



Completion Report

Project Number: 47122-001
Technical Assistance Number: 8535
May 2016

Indonesia: Support for Selected Sector Analysis for National Medium-Term Development Planning 2015–2019 on ASEAN Connectivity

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TA Number, Country, and Name: TA 8535-INO: Support for Selected Sector Analysis for National Medium-Term Development Planning 2015–2019 on ASEAN Connectivity			Amount Approved: \$225,000	
			Revised Amount: Not applicable	
Executing Agency: BAPPENAS		Source of Funding: TASF	Amount Undisbursed: \$91,926	Amount Utilized: \$133,074
TA Approval Date: 6 Dec 2013	TA Signing Date: 6 Dec 2013	Fielding of First Consultant: 24 Feb 2015	TA Completion Date Original: 28 Feb 2015	Actual: 28 Feb 2016
			Account Closing Date Original: 28 Feb 2015	Actual: 30 April 2016

Description

The vision of ASEAN Leaders to build an ASEAN Community by 2015 calls for a well-connected set of countries that will contribute towards a more competitive and resilient ASEAN. Enhanced ASEAN connectivity is essential to achieve the ASEAN economic community's (AEC) growth aspirations. Delivering the actions required under the master plan for ASEAN connectivity (MPAC) is important to facilitate this growth, reduce the development gaps in the region and improve connectivity among member states and between member states and the rest of the world. It is implemented by enhancing three main pillars of connectivity (i) physical infrastructure development, (ii) effective institutions, and (iii) empowered people.

The capacity development technical assistance (TA) was intended to assist the government in: (i) identifying the existing constraints to meeting its AEC commitments, particularly in infrastructure; (ii) developing a strategy and plan to address those constraints; (iii) assisting in prioritizing RPJMN (Medium Term Development Plan) investments; and (iv) providing some support to assessing the impact and benefits of Indonesia's policy on trade and services under the AEC. The Indonesian Ministry for National Development Planning (BAPPENAS) was the executing and implementing agency.

Expected Impact, Outcome, and Outputs

The expected impact is that the ability of Indonesia to implement MPAC is improved. The expected outcome is Indonesia regional integration under ASEAN is enhanced. The TA outputs are: (1) approaches for implementing MPAC commitments under its three pillars are finalized; and (2) approaches for delivering international connectivity programs are aligned with RPJMN 2015–2019.

Delivery of Inputs and Conduct of Activities

The small scale TA was sufficient to support and complete TA activities. There was a delay of one year in securing the TA concurrence due to changes in the administration and the government's evolving policy position on ASEAN. The TA completion date was therefore extended from 28 February 2015 to 28 February 2016. The TA implementation was supported by a team of three consultants. The first two consultants were engaged in early 2015 and the last one was on board in mid-2015. They worked together with the Directorate of Transport at BAPPENAS.

The activities were adjusted during the consultant's inception to take into consideration policy priorities of the new administration and to align with the newly released five-year development plan (RPJMN). The activities were: (i) preparation of an institutional structure for improved management of Indonesia's MPAC obligations; (ii) a stock take of activities in the MPAC; (iii) an analysis of the implementation progress of each activity; and (iv) a revised infrastructure list of MPAC eligible investments. The government, ASEAN Secretariat, infrastructure SOEs and the private sector were key stakeholders in the focus group discussions. A stocktake of progress in mutual recognition agreements (MRA) was also conducted. The initial study tour activity was cancelled since it was considered unnecessary after the adjustment; hence the TA funds undisbursed increased considerably.

During the implementation of the TA, the consultants worked well with BAPPENAS and their inputs met both BAPPENAS and ADB expectations. In view of this, all consultants were rated satisfactory. The Directorate of Transport appointed two deputy directors and one supporting staff, to work together with the consultants. The EA also provided necessary support in liaising with government agencies. The EA and ADB performance are rated satisfactory.

Evaluation of Outputs and Achievement of Outcome

The delivery of the outcome should have been realized through an increase in the implementation rate of MPAC to 70%. Regrettably, BAPPENAS has not been tracking MPAC implementation. Given limited progress in transport

investments during the previous administration, the targeted implementation rate is unlikely to have been achieved. Notwithstanding the TA did refocus the government's attention on the need to reprioritize and implement projects that are MPAC priorities to achieve AEC goals and objectives.

Output 1 was achieved. A new MPAC infrastructure implementation plan was developed and agreed by the participating ministries. A new definition of what constitutes an MPAC activity has been developed, and an MPAC monitoring tool was developed. A Presidential Decree on MPAC oversight was prepared. Output 2 was achieved. Approaches for delivering international connectivity programs were aligned with RPJMN 2015–2019. Project expenditure commitments were included in the Blue Book. Under RPJMN, public infrastructure is now delivered through a wider variety of financing mechanisms than before, including SOEs. The list of MPAC priority projects has been reviewed and revised, and have been reduced from 90 to 12. All are budgeted and are included on the government's priority infrastructure list.

During implementation, focus group discussions identified that a major impediment to implement MPAC was the lack of a designated lead agency, regular monitoring and reporting framework to assess performance against MPAC commitments. Many stakeholders agreed that BAPPENAS should serve this role. In addition, the TA helped develop further the preparation of the Dumai–Malacca Roll-on/Roll-off and Economic Corridor and provided a forward work plan for the MPAC unit in BAPPENAS. Extensive consultations with the private sector and the ASEAN Secretariat have further improved the government's focus on its delivery of MPAC commitments under the AEC.

Overall Assessment and Rating

The TA is considered successful. The outcome was partly achieved. The two outputs were achieved and the TA helped lay the foundation for BAPPENAS to carry forward MPAC implementation with greater clarity, focus and ownership. The recommended MPAC infrastructure priorities were agreed and an action plan of next steps was adopted.

Major Lessons

The TA benefited from the EA's commitment. In-kind resources were provided. Relatively senior BAPPENAS staff were engaged in key decision making processes and made themselves available for regular consultation. The EA also supported the focus group discussions with other government agencies, during TA implementation. However, internal government business process adversely affected TA start-up and led to delays of nearly one year. Initially the TA was intended to support MPAC implementation and was to be aligned with government's MP3EI (Master Plan for Acceleration and Expansion of Indonesia's Economic Development) and RPJMN. However, the start-up delay and the change in government resulted in the government dropping its support to MP3EI, and focusing on a different set of priority infrastructure projects. Hence, the project had to be revised to take into consideration changing circumstances.

The TA consultants proposed fresh ideas and benefited from stakeholder inputs provided through focus group discussions. Coordinating more closely with the ASEAN Secretariat and the private sector was particularly valuable. Focus group discussions helped the government formulate a more integrated and coherent response to AEC.

Indonesia continues to face domestic connectivity challenges. More resources are required to develop infrastructure and to address regional commitments. Resource constraints, and the ability to prioritize and deliver hard infrastructure will exert a strong influence on the pace at which AEC commitments, including MPAC, can proceed.

Recommendations and Follow-Up Actions

It is recommended for ADB to encourage BAPPENAS to move forward with the MPAC implementation agenda. Raising awareness on MPAC within the government will be the initial step. This might be achieved through seminars and workshops. Another TA might also be proposed to the government for further assistance provided all recommendations suggested under this TA are implemented. This will ensure the sustainability of this TA after its completion.

ADB = Asian Development Bank; AEC = ASEAN economic community; ASEAN = Association of Southeast Asia Nations; BAPPENAS = Badan Perencanaan Pembangunan Nasional (The National Development Planning Agency); EA = executing agency; MPAC = master plan for ASEAN Connectivity; MP3EI = Master Plan for the Acceleration and Expansion of Economic Development of Indonesia; MRA = mutual recognition arrangement; RO/RO = roll-on roll-off; RPJMN = Rencana Pembangunan Jangka Menengah Nasional (national medium-term development plan); SOE = state-owned enterprise; TA = technical assistance; TASF = technical assistance special funds..