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Project Administration Manual

Project Number: 49141-001
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Republic of Indonesia: Accelerating Infrastructure
Delivery through Better Engineering Services Project

SEPTEMBER 2016

Contents

ABBREVIATIONS	6
I. PROJECT DESCRIPTION	1
A. Rationale	1
B. Impact and Outcome	2
C. Outputs	2
II. IMPLEMENTATION PLAN	5
A. Project Readiness Activities	5
B. Overall Project Implementation Plan	6
III. PROJECT MANAGEMENT ARRANGEMENTS	11
A. Project Implementation Organizations–Roles and Responsibilities	11
B. Key persons involved in implementation	16
C. Project Organization Structure	20
D. Implementation Procedures	21
IV. COSTS AND FINANCING	24
A. Detailed Cost Estimates by Expenditure Category	24
B. Cost Estimates by Component	25
C. Cost estimates by funding source	25
D. Allocation and Withdrawal of Loan Proceeds	26
E. Detailed Cost Estimates by Year	26
F. Contract Awards and Disbursement S-curve	27
G. Fund Flow Mechanisms	28
V. FINANCIAL MANAGEMENT	29
A. Financial Management Assessment	29
B. Fund Flow/Disbursement Arrangements	31
C. Accounting Policies and Procedures	32
D. Reporting, Auditing and Public Disclosure	33
VI. PROCUREMENT AND CONSULTING SERVICES	35
A. Advance Procurement	35
B. Procurement of Goods, Works and Consulting Services	35
C. Procurement Plan	41
D. Consultant's Terms of Reference	61
VII. SAFEGUARDS	63
A. Environmental Safeguards	63
B. Involuntary Resettlement Safeguards	63
C. Indigenous Peoples	63
E. Prohibited Investment	64
VIII. GENDER AND SOCIAL DIMENSIONS	65
IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION	67
A. Project Design and Monitoring Framework	67
B. Monitoring	69
C. Evaluation	70
D. Reporting	70
E. Stakeholder Communication Strategy	70

X. ANTICORRUPTION POLICY	71
XI. ACCOUNTABILITY MECHANISM	71
XII. RECORD OF PAM CHANGES	72
APPENDIX 1A:INDICATIVE LIST OF DGWR PROJECTS	73
APPENDIX 1B:INDICATIVE LIST OF DGHS PROJECTS	75
APPENDIX 1C: INDICATIVE LIST OF DGH PROJECTS	76
APPENDIX 2	77
<ul style="list-style-type: none"> • APPENDIX 2.1: REOI FOR DGWR PANEL • APPENDIX 2.2: REOI FOR DGHS PANEL • APPENDIX 2.3: REOI FOR DGH PANEL • APPENDIX 2.4: REOI FOR PMC FIRM FOR DGWR • APPENDIX 2.5: REOI FOR PMC FIRM FOR FOR DGHS • APPENDIX 2.6: REOI FOR PMC FIRM FOR FOR DGH • APPENDIX 2.7: REOI FOR CONSULTANT FIRM FOR FOR PREPARATION OF JRAGUNG MULTIPURPOSE DAM PROJECT • APPENDIX 2.8: TOR FOR PCO CONSULTANTS AT SETJEN <ul style="list-style-type: none"> (i) International Project Coordination and Implementation Specialist (ii) National Project Implementation Specialist (iii) Administrative Assistant • APPENDIX 2.9: TOR AND COST ESTIMATES FOR CALL-DOWN ASSIGNMENTS IN THE WATER RESOURCES SECTOR <ul style="list-style-type: none"> (i) Asahan irrigation project (ii) Walimpong Irrigation project (iii) Boya Irrigation Project (iv) Rongkong-Kalaena-Padang Sappa Irrigation Project (v) Seluna river basin flood management project (vi) Poso river basin flood manangement project (vii) Deli-Percut-Belawan river basin flood management project (viii) Seputih-Tulang Bawang river basin flood management project (ix) Bulk Water Supply System Project • APPENDIX 2.10: TOR AND COST ESTIMATES FOR CALL-DOWN ASSIGNMENTS IN THE ROAD SECTOR • APPENDIX 2.11: TOR AND COST ESTIMATES FOR CALL-DOWN ASSIGNMENTS IN THE HUMAN SETTLEMENTS SECTOR 	

- **APPENDIX 2.12: SAMPLE TOR FOR CONSTRUCTION SUPERVISION CONSULTANT**
- **APPENDIX 2.13: SAMPLE TOR FOR TECHNICAL AND FINANCIAL ASSESSMENT CONSULTANTS**
- **APPENDIX 2.14: DRAFT PROCEDURES FOR CONSTITUTION PANEL AND CALL DOWN FROM PANEL**

APPENDIX 3 : ANNUAL/QUARTERLY PROGRESS REPORT TEMPLATE 78

APPENDIX 4 :USE OF SPSE FOR SELECTION OF CONSULTANTS UNDER ESP 80

APPENDIX 4.1 REVIEW OF LKPP SPSE FOR ADB-FINANCED PROJECTS IN MPWH

APPENDIX 4.2 SPSE USER GUIDE

APPENDIX 5: NEEDS ASSESSMENT OF CAPACITY STRENGTHENING IN ENVIRONMENT AND SOCIAL SAFEGUARDS 81

APPENDIX 6: DRAFT TERMS OF REFERENCE OF EXTERNAL AUDITOR 88

APPENDIX 7: PROCUREMENT RISK ASSESSMENT

APPENDIX 8: FINANCIAL MANAGEMENT RISK ASSESSMENT

Project Administration Manual's Purpose and Process

1. The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government of Indonesia (Government) and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Office of the Secretary General (SetJen) of the Ministry of Public Works and Housing (MPWH) as the executing agency; the Directorate General of Water Resources (DGWR), the Directorate General of Human Settlements (DGHS), and the Directorate General of Highways (DGH) as implementing agencies, are wholly responsible for the implementation of this ADB-financed project, as agreed jointly between the Government and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by SetJen, DGWR, DGHS, and DGH with their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

2. At loan negotiations, the borrower and ADB shall agree to the PAM and ensure consistency with the loan agreement. Such agreement shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the loan agreement, the provisions of the loan agreement shall prevail.
3. After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB's administrative procedures (including the Project Administration Instructions of ADB) and upon such approval they will be subsequently incorporated in the PAM.

Abbreviations

ADB	=	Asian Development Bank
AFS	=	audited financial statements
AMDAL	=	Analisis Mengenai Dampak Lingkungan
APBN	=	AnggaranPendapatanandanBelanja Negara
BAPPENAS	=	National Development Planning Agency
CMS	=	consultant management system
CQS	=	consultant qualification selection
CSRN	=	consulting services recruitment notice
DED	=	detailed engineering design
DG	=	Directorate General
DGH	=	Directorate General of Highways
DGHS	=	Directorate General of Housing Provision
DGWR	=	Directorate General of Water Resources
DIPA	=	DaftarIsianPelaksanaanAnggaran
DPP	=	Directorate of Planning and Programming
EARF	=	environmental assessment and review framework
EIA	=	environmental impact assessment
EMP	=	environmental management plan
EOI	=	expression of interest
ESMS	=	environmental and social management system
ESP	=	engineering services project
FS	=	feasibility study
GACAP	=	governance and anticorruption action plan
GDP	=	gross domestic product
ICB	=	international competitive bidding
IOL	=	inventory of losses
IEE	=	initial environmental examination
IPP	=	indigenous people plan
IPPF	=	indigenous people planning framework
IT	=	information technology
LAR	=	land acquisition and resettlement
LARF	=	land acquisition and resettlement framework
LARP	=	land acquisition and resettlement plan
LIBOR	=	London interbank offered rate
LKPP	=	LembagaKebijakanPengadaanBarang/JasaPemerintah
MOU	=	memorandum of understanding
MPWH	=	Ministry of Public Works and Housing
NCB	=	national competitive bidding
NLA	=	National Land Agency
PAI	=	project administration instructions
PAM	=	project administration manual
PCO	=	project coordinationoffice
PIU	=	project implementation unit
PMC	=	project managementconsultant
PMO	=	project managementoffice
PPM	=	project preparation mechanisms
QBS	=	quality based selection
QCBS	=	quality- and cost based selection
REOI	=	request for expression of interest
RFP	=	request for proposal
RRP	=	report and recommendation of the President to the Board
SBD	=	standard bidding documents
SDP	=	sector development plan

SES	=	social and economic survey
SOE	=	statement of expenditure
SetJen	=	Secretariat General
SPRSS	=	summary poverty reduction and social strategy
SPS	=	safeguard policy statement
TA	=	technical assistance
TOR	=	terms of reference
VA	=	value analysis
VE	=	value engineering



I. PROJECT DESCRIPTION

A. Rationale

1. Improving infrastructure is critical to stimulating inclusive growth in Indonesia. Inadequate infrastructure has hampered growth and poverty reduction, and poses significant obstacles to doing business in Indonesia. Poor road infrastructure contributes to logistics cost in Indonesia of 24% of GDP. Food security is affected by poor irrigation infrastructure: since 2005, irrigated land with good infrastructure has declined from 78% to less than 50% today. Access to basic urban water and sanitation services lags far behind other middle-income countries. In 2014, just 80,7% of the urban population had access to improved water sources, while 61,06% had access to improved sanitation facilities. Such gaps in basic infrastructure provision are the result of both low government infrastructure investment and under-utilization of the capital budget.

2. The reform of fuel subsidies in January 2015 has enabled the government's infrastructure budget to increase from Rp144.4 trillion in 2014 to Rp280.3 trillion in 2015 and to Rp302.6 trillion in 2016. The line-ministries are responsible for delivery of more than 50% of the government's infrastructure budget.¹ The increase in infrastructure spending has been accompanied by institutional reforms to enable the ministries to deliver their public investment programs in an accelerated manner. In 2014–2015, the government (i) established a dedicated office for land acquisition at the Ministry of Agrarian and Spatial Planning/National Land Agency (NLA),² (ii) improved legal and technical frameworks on land acquisition, (iii) strengthened the procurement units of government agencies and rolled out a national e-procurement system (LKPP SPSE), (iv) increased the use of advance procurement and multi-year contracts for infrastructure projects, and (iv) set up a budget realization evaluation and monitoring team to address implementation constraints at the central and subnational levels.³ Starting with the 2015 budget, the budget allocations are approved at organization, function, and program levels and, once approved, can be immediately disbursed.

3. The Ministry of Public Works and Housing (MPWH) leads the government's effort to meet RPJMN, 2015–2019⁴ basic infrastructure targets to build 3,650 kilometers of new highways, improve the irrigation network covering 1 million hectares, build 49 dams, attain 100% access to drinking water, reduce slum areas to 0%, and achieve 100% access to improved sanitation, all by 2019.⁵ During 2015–2019, the MPWH's infrastructure program is estimated at Rp660 trillion or 47% of the government's infrastructure program. In 2015–2016, about 37% of the government's infrastructure budget was allocated to the MPWH.

4. Delivery of the MPWH's infrastructure programs has been constrained by complex land acquisition processes, procurement delays, and inadequate preparation of infrastructure projects. With the implementation of the new land acquisition law and continuous efforts to

¹ The line ministries include the ministries of public works and housing, transportation, agriculture, and energy and mineral resources.

² This office was one of institutional reforms initiated to implement the new land acquisition law (Law No. 2 of 2012). This law sets clear steps and timelines for land acquisition, including dispute resolution through courts, after which land can be acquired for public purposes.

³ Presidential Instruction No. 1/2015; Minister of Public Works and Housing Instruction No. 3/2015; Minister of Finance Circular No. S-577/2015; Minister of Finance Regulation No. 238/2015; Presidential Decree No. 20/2015.

⁴ Government of Indonesia. 2015. *Indonesia National Medium-Term Development Plan, 2015–2019*. Jakarta.

⁵ Improved sanitation refers to flush toilets linked to piped sewer system or septic tanks.

strengthen public procurement systems,⁶ it is now the latter that critically constraints the ministry's ability to deliver infrastructure in a timely and good quality manner. Weak project preparation is largely due to lack of resources to complete the required assessments, surveys, master plan, feasibility studies, designs, and environmental and land acquisition clearances to make projects ready for implementation. Addressing the project preparation issue will be, therefore, important for the MPWH to meet its ambitious infrastructure development targets.

5. By incorporating these lessons learned, the proposed Accelerating Infrastructure Delivery through Better Engineering Services Project (ESP) has been designed to target the MPWH's critical constraints by (i) enabling financing of the preparation of infrastructure projects as a separate project; and (ii) strengthening MPWH systems to improve the quality and timeliness of the preparation of master plans, feasibility studies, detailed engineering designs (DEDs), land acquisition and resettlement plans, environmental impact assessments, bidding documents, and construction supervision. The project will be coordinated with development partners to ensure complementarity.

B. Impact and Outcome

6. The ESP will help meet the infrastructure development objectives of MPWH's Strategic Plan, 2015–2019 by improving the quality and timeliness of the delivery of the SDP's public investment program.⁷ The impact will be the attainment of the infrastructure objectives of the MPWH's Strategic Plan, 2015–2019 (footnote 2). The outcome will be strengthened capacity of MPWH's DGH, DGHS, and DGWR to efficiently design and implement MPWH's public investment program. The expected outcome of the ESP will be achieved through implementation of two outputs described below.

C. Outputs

7. **Output 1: Quality and timely start-up of infrastructure projects improved.** This output will support the preparation—based on new analytical methods and design standards⁸—of (i) irrigation, flood management, and bulk water projects of the MPWH's Directorate General of Water Resources (DGWR), (ii) water supply and sanitation projects of the Directorate General of Human Settlements (DGHS), and (iii) national road projects of the Directorate General of Highways (DGH). All infrastructure projects are from the MPWH's Strategic Plan, 2015–2019 and are to be mainly financed from the government budget.⁹ This output will support preparation of (i) master plans and feasibility studies; (ii) detailed engineering designs, including

⁶Law No. 2 of 2012 on Land Acquisition in Public Interest. This sets clear steps and timelines for land acquisition, including dispute resolution through courts, after which land can be acquired for public purposes. ADB supported the development of this law.

⁷ Government of Indonesia, Ministry of Public Works and Housing. *Strategic Plan of MPWH for Years 2015 to 2019*. Jakarta. MPWH Regulation No. 13.1/PRT/M/2015.

⁸ In the road sector, these are improved design standards on pavement, drainage, geometric, grade-separated junction, and at-grade junction aspects. In the irrigation sector, the new technologies are related to the web-based integrated asset management information system with geospatial interface, high resolution aerial surveys for survey of irrigation assets, satellite-based water accounting. The detailed engineering design guidelines of the irrigation sector will be also updated to incorporate climate change and water efficiency, among other issues. In the wastewater sector, in 2016 the MPWH is expected to adopt new technical guidance on feasibility studies and new design standards for waste water treatment system.

⁹ The indicative list of projects to be prepared under the ESP is in Appendix 1 of the PAM. List of projects may change subject to agreement between the MPWH and ADB. The total amount of public investment associated with these projects is estimated at \$6,000 million. Based on the request of the Government and in accordance with the provisions of the 2016–2019 Country Partnership Strategy, ADB may consider financing selected ESP-prepared projects either through a results-based lending or a project loan modality.

geotechnical, topographical and other surveys; (iii) environmental impact assessments and land acquisition documents as per government requirements; and (iv) advance contracting for civil works. This output will also support construction supervision (for selected projects of DGHS and DGH), and technical and financial assessment (for selected DGH projects).

8. **Output 2: Capacity in public investment management strengthened.** This output will support the DGWR, DGHS, and DGH of the MPWH in: (i) improving master planning and public investment management systems; (ii) on-the-job capacity development of project staff, especially at local level, in such areas as design-and-build contracts, design standards, construction supervision, enforcement of civil works contractor performance via technical and financial assessment during construction, multi-year contracting, etc.; (iii) strengthening of the ministry's safeguards¹⁰ and procurement systems;¹¹ (iv) strengthening value engineering during preparation of infrastructure projects, and (v) implementing the ESP, including monitoring and evaluation of project preparation activities.

9. **Implementation period.** The project is expected to be implemented from 1 December 2016 to 31 December 2019. Most activities related to preparation and bidding of projects are planned to be completed by end of 2018 and mid-2019 respectively. Significant share of ESP-prepared projects is expected to be at various phases of civil works by end 2019.¹² The period between mid-2018 and end-2019 would be used for the construction supervision as well as the technical and financial assessment of selected infrastructure projects prepared under the ESP.

10. The DGWR, DGHS, and DGH of the MPWH (implementing agencies under the ESP) will undertake (i) project preparation work for their infrastructure projects, and (ii) institutional and capacity strengthening in public investment management. This is highlighted in Table 1 below. The indicative list of projects along with their corresponding estimated project preparation cost is provided in Appendix 1. The list of ESP-supported projects may change based the government priorities and agreement with the ADB.

Table 1: Project Components per Output and Implementing Agencies

Output 1: Improved quality and timely start-up of MPWH's infrastructure projects	
DGWR	
1A	Preparation of irrigation and lowlands projects in North Sumatra, Sulawesi Selatan, Sulawesi Tenggara, Papua Merauke and under the Integrated Participatory Development and Management Irrigation Project (IPDMIP).
1B	Preparation of flood management projects in Jawa Tengah, Sumatera, Kalimantan and Sulawesi
1C	Preparation of Jragung Multipurpose Dam Project
1D	Preparation of bulk water projects in selected provinces Indonesia ¹³

¹⁰ Assessment of DGH, DGHS, and DGWR's safeguards systems and the areas for institutional and capacity building are in Appendix 7 of the PAM.

¹¹ Such as in implementation of the MPWH's regulation on design-and-build contracts adopted in May 2015.

¹² Project preparation and construction periods have been considered as 12–18 months each based on MPWH's approach to strictly align the ESP term with the terms of RPJMN and MPWH's Renstra, which both end in 2019.

¹³ Scope of work and selected provinces covered under the Enhanced Water Security Investment Program. For details see Blue Book under the entry BB-1519-R0-12-02-0 on page 124.

Output 1: Improved quality and timely start-up of MPWH's infrastructure projects

DGHS

- 2A Preparation of wastewater system development project's in cities (see Appendix 1)¹⁴
 - 2B Preparation of regional water supply system development projects (see Appendix 1)
 - 2C Construction supervision in several wastewater and regional water supply development projects (see Appendix 1)
-

DGH

- 3A Preparation of projects on development of fly-over/underpass for railway crossing in Java Island
 - 3B Preparation of projects on development of fly-over/underpass in major cities of Sumatera, Java and Bali
 - 3C Preparation of projects on development of ring road in major cities of Sumatera, Kalimantan, Java and Sulawesi
 - 3D Preparation of projects on development of Trans South-South Java Island Highway
 - 3E Preparation of project on development and improvement of roads in the strategic areas of Papua Island
 - 3F Construction Supervision for the Ring Road in North Sumatra, Flyover Bali, and Papua central Trunk Road
 - 3G Technical and financial assessment consultant for 3 (three) pilot projects
-

Output 2: Strengthening capacity of MPWH in public investment management

DGWR/DGH/DGHS

- 4 Strengthening public investment management systems of DGWR, DGH and DGHS through:
 - i. ESP implementation support to Project Management Office (PMO) and Project Implementation Units (PIUs); and
 - ii. Institutional strengthening and capacity building as highlighted above.
-

¹⁴List of city-wide sanitation projects may be revised based on readiness of cities for project implementation and in line with the Sewerage System Development Program in Indonesia (Blue Book entry number BB-1519-R0-05-04-0). Among criteria that define readiness of a city for project implementation are (i) availability of land, (ii) availability of pre-feasibility study, (iii) local government commitment to institutional and legal reforms required for project implementation and sustainability.

II. IMPLEMENTATION PLAN

A. Project readiness activities¹⁵

Activities	2016											Responsibility
	March	April	May	June	Jul	Aug	Sep	Oct	Nov	Dec		
ADB processing mile-stones (indicative)												
- Fact-finding mission's wrap-up	11											ADB, MPWH
- Loan negotiations/technical discussions							15					ADB, MOF, Bappenas, MPWH
- ADB Board consideration									30			ADB
- Loan agreement signing										8		ADB, MOF
- Loan effectiveness declaration										29		ADB
GoI/MPWH project preparation mile-stones (indicative)^a												
- Approval of fact-finding mission's Aide Memoire				3								DGWR, DGHS, DGH
- Establishment of (i) ESP Steering Committee, (ii) PCO at SETJEN, and (iii) PMOs and PIUs at DGWR, DGHS and DGH						26						MPWH
- Establishment of tender committees for selection of PMC firms and for selection of panels							2					MPWH
- Readiness coordination						15						SetJen, DGWR, DGHS, DGH
- Preparation of Daftar Kegiatan						30						Bappenas
- Loan negotiation authorization							15					MOF, MPWH,
- Legal opinion										23		MOF, MOJ

Source: ADB Staff estimates

ADB = Asian Development Bank; DGWR = Directorate General of Water Resources; DGH = Directorate General of Highways (DGH); DGHS = Directorate General of Human Settlements; MPWH = Ministry of Public Works and Housing

^a Green Book entry of ESP was accomplished in October 2015. Budget (DIPA) allocation for each DG involved in ESP was accomplished in December 2015. Confirmation of priority projects to be considered under ESP was accomplished in December 2015.

¹⁵ Numbers on the cells refer to dates in each month, by which the relevant milestone is expected to be completed.

SN.	Activities	2016				2017				2018				2019				2020				
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
	- Commencement of Detailed Engineering Design (DED)							x	x	x	x	x										
	- Approval of Draft DED								x	x	x	x	x	x								
	- Approval of Final DED								x	x	x	x	x	x	x							
	- Commencement of Environment Impact Assessment (EIA)/AMDAL							x	x	x	x	x	x	x	x							
	- Approval of Final EIA/AMDAL									x	x	x	x	x	x							
	- Commencement of Land Acquisition and Resettlement Plan (LARP)							x	x	x	x	x	x	x	x							
	- Approval of Final LARP									x	x	x	x	x	x							
	- Preparation of Tender Documents									x	x	x	x	x	x							
	- Approval of Bidding Documents									x	x	x	x	x	x							
	- Receipt of Bids from Contractors for Civil Works									x	x	x	x	x	x	x	x	x	x	x	x	
	- Evaluation of Bids from Contractors for Civil Works										x	x	x	x	x	x	x	x	x	x	x	
	- Selection of Contractor										x	x	x	x	x	x	x	x	x	x	x	
	- Contract Negotiation										x	x	x	x	x	x	x	x	x	x	x	
	- Award of Contract to Contractors for Civil Works										x	x	x	x	x	x	x	x	x	x	x	
	- Commencement of Civil Works (funding of civil works is outside of ESP)												oct	x	x	x	x	x	x	x	x	
D	Selection of construction supervision firms and a technical and financial consultant (TFAC) firm for DGHS and DGH projects																					
	- Identification of DGH projects for construction supervision								x													
	- Preparation of specific TORs and budget for construction supervision of a number of infrastructure projects									x	x											
	- Finalization of RFP for Technical Consulting Firms										x											
	- Issuance of RFPs to Technical Consulting Firms										x	x										
	- Receipt of Proposals from Technical Consulting Firms											x	x									
	- Evaluation of Proposals of Technical Consulting Firms												x									
	- Contract negotiation with highest technically qualified with financial proposal being within the budget												x									
	- Contract signing and issue of Notice To Proceed												x									
	- Mobilization of Consulting Firms and provision of consulting												x	x	x	x						

SN.	Activities	2016				2017				2018				2019				2020			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	- Delivery of needs-based capacity building plan to MPWH's Center on Ground and Bulkwater Development						X	X	X												
	- Development of Ground and Bulkwater Development Masterplans for priority regions of Indonesia (with lists of prioritized investment projects to be done by government and private sector)							X	X	X											
	- Ad-hoc capacity development of DGWR, DGHS, and DGH					X	X	X	X	X	X	X	X	X	X	X	X				
	-Miscellaneous procurements for DGWR, DGHS, and DGH																				
	- Procurement of hard and software and other technology requirements for DGWR, DGHS, and DGH					X	X	X													
	- Delivery of equipment and other goods								X												
	- Procurement of Other Goods and Equipments for DGWR, DGHS, and DGH					X	X	X	X	X	X	X									
III. PROJECT SUPERVISION																					
	Project administration mission					Jan	Jun		Dec		Jun				May		Nov				
	Mid-term review mission												Dec								
	Project completion mission																		May		

Note:

1. Items in italics refer to advance procurement action, for the period prior to loan effectiveness.
2. Selection of firms for the panels will follow principles of quality-based selection method. Selection of consultants from the panels will follow on the quality- and cost-based selection method, based on full technical proposal. At call-down stage, RFPs will be sent to the panel members electronically via SPSE. The consultants' technical and financial proposals will be submitted electronically via SPSE.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations–Roles and Responsibilities

11. Stakeholders' role and responsibility in the ESP are presented below.

Project implementation organizations	Management Roles and Responsibilities
<ul style="list-style-type: none"> • Ministry of Public Works and Housing, Office of Secretary General 	<ul style="list-style-type: none"> ➤ Administer the ESP as the executing agency of the ADB loan; ➤ Communicate with ADB for any amendments in the reallocation of the loan amount.
<ul style="list-style-type: none"> • ESP Steering Committee, Ministry of Public Works and Housing 	<p>The ESP Steering Committee will be chaired by the Secretary General of the Ministry of Public Works and Housing. Other members of the ESP Steering Committee will include Director General for Water Resources, Director General for Highways, Director General for Human Settlements, and Director General for Construction Development.</p> <p>The roles and responsibilities of the ESP Steering Committee will include the following:</p> <ul style="list-style-type: none"> ➤ Provide overall coordination and guidance during the implementation of the ESP; ➤ Monitor status of preparation of individual infrastructure projects and facilitate that viable ESP-supported projects receive the required capital budget; ➤ Monitor status of institutional strengthening and capacity building activities; ➤ Ensure alignment of the ESP with MPWH SDP targets and time-lines; ➤ The steering committee will meet regularly; ad-hoc meetings may take place at request of the Chairperson.
<ul style="list-style-type: none"> • Project Coordination Office (PCO), Secretary General's Office 	<p>Staff from the Secretariat General's Office (SetJen) will be assigned to the PCO. SetJen will engage consultants to support PCO thru APBN and ADB cluster technical assistance on sustainable infrastructure assistance program (C-TA0013-INO). The roles and responsibilities of the PCO will include the following:</p> <ul style="list-style-type: none"> ➤ Serve as secretariat to ESP steering committee; ➤ Consolidate and review information on ESP implementation, including on the inclusion of viable ESP-supported projects in the capital budget of MPWH based on the status of the project preparation and budgeting process; ➤ Prepare consolidated reports on ESP implementation status for MPWH management

Project implementation organizations	Management Roles and Responsibilities
	<p>and other government agencies;</p> <ul style="list-style-type: none"> ➤ Ensure follow-up to the steering committee meetings and instructions of MPWH leadership. <p>The PCO will be supported by one international and one national project implementation specialists (supported by administrative assistant) to be engaged by ADB under cluster technical assistance “Sustainable Infrastructure Assistance Program” (C-TA0013-INO). TORs of these consultants are in Appendix 2.</p>
<ul style="list-style-type: none"> • Project Management Offices (PMOs) at DGWR, DGHS, and DGH 	<p>DGWR, DGHS and DGH will be the implementing agencies for the projects to be prepared for implementation under the ESP. These DGs will be represented by their PMOs. The PMO for each of the DG will be headed by Director of relevant directorate for planning and programming and will include necessary staffs to cover procurement and financial management areas.</p> <p>The roles and responsibilities of PMOs will include the following:</p> <p>Overall:</p> <ul style="list-style-type: none"> ➤ Lead communication and reporting on the ESP with PCO and ADB; ➤ Establish and maintain a monitoring framework for all ESP-supported projects in the respective DG and ensure all viable ESP-supported projects are prioritized in the DG’s request for capital budget for the year, in which the projects are expected to be implementation ready; ➤ Ensure compliance with agreed guidelines and procedures for the procurement of goods and selection of consultants; ➤ Review and process payments to consultants under outputs 1 and 2; ➤ Manage financial reporting and accountability aspects (withdrawal applications, financial reports, audits, bank account statements, etc.); ➤ Lead financial management per ADB’s Loan Disbursement Handbook; <p>Output 1:</p> <ul style="list-style-type: none"> ➤ Lead selection of panels for respective DGs, including development of Terms of Reference (TOR) for panel selection; ➤ Lead the review of panel performance and issues related to selection and maintenance of the panel;

Project implementation organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> ➤ Sign indefinite delivery contracts with panel members; ➤ Contribute to review of consultant outputs and quality assurance; ➤ Incoordination with PIUs, monitor status of project preparation and facilitate timely action by all structures of the respective DG. ➤ Contribute to the development of project specific TORs and RFP for selection of panel consultants from the panel; ➤ Contribute to the technical and financial evaluation criteria of submitted proposals; ➤ Assign tender committees for empanelment process that will be responsible for: <ul style="list-style-type: none"> ○ Evaluation of submitted EOIs; ○ Propose draft IDC along with the list of panel consultants to PMO for approval and signing. <p>Output 2:</p> <ul style="list-style-type: none"> ➤ Lead selection and management of ESP project management consultants; ➤ Development and establish of TORs and Budget Estimate for PMC firms; ➤ Development of TORs and Budget Estimate for PMC firms; ➤ Sign contracts with PMC firms; ➤ Assign tender committees for PMC selection that will be responsible for: <ul style="list-style-type: none"> ○ Conduct technical and financial evaluation of submitted proposals, and contract negotiations; ○ Propose potential awarded firm to PMO for approval and signing. <p>Each PMO will receive consultant support for implementation of the ESP through a project management consulting firm. Draft TORs of each PMC are in Appendix 2.</p>
<ul style="list-style-type: none"> • Project Implementation Units (PIUs) at DGWR, DGHS, and DGH 	<p>The PIU for each of the DG will be headed by a Director and will include necessary staffs to cover procurement, financial management, and technical areas. The management roles and responsibilities of each of the PIUs will include the following:</p> <p>Output 1:</p> <ul style="list-style-type: none"> ➤ Closely monitor status of each contract and ensure timely action by the consultant and all structures of the respective DG.

Project implementation organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> ➤ For project preparation, establish joint PIU-Balai/Satker Direction Teams to review consultant outputs to ensure quality and timeliness; ➤ Contribute to development of TORs for selection of firms for the panel; ➤ Contribute to evaluation of submitted EOIs for empanelment; ➤ Provide feedback on performance of panel consultants; ➤ Develop TORs, Budget Estimate, and RFP for selection of firms for project preparations; ➤ Sign the contract with the technical consultant selected from the panel; ➤ For project preparation, assign tender committees that will be responsible for the following: <ul style="list-style-type: none"> ○ technical and financial evaluation of submitted proposals, and contract negotiations; ○ Propose potential awarded firm to PIU for approval and signing. ➤ Lead quality assurance of the technical consultants' outputs, including review of consultant's deliverables; ➤ Upon endorsement of joint PIU-Balai/Satker Direction Team, confirm deliverable of the consultants for payment processing by PMO; ➤ Lead consultant performance evaluation upon completion of contract. ➤ Submit monitoring status of each contract to PMO and ensure timely action by the consultant and Satkers; ➤ Ensure compliance with ADB consultant selection guidelines. <p>Output 2:</p> <ul style="list-style-type: none"> ➤ Contribute to implementation of capacity building and institutional strengthening activities (including in public investment management, safeguards, and procurement) in the relevant DG. <p>Each PIU will receive support for the ESP through the Project Management Consultant (PMC).</p> <p>Draft REOIs for panels of DGH, DGHS, and DGWR are in Appendix 2.</p>
<ul style="list-style-type: none"> • Project Team (PIU- 	Established by the concerned PIU with participation of

Project implementation organizations	Management Roles and Responsibilities
Balai/Satker)	local Balai or Satker Tasks are to: <ul style="list-style-type: none"> ➤ review project preparation consultant firms' outputs ➤ submit consultant outputs to PIU for approval and endorsement of payment to the project preparation consultant firms.
○ PIU	See above
○ Balai/Satker	Output 1: <ul style="list-style-type: none"> ➤ Provide feedback to respective PIU and PMO on performance of panel consultants; ➤ contribute to development of project specific TORs and RFP for selection of consultants from the panel for a specific project; ➤ Lead coordination with other local agencies and government offices. ➤ As member of Project Team: <ul style="list-style-type: none"> ○ be the lead counterpart for the consultants during their assignments, including managing and supervising the consultants on daily basis; ○ review and quality assurance of consultant output; ○ contribute to consultant performance evaluation upon completion of contract. Output 2: <ul style="list-style-type: none"> ➤ Participate and contribute to capacity building and institutional strengthening activities under the ESP.
• ADB project team	<ul style="list-style-type: none"> ➤ Review and monitor implementation of the ESP, including facilitation of review by ADB of procurement, financial management and other types of project reporting and submissions of MPWH. ➤ Coordinate with development partners and other stakeholders on ESP implementation. ➤ Facilitate transfer of infrastructure related knowledge and best practices to MPWH from ADB experiences in the Asia Pacific region.

B. Key persons involved in implementation

I. Executing Agency	
Ministry of Public Works and Housing – Office of the Secretary General	<p>H.E. Mr. Taufik Widjojono Secretary General Telephone: +62 21 7247564/7395588 Ext.201 Fax: +62 21 Email: sekjen@pu.go.id</p> <p>Address: Jl. Pattimura No. 20, KebayoranBaru, Jakarta 12110 – Indonesia</p>
<ul style="list-style-type: none"> • Project coordination office 	<p>Mr. A. Hasanudin Director, Directorate for Budget Planning and International Cooperation Email address: hasanudin20@yahoo.com</p> <p>Ms Dini Ambarsari Deputy Director, Directorate for Budget Planning and International Cooperation Email address: dini_af@yahoo.com, kln_pu@yahoo.com Tel./Fax: +62 21 7246248</p>
II. Implementing Agencies	
1. Directorate General of Water Resources	<p>Mr. Mudjiadi Director General of Water Resources Telephone: +62 21 7222804 Fax: +62 21 7261956 Email address: setditjensdapu@gmail.com</p> <p>Address: Jl. Pattimura No. 20, KebayoranBaru, Jakarta 12110 – Indonesia</p>
1.1 Project management office at Directorate of Water Resources Development	<p>Mr. Widiarto Director of Water Resources Development Email address: widipu@gmail.com</p> <p>Mr. Heru Setiawan Deputy Director for Cooperation Email address: subditklnsda@gmail.com, herusetiawan17@gmail.com</p> <p>Telephone: +62 21 7393006 Fax: +62 21 72799418</p>
1.2 Project implementation unit at Directorate of Irrigation and Lowland	<p>Mr. Adang Saf Ahmad Director of Irrigation and Lowland Email address: adangsafa@yahoo.com</p> <p>Mr. Andi Sudirman Deputy Director for Technical Guidance Email address: sudirman_andy@yahoo.com.sg, bimtek.irwa@gmail.com</p>

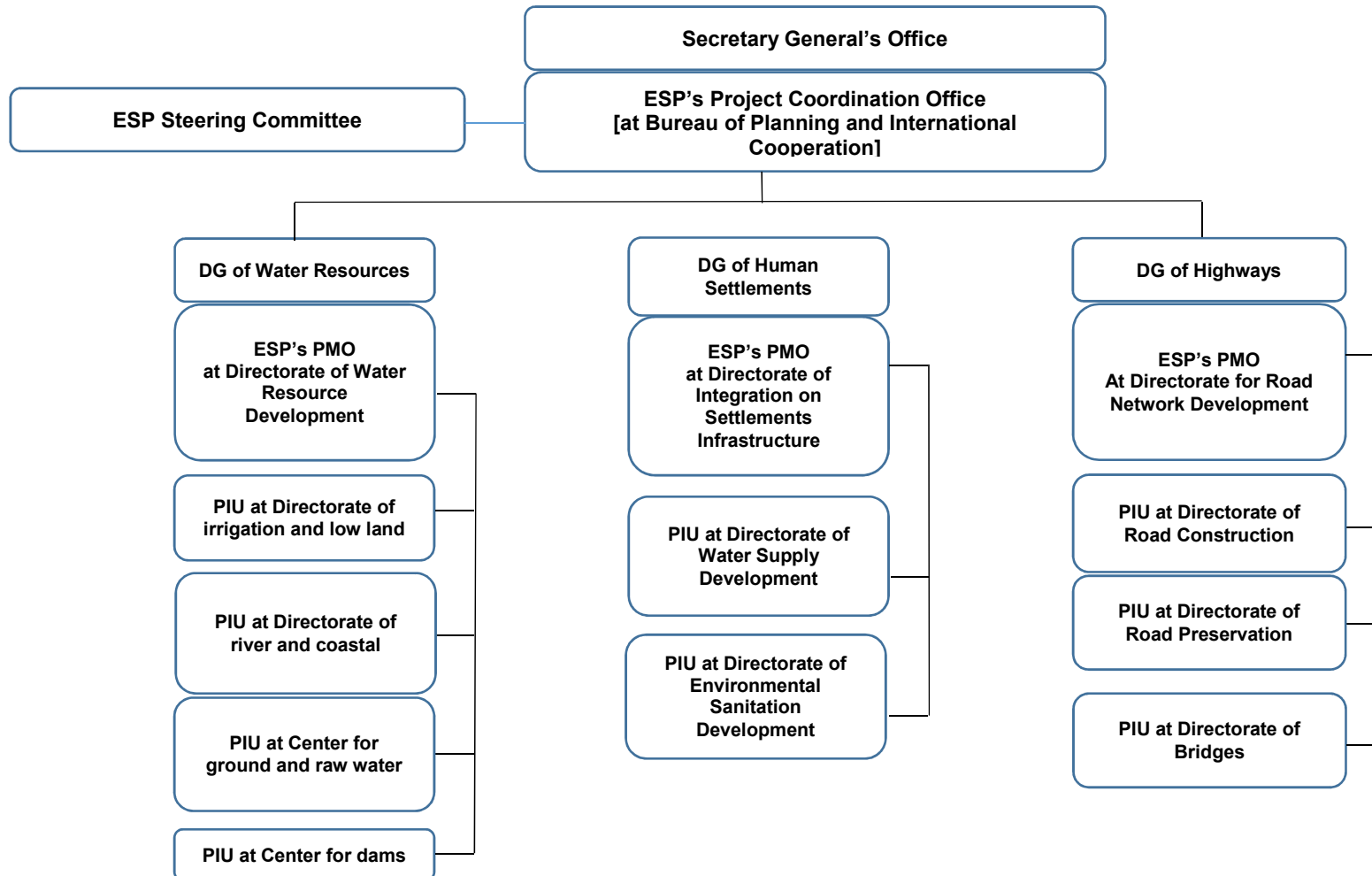
	<p>Mr. Abdul Muis Deputy Director for Planning Email address: cantek.ditgasira@gmail.com Tel./Fax: +62 21 7399581</p>
1.3 Project implementation unit at Directorate of River and Coastal	<p>Hari Suprayogi Director of River and Coastal Email address: sungaidanpantai@gmail.com</p> <p>Mr. Birendrajana Deputy Director for Planning Email address: cantek_sdw@yahoo.com</p> <p>Mrs. Dian Kamila Deputy Director for Technical Guidance Email address: bimtek_supan@yahoo.com</p> <p>Telephone: +62 21 7203951 Fax: +62 21 7261292</p>
1.4 Project implementation unit at Center for Ground Water and Bulk Water	<p>Mr. H. Dwi Sugiyanto Director of Center for Ground Water and Bulk Water Email address: pusatab.pu@gmail.com</p> <p>Mr. Iriandi Azwartika Deputy Director for Planning and Administration Email address: pusatab.pu@gmail.com</p> <p>Tele/Fax: +62 21 7221826</p>
1.5 Project implementation unit at Center for Dams	<p>Mr. Imam Santoso Director of Center of Dams Email address: immsantoso@yahoo.com</p> <p>Mr. Muhammad Rizal Deputy Director for Planning and Administration Email address: perencanaanpusben@gmail.com</p> <p>Telephone: +62 21 7392051 Fax: +62 21 7261292</p>
2. Directorate General of Human Settlements	<p>Mr. Andreas Suhono Director General of Human Settlements Telephone: +62 21 72796155 Fax: +62 21 72796158 Email address: kr_binprog@yahoo.com</p>
2.1 Project management office at Directorate of Integration on Settlements Infrastructure	<p>Mr. Dwityo A. Soeranto Director of Integration of Settlements Infrastructure Email address: d_akoro@yahoo.com</p> <p>Tanozisochoi Lase Deputy Director for Implementation Integration</p>

	<p>Email address: tanozisochi@gmail.com</p> <p>Tel./Fax: +62 21 72796581</p>
2.2 Project implementation unit at Directorate of Water Supply System Development	<p>Mochammad Natsir Director for Water Supply System Development Email address: natsir8985@gmail.com</p> <p>Mieke Kencanawulan Deputy Director for Technical Planning Email address: pamdjck@yahoo.co.id</p> <p>Tel./Fax: +62 21 72796904</p>
2.3 Project implementation unit at Directorate of Environmental Sanitation Development	<p>Dodi Krispratmadi Director of Environmental Sanitation Development Email address: dodikris@yahoo.com,</p> <p>Prasetyo Deputy Director for Technical Planning Email address: pras_tyo@hotmail.com</p> <p>Tel./Fax: +62 21 72796578</p>
3. Directorate General of Highways	<p>Mr. Hedyanto W. Husaini Director General of Highways Telephone: +62 21 739 8116 Fax: +62 21 722 1782 Email address: hedyantow2@gmail.com</p>
3.1 Project management office at Directorate for Road Network Development	<p>Mr. Rachman Arief Dienaputra Director for Road Network Development Email address: direkoratbinaprogram@gmail.com</p> <p>Mr. Triono Junoasmono Deputy Director for Integrated Planning and Road Network System Email address: tjunoasmono@gmail.com</p> <p>Tel.: +62 21 7221039 Fax: +62 21 7245388</p>
3.2 Project implementation unit at Directorate of Road Construction	<p>Mr. A. Gani Ghazaly Akman Director of Road Construction Email address: gani@pu.go.id, agg_akman@yahoo.co.id</p> <p>Mr. Selamat Rasidi Deputy Director of Construction Management Email address: pembangunanmk@gmail.com, Tel./Fax: +62 21 7245751/7246973</p>
3.3 Project implementation unit at Directorate of Road Preservation	<p>Mr. Poltak Sibuea Director of Road Preservation Email address: preservasi.pp@gmail.com Mr. Thomas Setiabudi Aden</p>

	Deputy Director of Planning and Programming Email address: tsaden3@gmail.com Tel./Fax: +62 21 72796581/72799232
3.4 Project implementation unit at Directorate of Bridges	Mr. Hedy Rahadian Director of Bridges Email address: subdit.renprog.jembatan@gmail.com Mr. Rahman Taufik Deputy Director of Planning and Programming Email address: subdit.renprog.jembatan@gmail.com Tel./Fax: +62 21 7251019/7251544 Fax: +62 21 7247283
III. ADB	
ADB – Indonesia Resident Mission	Mr. Steven R. Tabor Country Director Tel.: +62 21 2992 7388 Fax: +62 21 2992 7399 Email address: stabor@adb.org Address: The Plaza Office Tower, 11 th floor Jl. M.H. Thamrin Kav. 28-30 Jakarta 10350, Indonesia
ESP project team	Mr. Aziz Haydarov Infrastructure Economist/Mission Leader Tel./Fax: same as above Email address: ahaydarov@adb.org Address: same as above

C. Project Organization Structure

12. Implementation arrangements are described below:¹⁶



¹⁶Directorates may involve local Balais or Satkers (owners of infrastructure project budgets) during selection of project preparation consultants. If the infrastructure project is implemented at the local level, the relevant Balai or Staker will be the technical consultants' counterpart during project preparation activities and review of outputs of technical consultants, in consultation with the relevant directorate of MPWH central office and as part of the joint PIU-Balai/Satker Project Team.

D. Implementation Procedures

13. The MPWH' Office of the Secretary General will be the executing agency. The DGH, DGHS, and DGWR will be the implementing agencies. The MPWH will establish a steering committee to monitor the ESP's overall implementation and ensure ESP-supported projects are prioritized for implementation. A project coordination office (PCO) will be established at the Office of MPWH's Secretary General to support the steering committee.¹⁷ The DGH, DGHS, and DGWR will each establish (i) a project management office (PMO) headed by a project director and supported by administrative staff, and (ii) project implementation units (PIUs) within their respective sector directorates to lead selection and management of consultants for the preparation of infrastructure projects. The PIUs will submit regular reports to the respective PMO on the status of consultant selection and performance. The PMOs will consolidate the reports for their respective DGs and submit reports to the PCO for monitoring and consolidated reporting on the ESP as a whole.

14. The PMOs will lead (i) the establishment of panels of consultants, in consultation with the PIUs at their directorate general, and (ii) the selection of project management consultants to support the PMOs and PIUs with implementation of the ESP. The PIUs will lead selection (with relevant Balai or Satker, as required) of the consultants from the panels for preparation of infrastructure projects. The DGWR, DGHS, and DGH will set up procurement committees for the purposes of selection of consultants recruited under the ESP. All consultant selection will be done electronically using the MPWH's LPSE, with proper adjustments for the panel arrangement.

15. If infrastructure projects prepared under the ESP are going to be implemented at the local/district level of DGH, DGHS, DGWR, then the concerned PIU will involve local Balai (for DGWR and DGH) or Satker (for DGHS) to direct project preparation activities, and review the outputs of the project preparation consultant firms. The concerned PIU and local Balai or Satker will establish a Project Team (Tim Direksi), which will review project preparation consultant firms' outputs and submit such outputs to PIU for approval and payment to the project preparation consultant firms.

16. Indicative list of projects of DGH, DGHS, and DGWR to be supported under the ESP is in Appendix 1. It is based on the priorities of the directorates general at appraisal of the ESP. During the implementation of the ESP, the list of projects may be updated, as mutually agreed between ADB and the Government.¹⁸ The updating process will be guided by the ESP loan financing available for project preparation in each sub-sector of DGWR, DGH, and DGHS indicated in Appendices 1.

17. The feasibility studies developed under the ESP will normally cover such aspects as technical analysis and description, subproject rationale, scope and components, cost estimates and financing plan, implementation arrangements, risk and situation assessment, financial and economic analysis, and environmental, social and poverty impact assessment.

¹⁷ The PMO will be supported through cluster technical assistance on sustainable infrastructure assistance program (C-TA0013-INO).

¹⁸ If DGWR, DGHS and DGH decide to source financing for implementation of a project from ADB, then environmental, social safeguard assessment reports and environment management plan (EMP), and land acquisition and resettlement plan (LARP) for such projects will need to reflect ADB safeguards requirements, as appropriate.

18. Among criteria to define feasibility of the project and enable to proceed with further due diligence and then with government financing are:

- (i) Project directly contributes and is part of the sector development plan of the relevant DG;
- (ii) Project risk analysis is based on international requirements on data survey (as relevant), and collected data is sufficient for estimating impact; and structural designs meet national technical requirements;
- (iii) Project is designed to minimize cost and maximize the benefits with a combination of structural and nonstructural measures for optimal project management;
- (iv) Project has been in line with regional spatial planning and the development priority stated in the Medium Term Development Plan, strategic plans, and the involved government institution's work plan.
- (v) Project's social and poverty impact assessment clearly show that the proposed measures will have a net positive impact on stakeholders' social welfare, will reduce poverty, and can be monitored;
- (vi) Project is designed to minimize social impacts and ensure that people adversely affected by civil works under the project are compensated in compliance with the principles set in the country's land acquisition and resettlement frameworks;
- (vii) Project initial environmental examination assesses that the environmental impact during construction can be minimized, in line with principles set in the environmental legislation; and the project is designed to minimize detrimental environmental impact;
- (viii) Project's implementation time frame is reasonable, and surveys and design can be prepared, reviewed, and safeguard processes and procedures followed, and implemented within the project period;
- (ix) Local government provides commitment to the investment to facilitate the land acquisition and resettlement process and AMDAL/UKL-UPL as per principles set in the country's legal framework on land acquisition and AMDAL/UKL-UPL;
- (x) Local government provides commitment to finance land acquisition and AMDAL-UKL-UPL implementation, especially for DGHS' projects.
- (xi) Project's impacts on environment and indigenous peoples have been assessed and mitigation measures, if needed, adopted;
- (xii) Local communities and beneficiaries demonstrate commitment to the investment through willingness to contribute, in cash or in kind, to the cost of development as appropriate.
- (xiii) Project's economic internal rate of return exceeds 12%.
- (xiv) Project's financial sustainability has been assessed (including through financial internal rate of return) and project has been designed to maximize financial sustainability, in addition to ensuring economic feasibility.

19. For projects on development of city-wide wastewater system, the following criteria are also used:

- Cities with sanitation services more than 75%
- Cities of high idle capacities of existing wastewater treatment plants and require assistance to optimize existing systems and to add sewerage networks.
- Cities that need rehabilitation of existing waste water treatment plants and expansion of services (new WWTP services), including offsite (centralized) as well as on site systems.

- Cities which indicate strong commitments to participate.
- Cities that need technical assistance to meet the readiness criteria.

20. After the feasibility study that would cover the features highlighted above, the following steps will be normally undertaken:

- (i) Preparation of DED that will take into account climate change, future land use changes, eco-hydrology dimensions, and other relevant aspects (such as value analysis applicable at DED stage to minimize the cost while ensuring full function of the project);
- (ii) Preparation of AMDAL/UKL-UPL and obtain the environmental permits.
- (iii) Preparation of LARP
- (iv) Preparation of the O&M plan;
- (v) Review/approval of DED;
- (vi) Tendering for civil works;
- (vii) Facilitation of activities to obtain project location determination and other necessary permits. Such activities may include land acquisition implementation (consultation, valuation of compensation objects, compensation payment), and hand over of acquired land for civil works commencement/construction;
- (viii) Complete implementation of LARPs and provision of required compensation to project affected people before issuing instruction to proceed to contractors;
- (ix) Review and revision of the DED after the selection of the civil works contractor and completion by the latter of the field survey;
- (x) Construction, including technical and safeguard supervision and monitoring; construction will need to comply with the recently issued MPWH regulation on sustainable construction of infrastructure.¹⁹

21. Prior to the consultants' commencement of work on project preparation (e.g., feasibility study, and DED), the relevant PIU of MPWH will inform the consultants about any issues that need to be taken into account during project preparation based on the safeguards, technical, fiduciary and other requirements related to the funding source envisaged for the eventual infrastructure project.

22. Based on the advice of the concerned PMO, the DGs will ensure timely budgeting for the infrastructure projects prepared under the ESP, either through synchronization with the budgeting process of APBN or with the Blue Book process in case Official Development Assistance (ODA) is to be sourced for implementation of the project. For example, the DGs will take proper action to ascertain availability of funding from APBN or ODA at the time of completion of the DED for the project. Upon consultation with PMOs, the PCO will submit regular reports to the ESP steering committee on the status of budgeting and implementation of the ESP-prepared infrastructure projects.

¹⁹MPWH regulation no. 05/PRT/M/2015 on sustainable construction of infrastructure. Sustainable construction is an approach to implement a series of activities to construct facilities to meet the economical, social, environment purposes for now and future. It required optimal utilization of resources at every stages of infrastructure construction, i.e. reduce the use of resources, reduce pollution, the use of recycle materials, environmental protection, risk mitigation, safety and health, life cycle, quality oriented, techno-innovation, and institutional support. Sustainable construction will be initiated by the responsible technical unit at an early stage of construction. To support the implementation of sustainable construction, the Minister established a committee for implementation of the sustainable construction regulation. This committee consists of organization units at echelon 1 level.

IV. COSTS AND FINANCING

23. The ESP's estimated cost is \$167.6 million, of which ADB will provide a technical assistance loan of \$148.2 million from ADB's ordinary capital resources. The government will provide equivalent of \$19.4 million to finance taxes, duties, and interest during implementation.²⁰ The financing plan is shown in Table 2.

Table 2: Financing Plan
(figures in \$ million)

Source	Amount	Share of Total (%)
Asian Development Bank	148.2	88.4
Ordinary capital resources (loan)	148.2	88.4
Government	19.4	11.6
Total	167.6	100.0

Source: ADB and MPWH staff estimates

A. Detailed Cost Estimates by Expenditure Category

24. Cost estimates by expenditure category are in Table 3.

Table 3: Cost Estimates by Expenditure Category
(figures in \$)

	Cost	% of Total Cost
A. Investment Costs		
1 Consultants		
a. Infrastructure project preparation	123,700,000.00	73.8
b. ESP management and MPWH institutional strengthening	8,600,000.00	5.1
c. Trainings and workshops	200,000.00	0.1
2 Office equipment and furniture ^a	600,000.00	0.4
Subtotal (A)	133,100,000.00	79.4
B. Contingencies^b		
Subtotal (B)	15,100,000.00	9.0
C. Taxes and Duties^c		
Subtotal (C)	14,800,000.00	8.8
D. Financing Charges During Implementation		
1 Interest During Implementation	4,600,000.00	2.7
Subtotal (D)	4,600,000.00	2.7
Total Project Cost (A+B+C+D)	167,600,000.00	100.0

Source: ADB and MPWH staff estimates

^a Equipment will be procured through the project management consultants based on procurement procedures agreed between ADB and the Government and in line with the ADB's Procurement Guidelines.

^b Physical contingencies at 3%. Price contingencies are computed at 1.5% on foreign exchange costs and 4.2% on local currency costs; includes provision for potential

²⁰ It is difficult to reasonably quantify government costs associated with administration of the ESP. Hence, this cost is not reflected in the project cost estimates. Only identifiable and quantifiable government costs are reflected in this section.

exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^c Any taxes and duties and financial charges during implementation will be financed by the Government. Taxes and duties are computed at 10% of the sum of the cost of the consultants, office equipment, and contingencies.

B. Cost Estimates by Component

25. Cost estimates by output are in Table 4 below.

Table 4: Cost estimates by output
(figures in \$)

Item		Output 1		Output 2		Total
		Amount	%	Amount	%	
A	Consulting services	123,700,000.00	79.5	8,800,000.00	73.4	132,500,000.00
B	Office equipment and furniture	0.00	0.0	600,000.00	5.0	600,000.00
C	Contingencies	13,890,000.00	8.9	1,210,000.00	10.1	15,100,000.00
D	Taxes and duties	13,750,000.00	8.8	1,050,000.00	8.8	14,800,000.00
E	Financing charges during implementation	4,270,000.00	2.7	330,000	2.8	4,600,000.00
Total		155,610,000.00	100	11,990,000.00	100	167,600,000.00

Source: ADB and MPWH staff estimates

C. Cost estimates by funding source

26. Cost estimates by funding source are in Table 5 below.

Table 5: Cost estimates by funding source
(figures in \$)

	ADB		Government		Total	
	Amount	% ^a	Amount	%		
A. Investment Costs						
1	Consultants					
	a. Infrastructure project preparation	123,700,000.00	100	0	0	123,700,000.00
	b. ESP management and MPWH institutional strengthening	8,600,000.00	100	0	0	8,600,000.00
	c. Trainings and workshops	200,000.00	100	0	0	200,000.00
2	Office equipment and furniture	600,000.00	100	0	0	600,000.00
	Subtotal (A)	133,100,000.00	100	0	0	133,100,000.00
B. Contingencies						
	Subtotal (B)	15,100,000.00	100	0	0	15,100,000.00
C. Taxes and Duties						
	Subtotal (C)	0.00	0	14,800,000.00	100	14,800,000.00

	ADB		Government		Total
	Amount	% ^a	Amount	%	
D. Financing Charges During Implementation					
1 Interest During Implementation	0.00	0	4,600,000.00	100	4,600,000.00
Subtotal (D)	0.00	0	4,600,000.00	100	4,600,000.00
Total Project Cost (A+B+C+D)	148,200,000.00	88.4	19,400,000.00	11.6	167,600,000.00

Source: ADB and MPWH staff estimates

^a Net of taxes and duties that will be covered by the Government

D. Allocation and Withdrawal of Loan Proceeds

27. Allocation and withdrawal of loan proceeds is in Table 6.

Table 6. Allocation and Withdrawal of Loan Proceeds
(figures in \$ million)

Category	ADB Financing (\$ million)	Percentage and basis for withdrawal from loan account
1 Consulting services, office equipment and furniture	148.2	100% of total expenditure claimed*
Total	148.2	

Source: ADB and MPWH staff estimates

*Exclusive of local taxes and duties within the territory of the borrower.

E. Detailed Cost Estimates by Year

28. Breakdown of costs by year is in Table 7. The expected contract awards and loan disbursement S curves is in Figure 1. The annual amounts are in Table 8.

Table 7. Cost Estimates by Year
(US\$)

	2017	2018	2019	2020	Total
A. Consultants					
1. Infrastructure project preparation	32,630,000	42,110,000	38,540,000	10,420,000	123,700,000
2. ESP management and MPWH institutional strengthening	2,820,000	2,370,000	2,680,000	730,000	8,600,000
3. Trainings and workshops	50,000	50,000	50,000	50,000	200,000
B. Office equipment and furniture	200,000	200,000	200,000		600,000
C. Contingencies	4,030,000	5,070,000	4,700,000	1,300,000	15,100,000
D. Taxes and duties	3,960,000	4,970,000	4,620,000	1,250,000	14,800,000
E. Financing charges	1,230,000	1,550,000	1,430,000	390,000	4,600,000
Total	44,920,000	56,320,000	52,220,000	14,140,000	167,600,000

Source: ADB and MPWH staff estimates

F. Contract Awards and Disbursement S-curve

Figure 1. Contract awards²¹ and loan disbursement S curve
(figures in thousand \$; cumulative; number of X axis refer to quarters of years)

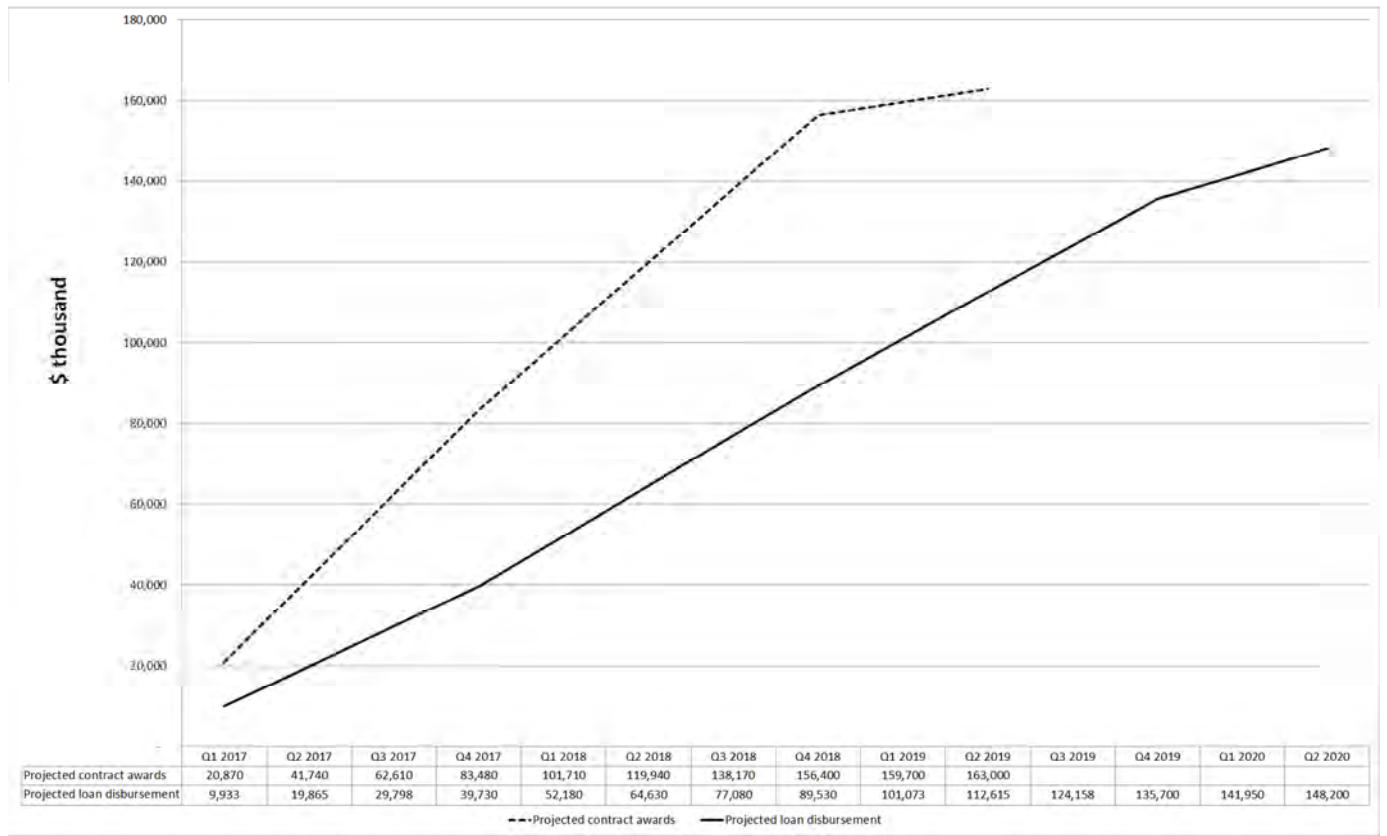


Table 8. Estimated annual contract awards and loan disbursements
(figures in thousand \$)

	2017	2018	2019	2020
Expected annual contract awards	83,480.00	72,920.00	6,600.00	
Expected annual loan disbursement	39,730.00	49,800.00	46,170.00	12,500.00

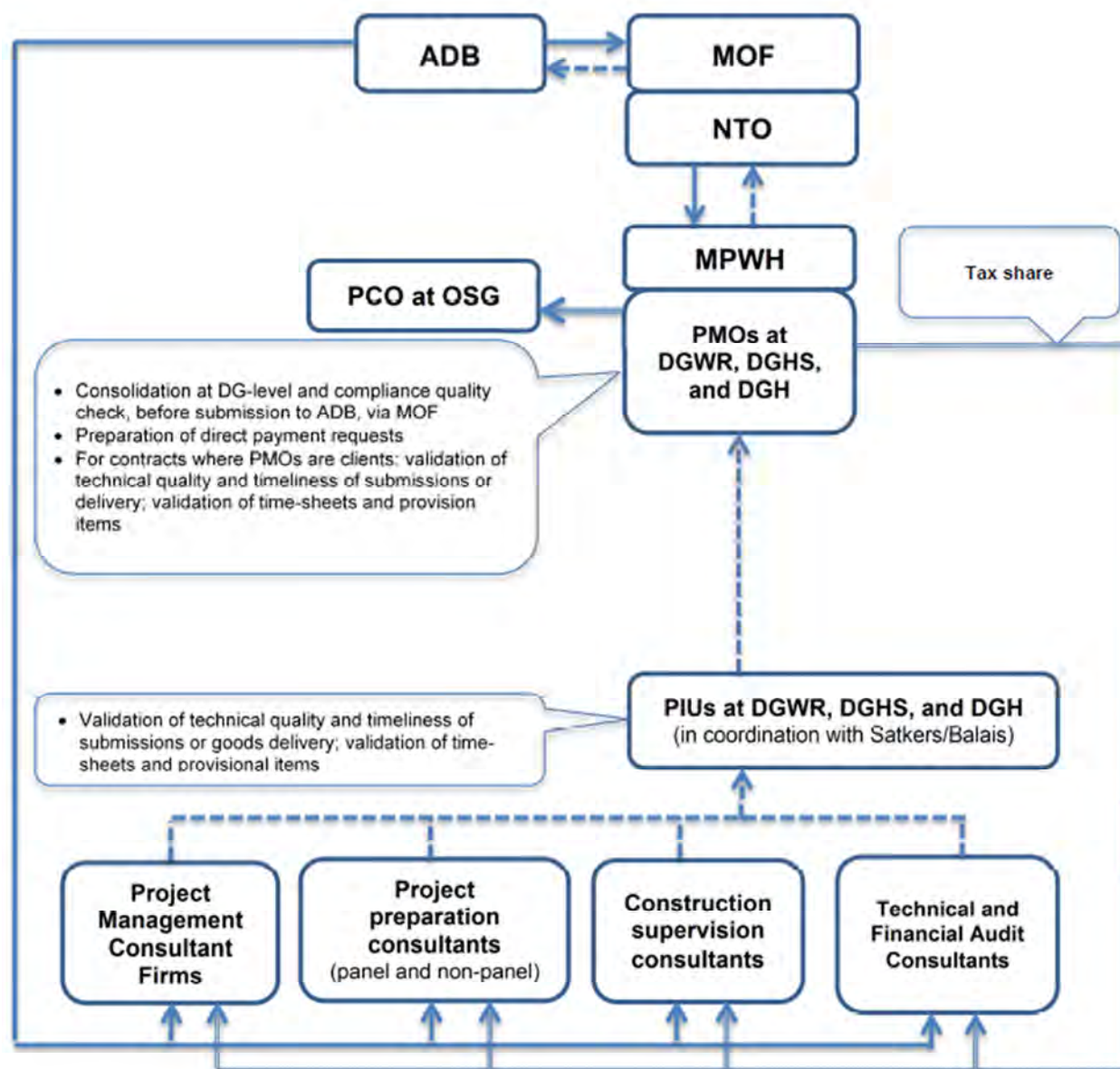
Table 9: Estimated quarterly contract awards and loan disbursements
(figures in thousand \$)

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Contract awards	20,870	20,870	20,870	20,870	18,230	18,230	18,230	18,230	3,300	3,300				
Loan disbursement	9,933	9,933	9,933	9,933	12,450	12,450	12,450	12,450	11,543	11,543	11,543	11,543	6,250	6,250

²¹ Contract awards reflect project costs net of financing charges during implementation. Hence, total contract awards equal to \$163 million.

G. Fund Flow Mechanisms

Figure A: General Fund Flow Diagram



MOF = Ministry of Finance, NTO = National Treasury Office, MPWH = Ministry of Public Works and Housing, PCO = project coordination office, PMO = project management office, PIU = project implementation unit, OSG = office of the Secretary General, DGWR = directorate general of water resources, DGHS = directorate general of human settlements, DGH = directorate general of highways

- Flow of ADB loan funds
- Flow of government counterpart funds
- ⇄ Payment requests
- ⇄ Regular financial status reports

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

29. The financial management assessment was conducted to determine the robustness of the accounting, financial controls and internal audit arrangements, and the capability of the DGs to meet all the fiduciary requirements which are set out in the loan agreement, and other project documents. The assessment also reviewed the project financial arrangements and financial responsibilities, as well as the perceived financial risks and risk management measures. The assessment concludes that the overall project financial management risk is **moderate**. The key risks, activities to mitigate risks, responsibilities to address these risks and a timeline are summarized in the table below:

Key Risks	Mitigation Activities	Timeline	Responsibility
Project specific risks			
Insufficient experience of the PCO, PMOs and PIUs with implementation of ADB-funded projects, including with financial management arrangements under ADB-funded projects	<ul style="list-style-type: none"> Recruitment of an ESP-financed project management consultant firms to support the PMOs and PIUs with implementation of the ESP, including assistance in financial management Recruitment of a TA-financed international and national project implementation specialists to provide safeguarding support to the PCO, PMOs and PIUs in ensuring compliance with ADB financial management requirements 	<p>Soon after loan effectiveness</p> <p>May 2016</p>	<p>PMO</p> <p>ADB, PCO</p>
Lack of experience of PMOs and PIUs with administration of lump-sum contracts	<ul style="list-style-type: none"> Recruitment of an ESP-financed project management consultant firms to support the PMOs and PIUs with implementation of the ESP, including assistance in financial management and contract administration Recruitment of a TA-financed international and national project implementation specialists to provide safeguarding support to the PCO, PMOs and PIUs in ensuring compliance with ADB financial management Capacity building by ADB on consultant selection guidelines and lump-sum contract management Use of direct payment procedure 	<p>Soon after loan effectiveness</p> <p>May 2016</p> <p>During implementation</p> <p>During implementation</p>	<p>PMOs, ADB</p> <p>ADB, PCO</p> <p>TA consultants and PMC firms</p> <p>PMOs, PIUs</p>
Inadequate coordination and inefficient information flow	<ul style="list-style-type: none"> Establishment of the ESP's steering committee to ensure regular coordination to address issues, resolve it within a short 	Aug 2016	OSG, in consultation with DGs

Key Risks	Mitigation Activities	Timeline	Responsibility
between the PMOs, PIUs and Satkers (including Satkers at local offices of MPWH)	time span and communicate it to the PCO, PMOs, and PIUs.		
Generic PFM risks			
Introduction of accrual-based accounting may impact preparation of financial management reports.	Strengthening of the PMOs and PIUs capacity in preparing the financial management reports	After the establishment of PCO, PMOs and PIUs	ADB, TA-financed consultants, project management consultant firms
Weak internal controls and internal audit capabilities and reconciliations.	Coordinate with Inspectorate General of MPWH (with guidance from BPKP, if needed) to address internal control system issues specific for the project.	After the establishment of PMOs and PIUs	MPWH, ADB
	As part of the project management consultant firm, recruit financial management consultants and provide guidance to improve project staff capacity in internal control and audit.	After loan effectiveness	PMOs and ADB
Inadequate segregation of duties in bank reconciliations	Establish clear organizational structure of the ESP. Reflect this aspects clearly in the TORs of financial management consultants to be recruited as part of the project management consultant team to support each DG with ESP implementation	To be reflected in PAM	PCO, PMOs, PIUs, and ADB
Reliance on excel spreadsheets (and the associate risks) for preparation of financial statements	Develop accounting and financial management manuals to empower accounting system; strengthen the internal audit function; and put in place the system to ensure data reliability.	After PMOs' establishment.	PMO, with support of ADB

30. **Conclusion.** The assessment indicates that, as a whole, the government's prevailing financial, accounting, auditing rules and systems meet the generally acceptable international accounting and auditing standards. The Government has adequate internal control systems and financial reporting arrangements. The EA has worked in the past with ADB and is implementing well, the on-going ADB-funded projects. The overall performance of the EA in implementing financial management of the on-going project is acceptable. The MPWH's Directorates General of Water Resources, Human Settlements and Highways have been in charge of implementing a number of World Bank and ADB funded projects. They have substantial and relevant experience in implementing externally financed subprojects and in managing ADB loan disbursements.

31. The TA loan and nature of the project expenditures (i.e. no civil works and no major procurement of goods), the provision of PMC support to all DGs involved in the ESP, and the relative strength of the country's public financial management systems, suggest that overall the MPWH can be considered as **capable** of implementing the ESP, with the overall project financial management risk being assessed as **moderate**.

B. Fund Flow/Disbursement Arrangements

32. The loan proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2015, as amended from time to time),²² and detailed arrangements agreed upon between the Government and ADB in the ESP's project administration manual. The DGWR, DGHS, and DGH involved in the implementation will maintain separate accounts and records for the ESP. Project staff will avail of the ADB's disbursement training to help ensure efficient disbursement and fiduciary control.²³

33. The ESP will have three (3) budget users: the DGWR, DGHS, and DGH. Each budget holder will establish a project management office (PMO), which will be headed by a commitment officer (PPK).²⁴ The PPK at PMOs at DGWR, DGHS, and DGH will be responsible for procurement (i.e., selection of the project management consultants, selection of the panel of consultants, and procurement of goods) and managing the payment for all goods and consultant services procured under the ESP. The PPK at PIUs at directorates of DGWR, DHS, and DGH will be responsible for selection of consultants from the panels, in consultation with the relevant Saters. Cost estimates by budget user, as per the Green Book of the government, are in Table 9 below:

Table 9: Cost Estimates by Budget User
(figures in \$)

	Cost	% of Total Cost
A. Directorate General of Highways (DGH)		
1 Engineering Service for National Roads Development Project (GB-15-01-2)	45,000,000.00	
Subtotal (A)	45,000,000.00	26.8
B. Directorate General of Water Resources (DGWR)		
1 Engineering Service for Dam Multipurpose Development Project (GB-15-11-1)	1,930,000.00	
2 Engineering Service for Coastal and River Development Project (GB-15-13-1)	9,620,000.00	
3 Engineering Service for Irrigation and Lowland Development Project (GB-15-15-1)	^a 38,075,000.00	
4 Engineering Service for Bulk Water and Water Supply Development Project (GB-15-18-1)	2,000,000.00	
Subtotal (B)	51,625,000.00	30.9
C. Directorate General of Human Settlements (DGHS)		
1 Engineering Service for Sanitation Improvement Project (GB-15-06-2)	25,200,000.00	
2 Engineering Service for Water Supply Development		

²² Available at: <http://www.adb.org/documents/loan-disbursement-handbook>.

²³ Online training for project staff on disbursement policies and procedures is available at: http://wpqr4.adb.org/disbursement_elearning.

²⁴ PPK = *pejabat pembuat komitmen* - commitment officer.

Project (GB-15-08-2)	^b 26,375,000.00	
Subtotal (C)	51,575,000.00	30.8
D. Taxes and Duties	14,800,000.00	
Subtotal (D)	14,800,000.00	8.8
E. Financing Charges During Implementation		
1 Interest During Implementation	4,600,000.00	
Subtotal (E)	4,600,000.00	2.7
Total Project Cost (A+B+C+D+E)	167,600,000.00	100.0

Source: List of Planned Priority External Loans 2015 (Green Book), Ministry of National Development Planning/National Development Planning Agency

^a Provision in the Green Book is \$38,093,000

^b Provision in the Green Book is \$26,380,000

34. **Direct payment procedure.** The ESP, due to its TA loan nature, will use the direct payment procedure of ADB. The payments to the consultants will be made directly by ADB, based on the payment requests of the DGWR, DGH or DGHS (in the form of withdrawal applications along with the necessary supporting documents), submitted through the MOF. The Government will cover the tax share of the consultant contracts through payment to the consultants or through other allowed means in line with Indonesia's taxation framework.

35. Before the submission of the first withdrawal application request, the borrower will submit to ADB sufficient evidence of the authority of the persons who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is set in accordance with the "Loan Disbursement Handbook". Individual payments below this amount will be paid by the IAs and subsequently claimed to ADB through reimbursement.

36. The PMOs will be responsible for preparing the annual contract awards and disbursement projections; requesting budgetary allocations for counterpart funds, preparing of withdrawal applications, and sending the withdrawal applications to ADB through MOF. The PMOs and the PIUs are responsible in collecting and maintaining supporting documents for the project expenditures they have incurred. The PMOs shall submit regular financial reports to the PCO at the Office of the Secretary, per the format and frequency to be agreed between the PCO and each PMOs.

37. Sample forms for withdrawal applications of loan proceeds can be downloaded from the ADB website.²⁵

C. Accounting Policies and Procedures

38. In accordance with Minister of Finance Decree 213/2013 (on the Government accounting system and financial reporting)²⁶, the EA has an accounting system that allows for the proper recording of financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds.

²⁵ Available at: http://www.adb.org/documents/handbooks/loan_disbursement/default.asp

²⁶ The government system is in line with the International Financial Reporting Standards will be applied for project reporting (as required by ADB's Guidelines on Financial Management and Analysis of Projects).

39. The PMOs at DGH, DHS, and DGWR will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project. The PMOs at DGH, DHS, and DGWR will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

D. Reporting, Auditing and Public Disclosure

40. **Auditing Requirements.** The PMOs at DGWR, DGH and DGHS will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the ESP. The PCO at OSG will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

41. The PCO will cause the detailed consolidated project financial statements to be audited annually by an independent auditor acceptable to the ADB based on standardized TORs on external audit of ADB-funded projects agreed upon between ADB and Audit Board of Indonesia (BPK) in 2014 (Appendix 8 of the PAM).²⁷ The independent auditor will also review ESP records and financial reports at PMOs of DGWR, DGH, and DGHS, as part of the annual audit of the ESP. The MPWH will allocate adequate budget to properly audit the ESP. The PCO will submit the audited project financial statements in English to ADB within six months of the end of the fiscal year.

42. Per the TOR, the auditor will prepare the annual audit report for the project accounts, which will include an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan proceeds were used only for the purposes of the project or not; and (iii) the level of compliance for each financial covenant contained in the legal agreements for the project.

43. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal project supervision, and followed up regularly with all concerned, including the external auditor.

44. The Government and the MPWH's OSG and DGs have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.²⁸ ADB reserves the right to require a change in the

²⁷ The audit will follow the standardized TORs agreed with the BPK as reflected in BPK's letter to ADB dated 19 June 2014 (No. 294/S/X/06/2014). The MOF's no objection on the standardized TORs was communicated through their letter to ADB dated 18 July 2014 (No. S-561/PU.2/2014).

²⁸ ADB Policy on delayed submission of audited project financial statements: When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.

- A. When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.
- B. When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.

auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

45. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).²⁹ After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The audit management letter will not be disclosed.

²⁹ Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Procurement

46. All advance contracting will be undertaken in conformity with *ADB's Guidelines on the Use of Consultants* (March 2013, as amended from time to time)³⁰ and *ADB's Procurement Guidelines* (April 2015, as amended from time to time).³¹ The issuance of invitations to bid under advance contracting will be subject to ADB approval. The borrower and DGWR, DGHS and DGH have been advised that approval of advance contracting does not commit ADB to finance the Project. ADB financing is subject to the government's compliance of the relevant provisions of the loan agreement and ADB guidelines. The Government was also advised that ADB would not finance expenditures incurred by the government prior to loan effectiveness, even if advance contracting is approved by ADB.

47. The following steps for the recruitment of consultants can be concluded in advance: (i) submission to ADB for review and approval of the terms of reference, cost estimates and shortlisting evaluation criteria, (ii) advertisement, (iii) shortlisting of consulting firms, (iv) issuance of the request for proposals, (v) evaluation of technical proposals, and (vi) evaluation of financial proposals and final ranking. The DGWR, DGHS, and DGH will advertise all consulting opportunities in Consulting Services Recruitment Notice at www.adb.org and on the Government's electronic procurement system (SPSE).

48. To facilitate rapid start-up, the Government and ADB agreed that advance action would be undertaken for the (i) selection of panels of consultant firms for DGWR, DGHS and DGH, (ii) selection of project management consultant firms to support DGWR, DGHS and DGH with implementation of the ESP, and (iii) selection of consultant firm for the preparation of the Jragung multi-purpose dam project. This is necessary to ensure (i) timely availability of the panels for selecting consultant firms for infrastructure project preparation, and (ii) project management consultants are mobilized as soon as the loan becomes effective. The advance action will be subject to ADB Management approval after signing of the MOU/confirmation of Aide Memoire by MPWH. Prior to the initiation of advance procurement, the DGH, DGHS, and DGWR will establish the PMOs and tender committees for selection of panels and PMC firms. Also DGWR will establish a tender committee for the advance procurement of the preparation consultant of the Jragung multipurpose dam project.

B. Procurement of Goods, Works and Consulting Services

49. All procurement of goods (office equipment and furniture) will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time) through project management consultants.³² For packages of \$100,000 equivalent or less, shopping method may be used.

50. All consultants will be recruited according to ADB's *Guidelines on the Use of Consultants* (March 2013, as amended from time to time).³³ The principles of the quality based selection (QBS) method will be followed for selection of panel of consultants on the basis of the ADB's Expression of Interest form specifically adjusted for the purposes of selection of firms for a

³⁰ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

³¹ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

³² The amount of \$200,000 is allocated for equipment for each DG.

³³ Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-impleMarchmentation/>

panel. The default method for selection of consultants (i) from the panels for call-down assignments; (ii) for the Jragung multi-purpose dam project and (iii) technical and financial assessment consultants (TFAC) will be quality (90%) and cost (10%) based selection (QCBS) and for the selection of the (a) project management consultant firms and (b) supervision consultants for selected projects, the method will be quality (80%) and cost (20%) based selection (QCBS), based on full technical proposal. The firms (associations of firms) selected for the panel will sign indefinite delivery contracts with the PMO of the relevant DG, based on template agreed by ADB. The firms selected from the panels for call-down assignments and for Jragung multi-purpose dam project will normally be engaged on lump-sum contracts³⁴ based on ADB's template for lump-sum contracts. The project management consultant firms, supervision consultants and the TFAC will be engaged on time-based contracts based on ADB's template for time-based contracts. All the consultants engaged by MPWH will need to comply with the MPW's regulation on gratification³⁵.

51. The process of recruitment of project preparation consulting (PPC) firms will involve two stages: **Stage-1**: empanelment of PPC firms by the PMOs [**empanelment stage**], and **Stage-2**: selection of firms by the PIUs from the panel for preparation of specific public investment projects of DGH [**call-down stage**]. At the **empanelment stage**, indefinite delivery contracts (IDC)³⁶ will be signed by the PMOs of the respective directorate generals with every empanelled firm (single firm or association of firms). Such PMOs shall be the 'Client' under the IDCs and shall monitor the panel arrangements. At the **call-down stage**, Assignment Contracts (lump-sum contracts) shall be signed between the PIUs of the respective directorate generals and the PPC firm selected from the panel for individual projects for project preparation activities. Such PIUs shall be the 'Client' under the Assignment Contracts and shall monitor the project preparation activities, with the assistance from the Balai/Satkars. The PMOs shall play an oversight role throughout the infrastructure project development stage.

52. REOs for selection of consultants under the ESP, including on the selection of the panels and for selection of the project management consultant firms, will be posted on ADB's consulting services recruitment notice (CSRN) and the web-sites of LKPP's SPSE and INAPROC. All expressions of interest and consultants' technical and financial proposals will be received only at LKPP SPSE platform, with ADB having been granted the audit function to be able to review the submitted EOIs, RFPs, and their processing status. Each DG will get registered and will obtain authorized access to ADB's CMS to post REOs. The terms of reference for selection of project management consulting firm and for the panel of consultants for provision of consulting services, for each of the DG is enclosed in Appendix 2.

³⁴ When deliverables, timelines, and a payment schedule of the call-down assignment can be clearly defined, the consultants will be engaged under lump sum contracts. Use of lump sum contracts will allow a more flexible use of strong national experts, who can be members of several firms' teams at the same time. At the same time, lump sum contracts will ensure that the firm is fully accountable for its deliverables. Lump sum contracts will be considered for project preparation only. Consultants for construction supervision and technical and financial audit during construction will be engaged through time-based contracts.

³⁵ MPWH regulations no 14/PRT/M/2016 about Gratification can be found at <http://birohukum.pu.go.id/uploads/DPU/2016/PermenPUPR14-2016.pdf>

³⁶ Indefinite delivery contracts are used when the client needs to have quick and continuing access to "on call" specialized advisory services for a particular activity, the extent and timing of which cannot be defined in advance. In accordance with ADB's *Guidelines on the Use of Consultants (2013)*, the consulting firms shall be pre-qualified and retained under indefinite delivery contracts for 3 years without any commitment. As and when the services of the consultants are required for infrastructure project preparation support, a consultant will be selected from the empanelled firms and a call-down assignment contract shall be signed with such firm.

53. At the call-down stage, the PIUs, at their discretion, will send the RFPs to either **all** or **selected** number of panel members. Where the RFPs are proposed to be issued only to **selected** number of firms in the Panel, the following principles must be adhered to: (i) RFPs are sent to at least 1/3 of panel members, (ii) adequate geographic spread³⁷ among the panel members, to which the RFPs are sent, to ensure no preference is given to any particular country, (iii) performance of the panel members (responsiveness to RFPs, submission of quality RFPs, and satisfactory performance under signed contracts, if any), (iv) number of on-going ESP assignments of the panel members not to affect the consultants' work under on-going contracts and (v) any other matter, that in the opinion of the project management office (PMO)/project implementation unit (PIU) issuing the RFP, raises concerns on the ability of a panel member to undertake work outlined in the RFP. Draft procedures in this regard are in Appendix 2.14.³⁸ Prior to issuing to the panel members, the draft RFP and list of the to-be-invited panel members will be reviewed by ADB, as agreed with the Government.

54. Under the contracts at the call-down stage, the project preparation consultant (PPC) firms will be normally paid on a lump sum basis. The total fees shall be paid based on various milestones achieved. The detailed structure of the payment milestones, including the maximum timeframe for such release by the client, shall be prescribed in the RFP at call-down stage. Payments to consultants shall be made in accordance with *ADB Loan Disbursement Handbook* (2012, as amended from time to time). The payment shall be released based on the approval of the Project Team and the concerned PIU (and also based on the confirmation of the relevant local office or Balai/Satker) about the deliverables/outputs submitted by the PPC firms. PIU shall accord this approval after ensuring that the outputs delivered by the consultants / all other deliverables conform to the requirements of the contract. In the case of time based contracts, the payments shall be made based on approval of time sheets and linked deliverables, if any, as per the procedure described above. The payment shall be certified and made within the lapsing time periods per milestone defined in the RFPs/Assignment Contracts for a specific assignment. Payments to the consultants will be made by ADB, upon receipt of an endorsed direct payment request from the PMO of DGH, through the MOF's Treasury Office (KPPN).

55. The project preparation firms will be paid upon approval of the deliverable (or time-sheet, as the case may be) by the concerned PIU or by end of a certain time period after submission of the complete deliverable to the concerned PIU, whichever is earlier. The lapsing time periods per milestone will be defined in the RFPs of the project specific assignments. This is to increase certainty and attract a larger set of consultant firms to participate in the ESP. The consultants will be paid by ADB, upon receipt of an endorsed direct payment request from the PMO of the concerned DG, through the MOF's Treasury Office (KPPN).

56. In case of a significant delayed payment, the PPC firms will be able to communicate with the concerned PIU and PMO, with copy to ADB.

57. While lump-sum contracts will be default type of contracts at call-down stage, the relevant PIU may decide for time-based or other types of contracts in accordance with ADB's *Guidelines on the Use of Consultants*, based on specifics of the project and/or the envisaged consultant assignment. In all such cases, the PMO will seek views of ADB prior to taking the decision on the type of contract. If time-based contracts are used, payments to the PPC shall be

³⁷ Geographic spread among panel members means that the panel shall have a balanced representation from regions consisting of Oceania (Australia-New Zealand), North America, Europe and the Asia Pacific region, in addition to the borrower country.

³⁸ After it is finalized by the PMOs of the respective directrate generals, the same shall be included in the REOIs and shall also be notified through LKPP's SPSE (or in any other manner) for the information of the consultants.

first endorsed by the concerned Project Team, then approved by the relevant PIU, and then submitted to PMO for processing of the direct payment request. The submitted time-sheet shall be deemed approved by the Project Team and the PIU if the PPC firm does not receive an objection within 30 calendar days after submission of such time-sheet.

58. The scope of project preparation assignments will be decided by the concerned PIU and may comprise a combination of areas. In the latter case the PIUs will ensure that the PPC firms are aware of the provisions of the ADB's Guidelines on the Use of Consultants related to (i) conflict of interest [paras 1.10 and 1.11 of the guidelines], and (ii) unfair competitive advantage [para 1.12 of the guidelines].

59. The Project Team will review—with support of the project management consultant firms—the submitted milestone deliverables of the project preparation consultants, such as master plans, pre-feasibility and feasibility studies, AMDAL, LARAP, DED, bidding documents.³⁹ Specifically, the Project Team will review and endorse (pre) feasibility study (before the project preparation consultants proceed with DED) and the environmental and social safeguards assessments prepared by the project preparation consultants. If such reviews conclude that a project has insufficient feasibility or highly adverse environmental and social impact, then the project preparation consultants will not proceed to the next relevant milestone and their contracts will be adjusted accordingly.

60. A procurement risk assessment for the executing and implementing agencies has been completed by ADB.⁴⁰ The assessment suggested that the overall risks associated with the procurement capacity of MPWH are manageable, with most risk criteria rated as “low” or “medium”. The legal and regulatory framework for public procurement is sound and the MPWH's Directorates General are reasonably experienced in procurement of goods, works and consultant services under self-financed and foreign-assisted projects. In fiduciary issues, the DGH, DGHS, and DGWR will be comprehensively supported by the project management consulting firms engaged (Output 2) for the duration of the ESP. In addition, to support efficient and effective oversight and institutional coordination, the OSG will be supported by the PCO Consultants.

61. The ESP's overall procurement classification is assessed as medium risk. The ESP's integrated benefits and impacts are expected to outweigh its costs. Major risks and mitigating measures agreed to ensure good quality and timeliness of procurement under the ESP are presented below:

Risk Description	Risk Assessment	Mitigation Measures	Responsibility
Delayed selection of project preparation consultant	High	<ul style="list-style-type: none"> Advance capacity building of MPWH staff and tender committees involved or responsible on the two-phase consultant selection arrangement – (i) selection of panels of firms, and (ii) selection of firms from the panel for project preparation assignments. This advance capacity building will be delivered by consultants 	ADB

³⁹ Inclusion of AMDAL, along with other deliverables highlighted in this paragraph, in the scope of work of the project preparation consultant firm does not represent a conflict of interest per section (b) of para 1.11 of ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Specifically, it does not represent a conflict among consulting assignments as AMDAL and other deliverables would be in the scope of work of the same consulting contract, and AMDAL—carried out by government agencies as part of preparation of their infrastructure projects—is not an independent environmental assessment.

⁴⁰ ADB. 2014. *Guide on Assessing Procurement Risks and Determining Project Procurement Classification*. Manila

firms due to (i) novelty of the panel approach for the MPWH, and (ii) first-time use of the SPSE for consultant selection under an ADB-funded project		<p>engaged by ADB under various Technical Assistancess.</p> <ul style="list-style-type: none"> • During implementation, capacity building and advisory assistance to each directorate general of the MPWH will be provided through the PMC firms that will be engaged under the ESP to support the DGH, DGHS, and DGWR of the MPWH with ESP implementation. • Procurement quality assurance and strengthening support will be also provided through one international and one national project implementation consultant provided on a full-time basis to the OSG of the MPWH through Technical Assistance Cluster Management Facility. • The SPSE is being adjusted to accommodate the structure of the panel approach, i.e., selection and retirement of firms for 3 years, selection of firms from the panels for call-down assignments and for selection of firms through regular short-listing using ADB's guidelines. The SPSE adjustment work, which is nearing completion, is being done by LKPP based on an assessment of the SPSE by an ADB-recruited e-procurement consultant under close guidance and in coordination with LKPP and the MPWH's Center for Data and Information Technology. LKPP is providing training to MPWH tender committee members on SPSE through simulation of panel and short-listing arrangements. • During ESP implementation, all issues related to the SPSE (including related to newer versions of the SPSE) will be addressed with support from the PMC firms that will be engaged to support the DGH, DGHS, and DGWR with ESP implementation. • The ADB project team will closely coordinate with LKPP on SPSE upgrades to help provide a seamless transition without interruptions to the consultant selection process. • In-country support and advice from the ADB project team leader and senior procurement officer located within the Indonesia Resident Mission and close coordination with the procurement specialist of ADB's Operations Services and Financial Management Department will be provided to MPWH. 	<p>PMC Firms (Under Output 2)</p> <p>PCO Consultants</p> <p>ADB LKPP MPWH/PUSDATIN</p> <p>LKPP PMC Firms (under Output 2)</p> <p>ADB LKPP</p> <p>ADB</p>
Insufficient experience of the PMOs and PIUs with administration of large consultant (lump-sum) contracts	Low	<ul style="list-style-type: none"> • Capacity building and advisory assistance of PMO and PIU staff in contract administration. The PMC firms that will be engaged under the ESP will provide this assistance to their concerned directorate generals. • Contract administration support will be also provided through one international and one national project implementation consultant provided to the OSG of the MPWH through Technical Assistance Cluster Management Facility (Subproject 1) (footnote a). • Close administration support from the ADB project team leader, senior procurement officer, and PAU head within the Indonesia Resident Mission 	<p>PMC Firms (under Output 2)</p> <p>PCO Consultants</p> <p>ADB</p>
The addition of the ADB-funded ESP procurements to the Directorates General's workload will stretch the existing resources.	Medium	<ul style="list-style-type: none"> • Advisory assistance of PMO and PIU staff of each DG in contract administration through experienced PMC firms that will be engaged under the ESP to (i) assist with the procurements and project management functions; (ii) ease the contract administration burden on the DGs; (iii) provide formal training in ADB procedures, bidding documents and bid evaluation procedures and (iv) provide counterpart on-the-job training. • ADB will engage procurement consultants to strengthen capacity of DGs in consultant selection and management. Procurement consultants will be part of the TORs of PMC firms who will provide operational support to DGs with processing and administering consultants engaged for project preparation purposes. 	<p>PCO Consultants</p> <p>PMC Firms (under Output 2)</p>

Risks relating to the accountability of procurements within each Directorates General	Medium	<ul style="list-style-type: none"> Enforce application of the code of conduct and procurement ethics by each Directorate General. Procurement quality assurance and strengthening support in transparency issues related to consultant selection and management will be provided on a full-time basis to the OSG of the MPWH through one international and one national project implementation consultant engaged by ADB through Technical Assistance Cluster Management Facility. Timely conduct and monitoring of follow-up actions of independent audit of the ESP. Project management consultants will support DGs in preparation and follow-up of the annual audit of the ESP per the independent audit TORs agreed between MPWH and ADB. 	MPWH PCO Consultants MPWH PMC Firms (Under Output 2)
Procurement reputational risk (bidders only want to participate in agencies which they are familiar with and have the connections causing limited competition)	Medium	<ul style="list-style-type: none"> ADB will support Pusdatin of MPWH and LKPP to improve its monitoring function, and use the MPWH/SPSE e-procurement generated data/information to enforce the monitoring and publication function more widely MPWH will maintain regular dialogues with professional associations of consultants. The use of the panel method will attract more consultants to participate in bidding. The PMC firms will facilitate interaction with the country's consulting industry in general and with the empanelled firms in particular. 	ADB LKPP MPWH/ PUSDATIN PMC Firms (Under Output 2)
Limited interest of national and international consulting firms in the ESP due to apprehension of working under government contracts	Low	<ul style="list-style-type: none"> Consultations with the country's consultant community and improvement of the ESP's consultant selection mechanism during implementation. The PMC firms will facilitate interaction with the country's consulting industry in general and with the empanelled firms in particular. Application of ADB's Guidelines on the Use of Consultants (2013, as amended from time to time), a clear statement in the terms of reference on the review role of ADB in the procurement process and direct payment by ADB to the consultants, and use of sizable (lump-sum) contracts with clear timelines for government action are expected to address the apprehensions of the consultant firms. 	PMC Firms (Under Output 2) ADB PCO Consultants PMC Firms (Under Output 2)

62. The LKPP's SPSE has been assessed by ADB for use under the ESP (Appendix 4.1). Overall, the assessment concludes that the LKPP's SPSE can be used for the panel arrangement for recruitment of project preparation consultants. The SPSE has been also assessed for standard (non-panel) selection of consultant firms, such as PMC firms and the firm for the preparation of the Jragung multi-purpose dam project. LKPP, in coordination with ADB and MPWH/PUSDATIN, has made the required adjustments in the SPSE to cater to the consultant selection, in accordance with ADB's guidelines. The system was jointly reviewed by LKPP, ADB, and MPWH/PUSDATIN. ADB also conducted review of the adjustments to the national e-procurement system (SPSE) for conformity with the consultant selection requirements under the proposed ESP and issued no objection through letter dated 24 August 2016 for using the adjusted SPSE for the selection of consulting firms under the ESP. After the respective tender committees have been constituted, the SPSE platform shall be used for issuance of REOIs for selection of consultants for panel and PMC assignments.

63. The SPSE system does not define the requirements for specific packages, only displays the information made available by the tender committee and allows registered bidders to download the bidding document and upload their response (one or two envelopes as specified by the tender committee) and controls when a tender committee may open the responses. The SPSE will also manage the bidding process in accordance to the schedule of activities defined by the tender committee. The bidding requirements, any qualification requirements, validation and evaluation of the content of consultants' responses will be defined by the tender committees that shall be guided by ADB's *Guidelines on the Use of Consultants*. Overall, LKPP SPSE will only support the consultant selection process as e-procurement platform, and the consultant selection will follow ADB's *Guidelines on the Use of Consultants*.

64. The "SPSE User Guide" on the use of the LKPP's SPSE for the selection of consultants under the ESP, including for the selection of firms for the panels, is in Appendix 4.2. The REOs and RFPs will be submitted electronically (through LKPP SPSE) per the requirements described in the REOs and RFPs.

65. The SPSE and the provisions in the EOs and RFPs will have no restrictions on registration and submission of EOs and RFPs by the consultant firms. The restrictions pertain, but are not limited to, to the need to (i) have a representative office in Indonesia, (ii) have a local partner, and (iii) be physically present at the government agency to obtain the relevant identification and registration numbers necessary for submission of EOs. Relevant registration and business permit requirements may be relevant at the stage of signing contract for a particular assignment. ADB and the MPWH will review such requirements and agree on their applicability under the ESP.⁴¹

C. Procurement Plan

Procurement and Consulting Methods and Thresholds

66. Except as the ADB may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Method	Threshold	Comments
Procurement of Goods		
Shopping for Goods	≤\$100,000	Goods will be part of the PMC firms' contracts. Prior review by ADB of technical specifications and list of price quotations prior to issuance of a purchase order.
Consulting Services		
Quality Based Selection	N/A	Principles of this method will be followed for selection of the panels of consultants for DGWR, DGHS, DGH

⁴¹ At the empanelment stage, foreign consulting firms are not required to have obtained License for Foreign Construction Services Representative from Indonesia Investment Coordinating Board (Izin Usaha Perwakilan Badan Usaha Jasa Konstruksi Asing; *IPBUJKA*). However, at the call-down stage, the panel members, to whom the RFP has been issued, will need to submit to the tender committee—along with their technical and financial proposals—either the *IPBUJKA* or an evidence that the panel member has initiated the process to obtain the *IPUJKA*. In any instance, the *IPBUJKA* must be obtained prior to signing of the contract at call-down stage.

		Selection and updates to the panels will be on prior reviewed by ADB
Quality and Cost Based Selection	above \$200,000	<p>90% for quality and 10% for cost.</p> <p>Default method for selecting consulting firms (i) from the panels for call-down assignments, (ii) for the Jragung multi-purpose dam project, and (iii) as technical and financial assessment consultants (TFAC).</p> <p>First selection from each panel will be prior reviewed by ADB. Selection of consultants for Jragung Dam Project and TFAC will be on prior review basis.</p> <p>For all selections from the panels, RFPs to be prior reviewed by ADB before issuance to the panel members. For this, the PIUs will submit submission 1 form to ADB. Except for the first selection from each panel, technical and financial evaluation and contract negotiations' results will be on post-review basis.⁴²</p> <p>After the first year of implementation of the ESP ADB and the MPWH will jointly assess the status and performance of the panel arrangement. If this joint assessment finds no major issues with selection at the call-down stage, then ADB may consider applying post review also to the RFP stage of call-down selections.</p> <p>Under the post-review arrangement, the DGs—before proceeding to the next phase in the selection process—will submit the required submission package to ADB, but will not wait for ADB's approval.</p> <p>Specifically: before proceeding with opening of financial proposal, the DGs will need to submit to ADB the submission 2 form on the results of technical evaluation. Similarly, before proceeding with contract negotiations, the DGs will need to submit to ADB the submission 3 form on results of the evaluation of financial proposals. Finally, before signing the contract, the DGs will need to submit submission 4 form to ADB. In each case, the submissions will need to be submitted to ADB 5 working days before the DGs conduct the next step in the consultant selection process.</p> <p>International and national project implementation specialists recruited by ADB under cluster technical assistance "Sustainable Infrastructure Assistance Program" (C-TA0013-</p>

⁴² Under post review arrangement in the ESP, the ADB will review DGs' submissions at each step in the consultant selection process, but the DGs may proceed from one step to another (including award of contract) without waiting for the outcome of the ADB review.

		INO) will provide safeguarding assistance to DGs throughout the consultant selection process. The PMOs and PIUs, through PCO, will request the consultants to review the full set of documents required for Submissions 1, 2, 3, and 4 to ensure these are complete and in accordance with ADB Guidelines on the Use of Consultants. Based on this review, the consultants, through PCO, will submit operational memos to ADB on each stage of each consultant selection. The TORs of these consultants are in Appendix 2.
Quality and Cost Based Selection	above \$200,000	80% for quality and 20% for cost. Default method for standard selection of consultant firms (such as project management consulting firms to support DGs with ESP implementation and capacity building in public investment management and the construction supervision consultants). Selection of all these firms will be on prior review basis.

67. The steps and time-lines (calendar days) of the selection of the consultant firms under the ESP are presented in the flowcharts below. The ADB and MPWH will ensure best effort to adhere to these timelines.

68. At the empanellement and call-down stages, as well as during conduct of conventional selection of consultant firm, the responses to the consultants' queries will be provided, through SPSE, to the all consultants participating in the selection within 3 calendar days upon receipt of the query. The PCO consultants and/or the PMC firms shall support the PMOs and PIUs in preparation of the responses. Whenever required, the PIUs and PMOs may seek ADB's views on draft responses before communicating with the consultants. In such cases, ADB will provide views on the draft responses within 1 business day upon receipt of the request from the concerned PIU and/or PMO.

69. ADB loan will not finance expenditures for consulting services if the consultants have not been selected in accordance with the provisions of the PAM and ADB Guidelines on the Use of Consultants (2013, as amended from time to time). If recruitment is not carried out as agreed, ADB will declare misprocurement. This will normally result in cancelation of the portion of the financing allocated to the services that have been misprocured. In appropriate cases, ADB may agree to re-issue the RFP after declaring misprocurement. ADB may, in addition, exercise other remedies provided for in the ESP's Loan Agreement. Even if a contract is awarded after obtaining a "no objection" from ADB, ADB reserves the right to declare misprocurement if it concludes that the "no objection" was issued on the basis of incomplete, inaccurate or misleading information, or that the terms and conditions of the contract had been substantially modified without ADB's approval.

Selection of Consultant Firms for Panel
Steps and Time-Lines

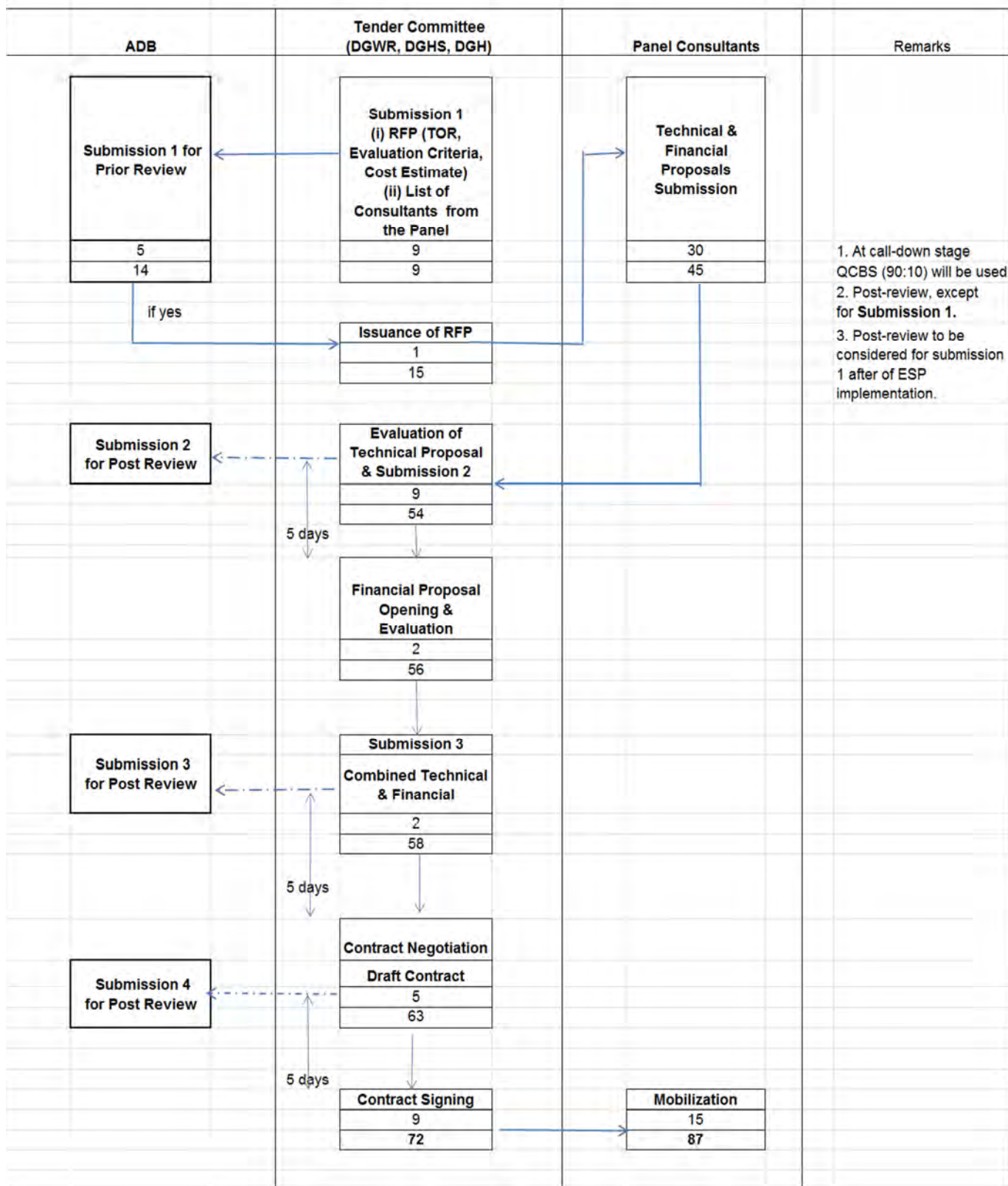
ADB	Procurement Committee (DGWR, DGHS, DGH)	CONSULTANT (S)	REMARKS						
<table border="1"> <tr><td align="center">Review of REOI</td></tr> <tr><td align="center">5</td></tr> <tr><td align="center">12</td></tr> </table>	Review of REOI	5	12	<table border="1"> <tr><td align="center">TOR Preparation</td></tr> <tr><td align="center">7</td></tr> <tr><td align="center">7</td></tr> </table>	TOR Preparation	7	7		
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<p>if yes</p>	<table border="1"> <tr><td align="center">Issuance of REOI</td></tr> <tr><td align="center">3</td></tr> <tr><td align="center">15</td></tr> </table>	Issuance of REOI	3	15	<table border="1"> <tr><td align="center">EOI Submission</td></tr> <tr><td align="center">30</td></tr> <tr><td align="center">45</td></tr> </table>	EOI Submission	30	45	<p>IDC - Indefinite Delivery Contract EOI - Expression of Interest TOR - Terms of Reference</p>
Issuance of REOI									
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<table border="1"> <tr><td align="center">Review of Evaluation</td></tr> <tr><td align="center">7</td></tr> <tr><td align="center">66</td></tr> </table>	Review of Evaluation	7	66	<table border="1"> <tr><td align="center">EOI Evaluation</td></tr> <tr><td align="center">14</td></tr> <tr><td align="center">59</td></tr> </table>	EOI Evaluation	14	59		
Review of Evaluation									
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EOI Evaluation									
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<p>if yes</p>	<table border="1"> <tr><td align="center">IDC Signing</td></tr> <tr><td align="center">5</td></tr> <tr><td align="center">71</td></tr> </table>	IDC Signing	5	71					
IDC Signing									
5									
71									

Selection of Consultant Firms from Panel or Standard Selection of Consultant Firms
Mile-Stones and Time-Lines (Prior Review by ADB)

ADB	Tender Committee (DGWR, DGHS, DGH)	Panel Consultants	Remarks
<div style="border: 1px solid black; padding: 5px; text-align: center;"> Review of Submission 1 <hr/> 5 14 </div>	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Submission 1 (i) RFP (TOR, Evaluation Criteria, Cost Estimate) (ii) List of Consultants from the Panel <hr/> 9 9 </div>	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Technical & Financial Proposals Submission <hr/> 30 45 </div>	Prior review at each stage is only for first selection from each panel. At call-down stage QCBS (90:10) will be used
if yes	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Issuance of RFP <hr/> 1 15 </div>		
<div style="border: 1px solid black; padding: 5px; text-align: center;"> Review of Submission 2 <hr/> 5 59 </div>	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Evaluation of Technical Proposal & Submission 2 <hr/> 9 54 </div>		
if yes	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Financial Proposal Opening & Evaluation <hr/> 9 68 </div>		
<div style="border: 1px solid black; padding: 5px; text-align: center;"> Review of Submission 3 <hr/> 5 74 </div>	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Submission 3 Combined Technical & Financial <hr/> 1 69 </div>		
if yes	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Contract Negotiation w/ first-ranked Draft Contract <hr/> 9 83 </div>		
<div style="border: 1px solid black; padding: 5px; text-align: center;"> Review of Submission 4 <hr/> 3 86 </div>	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Contract Signing <hr/> 9 95 </div>	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Mobilization <hr/> 15 110 </div>	
if yes			

Selection of Consultant Firms from Panel

Mile-Stones and Time-Lines (Post Review by ADB)



A. Methods, Thresholds, Review and 18-Month Procurement Plan

70. An 18-month procurement plan indicating threshold and review procedures, and consulting service contract packages are presented below.

1. Project Procurement Thresholds and Methods

Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds and methods shall apply to procurement of goods and consultant services under the ESP.

Procurement of Goods		
Method	Threshold	Comments
Shopping	Below \$100,000	IT and other office equipment and furniture

Consulting Services	
Method	Comments
Quality and Cost Based Selection (QCBS)	<p>Selection of all consultant firms under the ESP:</p> <ul style="list-style-type: none"> For selection of consultants (i) from the panel for project preparation at call-down stage; (ii) for Jragung multi-purpose dam project and (iii) for technical and financial assessment consultants (TFAC);, the 90 (quality) and 10 (cost) ratio to be used; For selection of consultants for (i) project management consultancy (PMC); and (ii) supervision consultancy; the 80 (quality) and 20 (cost) ratio to be used.

2. Goods and Works Contracts Estimated to Cost More Than \$1 Million

There are no such contracts envisaged under the project.

3. Consulting Services Contracts Estimated to Cost \$100,000 or More

The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

No.	General Description	Estimated Value [net of taxes]	Recruitment Method	Review (Prior/ Post)	Advertisement date (quarter/year)	Type of proposal	Comments
I. Standard Process of Selection of Consultant Firm							
1.	Project management consultant firm to support DGH with ESP implementation and institutional strengthening	\$4,000,000	QCBS	Prior	3/2016	FTP	<ul style="list-style-type: none"> Selection by PMO at DGH International and national consultant firms Ratio is 80:20 Time-based

							<p>contract</p> <ul style="list-style-type: none"> • \$500,000 provisional sum allocated for international and national consultants based on ad-hoc project or sector needs upon request of PIU and PMO. Prior review of TORs, cost estimate, and submitted CVs by ADB before engagement of consultants.⁴³
2.	Project management consultant firm to support DGHS with ESP implementation and institutional strengthening	\$4,000,000	QCBS	Prior	3/2016	FTP	<ul style="list-style-type: none"> • Selection by PMO at DGHS • International and national consultant firms • Ratio is 80:20 • Time-based contract • \$500,000 provisional sum allocated for international and national consultants based on ad-hoc project or sector needs upon request of PIU and PMO. Prior review of TORs, cost estimate, and submitted CVs by ADB before engagement of consultants.
3.	Project management consultant firm to support DGWR with ESP implementation and institutional strengthening	\$4,000,000	QCBS	Prior	3/2016	FTP	<ul style="list-style-type: none"> • Selection by PMO at DGWR • International and national consultant firms • Ratio is 80:20 • Time-based contract • \$500,000 provisional sum

⁴³ Once ADB approval is obtained, the contract variation will be processed to include the selected international or consultant in the team of the PMC and reallocate required budget from the provision sum category to the consultant's category. This procedure will apply to all PMCs under the ESP.

							allocated for international and national consultants based on ad-hoc project or sector needs upon request of PIU and PMO. Prior review of TORs, cost estimate, and submitted CVs by ADB before engagement of consultants.
4.	Consultant firm for preparation of Jragung multipurpose dam project (dam design; topographic and hydrometric surveys; hydrological analysis; geological and geotechnical investigations; model test; land acquisition and resettlement assessment, plans, and permit facilitation; dam operational simulation; certification of design)	\$1,910,000	QCBS	Prior	3/2016	FTP	<ul style="list-style-type: none"> • Selection by PIO at Center for dams at DGWR • International and national consultant firms • Ratio is 90:10 • Time-based contract
II. Engagement of Consultant Firms for Preparation of Infrastructure Projects Following the Panel Arrangement							
5.	<i>Selection of the panel of project preparation firms (consortia of firms) for DGHS</i>	N/A	N/A	<i>Prior</i>	3/2016	EOI	<ul style="list-style-type: none"> • <i>Selection led by PMO at DGHS</i> • <i>Selection with follow principles of qualitybased selection method</i> • <i>International and national consultant firms</i> • <i>Panel members to be retained on non-committal basis for 3 years under indefinite delivery contracts</i> • <i>First selection from <u>the panel will be on prior review basis</u></i> • <i>All call downs to follow 90:10 ratio for quality and cost</i>
6.	Preparation of	\$5,950,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection led by

	sewerage system development program in Bekasi City						<p>concerned PIU of DGHS</p> <ul style="list-style-type: none"> • Selection from DGHS panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract⁴⁴ • Covers F/S, DED, AMDAL/UKL-UPL, LARAP, DED review, etc.
7.	Preparation of sewerage system development program in Mataram City	\$4,000,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGHS • Selection from DGHS panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Covers F/S, DED, AMDAL/UKL-UPL, LARAP, DED review, etc.
8.	Preparation of sewerage system development program in Pontianak City	\$4,000,000	QCBS	Prior	1/2017	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGHS • Selection from DGHS panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Covers F/S, DED, AMDAL/UKL-UPL, LARAP, DED review, etc.
9.	Preparation of sewerage system development program in Banda Aceh City	\$4,000,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGHS • Selection from DGHS panel • RFP to be prior reviewed by ADB before issuance to

⁴⁴ Lump sum contracts will be used only when deliverables, timelines, and a payment schedule of the call-down assignment can be clearly defined. Otherwise, the PIU may use other contract types, such as time-based contract, for which the PIU will obtain specific approval of ADB. This applies to all packages in this procurement plan, where lump sum contracts are currently identified as the type of contracts.

							<p>the panel</p> <ul style="list-style-type: none"> • Lump sum contract • Covers F/S, DED, AMDAL/UKL-UPL, LARAP, DED review, etc.
10.	Preparation of sewerage system development program in Semarang City	\$5,450,000	QCBS	Prior	1/2017	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGHS • Selection from DGHS panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Covers F/S, DED, AMDAL/UKL-UPL, LARAP, DED review, etc.
11.	Development of Regional Water Supply System in Bulangan - Tarakan	\$3,800,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGHS • Selection from DGHS panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Covers review of FS, DED, and LARAP
12.	Development of Regional Water Supply System in Gorontalo Raya	\$3,900,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGHS • Selection from DGHS panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Covers review of FS, DED, and LARAP
13.	Development of Regional Water Supply System in Wosusokas	\$2,300,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGHS • Selection from DGHS panel • RFP to be prior reviewed by ADB before issuance to

							<p>the panel</p> <ul style="list-style-type: none"> • Lump sum contract • Covers review of FS, DED, and LARAP
14.	Development of Regional Water Supply System in Pekankampar Tahap II	\$2,200,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGHS • Selection from DGHS panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Covers review of FS, DED, and LARAP
15.	Development of Regional Water Supply System in Bimantara (Kota Bitung, Kota Manado, Kab. Minahasa), kap. 2.000 l/dt	\$2,300,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGHS • Selection from DGHS panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Covers review of FS, DED, and LARAP
16.	Development of Regional Water Supply System in Ajatapareng (Sidrap, Parepare, Enrekang)	\$4,080,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGHS • Selection from DGHS panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Covers review of FS, DED, and LARAP
17.	Development of Regional Water Supply Systems in Karian Karian	\$2,500,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGHS • Selection from DGHS panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract

							<ul style="list-style-type: none"> • Covers only FS
18.	Supervision for the Construction Regional Water Supply System in Wosusokas,	\$1,595,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGHS • Prior review by ADB • Time-based contract • Covers only construction supervision
19.	Supervision for the Construction of Development of Regional Water Supply System in Jatigede	\$1,500,000	QCBS	Post	1/2018	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGHS • Prior review by ADB • Time-based contract • Covers only construction supervision
20.	<i>Selection of the panel of project preparation firms (consortia of firms) for DGH</i>	<i>N/A</i>	<i>N/A</i>	<i>Prior</i>	<i>3/2016</i>	<i>EOI</i>	<ul style="list-style-type: none"> • <i>Selection led by PMO at DGH</i> • <i>Selection with follow principles of qualitybased selection method</i> • <i>International and national consultant firms</i> • <i>Panel members to be retained on non-committal basis for 3 years under indefinite delivery contracts</i> • <i><u>First selection from the panel will be on prior review basis</u></i> • <i><u>All call downs to follow 90:10 ratio for quality and cost</u></i>
21.	Development of flyover/underpass for railway crossing in Java island (10 locations)	\$5,200,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGH • Selection from DGH panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • 10 locations
22.	Development of	\$2,300,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection led by

	flyover/underpass in major cities in Sumatra (5 locations)						<ul style="list-style-type: none"> concerned PIU of DGH • Selection from DGH panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • 5 locations
23.	Development of flyover/underpass in major cities in Java and Bali	\$1,200,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGH • Selection from DGH panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • 1 location each in Java and Bali
24.	Development of ring road in Sumatera (100 km)	\$5,200,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGH • Selection from DGH panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract
25.	Development of ring road in Kalimantan (68.3 km)	\$3,500,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGH • Selection from DGH panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract
26.	Development of ring road in Sulawesi (2 locations, 71 km)	\$1,600,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGH • Selection from DGH panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • 2 locations
27.	Development of	\$2,600,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection led by

	ring road in Java (50 km)						<ul style="list-style-type: none"> concerned PIU of DGH • Selection from DGH panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract
28.	Development of Trans South-South Java Island Highway (130 km)	\$5,000,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGH • Selection from DGH panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract
29.	Development and improvement of roads in Strategic Areas - Papua Island (100 km)	\$5,200,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection led by concerned PIU of DGH • Selection from DGH panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Total of 180 km
30.	<i>Selection of the panel of project preparation firms (consortia of firms) for DGWR</i>	N/A	N/A	<i>Prior</i>	3/2016	EOI	<ul style="list-style-type: none"> • <i>Selection led by PMO of DGWR</i> • <i>Selection with follow principles of qualitybased selection method</i> • <i>International and national consultant firms</i> • <i>Panel members to be retained on non-committal basis for 3 years under indefinite delivery contracts</i> • <i><u>First selection from the panel will be on prior review basis</u></i> • <i><u>All call downs to follow 90:10 ratio for quality and cost</u></i>
31.	Preparation of Asahan irrigation	\$7,240,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection by concerned PIU of

	projects in North Sumatra (Asahan Labuhan Batu Utara)						DGWR <ul style="list-style-type: none"> • Selection from DGWR panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Covers development of master plans, feasibility studies, and surveys
32.	Preparation of irrigation projects in Walimpong in Southern Sulawesi (Sopeng, Bone, Wajo)	\$1,990,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection by concerned PIU of DGWR • Selection from DGWR panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Includes development of master plans
33.	Preparation of Boya irrigation projects in Southern Sulawesi	\$810,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection by concerned PIU of DGWR • Selection from DGWR panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Includes development of master plans
34.	Preparation of Rongkong irrigation projects in Southern Sulawesi (Luwu Utara)	\$2,060,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection by concerned PIU of DGWR • Selection from DGWR panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Includes development of master plans
35.	Preparation of Pelosika irrigation	\$1,470,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection by concerned PIU of

	projects in Southeast Sulawesi (Konawe)						<p>DGWR</p> <ul style="list-style-type: none"> • Selection from DGWR panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Includes development of master plans
36.	Preparation of irrigation project in Sentra Ekonomi Pertanian Kab. Merauke (district Kurik, Tanah Miring, Semangga, Jagebob) Papua Merauke	\$8,520,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection by concerned PIU of DGWR • Selection from DGWR panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Includes development of master plans
37.	Development of irrigation systems in Way Sekampung under Integrated Participatory Development and Management Irrigation Project (IPDMI) (Pesawan, Tulangbawang, Tunggamus, Lampung Tengah, Mesuji)	\$3,970,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection by concerned PIU of DGWR • Selection from DGWR panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Includes development of master plans
38.	Development of irrigation systems in Wadasalintang under Integrated Participatory Development and Management Irrigation Project (IPDMI) (Purworejo, Kebumen, banyumas, Cilacap, Banjarnegara)	\$2,340,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection by concerned PIU of DGWR • Selection from DGWR panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Includes development of master plans
39.	Development of irrigation systems in Merican under Integrated	\$2,230,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> • Selection by concerned PIU of DGWR • Selection from

	Participatory Development and Management Irrigation Project (IPDMI) (Jombang, Jember, Kediri, Lumajang)						<ul style="list-style-type: none"> DGWR panel RFP to be prior reviewed by ADB before issuance to the panel Lump sum contract Includes development of master plans
40.	Development of irrigation systems in Sadang under Integrated Participatory Development and Management Irrigation Project (IPDMI) (Wajo, Pinrang, Sidenreng Rappang, Bone, Soppeng)	\$4,430,000	QCBS	Post	1/2017	FTP	<ul style="list-style-type: none"> Selection by concerned PIU of DGWR Selection from DGWR panel RFP to be prior reviewed by ADB before issuance to the panel Lump sum contract Includes development of master plans
41.	Preparation of Seputih-Tulang Bawang river basin flood management project in Sumatera region	\$2,400,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> Selection by concerned PIU of DGWR Selection from DGWR panel RFP to be prior reviewed by ADB before issuance to the panel Lump sum contract Includes development of master plans
42.	Preparation of SELUNA river basin flood management projects in North Java region (Sungai, Serang, Lusi, Juana)	\$2,560,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> Selection by concerned PIU of DGWR Selection from DGWR panel RFP to be prior reviewed by ADB before issuance to the panel Lump sum contract
43.	Preparation Deli-Percut-Belawan river basin flood management projects in Sumatera regions	\$2,120,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> Selection by concerned PIU of DGWR Selection from DGWR panel RFP to be prior reviewed by ADB before issuance to the panel

							<ul style="list-style-type: none"> • Lump sum contract
44.	Preparation of Poso river basin flood management projects in Sulawesi Regions	\$1,780,000	QCBS	Post	4/2016	FTP	<ul style="list-style-type: none"> • Selection by concerned PIU of DGWR • Selection from DGWR panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract
45.	Preparation of bulk water supply projects in selected provinces	\$1,795,000	QCBS	Post	2/2017	FTP	<ul style="list-style-type: none"> • Selection by concerned PIU of DGWR • Selection from DGWR panel • RFP to be prior reviewed by ADB before issuance to the panel • Lump sum contract • Includes development of master plans

4. Goods Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

Goods								
No	General Description	Estimated Value	No. of Contracts	Procurement Method	Review [Prior / Post/Post (Sample)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
1.	Office equipment and furniture	\$200,000	3	Shopping	Prior	min. 3 quotations	1/2017	<ul style="list-style-type: none"> • To be procured under the project management consultant firms' contracts

B. Indicative List of Packages Required Under the Project

The following table provides an indicative list of consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

Consulting Services							
No.	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Review (Prior / Post)	Type of Proposal	Comments
1.	Construction supervision for Ring Road in North Sumatra	3,250,000	1	QCBS	Prior	FTP	Selection to be initiated by concerned PIU of DGH during the bidding for the civil works for the Java pilot project. 80:20 ratio Time-based contract
2.	Construction supervision for Flyover Bali project	350,000	1	QCBS	Prior	FTP	Selection to be initiated by concerned PIU of DGH during the bidding for the civil works for the Flyover Bali project. 80:20 ratio Time-based contract
3.	Construction supervision for Papua Central Trunk Road	3,250,000	1	QCBS	Prior	FTP	Selection to be initiated by concerned PIU of DGH during the bidding for the civil works for the ring road in Kalimantan project. 80:20 ratio Time-based contract
4	Technical and financial assessment of selected DGH projects (3 pilot projects)	2,350,000	1	QCBS	Prior	FTP	Selection to be initiated by concerned PIU of DGH during the bidding for the civil works and construction supervision consult firms. 90:10 ratio Time-based contract

C. List of Awarded and On-going, and Completed Contracts

The following tables list the awarded and on-going contracts, and completed contracts.

1. *Awarded and On-going Contracts.* None at project preparation stage. The required information will be reflected in the table below during ESP implementation.

Consulting Services							
Package Number	General Description	Estimated Value	Awarded Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award ^a	Comments ^b

^aDate of ADB Approval of Contract Award is the date of No-Objection letter to the EA/IA.

^bIndicate the Consulting Firm's name and the contract signing date.

2. *Completed Contracts.* None at project preparation stage. The required information will be reflected in the table below during ESP implementation.

Consulting Services								
No	General Description	Estimated Value	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award ^a	Date of Completion ^b	Comments

^aDate of ADB Approval of Contract Award is the date of No-Objection letter to the EA/IA.

^bThe Date of Completion is the physical completion date of the contract.

D. Non-ADB Financing

None

D. Consultant's Terms of Reference

71. Foreign consultant firms will be encouraged to associate with qualified national firms to complement their respective areas of expertise, strengthen the technical responsiveness of their proposals, and make available bigger pools of experts, and provide better approaches and methodologies. Such an association may be in the form of a joint venture⁴⁵ or a sub-consultancy agreement for the period of the panel. If the association in the form of a joint venture, the association will appoint one of the firms to represent the association; all members of the joint venture shall sign the contract and shall be jointly and severally liable for the entire assignment.

72. Depending upon the project and the scope of services required, the requirement of various national and international consultants⁴⁶ for various expertise will be prescribed in the

⁴⁵ The nationality of the joint venture (JV) for the purpose of shortlisting will be defined by the nationality of the firm representing the JV.

⁴⁶ Per ADB's Guidelines on The Use of Consultants (2013), "International Consultant" means any consulting firm established or incorporated in any ADB member country, including the borrower's country, or a person who is a citizen of any ADB member country, including the borrower's country"; and "National Consultant" means any

RFP at the call-down stage. All the following specialists shall have experience of working in similar projects in Asia and the Pacific, preferably experience of working in similar projects in Indonesia, including possessing country-specific knowledge. The international and national experts having country-specific experience and knowledge of the sector and regulatory issues involved in Indonesia and the initiatives taken by the Government of Indonesia will be given higher preference.

73. Due to their size, the detailed TORs of all consultants to be engaged under the ESP are presented in Appendix 2.

consulting firm or individual from the borrower's country that is established or incorporated and has a registered office in the borrower's country, or a person who is a citizen of such country" (footnotes 5 and 6 on page 2 of the guidelines).

VII. SAFEGUARDS

A. Environmental Safeguards

74. The environmental safeguards classification for the ESP is confirmed as category C as there will be no direct financing for infrastructure project or any type of civil works that may pose environment threat. Therefore, there will be no impact on environment arising from implementation of this TA loan funded project.

B. Involuntary Resettlement Safeguards

75. The involuntary resettlement safeguards classification for the ESP is confirmed as category C as there will be no direct financing for infrastructure projects or any type of civil works. Therefore, there will be no resettlement impact arising from implementation of this TA loan funded project.

C. Indigenous Peoples

76. The indigenous peoples classification for the ESP is confirmed as category C as there will be no impacts on indigenous people arising from implementation of this TA loan funded project. Indigenous peoples are not specifically targeted and the project neither affects the dignity, human rights, livelihood system or culture of indigenous peoples nor affects the territories or natural or cultural resources that indigenous peoples own, use, occupy, or claim as an ancestral domain or assets.

D. Safeguards support through PMC firms

77. Social and environment safeguards consultants will be part of the PMC firms engaged by each PMO under the ESP. These safeguards consultants shall support the PIUs of the relevant DGs to prepare the land acquisition and resettlement plans (LARPs) as per provisions of the Indonesian land acquisition law and regulations, in consultation with relevant provincial and district land agencies, and project affected people.⁴⁷ The LARP shall refer to the regional spatial planning and the development priority as stated in the Midterm Development Plan (RPJMN), the Strategic Plan, and the Working Plan of the MPWH. The LARP shall be prepared based on the feasibility study that may include (i) social economic survey; (ii) location feasibility; (iii) analysis of cost and development benefit to the area and community; (iv) estimated land value; (v) environmental impacts and social impacts that may arise out of the land acquisition of land and construction; (vi) other study as necessary. Moreover, the LARP preparation will ensure that appropriate measures are taken to mitigate any negative social impacts including special measures for land acquisition, compensation, and to ensure full implementation to improve the participation of women and other disadvantaged groups as beneficiaries as required in the government's law and regulations or other applicable procedures.

78. The safeguards specialists of the PMC firms will also help DGs ensure gender consideration in planning and implementation of the land acquisition and resettlement is adequately addressed. The safeguard specialists of the PMC firms will help the PIUs to provide facilitation of obtaining relevant permits including project location determination issued by the Governor/District Regency for selected projects, environmental permit, and forestry permit. An

⁴⁷ See Appendix 5 on the overview of Indonesia's land acquisition framework.

Analisa Mengenai Dampak Lingkungan (AMDAL -Environmental Impact Assessment) or UKL/UPL study will be prepared for each project in accordance with government law and regulations. AMDAL/UKL-UPL will be the basis for the issuance of environment permits, forestry permits for projects located in the forestry areas, and other required permits.⁴⁸

79. The safeguard specialists of the PMC firms will support the DGs to implement capacity building in safeguards. The capacity building is to ensure the environmental and social safeguards are properly prepared and implemented as per applicable laws, regulations, and procedures. Capacity building will be provided in the forms of capacity building training on safeguards and transfer of assets, improvement of regulation or procedure for environmental and social safeguards, and strengthening safeguard units, task force, safeguards focal points for coordination and monitoring. See Appendix 7 on the assessment of safeguards systems of DGH, DGHS, and DGWR and capacity building measures to be supported under the ESP.

E. Prohibited Investment

80. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),⁴⁹ ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list to subprojects financed by ADB.

⁴⁸ See Appendix 6 on the overview of Indonesia's land acquisition framework.

⁴⁹ Available at: <http://www.adb.org/sites/default/files/pub/2009/Safeguard-Policy-Statement-June2009.pdf>

VIII. GENDER AND SOCIAL DIMENSIONS

81. The ESP supports institutional strengthening and preparation of public investment projects. Hence, there is no direct adverse impact on gender inequality or a negative impact on women. Nevertheless, the ESP will ensure gender inequality and impact on women will be suitably mainstreamed in the scope of work of consultants that will be engaged under the ESP for preparation of MPWH's infrastructure projects.

82. The direct beneficiaries of the ESP will be MPWH staff at central and local levels (in terms of capacity building, institutional strengthening, and know-how transfer) and the consultants that will be engaged under the ESP for project preparation (in terms of income generated from the contracts financed from the ESP). Indirect beneficiaries of the ESP will be contractors and private enterprises that will benefit from construction and supply contracts arising from the project preparation work done under the ESP.

83. The ESP will ultimately positively affect the consumers, employees, and the poor in general, as they suffer the most from lack of economic infrastructure. Enterprises will benefit from better competitiveness due to better infrastructure and reduced logistics costs. Consumers will gain from greater domestic competition because it will lower prices and improve services (e.g., in the tourism sector due to better connectivity). Employees will gain from easier access to work and increased income opportunities, including the construction and operation of infrastructure facilities and in better-paid jobs such as in manufacturing. The poor, especially in low-income regions, will benefit because improved connectivity allows them to participate in wealthier urban markets.

84. Overall, the ESP is pro-poor as it will directly support the government to achieve the RPJMN infrastructure development goals reflected through pro-poor preparation as well as timely and adequate delivery of public infrastructure to the beneficiaries. Improved infrastructure will help reduce the vulnerability of the poor or the likelihood that the near-poor will fall into poverty as a result of shocks, which remains an issue in Indonesia.

85. The labor and consumer good markets will be among the most important channels: (i) higher basic infrastructure investments will directly and indirectly create more decent and productive jobs in tourism, agriculture, and manufacturing; and (ii) reduced logistics costs will lead to lower consumer prices and a better variety of products. The growth of sectors such as tourism and agriculture—which are labor intensive, linked to other economic sectors, and are geographically spread across Indonesia—will reduce poverty and improve food security through better water delivery.

86. Under output 1 of the ESP, the adequate analysis of the gender, labor, HIV/AIDs, and other social risks will be mainstreamed in the TORs of the project preparation consultants that will be financed under the ESP.⁵⁰ The PIUs, in coordination with the PMOs, will be responsible to ensure that relevant sections of the TORs and consultant budgets adequately reflect the social and gender aspects to be assessed and considered in project preparation. The PIUs will also ensure that project preparation consultants properly analyse and incorporate core labor standards and health and environmental conditions at worker camps in relevant project documents. Under output 2, social experts will be part of the project management consultant

⁵⁰ *Briefing Note: Project Gender Action Plans:* <http://www.adb.org/Documents/Brochures/Project-Gender-Action-Plans/default.asp>, and *Updated Gender Mainstreaming Categories of ADB Projects:* <https://lpdgedmz.adb.org/lnadbg1/ocs0178p.nsf/0/37CC7D6E8E3CC57D482576E20083C156?OpenDocument>

teams and will ensure on-the-job capacity building to the staffs of the PIUs and Satkers on social and gender issues. Qualified social and environmental safeguards experts of the PMC firms will support the PIUs and Satkers in supervision of the preparation and implementation of the LARPs. The PIUs will monitor and report to the relevant PMOs on all social and environmental safeguards activities.

87. The project will—indirectly and with some lag—contribute to improving gender equity in Indonesia through mainstreaming of gender responsiveness in the preparation and implementation of public investment projects in accordance with the country's legislation and international best practice, including ADB gender guidelines.⁵¹

88. Consultation and participation will be also mainstreamed in the TORs and budgets of the project preparation consultants that will be financed under the ESP. When and where applicable, the consultation and participation during project preparation will draw on ADB's principles on consultation and participation.⁵² The PIUs, in coordination with the PMOs, will be responsible to ensure that relevant sections of the TORs and consultant budgets adequately reflect consultation and participation activities during project preparation.

89. The PMOs will be primarily responsible for monitoring of incorporation of gender, social and consultation and participation dimensions during implementation during project preparation by the ESP-engaged consultants.

⁵¹ For example, the Philippine experience of mainstreaming gender responsiveness in ODA-funded projects will be considered for appropriate adoption under the project.

⁵² *Staff Guide to Consultation and Participation*: <http://www.adb.org/participation/toolkit-staff-guide.asp> and, *CSO Sourcebook: A Staff Guide to Cooperation with Civil Society Organizations*: <http://www.adb.org/Documents/Books/CSO-Staff-Guide/default.asp>.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

Impact the Project is aligned with:			
Infrastructure objectives of the MPWH's Strategic Development Plan, 2015–2019 attained ^a			
Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Capacity of MPWH's DGH, DGHS, and DGWR strengthened to efficiently design and implement MPWH's public investment program	By end 2019: a. Absorption of MPWH infrastructure budget increased to at least 97% (2015 base-line: 92%) b. At least 30% of MPWH's annual infrastructure budget is committed by end January each year ^b (2015 base-line: 10%)	a. MPWH annual performance reports b. MPWH annual performance reports	Natural calamities or external shocks Reduction of MPWH capital budget
Outputs 1. Quality and timely start-up of infrastructure projects improved	By end 2019: 1a. Feasibility studies, detailed engineering designs, EIA and LARP compliant with government requirements and improved standards, and bidding documents developed for 9 national road projects of DGH; 15 projects of DGWR in the irrigation, flood management, bulk water, and dams sectors, and 13 water supply and sanitation projects of DGHS (2015 base-line: N/A) ^c 1b. Improved construction supervision and technical and financial assessment conducted for 3 infrastructure projects of DGH (2015 base-line: N/A)	1a. MPWH reports and ADB administration missions 1b. MPWH reports and ADB administration missions	Delayed selection of consultants due to disruption of SPSE's operation Delayed implementation of viable ESP-prepared projects due to delayed action by local governments
2. Capacity in public investment management strengthened	By end 2019: 2a. Project staff of DGH, DGHS, and DGWR at central and local levels successfully trained in priority areas of public investment management (2015 base-line: NA) 2b. Action plans on strengthening master planning and public investment management systems in DGH,	2a. MPWH website, reports and ADB administration missions 2b. DGH, DGHS, and DGR reports	Change in MPWH's organizational structure Resistance to change due to vested interests or lack of capacity

Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	DGHS, and DGWR implemented (2015 base-line: NA)		

Key Activities with Milestones
<p>Output 1: Quality and timely start-up of infrastructure projects improved</p> <p>1.1 Adopt ESP implementation structure (MPWH steering committee, PMOs, PIUs) (Q3 2016)</p> <p>1.2 For each project preparation assignment, establish a project team to review consultant outputs (Q4 2016 – Q4 2018)</p> <p>1.3 Establish panels of project preparation consultant firms for DGWR, DGHS, and DGH (Q4 2016)</p> <p>1.4 Recruit consultants for preparation of (i) feasibility studies, (ii) detailed engineering designs, (iii) plans and compliance documents on land acquisition, resettlement, and environmental impact, and (iv) bidding documents and other project start-up activities (Q4 2016 – Q4 2018)</p> <p>1.5 Review the studies and other deliverables of the project preparation consultants, undertake advance procurement and other project start-up actions (Q4 2017 – Q4 2019)</p> <p>1.6 Conduct a survey of the engineering consultant industry and recommend MPWH-relevant actions to improve the quality of the recruited consultants (Q2 2017)</p> <p>1.7 For selected projects, recruit and administer consultants for construction supervision and technical and financial assessment during construction (Q2 2018 – Q4 2019)</p> <p>Output 2: Capacity in public investment management strengthened</p> <p>2.1 Recruit project management consultant firms to support the PMOs and PIUs at DGWR, DGHS, and DGH (Q4 2016)</p> <p>2.2 Provide operational support to PMOs and PIUs at DGWR, DGHS, and DGH with implementation of the ESP (Q4 2016 – Q4 2019)</p> <p>2.3 Conduct assessment of DGWR, DGH, and DGHS public investment management systems and capacity development needs (e.g., master planning, identification, prioritization, preparation, approval, budgeting, procurement and contract management, implementation monitoring, impact evaluation of infrastructure projects, and mainstreaming of value engineering in project preparation) (Q4 2018)</p> <p>2.4 Develop and implement DGWR, DGH, and DGHS' plan on improvement of public investment management systems, including capacity building of project staff in priority areas (Q4 2019)</p> <p>2.5 Capacity building of DGWR's, DGH's, and DGHS' procurement service units (Q2 2018)</p> <p>2.6 Capacity building on safeguards of the MPWH's safeguards units and technical staff (Q2 2018)</p> <p>Inputs: ADB: \$148,200,000 Government: \$19,400,000</p> <p>Assumptions for Partner Financing NA</p>

Source: Asian Development Bank.

ADB = Asian Development Bank, DGH = Directorate General of Highways, DGHS = Directorate General of Human Settlements, DGWR = Directorate General of Water Resources, EIA = environmental impact assessment, ESP = Accelerating Infrastructure Delivery through Better Engineering Services Project, LARP = land acquisition and resettlement plan, MPWH = Ministry of Public Works and Housing, NA = not applicable, PIU = project implementation unit, PMO = project management office, Q = quarter, SPSE = Sistem Pengadaan Secara Elektronik (government e-procurement system).

^a Government of Indonesia, Ministry of Public Works and Housing. *Strategic Plan of MPWH for Years 2015 to 2019*. Jakarta. MPWH Regulation No. 13.1/PRT/M/2015

^b This will require that by November of the preceding year (i) the bid documents have been launched, and (ii) land has been transferred to the MPWH for project purposes. Achieving design readiness is a prerequisite for meeting procurement readiness. Design readiness means completion of either (i) a detailed engineering design suitable for preparing and launching construction bidding documents; or (ii) a preliminary design and specifications suitable for preparing and launching bidding documents for (a) construction contracts that include detailed design as its part; and/or (b) turnkey or engineering, procurement, and construction contracts. For both (i) and (ii), completion of an

environmental impact assessment and required clearances as well as completion of land acquisition procedures up to compensation payment will be also required.

^c Indicative list of projects is in appendix 1 of the PAM. List of projects may change subject to agreement between the MPWH and ADB.

B. Monitoring

90. **Project performance monitoring** will be done via quarterly and annual progress reports prepared by the PIUs of each DG. The PIUs will then submit the reports to PMOs who will consolidate PIU's reports with their own reports of monitoring and evaluation. The PMC firms shall assist the PIUs and PMOs in preparing all these reports. These reports by PMOs will be submitted to PCO to be consolidated with PCO's report of overall ESP monitoring and evaluation. The template for the quarterly progress report is in Appendix 3 of the PAM. The PCO will submit the consolidated ESP-whole progress reports to ADB within 10 working days after the end of the quarter, for which the progress report is issued. The progress report will be structured following the ESP's Design and Monitoring Frameworks (DMF) and will also provide actual versus planned status of activities in the project implementation plan and the procurement plan. Project progress reports will indicate the status of preparation and implementation of LARPs and AMDALs supported under the ESP, highlighting projects that (may) face significant social or environmental issues during implementation. The reports shall have a special section on issues and proposed solutions.

91. **Compliance monitoring.** The ESP will be reviewed jointly by the SetJen, DGs and ADB twice a year during ADB's administration missions that will assess implementation progress and compliance with loan agreement's covenants. Compliance will be also monitored through quarterly progress reports submitted by DGs and ESP-whole reports submitted by SetJen, as well as through review of project accounts and procurement procedures.

92. The DGs, in coordination with the PCO at SetJen, will ensure that (i) ESP funding is utilized based on procurement and financial management procedures agreed by the Government and ADB, (ii) all viable ESP-prepared projects are prioritized for inclusion in the MPWH's capital budget for the year, in which the commencement of the civil works is expected to start, and (iii) all ESP-prepared projects that have been or are close to completion of civil works receive adequate O&M budget financing.

93. In end 2018, a midterm review will be carried out by the MPWH and ADB to (i) evaluate the scope, design, and implementation arrangements of the project; (ii) evaluate the progress of the institutional development and capacity of the implementing agencies; (iii) identify changes needed in any of the areas mentioned above; (iv) assess the implementation performance against agreed project indicators and targets; (v) review and establish compliance with the loan covenants; and (vi) identify critical issues, problems, constraints, and need for additional finance,⁵³ and, if necessary, recommend adjustments in ESP's design or implementation arrangements.

⁵³ For example, per the Blue Book issued by Bappenas in October 2015 the financing amounts of engineering services projects under the various programs of DGWR are significantly larger than DGWR's financing under the ESP. Hence, there is a space for topping up the ESP, subject to satisfactory performance of the ESP, Government's request and concurrence by ADB.

C. Evaluation

94. Within 6 months of physical completion of the ESP, the DGWR, DGHS and DGH will submit project completion reports to the PCO for consolidation and further submission to ADB.⁵⁴ The PMC firms will support the DGs will collecting the relevant data and drafting their project completion reports.

D. Reporting

95. The DGWR, DGHS and DGH—through the PCO at SetJen—will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a completion report within 6 months of completion of project preparation work for a project. Project accounts and the executing agency AFS, together with the associated auditor's report, should be adequately reviewed. The template for the quarterly progress report is in Appendix 3.

E. Stakeholder Communication Strategy

96. Key immediate stakeholders include MPWH (its directorates general and local offices), government agencies at local level (local land agency, local planning office, provincial, district or city government) and the project preparation consultants. On a wider basis, beneficiaries will include the development partners, consultants, contractors and suppliers under the public investment projects, and infrastructure-related CSOs. Participation of stakeholders during project implementation will be facilitated through interaction during administration missions and ESP-associated events. Given the ESP's institutional and project preparation support focus, no direct participation by the infrastructure project stakeholders is envisaged.

97. The PMOs of DGWR, DGHS and DGH will be responsible for implementing and monitoring information dissemination and disclosure with regards to its respective DG, and will identify a focal point that will be designated for regular contact with interested stakeholders.

98. **Delivering information.** Information about the ESP will be delivered through a public information booklet (PIB) that describes the project's objectives, components, and activities. The PMCs will provide the required inputs to the PIB, whose preparation and disclosure will be led by the PCO at SetJen. Written in Bahasa and English, the PIB, which will be updated annually, will make the project comprehensible to a wide range of stakeholder groups. In addition to the PIB, the MPWH will also consider options to allocate—within 6 months after loan effectiveness—a web page for the ESP that will disclose status of ESP implementation. Pursuant to ADB's *Public Communications Policy*, all requisite project documents will be posted on the ADB website.

99. **Obtaining Feedback.** The PIB will indicate where stakeholders can get in touch with ESP implementers. Stakeholder meetings will ensure that accurate and sufficient feedback will be received from stakeholder groups.

⁵⁴ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

X. ANTICORRUPTION POLICY

100. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the ESP.⁵⁵ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the ESP.⁵⁶ To support these efforts, relevant provisions are included in the loan agreement/regulations and the bidding documents for the Project.

101. The ADB's *Anticorruption Policy* (1998, as amended to date) was explained to and discussed with the MOF, Bappenas, SetJen, DGH, DGHS, and DGWR. ADB will require the Borrower to institute, maintain, and comply with internal procedures and controls following international best practice standards for the purpose of preventing corruption or money laundering activities or the financing of terrorism and covenant with ADB to refrain from engaging in such activities. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Project. In particular, all contracts financed by ADB in connection with the ESP shall include provisions specifying the right of ADB to audit and examine the records and accounts of the DGH, DGHS, and DGWR/DGHS and all contractors, suppliers, consultants, and other service providers as they relate to the ESP. Any allegations of corruption can be reported to the PMOs and PCO, who will report these to the Secretary General and the ESP Steering Committee.

102. The MPWH will ensure that all its staff involved in the ESP are fully aware of and comply with the Government's and ADB's procedures, including procedures for implementation, procurement, use of consultants, disbursement, reporting, monitoring, and prevention of fraud and corruption.

103. The MPWH will consider options to establish—within 6 months after loan effectiveness—a web-page for the ESP that will disclose the ESP implementation status and will also provide a link to LKPP's SPSE. This web-page may cover such areas as (i) the panels consultant firms (associations of firms) for preparation of projects of DGH, DGHS, and DGWR, (ii) indicative list of contract packages under each panel per the procurement plan agreed with the ADB, (iii) list of participating bidders for each project preparation assignment under each panel, (iv) the name of the winning consultant for the project preparation assignment, (v) the amount of the contract awarded, and (vi) contract mile-stones and the expected completion of the contract.

XI. ACCOUNTABILITY MECHANISM

104. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working

⁵⁵ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

⁵⁶ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.⁵⁷

XII. RECORD OF PAM CHANGES

105. All revisions/updates during course of implementation should retain in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM.

⁵⁷ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

APPENDIX 1A:

INDICATIVE LIST OF DGWR PROJECTS TO BE PREPARED UNDER ESP

PROJECT PREPARATION STATUS											
Directorate General of Water Resources											
(as on 9 Sep 2016)											
No.	Province	Location (Regency/City)	Activity	Outcome	Readiness Criteria					Estimated Project Cost (US\$)	Revised Project Preparation cost (US\$)
					FS	Master Plan (Incl Study)	DED / Review Design	AMDAL	LARAP		
A	Irrigation and Swamps (Engineering Service for Irrigation and Lowland Development Project, GB-15-15-1)										
	NORTH SUMATERA										
1	Development of irrigation systems in Asahan	Asahan, Labuhan Batu Utara	Development	110,000	X	X	X	X	X	846,153,846	7,240,000
	SOUTH SULAWESI										
2	Development of irrigation systems in Walimpong	Sopeng, Bone, Wajo	Development	27,000	X	O	X	X	X	207,692,308	1,990,000
3	Development of irrigation systems in Boya	Sidrap	Development	11,000	X	O	X	X	X	84,615,385	810,000
4	Development of irrigation systems in Rongkong	Luwu utara	Development	28,000	X	O	X	X	X	215,384,615	2,060,000
	SOUTHEAST SULAWESI										
5	Development of irrigation systems in Pelosika	Konawe	Development	20,040	X	X	X	X	X	154,153,846	1,470,000
	PAPUA MERAUKE										
6	Development of irrigation systems in Sentra Ekonomi Pertania Kab. Merauke (district Kurik, Tanah Miring, Semangga, Jagebob)	Merauke	Development	750,000	X	X	X	X	X	5,769,230,769	8,520,000
	IPDMIP-INTEGRATED PARTICIPATORY DEVELOPMENT AND MANAGEMENT IRRIGATION PROJECT										
7	Development of irrigation systems in Way Sekampung	Pesawan, Tulangbawang, Tunggamus, Lampung Tengah, Mesuji	Development	54,000	X	X	X	X	X	415,384,615	3,970,000
8	Development of irrigation systems in Wadasalintang	Purworejo, Kebumen, banyumas, Cilacap, Banjarnegara	Development	31,853	X	X	X	X	X	245,023,077	2,340,000
9	Development of irrigation systems in Merican	Jombang, Jember, Kediri, Lumajang	Development	30,314	X	X	X	X	X	233,184,615	2,230,000
10	Development of irrigation systems in Sadang	Wajo, Pinrang, Sidenreng Rappang, Bone, Soppeng	Development	60,300	X	X	X	X	X	463,846,154	4,430,000
	Sub-total (A)										35,060,000

No.	Province	Location (Regency/City)	Activity	Outcome	Readiness Criteria					Estimated Project Cost (US\$)	Revised Project Preparation cost (US\$)
					FS	Master Plan (Incl Study)	DED / Review Design	AMDAL	LARAP		
B River and coastal (Engineering Service for Coastal and River Development Project, GB-15-13-1)											
NORTH JAWA											
10	SELUNA river basin flood control project	Sungai, Serang, Lusi, Juana	Development		X		X	X	X	80,935,252	2,560,000
SUMATERA											
11	Deli-Percut-Belawan river basin flood management projects	Kota Medan,	Development		X		X	X	X	89,928,058	2,120,000
12	Seputih-Tulang Bawang river basin flood management projects	Kota Bengkulu, Kab. Agam, Kab. Tulang Bawang	Development		X		X	X	X	60,000,000	2,400,000
SULAWESI											
13	Poso river basin flood management project	Sungai Sesayap, Sungai Poso	Development		X		X	X	X	44,500,000	1,780,000
Sub-total (B)										8,860,000	
C. Dams (Engineering Service for Dam Multipurpose Development Project, GB-15-11-1)											
Central Java											
14	Jragung multi-purpse dam	Semarang region	Development		O	X	X	X	X	35,971,223	1,910,000
Sub-total (C)										1,910,000	
D. Bulk Water Supply (Engineering Service for Bulk Water and Water Supply Development Project, GB-15-18-1)											
15	Grand design of sufficient and sustainable water supply system	Java Islands, Nusa Tenggara Barat, Nusa Tenggara Timur, Kepulauan Maluku, Kepulauan Bangka Belitung, and archipelago region in Southern and Northern Sulawesi	Development		X	X	X	X	X		1,795,000
Sub-total (D)										1,795,000	
E. Pool of experts											
	On-demand experts based on ad-hoc and unexpected project preparation needs ^a										500,000
F. Strengthening DGWR public investment management systems											
	Project Implementation Support to PCO and PIUs									N/A	3,000,000
	Institutional Strengthening and Capacity Building									N/A	500,000
Sub-total (F)										3,500,000	
TOTAL										8,946,003,763	51,625,000

Legend: O = done; X = to be done; N/A = not applicable

^a Funding for this pool will be part of the DGWR's project management consultant (PMC) firm budget. TORs will be developed by PMC based on DGWR request. TOR and experts to be reviewed by ADB prior to selection and appointment, respectively.

Appendix 1B:

INDICATIVE LIST OF DGHS PROJECTS TO BE PREPARED UNDER ESP

INDICATIVE LIST OF DGH PROJECTS TO BE PREPARED UNDER ESP Directorate General of Human Settlements											
(as on 7 Sep 2016)											
NO	PROJECT DESCRIPTION	READINESS CRITERIA						SUPERVISION	ESTIMATED COST (US\$)	EXPECTED START	ESTIMATED PROJECT PREPARATION COST (US\$)
		FS	Review FS	DED	AMDAL/UKL/UPL	LARAP	REVIEW DED				
1.	PROGRAM ON ACHIEVING 100% ACCESS TO SANITATION										
a.	City-wide Sanitation Improvement^a (ENGINEERING SERVICE FOR SANITATION IMPROVEMENT PROJECT, GB-15-06-2)										
1	Wastewater system development in Bekasi City	X		X	X	X	X	X	119,000,000	2017	5,950,000
2	Wastewater system development in Mataram City	X		X	X	X	X	X	80,000,000	2017	4,000,000
3	Wastewater system development in Pontianak City	X		X	X	X	X	X	80,000,000	2017	4,000,000
4	Wastewater system development in Banda Aceh City	X		X	X	X	X	X	80,000,000	2017	4,000,000
5	Wastewater system development in Semarang City	X		X	X	X	X	X	109,000,000	2017	5,450,000
	Sub-total (1.a)										23,400,000
b.	Regional Water Supply Development Program (ENGINEERING SERVICE WATR SUPPLY DEVELOPMENT PROJECT, GB-15-08-2)										
6	Development of Regional Water Supply System of Bulungan-Tarakan	O	X	X	X	X		X	160,000,000	2016	3,800,000
7	Development of Regional Water Supply System in Gorontalo Raya	O	X	X	X	X		X	93,000,000	2016	3,900,000
8	Development of Regional Water Supply System in Wosusokas	X									2,300,000
9	Supervision for the Construction of Development of Regional Water Supply System of Jatigede	O	X	X	X	X		X	135,000,000	2016	1,500,000
10	Development of Regional Water Supply System in Bimantara (Kota Bitung, Kota Manado, Kab. Minahasa)	O	X	X	X	X		X	100,000,000	2017	2,300,000
11	Development of Regional Water Supply System in Pekankampar Tahap II	O	X	X	X	X		X	85,000,000	2017	2,200,000
12	Development of Regional Water Supply System Ajatappareng (Sidrap, Parepare, Enrekang)	X									4,080,000
13	Development of Regional Water Supply System in Karian	X									2,500,000
14	Supervision for the Construction of Regional Water Supply System in Wosusokas	O	X	X	X	X		X	145,000,000	2017	1,595,000
	Sub-total (1.b)										24,175,000
c.	Pool of experts										
	On-demand experts based on ad-hoc and unexpected project preparation									2016-2019	500,000
2	Strengthening DGHS public investment management systems										
a.	Project Implementation Support to PCO and PIUs									2016	3,000,000
b.	Institutional Strengthening and Capacity Building									2016	500,000
	Sub-total (2)										3,500,000
	TOTAL								827,000,000		51,575,000
Legend :											
O Done											
X To be done											
^a List of city-wide sanitation projects may be revised based on readiness of cities for project implementation and in line with the Sewerage System Development Program in Indonesia (Blue Book entry number BB-1519-R0-05-04-0). Among criteria that define readiness of a city for project implementation are (i) availability of land, (ii) availability of pre-feasibility study, (iii) local government commitment to institutional and legal reforms required for project implementation and sustainability.											
^b Funding for this pool will be part of the DGHS' project management consultant (PMC) firm budget. TORs will be developed by PMC based on DGHS request. TOR and nominated experts to be reviewed by ADB prior to selection and appointment, respectively.											

Appendix 1C

INDICATIVE LIST OF DGH PROJECTS TO BE PREPARED UNDER ESP

INDICATIVE LIST OF DGH PROJECTS TO BE PREPARED UNDER ESP										
Directorate General for Highways (as on 7 Sep 2016)										
NO	Project Description	READINESS CRITERIA					ESTIMATED COST (US\$)	Expected Start of Construction	Revised Preparation Cost (US\$)	Package
		FS	DED	AMDAL/UKL/UPL	LARAP	REVIEW DED				
1	ENGINEERING SERVICE FOR NATIONAL ROADS DEVELOPMENT PROJECT (GB-15-01-2)									
1.1	DEVELOPMENT OF NON TOLL ROADS									
a.	Development of Fly Over/Underpass for Railway Crossing (Java Island)									
1	Java Island (10 locations)	O	X	X	X	X	116,000,000	2019	5,200,000	1
b.	Development of Fly Over/Underpass in Major Cities									
2	Sumatera (5 locations)	O	X	X	X	X	58,000,000	2020	2,300,000	1
3	Java (1 location)	X	X	X	X	X	11,600,000	2020	700,000	1
4	Bali (1 location)	O	X	X	X	X	11,600,000	2019	500,000	
c.	Development of Ring Road in Major Cities									
5	Sumatera (1 location; 100 km)	X	X	X	X	X	115,400,000	2018	5,200,000	1
6	Kalimantan (1 location; 68.3 km)	O	X	X	X	X	78,500,000	2018	3,500,000	1
7	Sulawesi (2 locations; total of 71 km)	X	X	X	X	X	82,000,000	2018	1,600,000	1
8	Java (1 location; 50 km)						57,700,000	2019	2,600,000	1
d.	Development of Trans South-South Java Island Highway									
9	Java Island (130 km)	O	X	X	X	X	150,000,000	2018	5,000,000	1
e.	Development and Improvement of Roads in Strategic Areas									
10	Papua Island (100 km)	O	X	X	X	X	115,400,000	2018	5,200,000	1
f.	Construction Supervision for Ring Road in North Sumatera									
	Construction Supervision for Flyover Bali							2018	3,250,000	1
	Construction Supervision for Papua Central Trunk Road							2019	350,000	1
	Technical and Financial Assessment Consultants (3 Pilot Projects)							2018	3,250,000	1
g.	Pool of resources									
	On-demand experts based on ad-hoc and unexpected project preparation needs ^a							2016-2019	500,000	1
	Sub-total (1.1)								41,500,000	
1.2	Strengthening DGH Public Investment Management Systems									
a.	Project Implementation Support to PMO and PIUs									
								2016	3,000,000	1
b.	Institutional Strengthening and Capacity Building									
								2016	500,000	
	Sub-total (1.2)								3,500,000	
	TOTAL						796,200,000		45,000,000	15
Legend :										
O Done										
X To be done										
^a Funding for this pool will be part of the DGH's project management consultant (PMC) firm budget. TORs will be developed by PMC based on DGH request. TOR and nominated experts to be reviewed by ADB prior to selection and appointment, respectively.										

APPENDIX 2**APPENDIX 2**

77

- [APPENDIX 2.1: REOI FOR DGWR PANEL](#)
- [APPENDIX 2.2: REOI FOR DGHS PANEL](#)
- [APPENDIX 2.3: REOI FOR DGH PANEL](#)
- [APPENDIX 2.4: REOI FOR PMC FIRM FOR DGWR](#)
- [APPENDIX 2.5: REOI FOR PMC FIRM FOR FOR DGHS](#)
- [APPENDIX 2.6: REOI FOR PMC FIRM FOR FOR DGH](#)
- **APPENDIX 2.7: REOI FOR CONSULTANT FIRM FOR FOR PREPARATION OF JRAGUNG MULTIPURPOSE DAM PROJECT**
- **APPENDIX 2.8: TOR FOR PCO CONSULTANTS AT SETJEN**
 - (i) International Project Coordination and Implementation Specialist
 - (ii) National Project Implementation Specialist
 - (iii) Administrative Assistant
- **APPENDIX 2.9: TOR AND COST ESTIMATES FOR CALL-DOWN ASSIGNMENTS IN THE WATER RESOURCES SECTOR**
 - (i) Asahan irrigation project
 - (ii) Walimpong Irrigation project
 - (iii) Boya Irrigation Project
 - (iv) Rongkong Irrigation Project
 - (v) Seluna river basin flood management project
 - (vi) Poso river basin flood management project
 - (vii) Deli-Percut-Belawan river basin flood management project
 - (viii) Seputih-Tulang Bawang river basin flood management project
 - (ix) Bulk Water Supply System Project
- **APPENDIX 2.10: TOR AND COST ESTIMATES FOR CALL-DOWN ASSIGNMENTS IN THE ROAD SECTOR**
 - [to be included once developed]
- **APPENDIX 2.11: TOR AND COST ESTIMATES FOR CALL-DOWN ASSIGNMENTS IN THE HUMAN SETTLEMENTS SECTOR**
 - [to be included once developed]
- **APPENDIX 2.12: SAMPLE TOR FOR CONSTRUCTION SUPERVISION CONSULTANT**
- **APPENDIX 2.13: SAMPLE TOR FOR TECHNICAL AND FINANCIAL ASSESSMENT CONSULTANTS**
- **APPENDIX 2.14: DRAFT PROCEDURES FOR CONSTITUTION PANEL AND CALL DOWN FROM PANEL**

APPENDIX 3 TEMPLATE OF ANNUAL/QUARTERLY PROGRESS REPORT

PRO FORMA OF THE EXECUTING AGENCY'S PROJECT PROGRESS REPORT

1. Quarterly reports will include: (i) a narrative description of progress made by each project component and the Project as a whole during the reporting period; (ii) modifications to the implementation schedule; (iii) details of land use and resettlement; (iv) implementation of the environment assessment and review framework; (v) major project activities by the executing agency (EA), project management office (PMO), and project implementation units (PIUs); (vi) financial and procurement-related information; (vii) problems experienced and remedial actions proposed; and (viii) the work plan for the following period. All data shall be sex-disaggregated, where relevant. Progress reports shall include gender-related achievements (e.g. number and level of participation of women in meetings and committee decisions) and constraints. The second and fourth quarter progress reports will also include findings of initial assessments of project impact on the targeted beneficiaries

A. Introduction and Basic Data

2. Provide the following:
- (i) ADB loan number, project title, borrower, executing agency(ies), implementing agency(ies);
 - (ii) total estimated project cost and financing plan;
 - (iii) status of project financing including availability of counterpart funds and cofinancing;
 - (iv) dates of approval, signing, and effectiveness of ADB loan;
 - (v) original and revised (if applicable) ADB loan closing date and elapsed loan period based on original and revised (if applicable) loan closing dates; and
 - (vi) date of last ADB review mission.

B. Utilization of Funds (ADB Loan, and Counterpart Funds)

3. Provide the following:
- (i) cumulative contract awards financed by the ADB loan, cofinancing, and counterpart funds (commitment of funds to date), and comparison with time-bound projections (targets);
 - (ii) cumulative disbursements from the ADB loan, cofinancing, and counterpart funds (expenditure to date), and comparison with time-bound projections (targets); and
 - (iii) re-estimated costs to completion, need for reallocation within ADB loan categories, and whether an overall project cost overrun is likely.

C. Project Purpose

4. Provide the following:
- (i) status of project scope/implementation arrangements compared with those in the report and recommendation of the President (RRP), and whether major changes have occurred or will need to be made;
 - (ii) an assessment of the likelihood that the immediate development objectives (project purpose) will be met in part or in full, and whether remedial measures are required based on the current project scope and implementation arrangements;
 - (iii) an assessment of changes to the key assumptions and risks that affect attainment of the development objectives; and

- (iv) other project developments, including monitoring and reporting on environmental and social requirements that might adversely affect the project's viability or accomplishment of immediate objectives.

D. Implementation Progress

- 5. Provide the following:
 - (i) assessment of project implementation arrangements such as establishment, staffing, and funding of the PMO or PIU;
 - (ii) information relating to other aspects of the EA's internal operations that may impact on the implementation arrangements or project progress;
 - (iii) progress or achievements in implementation since the last progress report;
 - (iv) assessment of the progress of each project component, such as, (a) recruitment of consultants and their performance; (b) procurement of goods and works (from preparation of detailed designs and bidding documents to contract awards); and (c) the performance of suppliers, manufacturers, and contractors for goods and works contracts;
 - (v) assessment of progress in implementing the overall project to date in comparison with the original implementation schedule (include actual progress in comparison with the original schedules and budgets, the reference framework for calculating the project progress will be provided by ADB); and
 - (vi) an assessment of the validity of key assumptions and risks in achieving the project's quantifiable implementation targets.

E. Compliance with Covenants

- 6. Provide the following:
 - (i) the borrower's compliance with policy loan covenants such as sector reform initiatives and EA reforms, and the reasons for any noncompliance or delay in compliance;
 - (ii) the borrower's and EA's compliance with financial loan covenants including the EA's financial management, and the provision of audited project accounts or audited agency financial statements; and
 - (iii) the borrower's and EA's compliance with project-specific loan covenants associated with implementation, environment, and social dimensions.

F. Major Project Issues and Problems

- 7. Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of loan proceeds).

APPENDIX 4

APPENDIX 4 : USE OF SPSE FOR SELECTION OF CONSULTANTS UNDER ESP

Appendix 4.1: Review of LKPP SPSE for ADB-financed Projects in MPWH

Appendix 4.2: SPSE User Guide

Needs Assessment of Capacity Strengthening in Environment and Social Safeguards

I. Introduction

1. The proposed Accelerating Infrastructure Delivery through Better Engineering Services Project (the ESP) will help meet the infrastructure development objectives of the Ministry of Public Works and Housing's (MPWH) Sector Development Plan (SDP), 2015–2019 by improving the quality and timeliness of the delivery of the SDP's public investment program. The ESP will support the preparation of some 40 infrastructure projects in the national road, water resources, irrigation, flood control, dams, urban water supply and sanitation sectors. Specifically, the ESP will support the preparation of environmental impact assessments and land acquisition documents as per government requirements, and facilitate the obtaining of relevant permits to ensure that the projects are ready for civil works.

2. Effective planning and implementation of environmental and social safeguards (land acquisition and involuntary resettlement) depend on the capacity and commitment of the central or local offices of the MPWH in charge of project preparation and implementation. The Government has increasingly improved the policy and legal framework for environmental impact and land acquisition and resettlement.⁵⁸ To implement the legal framework within its systems and processes, at the end of 2014 the MPWH released technical guidelines on environmental management, land acquisition and resettlement, and the handling of indigenous people.⁵⁹

3. Therefore, assessment of the MPWH capacity to implement the national- and ministry-level frameworks on land acquisition and resettlement, as well as environmental safeguards, is important for the timely and proper implementation of the ESP. The capacity assessment includes assessment of the MPWH structures responsible for safeguards, capacity of staff to carry out designated responsibilities, financial resources for implementation of safeguards, and recommendations to strengthen the safeguards management systems at the MPWH.

II. MPWH structures on safeguards management

4. The MPWH has dedicated sub-directorates handling environmental and social safeguards. Currently, there are two directorates general of MPWH which have a specific unit for safeguards, namely the Directorate General of Water Resources (DGWR) and the Directorate General of Highways (DGH). There is no dedicated sub-directorate for safeguards at the Directorate General of Human Settlement (DGHS).

a. DGWR

5. A land facilitation sub-division has been set up as part of the Division on government assets management and land facilitation under the DGWR's Secretariat. The land facilitation unit is responsible for *facilitating* land acquisition for water resources development. The tasks handled by this sub-division include: (i) preparation of required materials for coordination of land acquisition with other related agencies; (ii) provision of technical guidance and assistances on

⁵⁸ Law No. 2/2012 and its implementing regulations, such as: (i) President of the Republic of Indonesia Regulation No. 71/2012 (with several amendments); (ii) Head of National Land Agency No. 5/2012;14; (iii) Ministry of Finance Regulation No. 13/PKM.02/2013;15; and (iv) Ministry of Home Affairs Regulation No.72/2012).

⁵⁹ Circular letter No. 12 /SE/M/2014 dated 23 December 2014.

land acquisition; (iii) addressing problems on land acquisition for the implementation of water resources development, including required permits at the national level; and (iv) facilitation of protection and certification of the acquired land assets. Currently, the unit is identifying all lands to be acquired for strategic and national projects and ensuring that the projects have been included in the regional spatial planning.

6. To monitor and accelerate land acquisition, in August 2015 the DGWR established a task force for monitoring, evaluation, and coordination for the acceleration of land acquisition in water resources infrastructure. This task force includes officials from the DGWR and other agencies such as the Ministry of Agrarian and Spatial Planning/National Land Agency (BPN), the Ministry of Environment and Forestry, the Ministry of Home Affairs, the Financial and Development Supervisory Agency, the Attorney General, and other professionals.

7. There is no specific unit at the central office of the DGWR responsible for overseeing environmental safeguards issues during project preparation.⁶⁰ Preparation of the environmental documents is normally done by the regional and local offices of the DGWR (Balai Besar Wilayah Sungai) that are responsible for the project implementation.⁶¹

b. DGH

8. At the DGH, there are three sub-directorates responsible for safeguards:

- a. *Sub-directorate of environmental and road safety* under the Directorate for Road Network Development (Subdirektorat Lingkungan dan Keselamatan Jalan). This sub-directorate covers the following: (i) preparation and development of norms, standards, guidelines, and criteria of environmental engineering, mitigation of natural disasters, sustainable construction, and road safety; (ii) preparation of policy and the Safety Management System and Occupational Health and Environment (SMK3L) and environmental engineering for roads; (iii) preparation of an audit program for road safety and the investigation of accident-prone locations; and (iv) assistance and evaluation of the implementation of road function feasibility.
- b. *Sub-directorate of construction management* which covers environmental management issues during construction (Subdirektorat Manajemen Konstruksi).
- c. *Sub-directorate of land acquisition* under the Directorate for Toll Roads, Urban Roads, and the Facilitation of Regional Roads (Subdirektorat Pengadaan Tanah). This sub-directorate plans, prepares, assists, and monitors the implementation of land acquisition. Its functions are: (i) development of norms, standards, guidelines, and criteria of land acquisition; (ii) preparation of plans, programs, implementation of inventory and monitoring for implementation of land acquisition for non-barrier road and toll-roads; (iii) preparation of working procedures and facilitation for socialization of land acquisition; (iv) assistance in the implementation of land acquisition study; and (v) other coordination and facilitation in land acquisition issues.

⁶⁰ There is a sub-directorate of hydrology and water resource environment. It does not, however, facilitate environmental assessments (AMDAL or UKL/UPL) required for water resources projects. This sub-directorate assists in hydrological management of river basins, ensuring water sources quality, preparation of strategic environmental assessments of water resources, and coordination of issues related to climate change mitigation and adaptation.

⁶¹ The sub-directorate for external cooperation (Sub-Dit Kerjasama Luar Negeri) of the Directorate on Budget and Planning is responsible for review and implementation of standards and procedures for external cooperation, including safeguards. Safeguards principles and requirements set in the projects financed by multilateral agencies are reviewed by this sub-directorate prior to endorsement by the DGWR and implementation by the DGWR regional offices.

9. To implement the safeguards requirements, the safeguard units of the DGWR and DGH collaborate with relevant implementing agencies (*Unit Pelakdasana Teknis-UPT*) or Balai Besar (DGWR regional offices responsible for project implementation). At Balai Besars of the DGWR, land acquisition is the responsibility of the project manager (PPK) with the support of some staff. The Balai PPK collaborates with the local government (Governor/Bupati Office), local planning office (BAPPEDA), and local office of the National Land Agency (BPN) to prepare and implement land acquisition for the infrastructure project.

10. The preparation and implementation of environmental impact assessments (AMDAL/UKL/UPL) are done by the planning division of Balai, which will collaborate with the regional environmental management offices (BLHD or BPLHD). The safeguard units at national offices (DGWR and DGH) provide UPT/PPK with policy guidance and monitoring and facilitate the required permits at national level.

c. DGHS

11. There is no dedicated safeguard unit at the Directorate General of Human Settlement (DGHS). The land acquisition/resettlement and environmental safeguards are facilitated (or implemented, if central DGHS is the project owner) by the concerned sub-directorates responsible for project preparation and implementation in collaboration with the local governments where the projects are located. Normally, land acquisition and AMDAL/UKL-UPL are carried out and financed by the relevant local governments as their contribution to the water supply and sanitation projects financed by DGHS.

12. The function of the DGHS is more the implementation of policy and providing technical guidance and supervision in the development of residential areas, coaching the building arrangement, development of the supply system for drinking water, waste water system management, and drainage and waste. Given these functions, the projects run by the DGHS—at the implementation phase—must be handed over to the local governments and become an asset of the local government. As the eventual ownership over the project assets will be with the local government, they are responsible to meet the land needs for the project, while the DGHS is more focused on the physical construction.

III. Preparation of Land Acquisition Plan and AMDAL/UKL-UPL

13. The MPWH (both at central- and Balai Besar/UPT-levels) has much experience in handling environmental and social safeguards, including under projects financed by the WB, ADB, JICA, etc. The MPWH normally mobilizes external consultants for preparing AMDAL/UKL-UPL and Land Acquisition Planning Document (LAP) to comply with the government requirements on environmental and social safeguards. Once the LAP is complete, the Balai then collaborates with the Governor/Bupati/Bappeda offices for the preparation of land acquisition (to obtain project location determination) and the BPN/land Office for land acquisition implementation.⁶²

14. For projects financed by development partners, the LAP document to meet the government procedure for land acquisition is prepared in parallel with the Land Acquisition and Resettlement Plan (LARP) required by the development partner. Therefore, the consultations

⁶² Lack of coordination between the central MPWH office, Balai Besar, and the concerned government agencies at provincial and district level contributes to the delays in development and implementation of AMDAL/UKL-UPL and LAP.

are more intensive and the data on the inventory of affected assets/losses is more detailed and comprehensive. In general, the quality of the LAP document for projects financed by development partners is reported to be better compared to the LAP document of projects financed by the national/regional budget.

15. Local governments and local land offices indicate that the quality of the LAP document does affect the process of land acquisition. The better the preparation of the LAP document, the faster the land acquisition process.

IV. Human Resources and Safeguards Management Capacity

16. **Staffing.** The DGH's units on environment and land acquisition seem to have sufficient number of staff: the sub-directorate on environment⁶³ and road safety has 12 staff; and the sub-directorate on land acquisition also has a significant number of staff. In the DGWR, the number of staff working at the land facilitation unit is limited at four, including the head of the sub-directorate on asset management and land facilitation. Hence, there are plans to add sufficient staff to this unit of the DGWR to enable it to properly handle its land acquisition tasks.

17. At the local level, the Balai Besars of the DGWR and DGH have an adequate number of competent staff, who mainly focus on technical/sector aspects. The number of staff assigned specifically for safeguards is, however, very limited. The safeguards issues are handled by the Satker or project manager (*PPK*), who is also responsible for the overall project and may not pay detailed and dedicated attention to substantive issues related to AMDAL and LAP. Moreover, in some Balai Besars there are only two or three staff assigned for land acquisition, despite the rather large number of projects for which LAP and AMDAL need to be adequately developed and implemented in a timely manner.

18. As the DGHS has no responsibility for land acquisition and environmental assessment, there is no staff assigned specifically to deal with environmental and social safeguards. Safeguards are handled by the project team in the respective directorate responsible for the entire project. The function of the project team is more to monitor and coordinate with the relevant local government (Bappeda and relevant Dinas) to ensure that the land and environmental permits are available for the project on time.

19. **Knowledge management.** The safeguards unit at the DGWR was established in 2015, and the number of staff at this unit is still limited, with limited knowledge as well of the legal framework, and limited experience in handling safeguards. Normally, the DGWR Balai Besar staff who are assigned with safeguards have relevant experience. However, knowledge of the current legal framework and the quality of the safeguards documents still need to be improved. Staff responsible for projects at DWWR sector directorates have good capacity in technical matters related to their sectors, but capacity in safeguards is still limited.

⁶³ MPWH capacity in AMDAL goes back to the previously existing AMDAL review commission, which had competent staff in environmental assessment and management. This commission ceased to exist with the MPWH's decentralization of AMDAL process to the local level. At the national level, only the Ministry of Environment and Forestry has an AMDAL review commission. Line ministries such as MPWH are represented in Technical Teams established under MOEF's AMDAL review commission.

20. Staff at the land acquisition division at the DGH have good knowledge and experience in land acquisition.⁶⁴ However, this division only covers toll road projects and does not carry out land acquisition for national highways projects managed by the DGH and UPT/Balai Besar. Staff at the sub-directorate on environment and road safety have good knowledge of environmental safeguards, but less of land acquisition. Staff responsible for projects at DGH sector/thematic directorates have good capacity in technical matters (engineering), but their capacity in regard to safeguards is limited.⁶⁵ At the local government level responsible for environmental and social safeguards of MPWH projects, the staff handling safeguards are quite sufficient, but knowledge of the current legal frameworks still needs to be strengthened.

21. To the extent possible, the DGWR, DGH, and DGHS have supported capacity building of their staff in environmental and social safeguards. This normally occurs at project level and through trainings provided by development partners. For example, MPWH staff working on projects and safeguards participated in trainings on resettlement safeguards organized by the ADB, in collaboration with BAPPENAS, under ADB TA 6425 and TA 7566.⁶⁶ However, the number of staff participating at such trainings is limited. Staff rotation also contributes to the need for continuous capacity building in safeguards.

22. Knowledge management at the safeguard unit in the DGH is well established: several environmental guidance materials for road development have been published and disseminated to the regional offices. At the DGWR, knowledge products are limited to the resettlement and environmental frameworks prepared for projects financed by development partners, such as the ADB, WB, and JICA. The DGWR, however, still does not have its own specific safeguard guidelines.

23. **Budget.** The land acquisition and AMDAL/environmental budgets are linked and included in the respective activities/project/program of directorate/unit/division as project owners. All Directorates General of MPWH allocate an annual budget for land acquisition, especially for national and strategic projects. In 2015, the MPWH allocated IDR 4.7 trillion for land acquisition. And of that amount, IDR 1.2 trillion was allocated for land acquisition in the DGWR. All Balai Besars also have annual budgets for land acquisition and environmental safeguards, but budget adequacy varies.

24. Based on the targets of MPWH Strategic Plan, 2015–2019, the need for land acquisition in the MPWH is estimated at 133,657 hectares (ha). This consists of 21,172 ha for the road sector, 111,437 ha for water resources, 592 ha for human settlement, and 456 ha for public housing. The budget for land acquisition is estimated to reach IDR 82.8 trillion. This amount consists of IDR 33.76 trillion for the DG of Highways, IDR 46.67 trillion for the DG of Water Resources, IDR 1.5 trillion for the DG of Human Settlements (SPAM Regional, garbage and waste); and IDR 931 billion for others. The magnitude of these costs increases significantly compared to the expected funding allocations.

⁶⁴ These staff members are responsible for the preparation and implementation of land acquisition for DGH toll road projects (in collaboration with land acquisition committees). They share knowledge of land acquisition based on experience gained in various projects.

⁶⁵ The new principles and procedures of land acquisition do not seem to be well understood by the project managers and staff. International principles of social safeguards are sometimes thought of as a technical prerequisite for getting development partner financing for infrastructure projects, rather than a conceptual conviction of the need to protect the affected persons or entitled parties.

⁶⁶ TA 6425-REG: Capacity Development on Involuntary Resettlement; and TA 7566: Strengthening and Use of Country Safeguard Systems.

25. Every year, each Balai proposes a budget to the relevant DG of the MPWH. However, due to limits set for the overall MPWH budget, the budget amount received by Balai is often lower than the proposed amount. This, in turn, affects the timeliness and quality of land acquisition. For the DGHS, the budget for land acquisition is borne by the local governments either at provincial or district levels as their contribution to projects. However, using this mechanism, the DGHS indicates that many projects experience delays due to issues in land acquisition (80%). Limited budget for land acquisition in the local government as well as land disputes contribute to delays. To address land acquisition and budget issues, in 2015 the DGHS allocated a budget for land acquisition. At DGH, the budget for national road projects is mostly borne by local governments, while that for toll roads is borne by the DGH. However, considering that land is the critical component for infrastructure development, in the past few years, the DGH has allocated more budget for land acquisition for national road projects.

26. **Gender Mainstreaming in MPWH.** Gender has been mainstreamed in the MPWH. The purpose of gender mainstreaming (*Pengarusutamaan gender*) is to ensure gender responsiveness in the implementation of infrastructure development of public works. This means that there is no gap between men and women in accessing and benefitting from the results of infrastructure development, as well as enhancing the participation and control of infrastructure development. To improve gender mainstreaming, some gender policies have been issued by the MPWH, including policy on gender-responsive planning and budgeting and the establishment of a gender mainstreaming team (GMT) in the MPWR. Currently, the GMT is chaired by the Head of Research and Development Division of the MPWH and is supported by a gender working group in each DG. On the program side, gender impact assessment in infrastructure development has been carried out, and gender-responsive indicators have been set forth. In 2015, the MPWH has been in the top 99 (of 1186 agencies) for public service innovation.

V. Recommendations

27. **Further strengthening of safeguards capacity.** The MPWH has strengthened its institutional capacity and human resources to improve its performance. However, the substantial increase of the MPWH's infrastructure program under the RPJMN, 2015–2019 will require a much stronger capacity in adequate management of environmental and social safeguards. As the handling of safeguards involves other concerned parties at the regional level, capacity building needs also include those agencies at the local level.

28. In regard to the ESP, delivery of capacity building should be prioritized as follows:

- a. staff handling project preparation at the DGWR's, DGH's, and DGHS's sector directorates, whose projects are supported under the ESP;
- b. staff handling safeguards (AMDAL/UKL-UPL and land acquisition) in safeguard units in both the DGWR and DGH;
- c. staff in Balai Besar (for highways, water resources, and human settlement) handling projects and safeguards;
- d. selected relevant provincial and district governments that will be implementing projects supported under the ESP.

29. Capacity building in land acquisition may focus on:

- a. explaining the prevailing legal framework (applicable laws and regulations, technical guidance, etc.);
- b. LAP scope and requirements (including compliance with spatial planning);

- c. land/assets valuation, and transfer of assets.
 - d. Note: The training manual on social safeguards in land acquisition developed under TA 7566 can be used as a reference for the land acquisition capacity building under the ESP.
30. Capacity building in environmental safeguards may focus on:
- a. explaining the details of the existing environmental legal and institutional framework;
 - b. training in environmental safeguards during project preparation and implementation, including environmental monitoring.
31. **Strengthening safeguard units and task force.** Assistance to strengthen the safeguard units will be provided in the form of:
- a. capacity-building training to the staff of the units and task force at DGWR;
 - b. assistance in preparation or updating of technical guidance for environmental issues and land acquisition, and dissemination to the regional offices and stakeholders;
 - c. strengthening of capacity and explanation of the processes and procedures for obtaining required permits (project location determination, forestry permits, etc.);
 - d. assistance in the establishment of safeguard units at Balai level.
32. **Appointing Focal Persons for Safeguards at DGHS.** Given the critical issues related to land acquisition in the projects faced by the DGHS, appointment of some staff handling safeguards (safeguard focal points) is strongly recommended. The safeguard focal point could be under the Secretariat of Directorate General and responsible for monitoring land acquisition and environmental issues and to facilitate coordination among the directorates in the DGHS for safeguards implementation progress. The detailed scope of the work and reporting for assigned staff needs to be prepared.

APPENDIX 6

DRAFT TERMS OF REFERENCE OF EXTERNAL AUDITOR
for Auditing Non-Revenue Earning Executing Agency
(Annual Project Financial Statements of ADB Funded Projects)

by

an independent auditor acceptable to ADB⁶⁷

A. The Project

1. The Project that will be audited, the executing agency (EA), the Project Coordination Offices (PCO), the Project Management Offices, and the Project Implementing Units (PIUs) and some audit information are summarized in Annex 1.⁶⁸

B. Objective of the Audit

2. The audit of the annual project financial statement (APFS) is primarily designed to ensure that the financial statements (FS) have been prepared in accordance with the relevant legal requirements and accounting standards adopted by the project and give a true and fair view of the financial performance and position of the project.

3. Further, the auditor will provide specific additional audit opinions on:

- i. Use of loan proceeds; the Government funds and other financiers.
- ii. Compliance with financial covenants of the loan and/or grant agreements
- iii. Compliance with project account procedures (where applicable)—to confirm or otherwise, whether the imprest account (and sub-accounts) gives a true and fair view of the receipts collected and payments made and supports imprest and sub-account-liquidations and replenishments during the year.
- iv. Compliance with Statement of Expenditure (SOE) procedures (where applicable)—to confirm or otherwise, whether adequate supporting documentation has been maintained to support claims to ADB for reimbursement of expenditures incurred and that the expenditures are eligible for financing under the loan or grant agreement.
- v. In addition, the auditors will provide a report highlighting weaknesses in the internal control system, as stipulated in para. 15.

C. The Conduct of the Audit

4. The audit will be conducted in accordance with Standard Pemeriksaan Keuangan Negara (SPKN)⁶⁹ and Standard Professional Akuntan Publik (SPAP, professional standard of public accountant). The standard requires that the auditor plans and performs the audit to obtain reasonable assurance about whether the FS are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the

⁶⁷ The TOR is subject to amendment for any policy changes in ADB or the Government of Indonesia.

⁶⁸ Annex 1 will be completed before Loan Negotiation of the Project.

⁶⁹ SPKN (Indonesian State Finance Auditing Standards) are auditing standards used by BPK as an independent state finance auditor who is responsible to audit all state finance in Indonesia.

APFS. An audit also includes assessing the accounting principles used, significant estimates made by the management, as well as evaluating the overall FS presentation.

D. Audit Procedures

5. The auditors shall perform audit procedures which include:
 - i. Review the Report and Recommendation of the President (RRP)⁷⁰, its linked and supporting documents;
 - ii. Plan and conduct the audit in accordance with a risk based framework. The detailed audit work program should be sufficiently extensive in its coverage to support the opinion given;
 - iii. Gather sufficient audit evidence to substantiate in all materials respects, the accuracy of information contained in supporting schedules attached to FSs including any and all supporting schedules. This should include verifying samples of transactions and account balances, reviewing any areas where significant estimates and judgments are made by management, as well as performing analysis to verify reported data and confirm year-end balances.
 - iv. Review SOEs submitted to ADB in support of requests for periodic replenishments of the project imprest and sub-account.⁷¹ Expenditures should be examined for eligibility based on criteria defined in the terms of financing agreement. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, they should be reported;
 - v. Review and evaluate the system of internal control and assess the internal control environment to determine the degree of reliance that may be placed upon them and to determine the extent of testing of actual transactions needed to assure the auditor of the completeness and accuracy of the accounting records;
 - vi. Include procedures that are designed to provide reasonable assurance that material misstatements (if any) are detected in accordance with international standards on auditing. The audit coverage will consider the risk of material misstatements as a result of fraud or error; and
 - vii. Determine whether accounting policies are appropriate and consistently applied, and determine whether all FS disclosures are adequate.

E. Audit Scope in Compliance with Financing Arrangement

6. To comply with agreed project financing arrangements the auditor shall carry out tests to evaluate the following documents:
 - i. The project's imprest account(s) and sub-account(s), if any;
 - ii. Statement of Expenditures (SOEs);
 - iii. Compliance with covenants contained in the Loan and Grant agreements;
 - iv. Any material weaknesses in internal control which are identified during the audit;
 - v. Compliance with Standard Operating Procedures, Financial Management Manual and Procurement Manual;
 - vi. Fixed assets procured, review the allocation of project vehicles and equipment and whether these are being utilized in accordance with the ADB's Guidelines and/or Loan and/or Grant Agreements; and

⁷⁰ RRP is an approval report of ADB's Board of Directors related to the loan proposal that had been negotiated between ADB and the Government.

⁷¹ ADB's term for the project designated accounts.

vii. Any other materials which the auditor considers should be brought to the attention of the borrowers/ the Government.

7. Based on the assessment, the auditor shall justify whether:

- i. All funds funded by ADB, the Government and other financiers have been used in accordance with the conditions of the relevant loan and/or grant agreements with due attention to economy and efficiency, and only for the purposes for which the Loan and/or the grant was intended;
- ii. Counterpart funds and funds from other financiers have been provided and used in accordance with relevant financing agreements, which due attention to economy and efficiency, and only for the purposes for which the loan and/or grant was intended;
- iii. Goods, works and services financed, as the procurement plan given in the Project Administration Manual (PAM), have been procured in accordance with relevant financing agreements, including specific provisions of the ADB Guidelines and/or Loan and/or Grant Agreements;
- iv. Expenditures submitted to ADB are eligible for financing and all necessary supporting documents, records, and accounts in support of withdrawals have been adequately maintained;
- v. All necessary supporting documents, records, and accounts have been kept in respect of all project expenditures (including expenditures reported using SOEs of Imprest Fund Procedures);
- vi. The Imprest Accounts and sub-accounts have been maintained and operated in accordance with the provisions of the relevant financing agreements.

F. **Annual Project Financial Statements (APFSs):**

8. The auditor should verify whether the APFSs have been prepared in accordance with the Standar Akuntansi Pemerintah (SAP)⁷² and discuss the impact on FSs, if any deviation from SAP.

9. The FSs for the project may include⁷³:

- i. A statement of cash receipts and payments for the period;
- ii. Imprest account(s) and sub-account(s);
- iii. Statement of expenditures (SOEs);
- iv. Other supplementary schedules of value;
- v. Accounting policies and explanatory notes; The explanatory notes should include reconciliation between the amounts shown as "received by the project from ADB " and that disbursed by ADB and a summary of movements on the project's Designated Account; and a comparison of the project budget to accumulated receipts and expenditure (by disbursement categories) since the commencement of the project;
- vi. When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments.

⁷² SAP (Indonesian Government Accounting Standards) are standards used by the Indonesian EA to prepare its APFSs, which adopted the *International Public Sector Accounting Standards (IPSAS)*.

⁷³ This list will be used as a guideline. If there are items that project is not prepared to provide or cannot provide, BPK will accept information in whatever forms that are auditable.

G. **Audit Methodology**

10. Based on this TOR, the auditor will prepare a methodology to ensure that the audit required is comprehensive and it is expected that a high degree of assurance, compliance with the law and accountability be reflected in the methodology. The methodology should, at minimum, shall address the following:

- i. SPKN Compliance: The auditor should indicate the extent (if any) that the audit would not conform to SPKN and indicate any alternative standards to which the auditors would conform;
- ii. Understanding of the environment and key areas of audit risk for the project;
- iii. Audit planning and the role that the EA/PIUs is expected to play in this process;
- iv. The resources to be allocated to the audit to address the risks identified;
- v. The approach to field work (i.e. gathering of evidence to support assertions to be made in the audit opinions); and
- vi. Quality assurance arrangements.

H. **Audit Report**

11. At minimum, the audit report will:

- i. state the purpose of the report and its intended use;
- ii. state whether SAP have been adopted in the preparation of the APFSs and indicate the effect of any deviations from those standards;
- iii. state that the audit was conducted in accordance with SPKN;
- iv. the audit opinion will cover both the current period and the cumulative period since the commencement of the Project;
- v. the audit opinion will state whether or not the FSs present fairly statement of Expenditures (SOEs), Imprest accounts and sub-accounts of the project;
- vi. The auditor is also expected to express opinions as the compliance with the terms and conditions of the relevant loan or grant agreement as well as the budget execution regulations;
- vii. The auditor should also indicate, where present, the extent of any non-compliance by reference to the financial covenants;
- viii. The auditor should also indicate whether any attached supplementary FSs and Notes to the FS have been subjected to the same auditing procedures as in the case of the basic FSs.

12. Irregularities and instances of noncompliance with government or institutional rules and regulations that do not give rise to a qualified opinion or disclaimer of opinion should not be subjects of the report of the auditor. When the auditor has comments that are not material to the opinion, these should be set out in the audit report on project's internal control system or statutory regulations.

13. Where the Loan Agreement of a project requires the separate audit of the SOEs and Imprest accounts and sub-accounts, respectively, additional paragraphs should be included in audit opinion as follows:

- i. Referring to the SOE financial statement, certifying to the eligibility of those expenditures against which SOE disbursement were made; and
- ii. Referring to the imprest account financial statements

14. At least the following two specific opinions on FS required from the auditor:

- i. Opinion on the statement of expenditures; and
- ii. Opinion of imprest accounts and sub-accounts.

I. Audit Report on The Internal Control System and on Compliance with Statutory Regulations

15. Together with (i) the audit report including the opinion on financial statements, the auditor will submit (ii) audit report addressing weaknesses in the internal control system and on compliance with statutory regulations that should address as a minimum the following:

- i. a general overview of the internal control systems of the project and the executing agency, or an opinion on the management systems;
- ii. an identification of material deficiencies or weaknesses in the project or executing/implementing agencies' internal controls over financial reporting or on the overall system of internal control;
- iii. the auditor's recommendations for improvement or for rectification of identifies weaknesses; and
- iv. Follow-up actions/s or status to previously identified issues and findings, if any.

J. Exit Meeting

16. Upon the completion of the field work, the auditor will hold an exit meeting with the EA/PIUs. The exit briefing will give the auditor an opportunity to obtain management's comments on the accuracy and completeness of the auditor's findings, conclusions, and recommendations, including whether or not management concurs with the audit findings. It will also include a discussion of common findings across projects being audited and recommendations for addressing bottlenecks in preparation for the next audit. The auditor will document the exit briefing for inclusion in the audit working papers. The EA/PIUs could invite the other parties to attend the exit briefing as observers.

K. Access to Information and Records

17. The auditor will be provided with unrestricted access to all payments records and supporting documents, invoices, and all types of contracts, except claims of consultants engaged directly with ADB including statements of accounts, legal agreements and minutes of meetings, etc. Project staff shall fully cooperate with the auditor. The auditor shall have the rights to access to banks and depositories, consultants, contractors, or other persons or firms engaged by the project. In case access has been restricted, the auditor must note this in the auditor's opinion.

18. The auditor is encouraged to meet and discuss audit related matters including inputs to the audit plan with ADB project officers.

19. It is highly desirable that the auditor reviews the Loan Agreement and its supporting documents, which summarize the ADB's financial reporting and auditing requirements. The auditor should also familiar with the ADB's disbursement and Procurement Handbook.

L. Deliverables and Timing

20. The EA/PIU shall prepare the APFS in 2 sets of currency (US\$ dollar and Rupiah). The SOEs in Rupiah and Project Accounts (Pas or Project financial statements in US\$).

21. Two sets of the audited APFSs (in US\$ and in English) and the corresponding audit report (in English) shall be delivered to each EA in accordance with submission dates states in the Loan Agreement(s).

M. **Annexes**

22. All annexes of this TOR will be completed by the EA/PIUs and endorsed by ADB prior to the assignment of an independent auditor to conduct the audit of the project.

Appendix 6

Annex 1

Project Background, Executing and Implementing Agencies

A. The Project to be Audited:

1. Project No: 49141-001
2. Loan No: **TBD**
3. Project Name: Accelerating Infrastructure Delivery Thought Better Engineering Services Project
4. Executing Agency: Ministry of Public Works and Housing (MPWH)
5. Implementing Agencies: DGH, DGHS, and DGWR of MPWH
6. Total Project Costs: \$167.6 million (\$148.2 million TA loan from ADB, and \$19.4 million government counterpart funding)

B. Project Description

1. **Impact and outcome.** The ESP will help meet the infrastructure development objectives of MPWH's Strategic Development Plan (SDP), 2015–2019, by improving the quality and timeliness of the delivery of the SDP's public investment program.⁷⁴ The impact will be to help the MPWH attain the infrastructure development objectives of the SDP. The outcome will be strengthened MPWH's capacity to efficiently design and implement its public investment program. The expected outcome of the ESP will be achieved through implementation of the two outputs highlighted below.

2. **Output 1: Improved quality and timely start-up of infrastructure projects.** This output will support MPWH in: (i) preparation of master plans and feasibility studies; (ii) development of DEDs, including geotechnical, topographical and other surveys; (iii) preparation of environmental impact assessments and land acquisition documents as per government requirements, and facilitation of obtaining relevant permits; (iv) construction supervision and technical and financial audit of selected projects; and (v) preparation of advance contracting for civil works. This output will support preparation of up to 40 projects from the SDP in the irrigation, flood management, bulk water, dams, national road, water supply, and sanitation sectors for an estimated total investment of \$6,000 million. These projects are mainly to be financed from the government budget.

3. **Output 2: Strengthened capacity in public investment management.** This output will support the project management offices (PMOs) and project implementation units (PIUs) in: (i) improving master planning and public investment management systems; (ii) on-the-job capacity development of MPWH's project staff, especially at local level, in such areas as design-and-build contracts, design standards, design review, construction supervision and contractor performance enforcement, technical and financial audit during construction, multi-year contracting, etc.; (iii) strengthening of the ministry's safeguards⁷⁵ and procurement systems;⁷⁶ (iv) strengthening value engineering during preparation of infrastructure projects, (v) implementing the ESP, including monitoring and evaluation of project preparation activities.

⁷⁴ MPWH. 2015. *Strategic Development Plan, 2015–2019*. Jakarta.

⁷⁵ Assessment of DGH, DGHS, and DGWR's safeguards systems and the areas for institutional and capacity building are in Appendix 7 of the PAM.

⁷⁶ Such as in implementation of the MPWH's regulation on design-and-build contracts adopted in May 2015.

4. **Cost estimate and financing plan.** The ESP's estimated cost is \$167.6 million, of which \$155.7 million is to cover the cost of output 1 and \$11.9 million to cover the cost of output 2 as described above. To finance the ESP, the Government requested ADB to provide a technical assistance loan of \$148.2 million from ADB's ordinary capital resources (OCR).⁷⁷ The remaining equivalent of \$19.4 million will be provided by the Government and will finance taxes, duties and interest during implementation.

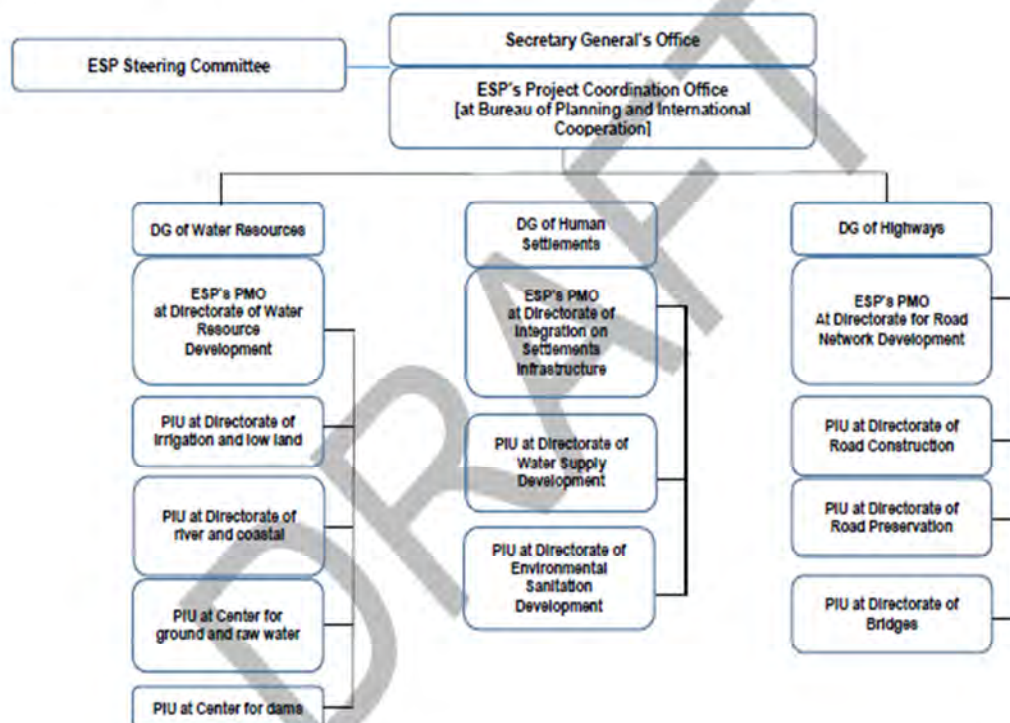
5. **Implementation period.** The project is expected to be implemented from 1 October 2016 to 31 December 2019. Most activities related to preparation and bidding of projects are planned to be completed by mid-2018. Significant share of ESP-prepared projects is expected to be at various phases of civil works by end 2019. The period between mid-2018 and end-2019 is expected to be mostly used for the construction supervision as well as the technical and financial audit of selected infrastructure projects prepared under the ESP.

C. Project Areas: N/A

D. Executing and the Implementing Agencies (EA/IAs)

6. The Project's organizational structure is given below. The Office of the Secretary General of the Ministry of Public Works and Housing will serve as the executing agency. The DGWR, DGH and DGHS will serve as implementing agencies.

11. Implementation arrangements are described below.³



³Directorates may involve local Balais or Satkers (owners of infrastructure project budgets) during selection of project preparation consultants. If the infrastructure project is implemented at the local level, the relevant Balai or Staker will be the technical consultants' counterpart during project preparation activities and review of outputs of technical consultants, in consultation with the relevant directorate of MPWH central office and as part of the joint PIU-Balai/Satker Project Team.

⁷⁷ The terms of the TA loan are in the Loan Agreement.

E. Phasing of the Audit:

7. An independent auditor acceptable to ADB will submit the final audited APFS and supporting documents, as scheduled in the following table:

Period	FY start	FY End	Report Submission	Remarks
1	1 January 2016	31 December 2016	30 June 2017	May be waived per agreement of ADB
2	1 January 2017	31 December 2017	30 June 2018	
3	1 January 2018	31 December 2018	30 June 2019	
4	1 January 2019	31 December 2019	30 June 2020	

Source: MPWH.

8. **Auditing requirements.** The PMOs at DGWR, DGH and DGHS will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred under the ESP. The PCO will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations, which are consistent with international accounting principles and practices. The financial management specialists recruited as part of the PMC firms will provide all the required support in preparing and consolidating the financial statements. The PCO will cause the detailed consolidated project financial statements to be audited by an independent auditor acceptable to the ADB based on standardized TORs on external audit of ADB-funded projects agreed upon between ADB and Audit Board of Indonesia (BPK) in 2014 (Appendix 8 of the PAM).⁷⁸ The PCO will submit the audited project financial statements in the English language to ADB within six months of the end of the fiscal year. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's *Public Communications Policy* (2011).⁷⁹ Other auditing requirements and ADB's rights and policies related to audit are presented in sub-section D of section V of the PAM.

⁷⁸ The audit will follow the standardized TORs agreed with the BPK as reflected in BPK's letter to ADB dated 19 June 2014 (No. 294/S/X/06/2014). The MOF's no objection on the standardized TORs was communicated through their letter to ADB dated 18 July 2014 (No. S-561/PU.2/2014).

⁷⁹ After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The audit management letter will not be disclosed.