



Technical Assistance Report

Project Number: 50395
Transaction Technical Assistance (TRTA)
October 2017

Indonesia: Preparing the Advanced Knowledge and Skills for Sustainable Growth Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 October 2017)

Currency unit	–	rupiah (Rp)
Rp1.00	=	\$0.00007397
\$1.00	=	Rp13,518

ABBREVIATIONS

ADB	–	Asian Development Bank
AKSI	–	Advanced Knowledge and Skills for Sustainable Growth Project
HEI	–	higher education institution
MORTHE	–	Ministry of Research, Technology and Higher Education
PIU	–	project implementation unit
PMU	–	project management unit
UPI	–	Universitas Pendidikan Indonesia

NOTE

In this report, "\$" refers to United States dollars.

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TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 50395-001	
Project Name	Preparing the Advanced Knowledge and Skills for Sustainable Growth Project	Department /Division	SERD/SEHS
Nature of Activity	Project Preparation	Executing Agency	Ministry of Research, Technology and Higher Education
Modality	Regular		
Country	Indonesia		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Education	Tertiary		0.80
		Total	0.80
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas	Effective gender mainstreaming (EGM)	✓
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Nation-wide	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG4		
6. Risk Categorization	Low		
7. Safeguard Categorization	Safeguard Policy Statement does not apply		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.80	
Transaction technical assistance: Technical Assistance Special Fund		0.80	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.80	

I. THE ENSUING PROJECT

1. The proposed Advanced Knowledge and Skills for Sustainable Growth Project (AKSI) aims to support Indonesia's higher education system in providing advanced skills and knowledge to support sustainable economic growth. The project will support upgrading of four public universities, three in Sumatra and one in Bandung, to provide high quality and demand-based programs as part of the first phase support to the longer-term higher education reform strategy. The project is aligned with the Medium-term Development Plan (RPJM) 2015–2019, and Asian Development Bank (ADB) Country Partnership Strategy (2016–2019), which highlight the critical role of vocational and tertiary education in providing the skilled human capital needed to support Indonesia's economic growth.¹ The impact of the project will be increased income and productivity of the working age population. The proposed outcome is strengthened relevance and quality of targeted higher education institutions (HEIs). The following two outputs are proposed: (i) market responsive programs delivered by selected HEIs in Aceh, Jambi, and Riau deliver; and (ii) improved teacher training provided by the Universitas Pendidikan Indonesia (UPI). The total indicative cost for the project is \$223.6 million, with \$200 million financed by a loan from the Asian Development Bank (ADB) and \$23.6 million financed by the Government of Indonesia. A transaction technical assistance (TA) for \$1.0 million is proposed to be attached to the loan to support implementation of the project.²

II. THE TECHNICAL ASSISTANCE

A. Justification

2. To design the project, a participatory process involving relevant stakeholders will be conducted. Given the proposed scope and scale, a transaction technical assistance (TA) is required to support the government to timely complete a quality design of project.³

B. Outputs and Activities

3. **Output 1: Scope and coverage of the proposed AKSI finalized.** The first output of the TA will finalize the scope and coverage of the AKSI, based on a careful review of the current draft proposals, the agreed concept, and other relevant project documents. This involves adjusting and strengthening the proposals from the University of Malikussaleh, the University of Riau, the University of Jambi and UPI to maximize development impact.

4. For output one of AKSI, the TA will support (i) strengthening the industry focus of the proposals including identifying changed curricula and applied research proposals; (ii) strengthening collaboration arrangements with the other HEIs and industry and identifying possible skills development to be provided by other HEIs; (iii) strengthening the specific arrangements in each university for developing into a center of excellence; (iv) further strengthening the quality and readiness of the physical investment proposals to ensure they meet all requirements, including gender responsive and inclusive infrastructure development like toilets suitable for female students, and sufficient safety features for female students, among others; (v) identifying required capacity development needs for university staff and other stakeholders; and (vi) at the sector level, preparing the approach to developing the 8 to 10-year investment plan.

¹ ADB. 2016. *Country Partnership Strategy: Indonesia, 2016–2019*. Manila; BAPPENAS. 2015. *National Medium - Term Development Plan (RPJMN 2015-2019)*. Jakarta.

² ADB. 2017. *Country Operations and Business Plan: Indonesia 2018-2020*. Manila.

³ The TA first appeared in the business opportunities section of ADB's website on 29 September 2017.

5. For output two of AKSI, the TA will support (i) aligning the UPI proposal with the long-term vocational teacher education strategy by identifying possible models that can be implemented for vocational teacher education; (ii) strengthening the analysis of the need for vocational subject teachers; (iii) further strengthening the quality of the physical investment proposals to ensure they meet all requirements, including gender responsive and inclusive infrastructure development like toilets suitable for female students, ramps and other disability supporting facilities, sufficient safety features for female students, among others; (iv) identifying the capacity development needs for UPI staff and other stakeholders; and (v) at the sector level, preparing the approach to further fine-tune the vocational teacher education strategy.

6. The TA will do the adjustments in a collaborative manner. For the nonphysical part of scope finalization, the following activities will contribute to these adjustments: (i) an updated sector analysis which includes the current status, enrollment, results, capacity and financing of higher education and skills development, policy directions, economic development policy, regional developments and policy of Aceh, Riau and Jambi, and teacher employment, recruitment and education, specifically at vocational subject teachers; (ii) an analysis of the local labor market situation based on available data and additional primary data collection of the Aceh, Riau, and Jambi labor market and collaborative design activities (based on the human centered design approach) to identify more demand-oriented interventions; (iii) an analysis of best practices and lessons learned of earlier and ongoing interventions in advanced skills development, with a specific focus on identifying successful models for vocational teacher education to be introduced in UPI; and (iv) a social, poverty, and gender analysis related to advanced skills development, transition from school to work, and labor market and economic development (especially in the priority sectors in Riau, Aceh and Jambi, and for vocational education teachers), to identify barriers and propose interventions.

7. For the physical investment part, the TA will assess the feasibility of the proposed investments, and ensure maximum readiness. The proposed investments in infrastructure and equipment will need to stay aligned with the strategic direction of the universities. In addition, the TA will assist in finalizing architectural and preliminary designs and costing, support development of terms of reference for detailed engineering design, including determination of suitability for procurement advance action, and if applicable supporting advance contracting and management of the firms developing the detailed engineering design firm, and assist in finalizing the procurement plan and the appropriate (master) bidding documents.

8. During these design activities and consultations, all relevant stakeholders are to be included: university management, staff and students, local industry, industry associations, and vocational subject teachers, among others. While finalizing the scope, the TA is expected to assess the feasibility of the proposals and propose mitigating actions in case more capacity would be needed. The TA will ensure that the final scope is one project to be managed by a project management unit (PMU) in the Ministry of Research Technology and Higher Education (MORTHE), with certain activities delegated to the project implementation units (PIUs) in the four universities. This development into one proposal involves aligning and merging existing university level proposals and identifying which activities are to be managed by the PMU and which by the PIUs. This will include allocating roles and responsibilities to PIUs and the PMU. For the PMU, this is expected to include progress reporting, monitoring and evaluation, knowledge management and quality assurance, managing external relations and other sector policy issues, backstopping for procurement and other relevant topics, audit, and implementation of the long-term plan development activities including upscaling of the models and experiences developed and gained in the local implementation.

9. These activities will lead to the finalized scope of the project. An initial draft scope is expected to be completed by January 2018 and finalized in March 2018. Implementation arrangement and first results framework with indicators and targets will be part of the draft scope.

10. **Output 2: Due diligence requirements for the proposed project component conducted.** The TA will conduct the following due diligence assessments: (i) financial management and procurement capacity of the universities and MORTHE; (ii) economic and financial analysis; (iii) development partner coordination and sector assessment; (iv) social and environmental safeguards, especially of the infrastructure components; (v) poverty, social and gender analysis; and (vi) risk assessment, including recommendations for mitigating actions. This phase is expected to be completed by March 2018 and is done concurrently with finalizing the scope, as some findings might lead to adjustments in the design.

11. **Output 3: Project implementation arrangements prepared.** The TA will prepare the cost estimates and financing plan and prepare the project administration manual, including detailed specific project components, detailed implementation arrangement and planning (including proposed sequencing of consultant recruitment and procurement bidding and awarding for each implementing agency, relevant bidding documents, advance procurement action, if any, and terms of reference for consultants), costing, procurement and financial management arrangements, procurement plan with suggested level of priority or, if applicable, post review based on executing agency and implementing agency capacity assessment, results framework and monitoring and evaluation plan, technical assistance arrangements and terms of reference, the gender action plan and other gender inputs required in the project documentation package, and specific details on implementation of environmental and social safeguards framework and risk management plan. The TA is also expected to support the development of the piggybacked TA. This final output is expected to be completed by April 2018.

C. Cost and Financing

12. The TA is estimated to cost \$840,000 equivalent, of which \$800,000 equivalent will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Appendix 1.

13. The government will provide counterpart support in the form of counterpart staff, provision of office space, logistical support, and other in-kind contributions. The government was informed that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

14. ADB will administer the TA. MORTHE will be the executing agency for the TA. A project preparation steering committee will be established, including MORTHE, the four universities, the Ministry of Education and Culture, the Ministry of Planning (BAPPENAS), and the Ministry of Finance to guide the strategic direction of the project preparation, including involvement of the Ministry of Education in the implementation of the project. A technical committee with representatives from MORTHE and the universities will be established to guide technical aspects of the design. While the steering committee will meet 2–3 times during TA implementation, the technical committee will meet regularly to guide and monitor progress and ensure effective design of the AKSI. The technical committee can invite other stakeholders as required.

Table A3.1: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	November 2017 – September 2018		
Executing agency	Ministry of Research Technology and Higher Education		
Implementing agency	ADB Southeast Asia Department, Human and Social Development Division		
Consultants	To be selected and engaged by ADB		
	Individual Consultant Selection	19 person-months	\$380,000
	Quality-Cost Based Selection	16 person-months	\$420,000
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

ADB = Asian Development Bank, TA = technical assistance.

Sources: ADB estimates

15. **Consulting services.** The expertise to be recruited to assist the government in designing the project is included in table A3.2.

Table A3.2: Consulting Expertise

Positions	Person-Months Required	Individual
International		
Team Coordinator / Education Specialist	5	X
Human Centered Design Specialist	3	X
Financial Management specialist	2	
Subtotal	10	
National		
Higher Education Specialist	5	X
Civil Engineering specialist	6	X
Monitoring and Evaluation Specialist	2	
Financial Management and costing specialist	4	
Procurement Specialist	4	
Environment Specialist	1	
Gender and Social Development Specialist	3	
Subtotal	25	
Total	35	

16. ADB will recruit a team of consultants through a firm using biodata technical proposal for the quality- and cost-based selection method (quality-cost ratio of 90:10) as well as on an individual basis. The TA will provide 10 person-months of international (8 person-months on individual basis) and 25 person-months of national consulting services (11 person-months on individual basis). A consulting firm will be recruited to support the due diligence on the project. An international education specialist (5 person-months) and a national higher education specialist (5 person-months) will be recruited using single source selection as their work is a natural continuation of previous work under different funding arrangements and they provide unique technical experience and qualifications to the project preparation. An international human centered design specialist (3 person-months) and a national civil engineering specialist (6 person-months) will be recruited on individual basis as they will provide technical expertise which is outside the main area of expertise expected to be provided by the firm. ADB will engage consulting firms and individual consultants in accordance with ADB Procurement Policy (2017, as amended

from time to time) and its associated project administration instructions and/or staff instructions.⁴ To the extent possible, output based contracts will be maximized to achieve administrative efficiency. Any training to be provided under the TA will be managed by consultants or directly procured by ADB in line with Procurement Guidelines for goods and services and use of resource persons.

⁴ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consultant	
a. Remuneration and per diem	
i. International consultants	256.0
ii. National consultants	270.0
b. Out-of-pocket expenditures	
i. International and local travel	58.0
ii. Surveys	14.0
iii. Reports and communications	5.0
iv. Miscellaneous administration and support costs	17.0
2. Training, seminars, and conferences ^b	
a. Facilitators	10.0
b. Venue rental and related facilities	2.0
c. Participants	90.0
3. Contingencies	78.0
Total	800.0

Note: The technical assistance (TA) is estimated to cost \$840,000, of which the contribution from Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, provision of office space, logistical support, and other in-kind contributions. The value of government contribution is estimated to account for 5% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund other sources.

^b Workshops, training, seminars, and conferences. TA funds may be used to finance travel and other arrangements by ADB staff involved as facilitators.

Purpose	Venue
1) Local industry needs and human centered design workshops for support of designing output 1. Six workshops are foreseen.	Malikussaleh (2), Jambi (2), Riau (2)
2) Vocational teacher and instructor strategy and implementation design workshop. Four workshops are foreseen.	Jakarta (2) and Bandung (2)
3) Final conference on project design workshop.	Jakarta

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=50395-001-TARreport>

1. Terms of Reference for Consultants