

---

# **IAT: Mission 3 Report**

---

Indonesia Infrastructure Initiative (IndII) Phase 2

September 2016

<b>Document:</b>	IAT: Mission 3 Report
<b>Version:</b>	2.2 Final
<b>Assignment:</b>	Impact Assessment Team
<b>Client:</b>	Department of Foreign Affairs and Trade (DFAT)
<b>Contractor:</b>	KPMG
<b>Consultants:</b>	Paul Crawford Alan Coulthart Windhu Hidranto
<b>Date:</b>	28 February 2017

This document is the property of Department of Foreign Affairs and Trade (DFAT).

It is permissible to copy and use any of the material in this report provided that the source is appropriately acknowledged. Further information is available from:

**Benjamin Williams**  
Second Secretary  
Infrastructure Development Cooperation  
Department of Foreign Affairs and Trade (DFAT)  
Australian Embassy Jakarta  
Email: Benjamin.Williams@dfat.gov.au

© Department of Foreign Affairs and Trade (DFAT) 2016

## AID ACTIVITY SUMMARY

---

<b>Aid Activity Name</b>	Indonesia Infrastructure Initiative (IndII)		
<b>AidWorks initiative number</b>	INH582		
<b>Commencement date</b>	1 July, 2011	<b>Completion date</b>	<i>extended to 30 June, 2017</i>
<b>Total Australian dollars</b>	<b>AUD330 million</b> (up to AUD240 million grants; AUD67.8 million TA); and additional AUD12.1 million TA to support the extension period		
<b>Total other dollars</b>			
<b>Delivery organisation</b>	SMEC International Pty Ltd		
<b>Implementing Partner(s)</b>	Bappenas, Ministry of Public Works, Ministry of Finance, Ministry of Transportation		
<b>Country/Region</b>	Indonesia		
<b>Primary Sector</b>	Infrastructure		

---



---

## ACKNOWLEDGEMENTS

---

The IAT wishes to thank the DFAT Second Secretary for his management of this mission; the IndII Management, staff and consultants for their cooperation and assistance; GoI, DFAT and partners for generous time spent in interviews.

## AUTHOR DETAILS

---

**Dr Paul Crawford** (Aid-IT Solutions Pty Ltd) is an independent monitoring and evaluation (M&E) specialist with experience in around 40 countries in a range of development and humanitarian organisations over more than 20 years. Since 2004, Paul has conducted more than 120 international M&E assignments including 23 major DFAT evaluations. Paul's evaluation products have been showcased by the Office of Development Effectiveness as Good Practice Examples. He currently holds strategic advisory positions with DFAT's program in Timor-Leste and the global Civil Society WASH Fund that implements 29 projects in 19 countries.

**Mr Alan Coulthart** is an independent infrastructure specialist with over 40 years' experience, the majority of which has been in developing countries throughout the world. His career included 22 years with the World Bank working on urban development and transportation in South East Asia and Africa. He was Principal Infrastructure Adviser for the Australian Agency for International Development for four years and also had spells working for the British Overseas Development Administration and private sector consulting engineers in the Middle East and United Kingdom.

**Ir. Windhu Hidiranto, MPA** is a former public servant with extensive experience in the workings of government projects and their organizational mechanisms, funded from both government and donor sources. In the private sector, he has extensive experience in the generation of funding for projects, especially as senior advisor to the development of investment projects for various local governments. Among other things, he has assisted the Ministry of Public Works in designing and formulating the most appropriate form of PPP and Government support in implementing the National Road Master Plan, and at the Local Government level, he has helped to design and formulate the Master Plan for Regional Investment and provide support in the capacity building of the Coordination Team for Regional PPPs, of the City of Bekasi.

## EXECUTIVE SUMMARY

---

### *Background*

This is a report on the third of three missions in Jakarta (18 – 28 September 2016) by an impact assessment team (IAT) contracted by Australia's Department of Foreign Affairs and Trade (DFAT) to periodically assess Phase 2 of the Indonesia Infrastructure Initiative (IndII). This mission identified lessons and key factors that have influenced success over the past ten years of implementing IndII. These lessons are to inform the design of a new phase of infrastructure investment in Indonesia. The IAT reviewed the four broad modes of operating employed by IndII: i) providing technical support for infrastructure policy and planning; ii) conducting specific studies and designs; iii) implementing focussed projects that combine grants and technical assistance; iv) embedding technical advisers within government agencies. The methodology for data collection was qualitative (document reviews and key informant interviews). The mission was constrained by the availability of IAT members.

### *Findings*

IndII's approach has been well aligned with the change in Australian aid focus in Indonesia. Several internal and independent reviews have found that IndII has been a relevant and responsive program delivering high-quality technical assistance. Concerns have been raised at times about progress and expenditure delays and contributions to gender equality and social inclusion. There has been general agreement that the work supported by IndII has achieved notable impacts, though the sustainability of reforms and innovations introduced is not yet clear in all cases.

### *Facility Modus Operandi*

#### **Blending technical assistance and grant funding**

A key feature of IndII Phase 2 has been the blending of grant funding with technical assistance (TA)—something that is widely appreciated by stakeholders. From Gol's standpoint, the grant funding has given purpose and credibility to the TA; and the TA has ensured the relevance and effectiveness of grant funding. Stakeholders request that DFAT ensures sufficient grant funding is retained in the new phase of infrastructure investment to improve the provision of sub-national infrastructure.

#### **Fat versus lean facility**

IndII has been characterised as a 'fat' structure insofar as there have been large numbers of management staff and advisers and the facility has operated as a discrete corporate entity. This has been contrasted with a 'lean' structure in which only a management skeleton is retained. The appeal of a lean structure is its apparent efficiency due to lower 'corporate overhead'; and it is believed to enable greater flexibility to respond. The arguments for the fat structure centre on the pragmatics of designing and managing large programs of work. The most appropriate structure for DFAT's new phase of infrastructure investment is a matter currently being debated. The optimal structure will be influenced by answers to existential questions about Australia's aid program, and the nature of DFAT's engagement in Indonesia. If aid is to be seen as a diplomatic tool or device to establish relationships of influence, then a lean and highly responsive structure will likely be best. If aid is seen more through the lens of development assistance aimed at achieving significant reforms that have

enduring benefit, then a structure that facilitates purposeful and coherent work will likely be more effective. Irrespective of the various lean/fat scenarios, it is important that the next phase of infrastructure investment is supported with clearly defined facility management roles and responsibilities for TA teams vis-à-vis the GoI counterparts.

### **Problematic facility processes**

At its heart, a facility is a process manager. It is necessary to have workable processes to develop relevant concepts, design interventions, secure approvals, manage implementation, administer finances and monitor and evaluate results and risks. Several facility processes have been reviewed and assessed as problematic since Phase 1:

First, *project approval processes* have been ambiguous. Issues stem from divergent ideas about the Facility's delegation; or more particularly, the risk exposure of DFAT. Various reviews have concluded that a streamlining of approval processes is warranted.

Second, GoI interviewees in several counterpart agencies suggested that they have *not played a significant role in the preparation of activity designs*. GoI counterparts are represented on two Technical Teams (TT) that contribute to concept development, but it seems there has been limited involvement of counterparts in fleshing out ideas.

Third, there have been *different approaches to procurement* of project teams. Questions have been raised concerning the optimal size of packages of work that have been tendered, and the relative merits of procuring large contracting firms versus teams of individual advisers.

Fourth, facilities are well known to pose a range of challenges for M&E. It is accepted that IndII's M&E system has generated comprehensive information about activities, but there have been *criticisms of inadequate strategic M&E about facility performance*. The original conception was that this would be the ambit of the IAT.

Fifth, gender equality and social inclusion (GESI) is an overarching development priority of DFAT but *received modest attention by IndII*.

### **Development Bank collaboration**

DFAT has had a long collaboration on infrastructure with the Asian Development Bank (ADB) and World Bank (WB) in Indonesia. The development banks have moved away from 'retail lending' on a project-by-project basis to 'wholesale lending' through local financial intermediaries. An important distinction between the ADB and WB is that the latter cannot use its own funds to undertake preparation work such as studies or designs for a project that the WB will finance. IndII has a proven track record of mobilising experienced consultants quickly, and can ensure that sufficient funds are allocated to produce high quality preparation work. Both ADB and WB have been keen to collaborate with IndII to access this high-quality expertise. The incoming team for the new phase of infrastructure investment should explore engagement and collaboration with the MDBs.

### **Ownership**

#### **GoI ownership**

The notion of counterpart ownership is a central doctrine of sustainable development. It follows that a facility such as IndII should proactively foster ownership of activities and the wider Facility agenda. The IAT noted at least three factors that seem to have influenced Gol ownership: i) *clarity/tangibility* (all concepts and reforms must be communicated in the simplest terms, and be grounded in well recognised issues, with clear and tangible results); ii) *risk appetite* (endorsement to proceed—if not outright ownership—should be secured from the relevant counterparts recognising their inherent risk exposure. It seems that in many cases this would begin with the central policy agencies); iii) *timeframe* (it may be rational or politically expedient for some counterparts to withhold overt ownership until such time that perceived risks seem manageable, and that the concept/reform is sufficiently proven). IndII and DFAT have employed a range of strategies to secure/build Gol ownership: i) the Facility Board was established in part to promote Gol ownership among the key policy agencies; ii) the establishment of Technical Teams (TT) co-chaired by DFAT and Echelon 2 counterparts was designed to involve decision-makers in the technical agencies—the clients of IndII; iii) DFAT program managers have developed independent informal relationships with Echelon 3 Gol counterparts through whom information can be conveyed and gleaned. Notwithstanding the strategies employed, DFAT, the IndII FMC and consultants faced significant challenges in developing long-term productive relationships necessary to engender counterpart ownership. One ongoing issue facing all infrastructure donors is the tension between providing high quality TA in order to address priority issues, while managing the tension that arises from fostering dependency on foreign TA in the local market.

### **DFAT ownership**

It can be argued that DFAT's ownership of IndII has been demonstrated by the commitment of long-term funding—including for a new phase of investment recently contracted. On the other hand, the IndII FMC reported mixed messages from DFAT about priorities and the perceived value of some activities; and there has seemingly been limited appetite for M&E information about the performance of IndII activities in general, and the FRPDs in particular. However, it should also be acknowledged that for much of Phase 2, DFAT was necessarily preoccupied with the integration of the former AusAID and with significant budget and staff cuts at Post. The level of DFAT ownership must weigh the risk-mitigating benefits of an arms-length approach against the possibility that the program may accrue a stronger profile among counterparts than the donor. Given the strong technical focus of IndII, it seems that curtailing the engagement and profile of the facility could be ultimately self-defeating.

### **Facility Governance**

#### **Board functioning**

The peak governance mechanism for IndII was envisaged to be a Facility Board, but the mechanism is widely considered to have failed as a way to provide strategic direction and to foster Gol ownership. Persistent challenges have included: i) inconsistent attendance at meetings; ii) informed members to oversee implementation; iii) ineffective board meeting processes and formats. The key issue at this point is to resolve how the new infrastructure program can more efficiently and meaningfully benefit from strategic direction; and how Gol ownership in the infrastructure agenda can be meaningfully developed and retained.

**Technical Teams**

Two Technical Teams (TT) were established and co-chaired by DFAT (First Secretaries) and GoI (Echelon 2) to support IndII's work in transport and water and sanitation. Their primary focus was on concept approval but there was also an expectation of implementation oversight. A weakness was the poor delineation of responsibility with the board which extended to weak oversight of implementation.



## CONSOLIDATED RECOMMENDATIONS

---

1. DFAT should maintain sufficient grant funding in the next phase of infrastructure investment to incentivise improved provision of sub-national infrastructure..... 6
2. DFAT and the managing contractor for the new phase of infrastructure investment should work together to unambiguously articulate the strategic rationale for Australia investing in infrastructure in Indonesia, since this rationale will dictate the optimal structure and mode of engagement with GoI. .... 7
3. DFAT should coordinate and utilise the relative strengths of AIPEG and the new infrastructure investment to maximise the tactical advantages of both modes of engaging with GoI..... 7
4. To the extent possible, advisers should be located within counterpart premises to foster engagement and responsiveness..... 8
5. The incoming team for the next phase of infrastructure investment must unambiguously define the boundaries of risk and responsibility between DFAT and the managing contractor; and in particular, set down precise activity approval protocols that accurately reflect the risk profile. .... 9
6. The incoming team for the next phase of infrastructure investment should explore ways to foster more meaningful involvement of GoI counterparts in activity design, while ensuring appropriate measures are in place to mitigate delays. .... 9
7. Procurement for large-scale technical assistance projects should favour firms rather than teams of individually hired consultants. Within consultants' teams the comparative advantages of having fewer full-time individual team members versus a larger number of intermittent advisers should be assessed. The preferences of counterpart agencies should be considered..... 10
8. DFAT should consider the merits of establishing an independent (or quasi-independent) M&E contractor to oversee both operational and strategic performance management across the infrastructure portfolio. Such an arrangement should provide greater regularity than was achieved with the IAT and could conduct annual facility assessments. .... 12
9. The incoming team for the new phase of infrastructure investment should examine ways of making gender equality and social inclusion a more prominent part of the program, including assessing the overall contribution of the facility to improving equality in Indonesia. .... 13
10. The incoming team for the new phase of infrastructure investment should detail the basis for engagement and collaboration with the MDBs. The impact of the ADB's Engineering Services projects on demand for Australian support should be assessed..... 15
11. DFAT should convene regular sector coordination meetings involving the IndII FMC, relevant IndII sub-contractors and the MDBs to promote greater alignment and resolve any issues that may arise within the sector. .... 15
12. DFAT should continue to support GoI (Bappenas, MoF and MoPWH) with infrastructure project preparation and designs to acceptable bankable standards.. .... 17
13. The incoming team for the new phase of infrastructure investment should consider ways to strengthen the local consulting industry in relation to project preparation and design..... 17

14. Establish a Steering Committee comprising only DFAT (Minister Counsellor) and a Bappenas official (Echelon 1) to meet as required to make critical decisions about sector priorities, resource allocation and the strategic agenda..... 20
  15. Maintain the sectoral Technical Committees but with a focus on concept development and approvals. Membership would comprise DFAT (First/Second Secretary) and Echelon 2 officials from Bappenas and the relevant technical ministry. .... 20
  16. Establish an Implementation Council (or sectoral Councils) comprising relevant technical agency officials, academics and/or private sector representative (as recommended by the Technical Committees) to have oversight of implementation, facilitate inter-agency coordination, and to make routine tactical decisions. The ambit of the Implementation Councils would be to troubleshoot and advise on issues constraining implementation progress. .... 20
  17. All governance bodies should be supported with clearly articulated Terms of Reference, and to the extent possible, with performance measures..... 20
-

## TABLE OF CONTENTS

---

Aid Activity Summary .....	ii
Acknowledgements .....	iii
Author Details.....	iii
Executive Summary .....	iv
Consolidated Recommendations.....	viii
Table of Contents.....	x
Table of Figures .....	x
List of Acronyms.....	xi
1. Introduction.....	1
1.1 Document Purpose and Structure .....	1
1.2 Context .....	1
1.3 Facility History .....	2
2. Methodology .....	3
2.1 Scope.....	3
2.2 Review Team.....	3
2.3 Sample .....	3
2.4 Methods .....	4
2.5 Limitations.....	4
3. Findings .....	5
3.1 Facility Modus Operandi .....	5
3.2 Ownership .....	15
3.3 Facility Governance.....	18
3.4 Transition and Way Forward .....	20
4. Conclusion .....	21
Appendix A: Terms of Reference for Mission 3 .....	I
Appendix B: List of Interviewees .....	VII
Appendix C: Case Studies of Policy and Planning .....	XI
Appendix D: Case Studies of Specific Studies .....	XXIII
Appendix E: Case Study of Integrated TA & Grants .....	XXXI
Appendix F: Case Study of Embedded Advisers .....	XXXV
Appendix G: Status of Progress Indicators .....	XL

## TABLE OF FIGURES

---

Figure 1: Engagement Areas and Selected Proposed Infrastructure Lending Operations in the World Bank's Country Partnership Strategy FY16 – FY20.....	14
Figure 2: Water hibah progress .....	XLI
Figure 3: Water hibah (USAID) progress.....	XLI
Figure 4: Sanitation hibah progress.....	XLI
Figure 5: sAIG progress .....	XLII
Figure 6: PRIM progress.....	XLII
Figure 7: TA deliverables.....	XLII

## LIST OF ACRONYMS

ADB	Asian Development Bank
AIIB	Asia Infrastructure Investment Bank
AIP	Aid Investment Plan
AIPEG	Australia Indonesia Partnership for Economic Governance
APPR	Aid Program Performance Review
AUD	Australian Dollars
Bappenas	National Development Planning Agency
BPJT	National Toll Road Authority
BRT	Bus Rapid Transit
CMEA	Coordinating Ministry for Economic Affairs
CPS	Country Partnership Strategy
DFAT	Department of Foreign Affairs and Trade
DGH	Directorate General of Highways
DPL	Development Policy Loans
EAM	Extension Assessment Mission
EINRIP	Eastern Indonesia National Roads Improvement Program
FMC	Facility Managing Contractor
FRDP	Facility Review and Planning Document
GDP	Gross Domestic Product
GESI	Gender Equality and Social Inclusion
GoI	Government of Indonesia
IAT	Impact Assessment Team
IndII	Indonesia Infrastructure Initiative
ITF	Infrastructure Trust Fund
JTIP	Jakarta Transport Improvement Program
M&E	Monitoring and Evaluation
MDB	Multilateral Development Bank
MIS	Management Information System
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MPWH	Ministry of Public Works and Housing
MoT	Ministry of Transport
ODA	Official Development Assistance
POM	Performance Oversight Monitoring
PPP	Public Private Partnership
PRIM	Provincial Roads Improvement Program

RPJMN	National Medium Term Development Plan
sAIIG	Australian Indonesia Infrastructure Grant for Sanitation
TA	Technical Assistance
TAMF	Technical Assistance Management Facility
ToR	Terms of Reference
USAID	United States Agency for International Development
USD	United States Dollars
WB	World Bank

# 1. INTRODUCTION

---

## 1.1 Document Purpose and Structure

This is a report on the third of three missions by an impact assessment team (IAT) assigned to Phase 2 of the Indonesia Infrastructure Initiative (IndII). IndII is a facility funded by the Australian Government's Department of Foreign Affairs and Trade (DFAT); implemented by a managing contractor (SMEC International Pty Ltd); and governed by a board comprising DFAT and the Government of Indonesia (GoI)<sup>1</sup>. The IAT is an independent monitoring and evaluation (M&E) mechanism contracted directly by DFAT. This IAT mission was conducted in Jakarta over the period 18 – 28 September 2016; two years after the previous IAT mission. The principal focus of the mission was on documenting key lessons learned over the 10 years of IndII to inform planning for a new phase of support for infrastructure development in Indonesia.

In the body of this report (Section 3), lessons and reflections are provided in relation to IndII's *modus operandi*, along with an assessment of the extent of ownership of IndII activities by GoI and DFAT. Recommendations are offered in relation to the functioning of the IndII board and how strategic priorities were set. The focus on public-private-partnerships (PPP) is reviewed. Key achievements and leveraged impacts are summarised and recommendations are made for continuity between the current and next phase of DFAT's infrastructure support.

Beyond these general findings (Section 3), case studies of selected activities based on the Facility's four 'modes of operation' are provided in Appendices C (Policy and Planning), D (Specific Studies), E (blended TA and Grants) and F (Embedded Advisers).

## 1.2 Context

### *Indonesian context*

Since the first IAT mission in February 2014, the Indonesia infrastructure sector has been influenced by significant changes—not least a change of government from the administration of President Susilo Bambang Yudhoyono<sup>2</sup> to the administration of the former Governor of Jakarta, Joko Widodo. This change coincided with the end of Indonesia's second National Medium Term Development Plan (2010 – 2014).

Infrastructure development is a core focus of Indonesia's third National Medium Term Development Plan (2015 – 19). Targets include achieving 100 per cent access to clean water and sanitation for the population, the construction of 6,000 kilometres of new roads and a focus on improving the average percentage of maintainable provincial roads from 63 per cent to 80 per cent.

Indonesia's economy has traditionally been underpinned by commodities; and while commodities (principally palm oil and rubber) still make up around 60% of export value, waning global demand has eroded the impressive economic growth witnessed through to the early 21<sup>st</sup> century. Between 2010 and 2014 Indonesia's overall growth rate fell from 6.2% to 5%. The Economist (February 2016) argued that slowing economic growth highlights that the country has "*persistently failed to invest enough in infrastructure and education*".

The current administration aimed to return Indonesia to 7% growth by attracting high-value manufacturing and services, and investing in infrastructure and a better business climate. However, the World Bank's Ease of Doing Business index ranks Indonesia at 109 of 189; and

---

<sup>1</sup> Bappenas, Ministry of Finance (MoF) and Coordinating Ministry for Economic Affairs (CMEA)

<sup>2</sup> Sworn into office on 20 October, 2004.

despite reducing fuel subsidies and other economic measures, the budget remains under pressure and borrowing capacity is close to maximised. Actual investment in new infrastructure remains low despite the positive rhetoric. Gross Domestic Product (GDP) last year increased by 4.8%—the lowest rate since 2009.

### *Australian context*

Support to improve infrastructure planning and delivery has been one of three longstanding priority areas for Australian aid to Indonesia and the largest single element. An important contextual factor is that the design of Phase 2 coincided with a period of rapid scale-up of Australia's official development assistance (ODA)—targeted at 0.5% of GDP by 2015. During this period, the aid program in Indonesia was under pressure to grow by more than AUD135 million (25%) each year for four years—peaking at around AUD950 per year. Infrastructure spending was a key part of the strategy to achieve targets; and in 2012 – 2013 IndII and a sister program (the Eastern Indonesia Road Improvement Program, EINRIP) represented over 85% (AUD111 million out of AUD130 million) of the infrastructure expenditure.

A change of Australian government in 2013, contracting fiscal conditions, and a new aid policy<sup>3</sup> culminated in aid budget cuts in Indonesia of approximately 40%. A revised Aid Investment Plan (AIP) for Indonesia retained a strong focus on infrastructure, but in accord with Australia's economic diplomacy agenda, the emphasis moved more overtly to fostering leverage and influence.

## **1.3 Facility History**

The Australian Government approved the first phase of IndII in October 2007 at an initial cost of AUD64.8 million to provide technical assistance (TA) to GoI's infrastructure policy, planning and investments at national and sub-national levels. Implementation commenced in the third quarter of 2008. In 2009 IndII was expanded to include substantial water and sanitation funding—which became the water hibah.

A decision was taken in May 2011 to enact a clause in the Phase 1 contract to extend IndII for four years (to June 2015). This second phase of activity was allocated up to AUD330 million of which up to AUD240 million was set aside for government-to-government grants<sup>4</sup>; and AUD67.8 million was allocated to TA<sup>5</sup>. The goal of Phase 2 (as stated in Schedule 1B of the IndII contract<sup>6</sup>) was: *“to improve infrastructure provision by reducing policy, regulatory, capacity and financing constraints on infrastructure expenditures at the national and sub-national levels”*. The facility consolidated effort in two infrastructure sectors: water and sanitation, and transport. IndII Phase 2 undertook a large program of work that may be characterised in terms of four modes of operation:

1. Providing technical support for infrastructure **policy and planning**
2. Conducting specific **studies and designs**
3. Implementing focussed projects that combine **grants and technical assistance**
4. **Embedding technical advisers** within government agencies

<sup>3</sup> *Australian aid: promoting prosperity, reducing poverty, enhancing stability*

<sup>4</sup> Australia Indonesia Infrastructure Grants (AIIG) are administered through direct funding agreements (DFA) managed by DFAT.

<sup>5</sup> TA is administered by the IndII Facility Managing Contractor (FMC).

<sup>6</sup> The goal stated in the approved M&E plan is worded differently: *“to contribute to sustainable, rapid and inclusive economic growth and poverty reduction through improved infrastructure access and service provision”*. Of note, the goal in the contract is pitched at a conceptual level below economic growth. Both goals can be critiqued from a technical standpoint for conflating two levels of logic into one (reflected in the use of the words ‘by’ and ‘through’, respectively).

In mid-2014, approval was granted to extend Phase 2 initially by seven months (to January 2016) and then later to January 2017 to provide time for the grants to achieve their performance and expenditure targets, and to provide DFAT with the necessary time to design and procure a new infrastructure program. In February 2016, a tender for a new phase of infrastructure programming was released to market. Tenders closed in April 2016 and the winning contractor mobilised in Jakarta in September 2016 under design-implement arrangements. The IndII Phase 2 contract was again extended to June 2017 to enable and effective transition to the new contractor and uninterrupted implementation. The objectives of the new phase of infrastructure investment build on the IndII experience: i) high quality project delivery, management and maintenance by Government of Indonesia; ii) an improved policy and regulatory framework conducive to infrastructure development; iii) high quality project preparation.

## 2. METHODOLOGY

---

### 2.1 Scope

This third of three IAT missions took a more expansive view of IndII than the previous two; aiming to identify lessons and key factors that have influenced success over the past ten years of investment. The intention was to contribute to the design of the next phase of infrastructure investment—which was concurrent with this mission.

The terms of reference (ToR) for Mission 3 are provided in Appendix A.

### 2.2 Review Team

The IAT comprised three members:

- **Team Leader and M&E Specialist:** responsible for the review methodology, compliance with DFAT M&E standards and norms, coordination of team inputs, and leading the report drafting.
- **International Infrastructure Specialist:** responsible for providing technical and development assessments of IndII's work, and contributing to authorship of the report.
- **Indonesian Infrastructure Specialist:** responsible for clarifying Indonesian contextual issues (cultural, technical, political), facilitating access to relevant Indonesian stakeholders and contributing to the development of key findings.

### 2.3 Sample

The IAT reviewed the four broad modes of operation listed in Section 1.3. DFAT, the IndII Facility Managing Contractor (FMC) and the IAT collaborated to select activities within each of these operating modes. The IAT explored the perspectives of key informants in relation to three subjects:

- **Stakeholder ownership:** the extent to which GoI counterparts and DFAT demonstrated ownership in terms of activity formulation, engagement during implementation, and outcomes achieved.
- **Facility management and delivery processes:** the extent to which IndII's activity design, procurement, implementation and risk management processes contributed to (or detracted from) success.
- **Strategic direction-setting:** how the strategic priorities and direction of the facility were set, and the extent to which such decisions informed by M&E.

Stakeholder perspectives were drawn (as available) from four classes of key informant:



- **DFAT:** advisers, managers and staff associated with IndII in particular and infrastructure investments in general.
- **IndII:** Facility managers, advisers and consultants.
- **Gol:** government counterparts associated with particular activities studied, and with IndII's governance more broadly.
- **Informed third parties:** informed development partners involved in the infrastructure sector and with knowledge of IndII's activities (such as the multilateral development banks).

A list of interviewees is provided in Appendix B.

## 2.4 Methods

The methodology for data collection was qualitative:

- **Document reviews:** a review of key documents produced by the facility along with relevant sector literature helped to identify key issues ahead of the mission, and provided the basis for factual data presented in this report.
- **Key informant interviews:** 44 individuals (only four female<sup>7</sup>) provided the backbone of the primary data collection. The IAT was able to probe and triangulate stakeholder perspectives during the course of the mission.

IAT members compiled notes of interviews and discussions and used content analysis methods to identify common and exceptional themes.

Case studies of each of the four modes of operating listed in Section 1.3 are provided in Appendices C (Policy and Planning), D (Specific Studies), E (blended TA and Grants) and F (Embedded Advisers).

## 2.5 Limitations

It is a truism that reviews of this kind are constrained by the time and resources available. Due to availability constraints of IAT members, this review was carried out over a two-week period, but with only three days of overlap between the M&E Specialist/Team Leader and the International Infrastructure Specialist. The Indonesian Infrastructure Specialist was engaged throughout the two-week mission. Some key stakeholders were unavailable for interview—including members of the Facility Board.

---

<sup>7</sup> A separate review is considering the gender equality challenges in the infrastructure sector.

### 3. FINDINGS

#### 3.1 Facility Modus Operandi

Australia's development assistance program in Indonesia has changed dramatically during the period IndII has been implemented. In the first part of Phase 2, the facility was seen as a mechanism for DFAT to rapidly increase aid expenditure; in the latter part of Phase 2, IndII has enabled DFAT to action a commitment to working in a more 'catalytic' way. The change in focus was succinctly reflected in the most recent Aid Program Performance Report (APPR, 2015 – 16):

*"Our key focus in 2015-16 was the continuing transition of Australia's development assistance program from a traditional aid program to an economic partnership. Indonesia has a clear forward agenda and its own budget dwarfs the money available through international Official Development Assistance (ODA). Australia's role as an economic partner is to provide advice and expertise, working with Indonesia to strengthen the evidence base for policy reforms, and test new approaches".*

IndII's approach has been well aligned with the change in Australian aid focus:

- **Leverage:** IndII has achieved considerable leverage by providing high-calibre technical expertise to support GoI initiatives that would otherwise not have been technically, administratively or financially viable (see Appendices D & E).
- **Risk-taking:** IndII has demonstrated the merit of new policies or technical approaches that would have been considered too risky for GoI to trial unassisted (see Appendices C, D & E).
- **New Approaches:** IndII has demonstrated new approaches such as the 'Output-based', or 'Results-based Approach' through technical assistance and injections of grant funding to incentivise reforms (see Annex E).
- **Flexibility and responsiveness:** IndII's ability to procure expertise quickly has enabled it to capitalise on emerging opportunities and needs, and to build a foundation for influence (see Appendix F).

Several internal and independent reviews have found that IndII has been a relevant and responsive program delivering high-quality technical assistance. Concerns have been raised about progress and expenditure delays and contributions to gender equality and social inclusion. There has been general agreement that the work supported by IndII has achieved notable impacts, but the sustainability of reforms and innovations introduced to partners is not yet clear in all cases.

This section provides reflections on aspects of IndII's work including: the merit of blending grants with technical assistance (TA); the size and structure of the facility; perceptions of management processes including points of interface between the facility and DFAT; and development partner collaboration and engagement.

#### *Blending Technical Assistance and grant funding*

A key feature of IndII Phase 2 has been the blending of grant funding with TA—something that is widely appreciated by stakeholders. From GoI's standpoint, the grant funding has given purpose and credibility to the TA; and the TA has ensured the relevance and effectiveness of grant funding. A senior official in Bappenas advised the IAT that *"the best type of development assistance is one that meets our needs...the grants and TA have helped us to pilot new frontiers"*. This view is consistent with findings reported in the first IAT report (p 16 – 17). The combination of grants and TA has been valued because it has made it

possible for new ideas to be trialled by GoI through sharing risk with the donor. In several cases this has had a catalytic effect on GoI policy (see Appendix E, including examples of catalytic effects). The relative merits of separating grant funding and TA (i.e. providing these within two different aid modalities) was canvassed during the first IAT mission, and rejected by all stakeholders.

DFAT advised the IAT of an intention to reduce the amount of grant funding for new activities in the next phase of infrastructure investment. This is a reasonable response to fiscal pressures, but caution should be exercised not to reduce grant funding to the extent that it erodes a key value of the Facility from GoI's standpoint, thereby risking the scope for policy influence. DFAT's experience with the water and sanitation hibahs, and more recently the Provincial Road Improvement and Maintenance (PRIM) initiative, has underscored the value of supporting a 'learning by doing' approach to policy change within GoI. Arguably, the volume of grant funding allocated to the water hibah during the aid program's 'scale-up phase' was more than was necessary to demonstrate the value of the approach to GoI. However, the more recent example of PRIM demonstrates the power of combining grant funding and TA to drive policy change—especially when employed within an outputs-based framework. One interviewee observed *"it is the incentive of the reimbursement of 40% of costs which is really driving change"*.

**Recommendation:**

1. DFAT should maintain sufficient grant funding in the next phase of infrastructure investment to incentivise improved provision of sub-national infrastructure.

### *Fat versus lean facility*

There are perhaps several ways that a facility such as IndII could be structured. The relative merits of the Phase 2 structure and size have been debated and reviewed at various points. IndII has been described as a 'fat' structure; and is contrasted with 'lean' structures such as the Technical Assistance Management Facility (TAMF) for Economic Governance, and its successor, the Australia Indonesia Partnership for Economic Governance (AIPEG). In this review, we explored various dimensions of this characterisation.

Evidently, IndII has been characterised as fat insofar as there have been large numbers of management staff and advisers (most whom have been located either within counterpart's premises or close to them), and the facility has operated as a discrete corporate entity—located in an office tower with the associated organisational processes, trappings and brand presence. This has been contrasted with a lean structure in which only a management skeleton is retained—with most staff and advisers operating in a decentralised way, located in counterpart premises and drawing on counterpart administrative resources<sup>8</sup>.

The appeal of a lean structure is its apparent efficiency due to lower 'corporate overhead'. But more profoundly, it is believed to enable greater flexibility to respond to emerging counterpart needs. Also, being co-located with counterparts, it is believed to foster opportunities for better communication, access and influence.

The arguments for the fat structure centre on the pragmatics of designing and managing large programs of work. One IndII interviewee observed *"IndII implements projects focussed in transport and watsan. These are large projects of several million dollars each that produce*

<sup>8</sup> The IAT noted that the lean/fat characterisation of IndII is perhaps too categorical in that the facility has provided embedded advisers (see Appendices C and F) and has also managed large programs of work (see Appendices D and E).

*products and are effectively organisational teams in their own right*". The implication is that working in this way demands a minimum level of administrative support and corporate capacity that may not be possible with a lean/decentralised structure.

It is accepted in management literature that structure should follow strategy. One interviewee reflected that a lean structure is optimal if the strategy is to establish counterpart relationships; and to reinforce these relationships by being present, flexible and responsive. Whereas a fat structure is optimal if the strategy is to be purposeful—to pursue an agreed agenda or development objective. *"In my experience development is ultimately most effective when it's focussed"* (IndII team member).

DFAT's wider experience with facilities is that the strategy commonly evolves through time. A flexible facility is most appropriate in unknown or dynamic contexts; and a move to a more purposeful agenda with coherent activities is appropriate as priorities and counterpart relationships mature. In fact, interviewees reflected that this trend had indeed happened with IndII: *"IndII has been an exercise in consolidation and focus...the roads program is an example of a maturation from speedboats to ships"*.

The most appropriate structure for DFAT's new phase of infrastructure investment is a matter currently being debated. To some extent, this will be influenced by deeper existential questions about Australia's aid program, and the nature of DFAT's engagement in Indonesia (i.e. the strategy). If aid is to be seen as a diplomatic tool or device to establish relationships of influence, then a lean and highly responsive structure will likely be best. If aid is seen more through the lens of development assistance aimed at achieving reforms that have enduring benefit, then a structure that facilitates purposeful and coherent work will likely be more effective<sup>9</sup>. However, this neat dichotomy is complicated by the fact that there are legacy programs from Phase 2 that are ongoing, and management of these will need to be continued under presumably similar arrangements to IndII Phase 2 (see Section 3.4); and there may also be new opportunities and indeed new sectors that could be explored which will require agility and flexibility. A senior Bappenas official recognised the appropriateness of both ways of engaging as embodied in IndII and AIPEG: *"As we see it, IndII addresses the main issues, and AIPEG fills in the gaps"*. This suggests that DFAT could direct the 'new IndII' and AIPEG to more systematically explore synergies<sup>10</sup>. Gol interviewees made it clear to the IAT that the large programs initiated by IndII had generated considerable value in terms of influencing policy; but likewise, embedded TA was deeply appreciated by the Coordinating Ministry of Economic Affairs (CMEA), Bappenas and the Directorate General of Highways (DGH)—and this was most useful when the TA was domiciled within counterpart premises.

#### **Recommendation:**

2. DFAT and the managing contractor for the new phase of infrastructure investment should work together to unambiguously articulate the strategic rationale for Australia investing in infrastructure in Indonesia, since this rationale will dictate the optimal structure and mode of engagement with Gol.
3. DFAT should coordinate and utilise the relative strengths of AIPEG and the new infrastructure investment to maximise the tactical advantages of both modes of engaging with Gol.

<sup>9</sup> A useful Socratic question to debate is: *will a strategy that focuses entirely on responsiveness and relationship-building be successful in the medium to long term if there is not also some substantive output or value generated by that relationship?* Put another way, could a singular focus on relationships in fact be counterproductive to those relationships in the end?

<sup>10</sup> The IAT was advised that there has been some cooperation between the programs; e.g.: a Joint baseline spending review of MoPWH (DGH) medium-term budget estimates.

4. To the extent possible, advisers should be located within counterpart premises to foster engagement and responsiveness.

Irrespective of the various lean/fat scenarios, it is important that the next phase of infrastructure investment is supported with clearly defined roles and responsibilities for TA teams *vis-à-vis* the facility management *vis-à-vis* the GoI counterparts. As discussed below (and also in Section 3.3 in relation to Governance), ambiguity about key processes/functions such as concept development, design, quality assurance and approval has contributed to conflicts and delays. This situation could be mitigated by defining clear Terms of Reference for the key stakeholders and clearly delineating roles and responsibilities.

### *Problematic facility processes*

At its heart, a facility is a process manager. It is necessary to have workable processes to develop relevant concepts, design interventions, secure approvals, manage implementation, administer finances and monitor and evaluate results and risks.

Several facility processes have been reviewed and assessed as problematic since Phase 1, and remain somewhat unresolved heading into the third phase of DFAT's infrastructure programming. These processes should be an area for consideration by the incoming team.

### **Ambiguous and problematic approvals process**

Of consistent concern through this phase of IndII has been processes related to concept approval. Issues stem from divergent ideas about the Facility's delegation; or more particularly, the risk exposure of DFAT. On one hand DFAT procured technical expertise through SMEC to deliver IndII; but on the other hand, DFAT staff feel keenly responsible for the quality and progress of activities. A DFAT staff member involved during early stages of the facility noted challenges faced by both the contractor and DFAT: *"Each step in the approval process was sensible on its own, but accumulated into a heavy load. The contractor felt the workload for approval was intensive. I'm sure it was. There was an element of 'stop-go'; but it's hard to change that because of staff obligations under the FMA Act"*.

Various reviews have concluded that a streamlining of approval processes is warranted. A report commissioned by DFAT in October 2010 to assess the merits of extending IndII posed the question: *"why buy a dog then bark yourself?"* The first IAT mission for Phase 2 (February 2014) reviewed approval processes in some depth and suggested improvements and clarifications<sup>11</sup>. In this third and final IAT mission (September 2016), similar issues were again raised. Such process issues should be relatively easy to diagnose and optimise, so it is somewhat perplexing that they have persisted for more than six years. This is particularly so now given the budget pressures facing DFAT, with consequent staff reductions.

Aside from mutual frustrations that inevitably arise from ambiguous processes, there is also the matter of cost and inefficiency. For much of Phase 2, IndII has been behind progress and expenditure targets, and yet bureaucratic processes have been one important contributor to these delays—seemingly a case of self-harm.

### **Recommendation:**

<sup>11</sup> The essence of the recommendation was to make approval processes commensurate with the level of risk/investment—with the managing contractor having appropriate latitude to move ahead efficiently with lower risk investments.

5. The incoming team for the next phase of infrastructure investment must unambiguously define the boundaries of risk and responsibility between DFAT and the managing contractor; and in particular, set down precise activity approval protocols that accurately reflect the risk profile.

### Limited counterpart engagement in activity design

Gol interviewees in several counterpart agencies (including DGH and Transjakarta) suggested that they have not played a significant role in the preparation of activity designs. Gol counterparts are represented on two Technical Teams (TT) (see Section 3.3) that contribute to concept development, but it seems there has been limited involvement in fleshing out ideas<sup>12</sup>. There is understandable sensitivity about sharing detailed cost information; and in the case of DGH, the IndII FMC was concerned that design and approval processes could be further delayed by DGH's bureaucratic decision-making. Nevertheless, there are sound development arguments for fostering more meaningful Gol engagement in design processes, including joint development of documents (without financing details).

#### Recommendation:

6. The incoming team for the next phase of infrastructure investment should explore ways to foster more meaningful involvement of Gol counterparts in activity design, while ensuring appropriate measures are in place to mitigate delays.

### Different approaches to procurement

IndII has demonstrated effective procurement capability, but has not yet demonstrated a consistent and considered approach to procurement for large-scale projects. The speed with which it has mobilised high quality consultants—whether firms or individuals from the pre-screened roster—is seemingly the envy of other development agencies such as the multilateral development banks (MDBs). In this section, we discuss procurement in relation to two aspects:

- The size and nature of packages of work procured
- The procurement of individual advisers *versus* corporate consulting firms

Concerning the *first point*, we queried why three separate packages of support for DGH were tendered since there would seem to have been advantages in procuring a single package<sup>13</sup>. The IndII FMC informed us that the magnitude of the overall task (currently around AUD18.5 million, but originally much less) was considered larger than a single consultancy with the necessary capacity and experience in the Indonesian roads sector could handle. Furthermore, it was considered that the three activities required diverse expertise beyond what was likely within a single consultancy. As it transpired a single consulting company (Cardno) was awarded the two largest activities.

<sup>12</sup> Evidently this situation has been more a feature of the Transport TT than the Watsan TT. Some individuals expressed the view that the difference was largely a function of the skill and engagement of the two Bappenas Co-chairs appointed to the TTs,

<sup>13</sup> Apparent advantages of a single package include: **communication** (a single point of contact at the senior level), **coordination** and **economies of scale**.

In a second case, the Jakarta Transport Improvement Program (JTIP) was procured as two separate activities; however, this seems to have been the result of evolution rather than design. The need for substantial engagement with non-Bus Rapid Transit (BRT) services emerged after a consultancy had been procured to assist DKI Jakarta<sup>14</sup> to improve the BRT. In retrospect, there was scope to undertake the JTIP as a single assignment, which would have enabled synergies between the packages. This could have been achieved by adding the non-BRT work as a contract variation to the scope of the original contract. An independent M&E review carried out in 2014 concluded: “...the review team believes that significant synergies would have been realized through the combination of roles and responsibilities between Sub-components A and B”.

Concerning the *second point* above, we considered the use of teams made up of individually contracted consultants (as was the case of the Sub-Component B above) *vis-à-vis* contracting a single firm. In the case of the Sub-component B team, the individuals engaged reportedly gelled well and their quality and professionalism was well regarded by Transjakarta. Further, it may be that the average cost per person-month is less for individuals than for a corporate entity. Nevertheless, it would seem that a single contract confers the advantages of corporate support systems and a single point of responsibility for quality assurance. It is also likely that synergies between various aspects of work being undertaken are more likely when managed by a single consultancy. Analysis provided by the IndII FMC confirmed that in Phase 2, over 75% of IndII’s work was tendered out to companies rather than individuals. But perhaps more surprising is that a relatively large number of short-term consultants have provided intermittent inputs compared with an alternative model of engaging fewer full-time consultants. For example, a total of 75 consultants worked on the three DGH activities of which only 35 were full time staff (mostly Indonesian nationals). The obvious advantage of the short-term approach is that a diverse range of skills can be brought to bear, and it could be that more experienced consultants are either unwilling or unavailable to work full-time. However, there may be a risk of diffusion of effort and lack of continuity—issues that were in fact raised by GoI counterparts at DGH and Transjakarta.

#### **Recommendation:**

7. Procurement for large-scale technical assistance projects should favour firms rather than teams of individually hired consultants. Within consultants’ teams the comparative advantages of having fewer full-time individual team members versus a larger number of intermittent advisers should be assessed. The preferences of counterpart agencies should be considered.

#### **Inadequate strategic M&E**

Facilities are well known to pose a range of challenges for M&E. It is accepted that IndII’s M&E system has generated comprehensive information about activities, but there is criticism that the overall performance of the facility was not well examined. This is to be expected since the initial plan was for a division of M&E responsibilities: a DFAT-engaged IAT responsible for routinely assessing the performance and impact of the facility; and IndII responsible for M&E ‘below the line’.

The IndII M&E Plan was updated in May 2013, and adopted an approach that emphasised logic models, clear outcomes and baselines for every activity (there were approximately 130

<sup>14</sup> The Jakarta local government.



distinct activities). Monthly activity progress reports have been assimilated into six-monthly Facility Review and Planning Documents (FRPDs) that attempt to draw coherence across the portfolio<sup>15</sup>. But this is a fundamentally bottom-up process; and while the FRPDs draw considerable internal attention and resources, their submission to DFAT and GoI seems to have been largely a formality, with little apparent reliance on—or valuing of—the content by DFAT or the board<sup>16</sup>. The FRPDs are inevitably large and dense and interviewees referenced “information overload” and “too much detail”. There is an overall sense that there is a lot of data about what has been done *by the facility*, but less insight about the consequence *of the facility*. The M&E Plan (2013) clearly states the expectation that this kind of strategic synthesis would be led by the IAT<sup>17</sup>.

The Extension Assessment Mission (EAM) in October 2010 reaffirmed the recommendations of the midterm review for Phase 1, which argued for routine (nine months) inputs by the IAT. However, in Phase 2, the IAT conducted two missions. The first (February 2014) occurred around two-and-a-half years into implementation, and the second was seven months later (September 2014). Both missions examined issues of concern to DFAT at the time rather than assessing evidence of Facility impact overall. There was no engagement with subnational stakeholders. While it is legitimate for DFAT to use an IAT in this way, it was nonetheless a different function from the original intention of routinely assessing overall facility performance and impact.

In the absence of credible strategic analysis, strategic decisions about the Facility can only be based on tacit knowledge or assumptions. Whilst this approach is not without merit, it should not replace regular strategic evaluations of overall facility performance.

Given the staffing constraints and fiscal pressures faced within DFAT, a logical recommendation for the new phase of infrastructure investment is to oblige the contractor to be responsible for M&E at both the activity and strategic levels. However, DFAT has tended to view strategic information generated by subcontracted M&E specialists as lacking credibility and independence—possibly filtered by the commercial interests of managing contractors. DFAT’s design for the recently tendered Timor-Leste ‘M&E House’<sup>18</sup> (p 5) reflected this concern:

*“Telling a funding organisation that things are not going well in an aid investment is difficult. There are strong incentives in place not to do so. Currently all M&E practitioners are sub-contracted by the implementer organisation, and M&E practitioners usually report to the team leader or director. They are accountable to the contracting organisation. This can result in reports that are not accurate assessments of the adequacy of progress, risk management, or analyses of why things may or may not be working. Sometimes, Implementing Partners do not trust that accurate information will be used for program improvement rather than result in some sort of penalty”.*

The Timor-Leste M&E House is a professional third-party performance management team, contracted by DFAT and separate from managing contractors. It is established to prescribe and oversee M&E across the whole country portfolio, thereby introducing a degree of coherence and purposefulness that is not possible with the conventional delegated/subcontracted M&E model. The expectation is that the M&E House will provide

<sup>15</sup> There were also periodic impact evaluations (internal and external) of major activities (eg Water Hibah, PRIM, 20 PDAMs, Road Safety), gender reviews and lessons learned workshops.

<sup>16</sup> It is perhaps telling that M&E output has never been requested by/presented to the Facility Board.

<sup>17</sup> Notwithstanding this broader point, IndII has also conducted and commissioned various wider evaluations and studies that have informed strategic thinking beyond activity level M&E.

<sup>18</sup> DFAT (2016) ‘Monitoring and evaluation house: Buka Hatene’, *Design Document*, Dili, March 2016.



DFAT with a more coherent ‘strategic narrative’ about the entire aid program in Timor-Leste than has been previously possible. This rationale is similar to the Performance Oversight Monitoring (POM) contractor installed by the education program in Indonesia—that has focussed on a single sector. Such an independent M&E structure would essentially be the IAT, but with an expanded scope and responsibility.

**Recommendation:**

8. DFAT should consider the merits of establishing an independent (or quasi-independent) M&E contractor to oversee both operational and strategic performance management across the infrastructure portfolio. Such an arrangement should provide greater regularity than was achieved with the IAT and could conduct annual facility assessments.

### **Modest focus on gender equality and social inclusion**

Gender equality and social inclusion (GESI) is an overarching development priority of DFAT. Infrastructure investments are known to have significant impacts on women in communities. In Phase 2, IndII engaged a gender specialist (around 30 days per year) who supported staff situated within the ‘cross-cutting team’, including a fulltime national Gender Officer<sup>19</sup>.

The crosscutting team implemented a ‘Gender Categorisation Tool’ to assess and rate every activity design through a gender equality lens<sup>20</sup>. The crosscutting team also reviewed all progress reports to glean aspects of the work that might be appropriate for showcasing from a gender equality standpoint. There were several gender case studies drafted and two evaluations (2014 and 2016) of IndII’s gender equality performance were conducted. The categorisation and review work evidently helped to give prominence to the gender equality agenda within IndII. However, there were no discrete gender-focussed activities implemented—such as activities with a specific focus on influencing the role of women in decision-making and leadership. Nevertheless, some of the major activities (e.g. sAIG) included support for GoI gender equality initiatives; and IndII collaborated with AIPEG to design and implement a study of female workforce participation in the urban transport sector.

There was no disability capacity on the team, although the IAT was advised that IndII had forged a working relationship with a disability advocacy group in transport (KUAT) which ultimately helped to influence the design of new buses for Transjakarta.

The implementation of a systematic gender categorisation process was commendable. Members of the crosscutting team reported that they had had to demonstrate value and build demand for their support, but that regular requests for support were arguably indicative of a changing organisational culture. However, the team recognised that the core focus of the facility was on technical issues and that limited resources were dedicated to gender equality and social inclusion. This situation has been recognised in the consistently modest Aid Quality Check (AQC) ratings for gender.

<sup>19</sup> In addition, in June 2015 IndII appointed two Operations Managers, one of whom was a former Gender Specialist with experience on DFAT programs in Asia. She provided additional support to the Gender STA and the national Gender Officer.

<sup>20</sup> Every design was assessed against five categories: A) no gender consideration; B) Institutional impact, but no community impact; C) Institutional impact, limited community impact; D) Institutional and community impact; E) Impact from other sources.

The next phase of infrastructure investment should examine ways to extend this work to include assessing changes in the role and influence of women in infrastructure policy and planning, and to more proactively include assessment of the impact of infrastructure investments on gender equality and disability access in the M&E system.

**Recommendation:**

9. The incoming team for the new phase of infrastructure investment should examine ways of making gender equality and social inclusion a more prominent part of the program, including assessing the overall contribution of the facility to improving equality in Indonesia.

### *Development Bank collaboration*

The Asian Development Bank (ADB) and the World Bank (WB) are the two most active MDBs in Indonesia. They have recently been joined by the Asian Infrastructure Investment Bank (AIIB), which approved one of its first ever loans for Indonesia during 2016.

The MDBs pursue two main forms of operational activities through their country offices in Indonesia:

- **Analytical and Advisory Assistance (AAA):** activities such as sector reviews and assessments, policy reform recommendations, social assessments etc. AAA is often the precursor to lending operations; for example, a review of the transport sector may identify significant gaps in the inter-connectivity of different modes and the investments that would be required to resolve them.
- **Lending Operations** involve three main forms of loan:
  - *Investment Loans:* have a predefined scope, e.g. water supply facilities in four cities and are usually implemented by a Government Department e.g. the Directorate General of Human Settlements (DGH) of the Ministry of Public Works and Housing (MPWH).
  - *Programmatic Loans:* are investment loans without a fully defined scope of activity; e.g. they may have an initial commitment to fund water supply facilities in one city and provision for funding a further three or more cities that meet pre-defined eligibility criteria. They can also be implemented by a Government department or through a financial intermediary such as a local bank or other financial institution (see below).
  - *Development Policy Loans (DPLs):* provide support to the central Government budget with disbursement made against agreed triggers—usually the adoption of progressive policy or legislative reforms. DPLs may be tied to a particular sector.

There has been a move away from ‘retail lending’ on a project-by-project basis to ‘wholesale lending’ through local financial intermediaries. There has also been increased use of results-based lending, which appears to have been influenced by the success of IndII’s hibah projects.

DFAT has had a long collaboration on infrastructure with the ADB and WB in Indonesia. Currently this is operationalised in three ways: i) via IndII; ii) through Infrastructure Trust Funds (Multilateral Development Bank-Infrastructure Assistance Program; MDB-IAP); and iii) by co-financing investment projects. The Infrastructure Trust Funds (ITFs) have provided AUD5 million per year to each of the two banks from 2013 to 2017 (i.e. a total of AUD40 million over four years and have funded TA support for all three forms of operational

activity. The TA has mostly been implemented directly by the MDBs through consultants, or in some cases ‘on-granted’ to GoI to be ‘recipient executed’.

An important distinction between the ADB and WB is that the latter cannot use its own funds or ITFs to undertake preparation work such as studies or designs for a project that the WB will finance. Such activity must be recipient executed, but there are drawbacks such as significant delays arising from the complex bureaucratic procedures of both the WB and GoI. Also, work has been considered sub-standard because of GoI’s reluctance to allocate sufficient funding to project preparation—even when provided as a grant. In this situation, collaboration with IndII is attractive. IndII has a proven track record of mobilizing experienced consultants quickly, and can ensure that sufficient funds are allocated to produce high quality preparation work.

Both ADB and WB have been keen to collaborate with IndII to access this high-quality expertise. As noted elsewhere in this report (see Appendix D1) the ADB has made extensive use of IndII’s work<sup>21</sup> on sewerage and sewage treatment in several cities. This has underpinned the ADB’s USD120 million investment in the Metropolitan Sanitation Management Investment Project.

Collaborations with the WB proved less effective. The IndII FMC noted that considerable efforts by IndII to assist WB develop a solid waste management project broke down because of differences between WB and the DGHS. Other efforts to develop urban transport interventions in both Surabaya and Jakarta also broke down. The IAT was informed that professional differences amongst WB and IndII staff and consultants were a contributing factor. There also seemed to be a sense, as noted in Section 3.1, that during Phase 2 IndII became more focussed on delivering its own greatly enlarged program. Arguably, the reduced engagement with the WB was a lost opportunity from which DFAT, IndII and the WB all stood to gain—as the relationship with ADB has demonstrated. It appears that more regular progress/review meetings involving DFAT as well as the MDBs and the IndII FMC could have helped resolve differences and kept collaborative efforts on track.

Going forward there remains considerable scope for collaboration with the MDBs. The WB informed the IAT that they would welcome DFAT’s support for their lending program—which is set out in the Country Partnership Strategy (CPS) for 2015 to 2020 and reflects the GoI prioritisation of infrastructure. Four out of the six CPS ‘Engagement Areas’ involve lending operations for infrastructure as indicated in Figure 1.

Engagement Area	Proposed Infrastructure Lending Operations
1. Infrastructure Platforms at the National Level	<ul style="list-style-type: none"> <li>National Affordable Housing Program</li> </ul>
2. Sustainable Energy and Universal Access	<ul style="list-style-type: none"> <li>2x Energy DPLs;</li> <li>Sustainable Energy Projects based on Geothermal and Hydro</li> </ul>
3. Maritime and Connectivity	<ul style="list-style-type: none"> <li>2x Maritime, Logistics and Connectivity DPLs</li> <li>Road Improvements to Improve Integrated Land and Sea Transportation;</li> </ul>
4. Delivery of Local Services and Infrastructure	<ul style="list-style-type: none"> <li>Regional Infrastructure Development Fund;</li> <li>National Slum Upgrading;</li> <li>Improvement of Solid Waste Management in Regional &amp; Metropolitan Cities;</li> <li>National Urban Water Supply Program;</li> <li>National Urban Waste Water Program;</li> <li>Surabaya Urban Transport;</li> </ul>

**Figure 1: Engagement Areas and Selected Proposed Infrastructure Lending Operations in the World Bank’s Country Partnership Strategy FY16 – FY20**

<sup>21</sup> Master plans, detailed designs and environmental assessments funded by IndII.

The current ADB CPS is an interim strategy pending a new document that will cover the period 2016 to 2019 and will reflect Indonesia's latest five-year plan. The Interim County Operations Business Plan covers the period 2015 to 2017 and includes the infrastructure operations listed below:

- Accelerating Infrastructure Delivery Through Better Engineering Services (this includes coverage of bulk water and other water supply projects);
- Improved Engineering Services for Clean Energy Projects (we were informed that this will include preparation of further city sewerage projects);
- Stepping up Investments for Growth Acceleration Program;
- Inclusive Growth and Sustainable Development Sub-Program;
- Electricity Grid Strengthening;
- Sustainable and Inclusive Energy Sub-Program

These are broad programs covering a range of sectors with an emphasis on water supply, clean energy generation and electricity distribution. As with the WB, there appears to be plenty of scope for collaboration, particularly in the water supply sector. We understand that the 'Engineering Services' projects are intended to support the preparation of a large number of public sector infrastructure projects that would be implemented by the Ministry of Public Works and Housing. This may reduce the demand on IndII to support project preparation.

#### Recommendations:

10. The incoming team for the new phase of infrastructure investment should detail the basis for engagement and collaboration with the MDBs. The impact of the ADB's Engineering Services projects on demand for Australian support should be assessed.
11. DFAT should convene regular sector coordination meetings involving the IndII FMC, relevant IndII sub-contractors and the MDBs to promote greater alignment and resolve any issues that may arise within the sector.

## 3.2 Ownership

### *Gol ownership*

The notion of counterpart ownership is a central doctrine of sustainable development. Implicit in the notion is the belief that the greater the ownership of a project, the greater the likelihood of success, because with ownership comes a keener sense of risk and thus, a stronger motivation to address factors that may erode success. It follows that a facility such as IndII should proactively foster ownership of activities in particular, and the wider Facility agenda in general. Thus, at the completion of Phase 2, a reasonable issue for the IAT to explore is the extent of Gol ownership.

The IAT interviewed a range of stakeholders about perceptions of ownership and noted at least three factors that seem to have influenced Gol ownership:

- **Clarity/tangibility:** there is general agreement that it has been easier to build a sense of ownership for activities that are linked to grant funding to test new policies. It is perhaps obvious to state that stakeholders are less likely to back a reform or innovation if the benefits are unclear or difficult to articulate, let alone realise. Thus, activities that have produced a tangible result have tended to engender greater Gol ownership.

- **Risk appetite:** ownership of innovative or reformatory activities is likely to be greater among counterparts with a stronger risk appetite. In the context of Gol partners, this is more likely among policy agencies (such as Bappenas or MoF) that are familiar with dealing with abstract concepts. Technical agencies tend to be more conservative but can be persuaded to embrace change wholeheartedly as the experience of the water and sanitation hibahs demonstrates.
- **Timeframe:** in many cases, ownership builds with time and exposure to a concept. The very nature of reforms is that they may be initially perceived as risky (or indeed undesirable), but through time, a case emerges, and support and ownership grows as the benefits and opportunities clarify. Some interviewees suggested that Gol ownership may in fact be actively withheld until a concept or reform is proven, and seems politically possible. Thus, for some activities, ownership should not necessarily be a criteria to commence.

The implication of the above includes:

- all concepts and reforms must be communicated in the simplest terms, and be grounded in well recognised issues, with clear and tangible results;
- endorsement to proceed (if not outright ownership) should be secured from the relevant counterparts recognising their inherent risk exposure. It seems that in many cases this would begin with the central policy agencies;
- it may be rational for some counterparts to withhold overt ownership until such time that perceived risks seem manageable, and that the concept/reform is sufficiently proven.

IndII and DFAT have employed a range of strategies to secure/build Gol ownership:

First, and most prominently, the **Facility Board** was established in part to promote Gol ownership among the key policy agencies. The working assumption was that if Gol was involved with the prioritisation of activities and funding decisions, there would be a greater likelihood of ownership. As discussed in Section 3.3, the board has not functioned effectively in the implementation phase, and thus appears to have contributed little to securing and building ownership. Also, the high rate of turnover among Echelon 1 counterparts has negatively impacted this strategy.

Second, the establishment of **Technical Teams** (TT) co-chaired by DFAT and Echelon 2 counterparts was designed to involve decision-makers in the technical agencies—the clients of IndII. Given that technical agencies were excluded from the board, the TTs were seen as a way to foster ownership and ensure the technical merits of activity concepts. There seems to be a consensus that the water and sanitation TT was more functional than the transport TT. The particular reasons for this conclusion warrant further study, but were beyond the scope of this review.

Third, **DFAT program managers** have developed independent informal relationships with Echelon 3 Gol counterparts through whom information can be conveyed and gleaned. It seems that this operational contact has helped to build ownership.

Notwithstanding the strategies employed, DFAT, the IndII FMC and consultants faced significant challenges in developing long-term productive relationships necessary to engender counterpart ownership. For example, in the case of the Ministry of Public Works and Housing and DGH a change in government resulted in the appointment of a new Minister and new senior public servants down the chain of command. DGH had three Directors General between 2014 and October 2016 and underwent a major restructure. In the Jakarta Transport Improvement Program (JTIP) the main counterpart (Transjakarta)

changed status from a public service body within the local government to a more autonomous state-owned corporation that has had two Chief Executives in as many years.

A further dimension to GoI ownership concerns the reliance on TA—especially in relation to the preparation and design of high quality infrastructure investments. While there has evidently been a degree of ‘technology transfer’ from international to local consultants arising from IndII activities, some stakeholders urged that the new phase of infrastructure programming invest in the development of local consulting capacity—perhaps working through Indonesian and Australian professional engineering associations and university faculties. This strategy would need to be accompanied by GoI funding commitments for project preparation work across the infrastructure sector<sup>22</sup>. The IAT acknowledges the challenges in this approach—noting that DFAT programs have for many years tried to demonstrate to GoI the value of paying international market rates for project preparation and design; and that the local consulting industry seems reticent to bid for GoI contracts owing to concerns about corruption and payment. Nevertheless, local consultants would be cheaper, and a formalised mechanism to facilitate development of the local industry may foster incremental steps forward while positioning DFAT favourably.

#### **Recommendations:**

12. DFAT should continue to support GoI (Bappenas, MoF and MoPWH) with infrastructure project preparation and designs to acceptable bankable standards.
13. The incoming team for the new phase of infrastructure investment should consider ways to strengthen the local consulting industry in relation to project preparation and design.

### **DFAT ownership**

In addition to counterpart ownership of IndII, DFAT tasked the IAT to reflect on DFAT’s ownership of IndII.

On one hand, it can be argued that DFAT’s ownership of IndII has been demonstrated by the commitment of long-term funding—including for a new phase of investment recently contracted. On the other hand, the IndII FMC reported mixed messages from DFAT about priorities and the perceived value of some activities; and there has seemingly been limited appetite for M&E information about the performance of IndII activities in general, and the FRPDs in particular. However, it should also be acknowledged that for much of Phase 2, DFAT was necessarily preoccupied with the integration of the former AusAID and with significant budget and staff cuts at Post. During Phase 1, the then AusAID struggled with the challenge of meeting escalating expenditure targets. There is also the well documented challenge of managing the effect of a high turnover of A-based staff within DFAT, who each brings their own management style and priorities.

An intriguing dynamic was raised<sup>23</sup> with the IAT by DFAT officers who were frustrated that IndII seemed to have a higher status and visibility among GoI stakeholders than the Australian Government. There was a perception of competition between DFAT and IndII rather than a focus on synergy<sup>24</sup>. While this issue should be readily addressed with goodwill and sensible communication protocols, it nevertheless highlights a tension managed by

<sup>22</sup> ADB’s approach to this issue may be an appropriate way forward. This has involved convincing MPWH, MoF and Bappenas of the case for borrowing for project preparation and amending procurement practices to facilitate international competition.

<sup>23</sup> This issue was reported in the first IAT mission for Phase 2 (p 22).

<sup>24</sup> A development agency partner who felt that IndII was competing rather than collaborating with them also raised this aspect of perceived independent identity.

donors. On one hand, a benefit of outsourcing program management is that the donor can maintain ‘arm’s length’ from unpopular interventions or unsuccessful results. On the other hand, a successful program may accrue a stronger profile and affinity among counterparts than the donor. To some extent the latter may be especially likely with a facility such as IndII that has a strong technical focus and thus is staffed with strong individuals who can engage with and advise GoI counterparts on highly technical issues beyond DFAT’s traditional public policy expertise. This inevitably strengthens the profile and ‘gravitas’ of the facility. It is true that an underlying purpose of aid is to reinforce the standing of the bilateral relationship, but it seems that curtailing the engagement and profile of the facility could be ultimately self-defeating in this regard.

The heart of this issue is the matter of risk profile and delegation discussed above in relation to facility processes.

### 3.3 Facility Governance

#### *Board functioning*

The peak governance mechanism for IndII was envisaged to be a Facility Board—jointly chaired by Bappenas and DFAT, with members drawn from CMEA, MoF and academe. But the mechanism is widely considered to have failed as a way to provide strategic direction and to foster GoI ownership.

The IAT attached to Phase 1 of IndII made recommendations to address known issues with board effectiveness. Later, an Extension Assessment Mission (EAM) tasked with advising DFAT on the merits of executing a four-year contract extension (Phase 2) made similar recommendations. The first IAT mission for Phase 2 of IndII made further recommendations and suggestions about board process and membership. It is unclear why many of these recommendations have not been taken forward by DFAT/IndII despite near universal dissatisfaction with the existing arrangements. Some persistent themes were again raised in this third IAT mission: attendance, membership, and process. These separate but related issues are discussed in turn.

First, the matter of **attendance** is fundamental. It is a truism that without the active engagement of members, a board cannot function. It has been consistently difficult to attract board members to meetings. In particular, MoF and CMEA have been either unrepresented or represented by junior staff at meetings. It could be that the poor attendance at IndII board meetings is a pragmatic reality of trying to engage senior GoI officials who must respond to multiple demands. But the IAT was advised that similar issues are not encountered with other DFAT boards (e.g. AIPEG). It seems likely that the poor attendance is driven by more basic issues such as a lack of clarity about the involvement of GoI board members, the perceived value of the meetings and perhaps adequate remuneration and incentives for active involvement<sup>25</sup>.

Second, IndII’s board **membership** comprised the policy coordination agencies (Bappenas, CMEA and MoF). Line/technical agencies (e.g. MoPWH and MoT) were excluded on the grounds that they would be ‘clients’ of IndII and thus would have a vested interest in board decisions. While this rationale seems sound early in implementation when funding decisions are being made, there is an argument that the policy agencies have less stake in implementation oversight—which may explain waning participation over time. This suggests that there may be value in having different people making decisions about project approval, from those providing project implementation oversight. Also, the ongoing matter of whether

<sup>25</sup> The IAT was advised that the most active board member was the only one remunerated for his attendance.



MoHA (the agency that arguably has the greatest influence over local governments) should be a board member (or involved in some strategic way, especially in relation to activities at sub-national level) has been discussed but not resolved. IndII has suggested engaging a professional (remunerated) board, since this would ensure active engagement and advice.

Third, criticisms of board **processes** by various stakeholders have included: the frequency and duration of meetings; the degree of formality; the density and length of documentation. These factors have negatively impacted attendance, and may also derive from a possible mismatch between membership and purpose. The first IAT mission in Phase 2 noted that the board has never had explicit terms of reference; with one consequence being ambiguous delineation of responsibilities with the Technical Teams (see below). There have been several calls for simpler and more focussed board meetings and even *ad hoc*/informal meetings to troubleshoot specific issues. IndII has tried to respond with ‘lighter’ agenda and documentation, but there is an inherent tension in this tactic with the need to engage board members at depth with complex issues—especially in implementation. It seems that less (e.g. twice per year) meetings, that are highly focussed and relevant to the remit of individual board members is what is expected, with the Facility only reporting to the board on an ‘exceptions basis’ (rather than comprehensively reporting all details).

The key issue at this point is to resolve how the new infrastructure program can more efficiently and meaningfully benefit from strategic direction; and how GoI ownership in the infrastructure agenda can be meaningfully developed and retained.

A senior Bappenas official suggested to the IAT that in the new infrastructure program it may be pragmatic for strategic decisions to be made by just DFAT and Bappenas (reflecting the reality in Phase 2<sup>26</sup>)—with Bappenas tasked with keeping relevant GoI agencies informed<sup>27</sup>. Such a streamlined ‘steering committee’ is likely to be a more efficient way to set the strategic agenda and funding priorities of the new program. This leaner structure lends itself to less formal operations, and thus more nuanced and strategic interactions between DFAT and GoI. However, it potentially leaves the facility exposed in relation to informed oversight of implementation, and lacking the support needed to address bottlenecks that inevitably arise. One solution would be to install an ‘Implementation Council’ (or Councils organised on a sector basis), comprising senior technical agency officials, academics and other relevant and qualified individuals that would have oversight of implementation. Having such a two-tier governance structure appreciates the dual needs of the facility in relation **strategic decisions** about sector priorities and resource allocation; and **tactical decisions** about project implementation, technical options and stakeholder coordination/liaison.

### Technical Teams

Two Technical Teams (TT) were established and co-chaired by DFAT (First Secretaries) and GoI (Echelon 2) to support IndII’s work in transport and water and sanitation. The TTs were effectively sub-committees of the board, established at the request of Bappenas to enable greater input to IndII programming. Their primary focus was on concept approval but there was also an expectation of implementation oversight. Strengths of the TTs included that they were able to meet more regularly than the board, and involved technical agency officials in detailed discussions and decision-making. A weakness was the poor delineation of responsibility with the board which extended to weak oversight of implementation. Despite

<sup>26</sup> In phase 2, an IndII Committee comprising only DFAT and Bappenas was authorised to make strategic decisions, with the board serving in an advisory capacity.

<sup>27</sup> “We need to avoid a quarrel about strategic priorities and with the agenda being captured by sectoral interests”.



the challenges most stakeholders considered that there is valuing in continuing the TT structure with a focus on operational matters—especially in relation to activity approvals.

**Recommendation:**

14. Establish a Steering Committee comprising only DFAT (Minister Counsellor) and a Bappenas official (Echelon 1) to meet as required to make critical decisions about sector priorities, resource allocation and the strategic agenda.
15. Maintain the sectoral Technical Committees but with a focus on concept development and approvals. Membership would comprise DFAT (First/Second Secretary) and Echelon 2 officials from Bappenas and the relevant technical ministry.
16. Establish an Implementation Council (or sectoral Councils) comprising relevant technical agency officials, academics and/or private sector representative (as recommended by the Technical Committees) to have oversight of implementation, facilitate inter-agency coordination, and to make routine tactical decisions. The ambit of the Implementation Councils would be to troubleshoot and advise on issues constraining implementation progress.
17. All governance bodies should be supported with clearly articulated Terms of Reference, and to the extent possible, with performance measures.

Note that the IAT was advised of considerable effort during early 2016 by the IndII FMC and sub-contractors working in DGH to develop a coordination mechanism involving all stakeholders in the various interventions (see Appendix C1 for more detail). However, despite detailed planning and the endorsement of the Director General of DGH, the mechanism was not implemented.

### 3.4 Transition and Way Forward

#### *Current progress*

Several major IndII activities will be partway through implementation at the point that Phase 2 formally concludes. Several high-level progress indicators previously reported by the IAT are provided in Appendix G. Broadly speaking they illustrate ongoing challenges and delays, but progress nonetheless. There are a number of intriguing features in the charts that warrant further discussions between the IndII FMC, DFAT and the design team for the new phase of investment.

#### *Continuity between Phases 2 and 3*

A significant hiatus occurred between Phases 1 and 2 of IndII despite the decision being taken to exercise the extension clause in SMEC's contract. The risk of this occurring with the transition to the new phase of infrastructure investment is potentially greater given a new contractor will take over. A realistic assessment should be made of the time required to approve the new design, confirm appointment of the contractor for implementation, and for the contractor to mobilise. The option of granting a further extension to SMEC to cover this period should be considered to mitigate the risk of disruption.

Staffing of activities that will be novated to the new contractor should be carefully considered. Where feasible, and subject to the new contractor being satisfied about performance, existing staff should be retained through to completion of the activity.

New activities in line with the priorities of the new phase of investment will need to be programmed. Lessons learned from previous phases should inform planning about lead times for mobilisation and implementation. The pros and cons of instructing SMEC to initiate programming for the next year to 18 months should be carefully considered.

Particular attention will need to be paid to the current activities being undertaken by Cardno. It is understood that with Cardno serving as the FMC they will not be eligible to implement activities. If activities currently being undertaken by Cardno are to be extended new contractors will need to be appointed and the necessary support for novation provided.

Notwithstanding matters of intellectual property, an explicit plan should be developed to transfer key administrative systems from the IndII FMC to the new contractor, such as the management information system (MIS), the consultants' roster (updated), and communication arrangements. The IAT was advised that discussions about these matters have been initiated.

Programmatically, there may be merit in focussing more intensively on areas that seem to have traction with GoI such as:

- Assisting BPJT to deliver a PPP project based on the Availability Payment model
- Supporting PRIM implementation and disseminating the road hibah model
- Integrating transport modelling and rolling out RAMS and PRMS within DGH
- Engaging with the Governor of DKI Jakarta and Director of TransJakarta on possible continuation of the JTIP—including discussing with the MDBs about the scope for collaboration.
- Assessing the comparative advantage of IndII vis-à-vis the other PPP support initiatives that have been established in Indonesia by taking stock of the work done on activities such as Umbulan Bulk Water Supply and the adoption by GoI of the “Availability Payment” model.

Such high-level priorities could be set in an inaugural Steering Committee meeting.

## 4. CONCLUSION

---

There is wide agreement that DFAT's investment in the infrastructure sector through IndII has been significant and valued by counterparts—especially in relation to influencing policy and practice. At the heart of DFAT's strategy moving forward is a desire to maintain and develop opportunities for policy influence with GoI. Such an agenda requires a delicate balance between **proactive** engagement in purposeful reform and policy advocacy; and **reactive** engagement with the immediate needs of counterparts. Being proactive carries the risk that interventions are seen to be 'consultant-driven' and thus lacking in counterpart ownership; but being reactive carries the risk that a program could ultimately be criticised for being *ad hoc* and lacking vision—contributing little of substance. Clarifying its strategic purpose will enable DFAT to craft the most appropriate structure for a new phase of investment in infrastructure. This should also clarify the delegation and risk profile for a managing contractor, thereby streamlining management processes and freeing DFAT staff to focus more on policy engagement and counterpart relationships.

## **APPENDIX A: TERMS OF REFERENCE FOR MISSION 3**

---

### **TERMS OF REFERENCE FOR IAT MISSION 3**

1. These Terms of Reference outline the scope of the third and final IndII Impact Assessment Team (IAT) mission to be conducted 12 September to 17 October 2016.

#### **PURPOSE**

2. The purpose of the final IAT mission is primarily to undertake a review of the IndII facility and activities undertaken by the facility to capture the journey and achievements of the facility and identify relevant lessons learned to input into the design of Australia's new Infrastructure Program in Indonesia.

#### **BACKGROUND:**

3. IndII was approved by the Australian Government in October 2007 at an initial cost of \$64.8 million to provide technical assistance (TA) to the Government of Indonesia's (GoI) infrastructure policy, planning and investments at national and sub-national levels. The objectives of the first phase of the program were to:
  - a. implement efficient and effective project management for government infrastructure projects, including those financed by loans from the MDBs
  - b. build a more supportive and conducive policy and regulatory environment for infrastructure investment, and
  - c. enhance the economic and social impact of priority infrastructure projects.
4. In May 2011, IndII was extended for four years (to June 2015). This second phase of activity was allocated AUD330 million of which AUD240 million was set aside for government-to-government grants; and AUD67.8 million was allocated to TA. The objectives of Phase 2 were to:
  - a. implement efficient, effective management for GoI infrastructure programs and projects at national and sub-national level
  - b. build a more conducive regulatory and policy environment for high quality infrastructure investment, and
  - c. increase access to sustainable clean water supplies, improved sanitation facilities and other basic infrastructure services, especially for those on low incomes.
5. Completion of Phase 2 activities was extended by an extra nine months to January 2017 to provide more time for the grants programs to achieve their performance and expenditure targets and provide DFAT the necessary time to design and procure a new infrastructure program.
6. Since the commencement of IndII Phase 2, Australia's aid program to Indonesia has undergone a substantial transformation, including a budget cut of approximately 40 per cent, adapting to Australia's new aid policy framework, and the release of an updated Aid Investment Plan for Indonesia. It is therefore imperative to capture the successes over the life of the program and consider ways to effect significant infrastructure policy change in a highly dynamic environment.
7. The tender for Australia's new Infrastructure Program in Indonesia was released to market on 8 February 2016 and tenders closed on 4 April 2016. A managing contractor to design and implement the new program is expected to mobilise in August/September 2016 with the new design proceeding to implementation in early January 2017.
8. This new program is fundamentally different to the current program in that it has a much greater focus on leveraging and influencing GOI, multilateral and private sector infrastructure expenditure and investments. Quantifying leverage and influence can be particularly challenging, however by considering the impact of IndII and the monitoring

and evaluation system used over nearly a decade of operation we hope to better understand the factors that shaped the achievements of the program.

9. Given the forthcoming design process for this new program it is appropriate to consider the lessons learned from the current IndII program, in order to shape the design of the new program and its monitoring and evaluation framework, bearing in mind the objectives of the new program, which seeks to achieve:
  - a. **High quality project delivery, management and maintenance by Government of Indonesia** - to improve the delivery of infrastructure investments financed by GoI or MDB loans. Assistance will aim to strengthen institutions and systems to plan, design, deliver and maintain infrastructure that enhances trade, economic and access opportunities for men and women.
  - b. **An improved policy and regulatory framework conducive to infrastructure development** - to address the uncertain and inconsistent regulatory environment that has held back public and private infrastructure investment.
  - c. **High quality project preparation** - to improve project preparation of infrastructure investments for financing by GoI, MDB loans or the private sector. This will help address underinvestment in the infrastructure sector as well as improve the overall sustainability of investments by facilitating high-quality project designs.

#### KEY EVALUATION QUESTIONS:

10. This third and final IAT mission will seek to examine the impact of IndII's work by considering projects indicative of three broad modes of assistance provided by IndII:
  - a. **Policy and Planning Activities** (e.g. Roads Policy/Planning, Road Delivery, TransJakarta)
  - b. **Specific Studies** (e.g. Makassar Port, Jatiluhur)
  - c. **Combined Grant and Technical Assistance Activities** (e.g. Water Hibah, sAIG, PRIM)
11. The IAT will select one or more activities undertaken by the IndII program for each of the above modes of assistance and distil the lessons relevant to that mode of assistance to produce a body of knowledge to incorporate into the design of DFAT's new infrastructure facility.
12. Nomination of the activities to be included in the IAT will be determined by DFAT staff in consultation with GoI, IndII staff and the IAT team at the commencement of the review mission.
13. The IAT team will deconstruct these elements in order to identify the causal attributes that contributed to each element's impact or lack thereof. These may include individual, institutional, policy, governance, political economy or other factors.
14. Impact should be evaluated through the use of an appropriate framework relevant to the type of classification of activity being assessed ideally linked to the activity or program logic.
15. A significant purpose of the IAT reviewing these elements of IndII is to document the indicative policy, regulatory and management impacts achieved by IndII over nearly a decade of operation and the interaction between these impacts and the facility's monitoring and evaluation systems.

16. The IAT is not intended to be a comprehensive review, but rather a snapshot of notable outcomes and the causal factors that contributed to these outcomes.
17. The review should make recommendations relevant to each of the above modes of assistance to incorporate or avoid in the design of the new program. Recommendations may be combined across classifications if relevant.
18. When investigating each element, the IAT should consider the following questions with a focus on governance, evaluation and activity selection for the new facility:
  - a. **To what degree did the various stakeholders take ownership of activities and their outcomes?**
    - i. The objective of this question is to understand the degree to which ownership played a role in the effectiveness of activities undertaken by IndII.
    - ii. Analysis should consider ownership across an activity's lifecycle including design, implementation, completion/cessation and evaluation.
    - iii. Recommendations should be made to propose mechanisms or governance arrangements to increase ownership of activities undertaken by the new facility.
  - b. **How did activity design and procurement processes contribute to results?**
    - i. The objective of this question is to build on the ownership element of Question A to consider the role of stakeholders in activity selection and transition from design to implementation.
    - ii. Analysis should consider whether issues and risks were documented and understood, whether resourcing / team structuring was appropriate, and whether procurement processes supported the timely mobilisation of appropriate and experienced staff.
    - iii. Recommendations should be made for future activity design and procurement processes.
  - c. **How effective was monitoring and evaluation in leading the strategic direction and governance of the facility?**
    - i. The primary objective of this question is to understand the relationship between facility governance structures and the monitoring and evaluation framework.
    - ii. The IAT should consider the design and operation of the IndII monitoring and evaluation framework, including how results were captured and used for decision making and performance management.
    - iii. The IAT should consider linkages between governance mechanisms and the monitoring and evaluation framework and make recommendations for strengthening these linkages in future infrastructure facility investments.
19. The timing of this third IAT mission will allow the IAT's findings to inform the design of the new Infrastructure Program and its monitoring and evaluation and governance arrangements. The IAT will be expected to provide recommendations to DFAT and the design team on opportunities to incorporate the recommendations of the IAT into the design of the new infrastructure program. The IAT may wish to make short-term recommendations to IndII and DFAT if these recommendations can be implemented and result in improvements before January 2017, when the current facility ends.

20. The IAT will also undertake a 'health check' of the program based on the performance indicators outlined in the first IAT report. In its health check assessment, the IAT should also assess what recommendations have been implemented from the first and second IAT reports and whether further follow up is required.
21. In its assessment of the key evaluation questions, the IAT should consider gender equality and women's empowerment principles, noting the centrality of these principles in Australia's new aid policy and the importance of the new Infrastructure program to address gender equality in order for Australia to meet its strategic performance targets. The IAT should also consider the performance of IndII in responding to broader issues of vulnerability including disability-inclusive development and indigenous recognition, noting the frequent challenges of infrastructure programs in responding to these issues and making recommendations to improve outcomes in future infrastructure technical assistance program.
22. Engagement with the private sector is now a strategic target for Australia's aid program, with all new investments required to explore innovative ways to promote private sector growth or engage the private sector in achieving development outcomes. The IAT should seek out examples of private sector collaboration and quantifiable examples of promoting private sector growth from the current program and highlight any lessons from these examples for the new design.

### **REPORTING REQUIREMENTS:**

23. The review team (led by the M&E specialist) will provide DFAT with the following reports (refer to Services Order/Contract for number of days input for each report):
  - a. Evaluation plan – to meet the standards at Attachment A and be submitted prior to the in-country visit for stakeholder consideration (16 September 2016). In preparing the evaluation plan, the IAT will be expected to hold at least one preparation meeting with DFAT (telephone conference).
  - b. Presentation of an Aide Memoire and discussion – on the initial findings of the review to be presented to DFAT, the IndII managing contractor and to key GoI stakeholders at the completion of the in-country mission (3 October 2016).
  - c. Initial draft review report – to be submitted to the DFAT review manager (for immediate distribution to the IndII managing contractor and GoI stakeholders) within two weeks of completing the field visit (10 October 2016).
  - d. Final review report – to be submitted within two weeks of receipt of comments from DFAT, IndII and GoI on the Initial draft review report. The Final review report will be subject to DFAT acceptance and a time allowance should be made to incorporate one additional update based on DFAT consideration of the Final review report. The report shall be a brief and clear summary of the review outcomes and be based on a balanced analysis of the program. The final review report should be accessible to people with disabilities. The standards at Attachment B outlined DFAT's expectations for the final report.

### **REVIEW TEAM:**

24. The review team will remain comprised of an M&E specialist (team leader) and an international infrastructure specialist. These two IAT members will be advised by an Indonesian infrastructure specialist. The IAT will be accompanied by translators on an as needs basis.

### **DFAT REVIEW TEAM:**

25. The DFAT review team will be comprised of the Counsellor for Infrastructure and Economic Governance (review owner), the Infrastructure Program in Canberra (review

manager) and the Jakarta Post Infrastructure Unit who will assist with preparations in Jakarta for the visit.

**FURTHER READING:**

26. The following documents will be made available to the IAT to prepare for the second mission. Additional documents will be provided based on the IAT's selection of cluster activities/programs and requested by the IAT.

- a. IIAP Theory of Change Workshop Report
- b. Infrastructure Delivery Strategy
- c. IIAP Concept Note (recently approved by the Aid Investment Committee)
- d. Most recent Facility Review and Planning Document - FRPD
- e. Relevant IndII activity reports (to be provided to the IAT when requested)
- f. New Australian Aid Policy
- g. IndII Activity Progress Reports
- h. IndII Lessons Learned (workshop) Report
- i. Integrating Gender Equality in IndII Activities
- j. Gender Evaluation of the Water Hibah program

**POTENTIAL STAKEHOLDERS TO INTERVIEW**

22. Below is a list of potential stakeholders for the IAT to interview. Specific IndII consultants and GoI representatives will be determined based on the activities selected by the IAT in its evaluation plan.

- a. DFAT infrastructure unit managers + relevant program managers + other relevant staff
- b. Government of Indonesia representatives (including from Bappenas, Ministry of Public Works, Ministry of Finance – specific people will depend on
- c. IndII Facility Director + Deputy Director + Technical Directors and teams + SMEC Program Coordinator
- d. Key IndII Consultants and teams (M&E, Impact Evaluation Specialist –if already hired, Gender etc)
- e. Relevant IndII Consultants (depending on which activities are selected)
- f. IIAP Design Team



## **APPENDIX B: LIST OF INTERVIEWEES**

---

Date	Role	Institution
Monday 19 September	Infrastructure Adviser	DFAT
	Second Secretary – Infrastructure	DFAT
	Program Manager - Infrastructure	DFAT
	Second Secretary - Infrastructure	DFAT
	Program Manager – Infrastructure	DFAT
	Program Manager – Infrastructure	DFAT
	Facility Director	IndII
	Facility Deputy Director	IndII
Tuesday 20 September	Facility Director	IndII
	Facility Deputy Director	IndII
	Technical Director –Water and Sanitation	IndII
	Deputy for Infrastructure	Bappenas
Wednesday 21 September	Director – Centre for Government Support and Infrastructure Financing	MOF
	Deputy Director – Centre for Government Support and Infrastructure Financing	MOF
	Technical Director – Policy and Investment	IndII

Date	Role	Institution
Thursday 22 September	Acting Deputy for Infrastructure and Regional Development	CMEA
	Program Director - Committee for Acceleration of Priority Infrastructure Delivery	KPPIP
	Technical Director –Transport	Indll
Friday 23 September	Head of Indonesia Toll Roads Agency	BPJT
	Minister Counsellor	DFAT
	Second Secretary – Infrastructure	DFAT
	Program Manager - Infrastructure	DFAT
	Program Manager – Infrastructure	DFAT
	Second Secretary – Infrastructure	DFAT
	Program Manager - Infrastructure	DFAT
	Unit Manager – Infrastructure	DFAT
	Program Manager – Infrastructure	DFAT
	Program Manager – Infrastructure	DFAT

Date	Role	Institution
Monday 26 September	Lead Advisor	IndII
	Head of Sub-Directorate for Network Planning	DGH
	Road Network Specialist	Cardno
	Road Delivery Specialist	Cardno
	Infrastructure Adviser	DFAT
	Senior Program Officer - Infrastructure	DFAT
	Design Team Leader	Cardno
	Senior Adviser	Cardno
Tuesday 27 September	Bus Operations Specialist	IndII
	President Director	Trans Jakarta
	Director	Trans Jakarta
	Bus Operations Specialist	Jakarta Transport Improvement Program Consulting Team B
Wednesday 28 September	Infrastructure Specialist	World Bank, Jakarta
	Infrastructure Economist	Asian Development Bank, Jakarta
	Technical Director, Water & Sanitation	IndII
	Director	IndII
1 October	Team Leader	Jakarta Transport Improvement Program, Consulting Team B

## **APPENDIX C: CASE STUDIES OF POLICY AND PLANNING**

---

This appendix reviews selected examples of Policy and Planning Assistance provided by IndII:

- the broad assistance provided to the Directorate General of Highways (DGH);
- Jakarta Transport Improvement Program;

## C1: Assistance to Directorate General of Highways - National Road Network Development

### Background

Sixty percent of the 38,570km national road network urgently needs upgrading to accommodate projected three-to-fivefold traffic growth by 2030. Some 7,300 km of new expressways need to be built at an estimated cost of Rp 640 trillion (around A\$64 billion) and the arterial road network needs rehabilitation and expanded capacity at an estimated cost of Rp 300 trillion (around A\$30 billion). Construction standards also need to be improved for roads to provide better service and last longer.

IndII's national roads (NR) assistance to DGH has comprised three activities:

- **NR Policy** focuses on the institutional, financing and regulatory changes needed to deliver the expressway program, including private-sector participation and new, innovative forms of project delivery;
- **NR Planning** focuses on new network planning tools and, using these, to prepare a master plan of prioritised expressway and road improvement projects;
- **NR Delivery** focuses on improving design, construction and supervision quality standards, incorporating lessons learned from the Australian Government-supported Eastern Indonesia National Road Improvement Program (EINRIP). The drive for higher quality road construction comes directly from Vice President Kalla who reportedly makes reference to the high quality of EINRIP roads. It is also strengthening accountability and capacity for life-cycle asset management at the regional (Balai) level.

Each activity was procured as a separate package. The NR Policy activity was awarded to Aurecon Consultants and the Planning and Delivery activities to Cardno Consultants. The initial contracts commenced in the last quarter of 2013 and ran until mid-2015. Each contract was subsequently extended twice, firstly to January/February 2016 and thereafter to December 2016 reflecting extensions to the overall IndII program. The overall cost of the activities is around A\$18.5 million with a further A\$1.6 million allocated to individual consultants for specialist inputs and oversight. The cost of each activity including that of individual consultants and oversight is indicated in the Table C1 below. A total of 75 staff are involved of whom 24 are international. Of the 35 staff working on a full-time basis, the majority are national. It is estimated that the overall input on an equivalent full-time basis is around 50.

Activity	Cost (A\$)
NR Policy	3,844,287
NR Planning	7,319,029
NR Delivery	8,927,622
Total Cost	20,090,938

**Table C1: Cost of Support to DGH**

IndII also supported the Provincial Road Improvement and Maintenance (PRIM) activity, which comes under DGH oversight. It was managed separately by AECOM consultants as a pilot in NTB province. The NR Delivery consultants provided support for verification/review and national dissemination.

There was an unusually high turnover of personnel at both the political and executive levels in the Ministry of Public Works and DGH over the past two years. The change in Government in 2015 led to the appointment of a new Minister for Public Works, to which DGH reports. New policies followed, the most significant of which was a push to improve infrastructure as a means of promoting economic growth. This resulted in a large increase in the National Roads budget. There was also unprecedented turnover in DGH with three new Director Generals (DG) being appointed since 2014, which in turn led to changes in the lower echelons of the organization. There were also significant changes to DGH's organizational structure in 2015. The NR Delivery consultants' primary counterpart Directorate BinteK, the Technical Department, was disbanded with its functions spread around three new Directorates covering: Road Network Development; Road Construction; and Road Preservation. DGH's other two Directorates cover: Bridges; and Expressway, Urban Roads and Facilitation of Regional Roads.

### **Scope of Assistance and Outputs**

The **NR Policy** activity has focused on assisting the Toll Road Agency (BPJT), established in 2014, to facilitate the development of privately funded expressways. BPJT is responsible for ensuring that 1,000km of new expressway are delivered by 2019. It is intended that a further 4,000km are delivered thereafter. The consultants provide advice and guidance on matters relating to the planning, management, procurement, financing and delivery of the expressway network, through continuous engagement with counterpart staff. They have provided examples of performance standards from international projects for AP and prepared a resource compendium of useful documentation for future APs – draft concession agreement, payment mechanism, employer's financial model to estimate AP payments, typical procurement timeframes, advice on appointing transaction advisors, draft Information Memorandum, etc. Two missions to Australia were organized for senior staff of BPJT, other directorates of DGH, the Ministry of Finance, the Coordination Ministry for Economic Affairs and Bappenas to provide insights into Public Private Partnership (PPP) in infrastructure. The first mission in 2014 was a fact-finding mission and the second in 2016 focussed specifically on the 'Availability Payment' (AP) approach. The missions were credited with persuading the GOI to formally adopt the AP model, through legislation which was new to Indonesia. This offers an alternative to the more conventional revenue-based model and is suited to sections of expressway that do not initially have enough traffic to generate sufficient revenues to attract investors on a pure build and operate basis. The consultants have been working with BPJT over the past few months on developing a first project using this approach. The missions were also credited with triggering better cooperation amongst the ministries that participated, all of which are involved in promoting PPP.

The **NR Planning** consultants have prepared 20-year Master Plans for the whole country. This has covered expressways in Java, Sumatra, Kalimantan, Sulawesi and Bali and arterial roads throughout the whole country. The plans were based on models using projected economic growth, and social and population distribution data, the first time such an approach has been adopted in Indonesia. These new tools and techniques are currently being integrated into DGH's procedures for planning with eight staff being trained. These models have revealed how critical road network capacity constraints are, and have sharpened the focus on preparing and expediting the investment pipeline. They helped shape DGH's preparation of the National Medium Term Development Plan (RPJBM) and contributed to development of the 2015 – 19 Strategic Plan (RENSTRA). The consultants are also working on improving intra-island connectivity with the development of corridor planning procedures, which are being used to prepare corridor plans for Java and Sumatra.

The **NR Delivery** effort has concentrated on preparing and updating design standards and procurement arrangements including: an Expressway Design Manual and Design

Specifications; a Project Management Manual, and; Model Documents for the Specification and Procurement of Engineering Services. Challenges include insufficient budget provision to enable better quality design and supervision and the lack of capacity in the local civil engineering profession because there hasn't been the demand for such expertise in the past. A new road asset management system (RAMS) was developed and subsequently introduced in two regions (balais) with extensive staff training at the headquarters and balai level. A new provincial road maintenance system (PRMS), a programming and budgeting tool introduced by the PRIM project, has been trialed in NTB in readiness for dissemination around the country.

### **Influence of Activity Design and Procurement Processes**

There are questions on the extent of DGH involvement in the preparation of activity designs and on variations in their scope that DGH would like to see during implementation. DGH are consulted on the content but don't appear to be given the opportunity to review the documents before they are submitted to DFAT for approval. There is understandable sensitivity about detailed cost information but documents could be submitted without this. DGH are represented on the Technical Team (TT) that reviews designs but we are informed that the Transport TT has not been very effective and DGH are represented at a relatively junior level. IndII is concerned that more substantive involvement of DGH with its formal bureaucratic decision-making processes would slow down the development and approval process. It would seem that this could be accommodated by specifying time limits for reviews and comments.

The desire from DGH for variations in the scope of activities arose from the changes in Government and in senior personnel described above. One of the often-expressed values of IndII is its agility and responsiveness in adapting to changed circumstances. Such adaptability means specific objectives, outputs, and outcomes incorporated in initial activity designs change. When changes occur, it is important that they should be clearly documented and formally agreed.

IndII has a very effective procurement capability that is the envy of other development agencies such as the MDBs for the speed in which it can mobilise consultants from the pre-screened roster, whether firms or individuals. In the case of DGH we queried why the support was split into three separate packages. There would appear to have been advantages in terms of communication (a single point of contact at the senior level), coordination and perhaps in economies of scale. The IndII FMC informed us there was a consensus that the magnitude of the overall task (current cost is around A\$18.5 million) was larger than a single consultant with the necessary capacity and experience of the Indonesian roads sector could handle. Furthermore, it was considered that the three activities required different skill sets that a single consultant may not be able to deliver. As it transpired, a single consulting company, Cardno, was awarded the two largest activities.

### **Communication and Ownership**

There was quite a bit of variability in the sense of ownership felt amongst the limited number of DGH counterparts we were able to meet as indicated below.

*Work of the Policy Team Well Appreciated:* The Head of the Toll Road Agency (BPJT) had a clear sense of appreciation and ownership of the support provided by the Policy Team and this was echoed by the Director of MOF's Center for Government Support and Infrastructure Financing. They particularly appreciated the opportunity to visit Australia to learn how private financing had been mobilized for both economic and social infrastructure there. The Policy Team is the smallest of the consulting teams and has the benefit of being located in the DGH building.



*Planning and Delivery Work seems to be less well grounded:* By contrast the Head of the Sub-Directorate of Network Planning at DGH who reports directly to the Director General on the entire IndII support for DGH informed us that the Planning Team had not been sufficiently responsive to the needs of his directorate. He stated that his priority was to have more accurate information on the current condition of the entire national road network to enable more effective decision-making on resource allocation. While acknowledging the network modelling carried out by the IndII consultants was valuable, it did not appear to meet his immediate priorities. He also felt that there had been insufficient discussion of, and justification for, the introduction of the road asset management software package RAMS. He wanted to know why it was considered superior to other packages and why DGH's existing system could not be adapted and upgraded (the consultants informed us that it would not have been cost effective or technically feasible to adapt the existing system). He felt that the different IndII activities were rather disconnected and that there was sufficient clarity of purpose even within the individual teams. The IndII Lead Adviser, Manager of National Roads who is located in DGH with oversight of all three teams and members of the teams themselves were somewhat surprised by these views. They noted that the Head of the Sub-Directorate of Network Planning had only been in his current role for one year but that he had been fairly closely involved with all of the IndII activities throughout their implementation and had not expressed such views until recently.

*Mitigating Circumstances:* Clearly the change in Government and subsequent staff changes had a major impact on the ability of IndII FMC staff and consultants to interact effectively with senior counterparts. In addition, DGH have been the subject of an extensive investigation by the KPK (the Anti-Corruption Agency) throughout most of 2016, which has had an additional adverse effect on access.

*Location of the Consultants' Teams:* this also affects effective communication. Interaction is strongest with the Policy Team, which is located close to their counterparts within the DGH building. The Planning and Delivery teams were reportedly also offered some space (probably not enough for their entire compliment of staff) in the DGH building when they initially mobilized but decided to locate off-site. On reflection, it appears it would have been better for at least some of the staff to be located closer to their counterparts.

*Considerable Effort by IndII to Improve Communications hasn't come to fruition yet:* IndII had recognized at the beginning of 2016 the need for better communications with counterparts. A major workshop involving all key staff from DGH and their counterparts in IndII and the Consultant Teams was held on 15th March 2016 in an effort to address this. A proposal that involved the establishment of five broad Working Groups and a Coordinating Group was presented by IndII. Each Working Group was to be chaired by a DGH Director or equivalent and included the IndII Technical Director or one of the Team Leaders. The Co-ordinating Group was to be chaired by DGH's Director General and including IndII's Technical Director and Manager of National Roads and a representative from DFAT. It was proposed that all groups would meet every two months. Detailed arrangements and procedures were discussed and recorded. It appears that this had the enthusiastic support of all parties. However, it was not implemented. Reasons given include the above-mentioned investigation and the fact that no budgetary provision was made for the honorarium payments DGH staff are entitled to for such activities).

*Progress Reporting:* There appears to be adequate progress reporting. The Consultant Teams provide monthly and quarterly progress reports against specified deliverables to IndII and DFAT. This was not a requirement for the other two activities. IndII also submits very detailed six monthly progress reports to DFAT.

### **Achievements and Leveraged Impact**

### *Policy*

- Formal adoption of the “Availability Payment” (AP) method as a new eligible model for engaging PPP in expressways;
- Market sounding guidance and assistance to help attract private capital;
- Agreement to proceed with an AP pilot transaction, although it has been difficult to secure agreement on a specific section of road.

### *Planning*

- The traffic models for Expressways and National Roads for Java, Sumatra and Kalimantan and the Corridor Plans for Java and Sumatra provide the tools to enable GOI to allocate limited financial resources on sections of road that offer the highest economic and social returns;
- The Planning Models and Master Plans provided inputs for DGH’s Medium Term Plan (RPJBM) and Five-year Strategic Plan (RENSTRA).

### *Delivery*

- RAMS and PRMS will enable maintenance and rehabilitation interventions to be planned at the optimum time to reduce whole life costs and will provide a feedback loop for road design and construction quality;
- New design manuals, stricter road specifications, and new procurement documents that are more closely aligned to international standards, and the adoption of more thorough designs and independent arm’s length construction supervision should result in roads that perform better and last longer;
- While PRIM and the related Road Maintenance Hibah that incentivizes local governments to allocate more funding for maintenance is a separate activity (see Appendix E) the NR Delivery Team are facilitating its roll-out to other local governments. IndII is helping GOI plan an allocation for their 2018 budget for this;
- Provision of independent technical auditors to assess the quality of new road construction as a measure to enforce better standards;
- Establishment of the Road Traffic and Transport Forum as a governance mechanism involving civil society, academia, road user organizations and government officials at the local government level to stimulate demand for better quality roads.

### **Conclusions and Recommendations**

The DGH assistance program is probably the largest technical assistance program delivered by IndII. Despite what appears to be a commendable effort by IndII and the consultant teams, the impact so far has been modest and the apparent degree of ownership by DGH staff limited.

As noted above we received mixed views on ownership. The extenuating circumstances described above made access to senior staff difficult over the past year. The change of Government and unprecedented turnover of DGH’s senior staff were further mitigating factors. In the past year the IndII FMC and consultants have gone out of their way to improve communication as evidenced by a detailed proposal to establish Working Groups and a Coordinating Group to discuss and review activities on a two-monthly basis. Unfortunately these efforts have not yet come to fruition.

We note that neither the ADB nor the WB have chosen to support National Roads in recent years. The WB appears to have been discouraged by their poor experience with the West

Indonesia Road Improvement Project (WINRIP) that was intended to parallel the DFAT-supported EINRIP. However going forward the ADB Engineering Services Project covers preparation of road projects. The WB and ADB are also actively discussing PPP support with BPJT, and the WB is about to start work on initial screening of projects to identify a pilot

For the reasons described above we have the following recommendations concerning the National Roads program:

**Recommendation:** DFAT should consider scaling back the amount of support for National Roads. Attention should be focused on the areas that seem to have the most traction with DGH such as:

- Build on the progress already achieved with BPJT by assisting them deliver a PPP project based on the Availability Payment model. This may need to be selective given the constraints that the ARF places on a DFAT-funded facility in employing the expensive transaction advisors required. It would probably need to be done in partnership with other facilities such as the ADB's AP3F and WB's GIF ;
- Supporting PRIM and disseminating the road hibah model;
- Creating a dedicated planning function in DGH that amongst other things would develop and integrate the transport modelling efforts already undertaken by IndII;
- Further development and rolling out of RAMS and PRIM/PRMS.

A high-level meeting or preferably a workshop should be convened to reach agreement on how best to move forward on this. DGH should be actively involved in design of the agreed activity;

**Recommendation C1A:** Continue pursuing IndII's proposal to establish a sector Coordinating Group and Sub-sector Working Groups to improve communication and ownership among stakeholders;

**Recommendation C1B:** Consider appointing a single consulting firm with a higher proportion of fulltime staff to implement the next program of assistance to DGH to provide a more focused program and promote a higher level of engagement. The consulting firm's staff should be located in the DGH building to the extent possible.

## C2: Improved Urban Mobility - Jakarta Transport Improvement Program (JTIP)

### Background

In 2012, of 26 million person-trips per day in Jakarta, half were by motorcycle (up from 21 percent in 2002), and a further 25 percent were made by car and public transport (the latter down from 40 percent in 2002). Traffic congestion is amongst the worst in the world. A 12-route Bus Rapid Transit (BRT) system that is reportedly the largest in the world in terms of kilometres of busway only carries around 7 percent of public transport trips. The system operator Transjakarta (TJ) was upgraded from a Public Service Agency within the Transport Agency (DisHub) of DKI Jakarta, the Local Government Authority, to a more autonomous Local Government-owned corporation (BUMD) in March 2014. Other bus services including those that feed the BRT are provided by 14,000 angkot (minivans) and 2,200 minibuses owned by individuals, and 1,600 larger buses owned by companies. The owner operated minivans and minibuses are loosely organised into cooperatives, the largest of which is Kopaja. Each vehicle is licensed separately; however, they have no service obligations. Non-BRT safety and service standards are very poor.

Indll's JTIP comprises the two Sub-components described below. It aims to improve the quality, safety, reliability and efficiency of public transport services and to help reduce traffic congestion.

**Sub-component A** focused on improving the efficiency of the BRT system operated by Transjakarta (TJ). When the assignment started, TJ was still part of DisHub. With its change to a more commercially focused corporation (BUMD), institutional, business and capital expenditure plans were developed to improve the efficiency of operations and profitability. In the later stages of the activity, attention moved to developing and improving infrastructure including: the upgrading of a busway corridor; a major bus depot; a system control room; and a park and ride facility. Designs and procurement documents were prepared. Guidance was also given on asset management to better preserve the function and value of TJ's equipment and infrastructure.

**Sub-component B** provided a broader level of support to DKI Jakarta regarding public transport policy reform through the development of a long-term policy and strategic framework for public transport as a whole. This focused primarily on improving the non-BRT bus system by developing performance-based contracts to achieve better-regulated, safer, and more efficient scheduled services. The reforms were to be tested on a pilot route.

Sub-component A was awarded to MR Cagney, a consulting firm, in late 2012. Sub-Component B grew out of an initial activity undertaken by an individual consultant. Given the finding that non-BRT bus services accounted for some 90% of all public transport journeys it was decided to scale up this effort. Further international and local individuals were recruited in 2013 to work under the leadership of the original consultant (a total of 15 international specialists have been mobilized over the activity period). Both Sub-component activities were extended twice up to January 2017 reflecting the extensions to Indll.

The cost of these activities was A\$6.07 million and A\$2.88 million for Sub-components A and B respectively, a combined value of just under A\$9 million.

When the contracts were awarded BRT services were administered by DisHub and they also regulated non-BRT services. Both consultant teams were initially located in the DisHub office but they subsequently moved to TJ's offices. In October 2014 the then Governor of DKI Jakarta, Jokowi (who was subsequently elected as President of Indonesia in 2015) took a unilateral decision to transfer responsibility for operating non-BRT bus services from DisHub

to TJ. The Team B consider that this was a justifiable decision given the poor capability of DisHub and the relatively better competence of TJ. It did however significantly increase the workload on TJ's already stretched staff. It resulted in the Component B team increasing their focus on supporting TJ, including relocating to their offices in March 2016.

A large part of Team B's effort focused on developing a pilot project to demonstrate reforms proposed in terms of vehicle design, operating methods and industry restructuring, on an existing non-BRT route. This proved challenging with DisHub changing their minds on the route to be selected three times because of disputes and disagreements with the cooperatives operating the routes. The cooperatives are politically very powerful – they can bring the city to a standstill by withdrawing their services. The third chosen route on which extensive effort was expended was considered sub-optimal by the consultants because it ran parallel to, and therefore competed with, a BRT corridor.

Work on this route carried out in conjunction with TJ and Kopaja covered: detailed surveys of passenger usage, bus movements and journey times; addressing operational issues; preparing cost estimates, and; assessing contractual arrangements, infrastructure, and vehicle maintenance requirements. Good progress was made. TransJakarta, DisHub and Kopaja signed a MOU and agreed a detailed implementation plan in September 2015. Kopaja was able to negotiate finance with banks to purchase new buses, with support from the consultants. It was understood in February 2016 that an order for a fleet of new buses was about to be placed. Despite this another unilateral decision was taken, this time by the new President Director of TJ who was only appointed in January 2015, to drop the pilot route because of the competition it would provide to the existing BRT route – precisely the reason the consultants had disagreed with the original route selection at the outset. The consultants have subsequently been requested to prepare plans for a fourth route, a new route with no incumbent operator that will be operated directly by TJ. Unfortunately, this will have much less impact than the original plan of improving existing non-BRT services.

Latterly Team B have also become involved in providing operational advice to TJ. For example, they introduced scheduling of buses for the first time on one of the BRT routes. It was astonishing to the specialist involved that there is no scheduling anywhere on the network i.e. the number of buses dispatched is not varied to match passenger demand throughout the day in an organized manner. They also provide advice on measures to reduce costs such as by reducing tyre consumption and saving fuel. This appears to overlap to some extent with Team A's remit, but we were informed by the leader of the Team B consultants that there is no problem in practice.

### **Influence of Activity Design and Procurement Processes**

The two consulting teams have faced considerable challenges in delivering assistance as noted above. The 2014 independent M&E review that only addressed Sub-component A noted:

*“The Program was influenced by aspects of timing, politics and context. Sub-activity A was influenced by its timing in two ways: first through an assumption that TJ as a BUMD would already be established and operational, and second, in commencement of Sub-component B where there was some scope for mutual engagement; the politics of working with some challenging stakeholders who were against the shift of TJ to a BUMD; and context in terms of the bureaucratic systems required to formally approve enabling regulations and other key deliverables.”*

The reason for this work being undertaken as two separate activities seemed to be a result of evolution rather than design. The need for substantial engagement with non-BRT services only emerged after Sub-component A had started – Sub-component B was an additional

activity. Team B, which was handpicked by the team leader who was responsible for its design was reportedly tailored to the specific needs of the activity. However, it seems there was scope to undertake the JTIP as a single assignment and the IAT generally concur with the following findings of the 2014 M&E review:

*“..the review team believes that significant synergies would have been realized through the combination of roles and responsibilities between Sub-components A and B”*

### **Communication and Ownership**

We encountered contrasting views on the extent of communication and rapport between the IndII consultants and their counterparts and the extent of ownership felt by the latter. The independent M&E report of 2014 concluded that:

*“The support provided to date has been consultative, engaging and tangible.”*

*“Engagement has been a defining feature of Sub-activity A to date with high-level engagement between the implementing team and TJ officials in the development, drafting and approval of program products.”*

*“Sub-activity A has delivered a package of assistance that works ..... and has contributed in a flexible, responsive and progressive manner at all times maintaining professional relationships and mutual respect.”*

However, the views of the current President Director of TJ (only appointed in January 2016) were rather different. He found the assistance provided too diffuse with too many individual consultants providing short-term inputs. He considers there is not enough continuity or consistency in the advice given and that it is not responsive to his needs. He claimed to be largely unaware of what Team A does and considers that much of the infrastructure design could have been done by local consultants. The detailed and structural design was in fact sub-contracted to local consultants but it is likely that TJ benefitted from the experience that the IndII funded international experience brought to bear on the conceptual design of the infrastructure facilities. The present Director clearly valued the experience of some of the professionals from Team B who provide hands-on practical experience. He cited the recent work described above on scheduling of buses for the first time and also the advice on measures to reduce operating costs and improve the maintenance of buses. Despite his apparent mixed feelings, he was keen to continue receiving operational support in the future.

It appears that communications with DFAT and to a lesser extent the IndII FMC were not as good as they should have been. The consultants do not seem to have kept them fully abreast of the significant changes in scope that occurred. Prompt high-level intervention may have had a positive effect. At the minimum, it would have given DFAT the option of sending an important signal by scaling back engagement if it was felt that the changes would prevent the objectives of the program being achieved. That said, it would appear opportunities were available to do this when approval was sought for the activities to be extended twice.

### **Achievements and Leveraged Impact**

Sub-component A achievements with TJ include:

- Development of an institutional, planning and improvement program framework and associated plans and strategies – it is claimed that around 70% of the recommendations were adopted;
- Support for the transition of TJ from a public service company to a more autonomous corporation including preparation of: business plans; capital investment plans; an

operational framework for the management system; relevant regulations; and an organizational structure;

- Development of business plans and capital investment plans;
- Upgraded infrastructure by preparing the designs and procurement documents for: (a) a new Depot and Maintenance Facility; (b) a Busway Control Centre; (c) a major park and ride centre; and (d) improvements to and more effective asset management of Route 6 one of the city's major BRT routes; and
- Justification for and procurement of larger capacity articulated buses, which resulted in 50 such buses being initially procured, with more added later.

Sub-component B achievements include:

- Planning properly regulated services on a non-BRT pilot route;
- Bus fleet development plan to 2024;
- Persuading TJ to adopt low-floor accessible buses and subsequently preparing specifications and procurement documents for them;
- Introduction of scheduled bus operations on one of the busway routes and plans to scale up to the entire system;
- Report on depot/maintenance requirements, including recommendations for bus servicing and maintenance;
- Recommendations for a more equitable fare structure that would benefit the poor;
- Draft specification for an e-ticketing system; and
- Staff training.

In terms of leveraging:

- TJ reported that average passenger numbers grew over the past year by 40% to 385,000 passengers per day. It seems likely that the consultants' efforts have contributed to this;
- The introduction of scheduled operation on one of the BRT corridors (corridor 11) achieved a 17% increase in passenger usage and a 15% reduction in the buses required. This will deliver major benefits when introduced through the system. The work was done manually. Further scheduling is now being undertaken by TJ's own staff with Indll oversight;
- Securing the Governor's support for low-access buses and having this translated into action with 7 buses already delivered or in construction and at least 150 under order. Amongst general benefits this improves access for people with disabilities; and
- The infrastructure and bus-fleet improvements introduced by Team A will increase passenger numbers through improved access and capacity, and will increase efficiency through reduced travel times.

### **Conclusions and Recommendations**

The JTIP has been a particularly challenging endeavour. The frequent changes in scope described above were largely driven by short-term political expediency rather than the considered analysis of measures required to achieve long-term benefits; a classic case of "more haste less speed". For example, it is the view of the very experienced consultants that TJ already has more than enough buses yet they continue to expand their fleet. The existing buses just need to be deployed and operated more efficiently. This brings into question the

value of attempting to provide meaningful assistance in such an environment. It is a difficult call to make. On the one hand the need for progress is great and the impact that improvements to public transport could make on economic growth and the lives of residents of one of the world's largest cities is immense. On the other hand, these objectives are unlikely to be achieved if the well-considered advice of experts with widespread international and local experience is consistently ignored.

**Recommendation C2A:** DFAT and IndII should hold high-level talks with the Governor of DKI Jakarta and President Director of TJ to assess whether a continuation of JTIP is worthwhile. Plans for future support should be reconsidered if it seems likely that they will be unwilling to adopt, and act upon expert advice. Given the importance of addressing Jakarta's transport problems and the body of knowledge built up through the JTIP the IAT consider DFAT should maintain some level of support. Discussions should be held with the MDBs to establish if there is scope for collaboration with them – urban transport appears to be one of the World Bank's priority areas.

The IAT took account of two matters in considering the impact of activity design and procurement on this program: (a) the division of responsibility i.e. two teams rather than one; and (b) the relative performance of a team comprised of separately contracted individuals (Team B) and a consulting firm (Team A). Given the circumstances described above and the limited time available the IAT found it difficult to make a definitive judgment on either matter. We agree that a single contract could have delivered better synergies. This could have been achieved by adding the non-BRT work as a variation to MR Cagney's contract. There would also seem to be an advantage in having the corporate support and single responsibility that contracting through a firm confers. That notwithstanding the Sub-component B team of individuals appears to have gelled well and the quality and professionalism of the team members was well recognized and appreciated by TJ. We were rather surprised to learn that a total of 15 individual consultants had been involved in Team B. In terms of value for money, we note that Sub-component A implemented by the consulting firm MR Cagney cost more than twice as much as Sub-component B. However we were not able to assess the relative levels of effort in terms of person months involved.

**Recommendation C2B:** To the extent possible, taking into account the overall cost and availability of expertise in the market, a single team of consultants should be appointed to work on discrete programs such as the JTIP. Teams should comprise fewer specialists with more of them allocated on a full-time, or close to full-time, basis to provide continuity and foster more coherent programs.

**Recommendation C2C:** DFAT and/or IndII should carry out a more detailed review of the relative effectiveness and value for money of a group of individual consultants e.g. Team B on JTIP and a consulting firm e.g. Team A on JTIP.



## **APPENDIX D: CASE STUDIES OF SPECIFIC STUDIES**

---

This appendix reviews selected examples of studies conducted by IndII:

- Support for Public Private Partnerships
- Preparation of Master Plans and Detailed Designs for city sewerage schemes

## **D1: Public, Private Partnership (PPP) Initiatives**

IndII has supported PPP initiatives in roads (see Appendix C1 for details) and ports in the transport sector and also in the water supply sector. This section focuses primarily on the latter.

### **Background**

GOI has been endeavouring to attract private sector investment in public infrastructure for the best part of three decades with only limited success. Some successful PPP projects have been implemented in the energy sector for electricity generation and for expressways in the roads sector. The latter have been largely limited to arrangements directly negotiated with local investors rather than by awards made through open competitive bidding, which is generally the preferred approach to ensure value for money.

This section focuses on the Umbulan Bulk Water Supply Project, which has reached an advanced stage with financial closure expected by the end of 2016. Reference is also made to another bulk water initiative, the proposed Jatiluhur Project, which is intended to supply around 43% of Greater Jakarta's projected water supply needs sufficient for at least 5 million residents. Some limited coverage is also provided of a proposal that was developed for Makassar Port, which did not proceed.

The development of Umbulan Spring as a water source has a long history. The water is very pure and can be used for drinking without treatment. It was first tapped for use in the cities of Pasuruan and Surabaya (now Indonesia's second largest city) in 1917 by the Dutch colonial government. Interestingly the facility was built and operated by a private company. More recent efforts to develop the spring as a major urban water source started in the 1970s. Surabaya, the major market for the water is 85km from the spring and requires the transmission pipe to pass through four other local governments (LGs) all of which require additional water. Thus, the schemes involved complex negotiations with five LGs, their water companies (PDAMs), the Provincial Government of East Java, within which the LGs are located and the central government ministries involved in planning, finance and public works. Various attempts were stymied by the complexity of getting the different parties to reach a common agreement.

IndII became involved in 2009. The project was developed in two stages with IndII implementing Stage 1 and PT SMI, an infrastructure financing company, taking the lead for Stage 2. PT SMI was established in February 2009, as a State-Owned Enterprise (SOE) with 100% shares owned by the Government of Indonesia through the Minister of Finance. Stage 1 involved preparing feasibility studies for the proposed project and recommended a methodology for Stage 2, project delivery, which was "road tested" with international financial institutions. IndII recruited four firms for Stage 1 to undertake, amongst other things: engineering feasibility studies; assessing PPP modality options and developing a business case; evaluation of PPP procurement options and assessing potential financial market interest; and the development of a Memorandum of Understanding and draft Cooperation Agreement between all GOI stakeholders. The cost of the consulting contracts was A\$660,000.

The business case developed involved extracting 4,000 litres per second from Umbulan Spring and transferring it via two pumping stations and a 92km transmission pipe varying in diameter from 1.8 to 1.0 metres with offtakes to each of the five local governments from where the local PDAMs would be responsible for distribution. The estimated cost of construction was around US\$200 million and the annual operating cost US\$22.7 million. The project would provide an estimated 1.3 million additional people with treated piped water in the five LGs.

The preferred PPP option was for a Build Operate and Transfer (BOT) scheme with water produced on an Availability Payment basis often referred to as “take or pay”. This means the contractor would be paid to produce the contractually agreed quantity of water delivered whether it was used or not for the contracted period of 25 years.

A financial contribution or “viability gap financing (VGF)” was required from GOI and also a guarantee covering political risks, *force majeure*, etc., from the Indonesian Infrastructure Guarantee Facility (IIGF). VGF was necessary because of GOI’s desire to keep water tariffs relatively low for social reasons.

Stage 2, which started in 2011, involved procuring the contract through open international competitive bidding (ICB). Activities included: issuing an Expression of Interest (EOI); evaluation of the proposals received and creation of a short-list; preparation and issue of a Request for Tenders to short-listed bidders; evaluation of tenders submitted and selection of the preferred tenderer; finalization of the contract; and financial closure. All of this took five years because of the complexity of the transaction and the fact that it was largely “new ground” for GOI.

The IndII team contributed to Stage 2 by preparing the EOI document, conducting market sounding to assess investor interest, and preparing, facilitating and executing the Cooperation Agreements between the five offtakers, the Government of East Java and the Ministry of Public Works. IndII also provided important support by helping the two largest PDAMs involved, Surabaya and Sidoarjo Regency, to prepare detailed 5-year business plans. These two PDAMs are the offtakers of last resort i.e. in the event the other three smaller offtakers do not fulfill their take-or-pay commitment they would absorb the excess. The business plans were a condition set by IIGF for providing the guarantee. The cost of this additional support was A\$630,000 exclusive of the time of IndII’s core team. The total expenditure made by IndII on Umbulan was therefore A\$1.29 million.

The outcome of the transaction was a PPP project costing US\$157.7 million (around 20% less than the original cost estimate) of which the private sector operator will provide US\$71.7 million (45% of the total). GOI will provide US\$63 million viability gap financing and a further US\$23 million for related investment required by the five PDAMs. The contractor will operate the project for 25 years after which it will be transferred to a company established by the Government of East Java, the formal project owner.

### **Jatiluhur**

In very simple terms the feasibility study prepared by IndII proposed treating and transferring 15,000 litres per second of bulk water from a dam at Jatiluhur to four LGs (DKI Jakarta, Kota Bekasi, Bekasi Kabupaten and Karawang Kabupaten) via three 2 metre diameter pipes 72 km along the course of the West Taram canal. The estimated construction cost was just over US\$704 million. DKI Jakarta would be far and away the largest offtaker. The water delivered would enable at least 5 million additional people to receive treated piped water. The water would be distributed by PDAMs of the LGs. There are some difficulties arising from illegal settlement along the route of the West Taram canal but a solution was devised to overcome this. The intended scheme has been suspended following the submission of an unsolicited alternative proposal by a consortium of five state owned enterprises. This would involve extracting and treating a lower volume of water from the West Tarum canal at an intermediate point. IndII don’t believe the (unsolicited alternative proposal) scheme is viable: there is no legal basis because it is an unsolicited proposal and legally such projects must be bid competitively (it has been contested at the Supreme Court); the canal water is too polluted to be treatable; and there is insufficient land available at the site proposed for the water treatment facilities.

## **Makassar Port**

The existing port in Makassar is close to its design capacity. A master plan was developed for a new port at a separate site. The estimated cost for a first phase of investment is around US\$400 million. The Ministry of Transport (MOT) asked IndII to undertake a feasibility study into PPP options for the Port. The operator of the existing port Pelindo IV, the SOE Indonesian Port Corporation IV, considered they had the exclusive right to develop and operate the new port and disputed MOT's right to impose a PPP. National legislation requiring concessions for port operation to be awarded through competitive bidding appeared to support MOT's approach. IndII hired specialist consultants to undertake the study, which found that a PPP option with viability gap funding to keep port charges affordable would be viable. The Minister of MOT incumbent at the time the study was prepared in 2014 reportedly endorsed it and was prepared to proceed to the procurement stage. However, following election of the new Government in 2015 with its policy of investing heavily in infrastructure to stimulate growth and social development and appointment of a new Minister, a decision was taken to proceed with public sector investment implemented by Pelindo IV.

### **Influence of Activity Design and Procurement Process**

It doesn't appear that design or procurement issues had a significant impact on any of the schemes. It appears to the IAT that all of the projects benefitted from the extensive experience that the IndII PPP team was able to bring to bear from projects around the world and their detailed understanding of the PPP environment in Indonesia. They also seem to have been able to hire high quality specialist consultants with the necessary skills and experience required.

### **Communication and Ownership**

Discussions with representatives from the Ministry of Finance (MoF), the Toll Road Authority (BPJT) and IndII indicate that IndII were able to facilitate better cooperation between the various parties with responsibility for promoting PPPs in Ministry of Public Works (MPW) Directorate General of Human Settlements (DGH), Bappenas, MoF and Coordinating Ministry for Economic Affairs (CMEA:KPPIP). In particular, two Fact Finding missions to Australia, organized by IndII that focused on the Availability Payment Model, were credited with playing a catalytic role.

As noted above, developing PPP schemes often involves working with parties who directly oppose them. There are also often conflicting interests, for example amongst the five LGs involved in the Umbulan project. There was also asymmetry of knowledge with the LGs having much less understanding of PPP concepts than their national level counterparts. Sentiments also changed with the election of the new Government in 2015. The fact that Umbulan was delivered is therefore a testament to all of the parties involved including IndII and DFAT and a credit to their ability to maintain relationships and develop a sense of ownership amongst the diverse range of parties involved.

It could be argued that the unsuccessful PPP efforts (it is of course possible the Jatiluhur could still proceed) should have been terminated before so much money and effort was expended on them if there had been more effective communication between GOI, IndII and DFAT. However, the IAT were unable to assess whether there was in fact a case for this. It needs to be recognized that internationally promoting PPPs has a high risk/high reward and only a relatively small proportion of proposals actually reach closure.

### **Achievements and Leveraged Impact**

The main achievement of the Umbulan Project is in proving that a PPP scheme can be successfully developed in the water sector in Indonesia (provided of course that it does actually reach financial closure as seems to be expected). It has also created better understanding of the process within GOI; something that can only be “achieved by doing”. The project received international recognition in being awarded the “2014 Project Finance Award” of the Global Infrastructure Leadership Forum held in New York.

By way of perspective we heard criticism that a technically simple scheme such as this did not require private sector expertise (it could have been done as a simple public investment) and that the financial contribution from the private sector was too small (an issue beyond IndII’s control). In terms of demonstrating the viability of PPPs in the water sector, with hindsight it may have been better to have selected a project that was less politically and administratively complex e.g a scheme involving only one LG. We note that IndII have subsequently provided support to a scheme promoted by the World Bank for the city of Bandar Lampung and have also helped investigate the feasibility of another proposal for Palu City in Central Sulawesi.

In terms of leverage, IndII’s contribution of A\$1.29 million in consultants’ fees plus the modest cost of time contributed by in-house staff (around A\$110,000) helped to leverage private sector investment of A\$95 million. This represents a huge leverage ratio of almost 68. This leveraging would be much less at the project level if the costs incurred by PT SMI in Stage 2 were taken into account (we were unable to obtain them). If costs of IndII’s unproductive work associated with Jatiluhur and Makassar Port of A\$1.14 million and A\$863,000 respectively are taken into account the leverage ratio for Australian support would drop to just under 28, still a very respectable level.

The capital cost of the scheme as bid was \$40 million, or 20% less than the original cost estimate, indicating the value of opening the process to private sector participation and open international competitive bidding.

### **Conclusions and Recommendations**

The overall conclusion we draw is that the support IndII provided for the Umbulan Project led to a significant step forward in GOI’s efforts to attract private sector investment to the water supply sector. The fact that the experience gained is being used in further potential PPP transactions in Bandar Lampung and Palu is evidence of this and sets the stage for further contributions to be made in DFAT’s new infrastructure program.

We were informed of numerous other efforts and facilities being made by GOI with and without the support of other development agencies including the Asian Development Bank (ADB) and World Bank. We understand that IndII interacted closely with these other efforts and we were not made aware of any particular duplication of efforts. For example, the constraints imposed by the Adviser Remuneration Framework (ARF) meant that it was difficult for IndII to provide the high cost expertise associated with transaction advisers and lawyers required in the latter stages of PPP transactions. However, in these cases other agencies were able to fill the gap.

**Recommendation D1A:** In order to ensure the greatest impact of DFAT support for PPPs in the future it would seem prudent as part of the design for the New Infrastructure Program to take stock of and build on the comparative advantage that IndII delivered vis a vis the PPP efforts of other development agencies.

## D2: Preparation of Master Plans and Detailed Designs for Sewerage in Selected Cities

### Background

Almost half of Indonesia's population of 245 million people live in urban areas and their need for safe sewage management services is growing rapidly. A World Bank Urban Sanitation Review of Indonesia carried out in 2012 found that the majority of urban households and businesses in Indonesia use septic tanks for wastewater disposal. These are generally poorly designed and constructed and result in considerable pollution of both surface and ground water. About 14 percent of urban dwellers still practice open defecation. Only 12 cities out of Indonesia's 98 municipalities have piped sewers and sewage treatment facilities and these only cover small parts of the cities. Only 1 percent of wastewater and 4 percent of septage from septic tanks is safely collected and disposed. This coverage is significantly lower than in other East Asian countries despite Indonesia having experienced significant economic growth in recent years, surpassing many of its neighbouring countries. The economic impacts of poor sanitation in Indonesia are significant. A study carried out by the World Bank's Water and Sanitation Program estimates that Indonesia lost IDR56 trillion (US\$6.3 billion) in 2007 due to poor sanitation and hygiene equivalent to about 2.3 percent of the country's gross domestic product.

In recognition of the need to address the urban sanitation predicament GOI through the Ministry of Public Works (MPW) issued the *National Policy and Strategies on Domestic Wastewater Management in 2008*. Subsequently, in 2010 the *Roadmap for Acceleration of Urban Sanitation Development* (referred to as the PPSP) for the period 2010 - 2014 was issued. An *inter-sectoral National Working Group for Drinking Water and Sanitation* (POKJA-AMPL) under the leadership of Bappenas prepared this.

As part of this initiative IndII agreed to a request from GOI in 2010 to prepare Sewerage Master Plans for eight Cities. The cities were selected by GOI (primarily Bappenas and the Directorate General of Human Settlements (DGHS) of MPW) on the basis of population size and need. It was agreed that the plans would be prepared to standards acceptable to international financial organizations, primarily the ADB, World Bank and bilateral development agencies. The intention was that GOI would be able to use these high-quality documents to attract external investment. The work was awarded in three packages to experienced international consulting firms (two of the packages were awarded to one firm). The master plans and the highest priority packages of work identified for each city were prepared promptly within 18 months of the packages being awarded.

The ADB showed interest from the outset and started developing an investment project called the Metropolitan Sanitation Management Investment Project (MSMIP) that included four of the cities for which Master Plans were prepared (a fifth city Jambi was included at GOI's request). ADB, following their standard procedures, initiated further preparation via a Project Preparation Technical Assistance consultant. At the same time DFAT expressed interest in providing a grant of up to A\$45million to fund the highest priority works for one of the Master Plan cities. GOI subsequently requested DFAT to fund Palembang as there was insufficient funding allocated for the MSMIP to cover the originally intended five cities.

ADB PPTA funds are only intended to prepare detailed engineering designs, procurement documents, and environmental assessments for a small proportion of the planned works. GOI therefore requested IndII to fund detailed design for two of the MSMIP cities, Cimahi and Makassar as well as Palembang. This was duly agreed. Designs for the other two MSMIP cities were commissioned by DGHS using GOI funds. However, the level of funding was not sufficient to provide designs at the necessary quality. ADB therefore subsequently hired the

Australian consulting firm that prepared the designs for Cimahi, Makassar and Palembang to upgrade them.

Preparation of the designs is well advanced and construction work is expected to start in the four MSMIP cities during 2017. It is also envisaged that DFAT will confirm allocation of grant funds for the Palembang Sewerage Project soon to enable procurement of works contracts in early 2017. DGHS have requested IndII to provide construction supervision consultants. Their remit will cover social and environmental safeguards as well as construction works.

We were informed that the Master Plans have also attracted Korean financing for Batam and that the Swiss Development Cooperation (SDC) is funding detailed engineering designs for Bogor with the possibility of additional funding being made available from the French Development Agency (AFD) from implementation.

### **Influence of Activity Design and Procurement Processes**

IndII's ability to procure and mobilize high quality international consultants quickly stands in marked contrast to the performance of GOI agencies such as DGHS. Funding constraints generally preclude the hiring of international consultants and local consultants don't have the necessary experience or capacity to carry out sewerage and sewage treatment work to a standard acceptable to international financiers. In cases where the Multilateral Development Banks (MDBs) include funding for design in their loans the bureaucratic processes of both GOI and the MDBs result in prolonged delays and in many cases the appointment of consultants of questionable quality. Thus, IndII's support for this is much valued by all parties concerned.

### **Communication and Ownership**

IndII and ADB staff informed us that relationships between GOI agencies primarily Bappenas, MoF and DGHS, the city governments, and the various consultants who undertook the work were very good. Preparation and design work was generally completed on time to a good standard and within budget. The ADB representative for infrastructure in Jakarta praised IndII's collaborative approach and appreciated the high quality of designs produced.

### **Achievements and Leveraged Impact**

The expenditure from IndII of around A\$15.5 million in the preparation of Master Plans and detailed designs has so far leveraged around A\$160 million of capital investment from the ADB. A further investment of A\$45 million of grant financing is expected to be committed by DFAT for investment in Palembang. GOI's contributions amount to around A\$70 million for Palembang and A\$40 million for Makassar. Additional unspecified investment has been committed by Korea for Batam and France and Switzerland for Bogor. It is likely that this amounts to at least A\$40 million. Further investment is likely to follow for example, from the ADB. Thus it can conservatively be stated that IndII's funding has already achieved a leveraging ratio of over 20.

Unquantifiable benefits include demonstrating to GOI the value of funding high quality detailed engineering designs and associated environmental and land acquisition and social safeguard due diligence at an early stage of project preparation. The Palembang project, which, will be implemented by the municipal government, will test the capacity of local governments to fulfill their obligations under the Decentralization Law. This is unlike the MSMIP, which was implemented by DGHS on behalf of the cities in the traditional manner. This is the first time such an approach has been adopted for a large municipal infrastructure investment. It is believed that it will generate a better sense of ownership of the assets constructed and a higher level of commitment to ensure they are properly operated and

maintained. Implementing the two projects at the same time will enable a direct comparison to be made.

### **Conclusions and Recommendations**

This series of activities has demonstrated the value of investing in good quality preparation and designs before infrastructure projects are launched and certainly before construction contracts are procured. This was previously demonstrated by the Australian funded Eastern Indonesia National Road Improvement Project (EINRIP), the benefits of which, as noted elsewhere in this report, have captured the attention of Mr Kalla, the Vice President of Indonesia. It will take time for this to be adopted as standard practice – local consultants will need to develop the necessary capacity and expertise and government will have to allocate more funds for preparation and design.

**Recommendation D2A:** DFAT should proceed with the intention stated in the Concept Note for the New Infrastructure Program to support the preparation and design of high quality infrastructure investments. In parallel, measures should be taken to:

- (a) Improve the capacity of local consultants. The feasibility of working through the respective Indonesian and Australian professional engineering organizations and the engineering faculties of selected universities in each country should be explored;
- (b) Engage with GOI through Bappenas, MoF and MPW at the policy level to have more funds made available for project preparation and designs (this applies to all infrastructure sectors);

**Recommendation D2B:** Make provision in the new infrastructure program for monitoring and evaluating the comparative performance of implementing major infrastructure works through a local government (Palembang – the new approach) and by central government through DGHS (the MSMIP cities – the traditional approach).



## **APPENDIX E: CASE STUDY OF INTEGRATED TA & GRANTS**

---

## **E1: Integration of TA and Grants to support reform in the roads sector**

### **Background**

A key feature of IndII's programming has been the use of grants supported by technical assistance (TA) to 'incentivise' transformational changes in GoI policy and process in relation to infrastructure planning and investment. Even as the largest bilateral grant donor in the infrastructure sector in Indonesia, DFAT's contributions represent a very small percentage of GoI spending—which is in turn small relative to need. In this context, using grants supported by TA to leverage government spending, and introduce efficiency-enhancing reforms to policy and process is a defensible modality, and if ultimately successful in fostering lasting change, will represent good value for money.

The success of the water hibah in Phase 1 of IndII in demonstrating the benefits of an 'outputs-based' or 'results-based' approach to managing the flow of resources and the focus of priorities between central and local governments led to an expansion of the concept in Phase 2—not only in the water sub-sector but also in sanitation and roads maintenance.

The sanitation Australia Indonesia Infrastructure Grants (sAIIG) extended lessons from a municipal sanitation pilot project in Phase 1 and the water hibah. The sAIIG was designed to provide \$40 million in grants over a three-year period to approximately 40 selected local governments for implementing municipal sanitation infrastructure using an output-based modality. The sAIIG is expected to provide improved sanitation to approximately 92,000 households or 400,000 beneficiaries. The terms of each grant are defined in an on-granting agreement and local governments are implementing the program using GoI systems and procedures. Local governments are required to pre-finance implementation and claim reimbursement after verification of the completed works. Despite significant delays and challenges in relation to GoI processes and priorities, progress is ongoing.

The combination of Australia Indonesia Infrastructure Grants (AIIG) and TA to incentivise reforms was further extended to the roads sector. The Provincial Road Improvement and Maintenance (PRIM) project was established as a pilot to demonstrate the potential for central government to incentivise road maintenance by provincial governments.

It is estimated that provincial roads carry around a fifth of all vehicle-kilometres; and critically link national and district road networks. However, the state of provincial roads is universally acknowledged to be poor—a consequence of poor construction and limited or absent maintenance. While capital works with higher visibility have attracted political and fiscal support, public works agencies have not been incentivised to invest in routine maintenance—despite the compelling return on investment arguments. The flow-on cost to the economy of poor and deteriorating roads is staggering. Previous TA-based efforts by several donors have failed to create lasting changes.

PRIM provides grant contributions up to 40% of maintenance expenditures if the completed works are verified as having met agreed technical and planning, programming and budgeting performance indicators. PRIM also provides up to 10% of additional grant to reward improved institutional performance. The project uses local consultants for design and supervision, and local contractors for implementation. An underlying aim is to elevate the profile of the Provincial Road Traffic and Transport Forum (RTTF) such that they are openly accountable for performance. The ultimate aim is for central government transfers to replace the grants.

Nusa Tenggara Barat (NTB) Province was selected on the basis of need and the willingness of the counterparts to engage with the pilot. Of NTB's 1,772 km of road network, only 49% was in a stable condition

### Influence of Activity Design and Procurement Processes

The conceptualisation and design of PRIM was protracted. There were evidently numerous iterations between the Facility and DFAT concerning various aspects of the design, and the process was further delayed by a ‘stocktake’ of activities between Phases 1 and 2, partly in response to concerns raised by an Australian National Audit Office review of infrastructure programming. The initial concept note for PRIM (around three pages) was approved in April 2012. The final design (around 69 pages) was approved in June 2013—more than a year later. The grant is in the order of \$6 – 8 million per year.

AECOM are currently contracted to manage PRIM, and are supported by consultants (managed by Cardno) working in the National Roads Delivery Program within DGH who provide support for verification and review of the pilot.

### Communication and Ownership

Evidently, NTB Province was selected in part because of the strong engagement in the concept at the local level. In fact, one interviewee indicated that the concept originated at provincial level with an element of competition emerging among interested provincial governments.

Arguably a program such as PRIM provides value to GoI in two key ways:

- **Recruitment:** the program is able to quickly hire high calibre consultants that would otherwise be unavailable to GoI
- **Risk:** the program is able to carry the initial risk of adopting a significantly different mode of operating (at both national and local levels) until such time as the concept is proven and the demonstration effect has taken hold

With any ‘demonstration effect’, wider ownership is expected to build as evidence of success accrues. Stakeholders indicate that this is happening within PRIM. An IndII interviewee observed that *“we have to work to make the outcomes at the recipient level indisputable so that we corner the implementing ministry into adopting the reform”*.

The Directorate of Expressways Urban Roads and Local Roads within DGH is the national counterpart. There is strong support for the project and keen interest in the outcomes of the pilot. The MoF is engaged in line with other IndII grants in releasing funds to local governments upon verification of required outputs.

One challenge facing PRIM has been the unusually high turnover of counterpart personnel in DGH—through whom national dissemination of the pilot should occur.

### Achievements and Leveraged Impact

- Evidently there is continuing and growing interest at provincial level in the demonstration.
- A programming and budgeting tool introduced by PRIM (PRMS) is being disseminated around the country.
- There is an expectation that GoI will switch to a ‘Roads Hibah’ in 2018.

### Conclusions and Recommendations

Despite initial delays and challenges, stakeholders interviewed by the IAT about PRIM were positive about its value in general, and the blend of grants and TA in particular. A MoPWH interviewee observed: *“the HR capacity building and technical support is very*

*important...and the grant disbursement through MoF helps us address known weaknesses in road maintenance”.*

**Recommendation E1:** DFAT should ensure that grants combined with TA remain a feature of the new phase of infrastructure investment.

## **APPENDIX F: CASE STUDY OF EMBEDDED ADVISERS**

---

## F1: The role of embedded advisers

### Background

The bulk of resources administered through IndII have involved an approach that combines grants and technical assistance (TA) (see Appendix E). Nevertheless, the Facility has also provided technical advisers to address particular counterpart needs outside of discrete programs/grants. At the conclusion of Phase 2, this has prompted reflection about the relative merits of different ways of engaging with counterparts and responding to needs. The IndII model has been contrasted with the Australia Indonesia Partnership for Economic Governance (AIPEG) and its predecessor, the Technical Assistance Management Facility (TAMF) both of which adopted a 'lead adviser' model in which individual consultants were embedded within counterpart premises in order to ensure responsiveness and to cultivate relationships of influence with senior officials.

AIPEG has engaged advisers to support GoI officials at senior level across a wide range of technical areas. It was clear that GoI counterparts we interviewed valued this form of engagement, and viewed it as complementary to IndII's more 'programmed approach'. A senior Bappenas official recognised the appropriateness of both ways of engaging: *"As we see it, IndII addresses the main issues, and AIPEG fills in the gaps"*.

Notwithstanding the primary focus on implementing programs, IndII has also employed the 'embedded adviser' model to some extent in three situations:

- Directorate General of Highways (DGH)
- Ministry of Home Affairs (MoHA)
- Coordinating Ministry of Economic Affairs (CMEA)

### Influence of Activity Design and Procurement Processes

#### *DGH advisers:*

Advisers have been deployed in DGH under three separate but related activities (see Appendix C1):

- **National Roads Policy:** supporting institutional arrangements, financing, regulation and public-private-partnerships.
- **National Roads Planning:** supporting road network planning tools and the preparation of a master plan.
- **National Roads Delivery:** improving road design, construction and supervision standards.

Advisers engaged on National Roads Policy work are contracted through Aurecon, while advisers in the other two activities are contracted through Cardno.

In this sense, the advisory services in DGH can be distinguished from the pure 'lead adviser' model because their work is managed under the auspices of a managing contractor engaged to deliver a program of work. Nevertheless, the advisers are domiciled within/near counterpart premises and respond to counterpart needs.

#### *MoHA Adviser:*

IndII placed an adviser within MoHA in recognition of the central role that the ministry plays in coordinating and directing the work of local governments. MoHA can direct local government priorities, and reviews budgets to ensure alignment with priorities. Given that a

focus of much of IndII's work has involved improving the flow of resources and the focus of priorities between central and local governments, the positioning of an adviser to facilitate communication and strengthen capacity within MoHA seemed relevant. In particular, the challenges encountered with engaging local governments through the sAIG required particular support and facilitation.

#### *CMEA Adviser:*

The first IAT mission in Phase 2 identified significant resistance from senior officials within CMEA in relation to IndII. The issues were complex and related in part to inter-agency rivalries in relation to authority and influence over IndII's work, but also stemmed from a perceived slight in IndII not providing an adviser upon request. Following the winding up of the Policy and Investment portfolio within DFAT (leaving a narrower focus on water and sanitation and transport), the Technical Director was re-deployed as an adviser to CMEA. However, this arrangement also differs from the pure 'lead adviser' model since no office space was provided within the counterpart building and the support was narrowly focussed on advice about particular PPP development.

### **Communication and Ownership**

Discussions with GoI counterparts suggested that the extent of engagement with—and valuing of—embedded advisers was variable.

Advisers within DGH have produced a considerable body of work. The activities of the National Roads Policy advisers were reported to be especially useful. Both MoPWH and MoF officials were appreciative of their Australian exposure to the 'Availability Payments' approach to financing infrastructure. The advisers on National Roads Planning and Delivery were also highly regarded for their support with preparing GoI planning documents (e.g. the RENSTRA 2015 – 2019) and improving the standard of processes such as road design, modelling and procurement; however, one official raised some questions about the perceived degree of coordination in this work (see Appendix C1). The criticisms were not verified.

In contrast, the adviser placed in MoHA struggled to gain access to influential people, and eventually MoHA advised that they required the office space—seemingly a signal that the support was a low priority. MoHA is known to be a complex and challenging ministry to operate. There are many directorates with somewhat confusing lines of authority. It could be that the engagement was simply with the wrong directorate; and aligning with a more appropriate functional area could produce more fruitful outcomes.

The adviser engaged to support CMEA was highly regarded, although not perceived by CMEA interviewees as a 'lead adviser' in the usual sense. He was not situated within the CMEA, and was engaged to work on specific projects. CMEA reiterated the request for an embedded adviser to support water and sanitation matters.

### **Conclusions and Recommendations**

It is clear that GoI counterparts have derived significant value from TA supported by DFAT—both through more programmed/structured modalities and through the more responsive 'lead adviser' model. Evidently GoI see a role for both modes of operation. It was not possible for us to discern the extent to which interpersonal/stylistic factors played a role in the perceived success of some advisers more so than the underlying structure or modality.

**Recommendation F1:** DFAT should seek expert advice about the most appropriate area within MoHA to engage with for the purposes of the new phase of infrastructure programming.

**Recommendation F2:** DFAT should explore synergies between the way IndII has deployed TA relative to the approach employed by AIPEG.

**Following are some examples of the catalytic effects that IndII has been able to achieve:**

- **Introduction of Availability Payments as a Procurement Method for Roads.** The development of the tolled expressway network is facing three emerging issues: a) the poor financial viability of some proposed toll roads, b) increasing issues with the quality of toll roads, and c) a need to increase private investment in toll roads by overseas investors. To help address these issues IndII worked with GoI to introduce the Availability Payment PPP model into the road sector. This allows private investors to finance and operate expressways without taking revenue risk. This model is now accepted by relevant government bodies with necessary regulation amended and issued to allow the first AP Pilot Project to start.
- **Provincial Road Improvement and Maintenance (PRIM).** During its 3 year life to date, PRIM has proven without doubt that using a mix of (i) grants as financial incentives, (ii) technical assistance to promote improved governance, management and quality of maintenance works, and (iii) increased levels of public scrutiny and transparency, results in a step-change in the quality of local roads and therefore the level of service provided to road users. This model is proving so successful that GoI are now actively pursuing setting up a state-funded *Hibah Jalan Daerah* starting in 2018, even though the PRIM pilot is only 3 years through its envisaged 5-year term.
- **National Roads Inter-Urban Planning.** Directorate General Bina Marga has never developed a long-term visionary plan of road development need across Indonesia based upon supply and demand considerations. IndII, working with GoI have now developed this plan, which includes a 20-year pipeline of major projects necessary to support sustainable economic growth across Indonesia. The Master Plan also includes regulatory, financial and institutional actions required for implementation of the Master Plan.
- **National Roads Improved Asset Management.** A large part of Bina Marga's budget is currently spent on road preservation. The planning process for identification of annual works programs is currently fragmented and often irrational. The design of preservation works is usually based upon poor surveys and lacks engineering precision, resulting in over-conservative, wasteful designs. IndII, working with Bina Marga, have therefore developed an modern asset management process, RAMS, which will be used to develop rational, well-designed, more efficient works programs. The outcome from introduction of RAMS will be a reduction in preservation costs, thus freeing up funds for necessary road development projects.
- **Water hibah leveraging GoI funds and promoting transformational change.** Strategic use of grants can represent a catalyst for larger-scale investments by GoI and others. The water *hibah* is an example. From an initial GoA-funded project to provide 77,000 water connections to poor households under IndII Phase 1, which was expanded to 330,000 connections in IndII Phase 2, IndII's water *hibah* program has leveraged a further 38,000 connections using USD 10 million in USAID funds. More importantly, it has encouraged GoI to mainstream the program using APBN funds. The GoI program has



committed as much funding to the *hibah* in two years as DFAT did throughout IndII Phases 1 and 2. The rate of funding from Gol is expected to further increase within the IDR 10 trillion budget pledged by Bappenas for 2015–2019. This is equivalent to leveraging DFAT’s initial AUD 100 million to a Gol commitment of AUD 1 billion over a five-year time-frame. Gol can be cautious of change, but once it realises the value of transformational programs it moves emphatically to take them on board. Implementing the water *hibah* through Gol systems and procedures generated a sense of ownership by Gol and facilitated wider adoption of the program, allowing Gol to mobilise resources on a very significant scale.

- **Promoting change through quality project preparation.** An important lesson from IndII is that a lack of good-quality project preparation often precludes downstream funding from other available sources. This presents an opportunity to assist in the preparation of projects as a demonstration of good practice. An example: IndII’s master-planning and project preparation activities in sewerage and solid waste, where an AUD 15-20 million investment in TA will leverage some AUD 400-450 million in downstream investments funded by Gol, as well as multilateral and bilateral lenders. Another recent example is the Umbulan Springs PPP, which achieved financial close in December 2016, based on project preparation carried out by IndII in 2010-12.

## **APPENDIX G: STATUS OF PROGRESS INDICATORS**

---

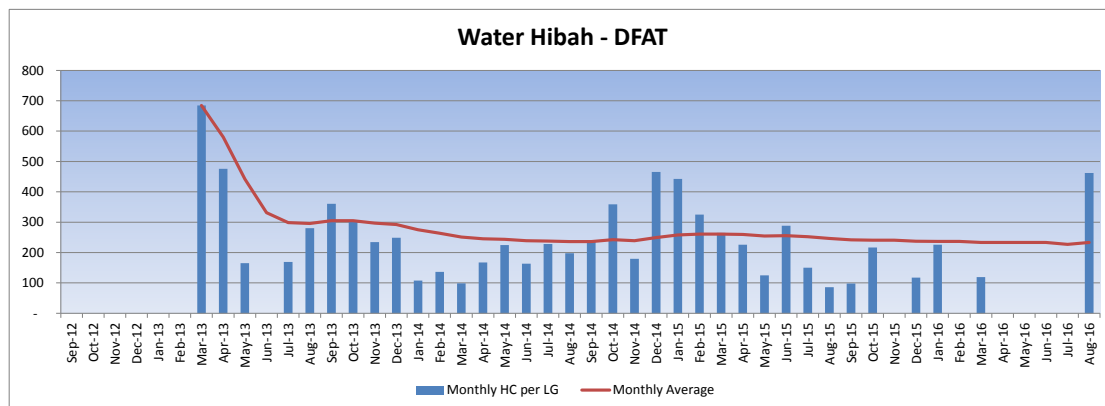


Figure 2: Water hibah progress

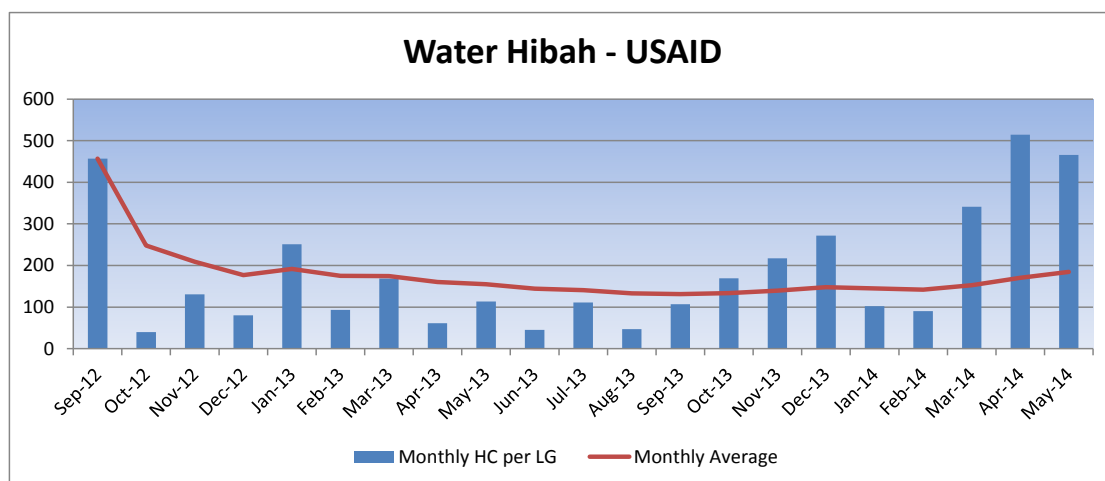


Figure 3: Water hibah (USAID) progress

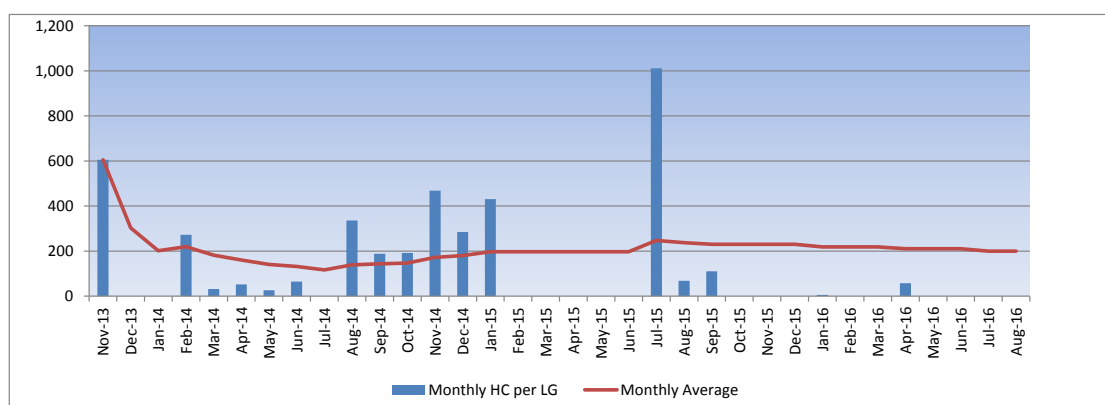


Figure 4: Sanitation hibah progress

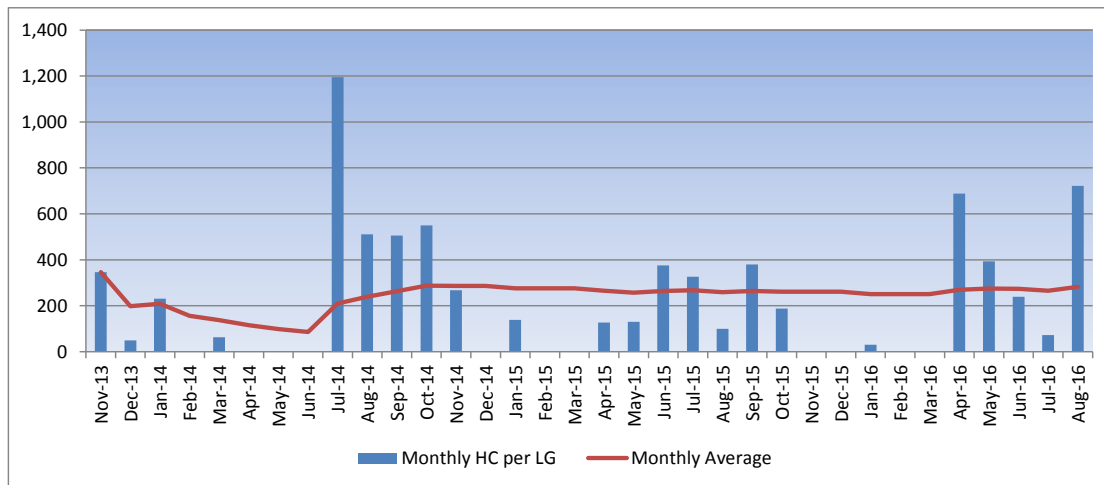


Figure 5: sAIG progress

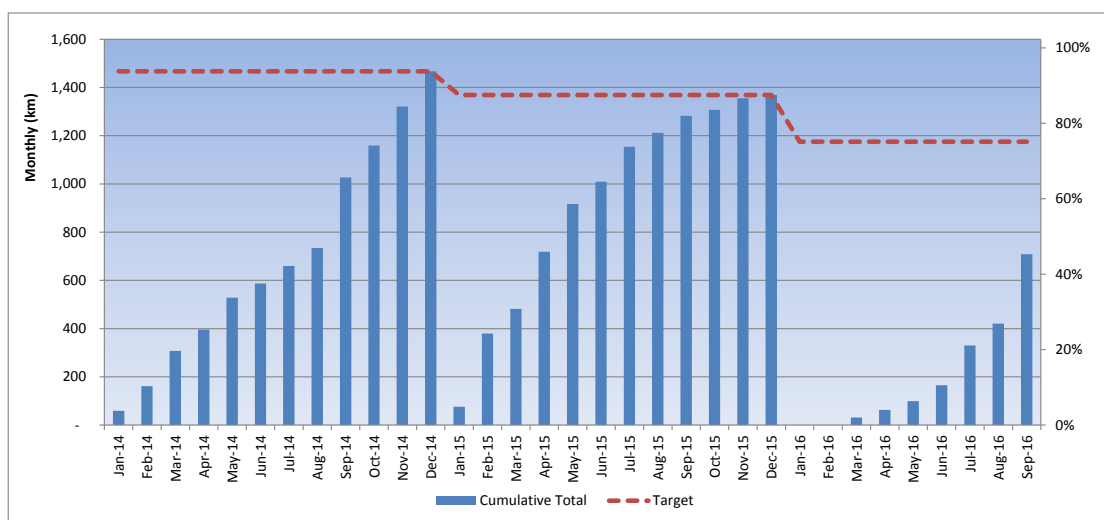


Figure 6: PRIM progress

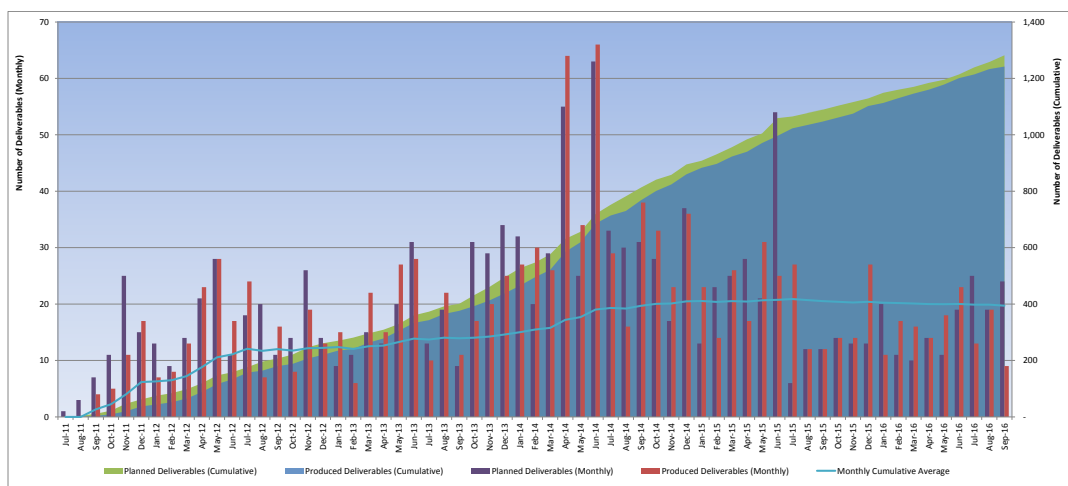


Figure 7: TA deliverables