



Australian Government

Department of Foreign Affairs and Trade



Indonesia Infrastructure Program (2016-26)

Investment Concept (Revised)

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Cover note

The Indonesia Infrastructure Program (“the Program”) investment concept has been revised to reflect changes since the last version was published in July 2014 (<https://dfat.gov.au/about-us/grants-tenders-funding/tenders/business-notifications/Documents/iip-concept-note-140814.pdf>). It also reflects the emerging priorities of the current Indonesian Government which were clarified earlier this year with the release of Indonesia’s five-year national development plan.

The revised investment concept outlines a new program of support (initially \$30 million per year over a ten year period) for the infrastructure sector. The overall goal of Australian infrastructure investments in Indonesia will be to support *‘rapid, sustainable and inclusive economic growth and improved access to basic infrastructure services to help reduce poverty and promote women’s economic participation and empowerment’*.

Key revisions from the previous investment concept published in July 2014 include:

- › a reduced funding envelop;
- › a shift away from directly demonstrating and building infrastructure using grant funding towards support that leverages Indonesia’s own infrastructure spending;
- › closer alignment with proposed Multilateral Development Bank lending pipelines to support a core program of physical investments and infrastructure policy reforms; and
- › a ‘design-implement’ approach to procurement.

This concept note is provided to inform the market and prospective tenderers of the forthcoming Request for Tender (RFT) and the intended design-implement procurement model being employed. It has previously been listed in the DFAT Annual Procurement Plan (APP) on the AusTender website (www.tenders.gov.au).

The RFT is expected to detail the need for design and implementation of a facility to support the Program. DFAT expects to hold an industry briefing on the Program in Jakarta shortly after the RFT is released (Quarter 3 of 2015/16). Details of the industry briefing will be made available on AusTender on release of the RFT. Please note that DFAT will not be liable for any travel, accommodation or other costs incurred by participants who attend the briefing.

Acronyms

ADB	Asian Development Bank
AIC	Aid Advisory Committee
AIIB	Asian Infrastructure Investment Bank
AIPEG	Australia Indonesia Partnership for Economic Governance
ANAO	Australian National Audit Office
APEC	Asia Pacific Economic Cooperation
ARF	Adviser Remuneration Framework
Bappenas	Indonesian National Development Planning Agency
Bappeda	Development Planning Agencies at Province and District levels
DFAT	Department of Foreign Affairs and Trade
EINRIP	Eastern Indonesia National Roads Improvement Project
GDP	Gross Domestic Profit
GoI	Government of Indonesia
Hibah	Water and Sanitation Hibah
IndII	Indonesia Infrastructure Initiative
M&E	Monitoring and evaluation
MP3EI	Master Plan for Acceleration and Expansion of Economic Development
MoF	Ministry of Finance
MDB	Multilateral Development Bank
NTB	Nusa Tenggara Barat
PAMSIMAS	Water and Sanitation for Low-Income Communities Project
PBAS	Performance Based Annuity Scheme
PPP	Public Private Partnership
PRIM	Provincial Road Improvement and Maintenance
sAIIG	Australia Indonesia Infrastructure Grants for Municipal Sanitation
SOEs	State Owned Enterprises

Investment Concept

Situation analysis

Key challenges and causes

Indonesia's rapid economic growth over the past decade has enabled impressive gains in human development and poverty reduction. But growth is now slowing in Indonesia due in part to the ending of the 'commodity price super cycle' and in part to existing infrastructure constraints. Infrastructure investment declined sharply following the 1997/98 financial crisis and remains well below levels needed to sustain economic growth at six to seven per cent and address the challenges posed by continuing rapid urbanisation. Over the past decade, infrastructure investment has averaged three to four per cent of GDP as compared with around seven per cent during the latter years of the Suharto era and levels of seven per cent and above realised by China and other East Asian neighbours more recently. The problem of underinvestment is further exacerbated in many areas by existing infrastructure assets not being used or managed optimally.

The consequences are clearly evident in the difficulties faced by ordinary Indonesians in their daily lives and by businesses striving to expand and improve their competitiveness:

- › *Transport* - travel speeds on arterial roads are among the worst in East Asia, with longer journey times contributing to high logistics costs of around 24 per cent of GDP;
- › *Water* - 18 per cent of the population lacks access to improved water, while 80 per cent lacks access to piped water;
- › *Sanitation* - 98 per cent of the population lacks access to sewerage systems (including in the capital, Jakarta) resulting in severe economic costs to families;
- › *Electricity* - many regions continue to suffer from load-shedding, while in Papua only 30 per cent of the population is connected; and
- › *Internet access* - Indonesia has only around 1.2 fixed broadband connections per 100 persons as compared with 8.4 in Malaysia and 5.0 in Vietnam.

The World Bank has estimated the macroeconomic cost of under-investment in infrastructure as around one percentage point of lost additional GDP growth per annum over the last ten years.

Government of Indonesia policy and financing context

After taking office in late 2014, the current Government of Indonesia (GoI) has continued the emphasis on infrastructure development and positioned it as one of its highest priorities. The new Indonesian National Medium Term Development Plan (2015-19) devotes significant

attention to infrastructure, outlining priority areas for investment and ambitious targets to be met. Early steps taken under Gol to translate planning into action include reduction of long-standing energy subsidies to enable substantially increased public infrastructure investment; equity injections of around A\$4.7 billion in 2015 into infrastructure related State Owned Enterprises (SOEs); issuance of a Presidential Regulation revising guidance on the use of Public Private Partnerships (PPP) by broadening PPP investments to include social infrastructure (schools, health facilities etc.) and providing for the use of long-term availability payment arrangements for infrastructure assets; and issuance of a Ministry of Finance regulation to establish a Directorate dedicated to infrastructure financing, including PPP. To supplement public funds, Gol has indicated a need to increase borrowing from the Multilateral Development Banks (MDBs), in the order of US\$12 billion from the World Bank and US\$8.75 billion from the ADB. Indonesia is likely to initiate further borrowing from the new Asian Infrastructure Investment Bank (AIIB) once established.

A key objective of Gol is to enhance inter-island connectivity and upgrade port infrastructure. Connectivity issues are more prominent in the outer islands of Eastern Indonesia such as Maluku and North Maluku and as a result, such islands have been unable to contribute to or benefit from national economic production and distribution processes.

Despite these early actions and the efforts of the previous administration, results to date have fallen well short of projections due to a combination of factors. The formation of a new minister-level committee with powers to accelerate priority infrastructure projects was established under Presidential Regulation 75/2014 dated 17 July 2014, but as of mid-2015 it was yet to have its working arrangements established. Private investor interest has been constrained by issues of project preparation quality, regulatory clarity and legal certainty, as well as by the changed global financial market situation. Major projects continue to suffer long delays due to land acquisition issues, while improvements to institutional capacity, decision-making processes and safeguards against corruption are required to facilitate project implementation and asset operation and maintenance at the sub-national level. SOEs, now strengthened with equity injections, continue to dominate the landscape in key sectors such as transport and power, however some continue to require improved performance.

Rationale for Australian investment

Australia is well placed to assist Indonesia to address these challenges. Our existing program¹, including both bilateral assistance and infrastructure trust funds with the multilateral development banks, has provided support for physical infrastructure and policy and regulatory assistance in key sectors including urban and interurban transport (roads, ports and rail), water/sanitation and energy. Results from the infrastructure program to date have included:

- › The halving of travel times, reduced vehicle maintenance costs, and reduced fares and freight rates in important economic road corridors of Eastern Indonesia, leading to reported increased business investment by private sector developers.

¹ See Appendix A for a list of existing major initiatives implemented through the Australia's aid program to Indonesia, including Trust Funds with both the World Bank and the Asian Development Bank, and four grant funded demonstration projects delivered through the Indonesia Infrastructure Initiative (IndII) Facility: (i) the Water and Sanitation *Hibah*; (ii) the Australia Indonesia Infrastructure Grants for Sanitation; (iii) the Palembang City Sewerage Project and, (iv) Provincial Road Improvement and Maintenance (PRIM) Program.

- › The connection of around 97,000 low-income households to piped water and about 5,000 low-income households to piped sewer systems, helping over 485,000 people access an improved water supply, and 25,000 people access improved sanitation;

As a close neighbour, Indonesia is a key partner in terms of our bilateral, regional and global interests. A prosperous, stable and growing Indonesia is good for our stability, security, trade and cooperation in our shared region. Indonesia has reached middle-income status and achieved substantial development progress in recent years. But challenges remain such as infrastructure bottlenecks, skills gaps and institutional weaknesses. Increasing equitable growth and the creation of productive jobs needs a foundation of increased competitiveness for a more attractive investment environment. The major structural constraint for competitiveness is the quality and quantity of Indonesia's infrastructure and institutional issues (such as need for greater transparency and effective economic oversight, and regulatory certainty).

It is in Australia's national interest to maintain infrastructure support. Helping Indonesia to address its infrastructure challenges will strengthen the prospects for economic growth, enabling greater private sector investment and building a business enabling environment. Our strengths lie in supporting roads, and water and sanitation investments that Indonesia's rapidly urbanising population need to become more productive.

Australia will remain engaged in the water and sanitation sector because of the demonstrated economic benefits of improved access to water and wastewater management, including healthy families (breadwinners can work/earn money and children can go to school) as well as more productive land for farming and other economic activities.

The development cooperation program and infrastructure investment in particular are explicitly recognised as key enablers of the Australian Government's economic diplomacy agenda. Infrastructure investment is seen as a central component of Australia's Aid for Trade activities, providing important opportunities to grow two-way trade and elevate Indonesia's ranking as Australia's eleventh-largest trading partner.

Australian support for infrastructure development also makes a positive contribution to the Australia-Indonesia bilateral relationship. Infrastructure development is also a key area for cooperation between Australia and Indonesia in multilateral forums such as the G-20 and APEC.

Proposed outcomes and investment options

The overall goal of Australian infrastructure investments in Indonesia is to support *'rapid, sustainable and inclusive economic growth and improved access to basic infrastructure services to help reduce poverty and promote women's economic participation and empowerment'*.

With Australia's aid program representing less than 0.01 per cent of Indonesia's Government revenue, support for infrastructure will continue to focus on leveraging Indonesia's own infrastructure spending and improving the quality of Government and Multilateral Development Bank (MDB) infrastructure projects. Assistance will progressively shift away from directly demonstrating and building infrastructure using grant funding, to partnerships with GoI that improve the preparation and delivery of infrastructure financed from public and private sources as well as the multilateral development banks.

Assistance will focus on institutionally delivered infrastructure mainly in transport and water/sanitation where DFAT's existing programs and relationships are strongest.

The program design will also reflect the Government of Australia's policy priorities related to economic diplomacy and Aid for Trade. Identifying opportunities to help tackle the disincentives to investment in infrastructure, particularly from the private sector, such as uncertainty in the regulatory environment and inadequate project preparation will be a particular focus of the design and subsequent future program.

Contributing to the empowerment of women and girls will be a key consideration in the program design. This includes among other things addressing infrastructure constraints that inhibit the full participation of women in economic activities. Implementation of this will be done through mainstreaming gender principles in relevant technical assistance activities as well as implementing activities with gender equality as a primary goal.

Three outcomes are listed below and are proposed to guide our investments. Within each outcome there is a stock of activities planned and under early implementation from our existing infrastructure program. We propose that these will form the basis for the new program and will be complemented by a set of new activities to be developed in consultation with Gol.

- › ***High quality project delivery, management and maintenance by Government of Indonesia*** - this outcome will specifically focus on improving the delivery of infrastructure investments financed by Government or MDB loans. Assistance will aim to strengthening institutions and systems to plan, design, deliver and maintain infrastructure that enhances trade, economic and access opportunities for men and women. Priorities include:

Activities planned and under implementation:

- » Progressive phasing out of existing grant funded demonstration projects in water, sanitation, provincial road maintenance, and city sewerage, for either direct funding by Gol or co-financing arrangements with MDBs. Examples include:
 - The Water Hibah: Gol is making a significant initial allocation of Rp500 billion (A\$50 million) in 2015-16 to take on and roll out the program;
 - The Sanitation Hibah: Gol is planning to mainstream this alongside the Water Hibah from 2016;
 - Provincial road maintenance: the demand from Gol to expand this program beyond the Australian funded pilot in one Province will necessitate significant funding and possible loan financing from the World Bank;
 - Palembang waste water treatment: investment is under consideration and funds are likely to be drawn on from 2017-18 along with potential loan co-financing from the ADB.

New investment activity options for consideration in the design:

- » Trialling of an innovative Performance Based Availability Scheme (PBAS) in the national roads sector, where the private sector is required to build and maintain a road corridor over a specified timeframe (for example 20 years) to pre-agreed performance benchmarks.

- › ***An improved policy and regulatory framework conducive to infrastructure development*** - this outcome will help address the uncertain and inconsistent regulatory environment that has held back public and private infrastructure investment. Priorities include:

Activities planned and under implementation:

- » Building upon existing policy and regulatory assistance that has previously helped deliver:
 - national level master plans in the ports and energy sectors that have had high level buy-in and informed GoI reform;
 - advisory support for energy tariff setting; and
 - analytical and advisory support focussed on getting greater value for money out of public expenditure on the national road network.

New investment options for consideration in the design:

- » Improving the institutional environment for Public Private Partnership (PPP) infrastructure investments in Indonesia, including assistance through existing Trust Funds with the World Bank and/or ADB.
- » Assistance to get the policy and regulatory settings right for the targeted selection and preparation of high quality infrastructure projects, as well as increased private sector participation across infrastructure sectors.
- › ***High quality project preparation*** - this outcome will specifically focus on improving 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. Priorities include:

Activities planned and under implementation:

- » High quality project preparation of investments for financing by the MDBs or the private sector that has included wastewater investment plans in eight cities of Indonesia, water supply investments for Indonesia's two largest cities (Jakarta and Surabaya), modelling / feasibility work for light rail Mass Rapid Transit options in Surabaya, and the Makassar port master plan along with its pre-feasibility study.

New investment options for consideration in the design:

- » Feasibility studies and project preparation to explore opportunities for small and relatively simple PPPs as guided by newly established decision-making bodies in government.
- » Support to the Government machinery associated with PPP decision-making and project preparation as it is established.

Implementation and delivery approach

Implementation approach

The guiding principle for the delivery of the future infrastructure program is that Australian resources leverage, not replace, Indonesian domestic resources (from both the GoI budget and the private sector) for improved infrastructure delivery. This is consistent with the new development cooperation paradigm outlined by the Australian Minister for Foreign Affairs and also recognises that donor financing constitutes a small fraction of total infrastructure financing

in Indonesia. With the reduction in aid budget Australia will be shifting away from directly demonstrating and building infrastructure using grant funding, and will work closely with GoI and the MDBs to align with a core of physical infrastructure investment pipelines.

The design of the new infrastructure program will strengthen linkages with other Australian aid program activities. Activities delivered through the Australia Indonesia Partnership for Economic Governance (AIPEG) will help unblock institutional and regulatory constraints to private financing that are critical for PPP infrastructure investments and the trialling of innovations in national road delivery such as Performance Based Availability Schemes. The infrastructure program will link with the Knowledge Sector Initiative (KSI) and Governance for Growth Program (KOMPAK) through a thematic focus on sub-national governance to improve public financial management and accountability and sub-national infrastructure delivery.

The design and implementation of the new infrastructure program will also be informed by lessons learned from the existing infrastructure program and the experiences of implementation by other development partners (including significant assistance for PPPs that is yet to result in any major investments). These have emphasised the effectiveness of activities that:

- › **Work around a core program of physical investments:** large scale, physical infrastructure creates a powerful demonstration effect of innovative and improved approaches to infrastructure design, delivery and maintenance.
- › **Work through Government systems:** working in partnership with GoI creates both financial and technical incentives for the adoption of reform and an improved focus on value for money.
- › **Are flexible and responsive to opportunities for policy engagement:** the capacity to provide timely and world class technical expertise can offer cost effective support for key reforms to the institutional environment for infrastructure investment.
- › **Provide opportunities to unlock private sector financing for public infrastructure:** establishing a functioning institutional framework and credible pipeline of investment for private sector financing will address critical needs..

Delivery approach

Activities funded under the new infrastructure program will be delivered both bilaterally and through existing Trust Funds with the World Bank and Asian Development Bank (noted at attachment A). AIIB will likely gain prominence over the proposed 10-year implementation period and a further Trust Fund arrangement could be incorporated within the program.

As pipelines of project, policy and direct lending from the MDBs firm up with GoI, there are clear opportunities for Australian bilateral assistance to support project preparation, leverage policy reforms and support implementation of a core of high priority investments for Government. Bilateral delivery will allow maximum flexibility to ensure assistance is responsive and relevant to the Indonesian Government. This delivery approach will also enable rigorous management to ensure the timely delivery and cost effectiveness of public resources, as well as adherence to aid program policies on gender equality and social and environmental safeguards.

To complement existing Trust Funds with the World Bank and ADB, DFAT will likely appoint a managing contractor (to be sourced following a competitive international tender process) to design and implement the new infrastructure program. The individual activities funded by the new program will be progressively identified for design and approval by DFAT, and then

delivered across the ten year duration of the program rather than being wholly pre-determined during the design. This approach will enable the new infrastructure program to remain responsive to evolving GoI infrastructure priorities and strategically direct resources in support of reform opportunities as they emerge. The existing stock of activities in the transport sector and water and sanitation sector will help anchor the facility around a core set of initial investments.

Value for Money

DFAT's Value for Money principles, including a focus on cost consciousness, encouraging competition, and a focus on results, accountability and transparency, will be applied to infrastructure assistance.

Program details

Timeframe

The design is expected to be completed in 2016 to allow implementation to commence prior to completion of the existing Indonesia Infrastructure Initiative (IndII) and novation of residual activities. The new program timeframe is expected to be ten years (including design) over two phases. The duration reflects the long-term commitment required to make a meaningful difference to the infrastructure sector in Indonesia, given the time needed to effect changes in factors that influence the supply of and demand for better infrastructure services.

The program will be subject to a full independent review after the first phase, which will provide an opportunity to adjust the design to reflect changes in the policy and operating environment and implementation progress and challenges.

Budget

An initial annual financial expenditure of \$30 million is anticipated to support the achievement of the program outcomes. A proportion of these funds will be required for overheads such as operational costs of the facility and management fees for a managing contractor.

Governance and implementing partners

Governance arrangements will be developed during the design phase following further consultation with GoI. At national level, it is anticipated that a Steering Committee comprising key DFAT, GoI and other stakeholders will be established to provide overall strategic direction to the program and to complement sub-national partnerships. Government agencies at national, provincial and district levels will be key implementing partners. The key technical partners for the program at the national level will be the Ministry of Public Works and the Ministry of Transportation. The Ministry of Finance (MoF) and Bappenas will be involved in setting the broad strategic direction of the program, as well as issues related to management and disbursement of funds through government channels and coordination of planning and budgeting at sub-national level. Other implementing partners will include the private sector, multilateral development banks and other donors. A strategy for coordinating partners will be developed during the design phase.

Risk and risk management

This section provides extracts from an initial overview of key risks and risk management strategies identified by DFAT for internal approval purposes. A more detailed assessment of risks and management of risks will be considered in the design phase. Key risks include:

Operating Environment: The risk rating for the impact of the operating environment on the achievement of intended results is *moderate*. Infrastructure will likely remain a priority for Gol given its strong ties to economic growth and stability. A major reduction in the importance of infrastructure for the Gol is considered unlikely. It is expected that Indonesia will continue to seek infrastructure assistance from Australia.

Results: The risk rating for results is *low*. It is considered unlikely that the investment will have negative or unintended consequences. Issues with safeguards under capital works assistance represent the most significant risk that could lead to unintended consequences, and can be managed. With the staged exit from bilaterally delivered capital works the focus of this risk will shift to monitoring the implementation of safeguards measures in World Bank and ADB investments that are receiving additional Australian support. Success or failure in achieving intended results with respect to assistance on infrastructure policy reforms is highly dependent on Gol stakeholders. A pre-condition for all assistance will be evidence of sufficient Gol buy-in and commitment.

Safeguards: The risk rating for the impact of safeguards on the achievement of intended results is *high*. Infrastructure capital works programs involving land acquisition have a likelihood of triggering safeguards issues with respect to displacement and resettlement. Capital works also have a likelihood of triggering environmental safeguards. Existing investments have been designed to avoid or minimise any exposure to these safeguard risks, and with a staged exit from bilaterally delivered capital works the focus of this risk will shift to monitoring implementation of safeguards on World Bank and ADB investments that are receiving additional Australian support. Where safeguards are triggered, the appropriate measures will be put in place. The Post has demonstrated experience in effectively managing investments involving social and environmental safeguards. Disability safeguards will be taken into account where appropriate.

Fiduciary: The risk rating for the impact of fraud on the achievement of intended results is *high*. Corruption is a serious issue and has implications for the Infrastructure program. Fraud (funds either not being used for their intended purpose or not being properly managed by a recipient individual, organisation or institution) is an ongoing risk to be managed by the Indonesia infrastructure program. Assessments of the likelihood of fraud and corruption occurring under major investment areas has been carried out through 'Working in Partner Systems' assessments. As required and where appropriate, robust Anti-Corruption Action Plans have been put in place on a number of Australian aid infrastructure investments.

Other: The risk of other factors affecting the achievement of objectives is moderate.

Transition Arrangements: Technical assistance required to manage grant funded capital works may in some instances need to be transitioned from existing contractual arrangements under IndII to the newly designed and tendered contractual arrangements. As all grant programs work through Gol systems, it will be essential that this transition is seamless and ensures that the necessary management oversight of activities is maintained. In the event that technical assistance contracts are not smoothly novated through to new contractor(s), this could present

a minor reputational risk to Australia while activities are put on hold. This risk can be mitigated through advance planning for the novation of contracts and a specific provision for articulating transition arrangements within the design.

Attracting and maintaining high calibre infrastructure technical assistance: High quality technical assistance in the infrastructure sector does not come cheap. Infrastructure expertise is in high demand and can attract commercial rates well above the rates established through the Australian aid program's Adviser Remuneration Framework (ARF). This is particularly the case with specialist legal and transaction advice relating to Public Private Partnerships (PPP) which under the current program has either been avoided, or handled directly by other development partners. For continued and expanded Australian involvement in the provision of infrastructure technical assistance with a particular focus on private sector investment, exemptions from current ARF rules may sometimes be required.

Multilateral Development Bank lending pipelines: Closer alignment of Australia's infrastructure program with the proposed lending pipelines of the MDBs is contingent on these pipelines materialising. While lending from the World Bank and the ADB is proposed at higher levels than over the last 5 years, with infrastructure making up the dominant share, there is considerable work to be done before loan agreements are ready for signing. Australian assistance would be linked to individual MDB projects which have the potential to slip or drop. Risks include failure to agree on disbursement triggers for policy loans that are commensurate with proposed borrowing, and potential for bureaucratic complexities on approvals for direct lending to state-owned enterprises. Risks can be managed through continued close engagement with the MDBs and Government through the initial planning phases of the MDB's lending programs and reorientation of bilateral assistance as required. Ongoing bilateral engagement through both planning and implementation of loan-funded works will help identify where bilateral assistance may be able to support Government in meeting policy triggers, or support elements of loans where Government may be reluctant to borrow, particularly those with needs for international technical assistance.

Appendices

Appendix A: Summary of existing major initiatives

Water and Sanitation Hibah (Implemented through the Indll Facility)		
Timeframe / Years: Phase 2: 2012-2017 Phase 1: 2009-2011	Australian contribution: Phase 2: \$95million Phase 1: \$25 million	Location: Phase 2: 121 districts/cities in 22 provinces Phase 1: 39 districts/cities in 13 provinces
Key Implementing Partners: > GoI (Ministry of Public Works, Ministry of Finance, Bappenas, Local Governments)		
Program Objective: The objectives of the Hibah is to demonstrate a new method for central government financial transfers to local governments and to increase local government investment in water and/or sanitation utilities to increase the number of poor households with access to piped water and sewerage. 121 local governments are implementing the Hibah program which will deliver approximately 330,000 water and 9,000 sanitation connections. The program uses an output-based approach where a grant (between 35-45% of the real connection cost) is provided to local governments after independent verification that each new piped water and wastewater connection has functioned for at least three months. The first phase of the program resulted in 77,000 water connections and 5,000 wastewater connections in 39 districts/cities. The second phase aim to deliver 330,000 water connections and 9,000 wastewater connections in approximately 121 cities/districts.		

Australia Indonesia Infrastructure Grants for Municipal Sanitation (SAIIG)*		
Timeframe / Years: 2012-2017	Australian contribution: \$40 million	Location: Urban
Key Implementing Partners: > GoI (Ministry of Public Works, Ministry of Finance, Bappenas, Local Governments)		
Program Objective: SAIIG aims to stimulate local government investment in municipal infrastructure for sanitation, and to provide incentives for governance reforms to enhance sustainability of operation of the system. The program works with approximately 42 local governments participating in SAIIG to deliver 62,000 sanitation connections. The program uses an output-based approach where a grant will be provided to local governments after independent verification has confirmed that the local governments have implemented the sanitation infrastructure and put in place the agreed governance improvements and progressive achievements towards governance benchmarks.		

Palembang City Sewerage Project*		
Timeframe / Years: Starting from Early 2016	Australian contribution: \$45 million Investment Grant + \$2million Technical Assistance for implementation	Location: City of Palembang
Key Implementing Partners: <ul style="list-style-type: none"> › Gol (Ministry of Public Works, Ministry of Finance, Palembang Municipal Government) 		
Program Objective: <p>This investment concept has been the subject of discussions between DFAT and the Government of Indonesia (Gol) and Palembang since mid-2013. It follows the signing of the Subsidiary Arrangement between Gol and Australia in 2012 for a package of infrastructure grants that includes the construction of a wastewater facility in one Indonesian city. The program objectives are to:</p> <ul style="list-style-type: none"> › Increase investment for sewerage infrastructure to meet the GOI sewerage coverage targets by providing up to \$45 million as a grant to Palembang Government. The proposed sewerage system will directly benefit 83,600 people (19,000 households) and result in environmental, health and economic outcomes for those beneficiaries. › Improve governance in the sanitation sector by channelling the grant directly to Palembang government. This is to demonstrate to the Gol that other foreign loan funds or grants can be on-granted directly to local governments to increase their involvement (and hence, sustainability) in accordance with their mandated responsibility under the decentralisation laws and regulations and as a result, improve the on-going maintenance and sustainability of such infrastructure. <p>The program will use the Indonesian Ministry of Finance's (MoF) on-granting mechanism used in the Australia-funded Water and Sanitation hibah as a way of transferring the funds.</p>		

Pilot Program for Provincial Road Improvement and Maintenance (PRIM)*		
Timeframe / Years: 2014-2015	Australian contribution: DFA: \$12.2million TA through Indll: \$8.9million	Location: West Nusa Tenggara (NTB) Province
Key Implementing Partners: <ul style="list-style-type: none"> - Gol (Ministry of Public Works, Ministry of Finance, Bappenas) - Provincial government of NTB 		
Program Objective: <p>The Provincial Road Improvement and Maintenance (PRIM) Pilot Program is a results-based grant program to incentivise better road maintenance performance. The program's focus is on achieving lasting improvements in governance and value-for-money in rehabilitating and maintaining provincial roads, raising the quality of maintenance planning and delivery. Performance is rewarded by grant disbursements triggered by satisfactory execution of maintenance works in accordance with agreed procedures and standards, and improvements in governance measures. PRIM provides performance grants valued at approximately 40% of expenditures on provincial road maintenance. The program is being piloted in NTB Province given its stated commitment to trial PRIM, and is targeting (i) 1,329 km of routine maintenance, (ii) 679 km of backlog & minor works, (iii) 26 km of periodic maintenance, and (iv) 18 km of pavement rehabilitation.</p> <p>A further assessment on decision to extend funding to Stage-2 would be made based on the progress and success of pilot program for PRIM.</p>		

<i>The Eastern Indonesia National Road Improvement Project (EINRIP)</i>		
<i>Timeframe / Years:</i> 2006 -2015	<i>Australian contribution:</i> Loan: \$300 million Grant: \$36 million	<i>Location:</i> 8 provinces in Eastern Indonesia
<i>Key Implementing Partners:</i> <ul style="list-style-type: none"> - Gol (Ministry of Public Works, Ministry of Finance – Debt Management) 		
<i>Program Objective:</i> <p>The Eastern Indonesia National Roads Improvement Project (EINRIP) was established in 2006 as part of Australia's assistance to the Gol under the Australia Indonesia Partnership for Reconstruction and Development (AIPRD), resulting from the \$1billion assistance package announced after the 2004 tsunami. EINRIP provides a highly concessionary loan of up to AUD300 million for major reconstruction and improvement of national roads and bridges in Eastern Indonesia to promote the economic and social development of the region. EINRIP is supporting 20 road projects in 9 provinces, totalling around 395km of roads and 1,300m associated fabricated steel bridge structures.</p> <p>To support the above loan, DFAT has invested around \$36 million in grant resources to improve EINRIP implementation and oversight including (i) an EINRIP Monitoring Unit (EMU) to provide day-to-day technical oversight of the program; (ii) a Project Preparation Consultant (PPC) to provide Australian and Indonesian technical expertise for planning, technical preparation and provision of Final Engineering Designs (FED) for all road projects; (iii) a program of Technical and Financial Audits (TFAC) to closely assess construction quality and advise DFAT on remedial measures necessary to ensure substantial compliance with design specifications; and (iv) a Monitoring and Evaluation program that extends beyond the life of the project to assess its long-term impact.</p>		

<i>Multilateral Development Bank Infrastructure Assistance Program</i>		
<i>Timeframe / Years:</i> May 2013 - 2019	<i>Australian contribution:</i> Total \$40.5 million: made up of \$20 million to World Bank; \$20 million to ADB; \$0.5 million for M&E and administration costs	<i>Location:</i> No specific geographic focus
<i>Key Implementing Partners:</i> <ul style="list-style-type: none"> - The World Bank - ADB 		
<i>Program Objective:</i> <p>The Multilateral Development Bank Infrastructure Assistance Program (MDB-IAP) delivers infrastructure technical assistance to the Gol through the World Bank and Asian Development Bank (ADB) with the objective of strengthening the investment climate, associated policies and the institutional capacity for infrastructure development. The MDB-IAP works across multiple infrastructure sub-sectors including energy, transport, water and sanitation, and urban infrastructure.</p>		

PAMSIMAS (Water and Sanitation for Low-Income Communities)		
Timeframe / Years: Phase 2: 2013-2018 Phase 1: 2009-2012	Australian contribution: Phase 2: 49.95 million Phase 1: \$54.5 million	Location: Phase 2: 5,000 villages in 32 provinces Phase 1: 4,000 villages in 15 provinces
Key Implementing Partners: <ul style="list-style-type: none"> - World Bank - Ministry of Public Works 		
Program Objective: <p>PAMSIMAS is a national GoI program aimed at increasing the number of low-income rural and peri-urban populations accessing improved water and sanitation facilities and to improve hygiene behaviours. PAMSIMAS is GoI's main rural program for achieving its ambitious 2019 "100-0-100 target" which refers to universal access to water and sanitation (and no slum areas). PAMSIMAS is now in its second phase. Phase 1 (2008-2012) resulted in 5.59 million and 5.65 million people receiving improved access to water supply and sanitation facilities in 6,836 villages across 15 provinces in Indonesia. Phase 2 is expected to be implemented in 5,000 new villages across 32 provinces resulting in an additional 5.6 million people with improved access to water and 4 million people with access to sanitation facilities. PAMSIMAS is partially funded by a World Bank loan, GoI counterpart funding and Australian Government co-financing. The total project value (for Phase 1 and Phase 2) is USD582.55 million. GoI contributes USD187.58 million, the World Bank loan contributes USD237.4 million, and the Australian grant is USD90.4 million (AUD104 million - Phase 1: AUD54.5m and Phase 2: AUD49.5m). Australia's grant covers approximately 16% of the overall project costs. The Australian grant is directed towards water supply and public sanitation infrastructure, community empowerment and local institutional development, improving sanitation and hygiene practices and implementation support and project management (for example, facilitator salaries, training costs, implementation support costs, data management, impact evaluation, pilot studies and knowledge dissemination).</p>		

* Implemented through the IndII Facility