

**Independent Evaluation (ICR) of
Eastern Indonesia National Roads Improvement Project (EINRIP) –
Project Preparation Consultant
MANAGEMENT RESPONSE**

Aid Activity Summary

Aid Activity Name	EINRIP Project Preparation Consultant - ICR		
AidWorks initiative number	ING406 EINRIP Implementation, Planning and Support Facility		
Commencement date	15 March 2006	Completion date	30 April 2009
Total Australian \$	\$19,768,818		
Total other \$	\$0		
Delivery organisation(s)	URS Australia P/L		
Implementing Partner(s)	Directorate General of Highways (DGH)		
Country/Region	Eastern Indonesia		
Primary Sector	Infrastructure		

Aid Activity Objectives:

1. To prepare and deliver a program of priority national road and bridge improvements that will support regional economic and social development in Eastern Indonesia.
2. To provide practical benefits of increased mobility and access in target areas, with reduced vehicle operating costs and increased road longevity.
3. To build a close working partnership with DGH as the basis for further engagement and capacity building in the road sector.

Sub-Objectives:

4. To develop improved project preparation methodologies for loan funded activities, and help strengthen planning and business processes within DGH to support subsequent programs.
5. To improve the quality of final engineering designs leading to improved quality of road and bridge construction.
6. To strengthen construction supervision practices and improve quality control for EINRIP civil works, with legacy benefits for DGH efficiency and management processes.
7. To provide some substantial improvements in road safety, through road widening, shoulder treatments, signage, road surface condition, improved road alignments, and other treatments.

Independent Evaluation Summary

Evaluation Objective: To assess the implementation of EINRIP Preparation, Design and Technical Assistance activities to date, principally but not exclusively under the Project Preparation Consultant (PPC) contract.

Evaluation Completion Date: Final report submitted 26 November 2009

Evaluation Team: Dr Paul Crawford (Team Leader – Monitoring and Evaluation Specialist); Mr Charles Melhuish (Infrastructure Expert); and Mr Peter Kelly (AusAID Infrastructure Adviser).

Part 1: Management Response

The EINRIP PPC Independent Completion Report is a well structured, easy to read and well balanced report. An independent peer review (conducted by a member from the AusAID M&E panel) on the quality aspects of the report supports this view.

The ICR team interviewed relevant stakeholders and thoughtfully responded to the Terms of Reference (ToRs) provided. The ICR team recognised that although the ICR ToRs predominantly focused on the performance of the Project Preparation Consultant, the PPC was an integral element of the broader EINRIP initiative and the team thus assessed issues beyond the immediate PPC contract. This approach (and the ToRs) raised concerns amongst some stakeholders, particularly in relation to the ratings attributed to the AusAID evaluation criteria. However, it has also been widely acknowledged that a focus solely on the performance of the PPC would have resulted in a less useful evaluation – with recommendations and lessons confined to the PPC phase of EINRIP only.

AusAID has some qualifying comments on aspects of the ICR report text and observations as follows:

Context of the PPC Activity

It should be noted that the PPC was just a distinct preparatory phase of a much larger program that comprises the implementation of the \$300M loan program, involving 20 out of 24 projects proceeding to construction. The \$19.7M for the PPC was funded from the \$28M AusAID grant funds allocated to support the preparation, planning, design and monitoring of the loan. The ICR was necessarily focussed on the TORs and outputs of this phase, and therefore ICR Evaluation Criteria ratings above do not relate directly to the subsequent implementation phase of the loan.

Initial Cost Calculations

The Executive Summary of the ICR make reference on page V to the conclusion that “*the initial cost calculations were grossly under-estimated meaning that an original indicative target of 1,500 km of road is likely in reality to be closer to 400 km.*” AusAID’s response to this statement is that the initial estimates were of a very preliminary nature and were in all likelihood based on plans for a program of relatively ‘light touch’ betterment, ie not involving any significant road widening or re-alignment, installation of drainage or road junction safety improvements. At the estimated cost of \$150,000-\$200,000 per km it is in fact likely that the initially envisaged works involved little more than periodic maintenance (road re-surfacing and pothole repair). This is a much quicker and less expensive proposition than the comprehensive program of reconstruction to national road standards eventually agreed with Bina Marga and subsequently designed under the PPC.

Capacity Building not included

Lesson 9 states that “*a formal capacity building component alongside the technical assistance may have helped to mainstream improved processes.*” AusAID’s response is that considerable capacity building has occurred for both Bina Marga staff and the road construction industry at large, at various stages of the EINRIP process, and will continue throughout the implementation period. For example, the PPC was instrumental in providing formal and on-the-job training for 150 Indonesian engineers as road designers, to fill a gap in the local skills market. As the program has evolved, various training and skills enhancement opportunities have been taken, for example in relation to Road Safety at construction sites, Contract Management, Technical and Quality Audits, and HIV/AIDS awareness in the workplace.

Effectiveness of the Road Corridor Approach

Under *Effectiveness* on page V the report notes that “the corridor approach was adopted, but did not focus entirely on key strategic corridors to link ports and major centres with hinterlands with good economic potential.” AusAID’s response on this point is that the process to identify, negotiate and agree on the target routes for improvement with Bina Marga, was extensive and prolonged, and informed by economic rate of return considerations. It also had to recognise existing GOI work schedules and the GOI’s own priorities for

attention to the network. It was not possible or desirable for Australia to just nominate the roads that we wished to improve to the exclusion of these other important considerations.

Notwithstanding the above clarifications, AusAID considers the ICR recommendations as useful for the implementation phase and future management of EINRIP. Lessons learned identified in the ICR will also be useful should AusAID engage in any future capital works projects in the roads sector post EINRIP.

Recommendation One

Recommendation: *AusAID should commission a formal review of the supervisory arrangements; especially in relation to the capacity of the FIDIC Engineers*

Response:

Accepted.

In early 2010, AusAID will finance independent Technical and Financial Audit Consultants (TFAC) to undertake audits of EINRIP as a whole. Supervisory and contractual arrangements will be included in this audit as well as the implementation and operational arrangements at most significant project sites. Audit findings and recommendations will be presented to the Joint Management Meetings of Directorate General of Highways (DGH) and AusAID.

Recommendation Two

Recommendation: *AusAID should support the RSC's request to provide FIDIC training to improve understanding of the various supervisory roles and responsibilities*

Response:

Accepted

AusAID Jakarta is in the process of organising and funding a series of training workshops for this purpose to be delivered in the first half of 2010.

Recommendation Three

Recommendation: *AusAID should proactively explore all available options to fund the surplus road packages designed by the PPC.*

Response:

Accepted:

This matter was raised specifically with Gol at the December 2009 Senior Joint Management Meeting. AusAID offered to assist Ministry of Finance (MOF) /DGH in securing agreement for additional loan funding from the Multilateral Development Banks (MDBs) for the four fully prepared South Kalimantan projects. The DGH response was positive, but requested AusAID not raise the matter directly with the MDBs until the sensitive "social issues" (land acquisition problems) had been satisfactorily resolved. AusAID has agreed to this approach.

Recommendation Four

Recommendation: *AusAID should commission road safety audits on all EINRIP road packages, possibly through the Indonesia Infrastructure Initiative (IndII).*

Response:

Accepted

AusAID is currently investigating options for doing additional road safety audits (RSA) of selected EINRIP projects through the Indonesia Infrastructure Initiative (IndII).

Recommendation Five

Recommendation: *AusAID should require PMSC to conduct pre-tender briefings to ensure a comprehensive appreciation for the implications of the FED approach among industry actors.*

Response:

Accepted

It is DGH that conduct any briefings of this nature, and they have been previously advised that AusAID has no objection to them, under the terms of the Anti-Corruption Action Plan (ACAP), provided that they provide the required technical justification in writing to AusAID.

Recommendation Six

Recommendation: *AusAID should extend the M&E work for a minimum of five years, or preferably up to ten years.*

Response:

Under consideration

The M&E component contract does not expire until December 2010 and funding approval has been obtained for future years through to end of 2013/14. Further consideration will be given to extending this component at an appropriate point in the future, when the level of Gol interest in the outcomes can be gauged more accurately.

Recommendation Seven

Recommendation: *AusAID should oblige the M&E contractor to design and implement a strategy to disseminate and socialise the salient findings of the study.*

Response:

Accepted

This will be a part of the Terms of Reference and Scope of Services for the next phase M&E contract.

Recommendation Eight

Recommendation: *The AusAID Gender Adviser should engage with EINRIP to explore opportunities to address gender equality issues during the remainder of the project.*

Response:

Accepted

EINRIP needs to engage with a range of sectoral advisers and specialists to ensure that all social and environmental safeguards issues are adequately addressed either by existing agreements with Gol or by establishing new procedures. In particular, EINRIP has engaged with the HIV/AIDS Adviser at Jakarta post to assist DGH and its consultants engage with the National HIV/AIDS Commission (KPA) and with local specialist NGOs. There will be the requirement for further community engagement on this issue, as well as community input to social surveys and road safety work related to EINRIP roads.