

PROJECT PREPARATORY TECHNICAL ASSISTANCE

A. Justification

1. The objectives of the project preparatory technical assistance (TA) are to support the Government of Indonesia in designing and implementing reforms under subprogram 2 of the proposed Stepping Up Investments for Growth Acceleration Program, and to boost the capacity of implementing agencies to undertake the proposed reforms. The scope of the TA parallels the components of the program as presented in the preliminary design and monitoring framework (Appendix 3), i.e., activities to (i) reform the investment climate and public procurement, and (ii) diversify infrastructure financing.

B. Major Outputs and Activities

2. The final outcome of the TA will be a well-designed, successfully implemented subprogram 2. The PPTA will help the Investment Coordinating Board (BKPM) implement policy actions that will further improve ease of doing business, and to conduct a diagnostic and technical review of the government's supply-side tax policies.

3. Under output 2, the TA will introduce different infrastructure financing modalities via state budget and capital market to provide financing for local infrastructure projects. The TA will assist the Ministry of Finance in developing the Regional Infrastructure Development Fund (RIDF) and will also assist the government and other relevant stakeholders Indonesia Financial Services Authority (OJK) and Indonesia Stock Exchange (BEI) in introducing a project bond.

4. Under output 3, the TA will assist the government in improving the e-government procurement system by ensuring that its components are integrated under one entity. Second, it will help build procurement capacities and competencies of National Public Procurement Agency (LKPP) staff. Third, the TA will assist the government in improving the regulatory and legal framework of procurement by developing regulatory and legal instruments and implementing guidelines.

C. Cost Estimate and Proposed Financing Arrangement

5. The total TA cost is estimated at \$1,650,000 equivalent, of which \$1,500,000 will be financed on a grant basis by the Asian Development Bank (ADB) Technical Assistance Special Fund (TASF-other sources). The government will contribute office space, transport, national staff per diem, and communications as allowed by the executing agency's budget. Assets required for TA implementation will be procured under ADB's Procurement Guidelines (2013, as amended from time to time). The detailed cost estimate is presented in Table A4.1.

Table A4.1: Cost Estimates and Financing Plan
(\$1,500,000)

Item	Total Cost
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (21 person-months)	650.0
ii. National consultants (30 person-months)	350.0
b. International and local travel	90.0
c. Reports and communications	60.0

Item	Total Cost
2. Equipment (e.g., computer, printer) ^b	60.0
3. Workshops, training, seminars, and conferences ^c	
a. Facilitators	50.0
b. Training program	150.0
4. Miscellaneous administration and support costs	20.0
5. Representative for contract negotiations	20.0
6. Contingencies	50.0
Total	1,500.0

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

^b Equipment

Type	Quantity	Cost
Servers	2	\$60,000

^c Workshops, training, seminars, and conferences

Purpose	Venue	
Training for project selection for central government and selected local governments	Different locations+	\$50,000
Training for local governments' DMO staff	Different locations	\$50,000
E-learning for International Certification on Procurement	LKPP	\$10,000
Training for International Certification in Procurement and Supply Operations	Australia	\$50,000
Workshop on Procurement in Global Market	Jakarta	\$10,000
Workshop on best international experiences on municipal bond	Different locations	\$20,000
Workshop on credit enhancements for local governments	Different locations	\$10,000

DMO = Debt Management Office, LKPP = Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah (National Public Procurement Agency)

Source: Asian Development Bank.

D. Consulting Services

6. TA will be provided by a firm recruited through quality- and cost-based selection, indicatively including 21 person-months of international consultant inputs, and 30 person-months of national consultant inputs. ADB will select and engage consultants in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time). Some of the contingency funds will remain unallocated and can be used for individual consultants to be determined as needed. Upon TA completion, equipment procured under it will be transferred to the executing agency. The consultants' terms of reference are outlined in paras. 7–18.

Table A4.2: Summary of Consulting Services Requirement

Positions	Person-Months Required
International	
1. Project Manager	3
2. Financial sector specialist—infrastructure and project finance	3
3. Public finance specialist—fiscal decentralization	3
4. Public sector management specialist—public investment	3
5. E-government procurement development specialist	3
6. Public finance specialist—tax policies	3
7. Investment climate specialist	3

National	
1. Financial sector specialist—infrastructure and project finance	6
2. Public finance specialist—fiscal decentralization	6
3. Public sector management specialist—public investment	6
4. E-government procurement development specialist	6
5. Investment climate specialist	6

Source: Asian Development Bank.

7. **Project manager** (international, 3 person-months [pm], intermittent). The consultant will represent the consulting firm in all matters related to contract administration, such as regular reporting per agreed format, technical performance, and consultant travel planning. He/she will have a postgraduate degree in business administration, economics, finance, or another related field and at least 10 years of project management experience.

8. **Financial sector specialist—infrastructure and project finance** (international, 3 pm, intermittent). The expert will support the development or improvement of regulatory and institutional frameworks to facilitate the participation of the bank and nonbank finance sector in infrastructure finance. He/she will have a Master degree in finance or other relevant field and at least 15 years of relevant experience in the infrastructure project finance.

9. **Financial sector specialist—infrastructure and project finance** (national, 6 pm, intermittent). The expert will support the development or improvement of regulatory and institutional frameworks to facilitate the participation of the bank and nonbank finance sector in infrastructure finance. He/she will have at least a Bachelor degree in finance, or other relevant field and at least 10 years of relevant experience in infrastructure project finance in Indonesia. Excellent/good knowledge of written and spoken English is a must.

10. **Public finance specialist—fiscal decentralization** (international, 3 pm, intermittent). The expert will advise the government on the development of funding mechanisms to facilitate an increase of infrastructure investments needs by local governments, taking into account best international practices and Indonesia's decentralization. He/she will have a Master degree in public administration or other relevant field and at least 15 years of relevant experience in the local government finance and intergovernmental fiscal relations.

11. **Public finance specialist—fiscal decentralization** (national, 6 pm, intermittent). One national expert will be recruited to support the international public finance specialist in advising the government on the development of funding mechanisms to facilitate an increase needs for infrastructure investments by local governments, taking into account best international practices and Indonesia's decentralization. He/she will have a Bachelor degree in economics or other relevant field and at least 10 years of relevant experience in the local government finance in Indonesia. Excellent/good knowledge of written and spoken English is a must

12. **Public sector management specialist—public investment** (international, 3 pm, intermittent). One international expert will be recruited to advise central and selected local governments on the development or improvement of regulatory frameworks for public infrastructure investment. He/she will have a Master degree in economics or other relevant field and at least 15 years of relevant experience in public investment planning in a government agency or multinational institutions supporting public investments.

13. **Public sector management specialist—public investment** (national, 6 pm, intermittent). One national expert will be recruited to support the international public sector

management specialist to advise central and selected local governments on the development or improvement of regulatory frameworks for public infrastructure investment. He/she will have a minimal of Bachelor degree in economics or other relevant field and at least 10 years of relevant experience in public investment planning in a government agency in Indonesia. Excellent/good knowledge of written and spoken English is a must.

14. **E-government procurement development specialist** (international, 3 pm, intermittent). One international expert will be recruited to assist LKPP in integrating its current web-based procurement process, such as e-procurement and e-purchasing, into a single web application. He/she would need to have a minimal degree of bachelor in IT or related field, at least 10 years hand-on experience on management and IT development supports.

15. **E-government procurement development specialist** (national, 6 pm, intermittent). One national expert will be recruited to assist LKPP in integrating its current web-based procurement process, such as e-procurement and e-purchasing, into a single web application. He/she would need to have a minimal degree of bachelor in management, business, IT, or related field, at least 10 years hand-on experience on IT development supports.

16. **Investment climate specialist** (international, 3 pm, intermittent). One international expert will be recruited to provide inputs to the government on how to improve the investment climate. He/she must have a minimal of master degree qualifications in a related discipline such as economics with more than 10 years experience.

17. **Investment climate specialist** (national, 6 pm, intermittent). One national expert will be recruited to assess country's current investment climate. He/she must have a minimal of master degree qualifications in a related discipline such as business or public policy or economics with more than 10 years experience.

18. **Public finance specialist—tax policies** (international, 3 pm, intermittent). One international expert will be recruited to conduct a diagnostic and technical review of the current General Tax Provision and Procedures and Income Tax Laws. He/she must have a minimal of master degree qualifications in a related discipline such as public policy or economics with more than 10 years of experience.

E. Implementation Arrangements

19. The executing agency for the TA will be the Coordinating Ministry of Economic Affairs; the BKPM, Directorate General of Fiscal Balance of Ministry of Finance (MOF), Government Investment Agency of the MOF, and National Public Procurement Agency will be the implementing agencies. The TA is expected to start in November 2014 and be completed by November 2016. Disbursements under the TA will be done in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). The proposed TA processing and implementation schedule is listed in Table A4.3.

Table A4.3: Technical Assistance Processing and Implementation Schedule

Major Milestones	Expected Completion Date
Approval	June 2014
Inception	October 2014
Consultants' reports	October 2014–August 2016
Technical assistance financial closure	September 2016

Source: Asian Development Bank.