

# **INDONESIA AUSTRALIA INFRASTRUCTURE PARTNERSHIP**

**KEMITRAAN INDONESIA AUSTRALIA UNTUK  
INFRASTRUKTUR (KIAT)**

**Facility Design Document**

**Third Draft – February 2017**

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## Abbreviations

ADB	Asian Development Bank
AIIRA	The Australia Indonesia Infrastructure Research Awards
AIPEG	Australia Indonesia Partnership for Economic Governance
AP	Availability Payment
AP3F	Asia Pacific Project Preparation Facility
AQC	Aid Quality Check
BPJT	Transport Management Agency
CMEA	Coordinating Ministry for Economic Affairs
CMMA	Coordinating Ministry for Maritime Affairs
CSO	Civil Society Organisation
DFAT	Department of Foreign Affairs and Trade
DGH	Directorate General of Highways
EIA	Environmental Impact Assessment
EINRIP	Eastern Indonesia National Roads Improvement Project
EOFO	End of facility Outcomes
FDD	Facility Design Document
GDP	Gross Domestic Product
GESI	Gender and Social Inclusion
GIF	Global Infrastructure Facility
GOA	Government of Australia
GOI	Government of Indonesia
IFGI	Infrastructure for Growth Initiative
IIGF	Indonesia Infrastructure Guarantee Fund
IndII	Indonesia Infrastructure Initiative
INIS	Indonesia Infrastructure Support Trust Fund
IRE	Institute for Research and Empowerment
KIAT	Kemitraan Indonesia Australia untuk Infrastruktur
KPIIP	Committee for the Acceleration of Priority Infrastructure Delivery
KSI	Knowledge Sector Initiative
MC	Managing Contractor
M&E	Monitoring and Evaluation
MDB	Multilateral Development Bank
MOF	Ministry of Finance
MOHA	Ministry of Home Affairs
MOSA	Ministry of Social Affairs
MOWE-CP	Ministry of Women's Empowerment and Child Protection
NRW	Non-Revenue Water
NTB	Nusa Tenggara Barat
NTT	Nusa Tenggara Timur
PAF	Performance Assessment Framework

PAMSIMAS	National Rural Water Supply and Sanitation Project
PATTIRO	Research and advocacy for improved local governance
PBAS	Performance Based Availability Scheme
PDAM	Regional Water Utility Company
PPIAF	Public Private Infrastructure Advisory Facility
PPP	Public Private Partnership
PRIM	Provincial Road Improvement and Maintenance
PT SMI	Indonesia Infrastructure Finance Company
PWTP	Palembang Wastewater Treatment Plant
MDB-IAP	Multilateral Development Bank – Infrastructure Assistance Program
MPWH	Public Works and Housing
QA	Quality Assurance
RAMS	Road Asset Management System
RPJMN	National Medium Term Development Plan
sAIIG	Water and Sanitation for Low Income Communities
SDG	Sustainable Development Goals
SIAP	Sustainable Infrastructure Assistance Program
SIGAB	Sasana Integrasi dan Advokasi Difabel
SME	Small and Medium Enterprise
SNG	Sub-National Government
SOE	State Owned Enterprise
TA	Technical Assistance
VfM	Value for Money
WAHLI	Indonesian Forum for the Environment
WatSan	Water and Sanitation
WSSI	Water and Sanitation Services Index
WTE	Waste to Energy

# Executive summary

## 1. Introduction

The Indonesia Australia Infrastructure Partnership (or Kemitraan Indonesia Australia untuk Infrastruktur – KIAT) is the proposed successor to the Indonesia Infrastructure Program (IndII). The primary focus of design work has been to build on the successes of IndII, respond to lessons learned, design the facility's governance arrangements and activity development and approvals processes, support a smooth transition from IndII to KIAT (including transition of high priority and unfinished activities), prepare a first year work plan and budget, and develop a Gender Equality and Social Inclusion (GESI) Strategy and Monitoring and Evaluation (M&E) Framework.

Preliminary design work was undertaken in Jakarta during September and October 2016. The design team worked under the direction of the Department of Foreign Affairs and Trade (DFAT) Infrastructure and Economic Governance Section at the Australian Embassy in Jakarta, and consulted widely with Government of Indonesia (GOI) stakeholders, the private sector, civil society, development partners, and other DFAT sections and ongoing development programs. Following submission of a first draft Facility Design Document (FDD) to DFAT at the end of October and receipt of DFAT preliminary comments, a second draft was prepared and re-submitted towards the end of November. DFAT then conducted a Peer Review of the FDD, further editing was undertaken in response to comments received and a third draft FDD was submitted early February 2017.

## 2. Situation analysis

After taking office in late 2014, the administration of President Joko Widodo has continued the emphasis on inclusive infrastructure development and positioned it as one of its highest priorities. The current National Medium Term Development Plan (RPJMN 2015-19) devotes significant attention to infrastructure, outlining priority areas for investment and targets to be met. Key GOI objectives include enhancing inter-island connectivity and port development, road infrastructure improvement (including toll roads and roads in border areas), improving water and sanitation service provision, addressing the energy production deficit, and reducing urban congestion.

The overarching goal of Australia's Aid Investment Plan for Indonesia (2016-19) is to 'partner with Indonesia to boost inclusive growth and productive jobs by improving Indonesia's competitiveness through strengthening the impact of Indonesia's own resources'. The Plan highlights the approach of economic partnership, the key areas where Australia can provide support to infrastructure development, and the means by which it might do so. These include tackling underlying disincentives to invest in infrastructure, particularly from the private sector. Australian strengths are noted to lie particularly in supporting the roads and water and sanitation (WatSan) investments that Indonesia's rapidly urbanising population need to become more productive. The Plan foresees a gradual shift away from directly building infrastructure using grant funding, to partnerships with relevant ministries to provide policy advice and improve the preparation of projects funded by the GOI and the Multilateral Development Banks (MDBs). A focus on empowering women and increasing their capacity to participate in the economy is also seen as critical to supporting economic growth and equality objectives. Similarly, Australia's social inclusion policy stresses the rights of people with disabilities to accessible infrastructure development.

While GOI has taken significant actions to improve the quantum and quality of infrastructure investments over the past few years, the impacts of Indonesia's infrastructure challenges remain clearly evident, for example: (i) travel speeds on arterial roads are among the worst in East Asia, result in longer journey times and contribute to high logistics costs of around 24 per cent of Gross Domestic

Product (GDP); (ii) urban public transport services are typically of poor-quality and decreasing patronage further contributes to traffic congestion; (iii) limited and uneven transport connectivity across the archipelago (including poor condition of existing infrastructure assets) negatively impacts both access to services and access to markets and economic opportunities, particularly in remote areas; (iv) 18 per cent of the population lacks access to improved water, 80 per cent lacks access to piped water, and 98 per cent lacks access to sewerage systems (including in the capital, Jakarta); and (v) power shortages result in blackouts and disrupts both economic and social activity.

The underlying causes of these infrastructure challenges include: (i) historic under-investment in infrastructure; (ii) ambitious infrastructure delivery targets that are often not met due to fiscal constraints, poor quality project preparation; blurred institutional responsibilities and accountabilities, weak incentives for performance, and corruption; (iii) impediments to private sector participation; (iv) under-funding of infrastructure maintenance; and (v) poor value for money (VfM) in infrastructure delivery.

During design consultations key GOI stakeholders requested that the new facility: (i) be flexible and responsive to emerging needs, while at the same time continuing to support longer-term programs of work; (ii) continue to give particular focus to roads and WatSan, but also be open to supporting other infrastructure priorities such as light rail, energy, port and maritime development; (iii) provide institutional capacity development support, including through medium-term learning and training opportunities; (iv) ‘embed’ key Technical Assistance (TA) within partner GOI agencies and focus on supporting the existing work plans of key partner agencies / organisational units; (v) simplify and streamline facility governance arrangements, including the activity development and approvals process, and work with and through existing GOI institutional arrangements wherever possible; and (vi) engage GOI partners in assessment of technical proposals for new activities and selection of key TA. It was also noted, including through consultations conducted by the recent IndII Independent Assessment Team (IAT) mission, that GOI continues to value the complementary provision of infrastructure delivery grants (in addition to TA) for piloting new initiatives.

Consultations with private sector representatives and professional associations highlighted that: (i) policy and regulatory clarity and consistency remains key to increasing private sector participation in infrastructure financing and delivery; (ii) quality of project selection and preparation remains poor; (iii) risk allocation between GOI and private partners is not well understood or appropriately reflected in contracting and financing arrangements; (iv) decision making in GOI on public private partnership development and approval is fragmented and sometimes inconsistent; (v) tendering is not always transparent; and (vi) SNG capacities to develop and manage public-private partnerships (PPPs) are particularly weak. Significant enthusiasm was generally voiced for KIAT to play a role in helping to bridge identified gaps, including through facilitating establishment of improved GOI / private sector dialogue on infrastructure policy and regulatory reform measures.

The design team’s consultations with the World Bank and Asian Development Bank (ADB) highlighted that scope exists for improving synergies between the future work of KIAT and the infrastructure investments of these two MDBs, including with respect to the allocation and use of the infrastructure trust fund monies that DFAT provides through its Multilateral Development Bank Infrastructure Assistance Program (MDB-IAP). This will require active coordination support from DFAT, as well as dedicated resources within KIAT to progress this agenda.

Civil Society Organisation (CSO) representatives (and informed experts working in this field) highlighted the opportunities that exist for KIAT to work with and through established CSOs to progress the facility’s Gender Equity and Social Inclusion (GESI) objectives, particularly in relation to strengthening demand-side initiatives, advocacy for gender and disability inclusion, and generating

knowledge products. In doing so, KIAT should collaborate closely with other DFAT programs that already have established working relationships with CSO networks.

### **3. Facility description**

KIAT is a proposed 10-year facility-type investment (2016 – 2026) with an indicative budget of A\$300m.

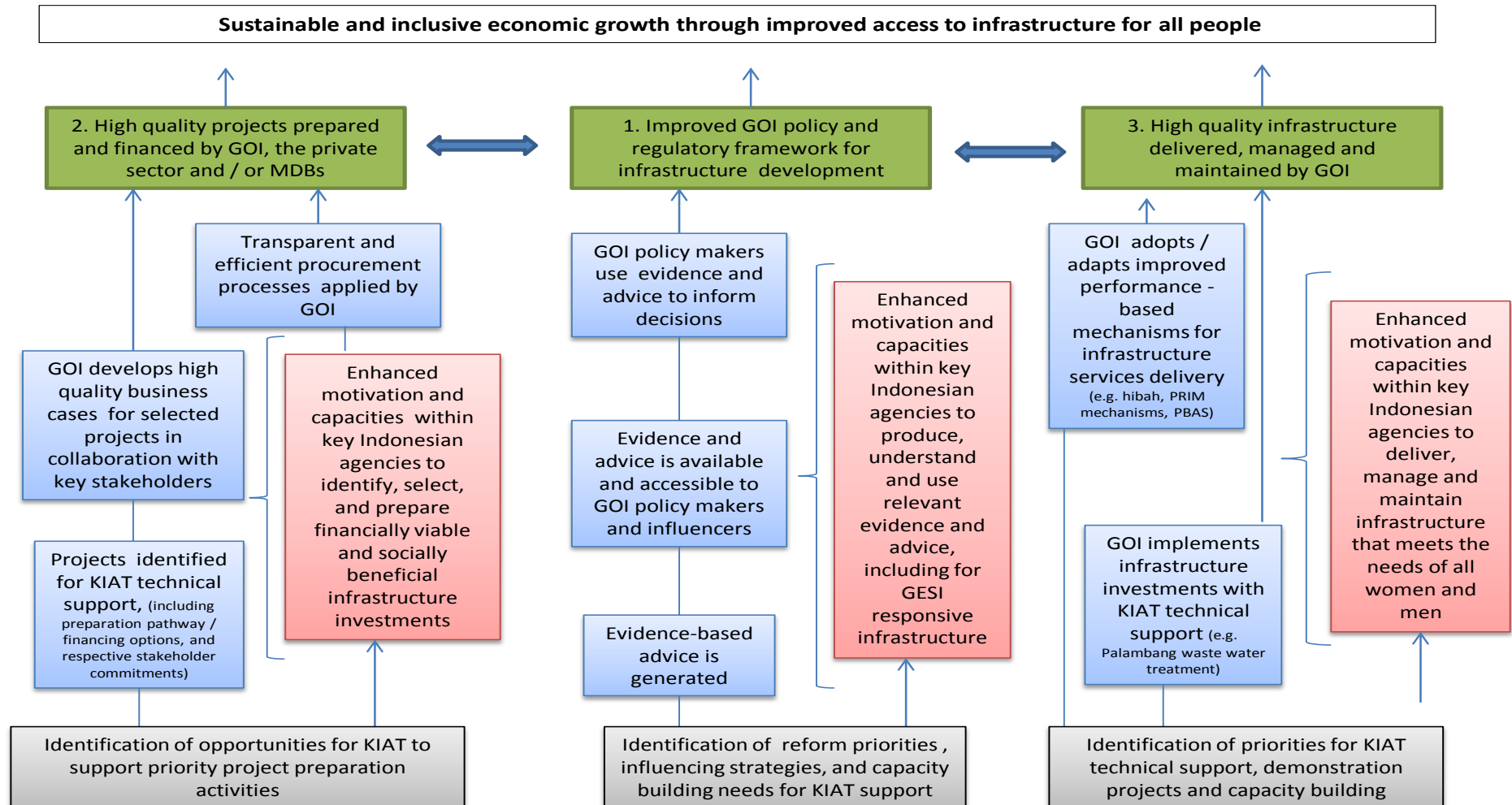
KIAT's overarching goal is to support '*Sustainable and inclusive economic growth through improved access to infrastructure for all people*'. To support this goal, KIAT will work with GOI, DFAT, private sector, MDBs and other development partners, and civil society stakeholders to help achieve the following 'End-of-facility Outcomes' (EOFOs):

1. Improved GOI policy and regulatory framework for infrastructure development
2. High quality projects prepared and financed by GOI, the private sector and / or MDBs
3. High quality infrastructure delivery, management and maintenance by GOI

KIAT's logic model is summarised in the figure below:



**Figure 1 KIAT's Logic Model**



**KIAT engagement principles**, including: (i) Demand driven and responsive; (ii) GOI ownership and institutional alignment; (iii) Capacity building and strengths-based approach; (iv) People and GESI-centred; (v) Results / performance-oriented; and (vi) Supportive of the Australia – Indonesia development cooperation partnership.

KIAT aims to help GOI improve the quality of its own infrastructure spend (including spending by the private sector and MDBs), by providing high quality TA in response to agreed-upon requests and priorities. KIAT is designed as a flexible and responsive TA facility, which is nevertheless expected to have a set of longer-term programmatic investments at its core. KIAT will therefore provide both short-term TA in response to more immediate and emerging needs, as well as longer-term TA (individuals and teams) to support implementation of agreed larger programs of work. KIAT will take a systems strengthening and capacity building approach based on effective partnerships (including bringing like-minded reformers together), robust joint analysis of problems and solutions, collection and analysis of evidence regarding what works and what doesn't, and helping to embed reform using a range of techniques to ensure uptake and sustainability (e.g. through incentive mechanisms and promoting behaviour change).

The sectoral focus of KIAT support will initially remain primarily on transport and WatSan, but not to the exclusion of other infrastructure sector priorities as mutually agreed between GOI and DFAT over time. KIAT's primary focus will be on supporting improved infrastructure service delivery in urban and peri-urban areas, including connectivity between urban population centres. In line with GOA and GOI development policy priorities, particular focus will be given to screening all proposed investments in terms of their potential contribution to gender equality and social inclusion objectives.

DFAT's support for infrastructure TA through KIAT is expected to be complemented by, and linked to, the ongoing provision of infrastructure delivery grants, at least in the medium term. It is currently anticipated that such grants (which are allocated to and managed by the MOF) might amount to up to A\$120 million over the next five years, and will be used to support such things as the ongoing piloting of performance-based WatSan and roads funding schemes as well as current DFAT commitments to such projects as the Palembang Wastewater Treatment Plant. DFAT infrastructure grant support through the MDB-IAP, as well as support for GOI programs such as PAMSIMAS, will also complement the funding provided through KIAT.

KIAT's first year work plan focuses on three main areas, namely: (i) establishment of the KIAT facility; (ii) implementation of 'transitioned' activities developed during IndII; and (iii) development of new activities. For the first year at least, the bulk of resources available for activity implementation will be devoted to the activities transitioned from IndII, as indicated in the first year (15 months) indicative budget shown in the table below.

Type of Activity	A\$ million	% of Total
Establishment and operations of the KIAT facility	11.5	29.1
Engagement of Embedded Advisers (4)	2.2	5.6
Implementation of activities developed by IndII	23.7	60.0
Development of new activities	2.1	5.3
<b>Total</b>	<b>39.5</b>	<b>100</b>

**4. Governance and management arrangements**

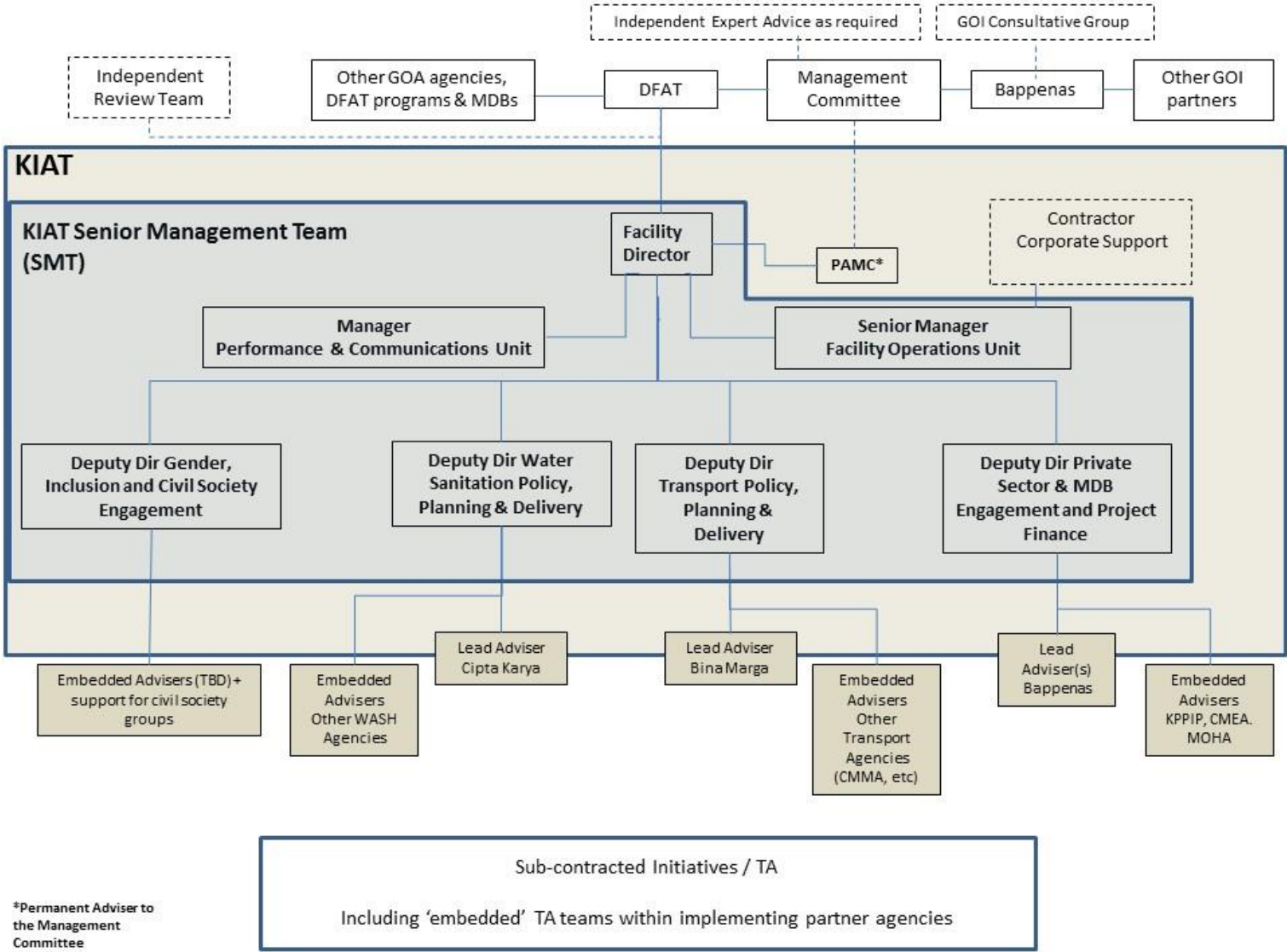
The figure shown below provides a summary of KIAT's proposed governance and management structure. The proposed arrangements take account of the lessons learned during the implementation of IndII.

Key points to note include:

- The Management Committee (comprising DFAT and Bappenas senior representatives) will have decision making authority over KIAT's strategic direction, funding allocation, activity approvals, and ongoing performance assessment. Bappenas will have responsibility for coordinating the views and inputs of other GOI partner agencies. The Management Committee will have access to independent expert advice as required.
- The proposed KIAT management structure and core staffing complement will be open to ongoing review and revision as required. Needs are expected to change over time, and KIAT must be able to respond accordingly. Nevertheless, in order to address the lessons learned from KIAT with respect to progressing GESI, private sector and MDB engagement objectives, it is proposed that dedicated senior staffing resources be given responsibility for progressing these objectives.
- In order to strengthen partnership principles and arrangements, partnership agreements will be developed with each key GOI partner agency outlining the scope of proposed collaboration and mutual commitments, prior to development of new activities. Lead Advisers will be subsequently placed within key GOI agencies to support activity development, ongoing relationship management, coordination and communication with all concerned parties, and the monitoring and quality assurance of activity implementation. Sub-contracted TA (individuals and teams) required for implementation of specific activities will also be 'embedded' in GOI partner agencies wherever possible and appropriate. Technical team will be established within GOI agencies, as required, to support activity development and ensure activity ownership and alignment with GOI agency priorities.
- A fast track process will be established by KIAT, including a Short-Term TA funding pool, to allow urgent and emerging TA needs to be met at short notice. Nevertheless, it is anticipated that the bulk of KIAT's TA resources will be allocated in support of longer-term programmatic initiatives, including those linked to the complementary allocation of infrastructure delivery grants.
- A GESI strategy and M&E Framework have been developed as part of the design, and will guide the further development and implementation of operational plans and tools during the KIAT establishment phase.

The Indicative Facility Operational Model is below:

**Figure 2 Indicative Facility Operational Model**



\*Permanent Adviser to the Management Committee

# 1 Introduction

## 1.1 Background

Following the Indian Ocean Tsunami that hit Indonesia on the 26 December 2004, the A\$1 billion package of Australian assistance to Indonesia provided for large-scale social and economic development programs across Aceh and elsewhere in Indonesia. Around \$323 million was spent on the recovery and reconstruction in Aceh and Nias from 2004-2011. Approximately \$328 million was allocated for road improvements in eastern Indonesia, and around \$300 million was provided for basic education.

The Indonesia Infrastructure Initiative (IndII) was developed in response to the Australian Government's Infrastructure for Growth Initiative (IFGI) in order to '*promote economic growth in Indonesia by enhancing the relevance, quality and quantum of infrastructure investment in Indonesia*'. The first phase operated from 2009 to 2011. IndII was then extended for a second phase through to June 2015, and has subsequently been extended two more times. IndII is now expected to finish in June 2017.

## 1.2 KIAT design scope and process

The Indonesia Australia Infrastructure Partnership (or Kemitraan Indonesia Australia untuk Infrastruktur – KIAT) is the proposed successor to IndII. KIAT is a proposed 10-year investment with an indicative budget of A\$300m. The design scope has been guided by DFAT's 'Indonesia Infrastructure Program Concept Note' of November 2015 and the provisions of the design and implement contract signed between DFAT and Cardno Emerging Markets (Australia) on the 1 September 2016. The design phase Statement of Requirements (SOR) is provided at Annex 1. This highlights the 'givens' regarding the scope of the proposed investment as well as the key questions and issues to be addressed in the design.

The primary focus of design work has therefore been to: (i) review and build on the successes of IndII; (ii) respond to lessons learned - including through Independent Assessment Team (IAT) reviews; (iii) re-design the facility's governance and activity development and approvals processes; (iv) support a smooth transition from IndII to KIAT (including continuation of high priority and unfinished initiatives); (v) prepare a first year work plan and budget; (vi) develop a Gender Equality and Social Inclusion (GESI) strategy; and (vii) develop a Monitoring and Evaluation (M&E) Framework. In line with DFAT guidance and feedback from GOI stakeholders, KIAT has been designed as a flexible and responsive facility, which nevertheless aims to have a coherent set of longer-term programmatic investments at its core. In line with DFAT's '*Strategy for Australia's Aid Investments in Economic Infrastructure*', the scope of infrastructure is defined as covering transport, energy, large-scale water and sanitation, and ICT infrastructure investments.<sup>1</sup>

Design work was undertaken in Jakarta during September and October 2016. The Cardno design team worked under the direction of DFAT's Infrastructure and Economic Governance Section at the Australian Embassy in Jakarta, and consulted widely (within the time available) with Government of Indonesia (GOI) stakeholders, the private sector, civil society, development partners and donors, and other DFAT sections and ongoing development programs. Individual meetings were held with key stakeholders, as well as group consultations to test and refine design team ideas. A list of design team members and the main organisations consulted is provided at Annex 2. An aide memoire was presented to DFAT towards then end of in-country design work, and the first full draft of the facility

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<sup>1</sup> Strategy for Australia's Aid Investments in Economic Infrastructure, DFAT, July 2015

Design Document subsequently submitted to DFAT on 31 October 2016. A second draft was then prepared in November following receipt of preliminary comments from DFAT on the first draft. DFAT then conducted a Peer Review of the FDD, further editing was undertaken in response to comments received and a third draft FDD was submitted early February 2017.

### **1.3 Purpose and scope of the Facility Design Document**

The Facility Design Document (FDD) provides a description of: (i) the rationale for the proposed investment (situation analysis), (ii) the broad scope of work to be supported, focused on articulating the facility's engagement principles, broad objectives and end of facility outcomes, implementation strategies, and first year work plan and budget; and (iii) the facility's governance and management arrangements, including M&E and risk management.

The primary purpose of the FDD is to provide the basis on which DFAT and GOI can agree on the strategic objectives and scope of KIAT and how it will be managed. Specific contractual obligations between DFAT and Cardno will be separately detailed in a contract for implementation, while DFAT and GOI respective commitments will be specified in a Subsidiary Arrangement between the two Governments.

It is currently anticipated that KIAT implementation will commence in early April 2017.

## **2 Situation analysis – Why?**

### **2.1 Rationale for cooperation on infrastructure development**

A prosperous and stable Indonesia is good for Australia's stability, security, trade and cooperation in our shared region. Indonesia has reached middle-income status and achieved substantial development progress in recent years. However, out of a population of close to 260 million, more than 28 million Indonesians still live below the poverty line and approximately 40% of the entire population remain vulnerable to falling into poverty.<sup>2</sup> Increasing equitable growth and the creation of productive jobs for women and men needs a foundation of increased competitiveness to create a more attractive investment environment. A major structural constraint to increased competitiveness is the quality and quantity of Indonesia's infrastructure.<sup>3</sup> By 2035, Indonesia's urban population is expected to exceed 200 million, having increased by 71 per cent since 2010.<sup>4</sup> In this context, development of urban infrastructure is a particularly pressing concern.

#### **Indonesian policy context**

The vision of Indonesia's National Long-term Development Plan (RPJPN 2005-2025) is to establish a country that is developed and self-reliant, just and democratic, and peaceful and united. With respect to being developed and self-reliant, the RPJPN aims to encourage development that ensures the widest possible equality in the country, supported by quality human resources, developed infrastructure, and the application of science and technology.<sup>5</sup>

After taking office in late 2014, the administration of President Jokowi has continued the emphasis on inclusive infrastructure development and positioned it as one of its highest priorities. The current

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<sup>2</sup> <https://www.worldbank.org/en/country/indonesia/overview>

<sup>3</sup> Aid Investment Plan Indonesia 2016-19, DFAT

<sup>4</sup> [http://indonesia.unfpa.org/application/assets/publications/Policy\\_brief\\_on\\_The\\_2010\\_-\\_2035\\_Indonesian\\_Population\\_Projection.pdf](http://indonesia.unfpa.org/application/assets/publications/Policy_brief_on_The_2010_-_2035_Indonesian_Population_Projection.pdf)

<sup>5</sup> <http://www.indonesia-investments.com/projects/government-development-plans/national-long-term-development-plan-rpjpn-2005-2025/item308>

National Medium Term Development Plan (RPJMN 2015-19) devotes significant attention to infrastructure, outlining priority areas for investment and targets to be met. Key GOI objectives include enhancing inter-island connectivity and port development, road infrastructure improvement (including toll roads and roads in border areas), improving water and sanitation service provision, addressing the energy production deficit, and reducing urban congestion.

Under Indonesia's decentralisation regime (stipulated in Law 23 / 2014), sub-national governments (SNGs) have mandatory obligations to provide most basic services, including infrastructure (such as public works, water and sanitation, and housing). Improving delivery of basic infrastructure services therefore requires implementation of national policy priorities by and through SNGs.

### **Indonesia's macro-economic and fiscal situation**

Highlights from the World Bank's June 2016 Indonesia Economic Quarterly analysis include<sup>6</sup>:

- Pro-active policies have helped Indonesia's economic resilience, including prudent monetary policy, higher public infrastructure spending, and deregulation measures to improve trade and investment.
- GDP growth of 5.1% in 2016 and 5.3% in 2017 is projected. Consumer price inflation as of May 2016 was 3.3 percent year on year. However, the relatively modest headline inflation rate has masked high food price pressures.
- Government expenditure, in particular on capital, is projected to increase in the next three quarters in line with the historical trend. Towards the end of 2016 and beyond, the outlook depends on private investment growth picking up as it responds to the Government's business climate reform efforts and the gradual recovery in global growth and trade.
- Higher infrastructure spending and regulatory reform, which have already become a policy priority, would help improve the competitiveness of Indonesia's manufacturing sector.
- Fiscal policy is one of the main tools available to governments to reduce inequality. In Indonesia, inequality has risen since the early 2000s and many Indonesians believe urgent action is needed. According to a World Bank study, fiscal policy in Indonesia in 2012 reduced the Gini coefficient by only 2.5 points. However, the 2015 fuel subsidy reform, and related compensation for the poor, has helped reduce inequality, as savings were redirected into infrastructure, health, and social assistance.

### **Australian policy context**

The overarching goal of Australia's Aid Investment Plan for Indonesia (2016-19) is to *'partner with Indonesia to boost inclusive growth and productive jobs by improving Indonesia's competitiveness through strengthening the impact of Indonesia's own resources'*. The plan highlights the approach of economic partnership, the key areas where Australia can provide support to infrastructure development, and the means by which it might do so. These include tackling underlying disincentives to investment in infrastructure, particularly from the private sector. Australian strengths are noted to lie particularly in supporting the roads, water and sanitation investments that Indonesia's rapidly urbanising population need to become more productive. The plan foresees a shift away from directly building infrastructure using grant funding, to partnerships with relevant ministries to provide policy advice and improve the preparation of projects funded by the Indonesian government and the Multilateral Development Banks (MDBs). A focus on empowering women and increasing their

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<sup>6</sup> <http://www.worldbank.org/en/country/indonesia/publication/indonesia-economic-quarterly-june-2016-resilience-through-reforms>

capacity to participate in the economy is also seen as critical to supporting economic growth and equality objectives.<sup>7</sup> Similarly, Australia's social inclusion policy stresses the rights of people with disabilities to accessible infrastructure development.<sup>8</sup>

Working with and through non-government partners is also a key part of Australia's investment strategy, including in areas such as: (i) improving the quality of public spending and provision of services; (ii) meeting community needs; and (iii) empowering women and people with disabilities.

Infrastructure investment is also a central component of Australia's economic diplomacy agenda by providing an important stimulus to grow two-way trade. Addressing poor infrastructure is also a key objective of Australia's Aid for Trade Strategy with priority areas being: (i) infrastructure for connectivity; (ii) Public Private Partnerships; and (iii) Economic empowerment of women.<sup>9</sup> Furthermore, infrastructure development is a key area for cooperation between Australia and Indonesia in multilateral forums such as the G-20 and Asia Pacific Economic Cooperation, and with MDBs.

## 2.2 Infrastructure sector analysis

Annex 3 provides an analysis of the Indonesian infrastructure sector relevant to the proposed scope of KIAT, including a summary of relevant facts and figures. The main findings of the design team's analysis are summarised below.

While GOI has taken significant actions to improve the quantum and quality of infrastructure investments over the past few years, the impacts of Indonesia's infrastructure challenges remain clearly evident, for example:

- Limited and uneven transport connectivity across the archipelago (including poor condition of existing infrastructure assets) negatively impacts both access to services and access to markets and economic opportunities, particularly in remote areas. Strengthened maritime policies and improved port facilities are needed to reduce shipping costs and delays;
- Traffic congestion, and travel speeds on arterial roads that are among the worst in East Asia, result in longer journey times and contribute to high logistics costs of around 24 per cent of GDP<sup>10</sup>;
- Urban public transport services are typically of poor-quality and decreasing patronage further contributes to traffic congestion. Effective regional planning approaches are needed to provide for future urban development that does not exacerbate existing problems;
- 18 per cent of the population lacks access to improved water, 80 per cent lacks access to piped water, and 98 per cent lacks access to sewerage systems (including in the capital, Jakarta). This causes significant economic and social costs to families, including reduced time for women to engage in economic activities; and
- Power shortages result in blackouts and disrupts both economic and social activity.

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<sup>7</sup> Gender Equality and Women's Empowerment Strategy, DFAT 2016

<sup>8</sup> Development for All 2015-2020: Strategy for strengthening disability-inclusive development in Australia's aid program, 2015

<sup>9</sup> Strategy for Australia's Aid for Trade Investments: Supporting developing countries to trade and prosper, DFAT, July 2015

<sup>10</sup> <http://pubdocs.worldbank.org/en/269121466164485152/IEQ-JUN-2016-FINAL-for-web.pdf> (p32)



The primary reasons for such symptoms include:

- ***Historic under-investment in infrastructure.*** In the wake of the Asian financial crisis, infrastructure investment in Indonesia collapsed from around 9% of GDP in the mid-1990s to 2% in 2001. Despite a partial recovery to 4% in 2014, this remained relatively low in comparison to the levels of Asia's other high growth economies (6% to 7%);
- ***Ambitious infrastructure delivery targets are often not met.*** While planned infrastructure investments have increased substantially in recent years, there remain significant constraints to effective budget execution including: (i) fiscal constraints; (ii) poor quality project preparation; (iii) blurred responsibilities and accountabilities, both within and between key GOI institutions at both national and sub-national levels; (iv) weak incentives for performance; and (v) corruption;
- ***Impediments to private sector participation.*** While the GOI has put in place a number of key measures to promote private sector participation in infrastructure delivery (see Annex 3 for details), impediments remain such as: (i) inadequate prioritisation and preparation of key 'priority' and 'strategic' projects; (ii) lack of adequate clarity and consistency regarding the policy and regulatory environment, including for PPP approval and management processes; (iii) preference given to state owned enterprises (SOEs) for implementation of high priority projects; (iv) un-economic tariff setting, and low willingness to pay, for example for WatSan and public transport services; and (v) the limited knowledge, skills and experience (within both key GOI institutions and the Indonesian private sector construction and consulting industry) of how to develop and deliver PPPs. In the water sector especially, the revocation of Law No. 7/ 2004 on Water Resources by the Constitutional Court in February 2015 effectively halted progress and contributed to uncertainty with PPPs in that sector. The deferred issuance of government regulations that would serve as the legal umbrella for the exploitation and management of water resources led to further delays;
- ***Under-funding of infrastructure maintenance.*** Political preference is given to construction of new infrastructure rather than funding of routine maintenance, leading to poor and deteriorating quality of existing assets (e.g. only some 60% of sub-national roads are estimated to be in stable condition);
- ***Poor value for money (VfM) in infrastructure delivery.*** It is widely accepted that a significant portion of infrastructure expenditure, including on transport and WatSan infrastructure, does not achieve good VfM. Reasons include sub-optimal planning and technical design, inadequate management supervision and quality assurance during construction, weak incentives for performance, and corruption; and
- ***Institutional capacity constraints.*** An underlying cause for these continuing issues is the fact that National-level infrastructure agencies are under increasing pressure to deliver improved infrastructure outcomes, but have limited budgets for staff development and recruitment, and no longer receive the previous levels of MDB support for capacity building and training that they once enjoyed. There are more than 500 SNG infrastructure agencies which have very significant human resource and capacity building needs.

Infrastructure agencies generally assume that men and women benefit equally from infrastructure but in reality, women and other marginalised groups (such as those living with disabilities - including the elderly) remain particularly hampered by poor access to infrastructure services such as transport, power, water, and sanitation. This, combined with restrictive gender norms and exclusionary practices,

in turn limits their access to social services, markets, entrepreneurial and employment opportunities. Decision makers generally lack reliable gender data on the demand for and use of infrastructure services by different groups, the appropriateness of service delivery options, and how benefits accrue for women and men. Issues of institutional capacity, women's underrepresentation as planners and engineers, funding, staff turnover and effective institutional coordination add to the challenge of implementing GOI's gender mainstreaming and social inclusion policies.

### **2.3 Key stakeholders – priorities and perspectives**

A list of agencies and organisations consulted is provided at Annex 2. Annex 4 provides full details of the design team's analysis of key stakeholders.

#### **Government of Indonesia**

Design team consultations were held only with national level GOI agencies, and primarily with central rather than line agencies. Issues raised (of particular relevance to designing the scope and management arrangements for KIAT) included the following:

1. Ongoing changes to GOI institutional structures, mandates and / or staffing are to be expected, and KIAT needs to be able to respond and adapt accordingly.
2. Bappenas will remain the lead GOI coordinating partner for KIAT. However, KIAT's governance and coordination arrangements, including activity development and approval processes, need to be streamlined and strengthened (based on lessons learned from IndII). GOI agencies need to be involved in selection of key KIAT advisers (working within their agencies), and there needs to be a mechanism by which GOI can better review and then, as required, influence improved KIAT performance.
3. KIAT needs to be 'fluid' and able to promptly respond to GOI needs. There is nevertheless also recognition of the value of longer-term programmatic support focused on policy and institutional development and reform. As noted in the third IAT mission report, key stakeholders (within MPWH in particular) also wish to see a continuation of some grant funding for infrastructure delivery given the valuable role this plays in supporting risk sharing between the GOI and donor when piloting new initiatives.
4. KIAT support should be clearly linked to the work programs of specific organisational units within GOI partner agencies. Technical Assistance (TA) focused on meeting the needs of a specific agency should also be better 'embedded' within that agency.
5. Ministry of Home Affairs (MOHA) is an important player in supporting policy and regulatory improvements that enhance the ability of SNGs to prepare and deliver infrastructure investments. MOHA expressed particular interest in getting TA support on the issue of PPPs, including implementation of Availability Payments regulations at the SNG level.
6. GOI agencies have existing gender equality policies and guidelines, but these are often not well understood or implemented. Limited data and evidence are available (in an accessible form) to help inform both policy and practice. KIAT could help raise the profile and understanding of GESI issues in infrastructure, as part of a 'people centred development' approach and in support of Indonesia's commitments to achieving the UN sponsored Sustainable Development Goals (SDGs).
7. Roads and water and sanitation remain GOI priorities, however KIAT should be responsive to supporting other infrastructure policy priorities. CMEA suggested that KIAT should also

consider support for, among other things, energy priorities (e.g. waste to energy (WTE)) and railways (including light rail development). Bappenas highlighted that improved connectivity and reducing urban congestion remain high priorities for GOI.

8. Across all areas of infrastructure development, support is required for enhancing policy formulation, quality of project preparation, procurement, project financing, and (where appropriate) private sector participation. Supporting better use of the state budget and DAK (special allocation fund) through improved performance incentives and monitoring also remains a high priority.
9. Bappenas noted that promoting innovation and research should be a key function of KIAT, building on IndII's contribution. KIAT can also support enhanced engagement between Indonesian research organisations and GOI policy making agencies.

### **Private sector and professional associations**

Discussions with private sector stakeholders (including senior executives of SOEs, members of professional associations and finance / equity providers), highlighted the following issues and opportunities:

1. Policy and regulatory consistency is key to building and maintaining private sector confidence. Increased transparency is also key, given that some projects get awarded without a transparent contracting or selection process.
2. There is no one peak body to go to on PPP. A 'one stop shop' is needed with clear authority to coordinate across ministries and agencies. International experience indicates that such a body could help address current bottlenecks and increase investor confidence.
3. With some exceptions, the quality of GOI project selection and preparation remains sub-optimal, particularly with regard to economic and financial analysis, risk assessment, and private sector engagement in the preparation process. New ways to structure project financing are required, including hybrid models.
4. The privileged position of SOEs in having first refusal on PPP projects is a disincentive to private sector engagement. GOI needs to share more (financially viable) opportunities for investment with the private sector. A change in mind-set within Government is required with respect to how they work with the private sector and share risk and reward.
5. Need to give more focus to sub-national priority infrastructure projects, not just those on the national strategic priority list. However, capacities to prepare and negotiate PPP arrangements at sub-national level are, for the most part, highly constrained. MOHA has an important role to play in de-bottlenecking infrastructure development opportunities at the sub-national level.
6. There is no established and respected peak body / forum for the Government and private sector to engage on infrastructure policy and market reforms (such as Infrastructure Partnerships Australia). Ad-hoc conferences / summits are considered to be of little practical value.
7. There is limited participation of women as senior and middle managers, planners, engineers and other technical specialists in the private sector in the infrastructure field. Improving women's access to skilled trades and management roles is part of Indonesia's drive to benefit from increased labour force participation and improved work place diversity

8. KIAT should work with and through established private sector groups and representative bodies (and with ‘champions of change’) to help address identified constraints. KIAT can play a role in facilitating improved GOI / private sector engagement, developing and sharing knowledge, and changing mind-sets.

### **Civil society**

Key common issues raised during consultations included:

1. Communities in general, and the poor in particular, want access to better, more reliable and more affordable infrastructure and related services.
2. Lack of involvement of women, marginalised groups and poor communities in infrastructure planning, delivery and monitoring means they remain largely excluded from discussions about allocation and spending of public funds on infrastructure important to them. GOI’s engagement with civil society representatives is more likely to be with academe, professional associations and (male) community leaders rather than with CSOs who are actively engaged with communities.
3. National and sub national agencies do not, for the most part, adequately understand or appreciate issues of infrastructure access for people with disabilities, including the elderly.
4. Many CSOs and community members are not aware of decision making, planning and monitoring procedures processes for infrastructure development and potential entry points for engaging with the government on their concerns. A number of People with Disabilities organisations (PWDOs) and women’s organisations are active in promoting accessibility issues including Jakarta Barrier-Free Tourism, SIGAB and Koalisi Perempuan (for women with disabilities).
5. National CSOs such as PATTIRO (research and advocacy for improved local governance), WAHLI (Indonesian Forum for the Environment) and the Institute for Research and Empowerment build local CSO capacities for strengthening social accountability in government budget and service delivery including the infrastructure sector. Others such as Regional Autonomy Watch have conducted research on impact of local regulations on infrastructure quality, local government expenditure and corruption.
6. KIAT can connect to the CSOs networks with whom other DFAT projects already engage – such as through MAMPU, KOMPAK and Peduli as well as other NGOs (e.g. Asia Foundation’s work with CSOs on Public Financial Management).

### **Multilateral development banks and other development partners**

Discussions with the World Bank and ADB (which each manage and operate DFAT trust funds for infrastructure development) highlighted the following issues and opportunities:

#### World Bank

1. The World Bank provides significant support to Indonesia’s infrastructure development (\$US 11 billion in new financing over the period 2015-19 was announced by Jim Kim in May 2015). The World Bank has moved to a program based approach (away from projects) and has developed five main ‘vertical’ programs to support sustainable urbanisation, namely for: (i) Slums upgrading; (ii) Affordable housing; (iii) Water supply; (iv) Sanitation; and (v) Solid waste. The World Bank wants to attract more donors to contribute under the umbrella of these large vertical programs.

2. The World Bank would also like to include a national urban transport program – but have so far had difficulty engaging and reaching agreement on this with GOI.
3. With respect to PPPs, the World Bank is managing a Canadian funded TA package on PPP to the Ministry of Finance. It was noted that GOI agencies need to be increasingly willing to put financially viable projects to market and not just give these to SOEs.
4. With respect to future collaboration with KIAT – there are opportunities for KIAT TA to contribute to one or more of the national vertical programs, particularly for project preparation and capacity building.
5. The World Bank’s East Asia and Pacific Umbrella facility for Gender Equality helps to strengthen awareness, knowledge and capacity for gender informed policy making and has funded research and training activities on women and transport in the region.

#### Asian Development Bank

1. There is scope for enhancing future collaboration between KIAT and the ADB with respect to use of the infrastructure grant provided to ADB by DFAT. Collaboration and information sharing during the preparation of annual plans for KIAT and the Sustainable Infrastructure Assistance Program (SIAP) would help.
2. Urban infrastructure development is a clear priority given demographic changes in Indonesia, and is an area KIAT can constructively engage (e.g. urban planning, transport, WatSan services).
3. Need to have realistic expectations regarding PPPs / private sector financing for infrastructure development. Indonesia’s expectations of mobilising private finance for around 40% of its planned infrastructure development needs is unlikely to be realised, particularly if one looks at international experience in even the most ‘PPP friendly’ countries.

#### Other development partners

There are a number of other development partners active in the infrastructure sector that KIAT will need to take account of, but who were not directly consulted during the design mission. These include the Asia Infrastructure Investment Bank (AIIB), the Islamic Development Bank (IsDB), the Japanese aid program (JICA), the American aid program (USAID), and the German aid program (GIZ/KfW).

## **2.4 Australian assistance over the past decade and lessons learned**

Annex 5 provides a profile of Australian financed infrastructure support in Indonesia over the last decade, as well as of other ongoing DFAT programs relevant to KIAT’s broad development objective of promoting sustainable and inclusive economic growth.

Key issues arising relevant to framing the proposed scope of KIAT are summarised below:

1. There are a number of initiatives developed and supported under IndII that GOI and DFAT wish to see continued under KIAT. These make up the bulk of the proposed first year work plan for KIAT.
2. In addition to the TA provided through IndII, DFAT has also provided infrastructure support through a number of other programs. The most significant of these are: (i) The Eastern Indonesia National Roads Improvement Project (EINRIP); (ii) co-financing of PAMSIMAS, which 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 (iii) the Multi-

lateral Development Bank Infrastructure Assistance Program (MDB-IAP) which delivers infrastructure TA to the GOI through the World Bank and ADB with the objective of strengthening the investment climate, associated policies and the institutional capacity for infrastructure development. These MDB-IAP investments were designed to help leverage better quality lending and to provide support in sectors where IndII was not active (e.g. energy, housing, irrigation).

3. It is anticipated that DFAT will continue to provide support through the MDB-IAP, and that KIAT will work closely with DFAT, the World Bank and ADB to support synergies and complementarity of effort in the planning and use of these funds. One of KIAT's proposed senior management team members will have specific responsibilities for supporting this engagement.
4. DFAT also supports a number of other ongoing development programs of relevance to KIAT. Of particular significance is the Australian Partnership for Economic Governance (AIPEG). AIPEG and IndII have already collaborated on a number of initiatives, and it is anticipated that this collaboration will be continued and strengthened under KIAT, with each of the two programs working to their respective strengths, as described further in Annex 5. Other DFAT programs with which KIAT is expected to collaborate include: (i) KOMPAK - in areas such as civil society engagement in infrastructure planning, service delivery, maintenance and monitoring; (ii) The Knowledge Sector Initiative (KSI) - in supporting knowledge to policy initiatives in the infrastructure sector; (iii) MAMPU - on issues of women's economic empowerment related to infrastructure development; and (iv) The Australia Indonesia Partnership for Justice (AIPJ) - on anti-corruption and GESI initiatives relevant to the infrastructure sector, particularly working with and through the partnerships that AIPJ has already developed with CSOs and the Anti-Corruption Commission.

### **Lessons learned**

Lesson learned from the implementation of IndII, other DFAT programs and international experience that have been taken into account in designing the framework for KIAT implementation include the following:

1. Working with and through Government-led systems is essential to support ownership, incentives for adoption of reform measures / innovation, and the scale up and sustainability of benefits. However, GOI 'ownership' of facility supported initiatives does not come from establishing 'additional' governance mechanisms (such as the IndII board) that are not well attended and meet infrequently. Rather, the priority should be ongoing engagement and effective communication, based on working with and through established (or emerging) GOI decision making mechanisms and in support of demand-driven reform priorities. Co-location (embedding) of key TA (individuals and teams) within GOI partner institutions is preferable wherever possible and appropriate. This lesson is reflected in KIAT's proposed governance arrangements, activity cycle management process, M&E Framework and proposed focus of its future communication strategy (linked primarily to communicating relevant and timely information to key decision makers on KIAT performance, in addition to meeting DFAT's public diplomacy agenda).
2. Helping to unlock private sector financing for public infrastructure requires a clear and consistent policy and regulatory framework, a credible pipeline of investments for private sector financing, transparent procurement processes, and appropriate allocation of risk between the Government and private sector. Opportunities exist for strengthening mutually

beneficial GOI / private sector dialogue and collaboration on infrastructure policy and systems reform. This lesson is reflected in KIAT's focus on improving the policy and regulatory framework and the quality of project preparation. The proposed KIAT core management structure also includes a full-time specialist to work on private sector (as well as MDB) engagement issues.

3. Effectively supporting Gender and Social Inclusion objectives requires that this work has a high profile within the facility, strong management leadership, dedicated resources and clear accountabilities at facility and sub-contracting levels. Without these mechanisms 'mainstreaming' does not work well, as demonstrated by the IndII experience. Supporting and strengthening civil society, private sector and GOI engagement on these issues is also a key to achieving results and helping improve government policies and processes. This lesson is also reflected in KIAT's proposed core management structure, which includes a full-time specialist to work on GESI issues and civil society engagement, as well as in the overall KIAT GESI strategy (see Annex 10).
4. While there is need to be able to provide flexible and responsive TA (e.g. in response to emerging opportunities for policy engagement), there is also a need to build and sustain core programs of work that can help demonstrate results over the longer term (e.g. the Hibah and PRIM experiences). As highlighted in the IAT reports, the blending of grant funding with TA has demonstrated significant benefits. 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. Also, 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. Support for piloting results-based financing has been particularly successful in this regard. It is therefore anticipated that DFAT will continue to provide grant financing for infrastructure delivery in addition to the TA resources provided through KIAT (at least in the medium-term).
5. Working in support of specific large-scale and strategic physical investments can create a powerful demonstration effect of innovative and improved approaches to infrastructure design, delivery and maintenance. However, focusing on specific 'project' investments also comes with attendant risks, given that any individual project may be delayed or discontinued due to a multiplicity of factors beyond the control of a program such as KIAT. Even when working on individual projects, the focus should remain on how it links to wider policy and systems reform. Specific attention, skills and tools also need to be applied to understand and then effectively support the knowledge to policy process. This lesson is factored in to the KIAT design through: (i) a M&E Framework that gives particular emphasis to assessing knowledge to policy influence; (ii) regular joint review of KIAT progress, performance and risks; (iii) a focus on managing for results (not inputs and activities per se); and (iv) clear recognition that not all KIAT supported initiatives will proceed as initially planned, or achieve anticipated results.
6. Linkages between IndII and DFAT's IAP investments through the World Bank and ADB have not worked as well as anticipated, as highlighted through both IAT reports and the KIAT design process consultations. The basis for engagement and collaboration between KIAT and the MDBs needs to be more clearly articulated, KIAT management resources explicitly devoted to this effort, and DFAT needs to take a leadership role in facilitating coordination efforts between KIAT, MDBs (including such programs as the Global Infrastructure Facility, the Public Private Infrastructure Facility and the Asia Pacific Project Preparation Facility) and other key DFAT programs (such as AIPEG in particular). This lesson is reflected in KIAT's

proposed core management structure (which includes a full-time specialist to work on private sector and MDB engagement issues) and the expectation that DFAT will take a pro-active role in facilitating coordination efforts.

7. Clear mutual understanding of the respective roles and responsibilities of DFAT and the contractor, and appropriate allocation of risk, are essential to effective facility performance. Misunderstanding and / or inappropriate allocation of risk leads to high transaction and opportunity costs, and less time to focus on engagement with Indonesian stakeholders and outcome achievement. It is therefore anticipated that the implementation contract between DFAT and the contractor will clearly define the boundaries of risk and responsibility between the two.
8. Facility designs should not be overly prescriptive, but nevertheless articulate clear engagement principles, end of program outcomes, a general logic model or theory of change, governance and management arrangements, and a framework for monitoring and evaluating performance. M&E arrangements need to explicitly focus on meeting demand-driven information needs for both quantitative and qualitative information. The proposed facility governance mechanisms, management structures and staffing requirements also need to be able to change in response to lessons learned and changing needs. The proposed design framework aims to respond to these lessons, and the implementation contract will also need to have adequate flexibility, and contain the right incentives, to ensure KIAT's ongoing responsiveness to changing needs.
9. The transition process from one program to its successor is complex, particularly when a new contractor and management team is being put in place. Adequate resources therefore need to be applied to support the transition process, and it takes time (often at least 12 months) to establish the new program's full operational capacities (including partnerships and working relationships with key stakeholders). Cardno is therefore proposing to bring forward some of the implementation phase resources (e.g. the inputs of the Transition Manager) in to the design phase, and KIAT's first year work plan and the proposed resourcing requirements (as outlined in this design document) will need to be subject to ongoing review and change may be required.

### **3 Facility description – What?**

#### **3.1 Overall scope**

KIAT's overall objective, expected outcomes and indicative activities are described in section 3.3 below. KIAT has an indicative total budget of A\$300 million and an anticipated ten-year total duration (2016-2026), including the preliminary 6 month design phase and two implementation phases (4.5 and 5 years respectively). Continuation into the second five-year phase, and the scope and management arrangements for a second phase, will be based on joint GOA / GOI assessment of KIAT performance and future GOI needs.

KIAT aims to help GOI improve the quality of its own infrastructure spend (including spending by the private sector and MDBs), by providing high quality TA in response to agreed-upon requests and priorities. KIAT is designed as a flexible and responsive TA facility, which is nevertheless expected to have a set of longer-term programmatic investments at its core. KIAT will therefore provide both short-term TA in response to more immediate and emerging needs, as well as longer-term TA (individuals and teams) to support implementation of agreed larger programs of work. The sectoral focus of KIAT support will initially remain primarily on transport and WatSan, but not to the



exclusion of other infrastructure sector priorities as mutually agreed between GOI and DFAT over time. KIAT's primary focus will be on supporting improved infrastructure service delivery in urban and peri-urban areas, including connectivity between urban population centres. In line with GOA and GOI development policy priorities, particular focus will be given to screening all proposed investments in terms of their potential contribution to gender equality and social inclusion objectives. Social and environmental safeguards, including with respect to climate change and disaster resilience considerations, will also be appropriately factored in to KIAT's activity screening and ongoing monitoring and evaluation processes.

The first year of KIAT implementation will be part of the transition phase from IndII. The transition strategy and first year work plan are described in Section 3.5 below, and further detailed in Annexes 6 and 7 respectively.

DFAT's support for infrastructure TA through KIAT is expected to be complemented by, and linked to, the ongoing provision of infrastructure delivery grants, at least in the medium term. It is currently anticipated that such grants (which are allocated to and managed by the MOF) might amount to up to A\$120 million over the next 5 years, and will be used to support such things as the ongoing piloting of performance-based WatSan and roads funding schemes as well as current DFAT commitments to such projects as the Palembang Wastewater Treatment Plant. DFAT infrastructure grant support through the MDB-IAP will also complement the funding provided through KIAT.

### **3.2 KIAT engagement principles**

KIAT's proposed engagement principles are based on internationally accepted aid effectiveness principles and lessons learned from implementation of past and ongoing development cooperation programs in Indonesia.

The way in which KIAT works with its partners and provides support will therefore be guided by the following engagement principles:

1. Demand driven and responsive, within clearly established parameters for the general scope of KIAT support.
2. GOI ownership and institutional alignment. This includes alignment with the development priorities of the GOI, working with and through existing or emerging GOI (and other stakeholder agency) institutional arrangements, and being politically aware.
3. Complementarity of effort with other development partner infrastructure programs. Donor coordination is the primary responsibility of GOI, but must be pro-actively supported by KIAT management and DFAT.
4. Capacity building and strengths-based approach. This includes building on and supplementing (not substituting for) local institutional and individual capacities, and maximising the use of local TA resources / service providers wherever possible.
5. People centred. This includes keeping a clear line of sight on how KIAT supported initiatives impact on people (both women and men, people with disabilities and marginalised groups), taking an inclusive and consultative approach to decision making on the use of KIAT resources, and being culturally aware and sensitive.
6. Results / performance-oriented. This includes taking a longer-term perspective, keeping a clear focus on making a contribution to end of facility outcomes (not just delivering inputs and activities), using research / evidence to inform the selection and implementation of activities as well as to help assess their impact, and seeking to identify and support innovative

approaches and incentive-based mechanisms to improve infrastructure service delivery performance.

7. Supportive of the Australia – Indonesia partnership. This includes identifying appropriate opportunities to use Australian knowledge and expertise to build Indonesian knowledge and capacities in the infrastructure sector, and enhance mutual understanding of common national and community interests.

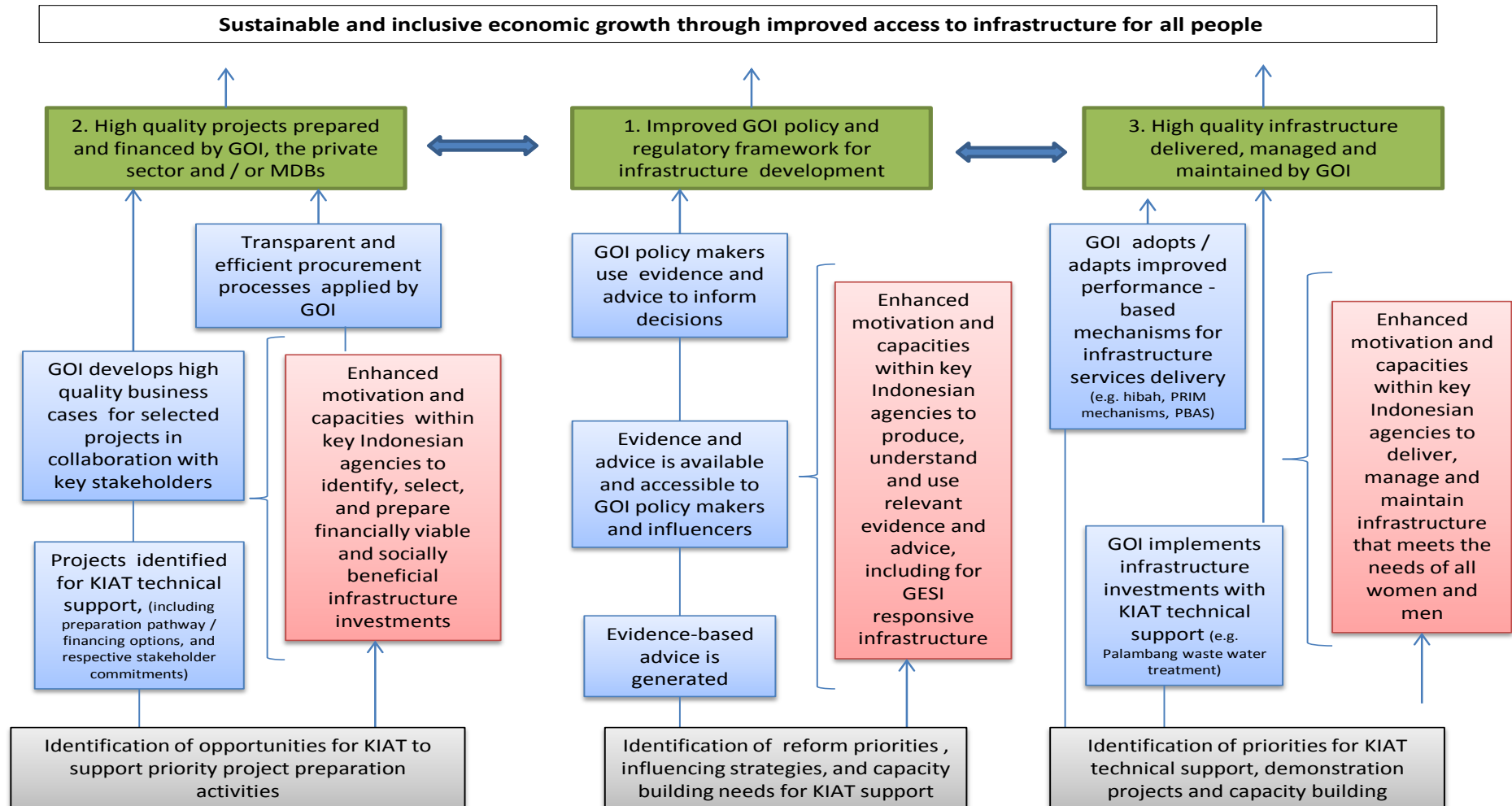
### **3.3 Expected outcomes and facility logic**

#### **Overview**

Figure 3 below provides a diagrammatic summary of KIAT’s logic model. KIAT’s overarching goal is to support ‘*Sustainable and inclusive economic growth through improved access to infrastructure for all people*’. To support this goal, KIAT will work with GOI, DFAT, private sector, MDBs and other development partners, and civil society stakeholders to help achieve the following ‘End-of-facility Outcomes’ (EOFOs):

1. Improved GOI policy and regulatory framework for infrastructure development
2. High quality projects prepared and financed by GOI, the private sector and / or MDBs
3. High quality infrastructure delivery, management and maintenance by GOI

**Figure 3 K IAT Logic Model**



**K IAT engagement principles**, including: (i) Demand driven and responsive; (ii) GOI ownership and institutional alignment; (iii) Capacity building and strengths-based approach; (iv) People and GESI-centred; (v) Results / performance-oriented; and (vi) Supportive of the Australia – Indonesia development cooperation partnership.

Further details of intermediate outcomes under each End of Facility Outcome are presented in section 3.3 below, while the proposed approach to monitoring and evaluating KIAT performance is described in Annex 11.

KIAT will take a systems strengthening and capacity building approach based on effective partnerships (including bringing like-minded reformers together), robust joint analysis of problems and solutions, collection and analysis of evidence regarding what works and what doesn't, and helping to embed reform using a range of techniques to ensure uptake and sustainability. KIAT's support for capacity building will therefore be holistic, and may include (among other things) the generation of knowledge and support for its use, advice on policy and regulatory reform, systems improvements, promotion of innovation, provision of learning opportunities (formal and on-the-job), and promotion of desired behaviour change. The use of embedded advisors, a focus on pursuing demand-led reforms, and the clear articulation of mutually agreed capacity building outcomes within agency agreements and specific activity TORs will also form key elements of KIAT's capacity building approach.

While the facility logic is presented under three main outcome headings, and in a simplified linear way, it is recognised that change processes are clearly more dynamic and complex than can be presented in such a diagram. It is also important to note the linkages between each outcome stream. For example, learning resulting from KIAT support to project preparation and / or GOI service delivery should inform efforts related to policy and regulatory reform. Conversely, the implementation and communication of policy and regulatory reforms will help to create a more conducive environment for improvements in the quality of project preparation and / or service delivery.

Furthermore, as is described in greater detail below, a key to the change process that cuts across the outcome areas is enhanced motivation and capacity of GOI to perform key infrastructure planning and delivery functions. KIAT's activities are expected to support and fuel aspirations to organisational excellence, with a vision of agencies such as DGH and Cipta Karya transforming themselves into world class organisations befitting Indonesia's emerging position in the world economy.

KIAT's ability to contribute to the desired changes also depends on a number of broad assumptions holding true, including:

- Continued GOI commitment to policy and regulatory reform in relation to improving the quantity and quality of inclusive infrastructure delivery;
- Increasing capacity, and improving policy, systems and procedures will lead to behavioural change within key institutions and among individuals;
- KIAT is able to attract and retain high-quality management and TA that meets stakeholder needs;
- DFAT provides adequate and timely funding for KIAT, is adequately resourced to lead the GOA / GOI high level policy dialogue on infrastructure development issues, and appropriately allocates risk; and
- Australian and Indonesian governments remain committed to bilateral cooperation.

## **Outcome 1 - Improved policy and regulatory framework**

### **Scope**

For this outcome, 'policy and regulatory framework' is interpreted broadly to extend beyond the development of formal policies and regulations, to include issues around the quality of regulations, coherence between policy, coordination between institutions on policy issues, and clarity around

authority, roles and responsibilities in policy making. This outcome covers various aspects of policy for infrastructure provision, including related to priority issues around financing, project identification / prioritisation / selection, project preparation, project delivery, and the effective consideration of gender and social inclusion issues in all of the above.

### **Overarching approach**

As outlined in the facility logic diagram, KIAT is expected to support GOI in furthering its policy and regulatory framework reform priorities through a focus on intermediate changes related to:

- ongoing multi-stakeholder engagement to identify reform priorities, influencing strategies, capacity building needs & scope of KIAT support;
- the generation of relevant evidence and advice;
- making evidence and advice available and accessible to GOI policy makers and policy influencers;
- enabling the use of evidence and advice by policy makers (e.g. in helping amend existing or draft new policy and regulations if required, including with respect to key economic regulation topics such as tariff setting, cost-recovery and subsidy policy); and
- institutional capacity and / or incentives in the policy-making process.

The focus is on helping to develop and deliver knowledge products emanating from all areas of KIAT supported work (project preparation, infrastructure delivery, private sector engagement, GESI, etc.), that can effectively inform the policy making process. KIAT will work in collaboration with others (including other DFAT programs such as KSI and AIPEG) to support its contribution to this outcome.

While KIAT's focus of support to GOI policy and regulatory reform will evolve over time in response to opportunities, requests and ongoing learning; a list of initial areas of engagement is profiled below. Please note that activities that are continuing from, or building on, work developed under IndII are underlined, while other potential new activities are not:

<b>Water and sanitation</b>
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KIAT is expected to work with key GOI stakeholders (including Cipta Karya, Bappenas, MOHA, MOF and SNG authorities), to:

1. further develop the results-based payment (hibah) approach for wider use in the water and sanitation sector, including for addressing the sanitation backlog and the reduction in Non-Revenue Water (NRW);
2. further the development of an improved local level regulatory framework for dedicated municipal sanitation operating agencies;
3. further support the mainstreaming of the NTT NTB Water Governance Activity approach (including improvements in regulations and tariff setting) to address the current inadequacies in governance in the delivery of water supply services at the local level, and foster the formulation of a 'hands-on' service delivery strategy in support of the achievement of the RPJMN 'Universal Access' targets;

4. work with the existing WatSan coordinating body (AMPL) on mainstreaming the policy and regulatory framework in all urban and rural areas, with particular attention to coordination of future grants programmes; and
5. examine appropriate policy and regulations for a possible national water enterprise (BUMN) for water supply and the management and operation of the regional water facilities (including their arrangements with the various PDAMs).

## Transport

KIAT is expected to work with key GOI stakeholders (including MPWH, MOHA, Ministry of Transport, MOF), the Government of DKI Jakarta and other SNG authorities, to:

1. further develop within DGH the planning tools and staff capabilities needed for the preparation and application of a National road capacity expansion and development program (transition of current IndII Activity ‘Support for National Road Planning Capability’);
2. transition a current IndII program of support for Provincial Road and Maintenance (PRIM) which will help prepare enabling legislation and Grant Agreements between Ministry of Finance and Provincial / Local Governments to allow GOI to initiate a *hibah* program of performance-based Grant funding of local road maintenance programs;
3. prepare legal and / or regulatory instruments needed for the introduction of pilot projects for trialling a Performance Based Availability Scheme for National roads, Toll Roads or Expressways;
4. initiate a broader sectoral program of engagement with other Agencies to identify priorities for Activities that will support and promote GOI’s national transport/connectivity priorities; and
5. develop an implementable program of priority policy and economic regulatory measures to encourage sectoral reform, including: (i) the introduction of a road user charge regime, and review of government funding strategies for the road sector; and (ii) identification of an appropriate structure and strategy for the implementation of a national working group for transport (National Road Transport and Traffic Forum – NRTTF).

## Private sector and MDB engagement

KIAT is expected to work with key GOI stakeholders (including CMEA, Ministry of Finance, Bappenas, Ministry of Home Affairs and SNG authorities - as appropriate), MDBs and with private sector / civil society stakeholders to:

1. help create a better and faster business case development processes for priority projects that have potential for private sector financing;
2. review and help improve the GOI’s overall institutional arrangements for PPP development, including further analysis of options / issues and subsequently support the transition to any agreed new institutional arrangement / structure; and
3. review and help improve institutional arrangements for GOI and the private sector to effectively collaborate on infrastructure policy and market reform measures (such as further assessing options for establishment of a peak body such as Infrastructure Partnerships Australia that can coordinate existing efforts by a broad range of stakeholders).

## **GESI and civil society engagement**

KIAT is expected to work with key GOI stakeholders (including MOWE-CP, MPWH and Bappenas) and with civil society organisations to:

1. support mainstreaming of GESI concerns into infrastructure policy review and formulation activities to ensure that the interests of the poor, particularly women and marginalised groups, are properly analysed and addressed;
2. undertake research to better understand specific issues and opportunities where there are currently GOI gaps in knowledge (e.g. mobility of care; safety and security in road planning; gender-inclusive transport tariff setting; comprehensive accessibility for people with disabilities to the physical environment); and
3. evaluate effectiveness of GESI mainstreaming (for all three KIAT outcomes) and support shared learning within and between agencies and other relevant activities on good practices for developing inclusive infrastructure policy and projects.

## **Outcome 2 - High quality projects prepared and financed**

### **Scope**

The achievement of this outcome effectively means that projects selected as ‘targets’ for KIAT support move into the delivery phase, at least in part due to the provision of strategic support from KIAT that has filled key gaps in the project preparation process (and also serves as a demonstration of key lessons for future projects). Project preparation is defined as including identification, selection, design, defining mode of implementation and financing, and contract preparation.

### **Overarching approach**

As outlined in the facility logic diagram, KIAT is expected to support GOI in improving the quality of project preparation through supporting:

1. ongoing multi-stakeholder engagement to help identify and / or confirm opportunities for KIAT to support high quality project preparation;
2. agreement on the scope of KIAT technical support (including preparation pathway / financing options, respective stakeholder commitments, scope of institutional capacity building support and development of incentive mechanisms to increase motivation to apply improved practices);
3. the development of high quality projects (business cases), including assessment of costs and benefits (e.g. socio-economic, gender, and environmental impacts - including with respect to climate change and disaster resilience considerations as appropriate); and
4. application of transparent and efficient procurement processes by GOI.

The approach will include supporting individual identified projects (to provide specific and practical demonstration of good practice such as in PPP preparation) as well as working in support of broader institutional capacity development needs. This will include investigating the utility of mainstreaming the use of existing project preparation tools (for example the International Infrastructure Support System (IISS)) and providing technical assistance and capacity building to GOI partner intuitions; Lessons learned will feed into supporting both the policy and regulatory reform and infrastructure delivery outcomes.

## **Water and sanitation**

KIAT is expected to work with key GOI stakeholders (including Cipta Karya, Bappenas and, as appropriate, SNG authorities), to:

1. complete the preparations for and implementation of the Palembang Wastewater Treatment Plant, with due regard to social development and safeguards compliance;
2. further develop feasibility studies and planning documents for urban wastewater management projects, building on the Wastewater Master Plans already developed for eight cities;
3. support capacity building and provide hands on support for preparation of selected planned major investments, such as for sewerage collection, treatment and disposal systems; regional water supply systems; and solid waste disposal facilities, including in support of any World Bank or ADB loan funding initiatives; and
4. investigate and develop improved options for sustainable systems of solid waste disposal, for example through waste-to-energy plants.

## **Transport**

KIAT is expected to work with key GOI stakeholders (including Bappenas, DGH, and SNG authorities) to:

1. further review and develop possible options for establishing a ‘Major Projects Unit (MPU)’ within DGH, to undertake project preparation and designs for major road projects required for network development to be funded directly by DGH or BPJT; in support of World Bank or ADB loans; or in support of potential PPP toll-road projects using an Availability Payment (AP) or Performance-Based Annuity Scheme (PBAS) model;
2. further refine and trial the innovative Performance Based Availability Scheme for national roads developed by IndII, and investigate opportunities for applying this further for SNGs (including identification of any regulatory impediments for possible remediation);
3. initiate the preparation and delivery of a program of technical support and training for Provincial and Local Government engineers in relation to road maintenance management, to be rolled out in conjunction with the program of GOI Grant funding of road maintenance; and
4. where opportunities are identified, support the planning and design of public transport systems in major cities, and their ‘packaging’ and preparation as potential PPP projects.

## **Private sector engagement and financing**

KIAT is expected to work with key GOI stakeholders (including CMEA, MOF, Bappenas, MOHA and SNG authorities - as appropriate) and with private sector / MDB stakeholders to:

1. assist GOI central agencies and contracting authorities prepare and transact economically sound and bankable projects;
2. develop capabilities of GOI in understanding project risks, and allocating responsibilities for the consequences of each risk appropriately, to ensure quality project delivery and service maintenance



3. promote increased private sector participation in the preparation of major projects by, inter-alia, facilitating GOI / private sector communication channels and the development of collaboration mechanisms;
4. identify and support opportunities for strengthening the local consulting industry in relation to project preparation and design;
5. develop and support synergies between KIAT's work and related MDB infrastructure investments; and
6. investigate and develop options for supporting smaller and more simple PPPs at sub-national level.

<b>GESI and civil society engagement</b>
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KIAT is expected to work with key GOI stakeholders (including MOWE-CP, MPWH and Bappenas) and with civil society organisations to:

1. provide TA and capacity development to GOI partner institutions as needed for mainstreaming GESI concerns into project preparation, including development of strategies for improving participation of community women and men and marginalised groups in decision making to enhance the benefits from employment and economic opportunities offered during and after the project;
2. where required, strengthen government and non-government capacities for data collection related to the social and environmental dimensions of infrastructure investments to inform project preparation;
3. facilitate engagement between professional associations (e.g. architects, town planners etc.) and CSOs to promote information sharing and identify opportunities for collaboration (e.g. proposal preparations); and
4. create opportunities to engage with KOMPAK and other organisations (e.g. Asia Foundation) that are strengthening CSO capacities, in order to include infrastructure development as part of their work focus.

### **Outcome 3 - High quality infrastructure delivered, managed and maintained**

#### **Scope**

This outcome is considered to cover both (i) behavioural changes which result from systemic changes in institutional capacity and / or incentives, and (ii) the adoption of specific improved mechanisms which are clearly linked to delivery, management, and maintenance. At least initially, this outcome area will focus on water, sanitation, transport, and roads investments.

#### **Overarching approach**

As outlined in the facility logic diagram, KIAT is expected to support GOI to deliver, manage and maintain high quality infrastructure through:

- ongoing multi-stakeholder consultation to identify priorities for KIAT technical support, demonstration projects and capacity building;
- provision of technical support for GOI implementation / delivery of specific infrastructure investments (e.g. Palembang Wastewater Treatment Plant);

- supporting GOI adoption and / or adaptation of improved performance-based mechanisms for infrastructure services delivery (e.g. results-based grant schemes (*hibah*), PRIM mechanism, Performance Based Annuity Scheme for Availability Payment PPP projects); and
- supporting the development of enhanced incentives (motivation) and capacities to deliver, manage and maintain infrastructure.

The approach will include supporting individual identified projects (to provide specific and practical demonstration of good practice, as well as working in support of broader institutional capacity development needs and incentive mechanisms to increase motivation for quality infrastructure delivery. Lessons learned will feed into supporting both the policy and regulatory reform, and project preparation, outcomes.

### **Water and sanitation**

KIAT is expected work with key GOI stakeholders (including Cipta Karya, Bappenas and, as appropriate, SNG authorities), to:

1. assist GOI in the delivery, management and maintenance of the Palembang Wastewater Treatment Plant;
2. continue to develop expertise in the implementation of water borne sewerage systems at the local government level; and
3. investigate options for using a Technical and Financial Audits style facility to audit the quality of civil construction works for central government funded water and sewerage investments, which are implemented through provincial level works units.

### **Transport**

KIAT is expected to work with key GOI stakeholders (including DGH, Ministry of Finance, Provincial and Local Governments) to:

1. transition the current IndII activity ‘Provincial Road Improvement and Maintenance’ (PRIM) in Lombok to allow its successful completion and the realisation of its full potential. Allied with the completion of PRIM will be a second activity to support the piloting of GOI-funding of a performance-based Grant scheme (*hibah*) for subnational roads, and to provide TA to participating local governments for the preparation and implementation of maintenance programs to be funded under this scheme;
2. further develop and implement a fully-functioning Road Asset Management System (RAMS), including its roll-out and integration into the planning and management processes of DGH, and associated staff training (transition of current IndII Activity ‘National Road Delivery’);
3. transition and implement the current IndII activity ‘National Roads Delivery’ in DGH or Bina Konstruksi, to further support improvements in project preparation and delivery, including improved contract documents; strengthened standards of contract administrations; improved design and supervision manuals; training and workshop delivery of results.

### **Private sector engagement and financing**

KIAT is expected to work with key GOI stakeholders (including CMEA, MOF, Bappenas, MOHA and SNG authorities - as appropriate) and with private sector / civil society and MDB stakeholders to:

1. assist in implementation of Availability Payments for subnational projects;
2. support institutional capacity building initiatives related to GOI abilities to engage more effectively with the private sector on infrastructure delivery, operations and maintenance issues; and
3. develop and support synergies between KIAT's work and related MDB infrastructure delivery investments.

<p><b>GESI and civil society engagement</b></p>
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KIAT is expected to work with key GOI stakeholders (including MOWE-CP, MPWH and Bappenas) and with civil society organisations to:

1. review transitioned IndII activities to identify how GESI aspects can be strengthened, and identify strengths and weaknesses that can be developed as learning products for future project design and implementation;
2. provide TA and capacity development as needed for mainstreaming GESI concerns into project delivery activities supported by KIAT, to ensure barriers for women and marginalised groups are addressed and their economic and social welfare is improved;
3. conduct M&E to check whether planned resources and actions have reached poor people, including women and other marginalised groups; and
4. support actions to develop and /or improve social accountability mechanisms through CSO monitoring, citizen scorecards, and customer feedback mechanisms.

### **3.4 Overall gender and social inclusion strategy**

KIAT's proposed GESI strategy is provided at Annex 10.

KIAT will receive and respond to a range of proposals to improve the design, financing, delivery and management of infrastructure investments at national and sub-national levels. To ensure that activities adequately address gender equity and social inclusion (GESI) in support of the facility goals, all proposed activities will be analysed, with inputs from relevant stakeholders, to understand the different implications and likely outcomes for women / girls, men / boys and socially excluded groups and the reasons for those differences. The analysis will help to identify entry points and level of GESI intervention needed. Where necessary, GESI targeted activities will be designed and implemented, such as collaborative research or CSO network building. Where an activity comprises a small part of a larger Government or other donor program, KIAT will negotiate with relevant stakeholders / partners to agree on how GESI can be integrated.

KIAT will build on what is already in place and work collaboratively with government, private sector, donor and civil society stakeholders to identify address gaps and new opportunities over time. Disability mainstreaming will be promoted in line with the new Disability law. The GESI Framework is built on four objectives: i) Incorporate GESI principles and processes into KIAT Corporate Operations to strengthen quality of GESI implementation and staff / consultant accountabilities; ii) Facilitate and support systemic change across the infrastructure sector, specifically through influencing GOI to adopt and apply GESI principles and practices in infrastructure policies, programs and projects; iii) Facilitate and support engagement mechanisms for CSOs and communities with national and subnational government for inclusive infrastructure and improved access to infrastructure services for women and marginalised groups; and iv) Develop and communicate knowledge of good practice and outcomes of GESI integration into the infrastructure sector.

GESI is formulated as a learning agenda so that the facility can enhance knowledge and understanding of the potential of different approaches and interventions for improving infrastructure outcomes for women, men and socially excluded groups. Key learning areas and opportunities will be decided with stakeholders through workshops and consultations. The GESI Framework will use a twin-track approach: i) integrating gender equity and social inclusion as part of a broader program ('mainstreaming'); and ii) focus on a specific group (targeting).

### **3.5 First year work plan and transition arrangements**

**Overview.** The first year of the KIAT work plan is defined as the 15-month period from April 2017 (the first month after completion of the TA provided by IndII) until and including June 2018 (the last month of the Australian fiscal year 2017 / 18). During this first year, three sets of activities are foreseen:

1. establishment and operations of the KIAT facility;
2. implementation of 'transitioned' activities developed during IndII; and
3. development of new activities.

**Establishment and operations of the KIAT facility.** In April 2017, Cardno will mobilise the Facility Director, the Manager of the Facility Operations Unit, Lead Advisers to work in the Ministry of Public Works and Housing, other core staff, and supporting personnel. During the first six to nine months of operations, the facility will gradually expand until all planned positions are filled in. The estimated cost of establishing and operating the facility in the first year is estimated at A\$11.5 million. This estimate is based on:

- the personnel requirements of the management structure are presented in Figure 4 below, but excluding personnel to be contracted separately for the implementation of ongoing or new activities (see below);
- fee rates and overhead costs in Cardno's financial proposal; and
- assumed mobilisation dates of the facility's personnel (as described above, not all personnel would mobilise in April 2017).

Note that the cost of establishing and operating the KIAT facility is not indicative of the average annual operating cost during subsequent year, partly because it will take time for the facility to fill in all positions, but also because the first year consists of 15 months instead of 12 months. From 2018 / 19 onwards, the operating cost of the facility is estimated at about A\$8.3 million per year in current prices (including a 3% mark-up for price contingencies starting in year 2). Key establishment activities will also include:

- Stakeholder engagement on the scope of KIAT, guiding principles, coordination and management arrangements, activity development and approval processes, mutual responsibilities, etc. This will include consultation with GOI agencies, other donors, MDBs, private sector and civil society groups.
- Preparation of facility operational procedures and guidelines (e.g. finance, procurement, HRM, refinement of activity cycle management processes and quality criteria, etc.);
- Elaboration of KIAT's capacity development approach and tools;
- Development of a communications strategy and tools; and
- Operationalisation of the M&E Framework and GESI strategy.

**Implementation of transitioned activities developed by IndII.** DFAT has indicated that it wishes to finance the implementation of some activities that were designed (or are already being implemented) by IndII. Table 1 below presents a summary of these activities and their costs, as estimated by IndII. The total estimated cost of these activities is around A\$23.8 million for the first year of implementation (i.e. from April 2017 to June 2018). It is anticipated that all transition activities will be completed by the end of the first phase of the operations of the KIAT facility in 2022.

**Table 1 Summary of Transition Activities**

Transition Activity*	Cost Estimate	
	A\$ million	% Total
<b>1. Road Transport</b>	<b>17.4</b>	<b>73.1</b>
1.1 Strengthening national road planning capability	4.1	17.2
1.2 Development and implementation of a Sustainable National Road Asset Management Capability	5.0	21.0
1.3 Extension of PRIM and support to GOI-funded sub-national roads hibah	8.3	34.9
<b>2. Water and Sanitation</b>	<b>6.3</b>	<b>26.5</b>
2.1 Preparation, appraisal and oversight consultant for sAIIG	2.0	8.4
2.2 Water hibah extension	1.1	4.6
2.3 Palembang WTP construction management consultant	2.0	8.4
2.4 Roll out of water and sanitation services index (WSSI)	1.2	5.0
<b>3. Monitoring and Evaluation of Transition Activities</b>	<b>0.1</b>	<b>0.4</b>
<b>Total</b>	<b>23.8</b>	<b>100.0</b>

Source: Consultant (M&E of transition activities), IndII (other)

\* PRIM: Provincial Roads Improvement and Maintenance; sAIIG: Australia-Indonesia Infrastructure Grants for sanitation; hibah means grant.

Annex 6 provides details of the proposed transition strategy from IndII to KIAT. Annex 7 provides further details of the first year budget, plus profiles of each of the activities to be transitioned. Note that the Terms of Reference for all activities to be transitioned to KIAT will be reviewed in January/February 2017, providing scope for reduction in activity costs if required to meet DFAT's budgetary constraints.

**Development of new activities.** It is anticipated that the KIAT facility would spend most of its efforts during the first year of operations on establishing itself, building relations with key stakeholders and implementing activities initiated by IndII. In addition, the work plan also foresees that the facility will spend resources on the development of new activities for which implementation would likely start in 2018 / 19 or after. A lump sum of A\$2 million has been reserved for new activities, along the lines of the 'immediate and emerging issues fund' concept of IndII. KIAT forward budgets will need to continue to incorporate funds for a Short-Term TA funding pool to meet such immediate and emerging needs.

**Summary of first-year budget.** The total cost of the KIAT facility and its associated activities is estimated at A\$38 million for the period April 2017-June 2018. Of this amount, some 60% would be allocated to transition activities, 29% to the establishment and operations of the facility itself, 5.6% to the engagement of Embedded Advisers and the remainder to new activities (Table 2). All transition activities are anticipated to have been completed by 2022.

**Table 2 Summary of First-Year Budget for KIAT**

Type of Activity	A\$ million	% of Total
Establishment and operations of the KIAT facility	11.5	29.1
Engagement of Embedded Advisers (4)	2.2	5.6
Implementation of activities developed by IndII	23.7	60.0
Development of new activities	2.1	5.3
<b>Total</b>	<b>39.5</b>	<b>100</b>

Source: Consultant, based on IndII (2016)

## 4 Governance and implementation – How?

### 4.1 Governance and management arrangements

KIAT will be governed by a Subsidiary Arrangement (SA) between DFAT and Ministry of Finance under the General Agreement on Development Cooperation between Australia and Indonesia. This will cover all investments under KIAT.

Figure 4 provides a summary of KIAT’s proposed governance and management structure. The proposed arrangements described below take account of the lessons learned during the implementation of IndII.

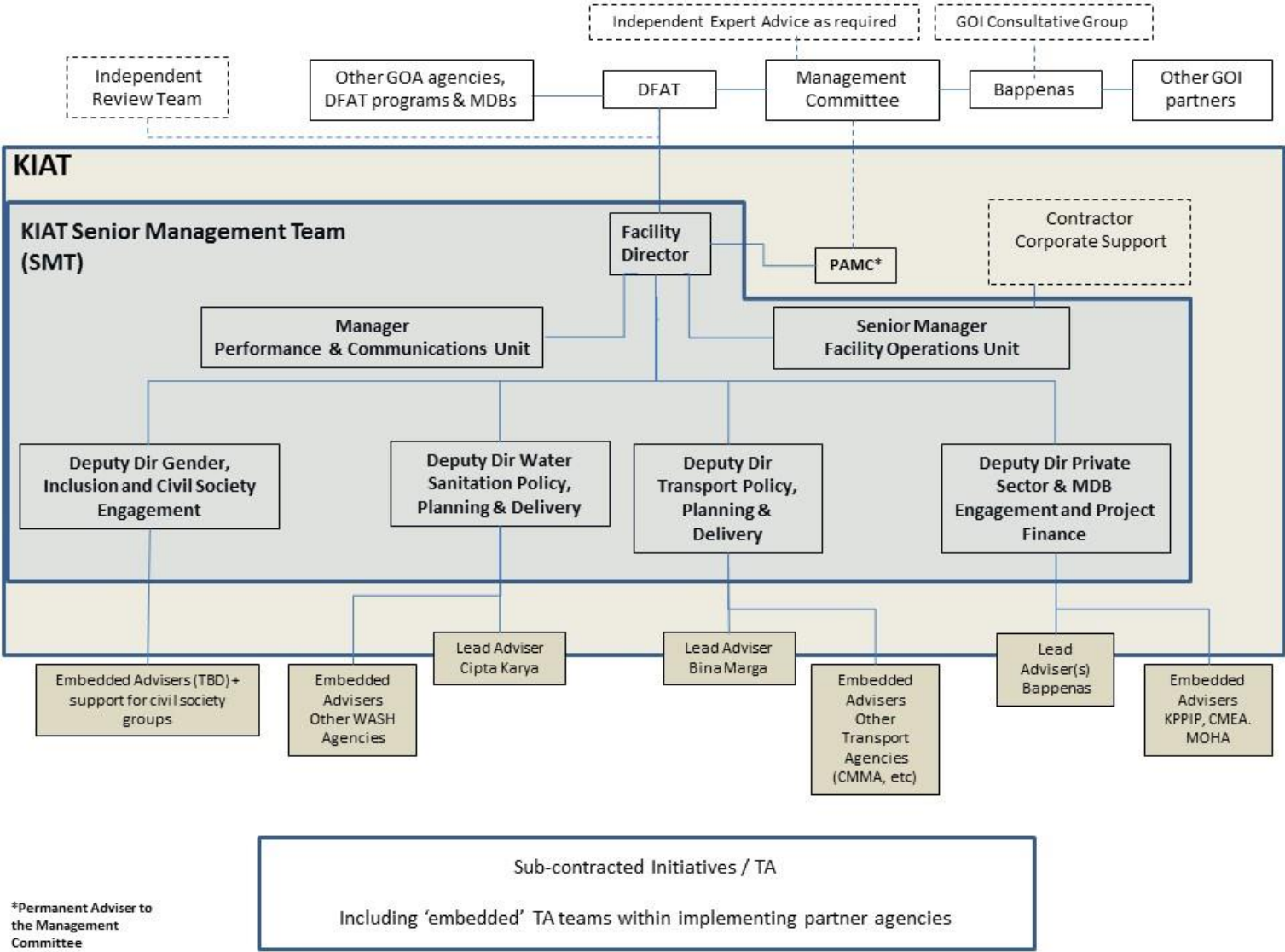
At a strategic level, KIAT will be governed by a Management Committee comprising representation from DFAT and Bappenas (with the Bappenas representative on the MC to be determined by the Bappenas Secretary). The Management Committee will meet at least six-monthly, and is the decision making body on KIAT strategy and budget allocations. It will review progress against KIAT outcomes and other measures of performance, review and approve annual strategic plans and budgets, and help coordinate inputs from other GOI and GOA agencies.

Bappenas will take the lead in convening a consultative group of key GOI partner agencies (as required, but most likely once a year), to ensure their interests and concerns are taken into account in reviewing KIAT’s overall performance and setting its strategic direction. Bappenas will also take a lead in supporting donor coordination from the GOI side.

DFAT will take the lead in ensuring that other GOA agencies, other DFAT funded development cooperation programs and MDB partners are consulted on KIAT’s strategic direction, in support of overall coordination of GOA’s infrastructure investments in Indonesia and synergies of effort.

The Management Committee will have access to independent expert advice, as required, to help review KIAT performance and strategy. This will include the engagement of the Permanent Adviser to the Management Committee. It is anticipated that such advice will be sourced from respected and eminent individuals, on an as needed basis, including ex-government senior officials, academics, private sector and civil society representatives. KIAT would mobilise and pay for such advisory inputs on direction of DFAT.

**Figure 4** KIAT governance and management structure



The KIAT Managing Contractor (MC) will provide secretariat support to the Management Committee through, inter alia: (i) meeting their ongoing information needs, both pro-actively and as requested; (ii) providing six-monthly review reports of KIAT progress and performance, including updates of any proposed changes in KIAT strategic direction / forward plans; (iii) providing annual plan and budget overviews for their review and approval; and (iv) contracting independent expert advisory inputs as required / directed by the Management Committee. Specialist advice to the Management Committee will be provided by the KIAT Permanent Adviser to the Management Committee.

The MC is expected to directly recruit the proposed Lead Advisors who will be the key liaison points between KIAT and key GOI agencies (Cipta Karya, Bina Marga and BAPPENAS). The rationale for direct recruitment by the MC is that these key positions need to be clearly positioned as part of the KIAT management team, and sub-contracting each Lead Advisor through another entity would complicate lines of accountability and reporting. Lead Advisors would nevertheless be recruited on a maximum of one-year renewable contracts, in order to maintain flexibility. The primary role of Lead Advisors is to support the implementation of KIAT's engagement and partnership principles within partner agencies (process and relationship management), help coordinate and quality assure the development of activity proposals from the partner agency within which they are located, and facilitate ongoing collaboration within and between partner agencies (including the private sector and civil society as appropriate) on activity implementation, monitoring and performance review. Other advisers (individuals and team with responsibility for supporting implementing of specific approved activities, and who will also be embedded wherever possible and appropriate) are expected to be mobilised through sub-contracted TA. GOI partner agencies will use their own internal arrangements to coordinate inputs from different agencies or sections in proposal preparation and for activity implementation and monitoring (e.g. through Technical Teams, as used during IndII).

A short-term TA funding pool will need to be established, and budgeted for each year, to allow KIAT to mobilise TA at short notice to meet urgent and emerging needs.

KIAT's Senior Management Team (SMT) will collectively support and quality assure the implementation of ongoing activities, the development of new investment proposals, and the development and dissemination of KIAT products (e.g. knowledge products and advice, progress and performance reports, forward plans). The SMT includes Deputy Directors for: (i) GESI and Civil Engagement; and (ii) Private Sector / MDB engagement and Project Financing in order to ensure that these issues are effectively prioritised and supported by KIAT. The Facility Director is expected to appoint one of the Deputy Directors as his/her predominant deputy, to be determined on recruitment of the staffing contingent. The proposed Lead Advisors will also be a part of KIAT's quality assurance process.

The Performance and Communications Unit will support facility M&E functions, development and use of knowledge products, and preparation of high quality communication materials. The Facility Operations Unit will manage such functions as finance, human resources, procurement, administration, contract management, logistics and IT.

Position descriptions for key staff are provided at Annex 8. It is important to note that the facility management structure and key staff requirements are likely to change over time. What is required for the first year or two of KIAT implementation may be different from what is required in subsequent years. Flexibility must therefore be built in to contracting arrangements to allow the facility's staffing profile to adapt to changing needs.

The respective roles of GOI, DFAT and the MC are further profiled in Annex 9.



**4.2 Partner engagement and activity cycle management process**

KIAT will build on, and further strengthen, the working relationships with implementing partner agencies already established under IndII. Engagement with private sector stakeholders, MDBs and civil society groups will also be given additional emphasis under KIAT.

DFAT, Bappenas and the Facility Director will work together, on an ongoing basis, to further develop, implement and refine KIAT’s stakeholder engagement strategy, including with respect to how partnerships with GOI implementing agencies are best clarified, codified and managed (e.g. possibly through the development of KIAT / GOI agency Letters of Agreement which briefly outline partnership principles and respective commitments).

GOI agencies requesting and receiving TA advisory inputs will be given the opportunity to screen and endorse (or reject) key individuals proposed for Lead Advisers and for longer-term embedded TA roles linked to the implementation of specific activities.

Figure 5 below outlines the proposed KIAT partnership development process. The process highlights the need to establish clear written agreement between GOI partner agencies and KIAT on the broad areas of cooperation and respective responsibilities (a partnership agreement), prior to developing and subsequently funding specific activities. Such agreements should be clear and simple (2 or 3 pages) and may take the form of an MOU or Exchange of Letters. The partnership agreements should specifically articulate a common understanding of agency capacity building needs and expected outcomes to help ensure KIAT TA does indeed help build (not substitute for weaknesses in) institutional capacities.

**Figure 5 KIAT partnership process**

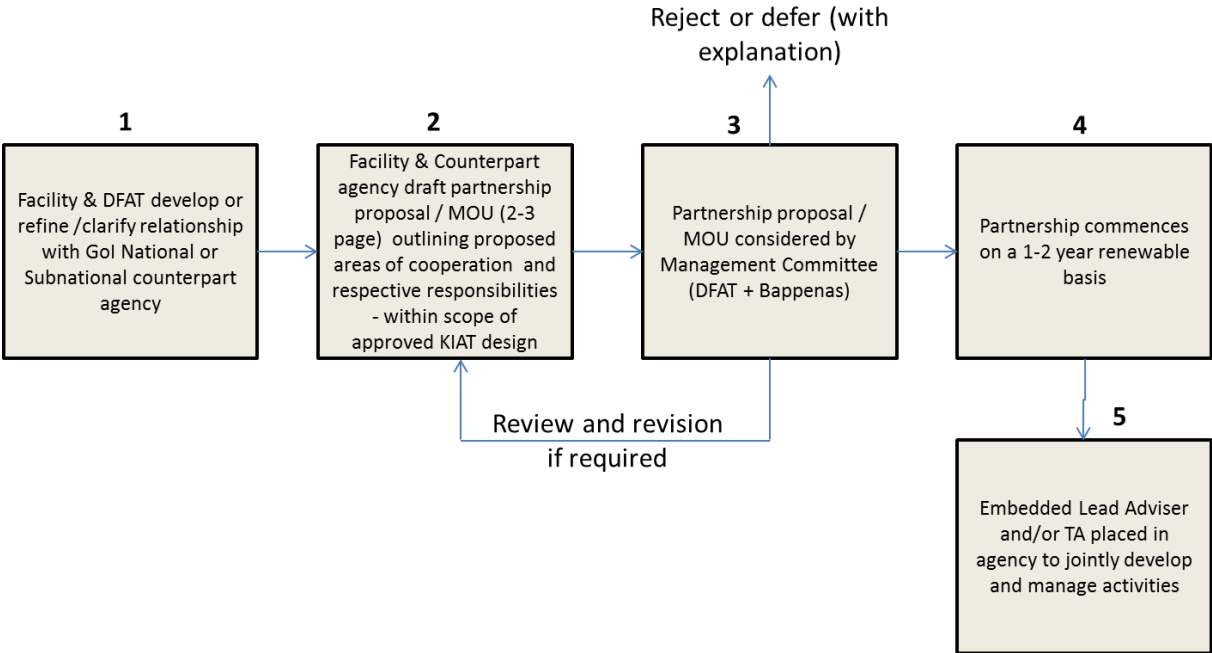
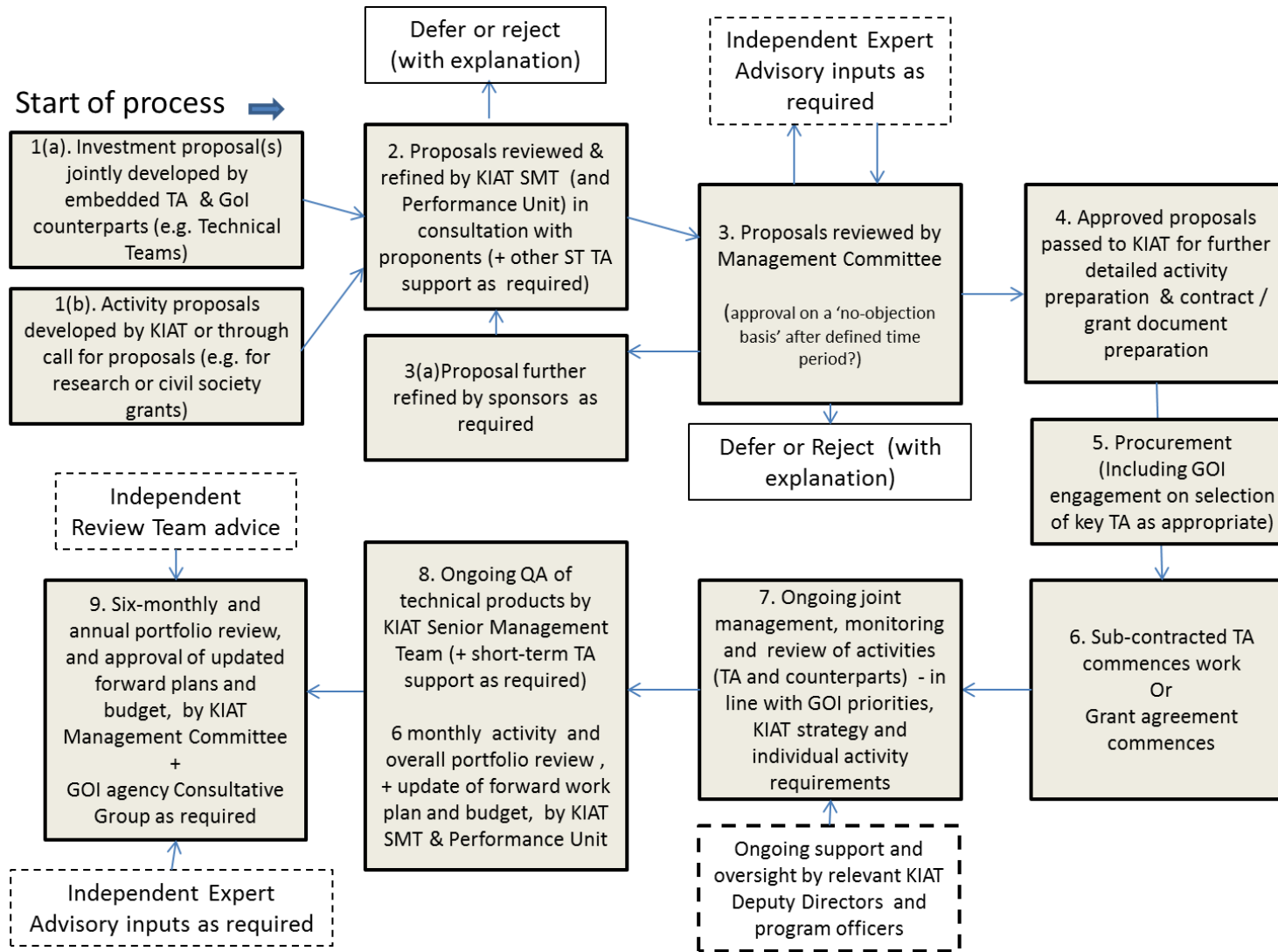


Figure 6 below outlines the proposed activity cycle management process. This should be adapted and refined as required based on ongoing joint assessment by the facility SMT and Management Committee of what works best in practice. Key points to highlight include:

**Figure 6** KIAT activity cycle management process



**Step 1(a):** GOI partner agency investment proposals (TA needs) will be developed and assessed collaboratively with KIAT, with support of the proposed Lead Advisers. GOI partner agencies will use their own internal arrangements to coordinate inputs from different agencies or sections as required (e.g. through Technical Teams). While GOI proposals may be for short-term / immediate needs, wherever possible larger scale and longer-term strategic proposals will be encouraged that provide the funding ‘envelope’ within which shorter-term needs can also be met.

**Step 1(b):** Proposals may also be generated by KIAT, particularly for civil society and private sector engagement initiatives and for development of research and knowledge products, but must still demonstrate clear relevance to GOI priorities and some degree of ownership / support from a GOI agency. KIAT may develop such proposals through a ‘call for proposals’ mechanism if appropriate.

**Step 2:** Proposals will be reviewed and refined by the KIAT SMT, with inputs from the Performance and Communications Unit on M&E design requirements. This process is to ensure adequate ‘Quality at Entry’ of new proposals, prior to submission of proposals to the Management Committee for review and approval. In the case that a number of smaller, but related, proposals are received from sponsoring agencies, the SMT will seek to combine these into a broader / more strategic investment proposal. The proposals subsequently submitted to the Management Committee for review and approval are expected to be results-focused in nature (along the lines of AIPEG’s Engagement Design Documents) – not input / activity focused.

Investment assessment (Quality at Entry) criteria are expected to include a review of:

1. Expected opportunities for the activity to:
  - (a) Contribute to stated GOI priorities and deliver sustainable benefits
  - (b) Leverage existing or future funds (GOI / private sector / MDBs)
  - (c) Influence policy
  - (d) Contribute to the achievement DFAT PAF indicators
  - (e) Engage with the private sector
  - (f) Collaborate with other DFAT programs or MDBs
  - (g) Facilitate collaboration between Australian and Indonesian institutions
2. Evidence of GOI ownership and commitment, and a clear capacity development strategy to support the sustainability of benefits
3. The basic ‘logic’ of each investment proposal, including to ensure that program interventions, expected results (both immediate results and medium-term outcomes), and key assumptions and risks are described with sufficient clarity.
4. The links between the expected activity outcomes and KIAT facility outcomes, and how outcomes can be measured.
5. Whether the activity appropriately considers gender and social inclusion issues, and whether gender or social inclusion issues are considered a primary or secondary focus of the activity.
6. Whether the activity adequately considers and responds to Environmental and Social Safeguards issues and the incorporation of climate and disaster resilience where appropriate.

- |  |
|--|
| <ol style="list-style-type: none"><li>7. Expected performance monitoring and assessment requirements, and the budget (and, where relevant, performance incentives) related to those requirements (further details provided in Annex 11).</li><li>8. Whether the activity appropriately incorporates lessons learned from previous implementation experience.</li></ol> |
|--|

These criteria, and the system for their application in practice, will be further developed in consultation with DFAT and GOI, as part of KIAT systems establishment during the first six-months. A fast track clearance approach will also be established for small-scale and urgent activities (e.g. under \$200,000 in value).

**Step 3:** Investment proposals will be reviewed by the Management Committee, and either (i) approved; (ii) sent back to KIAT for refinement; or (iii) rejected or deferred. The Management Committee may ask for further independent technical assessment of particularly large, complex or potentially sensitive investment proposals. To do so, they would identify who they would like to provide such inputs and instruct the Facility Director to organise and procure such inputs.

**Steps 4, 5 and 6:** On approval by the Management Committee, the facility would prepare the required contracting documents or grant agreement, tender as required, and procure the required services (in line with Commonwealth Procurement Rules). Concerned GOI agencies (TA recipients) will be invited to participate in the evaluation of technical proposals, including approval of key advisers.

**Step 7:** Ongoing monitoring / assessment of activity progress and performance will be undertaken jointly by KIAT, sub-contracted TA and partner agencies in line with the approved activity design and the KIAT M&E framework. At a minimum this will include the documentation of all key outputs / immediate results as well as reporting on relevant performance indicators. The M&E team will provide capacity building support for activity-level M&E as may be required. Monitoring will inform the need for any remedial actions if circumstances have changed or implementation performance appears unsatisfactory.

**Step 8:** KIAT will quality assure TA products on an ongoing basis as and when they are developed and delivered. Additional independent short-term TA will be directly contracted as may be required to support this Quality Assurance process. KIAT will also undertake six-monthly reviews of both activity and overall facility progress and performance, as a reflective team exercise with key implementing partners. A six-monthly strategic review report will be prepared as well as an updated forward work plan (including key issues for action / consideration) and submitted to the Management Committee. The KIAT M&E team and Lead Advisers will support this process. KIAT will ensure that the Management Committee is appropriately briefed and supported prior to formal meetings, so that they are well informed of the key issues to be addressed and the decision making implications prior to such meetings.

**Step 9:** The Management Committee will undertake six-monthly strategic reviews of KIAT progress and performance (based on the information / reports submitted by the facility), make decisions on any remedial action to be taken, and review and endorse the proposed forward work plan as appropriate. The Management Committee may seek independent expert advice, as required, on any issues of particular interest or complexity. To do so, they would identify who they would like to provide such inputs and instruct the Facility Director to organise and procure such inputs (as also noted in Step 3).

### 4.3 Financial management arrangements

**Overview:** The total financing requirement of KIAT is estimated at A\$300 million for a ten-year period (September 2016- September 2026). The entire amount will be financed from DFAT's own budget. GOI will, among other things, provide in-kind support through provision of office space, counterparts, etc. as required, as stipulated in the Subsidiary Arrangement for KIAT. It is envisaged that, through KIAT, DFAT will exclusively finance TA and some grants to civil society organisations. DFAT's budget for KIAT will not finance physical infrastructure, although DFAT will continue financing infrastructure grants (such as the water hibah or the piped sewerage system in Palembang) from other sources.

**Fund channelling:** It is envisaged that DFAT funds for KIAT will not be channelled through the Indonesian public financial system. Instead, DFAT will pay the consultant firm that is appointed to manage the facility directly, and reimburse this firm for services procured from sub-contractors (consisting of other consulting firms and civil society organisations). In accordance with prevailing regulations, government agencies that receive services from the facility must record these as non-cash receipts. This approach is also known as 'on budget, off treasury'.

**Procurement:** Services from subcontractors will be procured and managed based on the principles of:

- value-for-money (through competition, transparency and selection methods that are appropriate to the procurement scale)
- ethical procurement practices (through documented, transparent and consistent processes)
- managing conflict of interest
- ensuring separation of duties to diminish risks
- due diligence (including background checks); and
- compliance with Commonwealth Procurement Rules, DFAT Guidelines, anti-corruption and fraud policy, etc.

**Financial approval ceiling for the MC to directly procure TA:** In order to allow KIAT to respond quickly and flexibly to GOI requests for TA support on specific emerging policy issues, it is proposed that a ceiling of A\$200,000 be established and agreed in the contract with DFAT. This is in line with recommendations of the previous IndII Independent Assessment Team and previous Australian Government audit report recommendations.

**Auditing:** Cardno's financial proposal includes a provision for an internal audit and external audit. Although funds will be channelled from DFAT to the facility management consultant and from there to other consulting firms and civil society organisations, government agencies that are the recipients of services provided by KIAT are nonetheless also subject to an annual audit. The agency responsible for such audits is the Supreme Audit Agency (*Badan Pemeriksa Keuangan* or BPK).<sup>11</sup> Experience with IndII suggests that the government agencies usually do not have the records that BPK requires for its audit, and have typically relied on IndII to provide these. To avoid delays in public audits, the KIAT facility will ensure that relevant records (e.g. BAST certificates) are shared in a timely manner with TA recipients.

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<sup>11</sup> As stipulated by Minister of Finance decree 191 of 2011.

#### 4.4 Monitoring, evaluation and reporting framework

The full M&E Framework, which describes the overall strategy for the M&E of KIAT and outlines a general approach to its implementation, is provided at Annex 11.

##### Overview

The KIAT M&E framework makes clear distinctions between:

1. Monitoring and evaluation. Monitoring is defined as an ongoing process that is oriented toward regularly providing information that can be used to improve performance. Evaluation (or assessment) is distinct from monitoring in that it involves judgment about merit or worth ('evaluative judgment'), and generally occurs at particular points in time rather than on an ongoing basis. In the case of KIAT, evaluation is considered to cover both internal evaluative judgment as well as the conduct of specific evaluation-focused studies.
2. The levels of monitoring and evaluation: at the individual activity level, at the facility level, and at the level of the wider context in which KIAT operates. These distinctions are important since KIAT M&E is 'nested': activity-level information should feed into facility-level performance M&E.

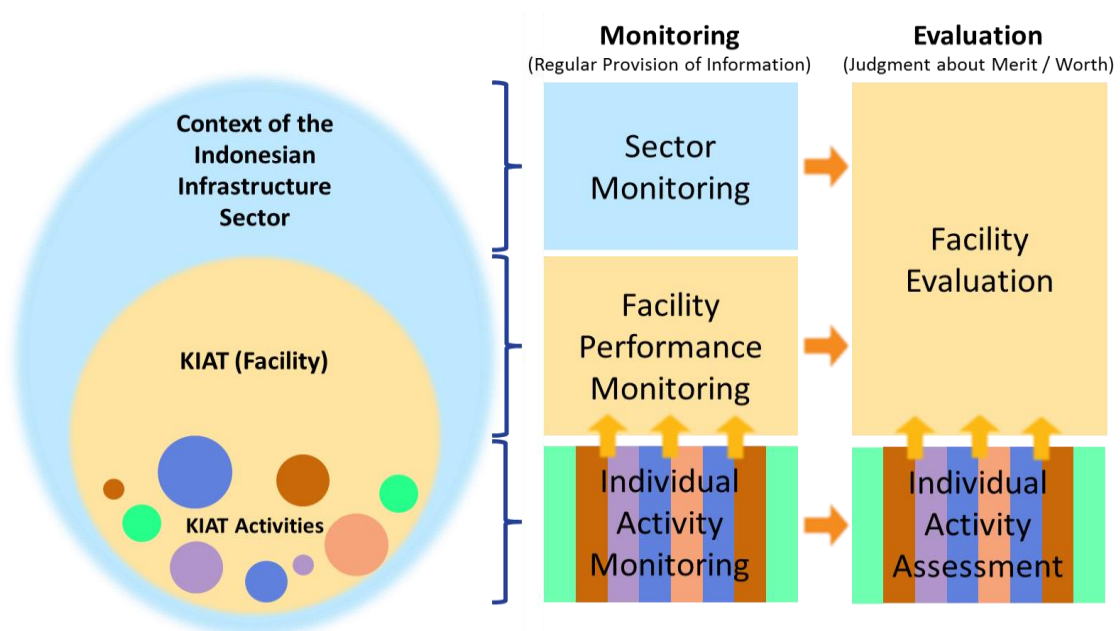
Following on from the distinctions made above, 5 components of KIAT M&E are summarised diagrammatically in Figure 7 below, and described further in Annex 11.

##### Purpose of M&E

The primary purpose of both M&E activities should be to inform decision-making regarding KIAT implementation at both the strategic and operational levels (both by KIAT management and by the KIAT Management Committee). Secondary purposes are to serve as a basis for accountability reporting to DFAT and GOI; and to generate information that forms part of a broader knowledge base for wider audiences and / or future reference.

In line with the primary purpose, KIAT M&E should be guided by the fundamental principle that M&E for KIAT should be focused on producing relevant, useful, accessible, and timely information that meets the needs of specific intended users (both internally and from GOI, DFAT, and others). For this reason, the M&E functions described above have been situated within the KIAT Performance and Communications team, which will be responsible for understanding and responding to the needs of these users.

**Figure 7 KIAT M&E components**



### Facility-Level Evaluation

A total of 7 key evaluation questions have been identified for KIAT:

1. KEQ1: How strategic is KIAT’s support, in consideration of (a) emerging priorities and opportunities and (b) prevailing political and institutional realities in the Indonesian infrastructure sector?
2. KEQ2: (Outcome Area 1): How effectively has KIAT contributed to an improved policy and regulatory framework conducive to infrastructure development?
3. KEQ3: (Outcome Area 2): How effectively has KIAT support to project preparation met the needs of the GOI, the private sector, and / or MDBs?
4. KEQ4: (Outcome Area 3): How effectively has KIAT contributed to higher quality project delivery, management and maintenance by the GOI?
5. KEQ5: (Women’s economic empowerment): How effectively has KIAT contributed to improvements in the infrastructure sector which can tangibly or logically linked to improvements in access to infrastructure services for women and marginalised groups?
6. KEQ6: How likely is it that key benefits from KIAT support will continue to be felt after the conclusion of KIAT investment?
7. KEQ7: How well has KIAT applied key principles over the course of implementation?

Three main processes are envisioned for facility-level evaluation: brief, targeted external reviews conducted on a frequent basis; annual internal assessments of overall facility performance; and 3-yearly ‘outcome harvests’ which have a more strategic focus, and are conducted and / or verified by an external party.

It is proposed that an Independent Review Team be contracted directly by DFAT to provide periodic external assessments of KIAT progress and performance (e.g. every 2.5 years). The primary role of this team will be to help validate KIAT's own monitoring and evaluation assessments, and to address any specific issues of interest or concern that the Management Committee may have over facility and/or contractor performance.

### **Facility-Level Performance Monitoring**

KIAT will take two main approaches to performance monitoring at the facility level. First, KIAT will use a more open-ended approach to monitoring based around a handful of general monitoring questions, which will enable the compilation of various types of emergent information about KIAT's performance. Second, KIAT will collect and report on a limited number of facility-level performance indicators, which will describe overall facility-level performance, the distribution of activities and funding within the KIAT portfolio, and the aggregate progress of KIAT in implementing its agreed-upon plans. These indicators include relevant indicators from the DFAT Performance Assessment Framework (PAF): at present, 6 PAF indicators have been identified.

### **Sector Monitoring**

Sector monitoring will focus on compiling information related to political developments, policy / regulatory developments, developments related to resourcing for infrastructure, and developments in the strategy and activities of MDBs operating in Indonesia. Information on these developments will be compiled through media monitoring and from KIAT advisors and partners.

### **Performance Monitoring & Assessment of Individual Activities**

The M&E Framework does not proscribe M&E plans for specific KIAT activities, as these will be developed for each activity over the life of the facility. As illustrated in Figure 5, the performance monitoring and assessment of individual activities is a key source of information to support overall facility monitoring and evaluation. In general, activity-level performance monitoring and assessment will follow four main steps:

- **Step 1:** Quality at Entry, which is a means of quality assurance for the selection and design of activities funded by KIAT, and as such is a critical component of the activity preparation and approval process described in section 4.2.
- **Step 2:** Design and Agreement of Activity-level Performance Monitoring and Assessment, whereby the KIAT Performance & Communications team will provide support to the implementation unit and / or subcontractors in preparing the design for performance monitoring and assessment at the activity level, including by identifying key questions and / or indicators, sources of information, methods for data collection and analysis, and reporting. Where relevant, this will include the design of an external performance monitoring and assessment.<sup>12</sup>
- **Step 3:** Activity Performance Monitoring & Assessment over the course of Activity implementation, which will follow the design. The Performance and Communications team will provide quality assurance and capacity building support for activity-level M&E as necessary.

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<sup>12</sup> External support should be prioritised for key activities with high investment value or which are otherwise considered to have high strategic or demonstration value.



- **Step 4:** Activity Completion and Assessment, whereby the Performance and Communications team will facilitate a process that will include (as relevant) the completion of any external assessments, the compilation of feedback from key users, a reflective review of implementation, and the documentation of key lessons learned for future implementation.

### **Management & Reporting of Performance Information**

Facility and activity-level performance information and other documents related to the KIAT M&E system will be accessible through a Management Information System (MIS) developed iteratively over the life of KIAT.<sup>13</sup> The KIAT MIS will enable the regular generation of a series of simple reports using data already stored within the MIS, in formats agreed with key users (KIAT management, DFAT, and / or others).

The M&E system will be oriented towards producing 6-monthly facility monitoring reports for use by the KIAT Management Committee. These reports will include an assessment of progress being made towards achievement of end-of-facility outcomes as well as details relevant to supporting DFAT's assessment of KIAT's contribution to PAF indicators and to meeting aid quality check (AQC) criteria. In line with the overall communications approach, these reports should be brief (no more than 25 pages) and well sign-posted. Executive summaries (no more than 5 pages) will also be provided.

### **4.5 Risk management and safeguards**

KIAT will adhere to all DFAT policies including those relating to management of risks and safeguards. Ratings of specific risks and indicative actions to ameliorate them are summarised below and in Annex 12.

**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 GOI given its strong ties to economic growth and stability. A major reduction in the importance of infrastructure for the GOI is considered unlikely. It is expected that Indonesia will continue to value Australian assistance in the infrastructure sector. Close working relationships will be established to ensure that KIAT's shift from direct infrastructure funding is understood by GOI, notwithstanding the continuation of some grants into KIAT. KIAT focusses on TA and this will have to be targeted and effectively delivered to achieve sustainable skills development. Lead Advisers will play an important role in identifying needs in their respective agencies. There is bound to be some turnover of KIAT team members and GOI counterparts during the life of KIAT. KIAT team recruitment will be conducted to minimise disruption during change to personnel and will include effective handover wherever possible. Lead Advisers will play a critical role on working with their agencies to ensure that KIAT continues to be supported by counterpart agencies.

**Transition and Negotiations:** The risk rating for smooth transition from IndII to KIAT is moderate. It will be important for IndII, KIAT and DFAT to work together to ensure that activities continuing into KIAT are transitioned efficiently. To assist this process, it is proposed to bring forward resources required to prepare contracting mechanisms into the design phase. Close cooperation between all parties will be required. After the FDD is approved by DFAT, Cardno and DFAT will negotiate the initial phase of implementation efficiently and in good faith so that there are no delays.

**Management and Implementation:** The risk rating for achievement of objectives is moderate. Some aspects carry higher risk, for example the ability to attract private sector investment in infrastructure. However, it is recognised that GOI commitment to facilitate this is strong. The KIAT team will work

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<sup>13</sup> To the extent possible, this system should build on the existing IndII MIS.

with GOI to build capacity and to improve the investment environment. The proposed governance arrangements are straightforward but rely on the ability of Bappanas to convene other key government agencies and help secure their commitment. This will be supported through ongoing engagement and advocacy by Lead Advisers in implementing partner agencies, a strong KIAT communications program, and strong relationships between DFAT and GOI. Land issues associated with PPP opportunities will have to be handled sensitively during project preparation to ensure that affected communities are informed of plans and their rights under Indonesian law.

**Environmental and Social Safeguards:** The risk rating for the impact of safeguards on the achievement of intended results is moderate and may reduce as DFAT funding for capital works reduces. Where capital works are directly supported by KIAT TA and are likely to trigger environmental or social safeguards (including displacement and resettlement safeguards), KIAT will address issues through technical support – particularly at the project preparation stage. TA for non-capital works that require safeguards expertise will also draw on appropriate technical support. The level of support will be commensurate with the risk identified and in line with DFAT’s safeguards policies (or the corresponding policies of the ADB and World Bank) and Australian legislative requirements. Screening tools will be applied to ensure that safeguards have been adequately addressed in activity proposals and that KIAT interventions at a minimum adhere to **Do No Harm** principles. Both programmatic and economic risks will be taken into account. The results of this screening will inform any approval decisions and will include the option to not proceed where risks cannot be appropriately mitigated.

**Climate change and disaster resilience:** The risk rating for the impact of climate and non-climatic hazards on the achievement of intended results is moderate. KIAT will take a “mainstreaming” approach to integrating climate action and disaster resilience into program activities where it makes sense to do so. Identification of risks will be incorporated into the activity screening process and will inform activity approval decisions. Activity designs will assess individual impacts and actions to mitigate and adapt to these impacts as required.

**Gender and Social Inclusion:** The risk rating to comply with gender and social inclusion requirements is moderate. The proposed KIAT structure integrates GESI into all program activities. With a GESI focussed Deputy Director leading this focus, KIAT will ensure that all activities are prepared through a GESI lens, with some activities being GESI driven. Activities to be transitioned to KIAT will be subject to review and changes to the Terms of Reference reflecting KIAT’s GESI strategy will be enhanced. Screening tools to ensure that GESI is addressed in all KIAT activities will be applied. Close cooperation with other DFAT programs working with Bappenas will be established to ensure a consistent approach. Again, Lead Advisers will provide the entry point to promoting KIAT’s GESI strategy and to identification of capacity development needs.

**Attracting and maintaining high calibre infrastructure technical assistance:** The risk to securing appropriately experience and skilled resources is considered moderate. 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). For continued and expanded Australian involvement in the provision of infrastructure TA with a particular focus on private sector investment, premium rates may be required. DFAT will be consulted if the exemptions from current ARF constraints are needed to secure appropriate skills and experience. Delivering VfM will be the driver behind this discussion.

## **Annex 1: Design Statement of Requirements**

### **1. REQUIREMENTS**

- 1.1. Australia has a long history of infrastructure support to Indonesia. DFAT's current package of support includes policy and project preparation, technical assistance and physical works through a number of channels including: the Eastern Indonesia National Roads Improvement Project (EINRIP); Australia Indonesia Infrastructure Grants (AIIG); Indonesia Infrastructure Initiative (IndII); Water and Sanitation for Low Income Communities Project (PAMSIMAS); and MDB Trust Funds. Current contractual, administrative and funding arrangements for these programs are coming to an end.
- 1.2. A new long-term Indonesia infrastructure program ('the Program') will be based on a maximum five (5) month contract term for the Design phase and include two (2) contract extension options covering the Implementation phase. The Implementation phase extension options comprise up to a 54-month term with a second option of up to 60 months. The options to extend the operations of the contract will be exercised at the sole discretion of DFAT.
- 1.3. The aim of the Program is to continue Australia's support for infrastructure development in Indonesia. The Program will see a shift away from directly building physical infrastructure towards technical assistance that leverages Indonesia's own sizeable infrastructure spend.
- 1.4. The Program will support rapid, sustainable and inclusive economic growth; improved access to basic infrastructure services to help reduce poverty; and promote women's economic participation and empowerment. To contribute to the above three objectives, assistance will focus on the following three long-term outcomes:
  - (a) High quality project delivery, management and maintenance by Government of Indonesia;
  - (b) An improved policy and regulatory framework conducive to infrastructure development; and
  - (c) High quality project preparation.
- 1.5. A large component of Australia's support to Indonesia will be delivered through a facility-type arrangement, led by the Contractor. The facility will link with DFAT's other Indonesian infrastructure assistance including contributions to Multilateral Development Bank Trust Funds and any bilateral support provided directly to the Government of Indonesia.
- 1.6. The Contractor shall provide DFAT with the following Services in accordance with the Terms and Conditions of this contract:
  - (a) Design of the Program; and
  - (b) If the option is exercised by DFAT, Implementation and Management of a facility to deliver the Program activities and investments (including those identified in the Design phase requiring novation from the current IndII facility).

### **2. DESIGN PHASE**

- 2.1. The Contractor will provide all management, coordination, implementation, and support resources necessary for the Contractor to deliver the design of the Program. DFAT shall

provide access to all documents relevant to the design of the Program, currently held by the current IndII Program.

- 2.2. Existing reports, including Impact Assessment Team (IAT) evaluations and an ANAO audit, have identified that the key issues concerning the delivery of Australia's support to infrastructure in Indonesia have related to the mechanics of facility operation as opposed to the substance of assistance being delivered.
- 2.3. The Contractor will design improved implementation arrangements (including improved governance and streamlined management processes) that enable management of existing and new investments within a single consolidated Program and which address the issues identified and listed in clauses 2.2 and 2.5 of Schedule 1 and addresses how innovation will be embed and supported throughout the life of the Program.
- 2.4. During the Design Phase, the Contractor will propose a design that improves on the existing Infrastructure Program and deliver to DFAT a Program Design Document (PDD) that outlines how the infrastructure program will be delivered.<sup>14</sup>
- 2.5. The Contractor will design and enhance the following arrangements in the new PDD, including but not limited to:
  - (a) **Governance arrangements:** including the composition, role and effectiveness of the Board and Technical Teams, government ownership and buy-in to activities;
  - (b) **Activity approvals:** including a streamlined processes and systems that reduce the administrative burdens and costs on DFAT and the managing contractor;
  - (c) **Monitoring and evaluation:** ensuring that DFAT and Contractor-commissioned reviews are high quality and are used to improve program performance throughout the life of the Program;
  - (d) **Transitioning arrangements:** addressing how to transition from IndII to the new program and through to any subsequent phases without disrupting program progress and performance; and
  - (e) **First year work program:** that encompasses both extensions of existing activities and newly negotiated activities. This will include identifying the proposed targets and key performance indicators and the remediation processes that will apply if targets are not met.
- 2.6. The Contractor will be required to test the existing knowns and assumptions. This includes the proposed annual infrastructure spend and the appropriateness of the proposed split between physical investments, investment delivery (e.g. preparation and verification), consultancies, and policy and capacity development technical assistance.
- 2.7. The Contractor will undertake required stakeholder consultation and validation activities throughout the design phase (reference Table 1: Milestones). The Contractor will ensure strong engagement with Indonesian stakeholders, in particular GOI partners, as well as with all areas of Australia's infrastructure work and other DFAT sectoral programs.
- 2.8. The Contractor's Design process may involve, but is not limited to:

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<sup>14</sup> This is in contrast to a focus on activity and sector selection as DFAT has already identified transport and water and sanitation as the principle sub-sectors it wants to engage in. The contractor will be required to test the appropriateness of the nominated sub-sectors during stakeholder consultations and highlight any other sub-sectors that the program should target in line with Government priorities.

- (a) one or more internal workshops to map stakeholders and priorities of the Indonesian Government and test existing assumptions;
  - (b) design workshops to test the proposed overarching objectives and end-of-program outcomes for the Program;
  - (c) multiday design workshops to refine implementation arrangements;
  - (d) a series of targeted stakeholder workshops to formulate possible intermediate outcomes, activities and outputs using existing commitments and expected activities as a starting point; and
  - (e) as necessary, field trips and travel to inform the Design.
- 2.9. As part of the PDD, the Contractor will develop the Implementation Statement of Requirements (SoR) and first year work program, providing a clear plan of the steps required in establishing the facility and novating activities from IndII. As a minimum, it is expected these will include:
- (a) details setting up of business operations and administration (including the drafting polices for operation);
  - (b) details the establishment of the governance mechanisms, monitoring and evaluation frameworks and other arrangements identified in the PDD;
  - (c) details the forming of partnerships with organisations that would contribute to the work of the facility;
  - (d) details what services and activities will be ready to be delivered at the establishment of the facility;
  - (e) details the IndII activities that will be transitioned to the facility;
  - (f) details all relevant key issues that will guide the work that the Contractor must undertake during the implementation phase; and
  - (g) details the office space.
3. **IMPLEMENTATION PHASE (Subject to Extension Options)**
- 3.1. Subject to DFAT exercising the option to extend the operations of the Contract. The Contractor, acting as the facility manager, will be responsible for the effective implementation and management of the Program activities, both new and existing activities novated across from IndII and other DFAT programs (as identified in the Design phase).
- 3.2. In accordance with Clause 2.9, the detailed implementation SoR will be informed by the PDD (Design Phase Deliverable).
- 3.3. Subject to DFAT approval of the PDD and exercising the option to extend the Contract in accordance with **Clause 64.2** of the Contract, the Contractor will facilitate the smooth transition from design to implementation, including managing the transition of activities from IndII to the Program, where appropriate.
- 3.4. The Contractor will staff the facility with suitable personnel in accordance with the DFAT approved implementation SoR and the approved PDD.

4. **WORK PLAN (DESIGN PHASE)**
- 4.1. The Contractor will develop a PDD to outline a program that can be scaled up or down depending on DFAT budget allocations.
- 4.2. The Contractor will develop the PDD with a focus on outlining key features related to addressing the issues identified in Clause 2.2 and Clause 2.5.
- 4.3. The Contractor shall undertake the Design Phase within a total period of twenty-four (24) weeks – from commencement on 01 September 2016 through to the final design on 16 February 2017. Below is the work plan breakdown of services to be provided by the Contractor during the Design Phase.
- 4.4. **Week 1 (Mobilisation):** Undertake an introductory meeting with DFAT (Contractor Representative, Design Team Leader and MEL Specialist) to clarify expectations and gain a greater understanding of DFAT direction, including ongoing communication and reporting requirements, confirm communication protocols and requirements, start mapping key stakeholders and prepare for the program of stakeholder consultations. Provide DFAT Jakarta and Canberra with a fortnightly written update on design progress and any issues arising throughout the design phase. Conduct pre-commencement briefings with all design team members and team members shall be mobilised to Indonesia (as required). A design team internal meeting shall also be held to discuss and clarify team work protocols and arrangements, including with respect to internal communications, conducting meetings with stakeholders, use of interpreters, documenting the outcomes of consultations, drafting contributions to the main documented deliverables, team member safety, etc.
- 4.5. **Week 2 (Stakeholder Consultations):** Conduct workshop(s) with DFAT Jakarta in order to review existing information and gaps, further map stakeholders, and review / update the design phase work plan – including clarification of the stakeholders’ consultations requirements and practicalities given availability (who, why, where, and how). The principle of ‘triangulation’ shall be used to help determine detailed consultation requirements and ensure validation of the information collected (using different information sources and collection methods). Question checklists shall be prepared to help focus on key issues and guide the structure of consultations. As required, clarification shall also be sought from DFAT as to the proposed mechanisms for ensuring GoI engagement in decision making on the draft and final IIP design, and subsequent transition arrangements. Initial consultations shall then be held with GoI stakeholders, including members of the current IndII Steering Committee, to brief them on the design team and proposed process and solicit their initial inputs, including the key issues to be addressed and the design team’s plan for wider stakeholder consultations.
- 4.6. **Weeks 3 to 4 (Stakeholder Consultations):** National and sub-national level consultations shall subsequently be held over the next two weeks with: (i) other GoI-level officials / agencies directly involved in infrastructure development (including KPPIP (Committee for Acceleration of Priority Infrastructure Delivery), Indonesia Infrastructure Finance and the PPP Unit in Ministry of Finance, representatives of state-owned enterprises concerned with infrastructure development, etc.); (ii) other GoI agencies critical to promoting decentralised service delivery and inclusive development, such as Coordinating Ministry for Economic Affairs, Ministry Home Affairs, Ministry of Public Works, etc.; (iii) multi-lateral development banks (primarily World Bank and Asian Development Bank, plus International Finance Corporation) and other development partners involved in related infrastructure

development work (iv) representatives / managers of a range of other DFAT-funded programs (including Australia Indonesia Partnership for Promoting Rural Income through Support for Markets in Agriculture, Australia Indonesia Partnership for Economic Governance, Knowledge Sector Initiative, etc.); (v) Indonesian non-government organisations / civil society groups involved in gender equity and social inclusion / poverty alleviation / inclusive infrastructure initiatives; and (vi) a selection of Indonesian and Australian private sector infrastructure firms and debt / equity providers. To the extent possible, these consultations shall take the form of group discussions / mini-workshops with clustered groups of stakeholders (as categorised above), although there will certainly also be need for some individual agency meetings / discussions to follow-up on specific issues and to gain more ‘individual’ insights. Sub-national consultations will be predominantly by phone and email. Cardno will also draw on its extensive experience in implementation of current INDII activities. With respect to consultations with other Australian government agencies, it is expected that DFAT will take carriage of this in consultation with Cardno and the design team. As required, the design team shall meet with Australian government representatives in Jakarta to brief them on the design and solicit their inputs. The main task for the design team is to help design a mechanism (for the implementation phase) which shall support, as appropriate, Australian whole-of-government approaches and interests relevant to the overall scope of IIP. Following the initial round of national-level stakeholder consultations, the design team shall take stock of findings to date and identify implications for follow-up work.

- 4.7. **Weeks 5 to 6 (Preparation of draft design and validation):** Following these initial national and provincial level consultations, the design team will then work on further refining and documenting key design parameters (including proposed objectives/outcomes/output specification, governance arrangements, the activity approvals process, M&E arrangements, transitioning arrangements and a first year work program). This will be presented to DFAT as an Initial PDD. During this process ongoing consultations / follow-up will be held with key stakeholders on an ‘as needed’ basis. Preparations will also be made for the conduct of three (3) main follow-up workshops with selected / targeted stakeholders, with a respective focus on testing and refining:
- (a) overarching objectives and end-of program outcomes for the IIP, plus monitoring and evaluation implications (including an evaluability assessment);
  - (b) overall governance and implementation arrangements, including the activity approvals process; and
  - (c) transitioning arrangements, the first year work program and budget and preparation of the Statement of Requirements for implementation.
- 4.8. **Weeks 7 to 8 (Preparation of draft design and validation):** The design team shall then focus on completing the first full draft design for submission to DFAT and GoI by 20 October 2016. This will include ongoing consultations / briefings with DFAT and key GoI stakeholders as required. The draft design will include:
- (a) Situation analysis / investment rationale;
  - (b) Draft theory of change, including end of programme outcomes;
  - (c) Draft governance framework;
  - (d) Draft activity preparation and approval process;

- (e) A draft first year work plan and budget;
- (f) Draft staffing profile;
- (g) Draft M&E framework;
- (h) Risk management plan according to DFAT's Risk Management Guide; and
- (i) Outline of Statement of Requirements.

The design team will organise a GoI stakeholders meeting (or similar) during this period to allow the design team to brief them collectively on the draft design and seek their further guidance. Should the design team be aware of any particular issues or potential disagreements with GoI stakeholders, we may also propose individual meetings with key stakeholders as required.

- 4.9. **Weeks 9 to 15 (Appraisal/review of draft design by DFAT and GoI):** It is anticipated that the following weeks will be a review and redrafting period of the Draft PDD. It is anticipated that DFAT and GoI will use this period to appraise the Draft PDD and respond to the Contractor with recommendations / instructions regarding preparation of the final design documentation. The Contractor shall also amend or rectify the Draft PDD in accordance with comments from DFAT. During this period the Contractor shall remain available to respond to questions regarding the design and preparations for transition, however the design team shall not be actively working in the field. Communication protocols for this period will be established.
- 4.10. **Weeks 16 to 17 (Preparation and approval of final design documentation):** On receiving feedback on further work required to complete the final design, the design team shall undertake this work, including required further consultation with key stakeholders in Indonesia, and submit the final design by the due date of 26 January 2017. The final design will likely include:
- (a) Situation analysis / investment rationale;
  - (b) Theory of change, including end of programme outcomes;
  - (c) Governance and implementation arrangements;
  - (d) Activity preparation and approvals process;
  - (e) First year work plan and budget;
  - (f) Staffing profile and position descriptions;
  - (g) M&E framework;
  - (h) Risk management plan; and
  - (i) Statement of Requirements.
- 4.11. **Weeks 18 to 21 (Preparation and approval of final design documentation):** In accordance with the Contract, DFAT shall provide its comments within two weeks of receiving the Final PDD and no later than 09 February 2017. Once final approval is given by DFAT, and upon exercise by DFAT of Extension Option 1 in accordance with clause 64.2 of the Contract, the Contractor will be able to implement Option 1 commencing with the transition activities with a view to starting the operation of the Implementation (commencing by 20 March 2017).



- 4.12. **The PDD Transition arrangements** (Extension Option 1 implementation) shall be subject to DFAT approval of the Final Program Design Document and DFAT exercising Extension Option 1 to extend the operation of this Contract to include the Implementation Phase (subject to DFAT exercising Extension Option 1, the PDD Transition arrangements are anticipated to commence 17 February 2017)
- 4.13. **Report preparation and delivery mechanisms:** Based on the Final PDD, The Contractor Representative will agree reporting templates and procedures with DFAT and program partners. The timing, content and format of reports will be agreed, meet partner needs, and align with DFAT and GoI reporting and planning processes. The Contractor Representative will coordinate the preparation of contractual deliverables and guarantee quality reports submitted on time.
- 4.14. During the Term of the Contract, the Contractor must provide DFAT with the following Contract deliverables as set out in Table 1 (Milestones) below:

**Table 1: Milestones for Design and Implementation Phases**

Milestone number	Milestone Description	Acceptance Indicator	Due Date
1	<b>Design Phase (Draft PDD):</b> a) Draft Program Design Document (PDD); b) As part of PDD, a draft First Year Program; and c) As part of PDD, a draft implementation phase Statement of Requirements (SoR).	Subject to DFAT Review and Approval.	Week 7 to 8 24 October 2016
2	<b>Design Phase (Final PDD):</b> a) Final Program Design Document (PDD); b) As part of PDD, a final First Year Program; c) As part of PDD, a final implementation phase SoR.	Subject to DFAT Review and Approval.	Week 16 to 17 26 January 2017
3	<b>PDD Transition arrangement (Subject to DFAT exercising Extension Option 1):</b> Transitioning arrangements shall address how to transition from IndII to the agreed new Program and through to any subsequent phases without disrupting program progress and performance.	Subject to DFAT approvals of: i) the Design Phase; and ii) exercising the option to extend the operations of the contract.	Week 24 The agreed Transition arrangements are anticipated to commence 17 February 2017 and be completed no later than 20 March 2017.
4	<b>Implementation</b> Associated Implementation Activities will be based in the Final and DFAT Approved PDD.	Following completion of Transition arrangements	Week 28 The operation of the implementation activities associated with the new design must be operational no later than 20 March 2017.

## 5. MEETINGS

- 5.1. The Contractor must attend and participate in all meetings as directed by DFAT and when required, consult, cooperate with, and promptly provide input, information and advice to DFAT on progress and performance of the Program (including any matters, concerns, circumstances or events which may be affecting or may affect the Contractor's relationship

with Stakeholders, DFAT or other relevant parties), and suggest actions to mitigate these, or assist in the prompt resolution of these.

- 5.2. The following is an indicative meetings scheduled that will be revised as per requirements of the Program and at the direction of DFAT:

**Table 2: Indicative Meetings Schedule**

<b>Meeting type</b>	<b>Location</b>	<b>Date</b>
Introductory Meeting with DFAT, Canberra and DFAT Jakarta	DFAT's Australian Embassy Jakarta.	Scheduled within one (1) week of Contract Commencement at a time agreed between DFAT and the Contractor.
Stakeholder consultations (as per the Design Phase Work Plan)	Jakarta/Canberra.	Scheduled to be ongoing on an as needed basis from Contract Commencement at a time agreed between DFAT and the Contractor.
Peer review meeting on draft PDD documents and comments from DFAT	Jakarta/Canberra.	Scheduled to be within Weeks 9 to 15 of Contract Commencement at a time agreed between DFAT and the Contractor.
Meeting with DFAT to discuss Transition and Implementation (including contractual arrangements)	Jakarta/Canberra.	Scheduled to be within weeks 21 to 24 of Contract Commencement at a time agreed between DFAT and the Contractor.
Progress Meetings	DFAT's Australian Embassy Jakarta.	Once a fortnight commencing on Contract Commencement.

## Annex 2: Design team members and organisations consulted

**KIAT design team** (all part time inputs except for the design team leader who worked full time in Jakarta from 4 September to 26 October)

Jonathan Hampshire	Design Team Leader
Bernardus Djonoputro	PPP / private sector specialist
Irfani Darma	Governance specialist
Nina Shatifan	GESI specialist
Mark Fiorello	M&E specialist
Gerry McManus	WatSan specialist
Hugh Brown	Transport specialist
Andre Oosterman	Finance / costings specialist

### Agencies / groups consulted included:

Government of Australia	DFAT Jakarta, DFAT Canberra, Department of Agriculture, AusTRADE
DFAT programs	IndII, KSI, MAMPU, AIPEG, KOMPAK, AIPJ, Scholarship / Awards
Government of Indonesia	Bappenas, Ministry of Finance, Coordinating Ministry of Economic Affairs, Coordinating Ministry of Maritime Affairs, Ministry of Home Affairs, Ministry of Women’s Empowerment and Child Protection, Ministry of Social Affairs, Ministry of Public Works and Housing (including Cipta Karya, Bina Marga, Minister’s Office, Toll Road and Water Authorities)
State owned enterprises	PT SMI, IIGF, Toll Road Holding Company
Donors / MDBs	World Bank, Asian Development Bank, USAID
Civil society	Indonesia Transport Society, Indonesian Planning Institute, Infrastructure Professionals Society, Disability People Organisations, Women’s Organisations, CSO Network Organisations, and various informed individuals
Private sector	Australia Indonesia Business Council, Indonesian Consultancy Service Providers (e.g. legal and financing), Indonesian Infrastructure Contractors, Australian Banks (e.g. Macquarie, ANZ, Commonwealth, ANZ), other Australian companies (e.g. Aurecon, Deloitte, Bluescope, Worley Parsons)

## Annex 3: Infrastructure sector analysis

### 1. Overview

In the wake of the Asian financial crisis, infrastructure investment in Indonesia collapsed from around 9% of GDP in the mid-1990s to 2% in 2001. Despite a partial recovery to 4% in 2014, this remained relatively low in comparison to the levels of Asia's other high growth economies (6% to 7%). 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. The problem of underinvestment has been further exacerbated by existing infrastructure assets not being used or managed optimally. Infrastructure expenditure (not just budget allocation) in Indonesia needs to increase if economic growth and poverty reduction targets are to be met. This requires action to: improve public management; encourage private investment; reduce corruption; mobilise finance, and implement reforms.

Relevant RPJMN objectives include: (i) Implementation of Public Private Partnerships (PPPs) as one development approach for infrastructure; (ii) Availability of financial support to meet infrastructure targets by making available alternative payment mechanisms outside government funding mechanisms through PPP schemes or other forms of innovative financing; and (iii) Creation of efficient infrastructure management systems and increase in the quality of infrastructure services provided by both the government as well as business entities.

Recent steps taken by GOI to translate its infrastructure investment plans into action include establishment of the Committee for the Acceleration of Priority Infrastructure Delivery (KPIIP) and a PPP Unit in the Ministry of Finance; reduction of long-standing energy subsidies to enable substantially increased public infrastructure investment; equity injections of around A\$9.5 billion in 2015-16 into infrastructure related SOEs<sup>15</sup>; issuance of a Presidential Regulation revising guidance on the use of PPPs to include social infrastructure (schools, health facilities etc.); and providing for the use of long-term availability payment arrangements for infrastructure assets (Perpres 38/2015).

To supplement public funds, GOI has also indicated a need to increase borrowing from the MDBs, in the order of US\$12 billion from the World Bank and US\$8.75 billion from the Asian Development Bank (ADB). Indonesia is also likely to initiate further borrowing from the new Asian Infrastructure Investment Bank. GOI also plans to increasingly access private finance for infrastructure investment. Of the more than US\$450bn estimated by GOI as required to finance priority infrastructure development during the current RMPJN period, only one third is expected to come from the state and provincial budgets with the rest expected to be met from the private sector and SOEs.

GOI has also issued a range of new regulations to boost infrastructure development, through its 13 economic policy deregulation packages focusing on the deregulation of investment and tax incentives. GOI expects these deregulation packages to improve Indonesia's competitiveness and help to attract investment by cutting bureaucracy and providing greater legal and business certainty.

Despite the actions and efforts of the current and previous administration (including donor support for strengthening the enabling environment for PPPs of more than US\$100m since the mid-1990s) private investor interest currently remains constrained by a number of factors. These factors include project preparation quality, regulatory clarity and legal certainty. Major projects also continue to suffer delays due to land acquisition issues, while further improvements to institutional capacity, decision-making processes, regulations and safeguards against corruption are also required to facilitate project

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<sup>15</sup> Indonesia Infrastructure: Stable Foundations for Growth, PWC, September 2016

implementation and asset operation and maintenance at the sub-national level. All of these factors continue to deter private sector investors due to unacceptable risk profile.

With respect to PPP development in particular, the existence of three different GOI agencies (KPPIP under CMEA, the PPP unit at Ministry of Finance and the Directorate of PPP at Bappenas) with similar tasks (i.e. promoting private sector engagement in priority projects) has also contributed to some confusion in the market. While KPPIP focuses on the prioritisation of the 225 strategic projects as mandated by Presidential Regulation No. 3 / 2016, the PPP Unit under Ministry of Finance is tasked with conducting project preparation for government's guaranteed projects. Bappenas on the other hand, is tasked with the project pipeline, to facilitate project preparation and the 'escalation' of potential projects from sub-national level to be included on GOI's strategic project list.

Some of the generic barriers to private equity investment in infrastructure assets, based on international experience, are summarised in the table 2.1 below.<sup>16</sup>

**Table 1 Barriers to private sector investment in infrastructure**

Categories	Barriers
<b>1. The Investment Opportunities</b>	<ul style="list-style-type: none"> <li>• Lack of political commitment over the long term</li> <li>• Regulatory instability</li> <li>• Fragmentation of the market among different levels of government</li> <li>• No clarity on investment opportunities</li> <li>• High bidding costs</li> <li>• Infrastructure investment opportunities in the market are perceived as too risky</li> <li>• Lack of successfully implemented PPP examples</li> </ul>
<b>2. The Investor Capability</b>	<ul style="list-style-type: none"> <li>• Lack of expertise in the infrastructure sector</li> <li>• Problem of scale of pension funds</li> <li>• Mis-alignment of interests between infrastructure funds and pension funds</li> <li>• Regulatory Barriers</li> <li>• Short Termism of investors</li> </ul>
<b>3. The Conditions for Investment</b>	<ul style="list-style-type: none"> <li>• Negative perception of the infrastructure value</li> <li>• Lack of transparency in the Infrastructure sector</li> </ul>

Under Indonesia's decentralisation laws SNGs have considerable autonomy over investment planning and service delivery. This transfer of responsibility is supported by special purpose grant funding from the national government. SNGs are also developing their own local sources of funding for infrastructure. However, SNGs' limited experience and skills in project identification (prioritisation), preparation and management continues to hamper the efficient and effective utilisation of these resources. SNGs are also reported to have very limited understanding of PPPs and no capacity to prepare them. The gap between national infrastructure development aspirations and sub-national implementation capacities therefore remains a significant challenge. The Ministry of Home Affairs is

<sup>16</sup> Source: OECD Pension Fund Investment in Infrastructure: Policy Actions, Working Paper 2011

an important stakeholder in improving the enabling environment for infrastructure development at the sub-national level.

SOEs, now strengthened with equity injections, continue to dominate the landscape in key sectors such as transport and power. While better resourced and more performance oriented SOEs are increasingly delivering results, their privileged position in securing the most financially attractive projects (often initially intended for PPP) constitutes a dis-incentive for the private sector to engage in project preparation and financing.

## 2. Transport and WatSan specific issues and opportunities

Australia's strengths lie in supporting transport and water and sanitation (WatSan) investments that Indonesia's rapidly urbanising population need to become more productive. Australia will remain engaged in supporting GOI delivery of improved WatSan services because of the demonstrated economic and health benefits of improved access to water and wastewater management, and in the transport sector because of the key role this plays in improving connectivity, economic competitiveness and access to services.<sup>17</sup> Nevertheless, many of the systemic issues impacting effective infrastructure delivery are not specific just to transport and WatSan. Australian support for policy / regulatory reform, high quality project preparation, enhanced private sector engagement, and women's economic participation and empowerment and social inclusion will therefore not only focus on transport and WatSan, but on helping to improve the enabling environment for inclusive infrastructure delivery more broadly.

### Transport

The consequences of inadequate transport infrastructure are clearly evident in the difficulties faced by businesses striving to expand and improve their competitiveness, urban congestion, and constrained economic development and employment opportunities (particularly in remote areas). For example, 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.<sup>18</sup>

Relevant GOI targets in its current RPJMN, include (i) Increasing the quality (kemantapan) of national roads to be 100%, of provincial roads to be 80%, and of district (kabupaten / kota) roads to be 70%; (ii) Increased availability of transport services as well as communication and IT services in rural areas, border areas, outlying islands, and other non-commercial areas; and Increasing mass urban transport services.

**National roads:** Road transport provides for approximately 84% of passenger transport and 90% of freight transport in Indonesia. While some 90% of the 47,000 km of National roads are reported to be in good condition, the network suffers from a range of significant deficiencies that continue to constrain national economic growth and competitiveness. For example:

- The quality of the road network is generally of sub-optimal standard, it is expensive to maintain, and a substantial length needs renewal to improve its strength and durability, improve alignments and increase capacity.
- Road user costs are high because of poor quality, low speeds and capacity, and heavy congestion in the major inter-city corridors.
- Low Government prioritisation of road maintenance as opposed to new build.

<sup>17</sup> Indonesia Infrastructure Program Concept Note, DFAT, November 2015

<sup>18</sup> <http://pubdocs.worldbank.org/en/269121466164485152/IEQ-JUN-2016-FINAL-for-web.pdf> (p32)

- Connectivity between the major population and economic centres across the nation is low, and an improved road network is an essential component of strengthened connectivity, which also requires improved road connections to ports and terminals.
- Funding requirements for road improvements and network strengthening are high, and exceed the current financing capacity of GOI.
- The technical and management capacities and practices in DGH require ongoing strengthening to deal with these challenges.

The IndII program initiated a number of important activities, working with DGH to enhance their planning, programming and budgeting tools and capabilities, and the delivery and quality of program delivery. KIAT will support DGH in building on and extending these initiatives, and their aspirations to develop into a world class National Roads Agency, in keeping with Indonesia's emergence as the major economy in the region.

**Toll Roads:** Toll road development has gone through a chequered history since 1995, at which time there were around 500 km of toll roads in operation. The collapse of the New Order regime in 1998, combined with the Global Financial Crisis of 1998-2001, left a number of key toll road concessions in the hands of groups who were unable to develop them but reluctant to give them up, and by 2016 a total of 950 km were in operation. Concessioning problems are now largely resolved, and plans for the accelerated development of networks in Java (920 km) and Sumatra (630 km) are being pushed forward by BPJT in MPWH.

Despite significant levels of interest in the possibilities of toll road operation under different forms of PPP arrangements, challenges to the more rapid development of the toll road network remain. The major problem has been the difficulties and delays associated with land acquisition, and the risks that are created for private sector participation. It is hoped that recent changes to relevant laws will help reduce such risks, and allow rapid progress towards the ambitious target of an additional 1,000 km set by the Strategic Plan 2015-2019.

Financing challenges will continue, however, and the search for innovative arrangements that would open the sector to participants that are not State-Owned Enterprises (SOEs) will continue. It is expected that KIAT will be able to position itself to make a significant contribution to this objective.

**Sub-national roads:** There are currently some 34 Provinces, 416 Kabupaten (districts) and 98 City governments, with a total length of road network of approximately 450,000 km. The overall standard of sub-national roads is significantly lower than that of national roads, of which 94% are in a stable condition, compared with only around 60% for SN roads.

Before decentralisation in 2000-2001, GOI provided substantial funding support to Local Governments for infrastructure management and development, as well as support for the preparation of annual road maintenance and development programs, which helped improved technical and professional standards across more than 500 separate agencies. Since decentralisation, central government funding support has continued in different forms but at somewhat reduced levels. However, technical support for road maintenance planning and programming has not been continued. Local Government managerial and technical capacities, rather than just budgetary issues, are therefore a key determinant of sub-national road network coverage and quality.

KIAT is expected to continue and refine the current IndII-supported Provincial Road Improvement and Maintenance (PRIM) project to serve as a sustainable, replicable model for expansion of conditional infrastructure grants to other provinces and to districts and towns. At the same time, it will

provide Technical Assistance to Local Governments participating in the proposed Ministry of Finance initiative to introduce performance-based Grant funding for road maintenance to SN road agencies.

**Urban Transport:** With Indonesia's rapid urban growth, addressing the pressing urban transport problems currently experienced in all major cities is a GOI priority. Urban bus services are typically poor-quality, generate low revenues and unlike their Western counterparts are mainly un-subsidised, and cost recovery is low. The impact of traffic congestion has led to decreasing patronage and mode share, and to rapid growth in motorcycle taxis (ojek). Improved planning and management of bus services, and the development of light or medium rail solutions in larger cities, are high on the agenda of many municipalities.

Opportunities exist in this area for KIAT to provide support to improved bus system management, and an IndII initiative in this area in the Jakarta region is expected to be taken forward under KIAT, and may prove to be replicable in other cities. These and similar opportunities will be explored as KIAT develops.

**Rail:** Increased rail investment was a significant component of the recommendations previously made in the Masterplan for Acceleration and Expansion of Indonesia's Economic Development (MP3EI of May 2011), but now also adopted in the current RPJMN. Rail expansion plans have been mooted for all major islands, to be supported by a significant component of private sector funding. Rail is a potentially important alternative to road transport for passengers in Java in particular, and is potentially competitive with road transport for freight / bulk commodities in Sumatera and Kalimantan. However, at present passenger rail services are barely profitable and under heavy competition from low-cost airlines.

While IndII did provide early support for the preparation of a Rail Master Plan and investigation of rail operational planning issues in Jabotabek, it gained little traction in an environment in which there were tensions between the Directorate of General of Railways within the Ministry of Transport, and management of PT KAI. There may be future opportunities for KIAT to provide support in similar areas, and these will be investigated.

**Other Modes:** Air and Marine sectors are dominated by SOEs which are well-resourced and may have limited interest in accessing Technical Assistance support. However, KIAT will be proactive in identifying opportunities in areas outside what will be a first-year emphasis on roads and WatSan, and will seek institutional interests and commitments to pursue broader opportunities. The World Bank and ADB are also working to provide support and advice in these areas, which could be supported by DFAT's Trust Funds as well as by direct KIAT engagement. During the Design Phase, the Team has not had detailed discussions with all potential client Agencies, but this will be addressed during its first year.

## **Water and sanitation**

In the 25 years from 1990 to 2015 the urban population has increased from 56 million to 150 million. For much of this period investment in urban services has stagnated due to various economic crises. In the rapidly expanding urban areas, the Government recognises that the supply of adequate water and provision of sanitation services are high priorities. For example: (i) 18 per cent of the population lacks access to improved water, while 80 per cent lacks access to piped water; and (ii) 98 per cent of the population lacks access to sewerage systems (including in the capital, Jakarta) resulting in severe economic and social costs to families and reduced time for women to engage in economic activities. Currently, piped supply from the PDAMs (Regional Water Utility Company) serves around 18% of the population and overall the coverage is around 38%, when community and semi-urban systems are



included. The coverage of off-site sewerage systems is less than 2%. %, compared with over 20% in Thailand and more than 60% in Malaysia. In the water and sanitation sector a major indicator of performance is the 'under five mortality per 1,000 live births'. Currently the mortality rate for children under five in Indonesia is more than twice that of Thailand and four times that of Malaysia.

In the GOI's current RPJMN, the targets are to provide 100% access to safe water and 100% access to appropriate sanitation (domestic wastewater, waste, and environmental drainage) by 2019. The target was to increase piped supplies to 60%. It currently appears that a level of considerably less than 50% will be achieved in the period of the current RPJMN.

Key issues which GOI is currently facing in the water supply and sanitation sector include:

- the provision of financing for the considerable backlog of urban water supply and sanitation services;
- limited public will to pay for sanitation services;
- the development and management of regional systems to provide bulk water to PDAMs;
- improved governance in the delivery of water supply services at the local level; and
- the need for local governments to assume greater responsibility for urban wastewater management.

The role of WatSan related GOI institutions lies traditionally in the promulgation of regulation, supporting policies and the provision of annual budget allocations. Since 2015, work on strengthening budget allocation criteria is receiving increased attention by Bappenas, Ministry of Finance and Ministry of Public Works and Housing. The aim is to improve tangible social and economic returns on GOI investments.

In the water supply sector the regionalisation of raw water sources is critical in water-stressed areas and in areas where raw water sources are situated in one administrative regency (Kabupaten) and with the main water users residing in the neighbouring jurisdiction (mostly Kota). This requires collaboration through the provincial government, involving male and female community members, for managing and safeguarding available water resources. The development of the concept of a national water enterprise (BUMN) and also the delineation of the management and operation of the regional water facilities and their arrangements with the various PDAMs, will require significant policy decisions to be made.

Another particular area of concern is non-revenue water (NRW). The current levels of NRW are generally under-reported and in reality, unknown, as most systems do not have operative measurement devices. While there are significant challenges facing effective implementation of NRW programs, the VfM which could be achieved by effective intervention in this area is significant, since such programs not only increase income but also provide additional supply which may be utilised in expanding coverage, without major capital expenditure.

In the sanitation sector, a general constraint observed during the delivery of the sAIIG (Water and Sanitation for Low Income Communities) program was a lack of clear policy directions and communication strategies, which are essential elements for the successful introduction of a new and innovative service delivery approach. Lessons learned suggest the need to conduct at the outset a comprehensive stakeholder analysis and to compile a well disseminated communication strategy that clearly outlines the approach and conditions of the scheme. Important considerations such as limited public will to accept and pay for sanitation services should also be addressed from the outset. Whilst

the ‘results- based’ approach supported by sAIIIG was highly appreciated by the Ministry of Public Works and Housing as a very innovative service delivery mechanism, the current methodology and delivery mechanism need to be reviewed and redesigned in support of a broader future national roll-out of the scheme.

Advocating to the concerned government agencies the principles of improved service delivery mechanisms and the need to establish supportive regulations, institutional settings and fiscal policies are key elements for success. There is evidence to suggest that SNGs are receptive to a more holistic waste water management approach in support of significant improvements and expansions of city-wide service deliveries.

A new dimension is the government’s increasing concern about the state of individual household sanitation, which will remain the major domestic wastewater treatment option for the decades to come. Whilst the Ministry of Public Works and Housing is now sketching out a new approach on the development of regular de-sludging services of individual household septic tanks, the technical out-fit of the vast majority of those domestic containments does not comply with prevailing standards, and is thus heavily contributing to the pollution of groundwater aquifers.

The roll out of institutionalised sanitation services in Indonesia’s urban areas requires operational standardisation, increased civil society engagement, and capacity building support and certification through the strengthening of existing national and regional institutions, including the professional association PERPAMSI so that they can, over time, engage PDAMs in the delivery of wastewater management services.

The World Bank’s, DFAT funded, community based program (PAMSIMAS) continues to provide a national platform for supporting the 100-0-100 program in rural and semi-urban areas. The Bank is currently developing the National Urban Water Supply Program which will support the 100-0-100 in urban areas. The program will use the successful framework approach of PAMSIMAS and will provide: (i) Policy & Framework – advisory to DGHS; (ii) TA and Capacity Building for SNGs/PDAMs; (iii) Investment support (grants); and (iv) Management and M&E support.

While multilateral donors (World Bank and ADB) as well as key bilateral donor initiatives, such as USDP and IUWASH, provide high value inputs for the WatSan sector, there is as yet no common implementation and delivery strategy that aligns and harmonises relevant GOI and donor programs.

### **3. Gender and social inclusion in infrastructure**

Relevant RMPJN objectives include: (i) Increase the role and representation of women in politics & development; (ii) Reduce the imbalance between socio-economic groups; and (iii) Protect children, women, and marginalised groups.

Female headed households and people with disabilities (including the elderly suffering impaired mobility, vision and / or hearing) are among the poorest and most marginalised groups in Indonesia. Gender differences persist in men and women’s labour force participation with women at 53.4% (consistent since the early 1990s) and men at 85%<sup>19</sup> (2014). Infrastructure agencies assume that men and women benefit equally from infrastructure but in reality, women and other marginalised groups remain hampered by poor access to roads, power, water, sanitation and transportation, combined with restrictive gender norms and exclusionary practices. This in turns limits their access to markets, entrepreneurial and employment opportunities and flexible mobility options to carry out their multiple and time-consuming roles. Decision makers lack reliable data on use of infrastructure services,

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<sup>19</sup> Indonesia: Labour and Social Trends Update, ILO Jakarta August 2014

appropriateness of service options, demands for improved services and economic outcomes for women and men. Issues of institutional capacity, women's underrepresentation as planners and engineers, funding, staff turnover and coordination add to the challenge of implementing GOI's gender mainstreaming and social inclusion policies. As a result gender-neutral and non-discriminatory infrastructure policies and implementation limits the ability of women and marginalised groups to gain improved access to economic and other opportunities.

Civil society groups are often largely unaware of how they can engage in infrastructure related policy dialogues or investment planning, implementation and monitoring and there are few mechanisms for mobilising and engaging with these groups. Stronger engagement between government, private sector and civil society organisations, with sufficient data for analysis, will help to integrate supply-side technical designs with demand-side dimensions of who uses what infrastructure and for what purposes, how it is paid for, and better assessment of impacts on individuals, households, and communities.

Both the Indonesian and Australian Governments recognise the importance of infrastructure development for inclusive economic growth, poverty reduction and women's economic empowerment.<sup>20</sup> Australia's aid policy sets a goal to '*improve access to infrastructure services to facilitate private sector and human development and promote women's participation and empowerment*'.<sup>21</sup> Similarly the needs of people with disabilities for accessible infrastructure to access and participate in opportunities such as employment, education and health services is recognised in *Development for All 2015-2020: Strategy for strengthening disability-inclusive development* in Australia's aid program (2015).

Indonesia's RPJMN also promotes equal access to social services, infrastructure and economic infrastructure and sets ambitious infrastructure targets for strong inclusive growth. Departments are guided by national policies for gender mainstreaming and gender based budgeting, with oversight by the Ministry of Women's Empowerment<sup>22</sup> and Ministry of Finance respectively<sup>23</sup> although progress remains slow. The Convention on the Rights of Persons with Disabilities was ratified in 2011 and there are now seventeen laws that cite the rights of people with disabilities.<sup>24</sup> Law No. 8/2016 on Persons with Disabilities was enacted on 18 April 2016. The Ministry of Social Affairs (MOSA) is the lead agency and a Commission for People with Disabilities has been announced. A key challenge remains ensuring accurate statistics and other data on disabilities.

#### **4. Climate change and disaster resilience**

Indonesia is the third largest emitter of greenhouse gases in the developing world after China and India. These emissions stem largely from deforestation, peatland conversion and associated fires, electricity generated by coal-fired power plants and the consumption of fossil fuels in the energy and transport sectors (associated with high fuel subsidies and rapid urbanisation). Composed of over 13,000 islands, Indonesia is also one of the most vulnerable countries to the adverse impacts of global

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<sup>20</sup> Indonesia Infrastructure Program (2016-2026), Investment Concept Revised, DFAT, November 2015

<sup>21</sup> Australian Aid: Promoting Prosperity, Reducing Poverty, Ensuring Stability, DFAT, Canberra 2015

<sup>22</sup> MWE has developed six performance criteria: commitment, policy, disaggregated data, involvement of community organisations, gender-responsive budget and program achievements which are the basis for making annual awards to Ministries.

<sup>23</sup> Presidential Decree INPRES 9/2000 for Gender Mainstreaming: Finance Minister's Decree No.119/PMK.02/2009 for reviewing plans and budgets for their gender aspects.

<sup>24</sup> This includes Law 23/2007 on Railways and Law 22/2009 on Traffic and Road Transport.

climate change, including extreme weather events – tropical storms and droughts – and sea level rise, particularly on account of the concentration of much of its population in lowland areas.<sup>25</sup>

Climate variability and change are exacerbating many of the disaster risks that Indonesia faces today. During the past four decades, floods, droughts, storms, landslides, and forest fires have posed the greatest threats to livelihoods, economic growth, and environmental sustainability. The Asian Development Bank estimates that by 2100, the impacts of climate change will cost between 2.5–7% of the gross domestic product (GDP). The poorest will bear the brunt of this burden as they are typically the most vulnerable to the impacts of drought, floods, and landslides and pursue livelihoods that are highly dependent on climate-sensitive sectors (i.e. fisheries and forestry).<sup>26</sup>

There is a clear nexus between infrastructure policy and planning, climate change and disaster resilience which requires that the anticipated impacts of climate change and natural disasters be factored into decision making on what, where and how to build key infrastructure investments, including in the transport and watsan sectors. In particular, the economic costs of non-resilience and inadequate planning for present and future hazards needs to be taken in to account.

Nevertheless, during the KIAT design consultation process, neither the GOI nor GOA asked for climate change or disaster resilience to be included as primary policy issues for KIAT to address. Also, neither DFAT's Indonesia Aid Investment Plan nor the KIAT Investment Concept Note (approved by the Aid Investment Committee) recommended that climate change and disaster resilience be part of the mix of support. It should also be noted that there are a significant number of dedicated climate change and disaster risk management programs already in place or planned (by both DFAT and other donors).

It is therefore proposed that KIAT incorporate climate change and disaster resilience considerations, where it is appropriate to do so, through a risk mitigation approach. In practice this means that any new activity being considered for KIAT support will be screened in terms of potential climate change and / or disaster resilience implications, to ensure that any supported activities mitigate identified risks and avoid creating new ones. Short-term specialist TA will be accessed by KIAT, as required, to help make such assessments.

Given that KIAT is a proposed 10 year investment, and policy priorities may change over time, the door will nevertheless be left open to incorporating a greater focus on climate change and disaster resilience issues should the GOI and GOA mutually agree to do so.

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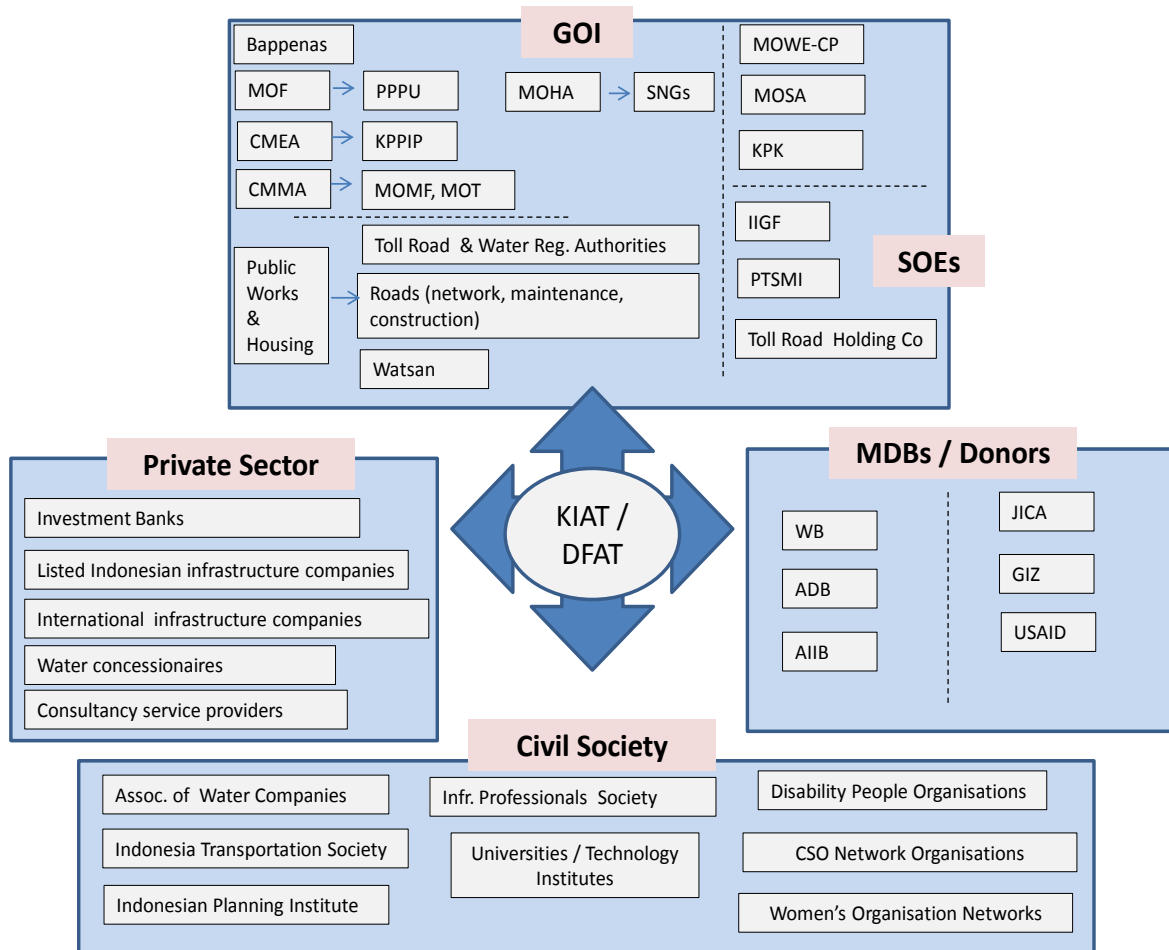
25 Project Performance Assessment Report, Indonesia Climate Change Development Policy Loan, IBRD, Feb 2016

<sup>26</sup> [http://sdwebx.worldbank.org/climateportalb/home.cfm?page=country\\_profile&CCode=IDN](http://sdwebx.worldbank.org/climateportalb/home.cfm?page=country_profile&CCode=IDN)

## Annex 4: Stakeholder analysis

Key stakeholder groups with a role in supporting more effective infrastructure policy, planning, financing, delivery, operations and maintenance (particularly in the transport and water and sanitation sectors) are profiled in the Figure below. The entities noted within each group are not an exhaustive or complete list, but representative. It is anticipated that the effectiveness of Australia’s future investment will depend in significant part on how well KIAT can engage with each of these main stakeholder groups, support their efforts, and / or facilitate cooperation between them.

**Figure 1: Key stakeholder groups**



### Government of Indonesia

Government of Indonesia agencies will be KIAT’s primary partners. All of KIAT’s support will be provided within the scope of GOI infrastructure development priorities, as reflected in national and sectoral plans. KIAT’s ongoing engagement strategy will require GOI approval, through the governance mechanisms profiled in Section 4 of this design document.

Discussions with key GOI agencies (primarily CMEA, CMMA, MOF, Bappenas, MOHA and MPWH) on the scope and priorities for KIAT, highlighted the following GOI perspectives:

1. KIAT needs to be ‘fluid’ and able to promptly respond to GOI needs. KIAT’s governance and coordination arrangements, including activity development and approval, need to be streamlined and strengthened (based on lessons learned from IndII). Ongoing clear

communication on an as-needed basis (before and after more formal meetings) is essential. GOI agencies need to be involved in selection of key KIAT advisers (working within their agencies), and there needs to be a mechanism by which GOI can better review and then, as required, influence improved KIAT performance.

2. KIAT support should be clearly linked to supporting the work programs of specific organisational units within GOI agencies, such as KPPIP in CMEA, PPP Unit in Ministry of Finance, relevant directorates in Bappenas, and within MPWH. Technical Assistance focused on meeting the needs of a specific agency should be better ‘embedded’ within that agency, and medium term training / learning opportunities are required to support capacity development. Engagement / coordination mechanisms (e.g. technical teams) should build on what exists and not establish parallel systems. Ministry of Home Affairs is an important player in supporting policy and regulatory improvements that enhance the ability of SNGs to prepare and deliver infrastructure investments. MOHA expressed particular interest in getting TA support on the issue of PPPs, including implementation of Availability Payments regulations at the SNG level.
3. GOI agencies have existing gender equality policies and guidelines, but these are often not well understood or implemented (according to feedback received from key GOI informants during design phase consultations). Limited data / evidence are available (in an accessible form) to help inform both policy and practice. KIAT could help raise the profile and understanding of GESI issues in infrastructure, as part of a ‘people centred development’ approach. Indonesia has endorsed the UN sponsored Sustainable Development Goals and is developing Indonesia specific targets. Goal 9 (Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all); Goal 11 (Make cities inclusive, safe, resilient and sustainable); and Goal 5 (Achieve gender equality and empower all women and girls) are of particular relevance to KIAT.
4. Roads and water and sanitation remain GOI priorities, however KIAT should be responsive to supporting other infrastructure policy priorities. CMEA suggested that KIAT should also consider support for energy priorities (e.g. waste to energy (WTE)), railways (including light rail development), and social infrastructure (e.g. hospitals and schools) - as and when resources and opportunities permit. Support for water and sanitation could include non-revenue water (NRW) management, tariff setting and give increased focus to assessing (and then publicising and promoting) the socio-economic benefits of investments (such as in water and sanitation). Bappenas highlighted that improved connectivity and reducing urban congestion remain high priorities for GOI.
5. Across all areas of infrastructure development, support is required for enhancing policy formulation, quality of project preparation, procurement, project financing, and (where appropriate) private sector participation. Supporting better use of the state budget and DAK (special allocation fund) through improved performance incentives and monitoring also remains a priority.
6. Promoting innovation and research should be a key function of KIAT, building on IndII’s significant contribution. Bappenas suggested that links with relevant Australian agencies could be supported (e.g. CSIRO, Infrastructure Partnerships Australia) as well as with other DFAT programs (e.g. KSI, AIPEG and KOMPAK). KIAT can also support enhanced engagement between Indonesian research organisations and policy making agencies. Linkages

with key infrastructure investments supported by the World Bank and ADB could also be strengthened.

### **Private sector and professional associations**

Discussions with private sector stakeholders (including senior executives of SOEs, members of professional associations and finance / equity providers), highlighted the following issues and opportunities:

1. Policy and regulatory consistency is key to building and maintaining private sector confidence. Ongoing regulatory reform to improve the business enabling environment is nevertheless required. Increased transparency is also key, given that some projects get awarded without a transparent contracting or selection process.
2. There is no one peak body to go to on PPP. KPPIP has improved inter-agency coordination, the PPP Unit in Ministry of Finance is starting to play its role with assistance from the World Bank Trust Fund (Canadian supported), and Bappenas has rejuvenated its once ailing PPP Directorate. However, what is needed is a one stop shop with clear authority to coordinate across ministries and agencies (e.g. under the office of the President similar to the Philippines PP centre model). International experience indicates that such a body could help address current bottlenecks and increase investor confidence.
3. With some exceptions, the quality of GOI project selection and preparation remains sub-optimal, particularly with regard to economic and financial analysis, risk assessment, and private sector engagement in the preparation process. New ways to structure project financing are required, including hybrid models. Land acquisition delays remain a significant risk, despite the new legislation.
4. The privileged position of SOEs in having first refusal on PPP projects is a disincentive to private sector engagement. GOI needs to share more (financially viable) opportunities for investment with the private sector. A change in mind-set within Government is required with respect to how they work with the private sector and share risk and reward. The tendency is to pass all risk to the private sector. Some private sector mind-sets also need to change, so they see themselves as investors - not just contractors.
5. Need to give more focus to sub-national priority infrastructure projects, not just those on the national strategic priority list. However, capacities to prepare and negotiate PPP arrangements at sub-national level are, for the most part, highly constrained. Ministry of Home Affairs has an important role to play in de-bottlenecking infrastructure development opportunities at the sub-national level.
6. There is no established and respected peak body / forum for the Government and private sector to engage on infrastructure policy and market reforms (such as Infrastructure Partnerships Australia). Ad-hoc conferences / summits are considered to be of little practical value.
7. There is limited participation of women as senior and middle managers, planners, engineers and other technical specialists in the private sector in the infrastructure field. Improving women's access to skilled trades and management roles is part of Indonesia's drive to benefit from increased labour force participation and improved work place diversity and to promote equal employment opportunities.

8. KIAT should work with and through established private sector groups / representative bodies (and with ‘champions of change’) to help address identified constraints. KIAT can play a role in facilitating improved GOI / private sector engagement, developing and sharing knowledge, and changing mind-sets.

### **Civil society**

The views of Civil Society Organisation (CSOs) were elicited primarily through consultations with: (i) representatives of Indonesian agencies such as IKA (Association for Humanity), KUAT (a people with disabilities coalition); and SIGAB (Institute of Inclusion and Advocacy for the Differently-abled); (ii) representatives (primarily Indonesian staff members and consultants) of other DFAT programs working with civil society groups (e.g. AIPJ, MAMPU, KOMPAK and Peduli); (iii) gender and disability experts working with the World Bank and ADB; (iv) representatives of GOI agencies working with women’s organisations and disabled peoples organisations; and (v) other informed experts. The focus of discussions was on issues of gender equality and social inclusion in infrastructure planning, delivery, maintenance, use and benefits. Key common issues raised during these consultations included:

1. Lack of involvement of women, marginalised groups and poor communities in infrastructure planning, activity proposals, design and policy dialogues and monitoring service provision means they remain largely excluded from discussions about allocation and spending of public funds on infrastructure important to them. GOI’s engagement with civil society representatives is more likely to be with academe, professional associations and (male) community leaders rather than with CSOs who are actively engaged with communities.
2. National and sub national agencies do not fully understand or appreciate issues of access for people with disabilities, including the elderly. However, some municipalities such as Surabaya, Solo and Jogjakarta have been more active in working with local groups and academics to improve accessibility which provides useful learning. The Jakarta government has been active in working with CSOs to promote inclusive busways for women and people with disabilities.
3. Many CSOs and community members are not aware of decision making, planning and monitoring procedures processes for infrastructure development and potential entry points for engaging with the government on their concerns. A number of People with Disabilities organisations (PWDO) and women’s organisations are active in promoting accessibility issues including Jakarta Barrier-Free Tourism, SIGAB and Koalisi Perempuan (for women with disabilities). IndII also established a coalition of CSOs called KUAT to promote GESI in infrastructure who wish to continue working with and getting support from KIAT.
4. National CSOs such as PATTIRO, WAHLI and the Institute for Research and Empowerment build local CSO capacities for strengthening social accountability in government budget and service delivery including the infrastructure sector. Others such as Regional Autonomy Watch have conducted research on impact of local regulations on infrastructure quality, local government expenditure and corruption.
5. KIAT can connect to the CSOs networks with whom other DFAT projects already engage – such as through MAMPU, KOMPAK and Peduli as well as other NGOs (e.g. Asia Foundation’s work with CSOs on Public Financial Management).



## **Multilateral development banks and other development partners**

Discussions with the World Bank and ADB (which each manage and operate DFAT trust funds for infrastructure development) highlighted the following issues and opportunities:

### **World Bank**

1. The World Bank has received \$20m from DFAT for the Indonesia Infrastructure Support Trust Fund (INIS), of which some \$12 has been spent. The bulk of funds have been allocated to urban development, energy, transport and flood management activities.
2. Integrated urban development planning is a priority for Indonesia, given the rapidly growing urban population (4.1% growth pa). By 2025, an estimated 68% of Indonesia's population will be urban. There is an urgent need to develop essential urban management tools (e.g. mechanisms for managing a city).
3. The World Bank provides significant support to infrastructure development to Indonesia (\$US 11 billion in new financing over the period 2015-19 was announced by Jim Kim in May 2015). The World Bank has moved to a program based approach (away from projects) and has developed five main 'vertical' programs to support sustainable urbanisation, namely for: (i) Slums upgrading; (ii) Affordable housing; (iii) Water supply; (iv) Sanitation; and (v) Solid waste. The World Bank wants to attract more donors to contribute under the umbrella of these large vertical programs. World Bank has also helped GOI establish a new financial fund facility called the Regional Development Fund (RDF), with an initial US\$400 million in funds, to be managed by PT SMI. The RDF is aimed at providing a source of finance for municipal authorities to implement their financially viable urban infrastructure projects (e.g. for waste management, sewerage, affordable housing, etc.). SNGs entities are generally under-leveraged and can afford to borrow significant sums – if available.
4. World Bank would also like to include a national urban transport program – but have so far had difficulty engaging and reaching agreement on this with GOI. The tendency has been for financially viable transport projects to be allocated to SOEs – not to the market.
5. With respect to PPPs, the World Bank is managing a Canadian funded technical assistance package on PPP to the Ministry of Finance. It was noted that GOI agencies need to be increasingly willing to put financially viable projects to market and not just give these to SOEs.
6. With respect to future collaboration with KIAT – there are opportunities for KIAT TA to contribute to one or more of these national vertical programs (come in under the umbrella). The World Bank support does already include capacity building TA within each vertical program, as well as for analytics / data, but there is always scope to provide additional complementary TA to GOI, including for project preparation and capacity building.
7. World Bank's East Asia and Pacific Umbrella facility for Gender Equality helps to strengthen awareness, knowledge and capacity for gender informed policy making and has funded research and training activities on women and transport in this region.

### **Asian Development Bank**

1. ADB has received A\$20m from DFAT for the Sustainable Infrastructure Assistance Program (SIAP) – of which about \$6m remains unspent. The main sectors that SIAP supports are now:

(i) Energy; (ii) Urban Services; (iii) Transport; and (iv) Strengthening Infrastructure Preparation and Delivery.

2. There is scope for enhancing collaboration with ADB in the future with respect to use of the SIAP grant. Collaboration / information sharing during the preparation of annual plans for KIAT and SIAP could help.
3. Urban infrastructure development is a clear priority given demographic changes in Indonesia, and is an area KIAT can constructively engage (e.g. urban planning, transport, WatSan services).
4. Need to have realistic expectations regarding PPPs / private sector financing for infrastructure development. Indonesia's expectations of mobilising private finance for around 40% of its planned infrastructure development needs is unlikely to be realised, particularly if one looks at international experience in even the most 'PPP friendly' countries.

## Annex 5: Summary profile of relevant DFAT programs

### Infrastructure specific

#### IndII

IndII has its origins in the GOA's Economic Infrastructure budget measure, and its scope was later expanded with the availability of funding from the Water and Sanitation Initiative (WSI) budget measure. Over the past seven years, IndII has been one of Australia's flagship development cooperation programs in Indonesia. It has provided a wide range of support to infrastructure development initiatives, highlights of which include:

- The Water and Sanitation Hibah (output-based granting mechanism);
- Australia Indonesia Infrastructure Grants for Municipal Sanitation (sAIIG);
- Pilot Program for Provincial Road Improvement and Maintenance (PRIM);
- National Roads Policy, Planning and Delivery systems improvement;
- Technical support for project preparation / feasibility studies of major infrastructure projects (e.g. wastewater investment plans in 8 cities, water supply investments for Jakarta and Surabaya, the Makassar port master plan, Light Rail Transit options in Surabaya) and for activities such as the TransJakarta Bus Rapid Transit (BRT), including minimum service standards for mobility;
- Support for PPP policy and regulatory improvement, including development of the Availability Payment and Performance-Based Annuity Scheme regulations;
- GESI inputs for Urban Sanitation Guidelines, Strategic Plan of Directorate General of Highways 2015-19 and Transport Sector Mid Term Development Plan (2015-19); and
- The Australia Indonesia Infrastructure Research Awards.

Some of these initiatives are still work in progress, and will form the initial core set of activities to be continued under KIAT.

#### EINRIP

The Eastern Indonesia National Roads Improvement Project (EINRIP) was established in 2006 as part of Australia's assistance to the GOI under the Australia Indonesia Partnership for Reconstruction and Development (AIPRD). EINRIP provides a highly concessionary loan of up to AUD300 million for major reconstruction and improvement of national roads and bridges. EINRIP has supported 20 road projects in 9 provinces, totalling around 395km of roads and 1,300m associated fabricated steel bridge structures. To support the 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 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.

The formal development objective for EINRIP was ‘To support regional economic and social development in Eastern Indonesia by improving the condition of the national road network’, but experience had shown that unless road improvement programs were properly designed and carefully supervised, the quality of design and construction of major road projects in Indonesia was poor. As a result, many road projects fail prematurely and do not deliver their potential economic return. The DFAT investment in TA support for design, technical audits, implementation oversight and monitoring and evaluation, was intended to demonstrate the importance and effectiveness of these measures in delivering high quality infrastructure outcomes. In this regard, EINRIP was an extremely successful project, and in 2015 was awarded a ‘Global Achievement Award’ by the International Roads Federation.

## **PAMSIMAS**

PAMSIMAS is a national GOI program aimed at increasing the number of low-income rural and peri-urban populations accessing improved WatSan facilities and to improve hygiene behaviours, and commenced in 2008. Phase 2 (2013-17) 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. Phase 3 is expecting further expansion, to cover a total of 27,000 villages in 360 districts and 33 provinces. PAMSIMAS is partially funded by a World Bank loan, GOI counterpart funding and Australian Government co-financing. Australia's total grant (A\$ 104m) covers approximately 16% of the overall project costs, and 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.

## **Multi-lateral Development Bank Infrastructure Assistance Program**

The MDB-IAP delivers infrastructure TA to the GOI through the World Bank and ADB with the objective of strengthening the investment climate, associated policies and the institutional capacity for infrastructure development. These investments were designed to help leverage better quality lending and to provide support in sectors where IndII was not active (e.g. energy, housing, irrigation). The MDB-IAP works across multiple infrastructure sub-sectors including energy, transport, water and sanitation, and urban infrastructure. Australia's total contribution to date is A\$40.5 million: made up of \$20 million to World Bank; \$20 million to ADB; \$0.5 million for M&E and administration costs.

## **TAMF III - Infrastructure Policy Sub-Facility**

The Technical Assistance Management Facility (TAMF) III was established in March 2004 following on from two previous phases. It was a five-year facility for technical assistance and other activities to strengthen the capacity of Indonesian economic planning and financial and public sector institutions to achieve fiscal sustainability, promote growth and protect the public's financial position. It included a separate funding stream for infrastructure policy support to enable, facilitate and promote efficient and effective development of needed public infrastructure. This became an entry point for IndII's policy engagement. Highlights included GOI radio spectrum work assisted by TAMF III that helped unlock value exceeding AUD1 billion.

## **Other programs**

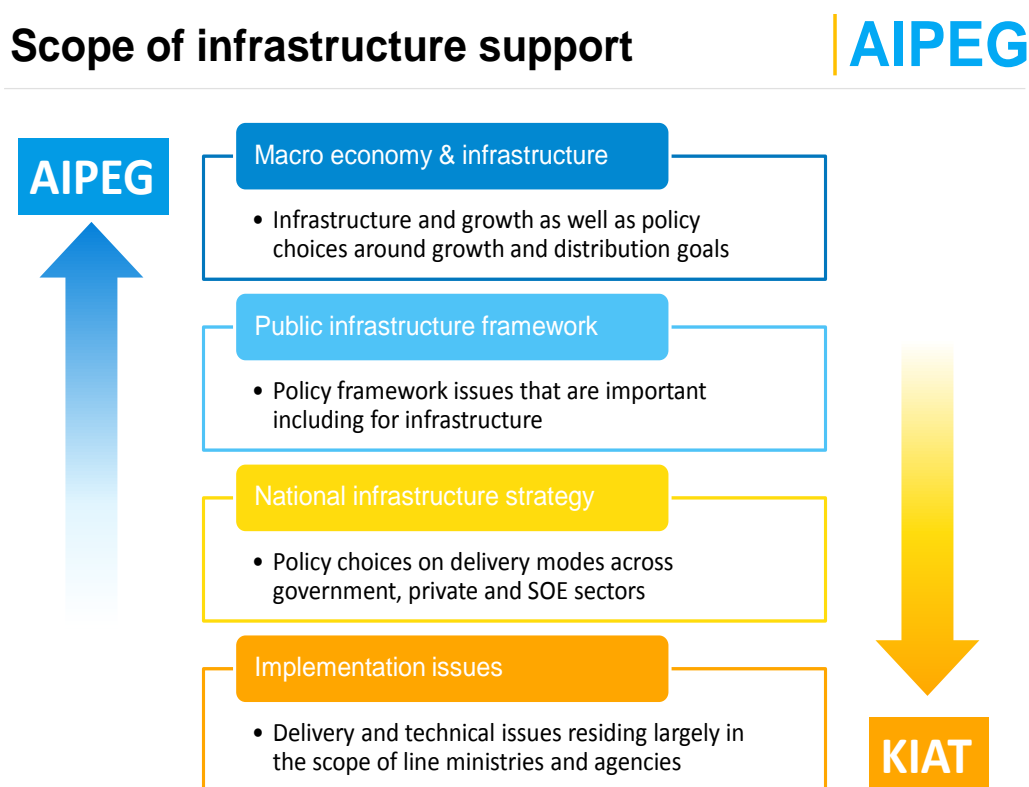
There are a number of other DFAT supported programs that KIAT should engage with in order to help generate synergies of effort across the whole of DFAT's development cooperation program. The most significant of these are briefly described below:

## AIPEG

Australia Indonesia Partnership for Economic Governance (AIPEG) activities are focused on improved economic governance around a theme of enhanced economic competitiveness and strengthened institutions with the goal of higher, more sustainable, and inclusive economic growth. The current phase of AIPEG (started in 2009) runs through to June 2017, and the design of a new phase is now in process. IndII and AIPEG have collaborated on some initiatives, such as the current base line study for bus-related policy interventions to improve women’s improved labour market participation in Jakarta. In future, KIAT and AIPEG should seek to identify further opportunities for strategic collaboration in areas such as infrastructure financing policy, budget management and tariff setting, based on their respective areas of comparative advantage.

The figure below provides a summary overview of the respective areas of comparative advantage of KIAT and AIPEG that need to be taken into account in determining who does what going forward.

**Figure 1 KIAT and AIPEG respective roles**



## KOMPAK

KOMPAK supports a number of GOI programs in achieving the RPJMN 2015-2019 targets of reducing poverty by improving the quality and coverage of basic services and by increasing off-farm economic opportunities for poor women and men. KOMPAK consolidates and builds on GOI and DFAT investments in community empowerment, service delivery, governance, and civil society strengthening by integrating these areas of Activities into a single facility. KOMPAK structures its work in three key ‘results areas’, namely: (i) Responsive and accountable Frontline services; (ii) Inclusive and community-led development; and (iii) Communities empowered through greater labour mobility and economic choice. In future, KIAT and KOMPAK should identify areas for strategic collaboration in areas such as civil society engagement in infrastructure planning, service delivery, maintenance and monitoring.

## **KSI**

The Knowledge Sector Initiative (KSI) is a joint program between the governments of Indonesia and Australia that seeks to improve the lives of Indonesian women and men through better quality public policies that make better use of research, analysis and evidence. KSI supports: (i) knowledge production; (ii) knowledge demand and use; (iii) knowledge intermediation; and (iv) the development of a thriving knowledge sector. To achieve lasting results, KSI is not building a new network within Indonesia's knowledge community but rather strengthening existing hubs of research institutions, governments, and civil society organisations. In future, KIAT and KSI could identify areas for strategic collaboration in supporting knowledge to policy initiatives in the infrastructure sector.

## **MAMPU**

MAMPU is a joint initiative with the GOI to increase poor women's access to public services and livelihoods in selected areas in Indonesia. MAMPU focuses on the following thematic areas: (i) Improving women's access to government's social protection programs; (ii) Increasing women's access to employments and removing work place discrimination; (iii) Improving conditions for women's overseas labour migration; (iv) Strengthening women's leadership to improve maternal and reproductive health; and (v) Strengthening women's leadership to reduce violence against women. In future, KIAT and MAMPU could identify areas for strategic collaboration on issues of women's economic empowerment related to infrastructure development.

## **AIPJ**

The Australia Indonesia Partnership for Justice (AIPJ) commenced in 2011 and was completed in 2015. However, it has continued to support a set of transition activities in 2016, and a new program of support is expected to commence early in 2017. AIPJ currently focuses on the following work areas: (i) judicial reform; (ii) anti-corruption; (iii) prison reform; and (iv) disability and gender inclusion. KIAT will seek opportunities to collaborate with the future AIPJ program on anti-corruption and GESI initiatives relevant to the infrastructure sector, particularly working with / through the partnerships that AIPJ has already developed with CSOs and the Anti-Corruption Commission.

## **Investing in Women**

Investing in Women is a new regional program designed to improve women's economic participation, build markets for women and influence the private and public sector environment to promote women's economic empowerment. It has four components: Business partnerships that will support more businesses to achieve gender equity in their work places; Investing in women in business working with impact investors to tailor their services to women's small and medium enterprises (SMEs) and increase their access to investment financing; TA for DFAT and DFAT investments to enhance the effectiveness of Australian Government economic and aid for trade investments by identifying opportunities for changes to partner government regulatory reform; and Advocacy to initiate and support public diplomacy activities in South East Asia to help shift social, organisational and institutional norms that affect / define women's economic opportunities and related domestic and public roles and responsibilities through production and dissemination of credible information. KIAT will seek opportunities for sharing learning on equal opportunities promotion of relevance in its private sector engagement as well as identifying opportunities for women in leadership initiatives that could include private sector women in the infrastructure space.

## **Annex 6: Transition strategy**

The transition between the current IndII program and KIAT will require careful planning to ensure a seamless transfer of responsibilities from SMEC to Cardno. It will be important for our key counterparts to see a continuation of support for the Indonesian infrastructure sector, recognising the change in focus that KIAT brings, with no gaps in activities that continue from IndII to KIAT.

Key elements of the transition from IndII to KIAT will include:

1. Mobilisation of Cardno's Contractor Representative and Transition Manager to Jakarta.
2. Establish Cardno's KIAT corporate support team.
3. Establishment of KIAT office.
4. Contracting KIAT team, including those transitioning from IndII to KIAT management team. The timing of those transitioning to KIAT will be dependent on the final end contract date for IndII, and the needs of KIAT. This will require discussion and agreement between Cardno, IndII and DFAT.
5. Establishment of communication channels between, DFAT GOI agencies and Cardno.
6. Establishment of communication channels with SMEC for discussion on IndII activities to be continued under KIAT.
7. Transition of activities to Cardno management, and tendering for new contractors, where required (see discussion below).
8. Effectively communicating changes to the new governance arrangements and decision processes to GOI agencies.
9. Defining reporting requirements based on the final FDD.
10. Establish financial control procedures to meet the requirements of implementation, and to manage risk of fraud. This will include the establishment of the Cardno Lifetime Budget process for KIAT.
11. Preparation of KIAT Operations Manual, including Security Plan and strategy to deliver VfM.

### **Transition from IndII to KIAT Implementation**

Continuity between the design and the first phase of implementation needs to be maximised. We understand that DFAT has extended the IndII program, with contract completion now at 30 June 2107. All management and technical activities must be transitioned to KIAT ahead of this date. This will include a fully functioning management office and contracts for activities to be continued from IndII to KIAT. With design approval now expected from DFAT in February 2017, establishing the KIAT office to manage and facilitate transition, particularly for activities to be continued under KIAT, an early start to contract preparation, and, where necessary, a tender process, will be required.

Note that KIAT will not be able to sign new activity contracts until extension into implementation has been agreed and signed as a Contract Amendment between DFAT and Cardno. It is anticipated that Activities will be taken on by KIAT by mid-May 2017, assuming IndII will be extended to 30 June 2017.

## **IndII Activities to be continued under KIAT**

During consultations, IndII activities to be continued under KIAT have been identified. The contracting arrangements for these are discussed below. The exact timing of changes to management contracts is currently uncertain and will need to be discussed during the transition phase, following the signing of the implementation Deed of Amendment for the first phase of implementation. Transition goals include planning and a 'no gap' continuity of service for these activities, where possible. It is important that sufficient time is provided for transition, particularly where tender processes will be required. Key issues for consideration to manage risks to continuity will include:

- The commencement date of KIAT's first phase of implementation
- The date that the IndII contract ends
- Moving transition activities to the KIAT design through an Contract amendment
- The date for the end of current activity contracts under IndII, and the commencement of the new contracting arrangements, where Cardno is not the current activity manager.
- The commencement date for new management contracts, where Cardno is the existing activity manager.
- Continuity of both technical progress and momentum, and key resources.

## **Activities currently managed by Managing Contractors other than Cardno**

Those activities currently being managed by Managing Contractors other than Cardno will be continue under a new sub-contract arrangement with Cardno, using Cardno's standard sub consultant template, which includes all DFAT requirements under the head contract. Discussions will be held with IndII and DFAT on the date at which their contract with IndII ceases, and the date that the new KIAT implementation contract commences.

The current target is for KIAT to contact activities by 15 May 2017, to enable IndII to finish its contract by the end of June 2017, including project completion activities such as final payments and office closure.

## **Activities currently managed by Cardno**

Those activities currently being managed by Cardno under subcontract to IndII will need to re-tendered, so that Cardno can manage those activities without conflict of interest. These activities will be managed by Cardno while revising the scope of works and undertaking a tender process. Recognising the importance of continuity, it is proposed to nominate key team members to be included in the new contract. This will be a non-negotiable condition for tender.

Tender assessment criteria will include:

- Tenderer's sector experience in Indonesia
- Tenderer's manager for the activity, including CV demonstrating experience in managing similar projects
- Tenderer's Management Fee
- Costs for Tenderer's non-key technical team

Cardno's standard sub consultant templates will be used as the basis for the new contract.



### Activities to be continued into KIAT

Discussion of the activities to be continued from IndII to KIAT were identified during the consultations conducted with IndII, DFAT and GOI agencies.

Activity	Current Contractor	IndII Actions	KIAT Management Arrangements
Strengthening National Roads Planning Capability	Cardno	Extend To 15 May 2017	Managed by KIAT to December 2017. Scope of Work redesigned. New Contractor engaged through tender process
National Roads Delivery Program (RAMS)	Cardno	Extend To 15 May 2017	Managed by KIAT to December 2017. Scope of Work redesigned. New Contractor engaged through tender process
Extension Of PRIM And Support To GOI Funded Subnational Roads Hibah	AECOM In Consortium With ARRB	Extend To 15 May 2017	Novated To Cardno Management, Consider Retender To Secure New Contractor
Preparation Appraisal And Oversight Consultant sAIIG	Aurecon	Negotiate Extension To End Of 2019	Novated To KIAT Management
Water Hibah Extension	Royal Dutch Haskoning Cardno	Negotiate Extension To End Of 2019	Novated To KIAT Management, Extension With Royal Dutch Haskoning
Sewerage Construction Management Consultant	Mott Macdonald In Consortium With MWH And Royal Haskoning	Extend To 15 May 2016	Novated To KIAT Management And Extended
Water Governance WSSI Roll-Out	Not Awarded Yet	Contracted By IndII	Novated To Cardno Management if this goes ahead

Note that currently the M&E consultant for EINRIP is currently engaged by IndII. This function will not continue under KIAT.

## Annex 7: Activity profiles, first year work plan and budget

**Overview.** As described in Section 3.6 of the main design document, during the first year of KIAT implementation (defined as the period April 2017 – June 2018), three sets of activities are foreseen:

1. establishment and operations of the KIAT facility;
2. implementation of activities developed by IndII; and
3. development of new activities.

This annex presents a detailed description of the activities and cost estimates for the establishment and operations of the facility, and for the implementation of transition activities developed by IndII. It was not possible to provide detail on new activities, as these will be defined by the facility in consultation with key stakeholders during the first year of implementation (April 2017 to June 2018). The annex is structured as follows. It first presents cost estimates for establishing and operating the facility for the first 15 months of operation and the assumptions that were made to estimate this cost. It then presents costs for activities. The remainder of the annex contains a series of activity sheets (including cost estimates) for transition activities developed under IndII.

**Cost estimates.** The total first-year cost of KIAT is estimated at about A\$39.5 million, of which about A\$23.7 million would be allocated to transition activities (most of which for ongoing activities in road transport sector) and A\$11.5 million for facility management. Note that a critical review of transitioned activities is proposed, which may include changes to the Terms of Reference leading to reductions in activities to costs to meet DFAT budgetary constraints, if required. Engagement of Embedded Advisers will be funded from Activities (A\$2.20 million). A lump sum of A\$2.0 million is allocated for new activities (see Table 1 overleaf). Several transition activities are already ongoing and are expected to continue uninterruptedly from IndII in April 2017. These activities are all activities in road transport, as well as the preparation, appraisal and oversight consultant for sAIIG (2.1), and the construction management consultant for the Palembang sewerage system (2.3). Other transition activities will start in the second half of 2017 or after. New activities will start at the earliest in the fourth quarter of 2017. Facility management will start in April 2017, but the facility is not expected to be at full strength until the second quarter of 2017. From 2018 / 19 onwards, the operating cost of the facility is estimated at about A\$8.3 million per year in current prices (including a 3% mark-up for price contingencies starting in year 2).

**Indicative Staffing Profile.** The following table indicates the anticipated required staffing profile for the core facility.

**Table 1 Indicative Staffing Profile and Costings**

<b>Facility Team</b>	<b>Personnel</b>	<b>Total Payable</b>
<b>Facility Director</b>	Facility Director	
	Administration Support Officer	<b>535,176</b>
<b>Operations Team</b>	Senior Operations Manager	
	Operations Manager	
	Procurement and VFM Manager	
	Administration Officer	
	Administration Assistant	
	Finance Manager	
	Finance Officer 1	
	Finance Officer 2	
	ICT Officer	<b>1,067,031</b>
<b>Performance and Communications Unit</b>	Manager - Performance and Communications	
	MEL Manager	
	MEL Officer	
	Knowledge Management Officer	
	MIS Officer	
	Communications Manager	
	Communications and events officer	<b>785,886</b>
<b>GESI and Civil Society Engagement</b>	Deputy Director GESI and CSE	
	Senior GESI and CSE Officer	
	GESI and CSE Officer	<b>548,691</b>
<b>Transport Unit</b>	Deputy Director- Transport Policy, Planning and Delivery	
	Senior Program Officer	
	Program Officer	
	Program Officer	
	Program Support Officer	<b>779,676</b>
<b>WATSAN Unit</b>	Deputy Director- Water Sanitation, Policy Planning and Delivery	
	Senior Program Officer	
	Program Officer	
	Program Officer	
	Program Support Officer	<b>746,676</b>
<b>Private Sector and MDB Engagement Unit</b>	Deputy Director- Private Sector and MDB Engagement, and Project Finance	
	Private Sector Liaison Officer	
	MDB Liaison Officer	<b>372,106</b>

Facility Team	Personnel	Total Payable
<b>Lead Advisers</b>		
Lead Adviser – Cipta Karya		
Lead Adviser – Bina Marga		
Lead Adviser – Bappenas 1		
Lead Adviser – Bappenas 2		<b>1,770,635</b>
<b>Drivers</b>	Driver	
	Driver	
	Driver	<b>45,000</b>
<b>Permanent Adviser to Management Committee</b>		<b>287,150</b>
<b>STA Pool</b>		<b>300,000</b>
	<b>TOTAL</b>	<b>7,238,027</b>

### Assumptions

- International LTA fees assumed at MRP. Note that some may accept less but others may seek Premium rates.
- International LTAs assumed to be accompanied and with school age children for mobility allowance calculation (Mobility Allowance and Mobility Allowance Supplement).
- International LTAs housing cost assumed at USD6,000 per month (Fx rate assumed AUD1 = USD0.70)
- Mobilisation costs, including flights and baggage, are assumed at AUD15,000.
- Three Lead Advisers commence at the start of KIAT, one commences six months after the start of the KIAT contract
- The Private Sector team (including Embedded Adviser-CMEA) will commence six months after the start of the KIAT contract
- Non ARF costs include all local benefits including BPJS, Insurance and Communications allowance
- Severance Pay for Local Staff not included

**First Year Cost Estimate and Activity sheets.** The remainder of this annex consists of activity sheets that provide detail on all transition activities. The numbering is the same as in Table 1. All activity sheets have the same structure. They do not only provide a description and a cost estimate of the activity, but also describe the relationship of the proposed activity with the Government’s policy objectives, the proposed counterparts and the expected outcomes.

**Table 2 Cost Estimate of First-Year Work Plan for KIAT (A\$ ‘000)**

	<b>TOTAL</b>
<b>FACILITY MANAGEMENT</b>	<b>11,500</b>
<b>TRANSITION ACTIVITIES*</b>	
<b>1. Road Transport</b>	<b>17,360</b>
1.1 Strengthening national road planning capability	4,060

	<b>TOTAL</b>
1.2 Development and implementation of a Sustainable National Road Asset Management Capability	5,040
1.3 Extension of PRIM and support to GOI-funded sub-national roads hibah	8,260
<b>2. Water and Sanitation</b>	<b>6,300</b>
2.1 Preparation, appraisal and oversight consultant for sAIIG	2,000
2.2 Water hibah extension	1,100
2.3 Palembang construction management consultant	2,000
2.4 Roll out of water and sanitation services indicator (WSSI)	1,200
<b>3. Monitoring and Evaluation of Transition Activities</b>	<b>100</b>
<b>4. Embedded Advisers Contract</b>	<b>2,200</b>
<b>New Activities</b>	<b>2,000</b>
<b>Total</b>	<b>39,50</b>

Source: Consultant (M&E of transition activities, facility management, new activities), IndII (other)

\* PRIM: Provincial Roads Improvement and Maintenance; sAIIG: Australia-Indonesia Infrastructure Grants for sanitation; hibah means grant.

## ACTIVITY SHEET 1.1

<b>GENERAL DATA</b>	
Name:	<b>Strengthening National Road Planning Capability in DGH</b>
New activity stream?	No, started under IndII2
GOI objective supported:	Transport Sector Goal 1: Building National Connectivity
Source of objective:	Renstra 2015-2019
<b>GOI PARTNERS</b>	
Primary partner:	DGH
Secondary partners (if any):	BAPPENAS
<b>ACTIVITIES</b>	
Summary of activities:	To develop appropriate planning procedures and tools to assist DGH in identifying a pipeline of prioritised major road improvements for inclusion in annual work programs for network upgrading.
Summary of outputs:	<ul style="list-style-type: none"> <li>• Preparation of Planning Toolkit, and training of DGH staff in its application</li> <li>• Preparation of a Major Capacity Expansion Planning Manual</li> <li>• Annual work program of major road development projects</li> </ul>
Summary of outcomes by March 2018:	A work program of major road upgrading projects has been identified and budget provision has been made for project preparation, feasibility study and design, to start 2018
Activities completed by March 2018? (if not, when)	Activity will have effectiveness review in March 2018 to determine whether further continuation is warranted.
<b>COST ESTIMATE</b>	
FY 17 May / June 2017	A\$580,000
FY 18 Jul17-Jun18	A\$3,480,000
<b>ACTIVITY OUTLINE</b>	
<p><b>1. Background / Context</b></p> <p>Indonesia's national road network has long suffered from a lack of a systematic approach to planning. The consequence of this is that very little capacity has been added to the network over the last 20 years when compared to other ASEAN countries, and Indonesia's competitiveness and future development potential are now being severely undermined by poor quality roads of limited capacity, worsening congestion, poor connectivity and high logistics costs.</p> <p>DGH acknowledges that previous short-term, fragmented and incremental approaches to planning new roads and capacity enhancements, coupled with the analytical shortcomings of available planning tools have failed to deliver a modern, efficient national road network. To assist in identifying a prioritised program of major road development projects, IndII has worked in collaboration with</p>	

DGH to develop new planning procedures and tools (the Planning Toolkit), with the first major output from the use of the toolkit, the Major Capacity Expansion Master Plan, to be published by the end of 2016.

To date, IndII's assistance to DGH since 2013 for national road planning has been well received. GOI has embraced the new planning tools and provisional Master Planning recommendations, evidenced by: adoption of a new network of freeways and a complementary capacity expansion program for the arterial network incorporated into the 2015-19 RENSTRA; DGH allocating substantial funding for preparation and land acquisition under the current 2015-19 RENSTRA in line with preliminary master plan recommendations; DGH active engagement in capacity building to understand and adopt the new planning toolkit; Requests to assist with extending traffic modelling to cover more islands.

The creation of this new planning function within DGH is a successful, but as yet incomplete, activity stream under IndII. To safeguard the investment made to date, it is critical that the momentum and traction within DGH is maintained by continuing with support in this area for around another two years, during which time, DGH processes, systems, tools, capacity and capability should be well established and able to continue without further TA support.

## **2. Proposed Work plan**

It is currently envisaged that the IndII activity consultant team will provide services until around May 2017. The main tasks of the existing team during the first 5 months of 2017 will include: working with DGH to make any final adjustments to the Major Capacity Expansion Master Plan based upon consultations with other GOI agencies and other stakeholders; continuation of training in the use of Planning Toolkit elements especially the CUBE Traffic Model, and development with DGH of a new Capacity Expansion Planning Manual setting out the governance and management arrangements, standard planning update cycles, organisational structure and resources, business processes, procedures and tools, private sector support, necessary GOI budgets and capacity building / training required to create a sustainable planning function within DGH within the next two years. The main objective of the incoming activity consultant to be procured under the KIAT facility will be to support DGH in implementing this Capacity Expansion Planning Manual. This Outline Activity Description covers the first 14 months of that support up to the end of June 2018, but may be amended by the results of an Effectiveness Review to be conducted in early 2017.

To achieve maximum traction and knowledge transfer, the incoming activity consultant team will desirably work alongside the DGH Planning Team in a co-located office, using DGH counterpart staff where possible. The responsibility for undertaking specific tasks will be gradually transferred to DGH, with the consultant providing oversight and peer review. The activity consultant and the DGH Planning team should be viewed as a single collaborative team from May 2017 onwards.

This joint activity consultant / DGH team will work together to formally adopt and implement all aspects of the Capacity Expansion Planning Manual, which will include: procurement of private sector support services (e.g. traffic modelling including surveys, calibration, verification and analysis tasks); further enhancement and calibration of existing traffic models; possible traffic model expansion to include Sulawesi and Bali; capacity building in providing inputs to annual, mid-term and long-term plans; scenario-testing required to assess proposed individual schemes, and design and installation of IT architecture and systems to support the traffic model and associated data.

## ACTIVITY SHEET 1.2

<b>GENERAL DATA</b>	
Name:	<b>Development and implementation of a Sustainable National Road Asset Management Capability</b>
New activity stream?	No, started under IndII2
GOI objective supported:	Transport Sector Goal 1: Building National Connectivity
Source of objective:	Renstra 2015 - 2019
<b>GOI PARTNERS</b>	
Primary partner:	DGH
Secondary partners (if any):	BAPPENAS
<b>ACTIVITIES</b>	
Summary of activities:	Develop a Road Asset Management System (RAMS), embed this in DGH and its Regional Offices (Balai), and support DGH in its implementation
Summary of outputs:	<ul style="list-style-type: none"> <li>• Fully functioning RAMS</li> <li>• Preparation and dissemination of RAMS Asset Management Manual</li> <li>• Training and capacity building within DGH and its Balais</li> </ul>
Summary of outcomes by March 2018:	Preservation work plans for Balais IV and V for 2018 and 2019 have been prepared using RAMS
Activities completed by March 2018? (if not, when)	Activity will have effectiveness review in March 2018 to determine whether continuation is warranted.
<b>COST ESTIMATE</b>	
FY 17 May / June 2017	A\$720,000
FY 18 Jul17-Jun18	A\$4,320,000
<b>ACTIVITY OUTLINE</b>	
<p><b>1. Background / Context</b></p> <p>The national road network has grown significantly in recent years to around 46,000km as a number of strategically important provincial road links were transferred to DGH management. A very significant part of the annual national roads budget is applied to the preservation of the existing network through routine, cyclic and major maintenance activities. However, despite this significant annual investment, many sections of the national network are in poor condition due to a combination of poor quality designs and initial construction, lack of routine maintenance, significant vehicle overloading, and badly timed or ineffectively performed major maintenance interventions.</p> <p>Reliable planning, programming and budgeting of major asset management interventions taking into account whole life costs is a critical function for DGH if it is to maximise value for money in terms of providing the optimum levels of service within available annual budget constraints. This is particularly true during these times of pressure on DGH budget allocations, coupled with the renewed political focus on new road development to boost economic growth, which is likely to result in reduced preservation budgets in future years. Currently the planning, programming and budgeting of major preservation works is undertaken using a mixture of manual methods and an outdated,</p>	



unreliable, DOS-based asset management system (IRMS). Earlier studies by IndII suggest that if the timing of interventions could be improved to avoid serious degradation of road pavements and associated expensive reconstruction works, the overall cost of preserving the network could be reduced whilst maintaining an acceptable level of service.

Therefore IndII agreed with DGH, in 2013, to provide technical support to research and develop a replacement asset management system which would: plan and program interventions to maximise level of service within available budgets thus improving whole life value for money; provide accurate budget estimates for works programs; use modern windows-based, user-friendly user interfaces; be accessible to all registered users with internet access by making use of cloud-based data storage; be expandable to include all asset types although initially designed for pavement (which represents the bulk of asset value); allow users to input data directly via tablets in the field using GPS technology; provide high-quality graphical reporting outputs to assist managers in decision making; allow aggregation of area programs into a combined national program; produce detailed project-level designs based upon more detailed site assessments in target intervention areas; easily test the implications of varied budget scenarios at area and national level, and provide map-based user access to the latest asset inventory and associated asset condition data.

The RAMS tool has been developed by specialist software developers contracted through IndII, and during 2016 its use has been trialled in DGH Balai IV and V (referring to early 2016 balai boundaries and numbering which were changed in July 2016).

In 2016, the IndII activity consultant added an updated Bridge Management System (BMS) to the RAMS suite to provide an inspection and works planning tool for DGH's 34,000 bridges. The BMS is still under development with DGH and is not yet fully integrated with RAMS.

During 2016, the IndII activity consultant embedded specialist teams in both Balai IV and V area offices to train national staff in the use of RAMS. Both Balai Offices have successfully used RAMS to develop preservation work plans for 2017, and indicative future work plans for 2018 and 2019.

## **2. Proposed Work plan**

It is currently envisaged that the IndII activity consultant team will provide services until around May 2017, and will then be replaced by an incoming team administered under KIAT. The main tasks of the existing team during the first 5 months of 2017 will include: continuing the development of BMS to a point where it provides full functionality and is integrated into RAMS; further development of RAMS to a point where it can be handed over to DGH and the incoming activity consultant; development with DGH of a RAMS Asset Management Manual setting out the governance and management arrangements, standard planning update cycles, organisational structure and resources, business processes, procedures and tools, IT strategy for hosting RAMS, private sector support, necessary GOI budgets and capacity building / training required to create a sustainable asset management function within DGH within the next two years. The IndII activity consultant will also continue capacity building in the use of RAMS in both Balai IV and V and establish standard training modules to be delivered by a central DGH team to all Balais.

The main objective of the KIAT activity consultant will be to support DGH in implementing the RAMS Asset Management Manual. This Outline Activity Description covers the first 14 months of that support up to the end of June 2018, but may be amended by the results of an Effectiveness Review to be conducted in early 2017.

To achieve maximum traction and knowledge transfer, it is suggested that the incoming activity consultant team should work alongside the DGH Preservation Team in a co-located office. All activities to be undertaken by the incoming activity consultant will be undertaken alongside DGH

counterpart staff, with the responsibility for undertaking specific tasks gradually transferring from the consultant to DGH, with the consultant later providing only oversight and peer review services. The activity consultant and the DGH Preservation Team should be viewed as a single collaborative team from May 2017 onwards.

This joint activity consultant / DGH team will work together to: further enhance BMS functionality to fully incorporate a treatment and costing function; improve the management and quality of condition surveys by making better use of the private sector; add all key asset types to the RAMS asset management system (e.g. drainage, shoulders, signs, markings, fencing, barriers, etc.); finalise the aggregation tool which combines area programs into a single national program; gradually roll-out RAMS to all Balais across Indonesia using a centralised DGH training team for capacity building, and continue to provide technical support across all DGH Balai offices.

A further capacity building modality which may be considered to support the above is the secondment of chosen DGH staff into road preservation / asset management agencies in Australia or other suitable countries. The secondments should be for periods of at least six months to allow secondees to learn from 'doing' rather than just 'seeing'.

### ACTIVITY SHEET 1.3

<b>GENERAL DATA</b>	
Name:	<b>i) Extension of PRIM</b> <b>ii) Support to GOI-Funded Sub-National Roads Hibah</b>
New activity stream?	No, started under IndII2
GOI objective supported:	Transport Sector Goal 5: Empowering Regional / Local Roads
Source of objective:	Renstra 2015-2019
<b>GOI PARTNERS</b>	
Primary partner:	Provincial Government NTB
Secondary partners (if any):	Ministry of Finance, BAPPENAS; DGH, Selected Provincial Governments
<b>ACTIVITIES</b>	
Summary of activities:	(i) Extension of PRIM Provide support to NTB to help improve management and secure delivery of maintenance works to the required standards; (ii) Support to GOI-Funded Sub-National Roads Hibah Support central GOI agencies with preparations for the sub-national roads <i>hibah</i> , and the selection of participating provinces. Support the preparation of the work programs for participating local governments.
Summary of outputs:	(i) Extension of PRIM Satisfactory completion and verification of the agreed maintenance works program. (ii) Support to GOI-Funded Sub-National Roads Hibah First year work program of participating local governments prepared and implemented satisfactorily, and grant fund payments completed.
Summary of outcomes by March 2018:	Activities will continue beyond March 2018
Activities completed by March 2018? (if not, when)	Activity completion dates to be determined after Effectiveness Review March 2018
<b>COST ESTIMATE</b>	
FY 17 May / June 2017 FY 18 Jul17-Jun18	Extension of PRIM A\$440,000 A\$2,640,000  Support to GOI-Funded Sub-National Roads Hibah A\$740,000 A\$4,440,000
<b>ACTIVITY OUTLINE</b>	
1. <b>Background / Context</b>	

PRIM is a pilot program in the province of NTB which seeks to improve the planning, preparation and delivery of sub-national road maintenance using inducements in the form of AIIG conditional grants and incentives paid to local government if various performance criteria are met. The original activity design anticipated a 5-year program in NTB through to the end of 2018, and therefore at the end of 2016, PRIM will be 3 years into its planned 5-year term. PRIM has made significant improvements to the condition of provincial roads in NTB through a focus on routine maintenance, clearing the backlog of minor works, and improved planning, design and delivery of major road preservation works. Because of its success, GOI wish to use the principles, processes and tools developed through PRIM to design and gradually establish a sub-national roads hibah program which applies similar conditionality and governance incentives to sub-national roads across Indonesia using APBN funding as an eventual replacement for fiscal transfers under DAK. However, it has recently been recognised by GOI that before embarking upon wider mainstreaming of an APBN-funded roads hibah, significant preparation, institutional reform and capacity building are required during 2017 prior to an anticipated roll-out to selected first-tranche provinces in 2018. It is therefore necessary that NTB continues with the PRIM program in 2017 to allow further capacity building and performance improvements in both the public and private road maintenance sector, thus allowing NTB to continue in its role as the national leading 'centre of excellence' for other provinces to follow during implementation of the sub-national roads hibah from 2018 onwards.

This Outline Activity Design Document (OADD) therefore proposes (i) a further extension to the PRIM pilot in NTB, and (ii), a significant program of technical assistance in 2017 and beyond with a team based in Jakarta to support the development and implementation of a GOI- funded sub-national roads hibah, which is currently planned to commence in 2018.

This OADD has been prepared on the basis that the new AIIG contribution for PRIM for 2017 will total A\$8 million and that a portion of the grant, in the order of A\$1.4 million, will be made available to implement a limited road maintenance program for kabupaten roads in West Lombok Kabupaten (WLK).

## **2. Proposed Work plan**

The IndII team is currently providing PRIM support to NTB, and is also supporting central GOI agencies with the early development of the sub-national roads hibah and selection of participating provinces. An introductory workshop to be hosted by Bappenas for interested provincial government units is planned for October 2016 and will outline the new hibah program and describe the process for selection. Early agreement with GOI suggests that the 2018 sub-national hibah will include NTB (and WLK) plus a further 3 provinces and 3 associated kabupatens, and build up over a five-year period (or perhaps longer) to eventually cover all provinces and all kabupatens. IndII will continue to provide this early support through to around April 2017, after which all PRIM and sub-national roads hibah services will transfer to a new single activity consultant under the New Infrastructure facility. It is the services for this incoming activity consultant that are described in this OADD.

The key activities to be provided by the incoming consultant relating to PRIM are to work with both NTB and WLK to: provide continued technical oversight, advice and capacity building relating to improved management, procurement, planning, design and delivery of maintenance works; continue improvement and implementation of Project Management Manuals and asset management tools (PRMS and KRMS ), verify outputs and governance targets leading to grant disbursements; continue to support the strengthening of the RTTF and introduce further methods to increase public scrutiny of roadworks, and continue to promote gender and disability awareness within the sector. PRIM will also continue to act as a test-bed for trying out improvement initiatives which, if successful, may be later incorporated into the sub-national roads hibah.

Assuming that GOI, with IndII support, have selected the 3 additional provinces and kabupatens to be included in the 2018 hibah program, the key activities of the incoming consultant in each SNG Unit in relation to the sub-national roads hibah will be very similar to the services provided to NTB and WLK under PRIM, but with a special focus on finalising the 2018 maintenance work plan and associated budgets.

The new activity consultant will also provide institutional and regulatory support to a Working Group (WG) representing central GOI agencies to review alternatives and provide recommendations on the institutional and governance structure to support the eventual full-scale national hibah program. A staged implementation plan including all steps, resources and GOI budgets to achieve a final workable solution will be agreed with the WG. This team will also support setting up a central training unit to take over responsibility for capacity building in local government units across the country, and will likely involve the establishment of accessible online training modules and certification, perhaps with Direktorat Jenderal Bina Konstruksi as the key counterpart. This institutional reform and capacity building task will include significant consultation with GOI counterparts to gain consensus and approval of institutional reform recommendations, and significant 'train-the-trainer' capacity building to establish the skills and capacity needed to successfully manage the sub-national roads across Indonesia.

## ACTIVITY SHEET 2.1

<b>GENERAL DATA</b>															
Name:	<b>Preparation, Appraisal and Oversight Consultant sAIG</b>														
New activity stream?	No, started under IndII2														
GOI objective supported:	Provide 100% of all households in Indonesia with access to improved sanitation services by the end of 2019														
Source of objective:	RPJM-N 2015-2019														
<b>GOI PARTNERS</b>															
Primary partner:	DGHS														
Secondary partners	BAPPENAS, MoF, Local Governments														
<b>ACTIVITY</b>															
Summary of activities:	<p>Oversight of the on-going 2016 program including procurement of remaining works and oversight of constructed works and property connections.</p> <p>Preparation and procurement of new activities covering capacity development and social dissemination objectives for participating communities and SNGs.</p> <p>Baseline surveys of the remaining 2016 program plus additional SNGs.</p> <p>Verification surveys of the constructed works and property connections.</p>														
Summary of outputs:	Output includes construction of neighbourhood sewerage systems and establishment of dedicated municipal sanitation operating agency.														
Summary of outcomes by March 2018:	<p>Stimulation of SNG direct involvement and investment in municipal infrastructure for sanitation.</p> <p>Demonstration to GOI of an appropriate mechanism to invest APBN funds in a national program for sewerage services at the SNG level similar to the APBN water hibah program.</p>														
Activities completed by June 2018? (if not, when)	No, activity expected to end in 2019														
<b>COST ESTIMATE</b>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><b>Item</b></th> <th style="text-align: right;"><b>AUD</b></th> </tr> </thead> <tbody> <tr> <td>Adviser costs</td> <td style="text-align: right;">\$990,000</td> </tr> <tr> <td>Adviser support costs</td> <td style="text-align: right;">\$130,000</td> </tr> <tr> <td>Operating expenses</td> <td style="text-align: right;">\$330,000</td> </tr> <tr> <td>Management fee</td> <td style="text-align: right;">\$400,000</td> </tr> <tr> <td>VAT</td> <td style="text-align: right;">\$150,000</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>\$2,000,000</b></td> </tr> </tbody> </table>	<b>Item</b>	<b>AUD</b>	Adviser costs	\$990,000	Adviser support costs	\$130,000	Operating expenses	\$330,000	Management fee	\$400,000	VAT	\$150,000	<b>Total</b>	<b>\$2,000,000</b>
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VAT	\$150,000														
<b>Total</b>	<b>\$2,000,000</b>														
<b>1. Background / Context</b>															
<p>Indonesia has one of the lowest levels of piped sewerage coverage in South East Asia. Much of the investment on sanitation and all of the investment on sewerage to date has been carried out by the Ministry of Public Works. The long term impact of this has been to marginalise local governments</p>															

from their mandated responsibility to provide sanitation services at the city and district level. A key indicator is that only 13 local governments throughout Indonesia operate municipal sewerage systems. Equally important is the asset ownership. The Ministry of Public works owns the assets of the systems while these 13 local governments are responsible for their operation with no stake in their sustainability.

In addressing this issue, the Australian Indonesia Infrastructure Grant for Sanitation, (sAIIG) provides incentives to SNGs to invest in small scale sewerage infrastructure and be directly involved in delivery of sanitation services. The primary objective of the program is to increase the role of municipal and district governments in the provision of sanitation services and to establish institutions that deliver the services.

The sAIIG program focuses on small scale schemes which are relatively easy to design and build but where present and past practice by GOI has been to fund through community implemented and managed programs that suffered from low levels of sustainability. This practice also encouraged the continuing low level of direct involvement by SNGs in municipal sanitation service delivery. The sAIIG program requires SNGs to commit to a program of small scale sewerage development which is implemented directly by the SNG and subsequently operated by a dedicated municipal sanitation operating agency. The SNG is required to plan, design and implement the schemes and claim a grant based on the actual number of households connected. Initially the grant program provided \$40 million for 40 SNGs for an anticipated output of 90,000 household connections to new sewer schemes. So far grants have been awarded for schemes totalling 59,000 households in 38 SNGs. Implementation by the end of 2016 is expected to be 22,000 households with commitments from SNGs to continue with the existing program.

DFAT conducted a review of sAIIG which was shared with GOI stakeholders in September 2016. GOI have confirmed in most recent discussions their wish to continue implementing the sAIIG program with possible further reductions in participating SNGs but with larger commitments from the remaining SNGs.

## **2. Proposed Work Plan**

In response to GOI's stated intent to continue with the program Indll has restructured the current Baseline and Verification consultant and Program Appraisal and Oversight (PAO) consultant by terminating the Baseline and Verification activity and combining those tasks into the current PAO assignment. Indll has also proposed to provide additional support on institutional and capacity development activities through reallocation of a portion of unutilised grant funds in accordance with the recommendations of the sAIIG review.

As also agreed with DGHS, the value of the grant will be adjusted to reflect more accurately 60% of the average cost of per household of sAIIG systems. The DFA will be adjusted to provide this grant and DGHS will socialise the increased grant to participating local governments.

The current work plan will provide a 14 month extension of the PAO activity, complete with baseline and verification functions embedded in the PAO. The work plan will also include preparation and procurement of new activities covering capacity development and social dissemination objectives for participating communities and SNGs.

The 'in principle' agreement with DGHS is to continue the program to January 2019 and review progress 12 months prior to this (January 2018). The DFAT review recommended additional T / A to strengthen community engagement which should facilitate greater acceptance by intended beneficiaries. Preparation for this will assist the incoming facility manager to implement the community T / A component.

## ACTIVITY SHEET 2.2

<b>GENERAL DATA</b>													
Name:	<b>Water Hibah Extension</b>												
New activity stream?	No, started under IndII2												
GOI objective supported:	Provide 100% of all households in Indonesia with access to safe water supply by the of 2019												
Source of objective:	RPJM-N 2015-2019												
<b>GOI PARTNERS</b>													
Primary partner:	BAPPENAS												
Secondary partners (if any):	DGHS (BPPSPAM)												
<b>ACTIVITY</b>													
Summary of activity:	The activity will develop innovative adaptations of the water hibah program that reward outcomes rather than outputs. Specific requests from GOI, in this regard, have included reduction of Non-Revenue Water (NRW) at PDAMs, improvement of energy efficiency in the production and distribution of water, and expanded network coverage.												
Summary of outputs:	Development of an operational model for a water hibah which rewards outcomes rather than outputs.												
Summary of outcomes by March 2018:	Increased investment by SNGs in their water supply systems development. Improved levels of service for water supply in participating SNGs.												
Activities completed by June 2018? (if not, when)	No. Based on the time for development of the original water hibah program, further development of innovative adaptations of the hibah would be expected to proceed to July 2019.												
<b>COST ESTIMATE</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Item</th> <th style="text-align: right;">AUD</th> </tr> </thead> <tbody> <tr> <td>Baseline of existing conditions 2017-18</td> <td style="text-align: right;">\$500,000</td> </tr> <tr> <td>Oversight of field activities 2018-19</td> <td style="text-align: right;">\$750,000</td> </tr> <tr> <td>Verification of outputs 2019</td> <td style="text-align: right;">\$500,000</td> </tr> <tr> <td>Monitoring and evaluation</td> <td style="text-align: right;">\$250,000</td> </tr> <tr> <td><b>Total 2017-2019</b></td> <td style="text-align: right;"><b>\$1,500,000</b></td> </tr> </tbody> </table>	Item	AUD	Baseline of existing conditions 2017-18	\$500,000	Oversight of field activities 2018-19	\$750,000	Verification of outputs 2019	\$500,000	Monitoring and evaluation	\$250,000	<b>Total 2017-2019</b>	<b>\$1,500,000</b>
Item	AUD												
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Oversight of field activities 2018-19	\$750,000												
Verification of outputs 2019	\$500,000												
Monitoring and evaluation	\$250,000												
<b>Total 2017-2019</b>	<b>\$1,500,000</b>												
<p><b>1. Background / Context</b></p> <p>The Water Hibah has been an unqualified success by transforming the way central and local government fund PDAM programs. Along the way it connected approximately 400,000 low income households to piped water thereby providing 1,750,000 people with plentiful, inexpensive clean water. Moreover, the government has adopted the program and is implementing it with national budget funds. In its first two years the government program has matched the output of the DFAT program. However recent efforts to introduce a more cost effective baseline and verification methodology which relies on random sampling for verification</p>													



has not been adopted by GOI, preferring the original DFAT model which they regard as the 'gold standard'.

The mainstreaming of the water hibah by GOI has diverted their efforts from implementing the DFAT water hibah since both programs compete for connected households. Inevitably, the pressure to disburse national funds has taken precedence over the use of grant money with the result that the unutilised DAFT water Hibah at the end of 2016 will be approximately \$8.4 million.

The question then is whether to continue with the DFAT funded hibah in its present form or to refocus the hibah towards other developmental impacts. It is unlikely that the pressure to disburse APBN water Hibah funds by DGHS will ease. This means that the DFAT hibah program in its present form will continue to under-perform in the face of the APBN program. There is also little left to demonstrate with the program since it has been adopted by GOI for mainstreaming. There is however a lot more development mileage in the hibah.

GOI has previously requested support from IndII to develop innovative adaptations of the water hibah program that reward outcomes rather than outputs. Specific requests have included reduction of Non-Revenue Water (NRW) at PDAMs improvement of energy efficiency in the production and distribution of water, and expanded network coverage. This could be the new entry portal for modifying the water hibah to use the remaining funds.

## **2. Concept of Modified Water Hibah**

Starting from the lessons learned the question we must ask is what changes do we make? Fortunately the recent rejection by DGHS of sample based verification shows us the way. The fundamental problem with the current model is that it introduces the connected household as the unit of output measure. This inevitably leads the implementing agency to use a conventional project management methodology that requires verification of each household connected as a project output. IndII designed the water hibah in that form because it was the most intuitive and readily accepted model for GOI. In fact other models which examined outputs of a more macro nature were seriously considered but put aside because GOI could easily grasp the methodology. If we look for a new direction to demonstrate the power of the hibah we should go back to the macro models we considered earlier that measure more global impacts. The models need to retain the equity investment requirement since that has a most significant impact in the governance of PDAMs at the local government. This requirement promotes engagement between the local executive, the legislature, the PDAM and the consumers. The next issue to consider is the implementing agency. The GOI regulation governing grants requires the relevant government ministry to act as the implementing agency. By raising the scope and objectives of the hibah out of the micro environment of connections to households and targeting the performance of the PDAM we can redirect the responsibility of implementing agency to the Ministry of Home Affairs (MoHA). In fact MoHA is very well placed for this role. Within the directorate general of Regional Financial Management there is a directorate that covers the oversight of PDAM, BLUD, and Regional Assets.

Such a change has several immediate benefits. Firstly it identifies an important role for MoHA, something which GOI stakeholders IndII has struggled with over the life of the project. Moreover, this role is a key factor affecting the delivery of governance changes at regional level and one which would also shore up support from MoHA for the sAIG program where they could have significant influence. The 'outcomes' of the program would be defined in terms performance measures for the PDAM. MoHA would manage the program through a Working Group chaired by the Directorate for Financial Management of PDAM, and represented also by the Directorate for Water Supply, DGHS, and the Directorate for Settlements, Regional Development, Bappenas and the (DJPk).

The PDAM global performance measures could include one or more of the following: (i)

increase in overall service coverage (a macro version of the current hibah which requires the least modification), (ii) a reduction of non-revenue water in selected PDAM, and (iii) an increase in energy efficiency for production and distribution of water in selected PDAMs.

### **3. Proposed Work Plan**

The work plan consists of the following stages:

Prepare the concept for the modified water hibah including the basis for setting the value of the grant depending on the performance measure adopted as the outcome.

Present the concept to IndII board seeking approval to commit DFAT grant funds (November 2016).

At the same time the institutional framework for the grant would be settled through interagency discussions to establish the management and oversight mechanisms. The intention is to place the grant within MoHA with engagement from DGHS, Bappenas, and DJPK. Technical assistance from KIAT would establish a PMU within MoHA to oversee the program. Baseline and verification would be done at the macro level using PDAM data, audited reports and spot checks. BPKP would be engaged to vet the verification process.

IndII will prepare modifications to the DFA to allow it to be extended which would be presented at the next Board Meeting. Existing resources from the Mainstreaming Pilot would be reallocated to preparing the new pilot program(s).

### ACTIVITY SHEET 2.3

<b>GENERAL DATA</b>													
Name:	<b>Palembang Construction Management Consultant</b>												
New activity stream?	No, started under IndII2												
GOI objective supported:	Provide 100% of all households in Indonesia with access to improved sanitation services by the of 2019												
Source of objective:	RPJM-N 2015-2019												
<b>GOI PARTNERS</b>													
Primary partner:	DGHS												
Secondary partners (if any):	BAPPENAS, MoF, Local Government of Kota Palembang												
<b>ACTIVITY</b>													
Summary of activity:	The Consultant will provide project management, construction supervision and technical support for the construction and commissioning of a water-borne sewerage system and associated sewage treatment plant.												
Summary of outputs:	Progress performance and expenditure monitored and reported quarterly. Recommendation for payment as appropriate. Contract completion reports.												
Summary of outcomes by March 2018:	Smooth handover of constructed sewerage system to Palembang SNG. Direct benefit to 83,600 persons in terms of improved environmental, health and economic conditions. Provision of an example for GOI of high quality infrastructure preparation, delivery, management and maintenance.												
Activities completed by June 2018? (if not, when)	No, activity expected to end in 2023												
<b>COST ESTIMATE</b>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Item</th> <th style="text-align: right;">AUD</th> </tr> </thead> <tbody> <tr> <td>Adviser costs</td> <td style="text-align: right;">\$750,000</td> </tr> <tr> <td>Adviser support costs</td> <td style="text-align: right;">\$80,000</td> </tr> <tr> <td>Operating expenses</td> <td style="text-align: right;">\$180,000</td> </tr> <tr> <td>Management fee</td> <td style="text-align: right;">\$990,000</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>\$2,000,000</b></td> </tr> </tbody> </table>	Item	AUD	Adviser costs	\$750,000	Adviser support costs	\$80,000	Operating expenses	\$180,000	Management fee	\$990,000	<b>Total</b>	<b>\$2,000,000</b>
Item	AUD												
Adviser costs	\$750,000												
Adviser support costs	\$80,000												
Operating expenses	\$180,000												
Management fee	\$990,000												
<b>Total</b>	<b>\$2,000,000</b>												
<p><b>1. Background / Context</b></p> <p>During Phase 1 IndII supported Government of Indonesia (GOI) with the preparation of wastewater masterplans in 8 cities as part of the GOI policy to achieve up to 5% sewerage coverage during the five year development plan. The GOI subsequently sought loan funding from ADB to implement Pekanbaru, Makassar, Cimahi, and Jambi. At the same time GOI requested grant funding from Department of Foreign Affairs and Trade (DFAT) to implement Palembang. In response to the GOI request, DFAT agreed to provide a grant of \$45 million for Palembang sewerage. Other</p>													

development agencies have also committed support to the development of the GOI sewerage program.

To further assist GOI, IndII prepared detailed designs, tender documents and Environmental Impact Assessments for, Palembang, Makassar and Cimahi. During the preparation of the detailed designs the original cost estimates from the ADB PPTA were revised to significantly higher values. As a result, the GOI agreed to provide funding from the national budget to supplement the DFAT grant funds for Palembang sewerage. This cost sharing agreement between the Directorate General Housing and Settlements (DGHS), South Sumatera province and the city of Palembang was formalised in a Memorandum of Understanding (MoU) between the Indonesian government counterparts on 3 October 2016. It is an important change in the usual funding modality for large infrastructure projects where funds by-pass the local government and the projects are delivered entirely by central agencies.

## 2. Proposed Work Plan

A construction management consultant (CMC) has been engaged under a 'two stage' contract. Bids were invited for the full scope of work but priced for a **Preparatory Phase** of approximately 6 months at \$500,000, and a separate price for the **Delivery Phase** of approximately 5 years and \$7,500,000.<sup>27</sup> The bids were evaluated on the basis of the quality and cost for the full scope of work. IndII / SMEC will sign a contract for the Preparatory Phase while keeping the bid of the selected tenderer valid to 30 June 2017 to allow the incoming facility manager to sign the contract for the Delivery Phase.

The timing of the scope of Services shall be undertaken in the following sequential phases:

- **Preparatory Phase** – from commencement of the Activity until 31 January 2017 with extension possible to mid May 2017;
- **Project Delivery Phase** – from mid May 2017 until completion of the Activity (Contracting the project delivery phase will be subject to the approval of both DFAT and the incoming managing contractor. Further, contracting the project delivery phase is subject to funding approval for the delivery phase from DFAT).<sup>28</sup>

The delivery phase of Palembang Sewerage will take approximately 66 months during which time the CMC will provide a complete range of project management services. The contract for the delivery phase will be negotiated between the incoming KIAT facility Manager and the incumbent preferred tenderer who will be implementing the Preparatory Phase. The basis of the contract negotiation will be the original bid submitted by the preferred tenderer for the implementation phase.

The main tasks of the Implementation Phase include:

- Task 1: Project Management and Coordination
- Task 2: Project Performance Monitoring
- Task 3: Reporting and Detailed Engineering Design
- Task 4: Procurement and Contracting Services
- Task 5: Construction Supervision
- Task 6: Social Development and Safeguards Compliance

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<sup>27</sup> These costs are approximate values. The exact costs for both phases will be disclosed to the incoming facility manager at the appropriate time.

<sup>28</sup> The start date of 1 May assumes readiness of the incoming facility manager for KIAT.

## ACTIVITY SHEET 2.4

<b>GENERAL DATA</b>	
Name:	<b>Roll out of Water Supply and Sanitation Service Index</b>
New activity stream?	No, started under IndII2
GOI objective supported:	Provide 100% of all households in Indonesia with access to safe water supply by the of 2019
Source of objective:	RPJM-N 2015-2019
<b>GOI PARTNERS</b>	
Primary partner:	BAPPENAS
Secondary partners (if any):	DGHS (BPPSPAM)
<b>ACTIVITY</b>	
Summary of activity:	<p>The WSSI aims to motivate local governments to be more accountable to their citizens and improve the provision of water supply and sanitation services.</p> <p>The Index was envisaged to be implemented every two years, with rankings publicly posted through the media.</p> <p>This activity will complete the second survey in 100 SNGs during late 2017 and prepare the results for publication by GOI.</p>
Summary of outputs:	<p>Report of results of survey.</p> <p>Documentation to support publication of the survey by GOI.</p>
Summary of outcomes by March 2018:	SNGs become motivated to be more accountable to their citizens and undertake sustainable reforms and improvements in the provision of water and sanitation services.
Activities completed by June 2018? (if not, when)	No, activity expected to end in 2019.
<b>COST ESTIMATE</b>	\$1,500,000
<p><b>1. Background / Context</b></p> <p>The Water and Sanitation Service Index (WSSI) is a simple evaluation of 100 local governments' performance and governance in the water and sanitation sector. The primary objective of the program is to encourage governance reform and improved services. Presently there is little incentive for SNGs to properly manage their PDAMs, and little public awareness of the responsibilities of various institutions in water and sanitation service provision. A clear and simple comparative measure of the quality of local WSS can increase public awareness of issues in the sector and lead to greater demand for accountability and reform.</p> <p>The WSSI contains a mix of data types and sources, included perceptions-based household surveys, hard data on performance collected at the household level, and district-level data on local government and PDAM governance practices. These data were assembled into 39 indicators spread across seven sub-indices, three of which evaluate a local government's governance and performance, three the local PDAM, and one composite evaluating the</p>	

relationship between water and sanitation sector actors and the public they serve. The WSSI has now been finalised and we are coordinating with GOI as to how and when the results are released. Key activities should continue through the first year of KIAT as discussed in the next section

## **2. Proposed Work Plan**

In the first year of KIAT it is proposed that the WSSI activity focus on 3 activities

- a. Socialisation and dissemination (following release of the WSSI in Jan 2017): this will be done through the counterpart agency at the national level, using the media, website and other means. It will also include diagnostic workshops at the local level to give targeted advice to PDAMs and SNGs on how to improve their rankings in subsequent iterations of the WSSI
- b. Assistance to BPPSPAM on mainstreaming the WSSI into their systems
- c. Implementation of the second iteration of the WSSI. This will use the same list of 100 SNGs / PDAMs to enable longitudinal assessment over the two time periods.

The Index's success hinges on its ability to penetrate public discourse and lead to greater demand for better water and sanitation services, making the socialisation and dissemination stage crucial. Presentations, publications, and a website are currently planned or in development. The website will display the results of the WSSI with both tables and charts down to the indicator level. It will also host downloadable copies of the final report, currently under production, which intends to: describe the rationale for the development and format of the Index; convey the results; analyse the scores quantitatively and qualitatively at both global and local scales; and provide a broad roadmap for future iterations of the WSSI.

The intention behind the WSSI is that it will be repeated on a regular basis, annually or biennially, in the future. If it is not repeated, it is very likely that the only changes it will produce will be short-term and tokenistic, designed to appease citizens but not to make the necessary investments of time, money, and manpower to produce sustainable change. Therefore, the IndII team has taken steps to make it easier for future iterations to be carried out. The assumption below is that a second iteration of the WSSI will be carried out in the first year of KIAT (before June 2018) – this would be data collection and construction only, and dissemination and socialisation would be carried out beyond June 2018.

### ACTIVITY SHEET 3

<b>GENERAL DATA</b>	
Name:	<b>Monitoring and Evaluation of Transition Activities</b>
New activity stream?	These are newly planned assessments of ongoing activities.
GOI objective supported:	N / A (KIAT M&E activity)
Source of objective:	N / A (KIAT M&E activity)
<b>GOI PARTNERS</b>	
Primary partner:	Varies by activity evaluated
Secondary partners (if any):	Varies by activity evaluated
<b>ACTIVITY</b>	
Summary of activity:	Design and implement rapid reviews of Activities 2.1, 2.2, 2.3, 2.4 and Australia-Indonesia Infrastructure Research Awards
Summary of outputs:	Transaction completed with the private sector for the addition of a total of 5,000 l / sec of water from Jatiluhur to Karawang, Bekasi and Jakarta
Summary of outcomes by March 2018:	Per activity: Maximum 25-page report (with max. 4-page executive summary and 1-page fact sheet), containing: <ol style="list-style-type: none"> <li>1) Assessment of each activity in terms of (a) results to date and (b) the potential to contribute to desired KIAT outcomes</li> <li>2) Actionable recommendations on potential changes to activities to be more in line with KIAT outcomes and strategy</li> <li>3) Broader lessons for KIAT implementation</li> </ol>
Activities completed by June 2018? (if not, when)	No. Expected completion by 2022.
<b>COST ESTIMATE</b>	A\$350,000 (appr. A\$70,000 per sub-activity)

## Annex 8: Key position descriptions

### Terms of Reference – Contractor Representative

**Duration of engagement:** Up to 33 months during implementation

**ARF professional discipline category and job level:** N / A

**Reports to:** DFAT, Cardno Indonesia Country Manager

**Location:** Jakarta, Indonesia, with in-country travel as required.

**Position outline:** The Contractor Representative will have overall responsibility for ensuring all contractual obligations are met. This key corporate role will manage the high performance of the KIAT team; coordinate all support provided by Cardno's program support functions; and be the prime point of contact for DFAT in relation to the contract. As part of the management team, the Contractor Representative will contribute to strategic planning, high-level operations and risk management.

### Roles and responsibilities

- > Liaise with DFAT on all matters related to the effective delivery of services; key point of contact for all contractual and performance related issues for DFAT.
- > Provide high-level strategic guidance for the KIAT management team.
- > Lead the trouble shooting of major issues that arise during implementation.
- > Support the Facility Director and other team members on all aspects of planning, delivery, evaluation and reporting.
- > Support the Facility Director to liaise and interact with other DFAT-funded and other donor programs to identify synergies.
- > Coordinate all Cardno's corporate contributions for the effective functioning of KIAT, including a dedicated Project Manager and Program Support Officers, Program Accountant and corporate services (contracts staff, legal staff, IT specialists, child protection officer, OH&S officer, etc.).
- > Assist the Transition Manager to coordinate corporate support during the Inception Phase, including the set-up of the office, IT system, banking arrangements, and, importantly, novation of contracts.
- > Facilitate links with Cardno's other programs to ensure sharing of lessons learned, introductions to relevant stakeholders, operational support for efficiencies of scale, and guidance on troubleshooting, if required.
- > Proactively manage all risks, through both DFAT and Cardno systems, in collaboration with the facility Director and, where necessary, Cardno's Indonesia Country Manager.
- > Quality assure all deliverables to a high professional standard meeting contractual requirements.
- > Oversee and manage the performance of the KIAT team, providing advice and guidance as required and ensuring high performance at all times.
- > Support the Senior Manager- Facility Operations Unit and other team members with all aspects of the operational functions of KIAT, including tailoring Cardno's quality assured systems for financial management, human resource management, logistics and administration, and performance and risk management and ensuring value for money.



### **Core competencies**

- > Substantial experience managing large, complex donor-funded programs.
- > Client-focused and solution-oriented with skills in inspiring teams and encouraging high performance.
- > A high degree of personal initiative, lateral thinking, and ability to work under pressure to meet deadlines.
- > Demonstrated experience working in an overseas context in a developing country.
- > Demonstrated donor-funded project management experience, demonstrating attention to detail, proactive attention to outcomes and expectations, and the ability to understand and effectively use financial information.
- > Demonstrated experience in a management position where coaching and mentoring a team in a cross-cultural setting was involved.
- > Relevant tertiary qualifications.

## **Terms of Reference – Facility Director**

**Duration of engagement:** 51 months with the possibility of extension

**ARF professional discipline category and job level:** D4

**Reports to:** Contractor Representative, DFAT and KIAT Management Committee

**Location:** Jakarta, Indonesia, with in-country travel as required.

**Position outline:** The Facility Director will lead KIAT and be responsible for setting and maintaining KIAT's strategic direction in line with DFAT and GOI priorities and the End of facility Outcomes This role will be responsible for navigating multiple and competing needs for support and be responsible for overall management of the program, ensuring efficient and effective use of Australian Government resources.

### **Roles and responsibilities**

- > Ensure that the leadership of KIAT is instituted and respected, ensuring that the Management Committee is kept well informed with the right information at the right time to take decisions in the best interests of the program, and the Governments of Indonesia (GOI) and Australia.
- > Develop and maintain relationships with KIAT partner agencies and DFAT to ensure that the KIAT engagement strategies are well-aligned with DFAT and GOI needs and that sub-contracted services meet these needs.
- > Lead the KIAT team to guide overall quality and effective delivery of the facility including regular review and reflection of progress of the program towards stated goal, resourcing and operational and quality issues.
- > Oversee delivery of robust administration, management and fiduciary systems / processes are developed and fully implemented in line with Cardno policies and standards, for effective and quality delivery of the program.
- > Manage all program-level risks, through both DFAT and Cardno systems and take appropriate measures to minimise fiduciary risk and other risks and avoid fraud.
- > Oversee management of staff and consultants on KIAT and the effective deployment of human resources across the program including effective performance management of staff and consultants.
- > Ensure compliance with policies on inclusive development and gender equality
- > Ensure KIAT technical specialists effectively engage with GOI to support policy and program development and implementation.
- > Provide technical, policy-related and strategic advice to DFAT relating to engagement within the Indonesian Infrastructure sector.
- > Ensure that KIAT promotes inclusive development and gender equity, with appropriate reporting on the program's success in achieving these outcomes.
- > Provide oversight to all aspects of program planning and implementation and reporting ensuring quality of all deliverables and promoting value for money.
- > Ensure all strategies, work plans and indicative budgets are produced on time and meet the needs of the Management Committee.

### **Core competencies**

- > Proven ability to effectively manage large, complex, multi-disciplinary programs and teams in the infrastructure sector, preferably in Indonesia.
- > Excellent cross-cultural and interpersonal skills and a demonstrated ability to build productive and sustainable working partnerships with a variety of stakeholders.
- > Ability to think strategically and deliver long-term objectives; demonstrated capability for problem solving and sound judgement.
- > Proven ability to manage a suite of development activities in a developing country, preferably including experience in the start-up of development projects or facilities.
- > Proven ability to work at senior levels in government / proven ability to build and maintain relationships with key personnel in government and donor agencies.
- > Demonstrated ability to work in a team and work sensitively in a complex, cross-cultural operating environment.
- > Strong interpersonal, oral and written communication skills in English.
- > Familiarity with Bahasa Indonesia is desirable.

## **Terms of Reference – Deputy Director – Private Sector and MDB Engagement and Project Finance**

**Duration of engagement:** 45 months with the possibility of extension

**ARF professional discipline category and job level:** D4

**Reports to:** Facility Director

**Location:** Jakarta, Indonesia with in-country travel as required

**Position outline:** The Deputy Director- Private Sector and MDB Engagement and Project Finance will lead this Pillar, reporting to the Facility Director on all elements of engagement with the private sector, bilateral and multilateral donors and also on project finance and PPPs.

### **Roles and responsibilities**

- > Provide technical and strategic advice to relevant GOI, DFAT and MDB stakeholders on issues relating to project identification, preparation, PPPs and infrastructure financing in Indonesia.
- > Lead in ensuring that the donor coordination functions of KIAT are operating in an optimal manner and encourage buy-in and ownership of activities by GOI Partners.
- > Develop relationships with key GOI, MDB and Private sector decision makers in the fields of infrastructure policy and regulatory in Indonesia.
- > Ensure the Private Sector and MDB Engagement and Project Finance team is compliant with all head contract requirements and all other DFAT and GOI regulations and policies.
- > Develop policies and strategies for private sector engagement leading to the design and implementation of activities which support stated KIAT objectives.
- > Ensure compliance with policies on inclusive development and gender equality
- > Work with all levels of government including national, provincial and local governments to ensure clarity and consistency of infrastructure policy directives.
- > Monitor progress and assist with development and implementation of the communications strategy for KIAT, particularly in relation to communications for the private sector; confirm effective dissemination of the program outcomes and achievements amongst key target audiences and stakeholders.
- > Prepare a six-monthly report for the KIAT Management Committee, indicating progress towards key program milestones and considerations for the following six months.
- > Assist the Facility Director with ensuring the quality and timely submission of all reports to the donor, government counterparts and other stakeholders, including technical reports, work plans, and progress reports.
- > Other tasks as directed by the Facility Director.

### **Core competencies**

- > Master's Degree in urban development, economics, finance, engineering, or another relevant discipline from an accredited university.
- > At least 15 years' experience in the global infrastructure sector and a sound understanding of global best practice in infrastructure development.
- > Experience working through government systems to implement development activities, preferably in Indonesia.

- > Comprehensive understanding of the challenges of infrastructure development in developing countries.
- > Demonstrated ability to coordinate inputs from a multi-disciplinary team of advisers.
- > Sound understanding of the Indonesian PPP environment and key stakeholders.
- > Excellent verbal and written communication skills with the ability to communicate with a diverse range of stakeholders from a variety of cultural backgrounds.
- > Experience working in Indonesia, fluency in Bahasa Indonesia and familiarity with DFAT processes and procedures would be advantageous.

## **Terms of Reference: Deputy Director – Water Sanitation Policy, Planning and Delivery**

**Duration of engagement:** 51 Months with the possibility of extension

**ARF professional discipline category and job level:** D4

**Reports to:** Facility Director

**Location:** Jakarta, Indonesia with travel within in-country travel as required

**Position outline:** The Deputy Director – WatSan (Water and Sanitation) will lead and oversee an innovative program covering a range of key issues in the WatSan sectors, including domestic water supply and sanitation services at the local level.

### **Roles and responsibilities**

- > Establishing close relationships and ongoing communication with key GOI decision-makers, and maintaining an awareness of their needs and priorities.
- > Focusing the transport program on the critical needs facing Indonesia's water and sanitation sectors and on areas where Australian assistance is likely to be cost-effective, working in close consultation with senior Indonesian Government officials and other stakeholders, seeking at all times to leverage, rather than replace, existing funding sources.
- > Ensuring that the transport program complies with the policies, strategies and other requirements of the Australian Government.
- > Directing and supervising KIAT support staff in their role of procuring and managing the services of sub-consultants appointed under the transport program.
- > Ensure compliance with policies on inclusive development and gender equality
- > Represent KIAT at meetings with DFAT, GOI officials, other donors and stakeholders.
- > In conjunction with Lead Advisers design performance indicators for subcontractors
- > Prepare activity work plans and TORs that are consistent with DFAT's Country Performance Framework and the Infrastructure Thematic Group's state of the sector report.
- > Ensure that performance indicators and measures are clearly specified in the strategies, work plans and ToRs.
- > Monitor these measures through ongoing liaison with KIAT Advisers and partner agencies and review of activity progress reports and activity completion reports.
- > Prepare a consolidated Strategic Engagement Report every six months for the KIAT Management Committee.
- > Participate in reviews conducted by the Impact Assessment Team (as appropriate).
- > Lead on donor coordination efforts for activities in the transport sector.
- > Other technical tasks as directed by the Facility Director.

### **Core competencies**

- > At least 10 years' experience in managing comprehensive, high-level infrastructure advisory programs, preferably in WatSan, most of which should be in comparable countries.
- > A strong technical background in infrastructure (preferably WatSan) ranging from policy and strategic advice to project preparation, financing and implementation.

- > A demonstrable familiarity with sector issues relevant to Indonesia, including issues of public-sector governance, private-sector participation, institutional capacity-building, regional autonomy, competition policy, investment incentives, asset management and output-based performance.
- > Post-graduate qualification in a relevant infrastructure-related field (WatSan, economics, finance etc.).
- > Experience working in Indonesia, fluency in Bahasa Indonesia and familiarity with DFAT processes and procedures would be advantageous.

## **Terms of Reference – Deputy Director – Transport Policy, Planning and Delivery**

**Duration of engagement:** 51 months with the possibility of extension

**ARF professional discipline category and job level:** D4

**Reports to:** Facility Director

**Location:** Jakarta, Indonesia, with in-country travel as required

**Position outline:** The Deputy Director - Transport will lead an innovative program covering a range of planning and delivery issues in key transport sectors, including national roads, subnational roads and urban transport.

### **Roles and responsibilities**

- > Establishing close relationships and ongoing communication with key GOI decision-makers, and maintaining an awareness of their needs and priorities.
- > Focusing the transport program on the critical needs facing Indonesia's transport sector and on areas where Australian assistance is likely to be cost-effective, working in close consultation with senior Indonesian Government officials and other stakeholders, seeking at all times to leverage, rather than replace, existing funding sources.
- > Ensuring that the transport program complies with the policies, strategies and other requirements of the Australian Government, including on social inclusion and gender equality.
- > Directing and supervising KIAT support staff in their role of procuring and managing the services of sub-consultants appointed under the transport program.
- > Represent KIAT at meetings with DFAT, GOI officials, other donors and stakeholders.
- > In conjunction with Lead Advisers design performance indicators for subcontractors
- > Prepare activity work plans and TORs that are consistent with DFAT's Country Performance Framework and the Infrastructure Thematic Group's state of the sector report.
- > Ensure that performance indicators and measures are clearly specified in the strategies, work plans and ToRs.
- > Monitor these measures through ongoing liaison with KIAT Advisers and partner agencies and review of activity progress reports and activity completion reports.
- > Prepare a consolidated Strategic Engagement Report every six months for the KIAT Management Committee.
- > Participate in reviews conducted by the Impact Assessment Team (as appropriate).
- > Lead on donor coordination efforts for activities in the transport sector.
- > Other technical tasks as directed by the Facility Director.

### **Core competencies**

- > At least 10 years' experience in managing comprehensive, high level infrastructure advisory programs, preferably in transport, most of which should be in comparable countries.
- > A strong technical background in infrastructure, ranging from policy and strategic advice to project preparation, financing and implementation.



- > A demonstrable familiarity with sector issues relevant to Indonesia, including issues of public-sector governance, private-sector participation, institutional capacity-building, regional autonomy, competition policy, investment incentives, asset management and output-based performance.
- > Post-graduate qualifications in a relevant infrastructure-related field (transport, economics, finance etc.).
- > Experience of working in Indonesia, fluency in Bahasa Indonesia and familiarity with DFAT processes and procedures would be advantageous.

## **Terms of Reference – Deputy Director – GESI and Civil Society Engagement**

**Duration of engagement:** 51 months with the possibility of extension

**ARF professional discipline category and job level:** B4

**Reports to:** Facility Director

**Location:** Jakarta, Indonesia with in-country travel as required

**Position outline:** The Deputy Director GESI and CSE will lead the GESI and CSE pillar, reporting to the Facility Director on all aspects of the program relating to gender equity, social inclusion and civil society engagement.

### **Roles and responsibilities**

- > Lead the facilities approach to gender equity and social inclusion, including both seeking opportunities to mainstream GESI assessments into activity approvals processes but also by proposing and developing discrete activities with gender and/or social inclusion as a core focus.
- > Provide technical and strategic advice to DFAT and GOI in the areas of gender equity and social inclusion.
- > Develop relationships with key GOI decision makers in the fields of gender equity and social inclusion and seek opportunities for engagement with other donors.
- > Ensure the GESI and CSE unit is compliant with all head contract requirements and all other DFAT and GOI regulations and policies.
- > Develop policies and strategies for GESI and CSE leading to the design and implementation of activities which support stated KIAT objectives.
- > Monitor progress and support Lead Advisers in the development of GE SI and CSE activities; develop approaches to gender mainstreaming and social inclusion consistent with local cultural norms and implement successful programs to promote women's participation in local planning and service delivery.
- > Prepare a six-monthly report for the Management Committee, indicating progress towards key program milestones and considerations for the following six months.
- > Assist the Facility Director with ensuring the quality and timely submission of all reports to the donor, government counterparts and other stakeholders, including technical reports, work plans, and progress reports.
- > Other tasks as directed by the Facility Director.
- > Act as Interim Facility Director, in the absence of the Facility Director (as required).

### **Core competencies**

- > Master's Degree in international development, economics, social sciences, gender studies or another relevant discipline from an accredited university.
- > At least 15 years' experience in international development and a sound understanding of global best practice in community development practices.
- > Experience working with civil society organisations to implement development activities, preferably in Indonesia.

- > Comprehensive understanding of the challenges of achieving gender equity and social inclusion objectives in developing countries.
- > Demonstrated ability to coordinate inputs from a multi-disciplinary team of advisers.
- > Excellent verbal and written communication skills with the ability to communicate with a diverse range of stakeholders from a variety of cultural backgrounds.
- > Experience working in Indonesia, fluency in Bahasa Indonesia and familiarity with DFAT processes and procedures would be advantageous.

## **Terms of Reference – Manager - Performance and Communications**

**Duration of engagement:** 51 Months with the possibility of extension

**ARF professional discipline category and job level:** C 4

**Reports to:** Facility Director

**Location:** Jakarta, Indonesia with in country travel as required

**Position outline:** The Manager - Performance and Communications will oversee and coordinate all facility efforts related to understanding and communicating program performance and ensure that M&E and communications are relevant, informative and effectively demonstrate the ongoing performance of the program.

### **Roles and responsibilities**

- > Lead the Performance and Communications team in the development, implementation, and regular review of (a) the KIAT MEL Framework and Plan, and (b) the overall KIAT Communications strategy.
- > Oversee the MEL and Communications personnel (including managers as relevant), ensuring that maximum synergy and complementarities are attained in these work areas.
- > Provide, coordinate, and/or oversee capacity development for MEL and Communications personnel.
- > Ensure compliance with policies on inclusive development and gender equality, and hold a watching brief on ensuring that climate change and disaster resilience considerations are being given appropriate attention in KIAT's activity screening and monitoring processes
- > Develop and manage partnerships with local media and M&E organisations and individual consultants.
- > High level oversight of KIAT event planning procedures, especially from performance and communications perspectives.
- > Oversee the initial and ongoing development of the KIAT Management Information System (MIS) as well as its use
- > Coordinate knowledge management efforts, including related to documentation and sharing of best practices and contributions to the knowledge base in KIAT and partners.
- > Engage with work units to develop strategies to inform and engage stakeholders throughout the life of the program, including regular updates and early engagement on proposed work plans and activities. Utilise innovation in new media and creative approaches to reach target groups.
- > Conduct, coordinate, oversee, and/or support KIAT efforts to share knowledge, evidence and learning through collaboration with relevant stakeholders, including other DFAT programs, GOI, other donors and the private sector.
- > Coordinate and/or facilitate 6-monthly reflection sessions and annual internal assessments with the KIAT team to discuss facility performance
- > Oversee and coordinate the development of 6-monthly facility monitoring reports.
- > Present key performance to the KIAT Management Committee (and other relevant parties) either in a dedicated session at formal meetings, or as part of pre-meeting briefings.
- > Provide high-level quality assurance for KIAT communication material, including website content and all hard copy publications.

### **Core competencies**

- > Master's degree in evaluation, management, social sciences, international development, communications or a related field.
- > A minimum of 10 years' combined experience related to:
  - Project Management,
  - Monitoring and Evaluation, and/or
  - Communications,
- > A minimum of 5 years' experience in a management role.
- > Experience in monitoring and evaluation and/or applied research (ideally, including related to policy influence and/or organisational capacity building).
- > Experience in developing and implementing communications and stakeholder engagement strategies, including use of innovative approaches and new technologies.
- > Experience guiding and providing technical assistance to staff working on monitoring and evaluation, communications and/or projects.
- > Excellent verbal and written communication skills, with extensive experience producing communications for a diverse cross-cultural audience.
- > Fluent spoken and written English is required.
- > Working competency in Bahasa Indonesia is desired.
- > Previous experience in Indonesia and/or the infrastructure sector is desired.

## **Terms of Reference – Senior Operations Manager**

**Duration of engagement:** 51 months with the possibility of extension

**ARF professional discipline category and job level:** C3

**Reports to:** Facility Director

**Location:** Jakarta, Indonesia

**Position outline:** The Senior Operations Manager will have oversight of all corporate and operations functions and will assist in ensuring the highest standard of output from KIAT staff.

### **Roles and responsibilities**

- > Working closely with the Facility Director and the Facility Operations Manager, oversee the day-to-day implementation of Program activities, including recruitment, contracting and monitoring of activity compliance and performance.
- > Provide high level oversight of the program operations team.
- > Work closely with the Contractor Representative to ensure timely and efficient reporting of key contractual issues to the Managing Contractor.
- > Coordinate operational and logistical support to the Lead Advisers embedded within partner agencies.
- > Liaise with DFAT on a range of matters including all program reporting, contract management and all compliance issues.
- > Ensure high quality management of KIATs finances and take appropriate measures to maximise value for money in procurement, minimise fiduciary risk and avoid fraud.
- > Work in collaboration with the senior management team to monitor and manage risks to program implementation.
- > Manage the preparation and implementation of procurement plans and contracting arrangements with sub-contractors and service providers.
- > Ensure effective working relationships with GOI and CSO partners in relation to their compliance with program policies and process.
- > Manage the performance review process for KIAT staff.
- > Seek opportunities for innovative operational processes through periodic review of the procurement, contracting, financing, HR, and administrative procedures and the operations manual.
- > Provide leadership and effectively manage program staff professional development, training and capacity development, outcomes orientation and a culture of continuous improvement.

### **Core competencies**

- > Tertiary qualifications in a related field.
- > Minimum 10 years of experience in the management of donor funded programs within the Asia Pacific region, preferably in Indonesia.
- > Demonstrated experience in the design and implementation of financial management, contracting, reporting, human resources and monitoring and evaluation systems.

- > Proven ability to build and maintain relationships with key personnel in government and donor agencies.
- > Demonstrated ability to work in a team and work sensitively in a complex, cross-cultural operating environment.
- > Strong interpersonal, oral and written communication skills in English.
- > Previous experience working on donor funded infrastructure related programs will be highly regarded.
- > Given the interface of this role with key GOI and CSO partners, familiarity with Bahasa Indonesia is highly desirable.
- > Experience with DFAT processes and procedures is highly preferred.

## **Annex 9: Respective responsibilities of GOI, DFAT and the MC**

### **Role of the GOI**

GOI is KIAT's primary partner, in terms of delivering relevant and effective TA support that contributes to GOI infrastructure development priorities. The primary responsibilities of GOI will include:

1. co-chairing the KIAT Management Committee and making timely jointly agreed decisions with respect to proposed new activities, KIAT strategic direction and resource allocation
2. ensuring coordination of different GOI agency inputs into the preparation of activity proposals, KIAT strategic planning and review mechanisms as required
3. allocating adequate GOI resources and budget to ensure effective implementation of KIAT supported activities, in line with the requirements of approved activity proposals
4. providing required office space, counterparts and other essential utilities to allow Lead Advisers and embedded advisers / TA teams to work effectively within GOI agencies
5. providing KIAT with clear and timely information in support of effective TA delivery; and
6. helping to resolve institutional bottlenecks that may be impacting negatively on the effective implementation of KIAT supported activities.

### **Role of DFAT**

KIAT will be managed by the Infrastructure and Economic Governance Section (DFAT Jakarta) reporting to the Minister Counsellor for Economic Governance, Investment and Infrastructure. The Section will be responsible for:

1. oversight of KIAT and provision of advice to DFAT senior management on its strategic direction and performance
2. management of the KIAT contract, incentivising and assessing performance, including through ongoing conversations with GOI stakeholders on KIAT performance
3. management of working-level relationships with the Government of Indonesia and support to DFAT management on high-level engagement
4. monitoring, learning and reporting in accordance with DFAT's Performance Assessment Framework and aid quality processes
5. contracting and mobilising an Independent Review Team, as required and agreed with Bappenas (e.g. every 2.5 years, or more often if deemed necessary)
6. facilitating inputs from DFAT's Gender and Disability Working Groups in to KIAT performance assessment and strategic engagement plans
7. management of investment-level risk register and escalation of risks as required
8. internal reporting, with a particular focus on synergies between KIAT, other DFAT infrastructure investments (e.g. MDB infrastructure grants), and other DFAT programs (e.g. AIPEG and KSI); and
9. communication and promotion of the achievements of KIAT, including through the use of social and traditional media and contribution to the Embassy's public diplomacy agenda.



It is important that DFAT's oversight of KIAT, and its contractual arrangements with the MC, focus DFAT efforts on incentivising MC performance towards achieving outcomes, rather than on directly trying to manage KIAT inputs and activities. This is about ensuring appropriate risk allocation.

### **Role of the Managing Contractor**

The MC manages Australia's investment in KIAT on behalf of DFAT, and has responsibility for, inter alia:

1. day-to-day management of the whole investment portfolio, in line with KIAT's engagement principles, the contract and DFAT's aid management and corporate policies
2. providing a core team of technical and operational staff, including Lead Advisers, with the requisite competencies to efficiently and effectively manage the portfolio of approved investments
3. working strategically and in partnership with implementing partners to develop investment proposals that make a demonstrated contribution to GOI reform priorities and KIAT outcomes - while deferring to DFAT and Management Committee decisions on high-level strategic direction
4. sub-contracting Technical Assistance (individuals and teams) and managing civil society grants in line with the scope of approved investment proposals
5. promoting innovation and ensuring value for money principles are met through sub-contracted investments
6. ensuring sub-contracted TA delivers high quality outputs / products and works effectively with implementing partners, and that lessons learned are fed back in to activity planning and implementation
7. developing and delivering high quality knowledge products and advice that meet the needs of policy makers and policy influencers
8. monitoring and evaluating KIAT performance in line with the M&E strategy and operational plans, and reporting on progress and performance to the Management Committee, DFAT and other stakeholders based on a clear and agreed understanding of their information needs
9. pro-actively managing and reporting on risk; and
10. developing and delivering high-standard communication products and services including media and social media products.

## Annex 10: Gender and social inclusion strategy

### 1. Introduction

President Jokowi has made acceleration of infrastructure development a high priority for inclusive economic growth and poverty reduction which will in part address labour underutilisation in Indonesia. Inclusive growth is taken to mean creating equality of opportunity in terms of access to markets, resources and unbiased regulatory environment for businesses and individuals regardless of gender, indigenous background<sup>29</sup>, ethnicity, disability or other social characteristics. In other words, inclusive economic growth is not only about growth, but also about ensuring that it benefits marginalised and vulnerable people.

Recognition of infrastructure as a route for women's economic growth through improved roads and transportation and greater access to markets and entrepreneurship<sup>30</sup> is growing, as noted by DFAT: *'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.'*<sup>31</sup> This is important in addressing persistent gender differences in labour force participation rates with women at 53.4% and men at 85%<sup>32</sup> (2014). Gender-responsive infrastructure development increases women's time and access to opportunities to earn income, move more freely and safely, pursue their plans for personal and professional development and have a greater voice in society and policy influence.<sup>33</sup> This is particularly critical for female headed households<sup>34</sup> and people with disabilities who are among the poorest and most marginalised groups in Indonesia.

An estimated 7 to 37 million Indonesian citizens are living with disabilities<sup>35</sup> whose biggest challenges are *'obstacles in the environment and in society's perception of their value, not their impairment'*.<sup>36</sup> These challenges are exacerbated by issues of gender and factors such as poverty. Accessibility to transport, public facilities and buildings promotes their rights to participate fully in economic and social life which increases self-confidence and active participation in policy and decision-making. Other groups such as those carrying heavy loads, pregnant women, aged people, children, and those who are ill also benefit from this improved accessibility and mobility.

Infrastructure development processes with a strong focus on stakeholder consultation and consensus building (including small businesses which service communities) will encourage better integration of supply-side technical designs with demand-side dimensions of who uses what infrastructure and for what purposes, how it is paid for, and with what impacts on individuals, households, and communities. This improves distribution of benefits and services stimulated by the facility's support and promotes sustainability.<sup>37</sup> Stakeholder engagement has a multiplier effect of enhancing women's leadership, strengthening community voice in decentralisation processes, supporting greater

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<sup>29</sup> DFAT Indigenous People's Strategy, A Framework for Action, 2015-2019, DFAT, 2015

<sup>30</sup> For example, rural projects in Nepal and Peru found greater progress on women's economic empowerment when coupled with infrastructure programmes. See [www.intracen.org/news/Building-womens-economic-empowerment](http://www.intracen.org/news/Building-womens-economic-empowerment)

<sup>31</sup> Indonesia Infrastructure Program (2016-2016), Investment Concept (revised) DFAT, Canberra, November 2015, p8

<sup>32</sup> Indonesia: Labour and Social Trends Update, ILO Jakarta August 2014

<sup>33</sup> World Development Report – Gender Equality and Development. World Bank 2012

<sup>34</sup> According to PEKKA, a national women's organisation, around 25% of households are female headed with 52% living in poverty, in Gender Analysis of Unified Data Base, TNP2K and AusAID, 2010.

<sup>35</sup> An estimated 7-37 million citizens are living with disabilities depending on measures used. Disability data and the development agenda in Indonesia, Ekawati Liu and Lyla Brown, Inside Indonesia, March 2015.

<sup>36</sup> UN Convention on the Rights of Persons with Disabilities (UNCRPD)<sup>17</sup> especially Article 9 Accessibility, Article 28 Adequate Standard of Living and Article 32 on International Cooperation

<sup>37</sup> Involving Stakeholders: Toolkit on Organising Successful Consultations, CIVITAS, European Union, 2006

transparency and cost efficient decision making, promoting human rights and encouraging community monitoring of services. In short, inclusive infrastructure development can contribute to gender equality and fulfilment of the rights as desirable goals in themselves, supporting Sustainable Development Goals for people-centred development and Indonesia's National Medium Term Development Plan 2015-19<sup>38</sup> (RPJMN).

## 2. Policy and Institutional Environment for GESI

### 2.1 Government of Indonesia:

Indonesia has ratified the Universal Declaration of Human Rights (UDHR) which forms the basis for all other international human rights conventions and agreements that concern gender equity, social inclusion and development. It also has international commitments through the ratification of related treaties and conventions, including the Human Rights Charter. Meanwhile the National Medium Term Development Plan (2015-19) sets ambitious targets across a number of infrastructure sectors to promote '*strong, inclusive and sustainable growth*'. This includes promoting equal access to social services and infrastructure and economic infrastructure without discrimination on the basis of gender and social status.<sup>39</sup> The recent Village Law (No.6 / 2014) further states that specific attention will be given to women and people with disabilities in local development planning.

The public sector at national and sub national level is guided by two key gender policies: a Presidential Instruction (INPRES 9 / 2000) requires gender to be streamlined into national development programs (with oversight by Ministry of Women's Empowerment and Child Protection) using a Gender Analysis Pathway (GAP) tool. The Ministry of Finance Decree No.119 / PMK.02 / 2009 requires local gender inclusive budgeting at national and local level.<sup>40</sup> The latter includes provision for women to be present at government budget planning meetings but this rarely occurs.<sup>41</sup> Ministry of Public Works (MPW) has been a leader in gender mainstreaming, producing sectoral technical guidelines<sup>42</sup> and providing training across the agency and now planning to develop Gender Impact Assessment tools and develop a best practices directory.

In the area of social inclusion, the Indonesian Government has ratified the Convention on the Rights of Persons with Disabilities (CRPD) in 2011 thereby shifting from a charity to a rights-based policy framework. As of 2015, there are seventeen laws that cite the rights of people with disabilities including Law 23 / 2007 on Railways, Law 22 / 2009 on Traffic and Road Transport and Law 8 / 2016 on Persons with Disabilities which contains some (limited) stipulations for infrastructure. The Ministry of Social Affairs is the leading ministry for disability inclusion with Bappenas taking a lead role for planning. A Commission for People with Disabilities is also likely to be established

### 2.2 Government of Australia

The *Gender Equality and Women's Empowerment Strategy* recognises women and girls' empowerment as '*one of the best ways to promote economic growth... and advance gender equality*'.

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<sup>38</sup> *Rencana Pembangunan Jangka Menengah Nasional (RPJMN), 2015-2019*, Government of Indonesia

<sup>39</sup> *Medium Term National Development Plan 2015-2019* includes an objective for '*strong, inclusive and sustainable growth*', [p.17 and 19], Government of Indonesia 2015

<sup>40</sup> Ministry of Women's Empowerment gender mainstreaming tools including six performance criteria for annual awards to Ministries: commitment, policy, disaggregated data, involvement of community organisations, gender-responsive budget and program achievements.

<sup>41</sup> A study by Asia Foundation (2015) found that less than a quarter of the 42 local governments surveyed had actually implemented specific mechanisms to guarantee women's participation in these meetings.

<sup>42</sup> For example, *Guidelines for Gender Integration in Program and Budget Planning and Gender Review of the Standards, Norms of Procedures and Criteria (NSPK)* for sub-sectors, Ministry of Public Works, Jakarta.

It sets three priorities for action of relevance to KIAT: i) Enhancing women's voice in decision-making, leadership and peace-building, ii) Promoting women's economic empowerment, and iii) Ending violence against women and girls. The role of the private sector in supporting economic growth and poverty reduction is also recognised.<sup>43</sup> DFAT's Investment Concept Note for KIAT also states '*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*'.<sup>44</sup> KIAT will therefore contribute to the two benchmarks identified in the Gender Action Plan for Indonesia: 1) percentage of investments assessed as effectively addressing gender equality in implementation<sup>45</sup>; and 2) percentage of total spend where gender is a significant objective.<sup>46</sup>

GoA's *Development for All 2015-2020: Strategy for strengthening disability-inclusive development in Australia's aid program* (2015) promote the concept of human rights fulfilment.<sup>47</sup> It supports participation and empowerment of people with disabilities as contributors, leaders and decision makers in community, government and the private sector; reducing poverty among people with disabilities and improving their equality in all areas of public life, including service provision, education and employment.<sup>48</sup> Four areas of action are identified, all of which have relevance to the work of KIAT: i) supporting governance for equality; ii) enabling infrastructure and accessible water, sanitation and hygiene; iii) inclusive education and skills; and iv) building resilience.

### 3. Identified Gaps Related to GESI in the infrastructure Sector

Discussions with various stakeholders during the design mission and a review of relevant documentation revealed a number of common issues which have a bearing on the facility's scope and approach to GESI:

- 1) **Lack of knowledge and capacity to implement GOI's GESI policies.** While GOI has policies, plans and guidelines for GESI mainstreaming, implementation remains weak due to lack of knowledge among government staff, limited political will and capacity, insufficient resources, staff turnover and poor coordination. Gender mainstreaming training tends to be generalised while sector specific GESI training is ad-hoc. Many stakeholders - including from government, the private sector and within IndII and DFAT - reported they grapple with how to implement GESI in a meaningful way;
- 2) **Insufficient data on GESI to inform decision makers and their advisers.** Decision makers and advisers have little consistent, reliable data related to use of infrastructure services by women and excluded groups, service options available to them and demands for improved services. Data which is available focuses mostly on participation rather than on demand and outcomes or is drawn from qualitative evaluations, both of which have limited use for evidence-based policy dialogues. This reflect a broader issue of poor data collection and use in the infrastructure sector;
- 3) **Focus on outputs rather than outcomes.** Government agencies tend to focus on evaluating outputs (i.e. construction and connections) rather than outcomes and there is insufficient

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<sup>43</sup> *Gender Equality and Women's Empowerment Strategy*, DFAT 2016

<sup>44</sup> *Indonesia Infrastructure Program (2016-2026)*, Investment Concept Revised, DFAT, November 2015, p8.

<sup>45</sup> Note this also an indicator in the DFAT Performance Assessment Framework

<sup>46</sup> DFAT has set a target of over 80 per cent of its investments demonstrating real progress in addressing gender issues.

1.1 <sup>47</sup> *Development for All 2015-2020. Strategy for strengthening disability-inclusive development in Australia's aid program*, DFAT 2015.

<sup>48</sup> This concept of 'equality' aligns with the preamble of the UN Convention on the Rights of Persons with Disabilities

attention to conducting and using social impact evaluations. This undermines proper needs analysis and planning and equity successes and good practices are rarely documented for replication;

- 4) **Poor quality social and environmental impact assessments in project preparation.** Lack of capacity among GOI and private sector consultants for conducting social and environmental impact assessments undermines a project's ability to reduce or mitigate negative impacts such as displacement and loss of livelihoods which often disproportionately affects women and marginalised groups. Without proper analysis, the risk of unintended outcomes are higher, for example, exacerbating the spread of HIV / AIDS or human trafficking through road improvements projects;
- 5) **Gender neutral policy making.** The lack of data makes difficult to challenge the view among many policy makers and technical specialists that gender equity considerations are irrelevant to infrastructure (i.e. everyone benefits equally). This view then leads to gender neutral policies and a lack of implementation measures to address differentiated needs;
- 6) **Lack of understanding about disability access.** Progress in shifting mindsets to more inclusive infrastructure development based on universal design principles is challenging<sup>49</sup> and few people have sufficient knowledge. This is exacerbated by a common view among planners that universal access is costly, despite the fact that it is often more cost efficient to integrate accessibility at the design stage rather than trying to retrofit later.
- 7) **Lack of community engagement.** Participation of community women and men, marginalised groups and poor communities in all levels of infrastructure development is very low; at best, representation is from academics and professional associations. This is often due to agency perceptions that infrastructure provision is government's exclusive domain or due to a lack of trust in working with CSOs. At the same time, most CSOs and community members are unaware of how infrastructure development takes place or where they can be involved, for example, contributing to social impact assessments, attending public hearings or providing consumer feedback;
- 8) **Under representation of women in the sector.** Women's participation as planners, engineers and other technical specialists in the infrastructure field is very limited, which means the sector cannot benefit from a more diverse range of talents and perspectives. The view in many parts of Indonesia that infrastructure is 'men's work' restricts' women's employment opportunities during and post implementation of infrastructure projects.

#### 4. Identified Gaps Related to GESI in IndII.

In addition to the gaps above, specific issues were identified in discussions with stakeholders about implementation of GESI in IndII<sup>50</sup>:

- A full time gender officer at a junior level was appointed late in the program who has been responsible for covering implementation quality at both facility and Activity level;
- There has been no full time Senior Gender Specialist during the life of IndII.

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<sup>49</sup> *Making Infrastructure Work for Women and Men (1999-2009)*, World Bank, 2010

<sup>50</sup> The IndII Gender Review workshop on 12 October in Jakarta and inputs from Gaynor Dawson and Eko Utomo (IndII's Gender Team) provided useful lessons and good practices that contributed to development of this Framework.

- The international Gender Adviser was part time and ad-hoc and was able to focus more on monitoring and review and compile case studies. However, the position could not conduct the deeper analysis, conduct research, develop targeted actions and engage on a continuous basis with stakeholders as part of a strategy for effective systemic and organisational change;
- Lack of dedicated resources for data collection, research and evaluations to support analysis, monitoring and learning;
- Lack of staff accountabilities at facility and consultant accountabilities at the Activity level for quality of implementation of GESI interventions, exacerbated by lack of facility staffing for effective monitoring and follow up;
- The IndII facility design was focused on gender equity rather than social inclusion so the latter is a new area of work.

## **5. Purpose, Scope and Strategic Approach of the Gender and Social Inclusion Framework**

### **5.1 Purpose of GESI Framework**

Over the next ten years, KIAT will work in partnership with the Government of Indonesia (GOI) in providing demand-driven technical assistance to strengthen the policy and regulatory environment, improve high quality proposal preparation and enhance government systems and capacities to plan, manage and maintain infrastructure development. The purpose of the GESI Framework is to take appropriate actions to ensure that KIAT's assistance appropriately integrates a gender equity and social inclusion (GESI) perspective so that policy changes, institutional systems and processes are better targeted to deliver sustainable and inclusive outcomes. This builds on what is already in place in Indonesia while addressing opportunities and gaps identified through consultations and document reviews.

Initially the focus will be on strengthening infrastructure development processes to enhance economic empowerment of women and rights fulfilment for people with disabilities, in line with GOI and GoA equity and safeguards policies. Over time, KIAT could expand this focus in discussion with national and local governments and other stakeholders to include, for example, aged persons, displaced people, indigenous people and urban slum dwellers amongst others.

The GESI Framework is guided by four objectives:

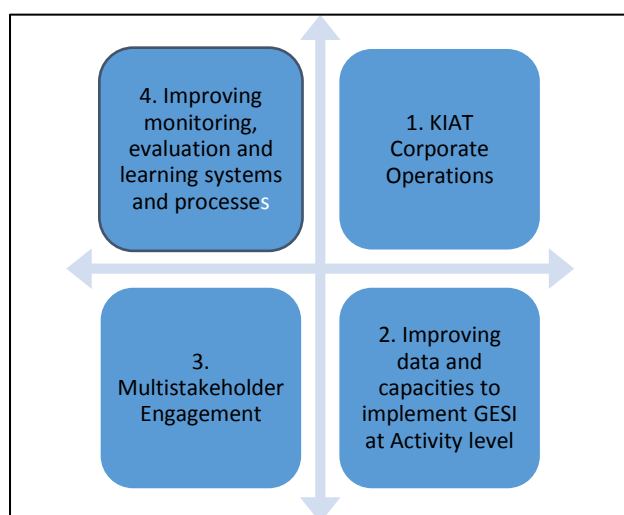
- To incorporate GESI principles and processes into KIAT Corporate Operations to strengthen quality of GESI planning and implementation and in staff / consultant accountabilities
- To facilitate and support systemic change in the infrastructure sector, specifically through influencing GOI to adopt and apply GESI principles and practices in infrastructure policies, programs and projects to improve opportunities for women's empowerment and rights fulfilment of people with disabilities;
- To facilitate and support engagement mechanisms for CSOs and communities with national and subnational governments to promote infrastructure development that addresses differentiated needs for access to infrastructure services for women and men and for people with disabilities;
- To continuously develop and communicate knowledge of good practice and outcomes of GESI integration into the infrastructure sector.

In the context of this Framework, the following definitions are applied:

- **Gender Equity** means taking specific measures for infrastructure development that addresses gaps in women and girls condition relative to men and boys;
- **Women’s economic empowerment** means strengthening women’s ability and freedoms to make choices and decisions so they can exercise their rights through meaningful participation, have greater access to resources and decision making for economic and social development, reduce their time poverty and unpaid care responsibilities and live free with violence; and
- **Social inclusion** means taking specific measures to analyse and respond to the infrastructure and service needs of marginalised people (i.e. those who through exclusionary practices face limited possibilities to participate as full citizens in society) so that they can take part in and benefit from economic, social, cultural and political opportunities offered through infrastructure investment. Social inclusion is both an outcome and a process of improving how people who are marginalised, poor and vulnerable can take part in all aspects of life.

## 5.2 Scope of the GESI Framework

KIAT’s GESI framework supports the facility at two levels: At the facility level for overall program management and at the Activity Level for individual activities supported by the facility. Underpinning GESI implementation at both levels is an agenda for learning through a structured process of reflection and evaluation in order to learn what works and why for effective gender and social equity inclusion in infrastructure.



The Figure to the left shows the four key components of the GESI Framework that align with the four objectives for GESI.

1. **KIAT Corporate Operations comply with GESI principles and objectives.** Senior managers are responsible for ensuring that all business operations adhere to the principles and processes for GESI including human resource management, budget allocations, contracting and performance management of consultants, building capacity of staff and consultants and monitoring facility achievements against GESI indicators.

2. **Improving data and capacities to implement GESI at the Activity level.** KIAT will work with GOI, private sector and KIAT consultants to identify relevant data and information that will enable GESI analysis for policy, proposal preparation and quality delivery of infrastructure development (Key Outcomes for KIAT). Some limited data is available through IndII, other donor programs and research as well as from local governments. KIAT will work with GOI and other stakeholders to fill data and knowledge to use for evidence-based inclusive policy dialogues and activity. This could include, for example, understanding gender issues in private-public partnerships at national and sub national levels (new to Indonesia) or developing tools for assessing costs of universal access in urban settings. KIAT will seek partners for research collaborations including Indonesian research groups, as well as universities and other donors, for example, EAP Gender

Innovation Lab at the World Bank. KIAT will support GOI and other stakeholders to access capacity development opportunities that are tailored to specific sectoral needs and delivered in appropriate ways, such as formal workshops, site visits, reflection and shared learning exercises, on-line modules (e.g. phone apps) and peer mentoring. As well as increasing people's abilities to use analytical and planning tools for GESI, there will be a focus on developing influence, participatory implementation and outcome monitoring. KIAT staff and consultants will receive training on GESI issues related to specific projects and on influencing decision makers for improved GESI outcomes. There is also a role for KIAT to address under representation of women by conducting research that can contribute to the gap in knowledge about gendered labour market expectations in the infrastructure sector in conjunction with the Indonesian Ministry of Manpower, professional and academic networks (e.g. Institute of Electrical and Electronics Engineers: Women in Engineering) that promote educational and/or employment policies to promote and support women and girls in engineering and other non-traditional occupations related to infrastructure development. KIAT can also investigate more direct interventions through forming relationships with organisations such as the Australian Vocational, Education and Training Sector and Australian Women in Engineering.

3. **Building civil society, private sector and GOI engagement.** Strengthening civil society engagement with government and strengthening networks and coalitions of GESI champions for policy influencing is an innovation in the infrastructure sector. Available mechanisms such as multi-stakeholder forums, consumer feedback mechanisms, public hearings and social accountability measures are underutilised. KIAT will provide dedicated space and resources through a CSO funding window to build capacities and networks of CSOs and equity advocates, such as *Koalisi Perempuan* and disabled persons' organisations such as SIGAB, Jakarta Barrier Free Tourism and KUAT to engage in policy reform and infrastructure development. The component also engages with the private sector, such as promoting Performance Standards on Environmental and Social Sustainability (e.g. International Finance Corporation 2012) and other protocols. KIAT will facilitate networking between GESI champions in government (e.g. Ministry of Public Works Gender Mainstreaming committees) and in business and cooperate with related DFAT programs to identify opportunities to strengthen women's leadership, such as participation in decision making forums, and expanding their employment and enterprise opportunities in the sector.
4. **Improving monitoring, evaluation and learning systems and processes for GESI.** KIAT will work with GOI and other stakeholders to give greater emphasis to process and outcome monitoring. This includes building capacity for conducting and using social impact evaluations to support needs analysis and planning. Partners will also be encouraged to document results, effective practices and lessons learnt to inform replication and scaling up. The Performance and Communications team will work with the GESI team to document GESI processes and outcomes to inform KIAT's knowledge to policy work and for advocacy and influencing purposes by civil society groups. KIAT will support its partners in learning from reform experiences in other countries through, for example, access to international experts, exposure visits and international conferences.



### **Examples of Good Practice of Gender Equity in Infrastructure**

The Mumbai Urban Transport Project (2002-09) required joint titling for resettled households which gave women collateral to access banking services.

The Morocco Rural Water Supply and Sanitation Project (2006-13) included women in water user associations and on social mobilization teams, reduced women's and girls' time fetching water by at least half, and increased school enrolment for girls from 30 to 50 percent.

Largely due to women having a greater voice in identifying their transport needs, the Peru Rural Roads II (FY2001-06) refurbished 3465 km of non-motorized tracks, connecting previously isolated communities to markets and services, which resulted in 77% of women surveyed reporting they travelled more often while 65% percent felt safer when travelling. Project efficiency, transparency and quality also improved, partly driven by women's greater concern about the quality of the road work compared to their male counterparts.

**Source: Review of World Bank Infrastructure Projects (1995 - 2009) December 2010**

### **5.3 GESI Strategic Approach**

GESI is a relatively new field of work in the infrastructure sector in Indonesia and there is limited evidence to support knowledge to policy work and GESI mainstreaming. A structured and systematic learning approach to GESI will enable DFAT, GOI and other stakeholders to better understand GESI can contribute to more effective inclusive policy making, strategy development and budget allocations across different infrastructure sectors. KIAT will adopt a twin-track approach for GESI in line with the DFAT Indonesia Action Plan (2015):

- 1) **Gender and Social Inclusion Mainstreaming:** The first track address gender and social issues as an integral part of KIAT's activities through mainstreaming specific actions that respond to concerns identified through a gender and social analysis, generally implemented through the existing activity budget (although some additional resources might be required, such as in the case of training). For example, on a transport project, a gender-responsive activity may include integrating a policy to ensure separate toilets for women and men in bus stations or street lighting and walkways that make roads safer for all vulnerable groups to use.
- 2) **Gender and Social Inclusion Targeting:** The second track requires actions to address gender and social inclusion issues as specific activities. This directly aims to reduce potential gender based inequalities in access to services, risks, benefits and opportunities. Targeted gender activities will address specific needs and constraints of women and men and could include gender quotas for project jobs, committee representation and skill development. Social inclusion targeted strategies could include creating designs for infrastructure specifically to improve access for different kinds of disability in relation to different transport systems (e.g. light rail).

KIAT will consult with GOI and relevant stakeholders on how these two tracks will be used at the Activity level. This will guide internal agreements, combined with an updated Screening Tool to determine the extent / type of mainstreaming actions required in any proposed activity. This will be followed by an appropriately detailed GESI analysis on infrastructure barriers and benefits for women / marginalised groups in proposed activities. For Track 1, a GESI action plan will then be developed and integrated into the proposed activity design with resources and accountabilities for implementation. For Track 2 activities, specific TORs will be developed for GESI targeted activities including a clear purpose for the activity and expected outcome and follow up actions. Progress for all activities will be monitored with stakeholders in accordance to the designs for activity-level performance monitoring and assessment (see the M&E Framework in Annex 11).

#### **5.4 Strategic Partnerships for GESI**

Key government agencies with whom KIAT will interact on GESI initiatives include: Bappenas, Ministry of Public Works, Ministry of Finance, Ministry of Home Affairs, Ministry of Women's Empowerment and Children's Protection, Ministry for Social Affairs, Commission for Violence against Women and National Commission on Child Protection. KIAT will also partner with civil society representatives, including national and local CSOs, professional organisations, academics, relevant international bodies and media. It will engage with DFAT projects including Australia-Indonesia Partnership for Economic Governance (AIPEG), Australia-Indonesia Partnership for Justice (AIPJ), MAMPU, PEDULI, KOMPAK and MAHKOTA which similarly share objectives for gender equality, social inclusion and / or women's economic empowerment.

### **6. Institutional Arrangements (refer to Organisational Chart in main document)**

#### **6.1. Roles and Responsibilities**

- **KIAT Facility Director** is ultimately responsible for delivering quality outputs and outcomes for GESI and will ensure that GESI principles and values are integrated into KIAT's corporate operations including human resource management, planning and budgeting, quality of consultant deliverables, reporting and performance management.
- **Deputy Director, GESI and Civil Society Engagement and Research**, is responsible for providing high level advice and strategy development; providing quality analysis to inform activity designs; designing and managing research activities for GESI and civil society engagement; providing technical inputs at facility and activity level; supporting and strengthening civil society engagement in the facility's work; working closely with MEL and senior managers to ensure full accountability for GESI at facility and Activity levels; working closely with Communications to capture good practices and create knowledge products for influencing; and coordinating with GESI Advisers from DFAT and other programs to identify opportunities for collaboration and shared learning.
- **Deputy Directors (Technical) and Managers** are responsible for ensuring that GESI actions are implemented according to activity designs and to oversight integration of GESI perspectives and tools for implementation, monitoring and reporting; advising Deputy Director, GESI, of emerging issues, opportunities and gaps; and supporting development of knowledge products and their use.
- **GESI and Community Engagement Project Officers** at facility Level will engage with implementation teams to ensure appropriate GESI input is included in activity designs; provide ongoing support to guide integration of GESI perspectives and tools for

implementation and monitoring: contribute to capacity building on GESI of staff, consultants, national and local partners (government, private sector and civil society); provide inputs for facility and activity M&E and reporting on GESI; and advise KIAT of emerging issues, opportunities and gaps (early warning).

- **Performance and Communications Unit** at the facility Level will collaborate with the GESI Deputy Director and Project Officers to implement quality at entry process, including to ‘screen’ proposed activities for potential GESI relevance; support the development and implementation of activity-level plans for performance monitoring and assessment that appropriately incorporate GESI considerations; compile and communicate performance monitoring data at the facility level, including related to KIAT’s performance in promoting targeted GESI outcomes; and conduct ‘context monitoring’ related to GESI issues as agreed (to be further identified during year 1).
- **Embedded Consultant Teams** at the activity level will integrate GESI perspectives in their work as determined through their TORs and activity designs and provide regular reports on progress for GESI and community engagement. The need for a dedicated GESI Adviser or Focal Point depends on the level of GESI inputs required in the activity design and agreed in the contract. The facility GESI team can provide appropriate support if no gender personnel are deemed necessary.

## 7. Monitoring and Evaluation

KIAT’s Monitoring and Evaluation Framework is detailed in Annex 5 and reflects the requirements of the AQC and DFAT’s Performance Assessment Framework to monitor progress and outcomes of GESI integration or equity specific activities. The M&E framework will be finalised during the first phase of the facility as part of a more operational M&E Plan, which will include GESI specific indicators. Of particular interest will be capturing the learning about the process of integrating GESI at different levels (national / subnational) in different types of activities - policy reform, project designs and infrastructure delivery – and in different kinds of infrastructure projects.

Currently, the M&E Framework contains a key evaluation questions at the facility and level specifically focused on KIAT’s effectiveness in helping to achieve GESI outcomes, namely: *KEQ5: (Women’s economic empowerment): How effectively has KIAT contributed to improvements in the infrastructure sector which can tangibly or logically linked to improvements in access to infrastructure services for women and marginalised groups?* This question is intended as a ‘reservoir’ into which the results of KIAT activities and activity streams can be compiled and analysed. These could include (indicatively): i) the extent to which there is greater attention to GESI principles and practices in infrastructure policies, programs and projects that support opportunities for women’s empowerment and rights fulfilment of people with disabilities; ii) quality of CSO engagement with GOI at national and subnational levels to address the different needs for access to infrastructure services for women and men and for people with disabilities; iii) Quality and use of knowledge products related to GESI that are used for policy deliberation, improving quality of proposal preparation and improving the quality of project delivery.

An additional key evaluation question, (KEQ7) *How well has KIAT applied key principles over the course of implementation?* is focused on KIAT’s ways of working, including the extent to which the facility has maintained an appropriate focus on women’s empowerment, gender equity and social inclusion issues.

Proposed facility-level performance monitoring indicators will also track the extent to which the ‘twin track’ approach described above is being successfully implemented in KIAT by reporting on:

1. *The percentage of KIAT investment having a primary focus on gender and / or social inclusion issues, and*
2. *The percentage of KIAT activities assessed at implementation as having effectively addressed gender and / or social inclusion issues*

For activities identified as relevant, KIAT will also compile and report on two DFAT PAF indicators related to the GESI agenda:

- *PAF Indicator #9: Number of women and men with improved access to safe water and basic sanitation services*
- *PAF Indicator #18: Number of people, especially women and marginalised groups, who participate in activities to improve policy*

Additionally, at the activity level, outcome and impact assessments will be undertaken, with GESI considerations included in performance monitoring and evaluation designs. Studies that specifically target gender equity and social inclusion to fill existing knowledge gaps (e.g. gender in private-public partnerships) and to evaluate specific issues (e.g. KIAT’s interventions to improve social accountability in Infrastructure development) will be identified and conducted at the facility levels in cooperation with GOI and other projects (DFAT and MDB).

## **8. Resourcing**

KIAT will provide adequate staffing and resources for GESI work, recognising that it requires extra time, efforts and activities to reach marginalised groups. In particular, KIAT will provide for a dedicated full time senior position of Deputy Director, GESI and Civil Society Engagement and Research together with two project officers. This recognises that GESI is a relatively new field of work in infrastructure and requires a senior level specialist with authority to engage at a senior level both within the facility and with senior government officials. The position will work strategically and continuously to build relationships and networks with government, private sector and civil society representatives to influence the enabling environment to pursue GESI outcomes and lead the development and management of knowledge for GESI that can support the three outcome areas of the facility. The GESI project officers will support the Deputy Director on day to day operations to ensure quality of GESI implementation across the portfolio of funded activities.

Specific funding will be allocated to support:

- Staffing and activities for effective integration of GESI into KIAT corporate operations and accountabilities (e.g. staff training);
- Training of non GESI focused staff to ensure they are capable of undertaking / overseeing their responsibilities.
- Networking with CSOs and equity champions including government and non-government to build awareness and momentum for influencing strategies;
- Support for specific activities that promote community engagement in national and sub national infrastructure decision making;
- Research activities to address gaps in information on specific issues of GESI;
- Support monitoring and evaluation for KIAT supported activities (e.g. social impact assessments);
- Sharing learning and communications activities.

## **9. First Year Plan**

A number of opportunities were identified to build on GESI work in KIAT including from the existing stock of activities in the transport sector and water and sanitation sector which will be transitioned into the new program. The aim of all activities is to generate knowledge about what works and what is needed to strengthen GESI integration that can be used for future policy dialogues and design of activities. The following activities will be discussed with the KIAT team and other stakeholders as part of developing the first year GESI work plan:

- Integrate GESI processes and accountabilities into KIAT corporate operations for facility and activity levels including development of a GESI Action Plan and review of IndII gender tools and training materials in consultation with stakeholders;
- Conduct a benchmarking exercise with novated activities (e.g. PRIM) to build on good practices and address areas for improvement. This includes building on IndII achievements for GESI such as disseminating Guidelines for Women and Urban Sanitation; joint study with AIPEG on transport constraints for women's labour market participation and promoting policy change to enhance compliance with national laws and regulations for accessible infrastructure development;
- Develop a civil society engagement strategy, based on mapping the current level of CSO involvement in the infrastructure sector, and develop a CSO funding window to enhance engagement at national and subnational level with government and private sector;
- Identify opportunities to support institutional capacity development initiatives for GESI integration at national and / or sub-national level using GOI's own Gender Mainstreaming tools;
- Identify GESI knowledge and data gaps in targeted areas to be identified with stakeholders (and related to KIAT priorities) and collaborate with other DFAT programs (e.g. AIPEG, MAMPU and KSI), other donors, CSOs and universities for research and knowledge to policy initiatives;
- Review case studies and research reports and identify with stakeholders how this data can be used or extended to inform policy work and program development.

# Annex 11: Monitoring and Evaluation Framework

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## 1. Introduction

### 1.1. Background

The Indonesia Australia Infrastructure Partnership (or *Kemitraan Indonesia Australia untuk Infrastruktur* – KIAT) is a 10 year investment funded by the Australian Department of Foreign Affairs and Trade (DFAT), with an indicative budget of A\$300m. KIAT is designed as a flexible and responsive facility, but which nevertheless aims to have a coherent set of longer-term programmatic investments whose overarching aim is to support the improved quality of Indonesia’s own infrastructure spend, which is interpreted to include not only government spending but also funding from private sector and MDBs. Key areas of focus for KIAT are infrastructure funding and financing, water and sanitation, transport, and incorporating gender and social inclusion considerations in infrastructure planning and delivery. The main modus operandi of KIAT will be the provision of high-quality technical assistance in response to agreed-upon requests and priorities. KIAT will take a systems strengthening approach, with a focus on: effective partnerships and reform coalitions, robust joint analysis of problems and solutions, collection and analysis of evidence regarding what works and what doesn’t, and embedding and consolidating reform through a variety of techniques to ensure uptake and sustainability.

KIAT is best understood as a facility that provides responsive support intended to assist the Government of Indonesia in achieving ‘sustainable and inclusive economic growth through improved access to infrastructure for all’, specifically by working toward achieving the following ‘End-of-Facility Outcomes’ (EOFOs):

- Improved GOI policy and regulatory framework for infrastructure development
- High quality projects prepared and financed by GOI, the private sector and / or MDBs
- High quality infrastructure delivery, management and maintenance by GOI

In addition to its contributions in achieving the above EOFOs, other key dimensions of KIAT performance include:

- The significance of KIAT’s contributions to improved access to resilient infrastructure services that improve economic opportunities and the fulfilment of rights, especially for women and marginalised people (including people with disabilities and those who are poor)
- KIAT’s ability to make strategic links to related GOI and GoA initiatives, and particularly to (a) demonstrate influence; and (b) leverage other funds<sup>51</sup>
- KIAT’s ability to make and demonstrate meaningful contributions to stronger Australia-Indonesia relations

As a facility, KIAT will be implemented through a flexible contracting mechanism, where activities will be planned, proposed and agreed over time. Therefore, KIAT can also be understood as a constantly changing portfolio of activities, some of which will inevitably be more successful than others in contributing to its overall performance in line with the dimensions described above. This implies that the facility’s performance can largely be understood in terms of:

- The overall allocation of the portfolio, including the concentration and diversification of risk

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<sup>51</sup> Building on the initial definitions used in the IndII Impact Assessment Team’s second report (dated September 2014), in the context of KIAT, leverage is defined as the use of KIAT funds to synergistically augment and/or enhance the effectiveness of existing public or private expenditure and/or attract future public or private expenditure. Influence is defined as contributions that can be clearly and logically links to changes in policy, practice, or attitudes.

- The individual performance of activities (especially larger or more visible activities)
- The ability adjust to new opportunities, to increase allocations to successful activities, and to minimise the impact of failure of some activities on the overall portfolio

## 1.2. Purpose of Document & Target Audience

This document presents an overarching framework for monitoring and evaluation for KIAT, including by (1) identifying and defining key aspects of KIAT performance, (2) describing the overall strategy for monitoring and evaluation in KIAT, and (3) proposing a general approach to the management and implementation of M&E in KIAT.<sup>52</sup> The approach will be further developed into an operational M&E Plan during the first year of KIAT implementation (2017); both the strategy and framework should also be subject to regular reviews and revisions over the life of KIAT, to accommodate changes in both the facility and the strategy and needs for monitoring and evaluation.

The primary intended users of this document are as follows:

1. **The KIAT M&E Team**, for whom it will serve as a general reference for the operationalisation, implementation, and ongoing refinement of the KIAT M&E system
2. **KIAT management** (Facility Director, technical directors, and managers) and **the DFAT Infrastructure team**, for whom it will serve as the basis of agreement about how information about KIAT's performance should be compiled, analysed, and used, and also as the basis for resource allocations related to the implementation of the KIAT M&E system.

As relevant, this document may also serve as a reference for representatives from the GOI, the KIAT implementation team, and / or KIAT subcontractors and / or consultants.

## 1.3. Structure of this Document

Following this introductory section, Section 2 describes the overall scope and purpose of monitoring and evaluation in KIAT, including by introducing the main components of the KIAT monitoring and evaluation system and describing the various target users of information produced through KIAT monitoring and evaluation processes. Section 3 briefly describes the overall facility logic for KIAT. The facility logic serves as a general reference for the overall KIAT strategy for monitoring and evaluation, which is presented in Section 4. Section 5 lays out a general approach to the implementation of facility-level monitoring and evaluation processes. This is followed by general guidance on the management, communication & use of performance information (Section 6) and the management of monitoring and evaluation processes within KIAT (Section 7).

Three annexes provide (1) additional detail on the anticipated information needs of key stakeholders, (2) an indicative list of performance indicators, and (3) a list of priorities for the first year of KIAT implementation related to the operationalisation and initial implementation of the monitoring and evaluation system.

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<sup>52</sup> This document does not describe M&E plans for specific KIAT activities, which will be developed as necessary over the life of the facility in line with this Framework and the M&E Plan.



## 2. Scope and Purpose of KIAT Monitoring and Evaluation

### 2.1. Scope

This section explains the different components of monitoring and evaluation in KIAT, both in terms of the ‘level’ of focus (whether at the activity level, facility level, or around the larger context in which KIAT operates), and in terms of their purpose and frequency.

In the context of KIAT, **monitoring** is defined as an ongoing process to collect, analyse, and communicate data related to progress and performance. Monitoring is largely focused on describing ‘what’ is happening, and is oriented toward regularly providing information that can be used to make tactical or operational adjustments to continuously improve performance.

**Evaluation** is distinct from monitoring in that it involves judgment about merit or worth (‘evaluative judgment’), and generally occurs at particular points in time rather than on an ongoing basis. In the case of KIAT, evaluation is considered to cover both internal evaluative judgment as well as the conduct of specific evaluation studies. Different from monitoring, evaluation focuses on answering the question ‘so what?’. This information, when combined with an appropriate understanding of the dynamic context in which KIAT operates, can be used to inform the overall strategic direction of the facility and the selection of activities with the potential for high impact (in other words: ‘so what’).

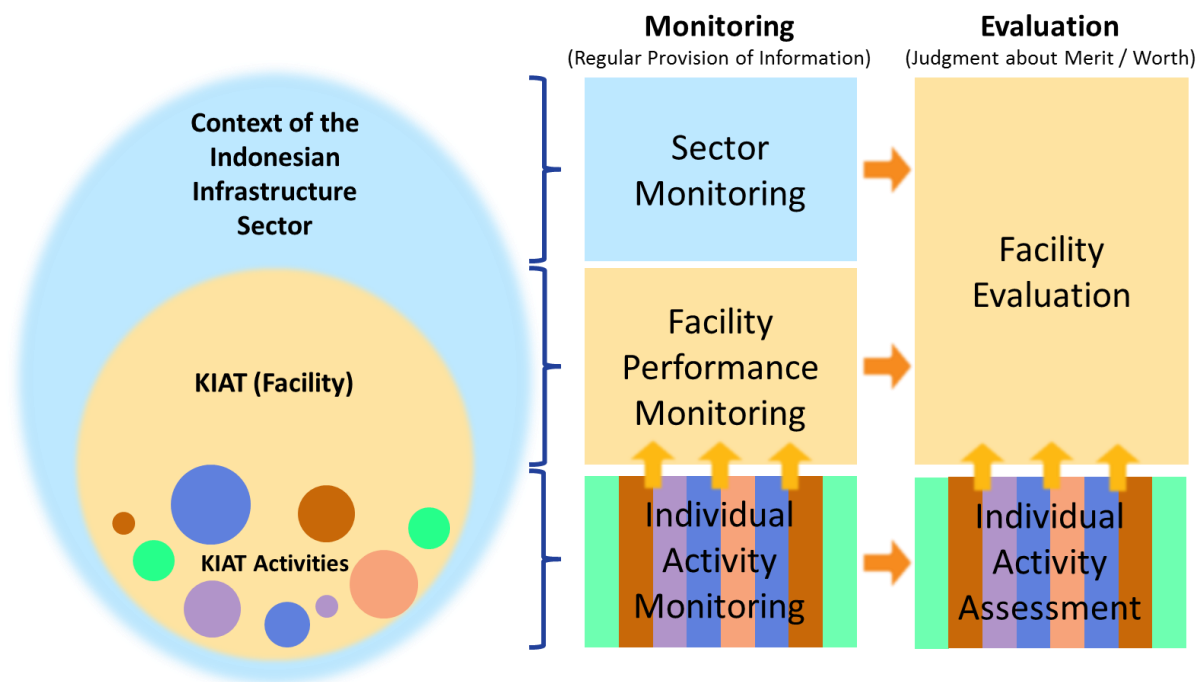
Following on from the distinctions above, 5 components of KIAT M&E are presented below:

1. **Sector monitoring**; in other words, monitoring of developments in the general context of infrastructure in Indonesia, with a specific focus on elements of the infrastructure sector that are related to KIAT’s work or considered potentially relevant for KIAT’s future work.
2. **Facility evaluation**; in other words, assessing the overall merit of the facility and its work, for example in terms of KIAT’s effectiveness in achieving targeted outcomes, in providing meaningful contributions, and in triggering (or helping to trigger) larger systemic changes.
3. **Facility performance monitoring**; in other words, compiling and providing information and feedback on key aspects of KIAT’s performance.
4. **Activity evaluation (or activity assessment)**; in other words, assessing the merit of a particular activity, for example in terms of its effectiveness in achieving targeted outcomes that are in line with the larger KIAT strategy.
5. **Activity performance monitoring**; in other words, compiling and providing information or feedback on agreed-upon aspects of the activity.

The components described above are **interrelated**, in that monitoring information should inform evaluative judgements, and evaluation builds upon monitoring processes to provide additional information for strategic decision-making. The components are also **nested**, in that activity-level information should be able to be aggregated up to the facility level.

The 5 components described above are expressed graphically in Figure 1 below.

**Figure 1: Components of KIAT monitoring & evaluation**



At present, KIAT M&E is not considered to include:

- M&E for activities not funded from the KIAT budget (e.g. infrastructure grants or GOI M&E processes);
- M&E capacity building not related to the implementation of the KIAT M&E framework;
- Research or analytics that are not primarily about KIAT performance.

## 2.2. Purpose

Monitoring & evaluation in KIAT will be conducted for **three purposes**:

First, to **inform decision-making regarding KIAT implementation** at both the strategic and operational levels (both by KIAT management and by the KIAT Management Committee and DFAT);

Second, as a **basis for accountability reporting** to DFAT and GOI; and

Third, to **generate information that forms part of a broader knowledge base** for wider audiences and / or future reference.

Of these three purposes, **the primary focus of KIAT monitoring & evaluation efforts should be to inform effective decision-making**; accountability reporting and the generation of information relevant to broader audiences – while important – should both be considered secondary.

The main purposes of KIAT M&E can be seen more clearly when defining the various information needs of key KIAT stakeholders. These information needs – which must be met through the KIAT M&E system – are presented briefly below, and in more detail in Annex 1. .

1. **KIAT Management** needs:
  - a. Facility-level information about progress against targeted KIAT outcomes and particularly successful / problematic activities, for the purposes of decision-making, structured and ad-hoc communication to DFAT and the Management Committee, and as a basis for strategic reflection and ongoing learning.
  - b. Activity-level information about the status and main results of individual activities, for the purposes of decision-making about new and ongoing activities, ongoing learning about what works and what doesn't, and to respond to ad hoc requests for information from DFAT.
2. The **KIAT Management Committee** needs information about (a) high level progress against KIAT outcomes, (b) allocations across the KIAT 'portfolio', and (c) key issues related to the facility's performance that require the board's attention. Such information is needed as a basis for the provision of strategic guidance to KIAT management and also as the basis for the approval of KIAT plans and resource allocations.
3. The **DFAT Infrastructure Team, KIAT Management, Management Committee, and key GOI Counterparts** need information about high-risk activities or activities which otherwise require management attention, for the purposes of taking informed action as necessary (e.g. to address risks, de-bottleneck, or follow up on previous commitments with other parties).
4. The **DFAT infrastructure team** needs:
  - a. Information about KIAT achievements related to the DFAT Indonesia Performance Assessment Framework (PAF) indicators, for the purposes of completing PAF reporting.
  - b. Information about KIAT's relevance, effectiveness, efficiency, M&E processes, sustainability, efforts to promote gender equality, risk management and safeguards, and efforts to encourage innovation & private sector development, for the purposes of annual Aid Quality Check (AQC) reporting.
  - c. Information about KIAT's results, successes, and challenges for the purposes of preparing annual project reports and public diplomacy efforts.
5. The **KIAT finance team and GOI partner agencies** need information about activity completion and key products provided to the GOI for the purposes of BAST reporting.

### 3. **KIAT Facility Logic**

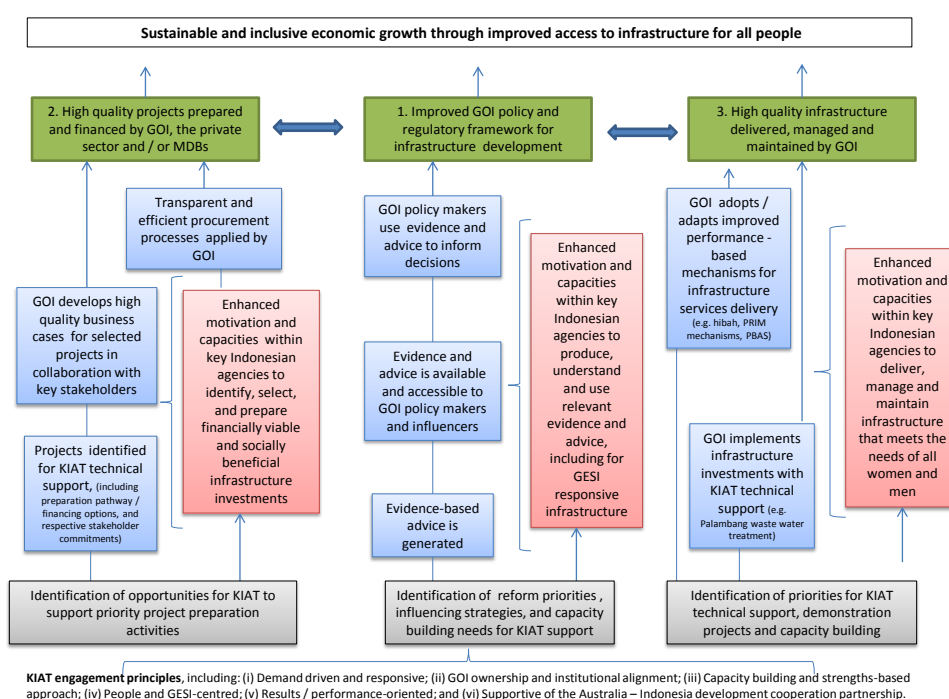
As described in Figure 2 below and in more detail in section 3.3 of the Facility Design Document, KIAT has three main End of Facility Outcomes:

1. An **improved policy and regulatory framework** for infrastructure provision, especially related to priority issues around financing, funding, product identification / prioritisation / selection, project preparation, project delivery, and the effective consideration of gender and social inclusion issues in all of the above. The 'framework' is considered to extend beyond the development of formal policies and regulations, to include issues around the quality of regulations, coherence between policy, coordination between institutions on policy issues, and clarity around authority, roles and responsibilities in policy making.
2. **High quality projects are prepared and financed**, which effectively means that projects selected as targets for KIAT support move into the delivery phase. This outcome is also

considered to potentially include decisions about which projects should go forward, for example if certain projects are deemed to be not feasible / realistic for delivery and therefore should be reconsidered.

3. **GOI delivers, manages, and maintains high quality infrastructure**, which is interpreted to cover both the effects of systemic changes in institutional capacity and incentives, as well as the adoption of specific improved mechanisms for delivery, management, and maintenance. At least initially, this outcome area will likely focus on water, sanitation, transport, and roads investments.

**Figure 2: KIAT Facility Logic**



As described in the Figure 2, KIAT has identified a series of indicative intermediate outcomes which describe the pathways through which the facility may contribute to the achievement of these general outcomes.

This ‘facility logic’ forms the general basis for the overall strategy described in section 4 below, with facility-level evaluation largely pitched at the End-of-Facility Outcome level, and facility-level performance monitoring pitched at the level of activities and nearer-term outcomes.

#### 4. Overall KIAT Monitoring and Evaluation Strategy

This section describes the overall strategy for KIAT monitoring and evaluation, starting with guiding principles and then setting out the facility-level evaluation questions, which serve as a general framework for understanding KIAT’s performance. Questions to guide facility-level performance monitoring and the general approach to performance monitoring and assessment of individual activities are presented the evaluation questions.

#### 4.1. Guiding Principles

The design & implementation of M&E for KIAT should reflect the following **5 overarching principles**:

1. M&E for KIAT should be focused on producing relevant, useful, accessible, and timely information that meets the needs of specific intended users. In other words, the success of KIAT M&E should be seen in terms of its ability to provide the information described in the Purpose section above (or in response to other emerging high-priority needs in line with the overall agreed-upon scope of KIAT M&E) at the appropriate times and in accessible formats, so as to maximise the uptake and use of such information.
2. M&E for KIAT must be sufficiently flexible to be able to accommodate (a) changes in strategy and direction for the facility and (b) emerging needs for performance-related information. In other words, M&E should not be excessively rigid, and should have built-in check points to enable it to adapt over time.
3. M&E design and implementation should be realistic, in the sense that it acknowledges (a) the potentially limited capacity and incentives of KIAT staff, subcontractors and external stakeholders to engage with performance monitoring, evaluation, and / or the results of these activities, and (b) that KIAT's influence over subcontractors and especially over external stakeholders is limited. In light of these considerations, it is important to ensure that the KIAT M&E approach is sufficiently operational within the context of the facility and the infrastructure sector in Indonesia more broadly.
4. M&E should be considered a key element of a larger culture of performance management and learning within KIAT. In other words, the implementation and usefulness of M&E for management decision-making and continuous is heavily dependent on the larger organisational culture, which should be actively cultivated (especially by KIAT management) to focus on performance, learning and continuous improvement.
5. Information sources outside of KIAT will also be drawn on to inform M&E.

The above 5 overarching principles imply an additional **7 operating principles**, which further describe how KIAT M&E should be implemented over the life of the facility:

1. The KIAT M&E framework and plan – as well as the degree they have been operationalised effectively – should be reviewed regularly, both within the M&E team and with KIAT management.
2. Data will be appropriately disaggregated to allow gender and social inclusion issues to be analysed and assessed
3. Mechanisms must be in place to facilitate active interaction and two-way communication between M&E and the intended users of M&E, including at the strategic level.
4. The roll out of the KIAT M&E system should staged, with high priority processes piloted and / or implemented first and the system increasingly developed and refined over time.
5. KIAT needs to provide appropriate capacity building to staff, implementers, and partners.
6. Where relevant, M&E should be integrated with performance incentives for KIAT and the partners / contractors / consultants that implement KIAT activities.

7. M&E should be considered a support function that encourages, facilitates, and enables reflection and learning within KIAT.

#### **4.2. Facility-Level Evaluation Questions**

A total of **7 key evaluation questions** are proposed at the facility level. These questions reflect the various dimensions of KIAT performance, including: (a) being responsive / strategic; (b) contributing to the achievement of agreed upon end-of-facility outcomes, (c) maintaining a line of sight to the economic empowerment of women, and (d) contributing to more systemic change within the Indonesian infrastructure sector.

These 7 questions broadly fall into four categories:

The first key question is around the **relevance** of KIAT's support, especially in terms of the facility's ability to provide support that is both strategic and responsive.

**KEQ1: How strategic is KIAT's support, in consideration of (a) emerging priorities and opportunities and (b) prevailing political and institutional realities in the Indonesian infrastructure sector?**

Secondly, there is a set of questions around the **effectiveness** of KIAT's support, specifically in terms of achieving its desired results. Effectiveness is considered to be a function of KIAT's ability to provide important contributions to the achievement of desired outcomes and / or to provide support that has met the needs of the facility's partners and / or target beneficiaries. Given KIAT's nature as a facility, it is important to note that these questions are largely meant as a set of 'reservoirs' into which the results of KIAT activities and activity streams (including as identified by the M&E for those activities and activity streams) can be compiled.

**KEQ2: (Outcome Area 1): How effectively has KIAT contributed to an improved policy and regulatory framework conducive to infrastructure development?**

**KEQ3: (Outcome Area 2): How effectively has KIAT support to project preparation met the needs of the GOI, the private sector, and / or MDBs?**

**KEQ4: (Outcome Area 3): How effectively has KIAT contributed to higher quality project delivery, management and maintenance by the GOI?**

**KEQ5: (Women's economic empowerment): How effectively has KIAT contributed to improvements in the infrastructure sector which can tangibly or logically linked to improvements in access to infrastructure services for women and marginalised groups?**

The next key question addresses the **sustainability** of change to which KIAT has contributed.

**KEQ6: How likely is it that key benefits from KIAT support will continue to be felt after the conclusion of KIAT investment?**

Finally, there is a further broad evaluation question that is more process-oriented, and more specifically focused on the **appropriateness of KIAT's ways of working**. This question (along with its related sub-questions) is more internal in nature, because it is largely targeted at continuous improvement over the life of the project and as such is intended primarily for internal consumption and as a basis for reflection; however, it is also meant as a mechanism through which DFAT and / or the KIAT Management Committee can conduct high-level oversight as relevant.

**KEQ7: How well has KIAT applied key principles over the course of implementation?**

The scope and coverage of this evaluation question will need to be reviewed and refined over the life of KIAT, but indicatively, this question covers multiple sub-questions as follows:

EQ7.1: (Collaborative approach) Is KIAT working effectively and appropriately in collaboration with key government counterparts, both at the strategic (i.e. Management Committee) and operational (i.e. implementing agency) levels?

EQ7.2: (GESI) Is KIAT maintaining an appropriate focus on women’s empowerment, gender equity and social inclusion?

EQ7.3: (Performance management and learning) Is KIAT taking appropriate efforts to understand, communicate, and learn from its performance?

EQ7.4: (Partnership) Is KIAT working in appropriate ways to strengthen Indonesia-Australia relationships and the Australian economic diplomacy agenda?

EQ7.5: (Value for Money) Is KIAT appropriately applying the Department of Foreign Affairs and Trade’s 8 Value for Money principles?

**4.3. Facility-Level Monitoring Questions**

To provide information to be used as the basis for answering the key evaluation questions above, KIAT will routinely collect and report various types of information, both at the activity- and facility-level. In general, in line with the guiding principle of flexibility which is important considering KIAT’s nature as a facility, facility-level monitoring will incorporate a question-oriented approach. Such a question-oriented approach to monitoring can accommodate a set of pre-defined performance indicators (see Section 5.2 and Annex 2 for more information), but also leaves open room to include various other relevant performance information, including information produced at the activity level. A question-oriented approach is also related to the guiding principle of ensuring that monitoring produces relevant and useful information, since the meaning and implication of indicators and other performance data frequently becomes clearer when such data is collected and used to answer one or more questions.

KIAT’s monitoring questions are linked to the key evaluation questions above in that they cover (a) the relevance and strategic nature of KIAT’s support (Evaluation Question #1), and (b) general immediate and intermediate outcomes which are plausibly linked to KIAT’s targeted higher level outcomes (Evaluation Questions #2-5).

The general monitoring questions are as follows:

Related to the relevance and strategic nature of KIAT’s support:

**MQ1: What have been key developments in the Indonesian infrastructure sector?**

**MQ2: How has KIAT responded to key developments and new opportunities?**

These questions are intended to encourage and enable a broader view of KIAT as a facility within the dynamic context (including the political nature of that context) of the infrastructure sector in Indonesia. It is vital for KIAT to understand, describe and be able to communicate key developments in the context, and also to demonstrate the influence those developments have been incorporated into KIAT’s strategies and ways of working.

Related to the effectiveness and potential sustainability of KIAT’s support:

**MQ3: Immediate Results: What immediate results have been produced by KIAT?**

KIAT’s immediate results are considered to cover both KIAT outputs (i.e. technical deliverables) as well as a broad range of other less tangible results of KIAT activities, including advice, new knowledge and skills provided through capacity building, and facilitated interactions.) Since immediate results are predominantly under the control of the project, understanding their status (and quality – see below) is crucial for internal management and learning (including as a basis to encourage the achievement of higher level targets), and is also highly relevant for overall accountability.

**MQ4: Quality of Immediate Results: What are the indications that KIAT’s support and immediate results have been well-received by their targeted users?**

The quality of KIAT’s immediate results will be a key factor in whether or not the facility is likely to make significant contributions to its expected outcomes. This question focuses on understanding the quality of KIAT’s immediate results, especially (to the degree possible) from the perspective of key stakeholders / target users. Although the definition of quality will vary depending on the immediate result in question, it should generally include both relevance and clarity from the user’s perspective.

**MQ5: Use of immediate results: What are indications that KIAT’s immediate results are being used by key stakeholders / target users?**

This is a general, open-ended question that is intended to enable the capture of various forms of anecdotal evidence about the (possible) use of KIAT’s immediate results. These anecdotal forms of evidence are important as indications of the achievement of higher-level outcomes, which can then be further verified / validated and – where relevant – investigated further.

**MQ6: External Commitments: To what extent are KIAT partners taking actions that were either assumed or explicitly agreed upon as a basis for KIAT support?**

Given KIAT’s nature as a flexible facility that is responsive to GOI needs and is also intended to leverage MDB and private funding, a key determinant of KIAT’s ability to achieve its desired outcomes and promote sustainable change is the extent to which KIAT’s partners uphold their implicit commitments or stated agreements. This question is intended as a mechanism to understand and communicate the status of such commitments and agreements, especially for purposes of de-bottlenecking.

The relationship between the key evaluation questions and the more descriptive monitoring questions is displayed in Table 1 below.

**Table 1: Relationship between Facility-Level Monitoring Questions and Key Evaluation Questions**

	<b>MQ1</b> (key developments)	<b>MQ2</b> (response to key developments)	<b>MQ3</b> (immediate results)	<b>MQ4</b> (quality of immediate results)	<b>MQ5</b> (use of immediate results)	<b>MQ6</b> (external commitments)
KEQ1 (strategic nature of support)	✓	✓				
KEQ2 (effectiveness: outcome area 1)			✓	✓	✓	✓
KEQ3			✓	✓	✓	✓



(effectiveness: outcome area 2)						
KEQ4 (effectiveness: outcome area 3)			✓	✓	✓	✓
KEQ5 (effectiveness: women's economic empowerment)			✓	✓	✓	✓
KEQ6 (sustained benefits)					✓	✓
KEQ7 (adherence to key principles)	<i>To be answered through performance indicators and / or facility-level evaluation.</i>					

#### 4.4. Activity-Level Performance Monitoring and Assessment

As described above, KIAT monitoring and evaluation is ‘nested’: activity-level performance monitoring will provide key information to be incorporated into facility-level performance monitoring, and assessments of individual activities should feed into facility-level evaluation.

##### Modalities

There are two main ‘modalities’ for conducting activity-level performance monitoring and assessment:

- **Internal**, in other words to be conducted by the party responsible for implementing the activity (with support from the KIAT M&E team or other parties as relevant). The internal modality will be predominantly used for performance monitoring, with a primary focus on the progress and outputs / immediate results of the activity. However, where relevant, activities may also be subject to a self-assessment from the implementer upon completion or at key points during the implementation process.
- **External**, in other words to be conducted by the KIAT M&E team and / or an external third party. The external modality will be predominantly used for assessment, and especially to focus on of the quality of key activity outputs and the effectiveness of the activity in achieving its targeted outcomes.

##### Process

The activity-level M&E covers four main steps:

##### Step 1: Quality at Entry.

‘Quality at Entry’ should be understood as quality assurance for the selection and design of activities funded by KIAT, which is important both to ensure that activity designs meet minimum standards, as well as also to ensure that activity-level performance monitoring and assessment can feed into facility-level performance monitoring and evaluation. In implementing Quality at Entry, the M&E team will support KIAT management to conduct a structured assessment of engagement proposals and / or activity proposals. Key elements of quality at entry include:

1. A review of expected opportunities for the activity to:
  - a. Contribute to stated GOI priorities

- b. Leverage existing or future funds
  - c. Influence policy
  - d. Contribute to the achievement DFAT PAF indicators
  - e. Engage with the private sector
  - f. Collaborate with DFAT programs or MDBs
  - g. Facilitate collaboration between Australian and Indonesian institutions
2. A review of the basic ‘logic’ of each, including to ensure that program interventions, expected results (both immediate results and medium-term outcomes), and key assumptions and risks are described with sufficient clarity and completeness and are logically sound.
  3. A review of the links between the expected activity outcomes and KIAT facility outcomes, and how outcomes can be measured.
  4. An assessment of whether the activity appropriately considers gender and social inclusion issues, and whether gender or social inclusion issues are considered a primary focus of the activity.
  5. A review of expected performance monitoring and assessment requirements, and the budget (and, where relevant, performance incentives) related to those requirements.
  6. A review of whether the activity appropriately incorporates lessons learned from previous implementation experience.

## **Step 2: Design and Agreement of Activity-level Performance Monitoring and Assessment.**

The KIAT M&E team will support the implementation unit and / or subcontractors in preparing the design for performance monitoring and assessment at the activity level, including by identifying key questions and / or indicators, sources of information, methods for data collection and analysis, and reporting.

For standard activities, the design will be based on a ‘mix-and-match’ toolkit for internal activity-level performance monitoring and assessment, which will include simple approaches for:

- Milestone and / or output indicator reporting
- Advisor logs
- Structured feedback from target users (focused on the relevance / usefulness of immediate outcomes)
- After action reviews
- Self-assessment at completion

For ‘key’ activities (indicatively defined as activities with a total investment amount over AUD2.5mm, or which are considered to have high strategic or demonstration value), activity designs should include an external component (predominantly for assessment) to enable more robust methods and more credible information, including (indicatively):

- Peer reviews of key products
- External or joint reviews / assessments (including baseline and endline data collection where relevant)

### **Step 3: Activity Performance Monitoring & Assessment Over the Course of Activity Implementation.**

The implementation of activity-level performance monitoring and assessment during the life of activity implementation will follow the agreed-upon design, and must at a minimum include the documentation of all key outputs / immediate results as well as reporting on relevant performance indicators. The M&E team will provide quality assurance and – where necessary – capacity building support for activity-level M&E.

### **Step 4: Activity Completion and Assessment.**

At or after the completion of the activity, the M&E team will facilitate a process that will include (as relevant) the completion of any external assessments, the compilation of feedback from key users, a reflective review of implementation, and the documentation of key lessons learned for future implementation.

## **5. Approach to Implementing Facility-Level Monitoring and Evaluation**

Following on from the KIAT strategy for monitoring and evaluation described above, this section lays out the general approach for implementing the strategy in KIAT. This is generally presented as a list of indicative processes related to sector monitoring, facility-level performance monitoring, and facility evaluation; the approach for individual activities will be developed as part of the activity design, as described in section 4.4 above.

### **5.1. Sector Monitoring – Key Processes**

Sector monitoring will focus on compiling information related to the following:

- Political developments, including significant shifts in personnel, discourse, and prevailing opinions within the government
- Policy developments, especially the proposal or passage of new policies / regulations or the modification or revocation of existing policies / regulations
- Resourcing developments, both related to government allocations of funding as well as announcements of new or modified investment by the private sector, MDBs, or other funders
- Developments among MDBs (specifically ADB & World Bank), especially related to their plans and ongoing activities

Where relevant (depending on the nature of the KIAT portfolio), sector monitoring may be expanded to cover:

- Developments in the quality of infrastructure provision, especially related to KIAT's priority sectors (e.g. water and sanitation and / or transport)<sup>53</sup>
- Developments in relationships between key actors within the infrastructure sector
- Developments in the institutional capacity of key KIAT partner organisations

Key processes for sector monitoring include:

- **Regular (weekly or bi-weekly) media monitoring**, building on the process applied under IndII

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<sup>53</sup> In this sense, the Water and Sanitation Service Index (WSSI) developed under IndII could be considered part of 'sector monitoring'.

- The compilation of information on key sector developments from **KIAT advisors**
- The compilation of information on key sector developments from **meeting summaries** and **back to office reports** prepared by KIAT management and advisors
- Additional targeted studies / data collection efforts as considered necessary

## 5.2. Facility-Level Performance Monitoring – Key Processes

### Open-ended Question-based facility Performance Monitoring

As described under section 4 above, KIAT will need to use a more open-ended approach to monitoring, which will enable the compilation of various types of emergent information about KIAT's performance. Much of this information will come from activity-level performance monitoring and activity assessments; however, KIAT will also need to implement several facility-level processes to compile additional information and to analyse and synthesise performance monitoring information.

These facility-level processes should include:

- An **'impact log'** that can be used to compile general or unelicited feedback from KIAT stakeholders and other users on an ongoing basis.
- The compilation of **structured, periodic feedback from key KIAT stakeholders**. In addition to activity-level feedback, KIAT should request general facility-level feedback from GOI officials or other individuals identified as important stakeholders for KIAT. This feedback should cover:
  - The quality of KIAT support and KIAT outputs
  - Indications of the use of KIAT outputs
  - Any changes in interactions with other stakeholders
  - Key developments in the context (linked to sector monitoring)
  - Other emerging outcome-level changes (including unanticipated changes)
  - Suggestions for improvement to KIAT management or implementation processes

Suggested frequency: at least 6-monthly (as an input for sense-making and reporting)

- The implementation of **episode studies** or other **case studies**. In key instances of policy change (a key PAF indicator to which KIAT is expected to contribute), KIAT should conduct or commission an episode study, which is a specific form of case study that starts from a clear policy change, and works backward to understand the confluence of processes and factors that led to the change (both related to KIAT and external to KIAT). For other cases of interest (not related to policy change), KIAT should conduct or commission an episode study. Considerations for the commissioning of case studies include: instances of significant influence over attitudes or practice; indications of significant leverage; indications of interesting gender- or social-inclusion related outcomes; opportunities for demonstration effects or significant learning.

Episode studies and case studies should be conducted on an ad-hoc basis, with a general target of 4 per year.

- **6-monthly reviews** with each of the KIAT 'directorates'. KIAT management and implementation teams are both a key source and a key user of KIAT M&E. The KIAT M&E

team should facilitate review sessions (between ½ and 1 day) with each ‘directorate.’ These reviews should be generally focus around the Monitoring Questions, and should also facilitate the identification of key lessons and how the answers to the monitoring questions and key lessons can be incorporated into implementation for the next quarterly period.

- **Annual reflection and sense-making sessions** with the KIAT team (potentially including other KIAT stakeholders as well, e.g. DFAT or the advisory board). These 6-monthly sessions are intended to enable the participative discussion and collaborative analysis of various sector monitoring and performance monitoring data (including at the activity level). Facilitated by the M&E team, these sessions should: (a) validate and reflect on performance indicator achievements and the emergent answers to the facility-level monitoring questions, (b) ‘make sense’ of the indicator achievements and emergent answers by identifying key factors (including implicit assumptions) that have contributed to KIAT performance (and under-performance), and (c) identifying the implications of performance information for the KIAT ‘theory of change’ and for future implementation.

### **Indicator-Based Monitoring & Reporting**

As an additional component of facility-level performance monitoring, KIAT will collect and report on a limited number of facility-level performance indicators, which will potentially comprise both quantitative and qualitative indicators. Quantitative indicators will take the form of a count of values, or in some cases a percentage. Qualitative indicators will take the form of a rating scale (or rubric) that quantifies a range of subjective interpretations of a single issue or one or more dimensions of a complex issue.

The proposed indicators can be classified into three main categories:

**Type 1:** Indicators which describe **overall facility-level performance**, either in terms of (a) the achievement of key results at the output / outcome level, or (b) KIAT’s ways of working, in terms of general facility processes. This includes indicators from the DFAT Indonesia Performance Assessment Framework (PAF). 6 existing PAF indicators have been identified as potentially relevant for KIAT:

- PAF Indicator #1: Amount of funding (public and private) leveraged for infrastructure projects, investment and advice
- PAF Indicator #21: Number of instances where KIAT support has resulted in improved policy
- PAF Indicator #6: Number of substantive engagements with private sector organisations<sup>54</sup>
- PAF Indicator #2: Distance (km) of roads constructed, rehabilitated or maintained
- PAF Indicator #9: Number of women and men with improved access to safe water and basic sanitation services
- PAF Indicator #18: Number of people, especially women and marginalised groups, who participate in activities to improve policy

**Type 2:** Indicators which describe overall the ‘allocation’ (i.e., distribution of activities and funding) of the KIAT portfolio across a variety of dimensions.

These indicators require a general and ongoing analysis of the KIAT portfolio, which is linked to the quality at entry process.

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<sup>54</sup> The current version of the PAF indicator is ‘Increased engagement with private sector organisations for pro-poor development’, and as currently defined ‘engagement’ requires ‘a formal relationship, supported by a mutually agreed written document’; thus the proposed indicator may not contribute to the PAF without further harmonisation.

**Type 3:** Indicators which describe the aggregate progress of KIAT in implementing its agreed-upon plans.

These indicators will rely on KIAT's internal project management systems to track the status of activities against expected deliverables.

An indicative list of indicators is proposed in Annex 2. This list of indicators, as well as their detailed definitions and means of calculation, will be developed and agreed as part of the operationalisation of the KIAT M&E System in Year 1.

For some indicators, relevant targets may be set on an annual basis as agreed between KIAT management, the KIAT Management Committee, and DFAT. Other indicators may not have explicitly set targets, but are instead used for aggregate reporting and as a basis for discussions of KIAT performance and strategy.

### **5.3. Facility-Level Evaluation – Indicative Processes**

The 7 KIAT Key Evaluation Questions will be answered by synthesising information produced through the other components of the KIAT monitoring and evaluation system, and supplementing such information with additional data collection and analysis as necessary. Indicatively, the three main processes envisioned for facility-level evaluation are described below.

#### **Brief Facility Reviews by External Experts**

KIAT should develop and maintain relationships with several **advisors** who are familiar with the facility and who can conduct **objective assessments** that provide **succinct answers** to one or more evaluation questions as well as list of **realistic, actionable key recommendations** on how KIAT performance can be improved related to the area in question.<sup>55</sup> In general, the reviews should be brief (15-25 person days), and should be based on desk reviews and discussions with both KIAT management / staff and key stakeholders.

At least in the initial period of KIAT implementation, **the main focus of these brief reviews should be on KEQ7** (how well KIAT is applying its key principles) and the corresponding sub-questions that correspond to the implementation of particular principles. However, the Strategic Advisory Panel could potentially shift its focus over time to also look at other KEQs (or other elements of facility performance) as considered relevant by KIAT Management and / or DFAT.

Reviews should be conducted annually, and timed to feed into KIAT annual internal reviews (discussed below) and / or board meetings. So as not to produce an overwhelming amount of information, only a small number of reviews should be conducted each year. Reviews could be conducted on a staggered basis, for example:

Odd years (potentially starting in 2017) – 3 reviews related to:

- KIAT's approach to working collaboratively with GOI at the strategic & operational levels (EQ7.1),
- KIAT's focus on women's empowerment, gender equity and social inclusion (EQ7.2)
- KIAT's efforts to understand, communicate, and learn from its performance (EQ7.3)

Even years (starting in 2018) – 2 reviews related to:

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<sup>55</sup> As relevant and needed, advisory panel members could potentially be contracted to provide follow-on support related to the implementation of key recommendations.

- The ways KIAT is working to strengthen Indonesia-Australia relationships and the Australian economic diplomacy agenda (EQ7.4)
- Value for Money principles (EQ7.5)

The KIAT M&E team and KIAT management will need to identify the focus and requirements for each review and prepare Terms of Reference accordingly. This should be done with collaborative input from DFAT.

### **Annual Internal Facility Assessments**

A second mechanism for answering the KIAT Key Evaluation Questions is an annual internal assessment, which should be considered an extension of the annual sense-making and reflection sessions that are described in the approach to facility performance monitoring above. Whereas the sense-making and reflection sessions are focused on validation, reflection, and synthesis, the internal review should go a step further to provide a high-level assessment about the overall ‘merit’ of KIAT (framed in terms of indicative answers to the KEQs). The assessment should be based on all of the various evidence related to KIAT performance compiled over the course of the year, and to identify any gaps in either performance or evidence. These assessments should be timed to feed into annual reporting cycles and / or KIAT Management Committee meetings.

The main focus of the annual internal review should be on KEQs 2, 3, 4, and 5 (the degree to which KIAT is contributing to achieved outcomes). While management and implementation processes are still being established and institutionalised during the initial phase of KIAT, an additional focus on KEQ1 (strategic nature of support) and / or KEQ7 (application of principles) may be warranted. In later years of the facility, a focus on KEQ6 (sustainability) may be appropriate.

A key aspect of the internal review will be the development of a general rubric that describes several ‘levels’ of KIAT facility-level performance for key dimensions each of the KEQs; this rubric will then serve as a general framework against which performance can be assessed internally.

### **Outcome Harvesting**

Outcome harvesting is a method that has been proven useful in complex situations where interventions and expected results are not clearly defined from the outset, where the focus is evaluating outcomes rather than activities, and where there is a desire to learn about change processes and the contribution of various outcomes / interventions to larger change.<sup>56</sup> This means that outcome harvesting is potentially highly suited to KIAT, and in fact, the overall approach to KIAT monitoring and evaluation described in this framework follows an outcome harvesting type-approach, in that indications of outcomes to which KIAT has contributed are compiled from various sources, and then emerging outcomes are substantiated and validated (for example through activity assessments, case studies, feedback sessions with stakeholders, or regular sense-making and reflection sessions) and fed back for further discussed with users.

However, KIAT should also undertake a **more formal outcome harvesting process**, which externally validates and supplements the various forms of internally generated performance information, and produces targeted answers to KIAT’s KEQs. This process should be focused on answering **KEQs 2, 3, 4, and 5 (generally, the degree to which KIAT has been effective contributing to desired outcomes)**. However, by prioritising a focus on strategic outcomes and those that have the potential to yield sustained benefits, the outcome harvesting exercise can also be

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<sup>56</sup> For more information, see for example: [http://betterevaluation.org/en/plan/approach/outcome\\_harvesting](http://betterevaluation.org/en/plan/approach/outcome_harvesting)

oriented toward providing answers to **KEQ 1 (How strategic is KIAT's support)** and **KEQ 6 (How likely is it that key benefits from KIAT support will continue to be felt after the conclusion of KIAT investment)**. Where necessary, an additional evaluator (potentially a member of the Strategic Advisory Panel) could be included in the harvester team to focus specifically on one or both of these questions.

To enable time for outcomes to emerge, but also to feed key information back to KIAT management, DFAT and the KIAT Management Committee for strategic direction, the formal outcome harvesting exercise is proposed to be **conducted tri-annually** after third, sixth, and ninth year of implementation (starting in 2020).

### **Evaluation Schedule**

The following diagram illustrates the projected schedule of facility-level evaluation activities over the 10-year life of KIAT compared to the 7 Key Evaluation Questions:



## KIAT Facility-Level Evaluation Processes

KEQ	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
1: How strategic is KIAT's support, in consideration of (a) emerging priorities and opportunities and (b) prevailing political and institutional realities in the Indonesian infrastructure sector?	▲	▲	▲	◆	▲		◆			◆
2: How effectively has KIAT contributed to an improved policy and regulatory framework conducive to infrastructure development?		▲	▲	◆	▲	▲	◆	▲	▲	◆
3: How effectively has KIAT support to project preparation met the needs of the GoI, the private sector, and/or MDBs?		▲	▲	◆	▲	▲	◆	▲	▲	◆
4: How effectively has KIAT contributed to higher quality project delivery, management and maintenance by the GoI?		▲	▲	◆	▲	▲	◆	▲	▲	◆
5: How effectively has KIAT contributed to improvements in the infrastructure sector which can tangibly or logically linked to improved access to infrastructure services for women and marginalised groups?		▲	▲	◆	▲	▲	◆	▲	▲	◆
6: How likely is it that key benefits from KIAT support will continue to be felt after the conclusion of KIAT investment?				◆		▲	◆	▲	▲	◆
7: How well has KIAT applied key principles over the course of implementation?	● ▲	● ▲	● ▲	● ▲	● ▲	●	●	●	●	

**KEY:** ● Brief External Reviews; ▲ Internal Facility Assessments; ◆ Outcome Harvesting

## 6. Management, Communication & Use of Performance Information

More detailed arrangements for information management, reporting, and the use of performance information generated through the KIAT monitoring and evaluation system will be developed as part of the operationalisation process in Year 1. Key parameters for these processes are presented below.

### Management of Performance Information

Facility- and activity-level performance information and other documents related to the KIAT monitoring and evaluation system will be consolidated and stored in a **cloud-based shared drive**, and be accessible through the **KIAT Management Information System (MIS)**. This system should be developed iteratively over the life of KIAT, where possible building upon existing systems (including the IndII MIS) rather than starting from scratch. At a minimum, this system should provide user-friendly access to (a) information about the current status of KIAT activities and technical

deliverables, (b) activity design documents, key activity deliverables, and activity assessments, (c) final versions of all documents produced through the KIAT monitoring and evaluation system, and (d) performance indicator data, including an interactive dashboard summarising performance indicator achievements. The MIS should also include an ‘outcome database’ to manage information for outcome harvesting processes.

## **Reporting**

The KIAT monitoring and evaluation system will be oriented to producing **6-monthly facility monitoring reports**. The primary audiences for these reports are DFAT and the KIAT Management Committee. These reports will be loosely structured around the KIAT Monitoring Questions, but will also include lessons learned, key results from assessments of individual activities, and the results of any facility-level evaluation activities. Reports will be relatively **brief** (no more than 25 pages) and well sign-posted. Executive summaries (no more than 5 pages) will also be provided. As necessary, additional relevant information will be included in annexes or via links to documents stored on line.

Key performance information should also be **presented to the KIAT Management Committee** (and, potentially, to Independent Experts), either in a dedicated session at formal meetings, or as part of pre-meeting briefings.

In addition to 6-monthly reports, the KIAT MIS will enable the **regular generation of a series of simple reports** using data already stored within the MIS. These content and format of these reports will be agreed with KIAT management (and, where relevant, DFAT or other users).

## **Use of performance information**

The overall design of the KIAT monitoring and evaluation system – but especially the quality at entry process, 6-monthly reviews, annual reflection and sense-making sessions, and annual internal reviews – is intended to ensure that it is **integrated with KIAT management and implementation processes**, rather than as a separate add-on activity. A key determinant of the effectiveness of this approach in encouraging the use of KIAT performance information is the ability of the KIAT M&E team to play a **positive and constructive role**, and to effectively **engage with and support** KIAT management, staff, and implementing partners. Recruitment for all M&E-related positions should take into consideration not only technical skillsets, but also the soft skills that will enable staff and consultants to act as facilitators and critical friends as necessary.

A second strategy for encouraging the use of performance information is to require KIAT management to provide **management responses to key recommendations** generated from external assessments of individual activities and facility-level external reviews.

A third strategy for encouraging the use of performance information is to **link facility-level performance monitoring to performance payments to the KIAT Managing Contractor**, for example by agreeing a series of targets that represent minimum results that must be achieved (‘hurdle targets’) or more difficult targets, of which a certain proportion should be achieved (‘stretch targets’). Performance targets and corresponding incentives should be agreed upon between DFAT, the KIAT Managing Contractor, and KIAT Management.

## **7. Management of Monitoring and Evaluation**

As with the previous section, more detailed arrangements for the management of M&E will be included in the M&E Plan to be developed during Year 1. Key considerations are presented below.

## Organisational Structure and Staffing

KIAT monitoring and evaluation will be managed through an ‘**Performance and Communications**’ unit that reports directly to the KIAT Facility Director, and is responsible for coordinating the implementation of all facility-level monitoring and evaluation processes (sector monitoring, facility performance monitoring, and facility evaluation). The KIAT implementation teams (under management of the KIAT technical directors) will be responsible for all activity-level performance monitoring and assessment, with technical support and quality assurance from the M&E and Communications unit as required.

The M&E and Communications unit should be staffed at a minimum with:

- an international-level manager who is responsible for the overall management and performance of the unit,
- a coordinator who supports the manager and is also responsible for supporting the implementation teams on activity-level performance monitoring and assessment, and
- one or more officers who are responsible for the compilation and management of all performance-related data

Additional technical support for the M&E and Communications unit (for evaluation design, analysis, facilitation, quantitative data collection, and capacity building) should be provided on an as-needed basis through standing offers and / or draw down contracts with qualified consultants or organisations.

## Flexibility and Iterative Improvement

As reflected in the guiding principles, a key component of the success of monitoring and evaluation in KIAT will be the flexibility for the overall approach to monitoring and evaluation to evolve over time and as needs change.

This M&E Framework (and the corresponding M&E Plan) should therefore be subjected to a **structured annual review**, which is based on both reflections from the M&E and Communications Unit as well as feedback from key users of performance information (at least: KIAT Management and DFAT). This review should also guide adjustments in staffing and resourcing. Given that the overall approach to monitoring and evaluation may evolve significantly and is also likely to fluctuate from year to year, is important to maintain a structure and budget that allows for sufficient flexibility for amendments over time and as needs change. Staffing arrangements and budgets for technical support and the implementation of monitoring and evaluation processes should be reviewed on an annual basis, with flexible contracting mechanisms that enable the scale up or scale back of support as relevant.

To facilitate continuous improvement on ways of working and generate reflections for use in the annual review, the M&E and Communications Unit should conduct a **6-monthly reflection** on the unit’s own performance. Similar to the 6-monthly reviews with the other ‘directorates’, this review should identify key lessons and how those lessons can be incorporated into the implementation of the monitoring and evaluation system in the future.

## Annex 1 – Information Needs of Key Stakeholders

Who	Level	Needs information about:	For purposes of:	When
DFAT Infrastructure Team	Facility	<ul style="list-style-type: none"> <li>PAF achievements: Funds leveraged, Policies improved, KM of roads, WatSan connections</li> </ul>	<ul style="list-style-type: none"> <li>Completing PAF reporting</li> </ul>	June-July
DFAT Infrastructure Team	Facility	<ul style="list-style-type: none"> <li>Supporting information related to AQC areas: Relevance, Effectiveness, Efficiency, M&amp;E, Sustainability, Gender Equality, Risk management &amp; safeguards, Innovation &amp; Private Sector</li> </ul>	<ul style="list-style-type: none"> <li>Completing AQC's</li> </ul>	January-February
DFAT Infrastructure Team	Facility	<ul style="list-style-type: none"> <li>KIAT results, successes, &amp; challenges</li> </ul>	<ul style="list-style-type: none"> <li>Preparing annual project reports</li> </ul>	January
KIAT Board	Facility	<ul style="list-style-type: none"> <li>High level progress against KIAT outcomes / objectives</li> <li>Allocation across KIAT 'portfolio'</li> <li>Key questions to be addressed by board</li> </ul>	<ul style="list-style-type: none"> <li>As a basis for approval of KIAT plans and resource allocations</li> <li>As considerations to provide strategic guidance</li> </ul>	Prior to board meetings
KIAT Management Team	Facility / Activity	<ul style="list-style-type: none"> <li>Progress against KIAT outcomes / objectives</li> <li>Particularly successful / problematic activities</li> </ul>	<ul style="list-style-type: none"> <li>Decision-making</li> <li>Structured and ad-hoc communication to DFAT and board</li> <li>As a basis for strategic reflection and ongoing learning</li> </ul>	Ongoing, and as part of 6-monthly reporting processes
DFAT Infrastructure Team, KIAT Management, Board, GOI Counterparts	Activity	<ul style="list-style-type: none"> <li>High-risk activities or activities which otherwise require management attention</li> </ul>	<ul style="list-style-type: none"> <li>To take informed action as necessary (to address risks or de-bottleneck)</li> </ul>	As relevant
KIAT Management Team	Activity	<ul style="list-style-type: none"> <li>The status and main results of individual activities</li> </ul>	<ul style="list-style-type: none"> <li>Decision-making about new and ongoing activities</li> <li>Ongoing learning about what works and what doesn't</li> <li>To respond to ad hoc requests for information from DFAT</li> </ul>	Ongoing
KIAT finance team & GOI (partner agencies)	Activity	<ul style="list-style-type: none"> <li>Activity completion and key products provided</li> </ul>	<ul style="list-style-type: none"> <li>BAST reporting</li> </ul>	As activities are completed

## Annex 2 – Indicative Performance Indicators

#	Indicator Name	ALIGNMENT		Disaggregated By	notes
		DFAT PAF	KIAT-SPECIFIC		
<b>Indicators of OVERALL FACILITY PERFORMANCE (including DFAT PAF Indicators) – Facility Outputs / Outcomes</b>					
1	Amount of funding (public and private) leveraged for infrastructure projects, investment and advice	PAF #1		Source of funding (GOI / MDB / private) Status of funding (committed / projected)	
2	Number of instances where KIAT support has resulted in improved policy	PAF #21		---	
3	Number of women and men with improved access to safe water and basic sanitation services	PAF #9		Contribution (direct / indirect)	This indicator will be collected and reported on for KIAT-funded activities which are identified at the activity design stage as providing direct or meaningful indirect contributions to access to safe water and / or basic sanitation services.
4	Distance (km) of roads constructed, rehabilitated or maintained	PAF #2		Contribution (direct / indirect)	This indicator will be collected and reported for KIAT-funded activities which are identified at the activity design stage as providing meaningful direct or meaningful indirect contributions to road construction, rehabilitation, or maintenance.
5	Aggregate client satisfaction		✓	Delivery modality Size of activity investment	This indicator will be collected and reported for GOI officials (or representatives from other KIAT partners) who are identified as the main counterpart for KIAT activities over AUD 100,000. For activities with a duration of over 1.5 years, satisfaction data and feedback will be collected annually and at completion; for activities with a duration of less than 1.5 years, satisfaction data and feedback will be collected at completion.
<b>Indicators of OVERALL FACILITY PERFORMANCE (including DFAT PAF Indicators) – PROCESS</b>					
6	Number of substantive engagements with private sector organisations	PAF #6 <sup>57</sup>	(see footnote)	---	
7	Number of people, especially women and marginalised groups, who participate in activities to improve policy	PAF #18		Gender (male / female) Marginalised Group	This indicator will be collected and reported for KIAT-funded activities which are identified at the activity design stage as facilitating external policy advocacy.
8	Number of instances of substantive		✓	Status (ongoing / complete)	

<sup>57</sup> The current version of the PAF indicator is ‘Increased engagement with private sector organisations for pro-poor development’, and as currently defined ‘engagement’ requires ‘a formal relationship, supported by a mutually agreed written document’; thus the proposed indicator may not contribute to the PAF without further harmonisation.

#	Indicator Name	ALIGNMENT		Disaggregated By	notes
		DFAT PAF	KIAT-SPECIFIC		
	collaboration between KIAT and other DFAT programs.			Program	
9	Number of instances of substantive collaboration between KIAT and the World Bank and ADB.		✓	Status (ongoing / complete) Institution (World Bank / ADB)	
10	Number of instances of substantive collaboration between Australian and Indonesian institutions facilitated by KIAT		✓	Status (ongoing / complete)	
11	% of KIAT investment assessed at entry as appropriately considering gender and social inclusion issues		✓	---	This indicator will be based on the results of the quality at entry process (specifically for gender and social inclusion issues), aggregated to the portfolio level
12	% of KIAT investment assessed at entry as meeting minimum criteria for quality at entry		✓	---	This indicator will be based on the results of the quality at entry process, aggregated to the portfolio level
13	% of KIAT activities assessed at implementation as having effectively addressed gender and / or social inclusion issues	*KIAT equivalent of PAF #24	✓	---	This indicator will only apply activities with a total investment above a certain amount (TBD). Activities with a duration of over 1.5 years will be addressed annually and at completion; Activities with a duration of less than 1.5 years will be addressed at completion.
14	Aggregate quality of engagement* with key GOI decision-makers		✓	GOI Agency Echelon	This is a qualitative indicator to measure the quality (frequency and significance) of engagement with Echelon I and II GOI officials identified as key decision-makers for areas of KIAT focus
<b>ALLOCATIONS ACROSS THE KIAT Portfolio (by Share of Investment value)</b>					
14	% of KIAT investment having a primary focus on gender and / or social inclusion issues		✓	Status of investment (proposed / approved)	
15	% of KIAT investment by main government counterpart*		✓	Status of investment (proposed / approved)	
16	% of KIAT investment by sector (e.g. water & sanitation, roads, mass transport, cross-sector, etc.)		✓	Status of investment (proposed / approved)	
17	% of KIAT investment by main delivery modality (e.g. embedded advisors, technical subcontract (direct appointment), technical subcontract (open tender), research / advocacy grants, etc.).		✓	---	

#	Indicator Name	ALIGNMENT		Disaggregated By	notes
		DFAT PAF	KIAT-SPECIFIC		
<b>Indicators of Aggregate Facility Progress</b>					
17	Proportion of targeted cumulative TA deliverables already delivered		✓	Year Outcome area Sector	This indicator will be calculated as follows: Numerator: The actual cumulative TA deliverables accepted as delivered to date Denominator: The planned cumulative TA deliverables accepted as delivered to date

### **Annex 3 – Priorities for KIAT Year 1**

Key priorities related to the operationalisation and implementation of monitoring and evaluation for KIAT Year 1 (the transition year from IndII to KIAT) are as follows:

- Recruitment and contracting of M&E staff
- Recruitment and contracting of M&E technical support
- Recruitment / finalisation of expert reviewer panel
- Operationalisation of M&E Framework
  - Development of M&E Plan
  - Socialisation of M&E Framework & M&E Plan
  - Activity Proposal formats & Quality at Entry mechanism
  - Development / formalisation of key indicators (including reference sheets) & indicator database
  - Development of open-ended performance monitoring tools:
    - Impact log
    - Stakeholder feedback
    - Process for 6 monthly reviews
    - Process for annual reflection & sense-making
  - Development & socialisation of ‘Mix & Match’ M&E Toolkit for activity-level M&E
  - Development of rubrics to assess KEQs
  - Development of MIS
  - Knowledge Management protocols
- M&E Activities:
  - Establishment of Sector Monitoring processes (Media monitoring + updates from advisors)
  - Quality at Entry & M&E design for new / carried-over activities
  - Performance indicator data collection & reporting
  - Design & implementation of activity assessments for 4 carried-over activities + Australia Indonesia Infrastructure Research Awards
  - External review: collaborative approach (to be confirmed)
  - External review: gender (to be confirmed)
- Capacity Building Activities
  - Introductory training on ‘program logic’ and M&E design for KIAT M&E team and KIAT M&E officers
  - Internal discussions & on the job training for elements of the ‘Mix & Match’ M&E Toolkit
- Planning & Iterative improvement
  - 6 monthly reflection session

Annual review of M&E Framework, including review of resource allocations for Year 2



## Annex 12: Risk Management Plan

This section identifies key risks for KIAT and a plan of action to mitigate and manage those risks.

Probability of Risk Occurring (P)	Impact of Risk Occurring (I)				
	Negligible = 1	Minor = 2	Moderate = 3	Major = 4	Severe = 5
Almost Certain = 5	Moderate = 2	Moderate = 2	High = 3	Very High = 4	Very High = 4
Likely = 4	Moderate = 2	Moderate = 2	High = 3	High = 3	Very High = 4
Possible = 3	Low = 1	Moderate = 2	High = 3	High = 3	High = 3
Unlikely = 2	Low = 1	Low = 1	Moderate = 2	Moderate = 2	High = 3
Rare = 1	Low = 1	Low = 1	Moderate = 2	Moderate = 2	High = 3

IRR: Initial Risk Rating | RE: Responsible Entity | RRR: Residual Risk Rating

Risk and Responsibility	P	I	IRR	Impact on program	Actions to ameliorate risk	RE	RRR	Approach to mitigate impact
<b>Transition and Negotiations</b>								
FDD not approved	1	5	3	<ul style="list-style-type: none"> <li>Design would have to be undertaken again</li> <li>Contract extension not exercised</li> <li>DFAT have to retender the program</li> </ul>	<ul style="list-style-type: none"> <li>Open communication with stakeholders throughout the design process to ensure a 'no surprises approach'</li> <li>Address any concerns early and comprehensively</li> </ul>	Cardno DFAT	1	Clear communication on DFAT and GOI expectations from the design team. Design team adhere strictly to SoR.
Contract Negotiations Fail	1	5	3	<ul style="list-style-type: none"> <li>DFAT have to go back to market</li> </ul>	<ul style="list-style-type: none"> <li>Open and transparent dialogue between Cardno and DFAT to ensure VFM for DFAT and acceptable commercial result for Cardno</li> </ul>	Cardno DFAT	1	Open and transparent dialogue on facility implementation requirements.
Delays in FDD approval	3	2	2	<ul style="list-style-type: none"> <li>Potential gaps emerge in continuity of activities to be transitioned from IndII to KIAT</li> </ul>	<ul style="list-style-type: none"> <li>Request DFAT provides consolidated and consistent comments on draft FDD</li> <li>Work closely with DFAT to ensure feedback and comments of peer review are included in final design. Proactive discussion to clarify issues</li> </ul>	Cardno DFAT	2	Effective communications and liaison with DFAT
Late commencement of implementation contract	4	3	3	<ul style="list-style-type: none"> <li>Transition of activities from IndII to KIAT not concluded prior to IndII contract end</li> <li>No activity continuity</li> <li>Loss of activity momentum</li> <li>Reputational damage (GOI)</li> </ul>	<ul style="list-style-type: none"> <li>Move KIAT transition resources to design contract for early work on transition</li> <li>Work closely with IndII and DFAT for smooth transition</li> </ul>	Cardno IndII DFAT	2	Early start to work transitioning activities from IndII to KIAT
Activity design off track or not entirely appropriate for KIAT	3	2	2	<ul style="list-style-type: none"> <li>Activities not aligned to KIAT's approach</li> <li>Reduction in GOI by-in</li> </ul>	<ul style="list-style-type: none"> <li>Review activity scope of services and consider Contract amendment for revised scope of work</li> </ul>	Cardno	1	Revisions to activities set KIAT activities on track to meet desired outcomes
Delay in contract	2	4	2	<ul style="list-style-type: none"> <li>Causes a delay in KIAT implementation</li> </ul>	<ul style="list-style-type: none"> <li>Work with DFAT to expedite negotiations to</li> </ul>	Cardno	1	Ongoing communication

Risk and Responsibility	P	I	IRR	Impact on program	Actions to ameliorate risk	RE	RRR	Approach to mitigate impact
negotiations					<ul style="list-style-type: none"> <li>ensure effective handover within IndII's contract period</li> <li>Ensure that Cardno takes a pro-active attitude to contract negotiations and responds to all enquiries / requests as quickly as possible</li> </ul>	DFAT		Cardno proactive to respond to contractual issues
Delay in critical information from IndII results in slower transition of activities'	3	4	3	<ul style="list-style-type: none"> <li>Current activities are delayed, with continuity compromised</li> <li>GOI confidence in KIAT delivery reduced</li> </ul>	<ul style="list-style-type: none"> <li>Establish weekly meeting with IndII and DFAT to enable early identification of transition issues / strategy</li> <li>Lessons learned workshop with DFAT and SMEC</li> <li>Delays in IndII handing over highly valued IndII MIS for foundation of system for KIAT</li> </ul>	DFAT Cardno IndII	2	Triangulate information to develop transition plan On-going three party discussions to resolve issues Engage directly with contract / service providers
Ineffective transition period slows program implementation	3	3	3	<ul style="list-style-type: none"> <li>Lack of stakeholder trust due to delays and confusion</li> </ul>	<ul style="list-style-type: none"> <li>Highly experienced program and corporate team, with transfer of some key IndII resources to KIAT</li> <li>Proactive approach to stakeholder engagement, operations and risk management</li> <li>MIS provides up to date information and coordination, automatically highlighting where task completion is lagging</li> </ul>	Cardno DFAT	1	Build key relationships with GOI agencies DFAT supports handover of key documents, including MIS
ARF rates not competitive in global market	3	3	3	<ul style="list-style-type: none"> <li>Compromise on the quality of team</li> <li>Risk to achieving KIAT outcomes</li> </ul>	<ul style="list-style-type: none"> <li>Submission to DFAT for Premium rates to secure team with the best match to Terms of Reference</li> <li>If rates become an issue for securing appropriately skilled resource, discuss with DFAT</li> <li>Discuss indirect benefits of participation in KIAT with potential team members</li> </ul>	Cardno DFAT		Be prepared to pay higher rates for team with high skills, but still delivering value for money
<b>Management and Implementation</b>								
Infrastructure investment climate not conducive for private sector investment	3	4	3	<ul style="list-style-type: none"> <li>Project preparation remains poor / lacks private investment</li> <li>Multilateral funding cannot be leveraged</li> <li>Overlaps or gaps resulting in decreased VfM</li> <li>Poor contract administration / cost overruns / disputes</li> </ul>	<ul style="list-style-type: none"> <li>Appointment of strong Deputy Director for Private Sector &amp; MDB Engagement and Project Finance</li> <li>Leverage partnerships with large multi-nationals such as the IFC, World Bank</li> <li>Engage with technical specialists to build GOI capacity to develop proposals attractive to investors</li> <li>Support GOI to develop a regulatory framework and business environment conducive to investment</li> <li>Conduct business enabling workshop with AIPEG</li> <li>GOI sponsored donor forums to strengthen coordination</li> </ul>	Cardno GOI DFAT	2	Build private sector relationships KIAT responsive to information requests Implementation plans and timelines updated Continued GOI engagement

Risk and Responsibility	P	I	IRR	Impact on program	Actions to ameliorate risk	RE	RRR	Approach to mitigate impact
					<ul style="list-style-type: none"> <li>▪ KIAT assists in the development of systems and documentation</li> </ul>			
Staff turnover leads to loss of momentum and sustainability	3	3	3	<ul style="list-style-type: none"> <li>▪ Reduced momentum of facility and reduction of ownership by GOI agencies</li> <li>▪ KIAT objectives compromised</li> </ul>	<ul style="list-style-type: none"> <li>▪ Effective handover as KIAT team members are recruited and replaced</li> <li>▪ Lead Advisers to coordinate with GOI counterpart replacements to promote KIAT objectives</li> </ul>	Cardno GOI	2	Effective replacement of team members Continued by-in by GOI counterparts and agencies
M&E fails to produce relevant, actionable information on progress and results	3	3	3	<ul style="list-style-type: none"> <li>▪ Cannot demonstrate activity / facility effectiveness</li> <li>▪ Lack of information to make strategic corrections</li> <li>▪ Inefficient use of resources</li> <li>▪ Support for program declines</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dedicated resources for M&amp;E led by Manager, Performance and Communications,</li> <li>▪ Focus on relevant, actionable M&amp;E</li> <li>▪ Regularly disseminate findings in clear, concise formats</li> </ul>	Cardno DFAT GOI	2	Robust M&E Design that is reviewed regularly over the course of implementation, including involving strategic users from DFAT and GOI Ensure appropriate mechanisms (e.g. Management Committee) for adjustments to individual activities and overall facility direction
Assets or funds are diverted or misused through fraud and corruption impacting on GJI and DFAT reputation	3	3	3	<ul style="list-style-type: none"> <li>▪ Fraud and corruption undermines integrity</li> <li>▪ Funds leakage compromises GOI and DFAT partnership</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implement Cardno's zero tolerance fraud and corruption policies, including prevention, management and mitigation</li> <li>▪ Develop anti-fraud and corruption compliance culture including fraud management and complaints handling</li> <li>▪ Undertake regular internal and external audits</li> </ul>	Cardno DFAT GOI	2	Robust financial compliance process Robust fraud investigation and reporting
KIAT Governance structure not supported by GOI. Strategic direction and activity decision making compromised. Inability of Bappenas to get ownership from other agencies	2	4	2	<ul style="list-style-type: none"> <li>▪ Decision making is slow and delays activity development and commencement</li> <li>▪ Lack of engagement from all stakeholders in activity and policy initiatives</li> <li>▪ GOI ownership reduced</li> </ul>	<ul style="list-style-type: none"> <li>▪ Promote governance structure to emphasise importance of clear decision making and efficient activity approvals</li> <li>▪ Socialise approval mechanisms</li> <li>▪ Establish strong relationships with key GOI stakeholders / ensure stakeholders understand each other's roles and responsibilities</li> <li>▪ Appointment of key Lead Advisers with strong understanding of politic economy in their sectors, and to be effective points of contact to promote KIAT</li> <li>▪ Lead Advisers to be accountable to KIAT</li> </ul>	GOI Cardno DFAT	2	Continue to build strong stakeholder relationships Adjust timeframes if necessary Advocate importance of maintaining momentum in decision making
KIAT Program Logic assumptions become invalid	3	3	3	<ul style="list-style-type: none"> <li>▪ Program fails to achieve expected outputs and outcomes (EOFO)</li> <li>▪ Reputational risk to GOI and DFAT</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regularly validate that program logic assumptions still hold</li> <li>▪ Where assumptions trend towards invalid, revise program logic to ensure program outcomes</li> </ul>	Cardno DFAT	2	KIAT achieves end of program outcomes

Risk and Responsibility	P	I	IRR	Impact on program	Actions to ameliorate risk	RE	RRR	Approach to mitigate impact
					remain achievable			
Confusion over the stated goals of KIAT to reduce direct funding for infrastructure, while continuing with activities initiated under Indll	4	3	3	<ul style="list-style-type: none"> <li>▪ Difficulty in 'selling' KIAT's new approach to GOI</li> <li>▪ GOI doesn't commit to new approach and loses interest in KIAT</li> <li>▪ Pressure for many activities not aligned with KIAT's strategic objectives</li> <li>▪ KIAT's potential development impact lost</li> </ul>	<ul style="list-style-type: none"> <li>▪ KIAT promotes flexibility while maintaining program coherence through consistent messaging with GOI agencies</li> <li>▪ M&amp;E system used to assess overall strategic direction, with feedback loop to guide future activity preparation</li> <li>▪ Promote activity outcomes to influence policy</li> <li>▪ Lead Advisers to promote whole of government approach to KIAT agenda</li> <li>▪ Lead Advisers to be consistent and accountable to KIAT's approach</li> </ul>	Cardno DFAT	2	Advocacy through Lead and Embedded Advisers Effective relationships developed between DFAT and Bappenas
Land Acquisition not appropriately managed and associated issues derail proposed activities	3	3	3	<ul style="list-style-type: none"> <li>▪ Activity cannot proceed as planned</li> <li>▪ DFAT investment compromised</li> <li>▪ People displaced by activity are disadvantaged</li> </ul>	<ul style="list-style-type: none"> <li>▪ KIAT works with GOI to minimise displacement and resettlement in activity design.</li> <li>▪ KIAT keeps DFAT fully informed of any emerging issues</li> <li>▪ Where unavoidable, KIAT to ensure that processes and compensation are properly managed in line with DFAT displacement and resettlement policy requirements</li> </ul>	Cardno GOI DFAT	2	Resolve issues associated with land access Ensure affected communities are treated in accordance with GOI and DFAT policies
Environmental impacts are not appropriately considered or mitigated	3	3	3	<ul style="list-style-type: none"> <li>▪ Infrastructure delivered results in serious or irreversible environmental damage.</li> </ul>	<ul style="list-style-type: none"> <li>▪ KIAT screens infrastructure activities for environmental impacts and complies with DFAT's environment protection policy and legislative requirements.</li> <li>▪ Compliance managed by dedicated manager</li> </ul>	Cardno GOI DFAT	2	Advocate for international standards in addressing environmental and social safeguard risks Ensure activities are developed in accordance with DFAT policy requirements
Natural disaster and climatic hazards (for both current and future trends) are not adequately addressed	3	4	3	<ul style="list-style-type: none"> <li>▪ Infrastructure delivered is not resilient to natural disasters and climate change impacts resulting in collateral damage or death</li> </ul>	<ul style="list-style-type: none"> <li>▪ KIAT screens infrastructure activities for natural hazard and climate change sensitivity and accounts for resilience where appropriate in designs</li> </ul>	Cardno GOI DFAT	2	Advocate for international standards in addressing environmental and social safeguard risks Ensure activities are developed in accordance with DFAT policy requirements
Activities expose children to the risk of abuse or exploitation	2	5	3	<ul style="list-style-type: none"> <li>▪ Children are not protected from exploitation and abuse</li> </ul>	<ul style="list-style-type: none"> <li>▪ KIAT to adhere to DFAT's Child Protection Policy</li> <li>▪ KIAT management team to undertake training on mainstreaming child protection safeguards</li> <li>▪ Where relevant, consider direct and indirect risks to children in design and implementation of KIAT activities.</li> </ul>	Cardno GOI DFAT	2	Compliance with DFAT child protection policy in all instances.
Weak project preparation by				<ul style="list-style-type: none"> <li>▪ Activities fail to meet environmental and social</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provide KIAT TA to undertake proper due</li> </ul>	Cardno		Compliant Activity that meets

Risk and Responsibility	P	I	IRR	Impact on program	Actions to ameliorate risk	RE	RRR	Approach to mitigate impact
GOI and/or MDBs results is lack of compliance with safeguards standards				<ul style="list-style-type: none"> <li>safeguards</li> <li>Activities fail to achieve 'do no harm' principles</li> <li>Reputation damage to GOI and DFAT</li> </ul>	<ul style="list-style-type: none"> <li>diligence and support to ensure compliance with international standards</li> <li>KIAT will encourage achievement of international performance standards upfront in the preparation of projects and provide TA support to GOI where appropriate to help meet such standards</li> <li>On-going support to build capacity towards full compliance</li> </ul>			international standards
Weak project preparation results in failed PPP interventions	3	3	3	<ul style="list-style-type: none"> <li>No progress in private sector infrastructure investment through KIAT</li> <li>Shortfall in infrastructure investment in Indonesia continues, compromising economic development</li> </ul>	<ul style="list-style-type: none"> <li>Work with GOI and SOEs on sound project preparation and business environment</li> <li>Advocate PPP approach to private sector</li> </ul>	Cardno GOI DFAT	2	Private sector prepared to invest in infrastructure and obtain acceptable ROI
Outputs from CSO commissioned work are not properly incorporated into future activity development	3	3	3	<ul style="list-style-type: none"> <li>Project activities fail due to lack of civil society engagement and input to design</li> <li>Reputational damage to KIAT and DFAT</li> </ul>	<ul style="list-style-type: none"> <li>Civil society review during activity design through the independent expert advisory group to ensure community ownership of activity</li> </ul>	Cardno	2	Effective CSO engagement leads to improved activity design and acceptance by CSOs
KIAT TA not effective in building skills and sustainability	3	4	3	<ul style="list-style-type: none"> <li>Investment in TA does not provide an acceptable return</li> <li>Missed opportunity to work effectively with GOI agencies to develop skills</li> </ul>	<ul style="list-style-type: none"> <li>Lead Advisers to work with respective agencies to identify where capacity building can be most effective</li> <li>Recruit effective trainers and mentors to ensure skills development</li> </ul>	Cardno GOI	2	Effective TA results in sustainable support to GOI agencies to plan and deliver high quality infrastructure
Injury, disease or death on site due to accidents or otherwise in the delivery of infrastructure projects	3	4	3	<ul style="list-style-type: none"> <li>Injury or death to worker impacting family and communities</li> <li>Program delay from site shutdown</li> </ul>	<ul style="list-style-type: none"> <li>KIAT works with GOI to strengthen site supervision and adherence with robust OH&amp;S standards</li> <li>Due diligence of subcontractors capacity and past practises in meeting safety standard requirements</li> </ul>	Cardno GOI	2	Effective TA results in management on site that measures relating to OHS that includes: identification of potential hazards to workers, protective and preventive measures, adequate training, reporting of accidents and remedies for adverse impacts from injury.
<b>Gender and Social Inclusion</b>								
In effective approach to Gender Equity and Social Inclusion (GESI)	3	3	3	<ul style="list-style-type: none"> <li>GESI will at best be treated as an add-on for KIAT supported activities</li> <li>Reduced economic outcomes</li> <li>Policy dialogues and projects do not take GESI into account</li> <li>Continued knowledge gaps on how best to integrate GESI into infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Build networks of influence with senior GOI staff, private sector and civil society to advocate for integration of GESI issues for different types of infrastructure using documented good practice and research activities</li> <li>Liaise with other GESI program advisers, particularly those working with Bappenas and other DFAT / MDB programs</li> </ul>	Cardno GOI DFAT	1	Appoint senior level GESI expertise with authority to influence decision makers Advocate to GOI for the importance of resourcing GESI GESI focussed infrastructure activities implemented

Risk and Responsibility	P	I	IRR	Impact on program	Actions to ameliorate risk	RE	RRR	Approach to mitigate impact
					<ul style="list-style-type: none"> <li>Support GOI engagement / dialogues with experts (CSOs, DPOs) and advocacy groups on inclusive policies / programs</li> <li>Use action learning and impact studies to produce good practice models / lessons learnt to promote to stakeholders</li> </ul>			Feedback loop using quantitative data to inform activity design Promote engagement of civil society groups to influence and monitor GOI infrastructure service delivery for inclusion
Planned interventions do not sufficiently create economic opportunities for women or address needs of people with disabilities	3	3	3	<ul style="list-style-type: none"> <li>DFAT's targets for gender equality are undermined</li> <li>Progress towards Indonesia's objectives for women's empowerment and disability inclusion is limited</li> <li>Interventions may increase women's disadvantage</li> </ul>	<ul style="list-style-type: none"> <li>Prepare guidelines that identify appropriate level of GESI input relevant to the type of activity</li> <li>Provide GESI technical support with screening tools for preparation and assessment of proposals</li> <li>Conduct tailored capacity building activities as appropriate using GOI policies, instructions and guidelines</li> <li>Monitor implementation for early warning of performance gaps</li> <li>Provide or adapt tools that support GESI implementation based on best practice</li> <li>Prepare analysis on gender and disability inclusion for different types of infrastructure</li> <li>Ensure accountabilities are met at facility and Activity level</li> </ul>	Cardno GOI DFAT	1	Continued socialisation of DFAT and GOI policies and opportunities, using mainstreaming and / or targeted interventions as appropriate, to promote GESI within interventions
<b>Political and Institutional</b>								
Internal conflict / disagreement within GOI affects the effectiveness of governance arrangements	3	3	3	<ul style="list-style-type: none"> <li>Program recommendations not implemented efficiently</li> <li>Achievement of objectives compromised</li> <li>End of Program outcomes compromised</li> </ul>	<ul style="list-style-type: none"> <li>Appoint governance advisers to develop strong relationship with principal GOI stakeholders</li> <li>Governance arrangements are flexible and facilitate decision making rather than delays</li> <li>Key stakeholders involved in development of governance arrangements through design phase</li> </ul>	GOI Cardno DFAT	2	Maintain close relationships with GOI Regularly review program impacts
National level Management Committee does not adequately include sub-national priorities, particularly where scaling up can lead to significant impact				<ul style="list-style-type: none"> <li>Lack of effective demonstration of policy influence at sub-national level</li> <li>Missed opportunities to provide human development</li> </ul>	<ul style="list-style-type: none"> <li>Fully brief Management Committee on potential impacts of proposed activities at sub-national level</li> <li>Draw on lessons learned from IndII experience and activities to be transitioned to KIAT</li> <li>Flexible and agile approach to activity selection</li> </ul>			Effective communications between GOA and GOI with emphasis on KIAT's focus on TA and policy outcomes Liaison with sub-national agencies as activities are prepared
GOI focus on infrastructure / foreign investment policy changes as a result of changes in government.	3	4	3	<ul style="list-style-type: none"> <li>Delays while projects are reassessed</li> <li>Project cease / change reducing VfM</li> </ul>	<ul style="list-style-type: none"> <li>Develop connections with wider Australian Diplomatic community</li> <li>Maintain networks to ensure responsive to leadership changes / engagement with people</li> </ul>	GOI Cardno DFAT	2	Be flexible and responsive to changes Update plans and timelines

Risk and Responsibility	P	I	IRR	Impact on program	Actions to ameliorate risk	RE	RRR	Approach to mitigate impact
					throughout the ranks to minimise against impact of new priorities			
<b>Safety and Security</b>								
Political tension between Australia and Indonesia develops or escalates	1	4	2	<ul style="list-style-type: none"> <li>Program delayed or suspended</li> </ul>	<ul style="list-style-type: none"> <li>Maintain awareness of local security situation in Jakarta as well as program implementation areas</li> <li>Refocus program inputs / personnel if required</li> </ul>	DFAT GOI Cardno	1	Maintain relationship with DFAT
Security event, including health, natural disaster or terrorism or leading to social unrest	2	4	2	<ul style="list-style-type: none"> <li>Lack of security for program staff impacts on program implementation</li> </ul>	<ul style="list-style-type: none"> <li>Cardno Indonesia and Global Security Managers monitor the situation and notify the in-country team</li> <li>Security and Incident Management Plans which include safe travel procedures and pre-mobilisation briefings</li> <li>Maintain awareness of social and security issues relating to conflict through communication with DFAT and GOI</li> <li>Security plan updated as risks change / emerge. Socialise revisions with KIAT team</li> </ul>	Cardno	1	Security response plans socialised to KIAT team Ongoing risk assessment