Procurement Guidelines.
- ii. Evaluation of bids for goods and civil works shall be carried out in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest technically qualified and responsive bidder. For consultancy services under QCBS, award shall be made on the basis of the scoring methodology advised in the bidding documents.
- iii. Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
- iv. No bidder shall be rejected merely on the basis of a comparison with the owner's estimate and budget ceiling without AusAID's prior concurrence.
- v. The evaluation of technical proposals shall be completed within 4 weeks of the deadline for receipt of proposals, and the proposal for the award of contract shall be completed, along with the draft contract, within 4 weeks after completion of the technical evaluation or following the AusAID's no-objection to the technical evaluation report.
- vi. The qualifications and experience of members of the procurement committee shall be fully documented, retained on file to serve as evidence of their suitability to serve as members of the committee and available for subsequent review by AusAID and other interested parties.

11. Rejection of Bids

- i. All bids shall not be rejected and new bids solicited without AusAID's prior concurrence.
- ii. When the number of responsive bids is less than three, rebidding shall not be carried out without AusAID's prior concurrence.

12. Procurement Arrangements

Without limitation on the provisions of this Schedule and of the Procurement Guidelines and Consultant Guidelines, the following provisions shall apply in respect of goods, works and consultants' services to be procured under the Project:

- i. The Procurement Plan, including all updates thereof, shall be made publicly available promptly after their finalization.
- ii. All short lists of consultants shall be made available to any member of the public promptly upon request.
- iii. A summary of the evaluation of all bids and proposals for specific contracts shall be disclosed to all bidders and parties submitting proposals therefore, promptly after the notification of award to the successful bidder/consultant. Information in such summaries will be limited to a list of bidders/consultants, all bid prices and financial proposals as read out at public openings for bids and financial proposals, all bids and proposals declared non-responsive (together with reasons for such an assessment), the name of winning bidder/consultant and the contract price. Such summaries will be made available to any member of the public promptly upon request.

- iv. Contract award information for all contracts for goods, works and consultants' services shall be made publicly available and published widely (including on the Project Website), and be made available to any member of the public upon request, promptly after such award.
- v. The public shall be permitted to attend bid openings in respect thereof.
- vi. In the case of consultants' services,
 - a) A Procurement Agent (appointed by AusAID) shall officially witness the opening of technical and financial proposals, and certify the minutes of opening of technical/financial proposals; and
 - b) A Procurement Agent (appointed by AusAID) shall be required to keep in a safe place one copy of the technical proposals submitted by each consultant (once they are opened), the sealed financial proposals (before they are opened), and one copy of the financial proposals (once they are opened).

13. Contract Packages to be Advertised Before 30 June 2008

	Package	Province	Type	IDR	A\$	Post/ Pre- Qual.	Date of Advert.
1	Sengkang-Tarumpakae	South Sulawesi	ICB	57,000,000,000	7,600,000	Post	Jul 2007
2	Bantaeng-Bulukumba	South Sulawesi	ICB	88,500,000,000	11,800,000	Post	Nov 2007
3	Jeneponto-Bantaeng	South Sulawesi	ICB	60,750,000,000	8,100,000	Post	Nov 2007
4	Sinjai-Watampone	South Sulawesi	ICB	69,000,000,000	8,100,000	Post	Apr 2008
5	Molibagu-Taludaa	North Sulawesi	ICB	28,500,000,000	3,800,000	Post	Nov 2007
6	Tinanggea-Kasipute	S.East Sulawesi	ICB	106,500,000,000	14,200,000	Post	Oct 2007
7	Kasipute-Boepinang	S.East Sulawesi	ICB	52,200,000,000	6,960,000	Post	Oct 2007
8	Awunio-Lapuko	S.East Sulawesi	ICB	54,000,000,000	7,200,000	Post	Oct 2007
9	Lakuan-Bodi	Cent. Sulawesi	ICB	65,250,000,000	8,700,000	Post	Oct 2007
10	Wosu-Bongku I	Cent. Sulawesi	ICB	45,000,000,000	6,000,000	Post	Apr 2008
11	Wosu-Bongku II	Cent. Sulawesi	ICB	45,000,000,000	6,000,000	Post	Apr 2008
12	Martapura-Ds Tungkap	S. Kalimantan	ICB	39,750,000,000	5,300,000	Post	Jul 2007
13	Banjarmasn-BtsKalteng	S. Kalimantan	ICB	33,000,000,000	4,400,000	Post	Apr 2008
14	Ds. Tungkap-Rantau	S. Kalimantan	ICB	68,250,000,000	9,100,000	Post	Apr 2008
15	Pontianak-Tayan	W. Kalimantan	ICB	104,250,000,000	13,900,000	Post	Jul 2007
16	Aur Kuning-Sandai	W. Kalimantan	ICB	54,750,000,000	7,300,000	Post	Nov 2007
17	Pal IV-Sumbawa Bypass	NTB	ICB	91,500,000,000	12,200,000	Post	Aug 2007
18	Km 70-Dompu-Banggo	NTB	ICB	60,000,000,000	8,000,000	Post	Jun 2008
19	Ende-Ende Junction	NTT	ICB	92,250,000,000	12,300,000	Post	Nov 2007
20	Tohpati-Kusamba	Bali	ICB	94,500,000,000	12,600,000	Post	Sep 2007
21	Bridge Trusses	Central proc.	ICB	75,000,000,000	10,000,000	Post	Sep 2007
22	PMU Equipment	Central proc.	NCB	2,250,000,000	300,000	Post	Aug 2007
23	PMSC Consultant	Central proc.	QCBS	47,250,000,000	6,300,000	Pre	Jul 2007
24	RSC Consultant	Central proc.	QCBS	132,750,000,000	17,000,000	Pre	Jul 2007
25	PAS Consultant	Central proc.	QCBS	9,375,000,000	1,250,000	Pre	Jul 2007

Annex 7:

**Additional Requirements for the Loan
Agreement**

Annex 7: Additional Requirements for Loan Agreement

Background

Procurement for Civil Works and the purchase of fabricated steel bridges shall be by contracts awarded on the basis of International Competitive Bidding, and will follow World Bank Procurement Guidelines (the 'Guidelines').

The following additional requirements are needed in the Loan Agreement as GOI's Keppres 80/2003 (Guide to Procurement of Goods and Services for Government) is the default procedure for procurement by GOI, and would apply where the Guidelines are silent. Keppres 80/2003 contains certain provisions that are incompatible with the Guidelines or with the preferred procurement procedures under EINRIP, but allows its provisions to be over-ruled by the provisions of a Loan Agreement. The following summarises the concerned articles from Keppres 80/2003, and from other relevant regulations.

Keppres 80/2003		Draft Text of Loan Agreement
Article 7 (1)	States that Keppres 80/2003 applies to all expenditure budgeted through the National budget including expenditure funded in whole or in part from a Loan, procurement of which is not inconsistent with the Donor's guidelines.	These provisions are intended to ensure that procurement procedures under this Loan are not inconsistent with provisions of Keppres 80/2003.
Article 1 (19)	states that a guarantee shall be issued by a bank or other financial institution.	The Commonwealth requires that the format of the bid security shall be in accordance with the SBD and shall be issued by a reputable bank selected by the bidder. If located outside the country it shall have a correspondent financial institution located in the country.
Chapter II Article A.1.f.5)c)(1)	of the Attachment to Keppres 80/2003 states that a Bid Security shall be issued by a general bank (not a people's credit bank), or by an insurance company which is licensed to issue Surety Bonds and has reinsurance approved by the Ministry of Finance. (Likewise Article D.1.e.4) in relation to Advance Payment Guarantees and D.2.f.4) in relation to Maintenance Guarantees.)	

Keppres 80/2003	Draft Text of Loan Agreement
<p>Article 20 (1) b. provides the following order of procedures for open tender of goods or works with post qualification:</p> <ol style="list-style-type: none"> 1) Public announcement of bidding 2) Registration to participate in bidding 3) Bidding document collection 4) Explanation of Bidding 5) Preparation of report on the explanation of bidding documents and any amendments 6) Bid submission 7) Bid opening 8) Bid evaluation including qualification evaluation 9) Determination of bid winner 10) Announcement of bid winner 11) Objection period 12) Appointment of bid winner 13) Contract signature 	<p>The Commonwealth requires that:</p> <p>In reference to Keppres 80/2003 Article 20 (1)b. 4, there will be no pre-bid conferences without AusAID's prior written concurrence.</p> <p>In reference to Keppres 80/2003 Article 20 (1)b. 11, there will be no limit to the period during which objections to the award may be lodged.</p>
<p>Article 16 requires that the method of procurement of goods and works be selected to allow for maximising the use of domestic products, small-scale enterprises and the community.</p> <p>Article 17 allows restriction of the number of firms tendering for goods and works to three (limited tendering) or one firm (direct appointment) in special cases.</p>	<p>The Commonwealth requires that all civil works packages be tendered by International Competitive Bidding in accordance with the Procurement Guidelines, subject to eligibility conditions.</p> <p>No preference of any kind shall be given to national bidders.</p>
<p>Articles 18, 23 allow a choice of three methods of submittal of bids: a) <u>one envelope</u> containing technical and administrative requirements and bid price; b) <u>two envelopes</u>, one containing technical and administrative requirements, the other containing the bid price; or c) <u>two stage</u>, the first stage for technical and administrative requirements, the second for the bid price at another time.</p>	<p>The Commonwealth requires that the one-envelope method of submittal of bids be used for procurement of civil works and of goods, and the two-envelope method of submittal of bids be used for consultant services.</p>
<p>Article 19 allows a choice of three methods of evaluation of bids for goods or works: a) pass/fail; b) scoring; c) life-time cost.</p>	<p>The Commonwealth requires that the pass/fail method of evaluation of bids be used for procurement of civil works and of goods.</p>
<p>Article 22 allows open tender, limited tender, direct selection and direct appointment as alternative methods for choice of firm for consultant services.</p>	<p>The Commonwealth requires that all consultant services be selected by open tender, subject to eligibility conditions.</p>

Keppres 80/2003	Draft Text of Loan Agreement
Article 24 allows a choice of five methods of evaluation of proposals for consultant services: a) quality based evaluation method; b) quality and cost based evaluation method; c) budget ceiling based evaluation method; d) lowest price based evaluation method; e) direct appointment based evaluation method.	The Commonwealth requires that the quality and cost based method of evaluation of bids be used for procurement of consultant services.
Article 27 (6) provides that the process of selection of the Provider of good/services shall be continued without awaiting the result of an appeal against the reply to an objection. Article 27 (7) provides that if an appeal against the reply to an objection is accepted, the selection shall be re-evaluated, or the tender shall be re-bid, or the contract shall be cancelled.	The Commonwealth requires that, unless it provides express written advice to the contrary, if an appeal against the reply to an objection is lodged, the process of selection of the Provider of good/services shall be postponed while awaiting the result of the appeal.
Article 28 (1),(2) provides that the Procurement Committee shall declare a tender to have failed if: a) there are fewer than 3 bidders; b) no bid meets the administrative and technical criteria; [or] c) the lowest bid exceeds the budget ceiling. Article 28 (4) requires that if a Procurement Committee declares a tender to have failed under Art. 28 (1) or 28 (2), the Committee shall immediately carry out rebidding.	The Commonwealth requires that if a Procurement Committee declares a tender to have failed, the Procurement Committees shall not conduct re-bidding, but shall inform the Republic of Indonesia and the Commonwealth of the circumstances, and recommend a course of action.
Article 31 (1) requires that the signing of a contract for goods/works shall be subject to delivery of a Performance Guarantee of 5% of the value of the contract by the Provider to the User.	The Commonwealth requires that the value of the Performance Guarantee be 10% of the value of the contract, subject to increase in consideration of Article 13 (3) of Keppres 80/03.
Article 41 (2) requires competitive procurement that "maximises the use of domestic components and services". Article 42 (1) only allows foreign contractors to bid for works of value above Rp. 50 billion (~A\$ 7 million), for goods above Rp. 10 billion (~A\$ 1.4 million), and for consultant services above Rp. 5 billion (~A\$ 0.7 million).	Bidding for all goods and works shall be restricted to Australian, New Zealand and Indonesian firms. Bidding for all consultancy services shall not be restricted to firms of any nationality.
Article 42 (2) requires foreign firms bidding for goods, works or services to form an association (joint venture, or sub-contract) with a qualified national firm.	Foreign firms bidding for goods, works or service shall not be required to form an association (joint venture or sub-contract) with one or more qualified national firms as a condition of award of contract.

Keppres 80/2003	Draft Text of Loan Agreement
Article 43 requires a price preference for domestic goods and services, of up to 15% for goods (above the import price), and of up to 7.5% for works (above the lowest foreign bid).	No price preference shall be applied for domestic goods, works or services.
Attachment I to Keppres 80/2003, chapter I, part C. 2. (General Conditions of Contract) item 19) states that Indonesian language shall be used for contracts but English may be used under foreign Loans/Grants. The law to be used shall be the Law of Indonesia.	The ruling language for all contracts shall be English. Indonesian language translations may be provided for information purposes. The ruling law for contracts shall be the Law of Indonesia.
Elucidation to Keppres 80/2003, Article 19 states that data to be used for the preparation of Owner's Estimate shall include: local market prices before procurement is conducted; information on unit rates published officially by the Bureau of Statistics, related associations, and other reliable data; unit prices issued by sole agents/factories; costs in ongoing contracts taking into account cost adjustments if any; standard unit rates issued by authorised institutions.	The preparation of Owner's Estimates will take into account the minimum staffing salaries as agreed by AusAID.

Law No. 18 of 1999 contains certain provisions that need to be set aside for application to EINRIP, as follows:

Law No. 18/1999	Draft Text of Loan Agreement
Article 43 (1) states that whoever designs construction works that do not meet technical standards and results in failure, shall be liable to jail for 5 years, or a fine of maximum 10% of the value of the Contract for design.	The penalty for design defects shall be as determined in the respective Contract.
Article 43 (2) states that whoever builds construction works that do not meet technical standards and results in failure, shall be liable to jail for 5 years, or a fine of maximum 5% of the value of the construction Contract.	The penalty for construction defects shall be as determined in the respective Contract.
Article 43 (3) states that whoever supervises construction works and deliberately allows another party to build works that do not meet technical standards and results in failure, shall be liable to jail for 5 years, or a fine of maximum 10% of the value of the Contract for supervision.	The penalty for supervisors who deliberately allow construction defects shall be as determined in the respective Contract.

The Procurement Guidelines contain certain provisions that need to be modified for application to EINRIP. These may be included in the Loan Agreement

Procurement Guidelines	Draft Text of Loan Agreement
Para 2.7 requires that for projects that include ICB, the Borrower's General Procurement Notice will be published in <i>UN Development Business online</i> and in the <i>Development Gateway's dgMarket</i> .	In respect of Para 2.7 of the Procurement Guidelines, the PMU will arrange for publication of the Borrower's General Procurement Notice in national newspapers, on the MPW Semi E-Procurement system, on the EINRIP website, UNDB on-line and dg Market websites.

The Consultant Procurement Guidelines contain certain provisions that need to be modified for application to EINRIP. These may be included in the Loan Agreement

Procurement Guidelines	Draft Text of Loan Agreement
Para 2.6 requires that short lists shall comprise six firms with a wide geographic spread, with no more than two firms from any one country and at least one firm from a developing country, unless qualified firms from developing countries are not identified.	In respect of Para 2.6 of the Consultant Procurement Guidelines, the Commonwealth requires that short lists shall comprise six firms, with no geographical restriction.

Annex 8:

Financial Management Plan

A8. FINANCIAL MANAGEMENT PLAN

The Financial Management Plan has been prepared to ensure that fiduciary safeguards are applied to budgeting, disbursements, accounting, contract administration financial reporting and monitoring of all expenditures under the project. The Plan is described briefly in Section 3.3. This annex elaborates key aspects.

A8.1 Existing budgetary control systems

The government has mandatory systems covering the four activities which comprise Budget planning and implementation. Designed by the Ministry of Finance, they are known by acronyms as follows:

- Planning/Work Plan: RKA-KL (Rencana Kerja dan Anggaran – Departemen dan Lembaga) the formal budget proposal from each Satker (Work Unit managing a component of the Project) to the Ministry of Finance.
- Budget formulation: DIPA (Dokumen Isian Pelaksanaan Anggaran) the formal budget formulation process for each SatKer, issued by MOF.
- Payments system: Based on Payment Requests (SPM) from authorised SPM issuers, MOF Treasury Offices (KPPN) issue Payment Orders (SP2D) for the payment of funds
- Reporting: SAI (Sistem Akuntansi Instansi) an accounting system used by each Satker to record their expenses and to generate electronic files (Arsip Data Komputer, ADK) containing transaction summaries.

The output from all four subsystems is consolidated upwards through two intermediate tiers of management to provide, at central level, totals for each Line Ministry and Institution within the Central Government structure.

While all four sub-systems are satisfactory in isolation there is a lack of integration. Data produced by one cannot automatically be input to the next. Further, when output data is submitted up the three levels in the management chain, transmission is based on disk copies rather than by electronic transfer. These shortcomings are being addressed by Government but there are problems in developing and implementing systems which must serve the (nearly) 20,000 Satker with budget allocations.

A8.2 Budgeting and Funds availability

The Government budget preparation procedures are described in Section 3.3.2. These are supposed to be completed in early January with the issue of the final budget document (DIPA). At that time the Ministry of Finance advises each Budget User (Pengguna Anggaran – e.g. Line Ministry) of its total allocation and how this is divided between its Directorates and ultimately Work Units (Satker), such as individual projects.

Efficient project management is essential to ensure that realistic forecasts of funding needs are prepared and submitted in a timely manner during the planning and budgeting process so that the DIPA reflects the real needs of the project.

A problem outside the control of the project is that in most years there have been delays in the issue of DIPA. The effect of this on project implementation is reviewed in Section 4.1 'Risk Management'

It should also be noted that current regulations require all Satker officials to be formally re-appointed at the beginning of each fiscal year. With so many Satkers, delays in issuing the formal appointment letters are common. During the period when there is no one with authority to act, all project implementation is brought to a halt. This constitutes a risk noted in Section 4.1 'Risk Management'.

It should be noted that delays in payments to contractors, whether due to budgetary or organizational problems, may result in claims for compensation being submitted where permitted under the Terms and Conditions of Contract. These are thus 'financial risks'.

A8.3 Disbursement Plan

Based on the Project Implementation Schedule in Annex 12, the estimated disbursement of funds during each six-month period during the Project beginning in January 2008 is shown in Table A8.1. The amount required to cover disbursements for the first six months of 2008 is estimated to be A\$ 33 million. The maximum amount required in any six-month period during the Project period is estimated to be A\$ 77 million.

Table A8.1. Estimated Disbursement per Six Month Periods (A\$ m.)

Period		Estimated Amount (A\$ million)	
Start	End	6 month period	Cumulative Amount
Loan Effective	31 Dec 2007	0.0	0.0
1 Jan 2008	30 Jun 2008	33.0	33.0
1 Jul 2008	31 Dec 2008	58.0	91.0
1 Jan 2009	30 Jun 2009	77.0	168.0
1 Jul 2009	31 Dec 2009	72.0	240.0
1 Jan 2010	30 Jun 2010	43.0	283.0
1 Jul 2010	31 Dec 2010	15.0	298.0
1 Jan 2011	30 Jun 2011	2.0	300.0

A8.4 Disbursement Mechanisms

As noted in Section 3.3.3.(a), there are three channels for disbursement of loan funds. A brief description of each follows in (a) to (c) below. More detailed descriptions, including flowcharts will be included in PMM.

a. Special Account (RK)

AusAID will provide initial forward funding in an agreed sum to be deposited in an account identified for the project within Bank Indonesia. When a payment is made for eligible expenditure - as evidenced by the payment documentation (SP2D) - Bank Indonesia is advised by KPPN, and it debits the project Special Account with the equivalent sum in loan currency.

To replenish Special Account, the FMR quarterly financial reporting system is used to provide AusAID with a forecast of the disbursements expected during the next three months. If insufficient funds are held on Special Account, AusAID will transfer funds as necessary to meet forecast needs. The FMR also provides the data needed by AusAID to record the actual disbursements made in its own loan account record.

It is anticipated that disbursements under EINRIP will be processed through a Special Account.

Special Account will be liquidated at the end of the project and all unspent monies returned to the Commonwealth.

(i) **Advance funding using the Special Account**

For small value items, where activities are implemented through self-management (Swakelola), funds are advanced by government to the Satker. Such advances cannot be withdrawn from Loan funds. Only when the expenditure is duly accounted for are the payment request and the payment order raised, these being identified by a special suffix (GU). They are included with the other payments (SPM-LS), being submitted to AusAID for reimbursement from loan funds.

b. **Direct Payments (DP)**

On an exception basis, the Government of Indonesia may request in writing to AusAID that payments be made directly from the Government of Australia to a contractor due payment under the Project. If in agreement, AusAID would then arrange for funds to be transferred direct to the bank account of the supplier, contractor or consultant. Such requests must be made at least thirty days in advance of the payment being due. Should this request be agreed to by the Commonwealth, the amount of each Withdrawal from the Project Loan Account shall be calculated as the equivalent in terms of the cost to the Commonwealth in Australian Dollars (determined as of the date of withdrawal) of purchasing the Currency or Currencies so requested.

Direct Payments will only be made on an exception basis, and each request for a direct payment must be made in writing, and agreed by AusAID before the Direct Payment will be made. This is necessary due to the manner in which the Government of Australia manages foreign currency transactions.

c. **Reimbursement to GoI by AusAID (SBUN)**

This is only used in cases where expenditure is reported to Bank Indonesia as per (a) above but there are insufficient funds in Special Account to reimburse GoI. A claim for reimbursement is sent direct to AusAID which transfers funds to the central treasury (Bendahara Umum Negara or BUN) account in Bank Indonesia.

Reimbursement to GoI by the Commonwealth via the SBUN arrangement will be made in Indonesian Rupiah. The amount of each Withdrawal from the Project Loan Account shall be calculated as the equivalent in terms of the cost to the Commonwealth in Australian Dollars (determined as of the date of withdrawal) of purchasing Indonesian Rupiah.

With FMR in operation, it should be unlikely that SBUN reimbursement will be used but it remains an option which MoF can exercise.

The steps required to implement the various procedures and the documentation flows will be described in detail in the PMM.

A8.5 Payment procedures

Payments due to contractors under civil works contracts will be certified by the Engineer. Other payments will be approved using procedures as set out in PMM.

The payment procedure followed must be that prescribed by the government which may be summarised briefly as follows:

- a) A request for payment (invoice), approved by the Engineer, is provided to the Satker by the contractor.
- b) Head of Work Unit (Satker) checks for conformity and issues a payment request (SPP) to the SPM Verifier/Issuer in the Satker.

- c) The SPM Verifier/Issuer checks both the supporting documentation and the adequacy of the unspent budget allocation for that type of expense. If satisfied, the SPM Verifier/Issuer issues the payment request (SPM) and sends it to the Treasury Office (KPPN).
- d) KPPN conducts additional conformity checks and if satisfied issues the payment order (SP2D).
- e) The SP2D is then forwarded from KPPN to Bank Indonesia who then transfers funds from the Special Account to the Contractor's bank account.
- f) Copies of the SP2D are then provided from KPPN to the appropriate Satker for their records.
- g) When payment is made to the contractor, Bank Indonesia notifies KPPN that the transaction is complete.

There are to be no processing fees or fees of any kind charged for any of the procedures outlined above.

Steps b, c and d, noted above, are expected to take no longer than five working days each. In the case where a step takes more than five days, advice will be provided from the PMU to AusAID in the Monthly Progress Report detailing why the delay has occurred and the likely payment date.

Those payments made from the Special Account that are eligible for withdrawal from loan the SPM and SP2D have suffix 'RK'.

Copies of SP2D-RK are provided to MoF which lists them and attaches the list to a Statement of Expenditure (SOE) which will be submitted to AusAID for entry in its loan disbursement records. If the loan funds were withdrawn through Special Account, the list is given a serial number ***/PB. If through 'Reimbursement', the list is given a serial number ***/SBUN.

Direct payments do not pass through the Special Account will be booked in the loan account by AusAID directly.

Enclosed charts show the flow of funds and documents for the following cases:

- A.8.1 – Foreign exchange payments from the Special Account
- A.8.2 – Rupiah payments from the Special Account for contracted activities
- A.8.3 – Rupiah payments from the Special Account for self-managed activities
- A.8.4 – Direct Payment procedure
- A.8.5 – Rupiah payments when Special Account has Insufficient Funds

A8.6 Project Cost Records and Financial MIS

For loan-funded projects there are two cost recording systems, operated respectively by GoI and the Lending Agency. They differ in both objective and format as follows:

- a. GoI system – based on SPM and SAI sub-systems, these are part of the overall budgetary control system and will be maintained by each Satker as part of their routine financial recording and reporting. Costs therein are recorded:
 - (i) Cumulatively only over the one fiscal year
 - (ii) Expressed in Rupiah
 - (iii) Booked at the time the SPM/SP2D is issued
 - (iii) Cost-coded according to the government chart of accounts which are based on type of cost (MAK codes)
- b. Lending Agency systems record disbursements:

- (i) Cumulatively over the whole loan period
- (ii) Expressed in Loan Currency (i.e. cumulative totals are only in Australian Dollars, although individual draw-downs usually show the amount also in the currency of payment)
- (iii) Based on the Statement of Accounts (SOE, that may not be received until long after the actual expenditure takes place)
- (iii) Cost-coded according to Loan Cost categories as specified in the Loan Agreement (which will not match the MAK codes).

It is essential that financial records be kept by the project which can provide a continuous and ongoing reconciliation between these two sets of cost records including:

- (i) For each Rupiah payment, the equivalent amount in loan currency (i.e. Currency reconciliation between GoI records and AusAID)
- (ii) Cumulative totals (adding together each budget year in the GoI system) over the whole project period
- (iii) Lists of SPM's recorded by GoI which have not yet been recorded by AusAID because no SoE has been submitted (i.e. Timing differences are monitored)
- (iv) Formal reconciliation between project records of cumulative cost in loan currency and the loan drawdown as shown by each AusAID periodic loan statement.

The project also needs to monitor commitments through records of each contract which including both Addenda already agreed and claims pending. The PMM will provide additional information regarding the refinements that will be provided by the PMU/PMSC to ensure consistency and accuracy in the financial reporting.

In addition to being a necessary bookkeeping record, the proposed records form the basis for a Financial MIS to meet the needs of FMR and other management monitoring requirements as proposed in Section 3.3 4.

A8.7 Foreign exchange transactions

It is planned that expenditure under EINRIP will be made in Rupiah via a Special Account, thus the Australian Dollar loan currency must be sold to realise Rupiah at certain points in the funds flow. Under exceptional circumstances, however, direct payments may be made.

The Financial Management Plan provides for actual exchange rates to be monitored and also provides a mechanism to continually update the cost of the whole project in A\$ by assuming an exchange rate for future transactions.

Fluctuations in the exchange rate during the project period will significantly affect the adequacy of the loan funds to meet the actual costs of the Project. An exchange rate of Rp.6,500 per A\$ has been assumed as the base case in Project Cost Estimates (compared to the actual rate mid December 2006 Rp.7,056).

The sensitivity of project cost to exchange rate fluctuations is shown in Table A8.2.

Table A8.2. Sensitivity of Project Cost to Exchange Rate (Rupiah per A\$)

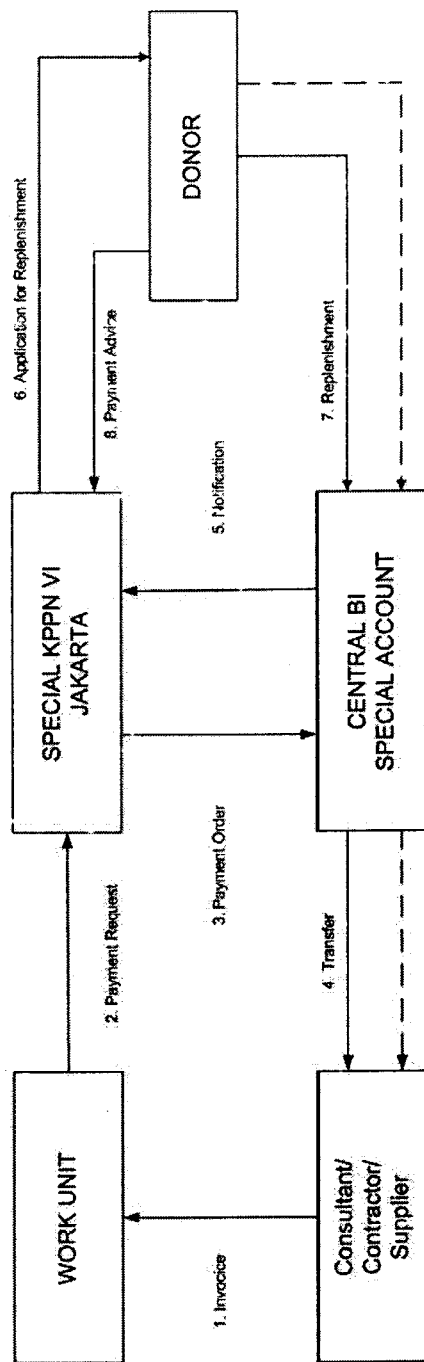
Project Cost A\$ million	Exchange rate			Base 7,000	Exchange rate		
	5,500	6,000	6,500		7,500	8,000	8,500
	381	350	323	300.0	280.0	262.5	247

A8.8 Summary

The operation of Financial Management for EINRIP will be described in detail in the PMM, with sample formats provided to illustrate how entries are made and how financial data is extracted from the records and presented to management.

FIGURE A.8.1

PAYMENT PROCEDURE FOR FOREIGN EXCHANGE
FROM SPECIAL ACCOUNT



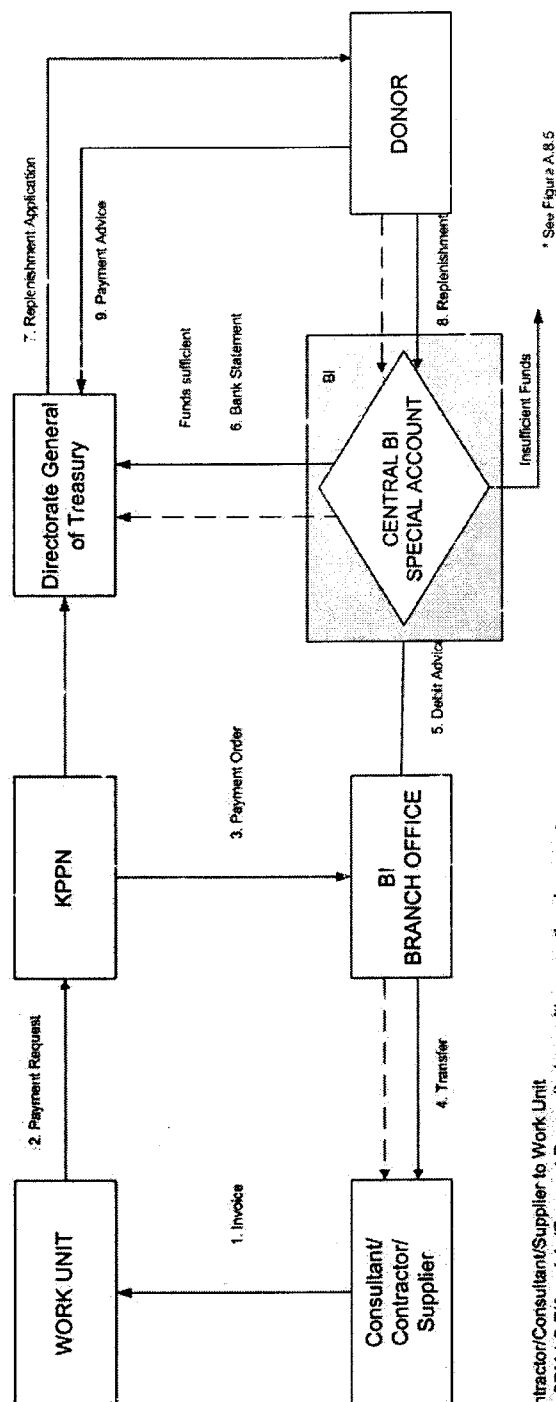
DESCRIPTION:

1. Invoice from Contractor/Consultant/Supplier to Work Unit
2. Work Unit submits SPM-RK (Payment Request) for foreign exchange (LS) to Special KPPN VI
3. Special KPPN VI issues SP2D-RK (Payment Order) for the value of the foreign exchange to Central BI
4. Central BI transfers funds equal to foreign exchange in SPM
5. Central BI reports to the Directorate General of Treasury followed by KPPN VI issues an SP2D Approval
6. Directorate General of Treasury submits a Replenishment Application based on the statement of Central BI and the SP2D Approval
7. Replenishment from Donor to the special account in central BI
8. Delivery of Payment Advice

--- -- -- -- --> Funds Flow

FIGURE A.8.2

PAYMENT PROCEDURE FOR RUPIAH
FROM SPECIAL ACCOUNT



DESCRIPTION:

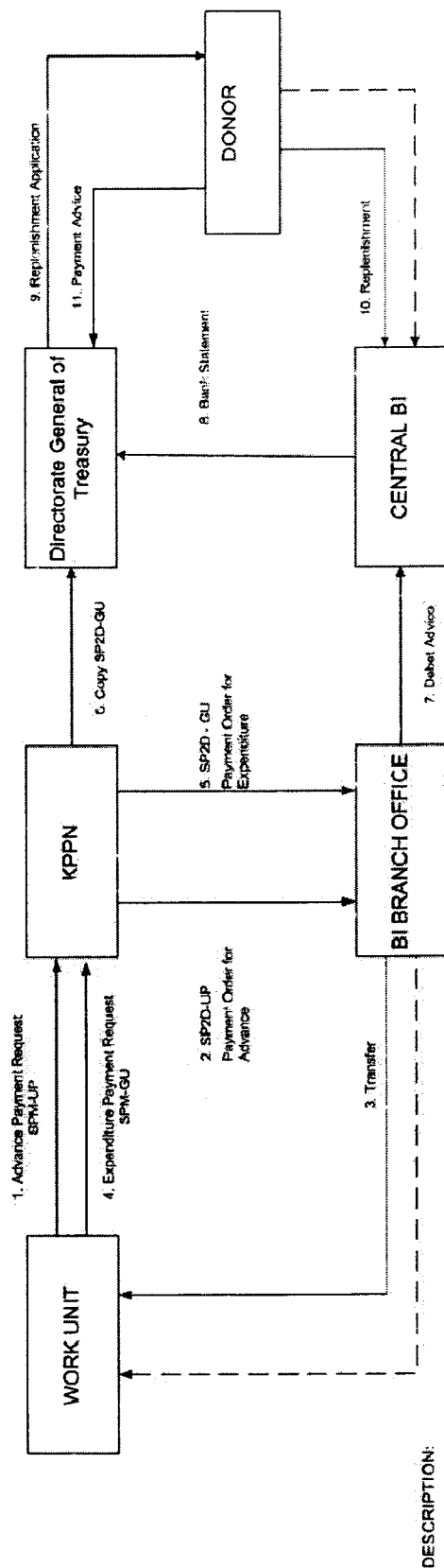
1. Invoice from Contractor/Consultant/Supplier to Work Unit
2. Work Unit sends SPM-LS RK rupiah (Payment Request) along with supporting documents.
3. KPPN issues SP2D-LS RK (Payment Order) to Branch of BI or Bank Operational/Bank Persepsi.
4. Branch of BI does the transfer to Account of Contractor, Consultant, Supplier.
5. Debit Advice Note of BI Branch to Central BI
6. If sufficient funds in Special Account, Central BI debits Special Account with the A\$ equivalent and credits Directorate General of Treasury based on the debit note.
7. Directorate General of Treasury submits to Donor application for replenishment with Withdrawal Application supported by list of SPM/SP2D and Statement of Special Account from BI.
8. Donor makes fund transfer to Special Account in Central BI.
9. Donor sends Payment Advice to Directorate General of Treasury.

--- -- -- -- --> Flow of Funds
 --- -- -- -- --> Document Flow

SOURCE : MPW REGULATION No. 06/PRT/2008, Aus AID

FIGURE A.8.3

PAYMENT PROCEDURE FOR REVOLVING FUND



1. Work Unit submits SPM-UP (Advance Payment Request) to KPPN with an Expenditure Plan
2. KPPN issues SP2D-UP (Advance Payment Order) debiting the State Cash Account.
3. BI Branch transfer funds to Work Unit's account. (only for UP, not GU)
4. Work Unit submits SPM-GU (Expenditure Payment Request).
5. KPPN issues SP2D-GU debiting special account.
- On the basis of SP2D-GU, a Payment Order is issued to debit the Special Account.
6. Copy of SP2D along with other document is sent to Dijen of Treasury by KPPN.
7. BI Branch sends debit advice note to BI Central (only SP2D-GU, not UP)
8. BI Central sends Bank Statement to Dijen of Treasury.
9. Dijen of Treasury submits Application of Replenishment to Donor
10. Donor transfers money to special account in BI
11. Donor sends payment advice to Dijen of Treasury.

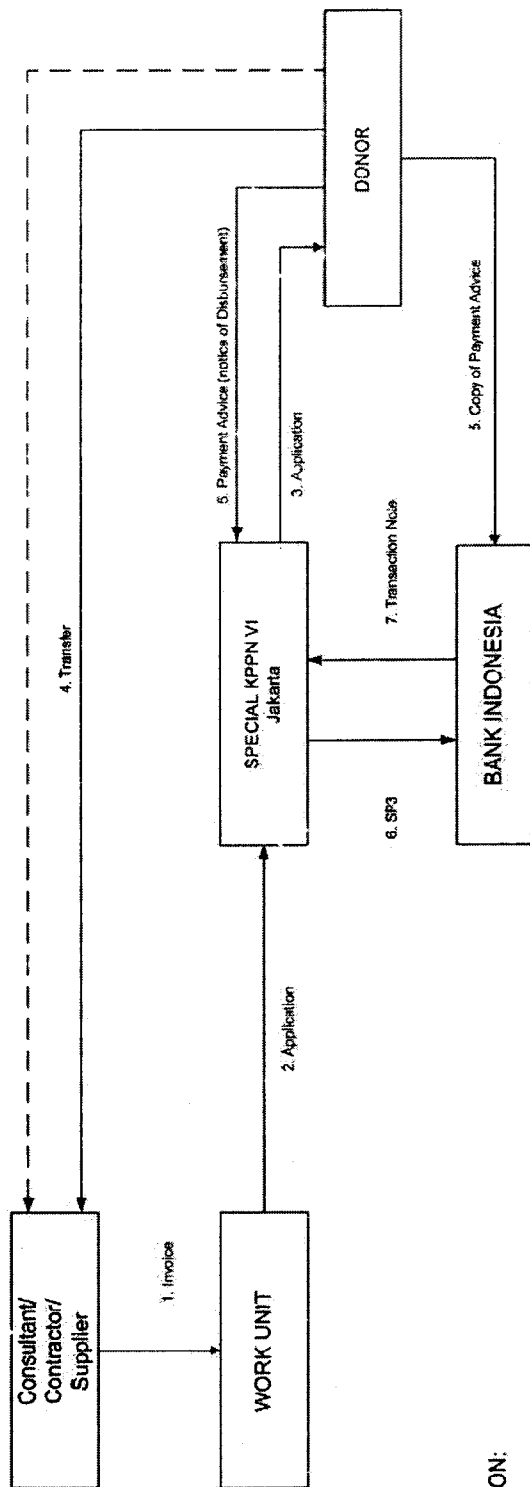
Note: Advance Payments are provided from Rekening Kas Negara. They are not permitted to be withdrawn from Special Account.



SOURCE : MPW REGULATION No. 06/PRT/2006, Aus AID

FIGURE A.8.4

DIRECT PAYMENT PROCEDURE



DESCRIPTION:

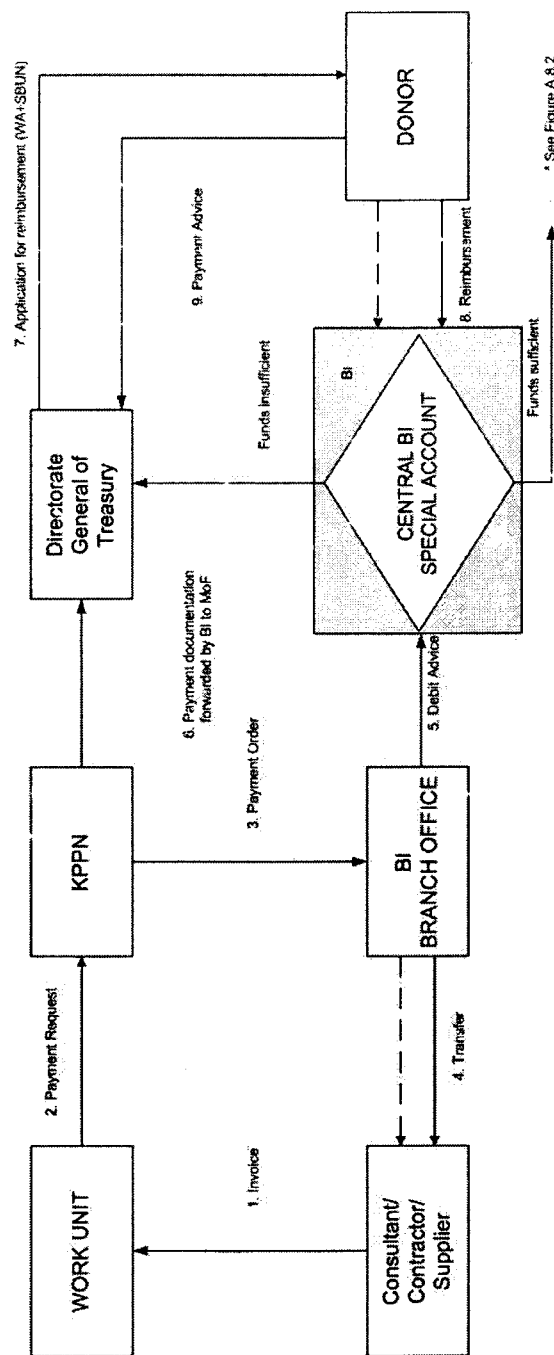
1. Invoice from consultant, contractor, supplier.
2. Work Unit submits Funds Withdrawal Application to Special KPPN Jakarta VI
3. After Special KPPN JAKARTA VI investigates the application and supporting documents, then Application is signed by Authorized Representative and sent to Donor.
4. Donor makes direct transfer to bank of Consultant, Contractor, Supplier overseas, or through Bank Indonesia for accounts inside the country.
5. Donor submits Payment Advice to Special KPPN Jakarta VI with copy to BI
6. Based on Payment Advice, Special KPPN JAKARTA VI issues SP3 (Instructions to book it) and submits to BI
7. Based on SP3, Central BI records the transaction in rupiah for BUN's account and sends note to Special KPPN Jakarta VI

--- --> Flow of Funds
--- --> Document Flow

SOURCE: MPW REGULATION No. 06/PRT/2006, AUS AID

FIGURE A.8.5

PAYMENT PROCEDURE FOR RUPIAH
WHEN SPECIAL ACCOUNT HAS INSUFFICIENT FUNDS



DESCRIPTION:

1. Invoice from Contractor/Consultant/Supplier to Work Unit
2. Work Unit sends SPM-LS RK rupiah (Payment Request) along with supporting documents.
3. KPPN issues SP2D-LS RK (Payment Order) to Branch of BI or Bank Operational/Bank Persepsi.
4. Branch of BI does the transfer to Account of Contractor, Consultant, Supplier.
5. Debit Advice Note of BI Branch to Central BI
6. If insufficient funds in special account, BI will notify DG Treasury
7. DG Treasury prepares application for reimbursement comprising withdrawal application supported by list of SPM/SP2D denoted "SBUN".
8. Donor makes reimbursement in Rupiah to Central Government Account, debits Loan Account with equivalent Australian Dollars.
9. Donor sends Payment Advice to Directorate General of Treasury.



SOURCE : MPW REGULATION No. 06/PRT/2008, AUS AID

Annex 9:

Annual Training Program for EINRIP Implementation

1. NEED FOR TRAINING PROGRAM

One of the major risks to effective project implementation and management derives from the likelihood that project management staff do not have adequate training in or experience of the management of large-scale projects.

Procedures to mitigate these risks include the need to conduct comprehensive training of staff in all participating entities involved with the procurement, financial management and supervision of the project.

In response to this need, an Annual Training Program has been prepared, which identifies the major training requirements to be addressed. This program builds on previous training programs prepared and implemented by DGH to strengthen management staff and support the implementation of loan programs like EINRIP.

Funding to support implementation of the Training Program will come from APBN funding that provides for ongoing training activities supported by DGH

2. OUTLINE OF EINRIP TRAINING PROGRAM

The Annual Training Program to support EINRIP will include both intensive courses and refresher training and workshops, highlighting new and poorly-understood aspects of the procedures and safeguards. It does not include technical topics, other than environmental management¹.

The Training Program includes the following components, summarised and described below:

1. **Procurement Training:** for the Procurement Committees of each entity
2. **Training in Project Management:** Annual course for prospective key staff.
3. **Refresher Training in Project Management:** Annual refresher course for key staff of project units
4. **Project Management Manual (PMM) Training:** Initial training/annual refresher training in use of PMM
5. **Training in Reporting for FMR:** Initial training/subsequent refresher training in the details of monthly financial and other reporting requirements for FMR and other financial management aspects of the project
6. **Environmental Workshops:** Annual workshops to disseminate environmental management and monitoring procedures to contractors, consultants and key project staff.
7. **Training in Treasury (Brevet A):** Annual training for Finance staff of project units

2.1 Procurement Training Component

a. Purpose of Training

¹ ADB is presently funding training of officials in West, Central, South and East Kalimantan, as well as South-East and North Sulawesi in the following topics: Soil Investigations for Roads and Bridges, Bridge Inspection and Rehabilitation, Routine Maintenance of Roads and Bridges, Supervision of Road Construction, IRMS, BMS, Road Drainage, and Monitoring of Environmental and Social Impacts.

To make sure that members of Procurement Committees in each participating entity are fully familiar with requirements of Keppres 80/2003 and WB Procurement Guidelines, plus provisions of PMM regarding procurement (including the Anti-Corruption Action Plan, ACAP).

The intention is to provide in-depth training once a year, before the main tendering activity, and timed to ensure that this is not delayed. Training is proposed to be held in July of each year (2007-2009), with a possible further program in 2010 depending on whether there are remaining packages to be tendered.

For AWP1, the first training session will be organised by PMU/PPC, and will be held soon after completion of the EINRIP Loan Agreement, after the PMU and Procurement Committees for AWP1 have been established.

b. Who Receives Training?

Procurement training is for members of Procurement Committees. Recognising that it may be not possible/unnecessary to provide detailed training for all members, it is intended that at least 3 members of the committee will participate, at least 1 of which will be the Chairperson or Secretary. Procurement Committees from the following Agencies will be involved in the initial training program:

- Procurement committees for National road periodic maintenance, betterment, and/or bridge projects, from Dinas PU in the provinces in which national road and bridge programs will be implemented;
- Procurement committees for goods and for consultant services, from DGH.

For each year, up to 15 procurement committees will be required to participate, involving around 60 staff.

Staff who attend this Training will not be required to repeat the training in later years.

c. Form and Content of Training Program

A classroom training format will be required for procurement training. Experienced staff (10) from DGH/PPC/PAS will deliver the training program.

The program will have the following features:

- Class size 25 max (total 2 classes)
- Lecture/ tutorial format, requiring 1 lecturer, 2-3 tutors per class
- Training period 2 days, including practical sessions
- 2 Training teams will require 3 days each at 2 locations for Provincial committees, probably Banjarmasin and Makassar.
- 1 Training team will require 2 days each for 2 courses for Central procurement committees, in the vicinity of Jakarta.

Particular attention will need to be given to the provisions of the ACAP, because the Procurement Committees will be the "front line" in implementing the ACAP. Materials will need to be prepared to provide for this important item.

2.2 Training in Project Management

Head of Work Units, Commitment Officers and Treasurers in the project administrative units (SatKer) at National/Provincial level are required to have attended a special training program before being appointed.

a. Purpose of Training

To train candidates for future appointment as key project staff in all aspects of project management.

b. Who Receives Training?

Prospective key staff (Heads of Work Units, Commitment Officers and Treasurers) who do not yet have a certificate in project management. The candidates will be selected from officials of the public works agencies in Eastern Indonesia

Typically, class sizes are limited to 70 people, and it is assumed that one class will be required in each year. Classes are proposed to be held in Surabaya.

c. Form and Content of Training Program

A classroom format will be used. The course will last one month, and be divided into modules from all aspects of road and bridgework project management, including financial management, office administration, and human resources management.

2.3 Refresher Training in Project Management

a. Purpose of Training

To give staff currently occupying key positions in Work Units a brief updating in latest developments in project management.

b. Who Receives Training?

Key staff (Heads of Work Units, Commitment Officers and Treasurers). The candidates will be selected from :

- Key staff of the 5 Balai in Eastern Indonesia
- Key staff of P2JJ in all 15 project Provinces
- Key staff of SatKer in all 15 project provinces

Class sizes are limited to 25 people, and it is assumed that five classes will be required in each year (125 persons). Classes are proposed to be held in Banjarmasin or Makasar.

c. Form and Content of Training Program

A classroom format will be used. The course will last 3 days, and case studies of recent project failures and successes will be presented, with lessons learned.

2.4 Project Management Manual (PMM) Dissemination

a. Purpose of Training

To introduce senior and line management staff to the provisions of the PMM, and the need to properly and fully observe these during EINRIP project implementation.

b. Who Receives Training?

All groups participating in project implementation should be included in the audience addressed by this component. This will include:

- Heads and key staff of the 5 Balai in Eastern Indonesia
- Heads of P2JJ in all 15 project Provinces
- Project Managers/Sub project managers and staff for each SatKer (at least 3 people per package including Central level packages)

As many as 6 staff in each participating entity might be involved, totaling around 200 people for the initial dissemination of the PMM. A copy of the PMM will be provided for each agency, and for each SatKer (but not for each participant in the training).

The Workshops will be structured in such a way that staff of different areas of specialty are not involved in areas that are not of relevance to them. Staff who attend will not be required to repeat the training in later years, unless there are changes in the PMM.

c. Form and Content of Training Program

A Workshop/Seminar format is appropriate to the larger numbers involved. Participants need to be told of the content, but do not need to be trained in its use.

Regional Workshops lasting for 2 days (1 day for subsequent Workshops) will be held at 3 major centres. They will be held in Feb/March, so as to introduce newly appointed staff (particularly staff of Project Implementation Units) to the details of the PMM.

Workshops will be presented by PMU, using DGH/PPC/PMSC/PAS staff. At the same Workshops but at separate times, Training in Reporting for FMR will be conducted.

2.5 Training In Reporting for Financial Management Report

a. Purpose of Training

To provide staff at project level with training in the preparation and submission of monthly reports on disbursements, procurement activities and project progress.

b. Who Receives Training?

Staff to receive this training will include:

- Staff of the units involved in recording and reporting project performance information of each project (2 persons per project)
- Kepala Bagian Keuangan in each Province (1 per entity)

This is likely to involve around 100 people.

Staff who attend this Training will not be required to repeat the training in later years, unless there are changes in financial procedures.

c. Form and Content of Training Program

Regional workshops (4) lasting for 2 days will be provided by DGH staff. After the first Workshop, annual refresher workshops of 1 day will be sufficient. The Workshops will be held immediately after the PMM Workshops.

2.6 Environmental Management Workshops

a. Purpose of Training

To provide involved staff and consultants with information on the Environmental Special Clauses in the contracts, and to enhance their awareness of their responsibilities under the project.

b. Who Receives Training?

Staff to receive this training will include:

- Project Managers/Sub project managers and staff for each SatKer (3 staff)
- Supervising consultants (2 staff from each province)
- Contractors (2 staff from each package)

This is likely to involve around 160 people.

c. Form and Content of Training Program

Regional workshops lasting for 1 day will be provided by DGH (2 staff) assisted in 2007 by PPC and subsequently by PMSC/RSC.

2.7 Training in Treasury (Brevet A)

a. Purpose of Training

To give staff currently occupying key financial positions in Work Units a course in the in treasury management.

b. Who Receives Training?

Key financial staff (Treasurers, SPM Issuing Officers and Accountants). The candidates will be selected from :

- Key staff of the 5 Balai in Eastern Indonesia
- Key staff of SatKer in all 15 project provinces

Class size is limited to 40 people. The class is proposed to be held in Makassar

c. Form and Content of Training Program

A classroom format will be used. The course will last 2 days.

Component		2007												2008												2009												2010											
		F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J							
1.	Procurement Training																																																
	Initial Training																																																
	Annual Training																																																
2.	Training In Project Management																																																
	Annual Training																																																
3.	Refresher Training in Project Management																																																
4.	Project Management Manual Dissemination																																																
5	Reporting for FMR																																																
	Joint Workshops																																																
6	Environmental Management and Monitoring Workshops																																																
7	Training In Treasury (Brevet A)																																																

Annex 10:

Risk Management Matrix

Risk Management Matrix

Risk	Description Risk Event	Impact/Consequence	Likelihood	Consequence	Risk Level	Risk Treatment/Mitigation	Responsibility	Timing
Economic Risks								
Severe downturn in asset markets, deep and prolonged recession in Australia	Funding for project activities dries up	Project curtailment	3	3	3	Reinforce commitment to priority of the Project funding	AusAID	Loan negotiations
Financial Risks								
Budget delays	Risk that annual budgets are not issued on time.	Time delays in commencement of works	5	5	5	Inform MoF of budget needs well in advance, and emphasize the soft terms of the Loan. Complete studies and estimates early.	PPC AusAID	Annually in May and January
Exchange rate variations.	Kupiah significantly strengthens against the \$A.	Size of the program is reduced	3	3	3	Continuous monitoring of the exchange rate	PPC PMSC	All stages of the project
Environmental , Social and Cultural Risks								
Planning and Approvals	Risk that necessary approvals and land acquisition cannot be obtained in a timely fashion.	Delay in commencement of work	3	3	3	AWP1 projects will not require land acquisition. For subsequent AWP's, PPC to identify land acquisition requirements as soon as possible. GoI to make funding provision for land acquisition and resettlement. Process will be initiated as soon as subprojects agreed.	PPC GoI	PPC to identify during preparation of subprojects and confirm during design.
Cultural heritage	Risk that archaeological, and cultural heritage discoveries will be made on site.	Time delay in commencement of work. Redesign for alternative site	2	2	2	Site visit before preliminary design and consult with local government and community. Relocate to alternative site or cancel sub-project if cost too high.	PPC	Prior to preliminary design
Codes for Likelihood: 5 = Highly Likely 1 = Highly Unlikely; Codes for Consequences: 5 = Severe; 1 = Mild Codes for Risk Level: 5= High Risk; 1 = Low Risk								

*Project Implementation Plan (PIP) for EINRIP:
Annex 10: Risk Management Matrix*

Environment and social impact	Risk to that work required in AWP 1 corridor exceeds criteria for Simple LARAP	Corridor development may not be feasible under EINRIP. Key Sections of road requiring upgrading are not included in EINRIP work packages.	3	3	3	3	Review data appropriateness; consult with DGH and provincial authorities to ensure that the corridor should be included in EINRIP. Preliminary screening of corridor to minimise impacts.	PPC	During preliminary design stage.
Environmental and social impact	Risk that in implementation work does not comply with environmental and social safeguards.	Environmental damage.	4	3	3	3	RSC to be responsible for environmental inspection during construction which will be monitored by PMSC and reviewed by Bina Marga and AusAID. Environmental Special Clauses (ESCs) to be provided in all contract documents.	RSC PMSC Bina Marga AusAID	During construction.
Project Management Risks									
Appointment of Project officials	Risk that Work Unit staff will not be appointed on time	Delay in appointment of project staff will delay procurement of works	5	5	5	5	Go to prepare sets of project officials well in advance of start of due date for appointment	Bina Marga	September - October each year
Procurement Procedures	Risk that a lack of agreement with Bina Marga on Procurement Procedures delays procurement of PMSC services.	Delay in appointment of PMSC will delay procurement of civil works packages for EINRIP.	3	4	3	3	AusAID and GoI to resolve what procurement procedures that are acceptable for EINRIP in a timely manner. Procurement agent should speed up procurement procedure	AusAID Bina Marga	Prior to procurement of contractors and consultants.
Misprocurement	Risk of substantiated or reported cases of corruption	Time required to investigate and possible cancel procurement of work packages and in extreme circumstances for annual work program.	3	3	3	3	Proactive management of Anti Corruption Action by use of procurement agent. Review of procurement process by PMSC.	Bina Marga Procurement Agent PMSC	Prior to and during procurement of contractors and consultants.
Procurement	Risk that procurement process does not follow guidelines	AUSAID declares mis - procurement and requires cancellation or delay of work packages	3	3	3	3	Procurement by BM follows clear and transparent process approved by GoI and GoA. Audit and review of procurement occurs on a regular basis.	Bina Marga PMSC	During procurement of contractors and consultants.
Design Approvals	Bina Marga will not accept design undertaken for as being fit for purpose	Delay and cost in rework of design resulting in delay in implementation of subprojects.	4	3	3	3	DGH appoints and resources a PMU to manage all aspects of project implementation. PPC ensures that there is liaison with Bina Marga during design phase.	Bina Marga PPC	During design stage.

*Project Implementation Plan (PIP) for EINRIP:
Annex 10: Risk Management Matrix*

Project Management Manual	Project Management Manual will not be in place	Delay in BM proceeding with implementation	2	4	3	PPC to have an effective management, resources and quality system in place to PMM by milestone date.	PPC	Prior to implementation of AWP1 projects
Contractor delays in implementation	Risk that contractor may be slow to implement after receiving advance payment or progress is slow due to other work commitments.	Delay to completion of subproject.	5	3	4	Contract durations to be realistically established so that the contractor has to commence in good time and to maintain good progress. DSC to monitor the progress of the contractor and to issue warnings during construction and to impose liquidated damages if project delayed.	PPC DSC PMSC	During preparation of the contract documents. During construction.
Technical Risks								
IIRMS	Risk that IIRMS data is inaccurate, leading to poor project selection and decision making.	Designs and/or implementation of poorly selected subprojects.	2	2	2	DGH and PPC to review and update of IIRMS. PPC have updated IIRMS data following detailed corridor inspections and surveys.	PPC	During planning stage.
BMS	Risk that the BMS data is inaccurate, leading to poor project selection and decision making.	Underestimating or overestimating of the scope of the bridge replacement and rehabilitation program.	5	3	4	PPC to carry out detailed reviews of bridges during design brief preparation.	PPC	During design brief preparation or preliminary design stage.
Investigations	Risk that topographical surveys and geotechnical investigations do not pick up key site constraints.	Delay to work and cost and time variations to contract to overcome problems.	4	3	3	PPC undertake feasibility study of route and identifies key risks and risk appropriate mitigation measures. PPC to monitor the work of subconsultants carrying out surveys and investigations.	PPC	During feasibility studies and surveys.
Design	Designs prepared by Design Consultants are not fit for purpose and require revision	Delay to program while re-design is carried out.	4	4	4	Quality assurance of design process during design phase. Selecting Design Consultants on the basis of quality and experience as well as price. Monitoring of work of Design Consultant, verification of design process and audit of designs.	PPC	During procurement of Design Consultants. During design process.
Design	Risk that designs adopted to meet standards involve significant realignment and/or land acquisition	Delay to project implementation and increased cost of construction and less effective road corridor.	2	3	2	PPC undertake feasibility study of route and screens out projects requiring significant realignment or land acquisition.	PPC	During field reviews.
Implementation	Risk that quality of work will not meet technical specifications	Shortened life of project, failure to achieve expected benefits	5	5	5	GOI applies FIDIC contract documents, laboratory testing is enforced, supervision consultants are empowered as the Engineer to reject works. PMSC carries out technical audits	Bina Marga, Contractors, RSC, PMSC	Continuously during implementation, monthly certificates, periodic audits

Annex 11:

Anti-Corruption Action Plan for EINRIP

Measure	Summary	Responsibility
A. INFORMATION DISCLOSURE		
Establishment of project website	<p>The PMU is responsible for establishing a project website before the procurement of civil works contracts can commence. All information on the website will be provided in the relevant language (English and/or Indonesian). Project information to be disclosed on the website (and updated monthly) includes:</p> <ul style="list-style-type: none"> ○ Project Management Manual ○ Annual procurement plans for MPW Jakarta and each province ○ Tender documents for all procurement ○ Notification of details of contracts awarded (company, value of contract, scope and location of services) ○ Summary audit findings approved by the 6-monthly meetings between MOF, MPW and AusAID ○ Monthly Project Progress Report (progress of civil works on each sub-project) ○ Quarterly Financial Monitoring Reports (expenditure on each sub-project) ○ Information on the EINRIP complaints handling mechanism, including post, telephone, fax and email contact details in both the MPW Directorate of Planning and the MPW Inspectorate General's Office. ○ Information on any AusAID complaints handling mechanism, including contact details. ○ In relation to anonymous complaints, the website must include the following statement: "If you prefer to remain anonymous, you may wish to make use of a free email service (such as Hotmail or Yahoo) to create an email account using a pseudonym. This way, we will be able to correspond with you as necessary, to seek clarification or additional information. This would be helpful for us in pursuing your allegation." ○ Quarterly status report on complaints handling (numbers received and actioned 	PMU (initial set-up and ongoing maintenance of information)

Measure	Summary	Responsibility
	<p>only)</p> <ul style="list-style-type: none"> Report on sanctions imposed on contractors or consultants under Section E of this ACAP. 	
Dissemination of project information	<p>The Project Manager for each civil works contract is responsible for making project information available to communities in the project area before commencement of civil works. As a minimum, the Project Manager must establish a noticeboard outside each District Office in the project area containing the name of the contractor, brief description of works, value of contract, percentage completion and percentage of contract paid (updated monthly), details of complaints handling mechanisms (MPW and AusAID) and EINRIP website address.</p> <p>The monthly project progress reports will be made available to civil society and media at the provincial and district levels on request.</p> <p>All information on the project website will also be made available upon request to interested persons/organisations.</p>	PMU, Project Manager
E-procurement	<p>MPW's Semi E-Procurement system will be used for all procurement. Prior to the commencement of procurement under EINRIP, MPW will ensure that the following enhancements to the Semi E-Procurement system are in place:</p> <ul style="list-style-type: none"> Automated email notification to all registered bidders of the availability of any additional document relating to the particular procurement exercise; Automated acknowledgement of receipt of email notification to all registered bidders of the availability of documents; The list of companies that registered for bidding must be kept confidential; "Registration for Prequalification" in the e-procurement system shall be re-named "Registration of Interest", and the contents revised to avoid implying 	MPW Pusat Pengolahan Data, PMU, Provincial MPW offices

Measure	Summary	Responsibility
	<p>prequalification necessarily takes place; and</p> <ul style="list-style-type: none"> An English translation of the official Guideline for Users shall be provided on the e-procurement site. <p>Where sub-national procurement committees are unable to upload tender documents to the Semi E-Procurement system, the PMU will do this for them.</p> <p>When using the Semi E-Procurement system, all bids are to be submitted in hard copy.</p> <p>Should full transaction-based e-procurement become possible under Indonesian law, it will be implemented for EINRIP, with AusAID's prior approval and provided that the system complies with the requirements of "E-bidding Requirements for MDB Loans, Grants and Credits" dated May 2005.</p> <p>For all procurement exercises, tender documents will also be available in hard copy.</p>	
B. OVERSIGHT & MONITORING		
Strengthened supervision of civil works	<p>The MDB/FIDIC Harmonised Contract will be used for all civil works, with the role of Engineer being filled by the Team Leader of the RSC.</p> <p>MPW will take all necessary actions to appoint the Engineer for each contract. MPW will provide details of all arrangements in relation to the delegation of the authority of the FIDIC Engineer (under the MDB/FIDIC Harmonised Contract) to AusAID for NOL. No subsequent changes can be made to these arrangements without AusAID's prior written approval.</p>	MPW

Measure	Summary	Responsibility
	<p>The Team Leader, as the Engineer, will delegate necessary authorities to each Chief Supervision Engineer, including responsibility for authorising payment certificates (clauses 14.2, 14.6 of the MDB/FIDIC contract).</p> <p>Civil works will not commence until the RSC is mobilised and a Chief Supervision Engineer appointed.</p> <p>The PMSC will be responsible for monitoring the RSC's performance. This will include monitoring the adequacy of supervision of environmental requirements.</p> <p>The evaluation process for the RSC contract and AusAID's NOL will give weight to the following:</p> <ul style="list-style-type: none"> ▪ the adequacy of remuneration of field staff (to reduce incentive for collusion); ▪ qualifications, experience and background of the person(s) nominated as Chief Supervision Engineer(s). <p>The PMU, supported by the PMSC, will provide a mobilisation briefing to key RSC staff Chief Supervision Engineers on:</p> <ul style="list-style-type: none"> (i) the role of the FIDIC Engineer; (ii) the role of field supervisors; (iii) responsibilities of head office; (iv) the EINRIP ACAP, including terms of audits, sanctions etc. <p>Comprehensive training to all RSC staff will be provided by the RSC.</p>	
Ad hoc third party advice	<p>AusAID will be able to draw on the World Bank's External Supervision Team (see SRIP ACAP) to advise on and identify the risks of fraud and corruption at an early stage. AusAID will be able to draw on this team on an ad hoc, troubleshooting basis.</p>	AusAID

C. MITIGATION OF FRAUD & COLLUSION RISKS		
Strengthen efficiency and accountability of procurement process for consultant contracts	<p>MPW will work with an external Procurement Agent engaged by AusAID to support the MPW procurement committee in the selection process for following contracts:</p> <ul style="list-style-type: none"> o Project Management Support Consultant (PMSC); o Regional Supervision Consultants (RSC); and o Procurement Advisory Services (PAS) <p>(All of these procurement exercises will be exempt from AIPRD eligibility criteria.)</p> <p>The role of the Procurement Agent is to support the MPW procurement committee by providing procurement services at key points in the selection process, including providing recommendations to the Committee on shortlisting and technical evaluation.</p> <p>In the event of a difference of opinion between the Procurement Agent and the MPW procurement committee in relation to the recommendation for (i) shortlisting or (ii) which firm should be selected for award, the parties will seek to resolve the difference holding the principles of a timely and accountable procurement process paramount. The Heads of Procurement Committees will be held responsible by the Minister of Public Works for their procurement decisions.</p>	AusAID, MPW
Strengthen capacity of provincial procurement committees to undertake procurement of civil works contractors	<p>MPW will engage a consultant to provide Procurement Advisory services. The Procurement Advisory Services will be selected using the Procurement Agent.</p> <p>The Procurement Advisors will provide the following services to provincial MPW offices in relation to EINRIP civil works procurement:</p> <ul style="list-style-type: none"> o Develop and oversee implementation of measures/protocols to avoid fraud and collusion in tender processes, including at the shortlisting stage; o Attend bid opening for all procurement exercises and retain in a safe place a 	MPW, Inspectorate General, PAS

<p>Anti-corruption measures to be included in all procurement exercises</p>	<p>sealed copy of all technical and financial proposals received. If the Adviser is unable to attend bid openings for any reason, they are to appoint a Public Notary (Notaris) to discharge their functions;</p> <ul style="list-style-type: none"> ○ Implement a monitoring system to identify collusive trends, including monitoring implementation of the integrity pact for each procurement exercise; ○ Develop and implement processes to avoid delays; ○ Provide assistance with the progressive implementation of e-procurement in the provinces; ○ Work with MPW on reviewing and implementing improvements to the procurement system; and ○ Provide procurement training and capacity building. <p>In addition, the Procurement Advisors will assist procurement committees with quality control before tender documents are submitted to AusAID for no objection.</p>	
	<p>The following will apply to all EINRIP procurement:</p> <ul style="list-style-type: none"> ○ Each Annual Procurement Plan for EINRIP must be approved by AusAID before any procurement can commence. Any subsequent amendments to the Plan must receive AusAID's prior written approval. ○ All tender notifications must be advertised in national newspapers readily available in the province in which procurement is being undertaken, and in relevant provincial newspapers, on the MPW Semi E-Procurement system, on the EINRIP website, UNDB on-line and dg Market websites. ○ No pre-bid conferences will be held, except with AusAID's prior written approval. ○ Specific contract conditions for EINRIP will be agreed in advance between AusAID and DGH. If the contract is translated, the English version will take precedence; ○ A bidder cannot be excluded from bidding on the basis of past performance unless (a) the bidder is included in the World Bank 'blacklist' ('List of Firms and Individuals Debarred') or (b) there is evidence of due process in relation to the performance complaint and AusAID has provided prior written approval to 	<p>MPW</p>

	<p>the exclusion of the bidder.</p> <ul style="list-style-type: none"> ○ MPW must keep strictly confidential the list of companies that have registered for bidding until bid opening. ○ There will be no pre-qualification of bidders. Post-qualification criteria will be agreed between AusAID and DGH before procurement commences. ○ An integrity pact in the form of 'Form 2' Chapter V of Presidential Decree 80/2003 will be signed by the Project Manager and each member of the procurement committee before the tender advertisement is placed. ○ An integrity pact in the form of 'Form 2' Chapter V of Presidential Decree 80/2003 will be signed by each bidder and submitted with their bid. ○ The request for NOL to contract award will include copies of 'Form 2' Chapter V of Presidential Decree 80/2003 signed by relevant parties. ○ There will be advance public notification of each bid opening to allow all interested members of the public to attend. ○ The Project Management Manual will include/specify requirements to ensure procurement exercises are conducted in a timely manner and sanctions for breach of these requirements. AusAID and MPW will ensure that the deadlines are adhered to on all procurement exercises. <p>The following will apply to all EINRIP civil works procurement:</p> <ul style="list-style-type: none"> ○ AIPRD eligibility criteria will apply to all civil works procurement ○ The harmonised MDB/FIDIC Conditions of Contract, March 2006, will be used for all civil works procurement. ○ AusAID will conduct prior review for all procurement. ○ The Project Manager for each contract must submit the draft owner's estimate to the PMU for review of its accuracy at least 14 days before the bid document is issued. The bid document must not be issued without PMU approval of the owner's estimate. The owner's estimate will be provided to all bidders. <p>The following will apply to all EINRIP procurement of consultancy services:</p> <ul style="list-style-type: none"> ○ ICB conditions apply to procurement of all consultancy services; ○ Shortlisting criteria must be developed and submitted to AusAID for NOL
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	before the invitation for expressions of interest is advertised.	
Strengthened financial and procurement capacity of provincial Project Implementation Units	<p>Each PIU/Satker will include a qualified procurement specialist and a financial management specialist whose duties will include ensuring adequate record keeping for audit purposes.</p> <p>The Project Management Manual will include a financial management action plan setting out, among other things, internal controls and strengthened payment validation procedures, as well as development of and training in EINRIP Financial Management.</p> <p>The financial management action plan will also specify the broad financial parameters for EINRIP, including:</p> <ul style="list-style-type: none"> o Categories of eligible expenditure; and o Requirements for Contractors, such as setting up a separate account that is only permitted to hold EINRIP funds and is auditable by the independent auditor. <p>MPW will conduct training of project staff in procurement and financial management, including the requirements of this ACAP.</p>	PMU
Improved financial and technical project audits	<p>AusAID will engage a private sector accounting firm as the independent auditor for EINRIP. The independent auditor will undertake external project audits with a focus on:</p> <ul style="list-style-type: none"> o Detecting corruption and collusion in procurement processes (including sample audits of procurement processes) and during contract implementation; o Detecting non-compliance with key financial management requirements, with a focus on the process for validating payments to contractors; o Detecting misappropriation of funds. <p>The independent auditor will also conduct annual audits of the special purpose project</p>	AusAID & MPW

	<p>financial statements. AusAID will consult MPW on the scope of services for the independent audit contractor.</p> <p>AusAID will engage a firm to conduct sample technical audits during civil works implementation to examine the quality and effectiveness of implementation, including environmental aspects. MPW will impose available sanctions on contractors based on the outcomes of technical audits. AusAID reserves the right to withhold loan payments relating to a particular sub-project where adequate measures are not taken to avoid poor quality works.</p> <p>As far as possible, audits will be scheduled so that the results can be used to improve the remainder of the works, and the results of technical audit shall be taken into consideration by the persons evaluating each package for Provisional Handover.</p> <p>The criteria and timeframe of the technical and financial audits will be described in the PMM.</p>	
<p>Government to government communications protocol in relation to corruption cases.</p>	<p>Once every 6 months there will be a meeting between MPW (Secretary General), Ministry of Finance (Director General, Treasury) and AusAID (Minister Counsellor) to discuss key audit report findings including those relating to fraud and corruption. The meeting will review the actions already taken in response to those findings and require further actions as necessary, including:</p> <ul style="list-style-type: none"> ▪ a change to EINRIP procedures; ▪ disciplinary action against contractor/consultant and/or Government officials involved; referral of case for investigation/ prosecution by the Independent Auditor and/or relevant Government agency 	<p>PMU</p>

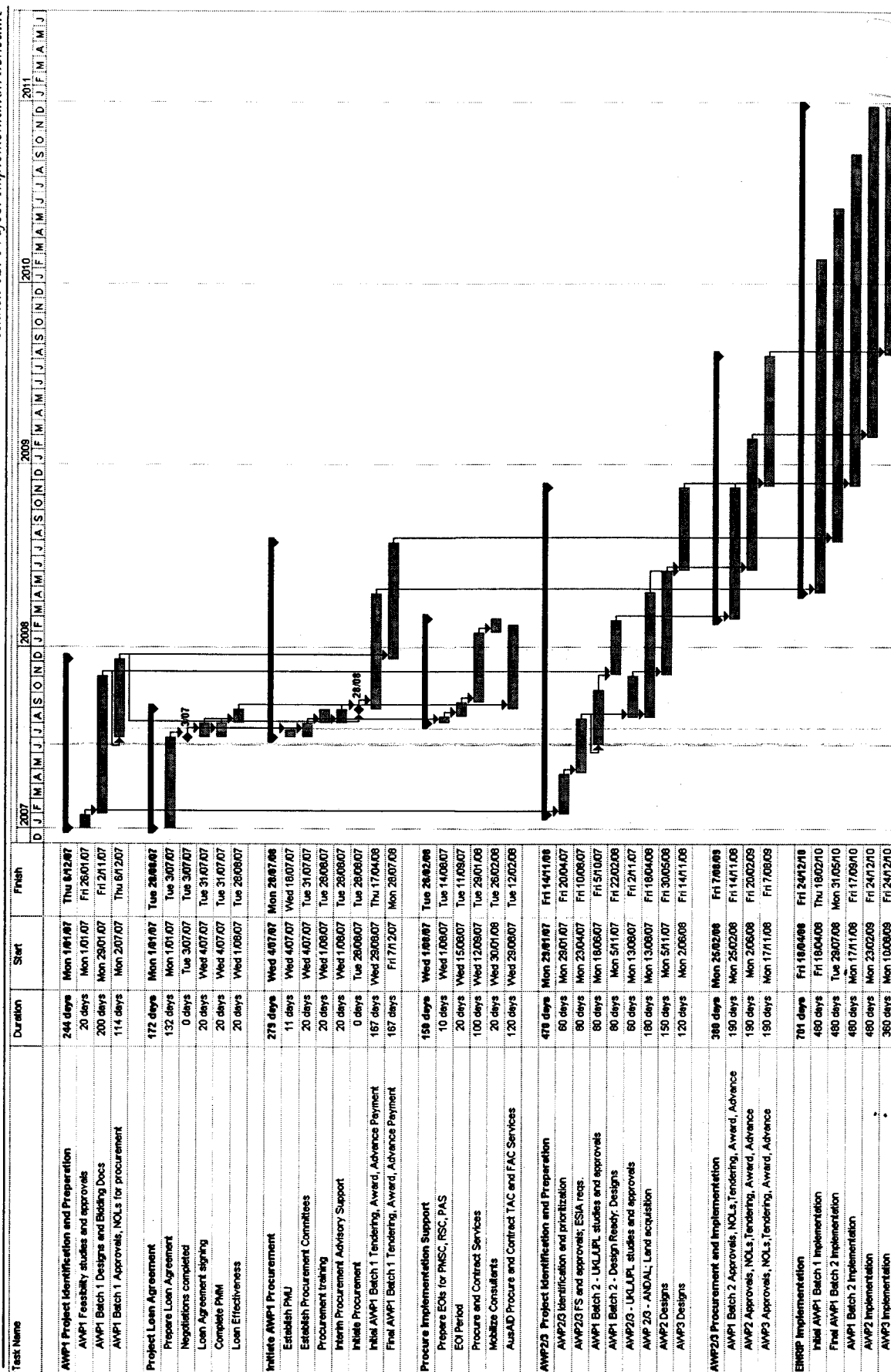
D. COMPLAINTS HANDLING		
Enhanced procedures	handling	<p>Regulation of the Minister for Public Works No.323/PRT/M/2005 "Concerning a Mechanism for Handling the Information from the Public relating to Public Works" will be implemented for EINRIP with the following enhancements:</p> <ul style="list-style-type: none"> Complaints may be submitted by post, telephone, fax or email to either the MPW Directorate of Planning (PMU) or the MPW Inspectorate General. The party the complaint is submitted to is responsible for handling the complaint. Anonymous complaints are permitted. The identity of informants will be kept confidential. MPW will implement procedures to ensure this requirement is strictly enforced. All complaints will be responded to within 7 days of receipt. Complaints will be referred in a timely manner to the independent audit firm or relevant Government of Indonesia agencies for investigation and prosecution as appropriate. Complaints deemed possible serious infringements may be further investigated by AusAID. The status of all complaints will be recorded and consolidated into a monthly report to the PMU and AusAID. <i>also revised !!!</i> <p>In addition, AusAID may establish a complaints handling mechanism to deal with complaints that are submitted directly to AusAID. In general, these complaints will be referred back to MPW for investigation and follow up.</p>
MPW Inspectorate General's Office and MPW Directorate of Planning		
E. SANCTIONS & REMEDIES		
Sanctions for companies		<p>As a condition of loan effectiveness, MPW must develop guidelines satisfactory to AusAID setting out the sanctions that will be applied to consultants and contractors</p>
		MPW Inspectorate General and Directorate of Planning <i>Highway</i>

	<p>found to be involved in corrupt conduct associated with the project. These will include:</p> <ul style="list-style-type: none"> ▪ Where evidence of fraud, collusion or corruption is found, MPW will immediately terminate the contract and may impose additional sanctions such as claiming forfeiture of the Performance Security, and/or blacklisting of the company. ▪ Cases where evidence of corruption is found and sanctions are imposed may be publicised on the EINRIP website. 	
Sanctions for public officials	As a condition of loan effectiveness, MPW must develop guidelines satisfactory to AusAID setting out the sanctions that will be applied to public officials found to be involved in corrupt conduct associated with the project. The sanctions will include relieving the officer of his/her duties on EINRIP during the investigation period.	MPW
Suspension of sub-projects	The project may be suspended in any geographic location where corruption cases are not dealt with effectively.	MPW, AusAID
Misprocurement	AusAID may declare misprocurement on a package where it has sufficient information to conclude that misprocurement has occurred. AusAID will not declare misprocurement without first sharing and discussing all information with MPW's Inspectorate General (IG). It is understood that IG may forward the information to the Police (in the case of ordinary crime) or to the Attorney General (in the case of corruption).	IG, AusAID

Annex 12:

Project Implementation Schedule

Project Implementation Plan (PIP) for EINRIP
Annex 12: Project Implementation Schedule



Annex 12 Project Implementation Schedule V12

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Annex 13:

**Priority Issues for the Government of Indonesia
in the Development and Implementation of
EINRIP**

Priority Issues for the Government of Indonesia in the Development and Implementation of EINRIP

Priority Issues	Actions in EINRIP	Evaluation	By
Regional Development	<ol style="list-style-type: none"> National Road Improvement Project to improve road transport throughout Indonesia with AusAID providing loan and grant funding for EINRIP with prime focus of supporting regional development in Eastern Indonesia. Selection of corridors and projects which will support regional development for example improving inter provincial connections, better access to ports etc. 	<ol style="list-style-type: none"> Collection of data from BPS on regional economic and social indicators. Traffic (which is an indicator of economic activity) surveys to identify growth trends. 	<ol style="list-style-type: none"> PPC PPC
Sustainable Growth	<ol style="list-style-type: none"> Selection of corridors for improvement which are likely to provide growth by for example improving access to ports or to improve market accessibility or potential tourism or other development. 	<ol style="list-style-type: none"> Surveys to be carried out over a 10 year period. Social surveys using focus groups including government officials, community groups, households, transport operators to identify impacts of road improvement. Identify changes if any due to the road improvements of product distribution systems, local production, consumption etc. Traffic (which is an indicator of economic activity) surveys to identify growth trends. 	<ol style="list-style-type: none"> M&E M&E M&E M&E
Governance Reform	<ol style="list-style-type: none"> Anti Corruption Action Plan (ACAP) comprising: <ul style="list-style-type: none"> Establishment of website; Strengthened construction supervision Improved procurement Improved technical and financial audits Inclusion of Procurement Agent to assist in the procurement process. Training programs including procurement and in the use of the Project Management Manual. 	<ol style="list-style-type: none"> Assessment during the project of the performance of the procurement committees in compliance with defined procurement process in a timely fashion. Review during the Project Completion Report of the overall performance with recommendations on future changes to systems or training. 	<ol style="list-style-type: none"> PPC PPC
Poverty Reduction	<ol style="list-style-type: none"> Evaluating and implementing projects which have a likelihood of improving economic activity in identified poverty areas. Reduction in local unemployment during construction. 	<ol style="list-style-type: none"> Collection of data from BPS on regional economic and social indicators. Traffic (which is an indicator of economic activity) surveys to identify growth trends. Collection of records of local employment from contractors 	<ol style="list-style-type: none"> M&E M&E RSC

Priority Issues	Actions in EINRIP	Evaluation	By
Support of National Disasters	1. Selection of projects in North Sulawesi (flooding) and Alor (earthquake) which have resulted from natural disasters.	1. Not applicable	1. PPC
Environmental Conservation	1. Screening of environmentally sensitive areas in the development of the road program. 2. Carrying out environmental studies where needed for identified road / bridge projects. 3. Ensuring that environmental safeguards are included in construction activities. 4. Task consultants in RSC with ensuring environmental safeguards are acted upon.	1. Social surveys of community groups and officials. 2. Review and evaluation by Bina Marga Environmental and AusAID Environmental Specialist.	1. M&E 2. DGH. AusAID
Road Safety	1. Implement safe practices in design and construction. 2. All design projects to be subject to Road Safety Audit. 3. Planning of widening for road safety; eg. Bali - Tohpati to Kusamba widening to reduce accidents. Widening sections from 4.5 to 6.0 metres.	1. Collection of accident data from Police for projects included and those not included in EINRIP, comparing before and after statistics.	1. M&E
Health & Safety	1. Protection of local people from communicated diseases by migrant construction workers by instructing the contractors to provide HIV/AIDS awareness programmes and to issue condoms to construction workers. 2. Requiring contractors / consultants to include traffic management in field programs and requiring field staff to implement the plans. 3. Medical facilities to be provided by contractor 4. Contractors to follow Operation Manual K3 procedures	1. Monitoring of contractors by RSC. 2. Monitoring of field staff by RSC 3. Monitoring of contractors by RSC.	1. RSC 2. RSC 3. RSC
Improved Road Performance	1. Improved field evaluation process. 2. Improved design and supervision.	1. Measurement of Road Roughness characteristics over a substantial time period on EINRIP projects and other sample road sections. 2. Measurement of Journey Speeds. 3. Traffic counts/growth trends. 4. Vehicle Operating Costs	1. M&E 2. M&E 3. M&E 4. M&E

Annex 14:

Readiness Criteria

A13. READINESS FOR IMPLEMENTATION OF EINRIP

Government Regulation (Peraturan Pemerintah/PP) No. 2 of 2006 **Article 14 (1)** states that negotiation of a Loan or Grant can be carried out when the Readiness Criteria have been fulfilled.

The **Elucidation** to Article 14 (1) of PP 2/2006 clarifies the Readiness Criteria as below (followed by an explanation of the state of readiness of EINRIP):

1. **Performance criteria for monitoring**
(These criteria will be selected by the Monitoring and Evaluation services included in the Project, as described in Chapter 5 of the PIP. However, as a guide, the PIP defines the following indicators:)
 - a) Traffic Growth
 - b) Road Condition as measured by International Roughness Index (IRI)
 - c) Average speeds
 - d) Accident Rates
 - e) Vehicle Operating Costs
2. **Counterpart funds for AWP1**
(Funds have already been budgeted in APBN 2007 for the first part of AWP1 – refer to Table 1.1 of this PIP.)
3. **Land acquisition or resettlement plan and funds if required**
(Sub-projects requiring land acquisition or detailed environmental/social impact assessment will be deferred until later in the project – refer to Section 1.4.1 of this PIP.)
4. **PMU and implementing units already formed and staffed**
(PMU will be formed after the Loan becomes effective. The structure and resources required for the PMU have been agreed – refer to Annex 5 of this PIP.
All implementing units have already been formed, within the Ministry of Public Works structure.)
5. **Project implementation arrangements described and agreed**
(A detailed Project Implementation Plan has been prepared, and extensively examined and modified – now in this Version 10.)
6. **Statements from local government on commitments**
(Land acquisition is defined as a Government of Indonesia contribution to the Project – see Section 1.6.2 and Table 1.4 of this PIP.)

Article 14 (3) states that Readiness Criteria also include financial and legal aspects.

The **Elucidation** to Article 14 (3) of PP 2/2006 clarifies the Readiness Criteria for **financial aspects** to include loan conditions, rate of interest, period of interest payments, method of calculation of interest, interest penalties and other costs, early payments, methods of disbursement, length of the loan, grace period, and the period of the repayment of principal.

The methods of disbursement are described in Section 3.3.3 and Annex 8 of this PIP. The other matters will be covered in the Draft Loan Agreement.

The **Elucidation** to Article 14 (3) of PP 2/2006 clarifies the Readiness Criteria for **legal aspects** to include the Loan Agreement, obligations and guarantees, observance of the law, submittal of court documents, release from immunity, and the ruling law.

Certain legal aspects related to standard contract documents are described in **Section 3.2** and **Annexes 6, 7 and 11** of this PIP. The other matters will be covered in the Draft Loan Agreement.

General Procurement Procedures for GOI, Equivalent Procedures in EINRIP Draft Loan Agreement and in World Bank Guidelines

Aspect	Relevant GOI Regulation		Draft Loan Agreement	WB Guideline (Proc 2004 / Cons 2006)	
	No.	Articles		Para. (component)	Page
Open Tender with Post Qualification (to be applied to all Civil Works, and to all ¹ Goods)					
1. Establish Procurement Committee: membership, qualifications, issue decree	Keppres 80/2003	10 (3)+(4), Attachment I, chapter 1.B.1, 1.B.2	E.5 (CW, Goods): decision-maker must not be a committee member	13	–
			E.5 (CW, Goods): as above F.9.e (Goods <A\$300K): Document committee qualifications, experience	13, 15	–
2. Decide Type of Procurement – open tender, limited tender (3 bidders plus advertisement), direct selection (>3 quotes), direct appointment.	Keppres 80/2003	17, Attachment I, chapter I.C.1.a.	B.1: ICB, open tender (CW, Goods > A\$300K)	12	Proc.II.2: ICB
			B.2: NCB (Goods <A\$300K) refer methodology in Procurement Plan; F. implies open tender, not stated	12, 14-16	Proc.III.3.3: NCB I.1.16: Procur't Plan
3. Decide Method of Qualification (Pre- or Post Qualification)	Keppres 80/2003	14, also see KepMen PU 257/2004 on Methods of Qualification	– (CW, Goods > A\$300K)	–	Proc.2.11: refer ITB
			F.3, F.4 (Goods <A\$300K): use Post-qualification	15	Proc 3.4: refer ITB
4. Decide Method of Bid Submission (1 or 2 envelopes, or 2 stage)	Keppres 80/2003	18, Attachment I, chapter I.C.2	– (CW, Goods > A\$300K)	–	Proc.2.9, 2.58: refer ITB
			F.9(a): (Goods <A\$300K): one envelope	15	Proc 3.4: refer ITB
5. Decide Method of Evaluation (pass/fail or scoring)	Keppres 80/2003	19, Attachment I, chapter I.C.3.a. and b.	– (CW, Goods > A\$300K)	–	Proc.2.11, 2.52: refer SBD
			F.9(c): (Goods <A\$300K): pass/fail	15	Proc 3.4: refer SBD
6. Decide Type of Contract – payment type (Lump sum, Schedule of rates, Combination); – by time (Single-year, Multi-year)	Keppres 80/2003	30 (1)	– (CW, Goods > A\$300K)	–	Proc 1.16: to be stated in Proc. Plan; and 2.2: to be stated in BD
			B.2: NCB (Goods <A\$300K) refer methodology in Procurement Plan	12	
7. Schedule Proc. Activities (all procurement stages must be given adequate time)	Keppres 80/2003	12, Attachment I, chapter I.D.	– (CW, Goods > A\$300K)	–	Proc 1.16, 2.8, 2.44
			– (Goods < A\$300K)	–	Proc 1.16, 3.4
8. Owner's Estimate (Committee prepares, Employer approves)	Keppres 80/2003	13, Attachment I, chapter I.E.	–	–	– (OE is referred to in Proc 2.63)

¹ The Loan does not mention any method other than Open tender (ICB or NCB). However the Procurement Guidelines allow Shopping (para 3.5) as an acceptable alternative.

General Procurement Procedures for GOI, Equivalent Procedures in EINRIP Draft Loan Agreement and in World Bank Guidelines

Aspect	Relevant GOI Regulation		Draft Loan Agreement		WB Guideline (Proc 2004 / Cons 2006)
	No.	Articles	Para. (component)	Page	
9. Bid documents, qualification procedures (Committee prepares, Employer approves)	Keppres 80/2003	14, 15, Attachment I, chapter I.F.	D (all): Prior Review as in Appendix 1 of Procurement Guidelines LA should say that BD and Qualif. Docs to be prepared by DGH – for Committees' protection) – (Goods < A\$300K) LA should say that BD and Qualif. Docs to be prepared by DGH	–	Proc Appendix 1, 2b: Review Draft Bid docs, Proc 2.12: use Bank SBDs, any changes in bid/contract data sheets, acceptable to Bank Proc 3.3: use local BD, if modified to be in LA; 3.4: local language OK
10. Announcement of Procurement Plans	–	–	D (all): Prior Review as in Appendix 1 of Procurement Guidelines E.1 (CW, Goods): Proc Plan E.9 (CW, Goods): Gen Proc. Notice	12 13	Proc Appendix 1, 2b: Prior Review Proc Plan Proc 2.7
11. Tender Announcement (by Committee, in media and notice boards, for large firms)	Keppres 80/2003	Attachment I, chapter II.A.1 a.3) b)	D (all): Prior Review as in Appendix 1 of Procurement Guidelines Plus F.7 a), b). (Goods < A\$300K):	12	Proc Appendix 1, 2b: advertising procedures Proc 2.8: at least one national newspaper, UNDB and dgMarket Proc 3.4: national paper or open access website
12. Signing of Integrity Pact (by Employer and Committee)	Keppres 80/2003	9 (3) k. + Art 41 KepMen 257/2004, SBD for NCB	E. (all): includes ACAP provisions, requiring Integrity Pacts	–	–

General Procurement Procedures for GOI, Equivalent Procedures in EINRIP Draft Loan Agreement and in World Bank Guidelines

Aspect	Relevant GOI Regulation		Draft Loan Agreement		WB Guideline (Proc 2004 / Cons 2006)
	No.	Articles	Para. (component)	Page	
13. Provision and Availability of Bid Documents (For EINRIP one set may cost Rp. 250,000 for printing in Jakarta plus handling charges, or possible Rp. 400,000 for printing in the Provinces, plus handling charges; based on 300 pages A4 + 800 pages A3)	Keppres 80/2003, KepMen PU 349/2004	8 (Employer to budget for cost of documents); Chap IV.A.6: from 1 day after advertising to 1 day before submission; prospective bidders to show that Classification (SBU) suits the tender.	E.8 (CW, Goods > A\$300K): use semi e-proc in a satisfactory manner (Goods < A\$300K): E.8: as above F.7 a): min 30 days to prepare bids; F.7.c): bid docs to be available by semi e-proc, by mail or in person, to all who are willing to pay the fee	13 15	Proc 2.11: permitted to charge cost of printing and delivery of bid docs. –
14. Explanation of Bidding (Pre-Bid Meeting)	Keppres 80/2003	Attachment I, chapter II.A.1.d. explain Bid Docs, matters which can result in disqualification	E. (all): includes ACAP provisions, prohibiting Pre-Bid meetings except with prior written concurrence. F.9.f). (Goods < A\$300K): = ACAP	– 16	Proc 2.18, 2.44: Pre-Bid conf, all bidders to be given same information. –
15. Clarifications/Revision of Bidding Docs:	Keppres 80/2003	Attachment I, chapter II.A.1.d.: answer prospective bidders' questions in writing, with a witness, revise bid docs if major changes required.	– (CW, Goods > A\$300K) – (Goods < A\$300K)	– –	Proc 2.18: clarifications, revisions to be sent to all, extend deadline, get NOL if Prior Review –
16. Bid Submission and Bid Opening	Keppres 80/2003 KepMen PU 257 /2004	Attachment I, chapter II.A.1.e. (only bidders are invited, no limit on numbers who attend) Chapter II.A, B	E.6: (CW, Goods > A\$300K): public may attend bid openings (this wording objected to by GOI) F.9.a. (Goods < A\$300K): bids to be "opened in public"	13 15	Proc 2.44: Bids by mail or by hand, or electronic if meeting strict criteria; Bids shall be "opened in public" ie, not in secret Proc 3.4: put clear instructions in Bid Docs
17. Rebid if less than 3 Bids	Keppres 80/2003	Attachment I, chapter II.A.1.e.7.b): (rebid if total number of bids <3, or if no responsive bids)	– (CW, Goods > A\$300K) F.10.b. (Goods < A\$300K): if number of responsive bids less than 3, get GOA approval for rebidding	– 16	– –

General Procurement Procedures for GOI, Equivalent Procedures in EINRIP Draft Loan Agreement and in World Bank Guidelines

Aspect	Relevant GOI Regulation		Draft Loan Agreement		Page	WB Guideline (Proc 2004 / Cons 2006)
	No.	Articles	Para. (component)			
18. Evaluation of Bids: Rejecting All Bids	Keppres 80/2003	Attachment I, chapter II.A.1.f. (rebid if no bids are responsive)	– (CW, Goods > A\$300K) F.10.a, c (Goods < A\$300K): do not reject (all?) bids, rebid without GOA approval; if bidding fails, the Committee to inform GOI, GOA	– 16	– 16	Proc 2.64: to reject all bids, get Bank approval –
19. Post-Qualification: Eligibility	Keppres 80/2003	14: (follow post-qualific procedures), 42: (foreign contractors if >Rp. 50b, for suppliers if >Rp.10b)	B.1. (CW, Goods > A\$300K): 3 countries	12	12	Proc 1.6, 1.7, 1.8: all countries including Taiwan; competence
20. Post-Qualification: Domicile	Keppres 80/2003	Attachment I, chapter II.A.1.a.4): outsiders must not be excluded	F.1. (Goods < A\$300K): 3 countries – (CW, Goods > A\$300K) F.7.d (Goods < A\$300K): allow bidders domiciled outside area/district/province F.7.e: Allow foreign bidders	14 – 15	14 – 15	Proc 3.4: allow foreign bidders who wish to participate in NCB
21. Evaluation of Bids: Bid Security	Keppres 80/2003 KepMen PU 257 /2004	Attachment I, chapter II.A.1.f. Chapter II.C (many detailed provisions)	– (CW, Goods > A\$300K) F.8 (Goods < A\$300K): Bid security in the form of L/C or bank guarantee – (CW, Goods > A\$300K)	– 15	– 15	Proc 2.14: Bid security optional, refer B.Docs, must be valid 4 weeks longer than Bid Validity –
22. Evaluation of Bids: Procedures	Keppres 80/2003 KepMen PU 257 /2004	Attachment I, chapter II.A.1.f. Chapter II.C	F.9.b (Goods < A\$300K): evaluation must strictly follow criteria in Bid Docs F.9.c: Bidders shall not be eliminated for minor non-substantial deviations	– 15	– 15	Proc 2.48: Bids meet eligibility req, signed, securities, responsive. Proc 3.4: Evaluation methods shall not be applied arbitrarily

General Procurement Procedures for GOI, Equivalent Procedures in EINRIP Draft Loan Agreement and in World Bank Guidelines

Aspect	Relevant GOI Regulation		Draft Loan Agreement		WB Guideline (Proc 2004 / Cons 2006)
	No.	Articles	Para. (component)	Page	
23. Evaluation of Bids: Comparison with Budget Ceiling	Keppres 80/2003	Attachment I, chapter II.A.1.f.(12) Bids over the budget ceiling shall be disqualified 13(3): comparison with OE cannot be used to disqualify a bidder	– (CW, Goods > A\$300K) F.9.d (Goods < A\$300K): bids shall not be rejected by comparison with Owner's Estimate/budget ceiling without GOA approval	– 15	Proc 2.61: All bids may be rejected if substantially higher than budget (Bank approval) –
24. Joint Ventures	Keppres 80/2003	42 (2) Foreign firms must associate with suitable local firms	– (CW, Goods > A\$300K) F.5 (Goods < A\$300K): joint venture or sub-contracting shall not be a condition of award	– 15	Proc 1.10: Mandatory joint ventures not acceptable
25. Award of Contract	Keppres 80/2003	26 (Minister must approve contract awards over Rp. 50 billion)	D (all): Prior Review as in Appendix 1 of Procurement Guidelines	12	Proc Appendix 1, 2b: Prior Review for award, using the Bank form for Bid Evaluation. NOL to signed contract req'd prior to disbursements.
26. Time Limits for Complaints to Award	Keppres 80/2003	27 (8): all complaints must be investigated. (a "complaints period" is set aside in the schedule but no time limit on receiving complaints)	– (CW, Goods > A\$300K) F.9.h (Goods < A\$300K): no time limit to lodging complaints	–	Proc Appendix 1, 2e: if complaint received, copy of complaint and response to be sent to Bank.
27. Appeals Against Replies to Complaints	Keppres 80/2003	27 (6): the process of award shall continue without awaiting outcome of an appeal to a reply to an objection	– (CW, Goods > A\$300K) F.9.g (Goods < A\$300K): award shall be postponed while awaiting the result of an appeal to reply to a complaint.	–	Proc Appendix 1, 2f: allows award to change as a result of a complaint; implies that award should await outcome of complaints

General Procurement Procedures for GOI, Equivalent Procedures in EINRIP Draft Loan Agreement and in World Bank Guidelines

Aspect	Relevant GOI Regulation		Draft Loan Agreement		WB Guideline (Proc 2004 / Cons 2006)
	No.	Articles	Para. (component)	Page	
28. Disclosure of Tender Results	Keppres 80/2003	Attachment I, chapter II.A.1.j: All bidders to be informed result within 2 days after award.	E.3 (all): send summary of all bids to all parties after award E4 (all): publish award details	12 - 13	Proc 2.60: with 2 weeks of NOL, Borrower shall publish results in UNDB and dgMarket
29. Release bid securities of non-winners	KepMen PU 257 /2004	17.6 of SBD for NCB (release bid securities immediately)	– (CW, Goods > A\$300K) – (Goods < A\$300K)	– –	Proc 2.14, after signing contract with winner –
30. Contract variations, change orders	KepMen PU 257 /2004	20-22 of SBD for NCB	D (all): Prior Review as in Appendix 1 of Procurement Guidelines		Proc Appendix 1, 3: Cumulative variation by more than 15% in price, or any time extension.
31. Performance Guarantee	Keppres 80/2003	31 (5% of contracts over Rp. 50 million)	– (CW, Goods > A\$300K)	–	Proc 2.39, in line with Bid Docs
			F.11 (Goods < A\$300K): 10% of value of contract, subject to increase under Keppres 80 Art 13(3)	–	–
32. Other Methods of Procurement	Keppres 80/2003	17, Attachment I, chapter I.C.1.a. Direct Selection, at least 3 quotations, for contracts up to Rp. 100 million	– (not included in NCB as defined in Procurement Guidelines)	–	Proc 3.5 Shopping, with at least 3 suppliers or contractors

Table 1.2A: Program AWP1, Batch 1

Province	Link	Status	Proposed Treatment	Length (km)	Length of Bridge (m)	Total Cost (A\$m)	EIRR	Indicated Env/Studies Required
Proposed AWP1 Batch 1:								
South Sulawesi	Sengkang - Impaimpa	- N8K	Betterment (6.0m)	3.4	13	1.1		SLARAP/ M&E
	Impaimpa - Tarumpakae	- N8K	Betterment (6.0m)	22.1	69	6.5		SLARAP/ M&E
	Package			25.5	82	7.6	92%	
	Bantaeng - Bulukumba	- N8K	Betterment (6.0m)	30	220	11.8	39%	SLARAP/ M&E
North Sulawesi	Molibagu - Mamalia	- Prev. National	Bridge Repair (After Flood)		65	0.7	na	UKL/UPL
	Mamalia - Taludaa	Prev. National	Bridge Repair (After Flood)		296	3.1	na	UKL/UPL
	Package				361	3.8		
South East Sulawesi	Tinanggea - Kasipute	- N8K	Betterment (6.0m)	61.7	98	14.2	66%	UKL/UPL & SLARAP
	Package			61.7				
NTB (Sumbawa)	Pal IV - Km 70	Prev. National	Betterment (6.0m)	33.3	33	3.3		UKL/UPL & SLARAP
	Sumbawa Besar Bypass	Prev. National	Betterment (6.0m)	8.9	9	8.9		UKL/UPL & SLARAP
	Package			42.2	42	12.2	19%	
NTT (Alor)	Taramana - Maritaing (Phase I) Bridges	- N8K	Bridge Repairs only		94	1.2	na	SEC
Bali	Tohpati - Kusamba Km 3.5-13.8	- Current Non Status	Dualization of Road (Incl Bridges)	10.4	428	12.6	65%	UKL/UPL For Bridge
West Kalimantan	Pontianak - Tayan	N8K	Betterment (6.0m)	65.6		13.9	28%	SLARAP
South Kalimantan	Martapura - Ds. Tungkup	- Prev. National	Betterment (7.0m)	18.5	40	5.3	77%	SEC
	Total:			253.9	1,145	82.7		

Table 1.2B: Program AWP1, Batch 2

Projects Proposed for inclusion in AWP1 Batch 2:								
Province	Link	Status	Proposed Treatment	Length (km)	Length of Bridge (m)	Total Cost (A\$m)	EIRR	Indicated Env/Social Studies Required
South East Sulawesi	Kasipute - Bambaea	- N8K	All proposed for Betterment	35.2	27	6.6		SEC
South East Sulawesi	Awunio - Lainea	N8K		21.7	123	6.3		AMDAL LARAP
	Lapuko - Awunio	N8K		19	12	5.1		
	Package			75.9	162	18.2	-10%	
Central Sulawesi	Lakuan - Buol	Prev. National		49.2	595	15.7		UKL/UPL
	Buol - Bodi	Prev. National		48	507	13.1		UKL/UPL
	Package			97.2	1102	28.8	10%	
NTB (Sumbawa)	KM 70 - Cabdin Dompu	Prev. National		60.5	35	8.8		UKL/UPL
	Cabdin Dompu - Banggo	Prev. National		38	60	7.0		
	Package			98.5	95	15.8	-2%	
	Sub-Total AWP1 Batch 2			271.6	1,359	129.8		
	Total AWP1			525.5	2,504	212.5		

* N8K: part of around 8,000 km of roads added to the National road network in 2005.

High Priority Candidate Project for Potential Inclusion in AWP 2/3

No.	ISLAND GROUP PROVINCE	Link Name	Road Status	Recommended Treatment	Proposed betterment length (km)	Bridge Replacement length (m)	Total Cost A\$m	EIRR%	Indicated (June, 2007)	
									Environmental Study	Social Study
Sulawesi										
1	South Sulawesi	Jeneponto - Bantaeng	N8K	Betterment (6.0m)	32.0	54	8.1	58.8%	AMDAL	LARAP
2		Pompanua - Ujunglung	N8K	Betterment (6.0m)	14.1	66	3.0	32.6%	AMDAL	SLARAP
3		Watampone - Pampanua	N8K	Betterment (6.0m)	47.8	92	11.5	53.5%		SLARAP
4		Bl.kumba - Tondong	N8K	Betterment (6.0m)	59.5	70	11.3	66.6%		
5		Tondong - Sinjai	N8K	Betterment (6.0m)	6.5		1.2	67.7%		
6		Sinjai - Bajo	N8K	Betterment (6.0m)	4.1		1.0	79.1%	AMDAL	LARAP
7		Bajo - Arasoe	N8K	Betterment (6.0m)	29.7	50	7.1	54.1%		
8		Arasoe - Watampone	N8K	Betterment (6.0m)	5.0		1.2	25.4%		
Central Sulawesi										
9	Central Sulawesi	Wosu - Bungku	N8K	Betterment (6.0m)		799		1200.0%		
10		Wosu - Bungku	N8K	Betterment (6.0m)	50.0	303	12.0	56.0%		
11		Malala - Silondou	Prev. National	Betterment (6.0m)	16.0	58	3.3	33.3%	UKL/UPL	SLARAP
12		Lingadan - Laulalang	Prev. National	Betterment (6.0m)	4.0		0.6	10.4%		
13	Gorontalo	Taludaa - Pel. Gorontalo	Prev. National	Side Slope Stabilisation	75.6	267	17.3	6.0%	AMDAL	SLARAP
Kalimantan										
14	West Kalimantan	Aur Kuning - Sandai	Prev. National	Betterment (6.0m)	41.0	58	7.3	20.0%		
15		Sandai - Nangtayap	Prev. National	Betterment (from 4.5m earth rd.)	48.0	163	9.7	34.0%		
16	Central Kalimantan	Pangkalan Lada - Pangkalan Bun	Prev. National	Betterment (6.0m)	54.0		9.0	64.5%	SEC	-
17		Asam Baru - Pkl. Lada	Prev. National	Betterment (6.0m)	46.0		7.6	24.1%	AMDAL	SLARAP
18	Central Kalimantan	Kasongan - Palantaran	Prev. National	Betterment (6.0m)	65.0	85	12.5	28.7%	AMDAL	LARAP
19		Tangkiling - Kasongan	Prev. National	Betterment (6.0m)	48.0		9.3	46.6%		
South Kalimantan										
20		Ds. Tungkap - Rantau	Prev. National	Betterment (7.0m)	27.0	99	18.1	88.0%	SEC	SLARAP
21		BJ-masin - Bts. Kalteng	Prev. National	Betterment (7.0m)	14.0		4.4	48.0%	SEC	
22		Jl. A. Yani (Martapura)	Prev. National	Widening to 7m	11.0	171	3.3	45.6%	SEC	LARAP
23		Martapura - Ds. Tungkap	Prev. National	Widening to 7m	13.0	42	4.0	239.7%	SEC	SLARAP
Bali										
24	Bali	Tohpati - Kusamba	Non Status	Dualization of Road (Incl. Bridge)	4.0	110	3.1	139.3%	UKL/UPL	
25		Stage 3 - Km 13.80 to 17.60								
26		Tohpati - Kusamba	Non Status	Dualization of Road (Incl. Bridge)	5.0	390	6.6	136.3%	UKL/UPL	
27		Stage 4 - Km 17.60 to 23.30								
NTT										
28	NTT Flores	Ende - Aegela	Prev. National	Betterment (4.5m)	18.0	147	3.8	15.0%		
29		Ende - Detusoko	Prev. National	Betterment (4.5m)	22.0	72	4.6	34.0%	AMDAL	LARAP
30		Detusoko - Wologai	Prev. National	Betterment (4.5m)	9.0	18	1.9	6.0%		
31		Wologai - Junction	Prev. National	Betterment (4.5m)	9.5		2.0	19.0%		
32	NTT Aler	Taramana - Maritang (Phase II) Roads	N8K	Betterment & Widening to (4.5m)	49.0		7.8	36.0%		
Sulawesi										
33	Central Sulawesi	Bungku - Bahodopi	N8K	Betterment (4.5 m > 6.0m)**	42.0		6.7	8.0%		
34		Bahodopi - Bts. Sultira	N8K	B (6.0m), Impassable	70.0		11.2	na		
Nusa Tenggara										
35	NTB (Sumbawa)	Sp. Negara - Taliwang	Prev. National	Betterment (6.0m)	19.0	44	3.4	6.0%		
36		Taliwang - Jereweh	N8K	Betterment (6.0m)	16.0	8	2.8	14.0%		
37		Jereweh - Benete	N8K	Betterment (6.0m)	12.0		2.2	26.0%		
38	NTB (Sumbawa)	Bango - Dompu	Prev. National	Betterment (6.0m)	11.0		1.9	14.0%		
39		Dompu - Sila	Prev. National	Betterment (6.0m)	24.0		4.3	42.0%		
40		Sila - Talabiu	Prev. National	Betterment (6.0m)	17.0		3.0	11.0%		
41		Talabiu - Bima	Prev. National	Betterment (6.0m)	17.0	21	3.1	16.0%		
42		Raba - Sape	Prev. National	Betterment (6.0m)	17.0	56	3.0	12.0%		

High Priority Candidate Project for Potential Inclusion in AWP 2/3

High Priority Candidate Projection Potential inclusion in AWT 20										
No.	ISLAND GROUP PROVINCE	Link Name	Road Status	Recommended Treatment	Proposed betterment length (km)	Bridge Replacement length (m)	Total Cost A\$m	EIRR%	Indicated (June, 2007)	
Environmental Study										
Social Study										
KALIMANTAN										
43	South Kalimantan	Barabai - Kapar Kias	Prev. National	Betterment (6.0m)	4.0		0.7	35.6%	SECs	SLARAP
44		Kapar Kias - Ds. Hamparaya	Prev. National	Betterment (6.0m)	11.0	19	2.0	44.5%	SECs	SLARAP
45		Ds. Hamparaya - Mantimin	Prev. National	Betterment (6.0m)	6.0	8	1.0	37.6%	SECs	SLARAP
46		Mantimin - Paringin	Prev. National	Betterment (6.0m)	12.0		2.1	32.7%	SECs	SLARAP
47		Paringin - P. Panjang	Prev. National	Betterment (6.0m)	9.0		1.6	17.7%	SECs	SLARAP
48		P. Panjang - Dahai	Prev. National	Betterment (6.0m)	1.0		0.1	32.0%	SECs	SLARAP
49	West Kalimantan	Nangatayap - Bts. Kalteng	Prev. National	Betterment (from 4.5m-earth rd.)	62.0	92	11.1	4.0%		
50	Central Kalimantan	Sp-Bangkal-Asam Baru	Prev. National	Betterment (6.0m)	58.0		9.7	14.0%		
51		Samplit - Sp-Bangkal	Prev. National	Betterment (6.0m)	60.0		40.1	7.0%		
52	Central Kalimantan	Bereng-Bengkel - Pilang	Prev. National	Betterment (6.0m)	8.0		1.3	11.0%		
53		Pilang - Pulang Pisau	Prev. National	Betterment (6.0m)	44.0	6	7.6	5.0%		
54		Pulang Pisau -Kuala-Kapuas	Prev. National	Betterment (6.0m)	33.0	20	5.6	3.0%		
Maluku										
55	North-maluku	Sp-Dodinga -Akelamo	N8K	Betterment (6.0m)	56.0	710	21.7	8.0%		
56		Akelamo -Payahe	N8K	Betterment (6.0m)	51.0	643	19.6	6.0%		
57		Payahe -Weda	N8K	B (4.5m) + Side-Slope Stabilisation	22.0		5.2	6.0%		
58		Daruba -Daao	N8K	Betterment (6.0m)	25.0	59	4.8	22.0%		
59		Daao -Berebere	N8K	Betterment (6.0m)	26.0	85	5.0	52.0%		
60		Daao -Berebere	N8K	B (4.5m) Impassable, Realignment	46.0		7.3	-10.0%		
Maluku										
61		Namlea - Samalagi	N8K	Betterment (6.0m)	46.0	175	11.5	8.0%		
62		Samalagi - Air-Buaya	N8K	Betterment (6.0m)	55.0	535	13.6	12.0%		
63		Air-Buaya - Teluk Bara	N8K	B (6.0m) Impassable, Req. Bridges	30.0		4.8	na		
64		Mako - Modanmohe	N8K	B (6.0m) Impassable, Realignment	44.0	30	7.4	na		
65		Modanmohe - Namrole	N8K	B (6.0m) Impassable, Realignment	43.0	30	7.3	na		