

ASIAN DEVELOPMENT BANK

TAR: INO 35134

TECHNICAL ASSISTANCE
(Financed from the Asian Currency Crisis Support Facility)

TO THE

REPUBLIC OF INDONESIA

FOR PREPARING THE

PRIVATE SECTOR PARTICIPATION

DEVELOPMENT FACILITY

FOR URBAN INFRASTRUCTURE PROJECT

December 2001

CURRENCY EQUIVALENTS

(as of 11 December 2001)

Currency Unit	–	Rupiah (Rp)
Rp1.00	=	\$0.000098
\$1.00	=	Rp10,225

ABBREVIATIONS

ADB	–	Asian Development Bank
CIID	–	Center for Infrastructure Investment Development
PMU	–	project management unit
PSP	–	private sector participation
TA	–	technical assistance
TOR	–	terms of reference

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

I. INTRODUCTION

1. The Government of Indonesia has requested the Asian Development Bank (ADB) to provide project preparatory technical assistance (TA) to develop a TA loan for local governments and local government enterprises to finance consultancy services for soliciting private sector participation (PSP) in urban infrastructure projects. ADB fielded a TA fact-finding mission to Jakarta, Medan, Yogyakarta, and Mataram in August 2001 to formulate the TA.¹ The mission included discussions with representatives of the central Government, local governments, associations of local governments and water enterprises, external support agencies, state banks, and consultants working in the urban infrastructure sector. The objectives, scope, cost estimates and financing plan, implementation arrangements, and terms of reference for the TA were agreed with the Government, and a memorandum of understanding was signed. The preliminary project framework reflecting goals and purposes of the proposed TA loan project is attached as Appendix 1.

II. BACKGROUND AND RATIONALE

2. In 1999 the Government passed legislation to support regional autonomy. These laws came into effect on 1 January 2001. Law 22/1999 on Regional Governance and Law 25/1999 on Fiscal Balance Between the Central Government and the Regions devolved the responsibility for local infrastructure and service provision to local governments. At the same time the level of direct central Government support was reduced. While implementing regulations and guidelines have not yet been fully developed, local governments are now in charge of planning, financing, and managing their own investment and service priorities. The backlog in the delivery of urban infrastructure and services is substantial, and the demand continues to grow rapidly. However, local governments lack the capacity and the financial resources to manage all these responsibilities.

3. Improving urban infrastructure and services is a priority development objective of the Government as expressed in the National Development Plan (PROPENAS). Due to budgetary constraints, the Government is promoting PSP in the infrastructure sector to address the backlog of investments, relieve pressure on public funds, free budget resources for social and environmental projects that can not achieve cost-recovery, and increase the efficiency of local service delivery. For these same reasons, local governments wish to supplement financing sources for much needed infrastructure investments by attracting private sector capital. Attracting private sector finance at the local government level requires well-prepared and competitively bid projects, including quality advisory inputs and extensive consultation with stakeholder groups. The Government has requested ADB assistance in responding to these issues.

4. A number of ADB- and World Bank-sponsored TAs and ADB urban sector loans have assisted local governments to prepare and tender limited PSP projects in the water supply and waste sector with sovereign loan proceeds passed on to local governments on a grant basis.² At the same time, requiring repayment of bid costs from the winning private sector bidder has become increasingly common and financing of PSP project preparation on a grant basis should

¹ The TA first appeared in *ADB Business Opportunities* (Internet version) on 16 June 2001.

² (i) TA 2837-INO: *Capacity Building for Private Sector Participation in Urban Development*, for \$850,000, approved on 29 July 1997; (ii) World Bank TA: *TAP4I* (iii) Loan 1383-INO: *Sumatra Urban Development Sector Project*, for \$122 million, approved on 26 September 1995; (iv) Loan 1384-INO: *West Java Urban Development Sector Project*, for \$63 million, approved on 26 September 1995; (v) Loan 1587: *Metropolitan Bogor, Tangerang & Bekasi Urban Development Sector Project*, for \$52.1 million, approved on 19 December 1996.

be phased out where such practice is feasible. The PSP Development Facility for Urban Infrastructure (the Facility) will be structured as a revolving credit facility for TA to local governments for soliciting PSP projects, including the preparation of feasibility studies and tender documents, as well as bid process and negotiation assistance. The end-borrowers of the proceeds from the Facility will be the beneficiary local governments with the winning bidder of the PSP project as the primary repayment source.

5. It is presently envisaged that, if a PSP bid fails, repayment would come from the local governments, in order to create ownership for the PSP bid. This will be further explored during the TA. The Facility will therefore focus on creditworthy local governments and the concept of a grant-intercept mechanism will be explored as collateral to mitigate local government credit risk. Under its present policy, the Government does not guarantee local government borrowings, and government regulation 107/2000 puts restrictions on local government borrowing. However, the Government supports the development of a local government credit market and is amending the regulation to facilitate broader access to loan financing.

6. In the past, the main conduits for channeling external assistance to local governments were direct on-lending mechanisms from the Ministry of Finance, such as the subsidiary loan agreement and the regional development account. Such mechanisms are unlikely to be continued as their performance is unsatisfactory.³ For that reason, financial intermediaries such as state banks, with a sovereign guarantee, are expected to play a catalytic role in channeling ADB funds such as the TA loan to local governments and supporting access to capital markets for urban infrastructure. Regarding the funds channeling mechanism, the proposed project will substantially draw from the reports under previous ADB projects exploring this topic.⁴ Two state banks have expressed interest in the project, which will represent an entry to municipal finance and a nucleus to the development of a municipal credit market. Consideration will be given to a future credit line for PSP projects.

7. Supporting the decentralization and regional development process, the Facility will provide a sustainable mechanism for facilitating PSP in the provision of infrastructure at the local government level. It will promote good governance by helping to ensure a transparent and competitive process in soliciting PSP in urban infrastructure and to produce greater efficiencies and better services for consumers. Lessons learned from the development of PSP projects such as the Pekanbaru Water Concession and the Depok Waste Concession will be considered for projects to be prepared under the TA loan. The Facility will directly benefit the poor through the provision of basic services in creditworthy local governments and indirectly by releasing Government budget resources for the poorer local governments.

8. ADB's country strategy and program for Indonesia⁵ and Private Sector Development Strategy⁶ support the Government's priorities to encourage PSP in infrastructure based on a sound regulatory framework. In this regard, the proposed TA loan will be complemented by ADB's TA 3761-INO,⁷ which will develop a regulatory framework for the water supply sector.

³ See report *Indonesia: The Regional Development Account and Alternatives for Financing Urban Infrastructure* under Loan 1501-INO: *Regional Development Account*

⁴ Loan 1501-INO: *Regional Development Account and Loan*, for \$50 million, approved on 5 December 1996; and Loan 1729-PHI: *LGU Private Infrastructure Project Development Facility*, for \$3 million, approved on 20 December 1999.

⁵ ADB. 2001. *Indonesia's Country Strategy and Program Update* (2002 – 2004). Manila.

⁶ ADB. 2000. *Private Sector Development Strategy*. Manila.

⁷ TA3761-INO: *Regulatory Framework for Private and Public Water Supply and Wastewater Enterprises*, for \$980,000, approved on 06 November 2001.

The TA will further be based on fiscal policy work carried out by ADB⁸ and will consider related World Bank initiatives in the sector.⁹ In addition, the TA will be complemented by ADB operations that address capacity building for reform of local water enterprises¹⁰ as well as capacity building to support creditworthiness¹¹ and good governance¹² at local government level.

9. To support transparent and competitive tendering, the Government introduced Presidential Decree 7/1998 for procurement of PSP projects. This regulation does not account for regional autonomy. In addition, the central Government's handling of PSP guidance should be optimized. The Government is aware of this problem, which will be addressed by ADB's TA 3720-INO.¹³ To regain investor confidence, the Government has set up an interdepartmental Committee for Acceleration of Infrastructure Development, which is preparing an infrastructure law that will review, upgrade, and combine the provisions of Presidential Decrees 7/1998 and 18/2000 (for public sector procurement). For the interim period, within a period of six months the Government will introduce revisions of Presidential Decree 7/1998 to remedy the current shortcomings.

III. THE TECHNICAL ASSISTANCE

A. Objective

10. The TA will help formulate, design, and prepare a TA loan project for local governments to finance consultancy services for soliciting and managing PSP in urban infrastructure projects. The goal of the PSP Development Facility for Urban Infrastructure (the Facility) is to increase PSP in the provision of urban infrastructure investments and services; promote good governance, competition, and transparency in the selection of project sponsors; and develop a local government credit market.

B. Scope

11. The TA will comprise five components. The first component will assess the local government finance system, including the supply to, demand for, and constraints to local government borrowing and to PSP in urban infrastructure projects. The Government's future plans to support local government finance will be reviewed and the types of local governments and infrastructure to be considered under the TA loan will be fine tuned. The second component will include a review and assessment of alternative funds channeling mechanisms and the identification of a suitable intermediary and institutional arrangements for the Facility. A workshop will be conducted to solicit consensus on the option. The third component comprises a detailed analysis of the selected intermediary. The fourth component will design and develop the detailed modalities of the Facility, including risk assessment, terms and conditions of subloans, and lending procedures. Implementation will be facilitated through identification of obstacles and remedial actions, and the project will be promoted through five regional

⁸ TA 3178-INO: *Capacity Building for Setting Up District-Level Financial and Budgetary Systems*, for \$460,000, approved on 25 March 1999; and TA 3326-INO: *Urban Sector Development in a Decentralizing Environment*, for \$600,000, approved on 8 December 1999.

⁹ World Bank: *TAP4I and Urban Policy Reform*

¹⁰ TA 3782-INO: *Reform of Water Enterprises*, for \$750,000, approved on 29 November 2001.

¹¹ TA 3777-INO: *Fiscal Decentralization*, for \$500,000, approved on 19 November 2001.

¹² Proposed Loan-INO: *Building Local Government Capacity for Decentralization*.

¹³ TA 3720-INO: *Strengthening Procurement Policies, Legal Frameworks, and Institutions*, for \$500,000, approved on 19 September 2001.

workshops. Under the fifth component the consultant will identify and deliver systems and programs needed for ease of implementation of the Facility.

C. Cost Estimates and Financing Plan

12. The total cost of the TA is estimated at \$750,000 equivalent, comprising \$515,000 in foreign exchange cost and \$235,000 equivalent in local currency cost. ADB will provide \$600,000 to meet all foreign exchange requirements and \$85,000 equivalent of the local currency cost. The TA will be financed on a grant basis from the Asian Currency Crisis Support Facility, funded by the Government of Japan. The Government, through the Ministry of Settlement and Regional Infrastructure, will finance the remaining local currency costs amounting to \$150,000 equivalent, which will cover counterpart staff remuneration, per diem and travel, part of six stakeholder consultation and dissemination workshops, and office space. Details of the cost estimates and financing plan are attached as Appendix 2. The Government has been informed that the approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

13. The Executing Agency for the TA will be the Agency for Construction and Investment Development of the Ministry of Settlement and Regional Infrastructure, represented by the Center for Infrastructure Investment Development (CIID). CIID will establish a project management unit (PMU) that will be responsible for organizing the technical and administrative aspects of the TA. The PMU will include clearly identified, suitably qualified, and experienced counterpart staff, supplemented, if necessary, by personnel from relevant line ministries, to work alongside the TA consultants, including staff covering competencies in banking and financial institutions, municipal finance (including credit and governance rating), law, and PSP in urban infrastructure projects. Counterpart staff will work full time (at least three staff) and part time under the overall direction of the head of the PMU. The PMU will include at least one senior staff member from CIID. The TA consultants will provide full support to the head of the PMU and will work in close collaboration with the counterpart team. The Government's interdepartmental Committee for Acceleration of Infrastructure Development, including the Ministry of Finance, will support the implementation of the TA.

14. The TA will be carried out by a firm of consultants. The TA will require approximately 12 person-months of international and 20 person-months of domestic consulting services, with expertise in banking and financial institutions, municipal finance (including credit and governance rating), project finance, law, and PSP in urban infrastructure projects. The Government has requested advanced action for the engagement of consultants. Using the simplified technical proposal format, the consultants will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* or other arrangements satisfactory to ADB for the engagement of domestic consultants. Equipment will be procured in accordance with ADB's *Guidelines for Procurement*. To facilitate the TA implementation, CIID will provide logistical support for the consultants, including adequately furnished office space within CIID, and access to communications facilities. The consultants will be based in Jakarta and will be expected to travel as necessary to the regions, particularly during the period of stakeholder consultations. Outline terms of reference for the consultants are included in Appendix 3.

15. The TA is expected to commence in March 2002, be implemented over six months, and be completed in September 2002. The consultants will produce (i) an inception report within 3 weeks of TA commencement; (ii) an interim report 8 weeks after commencement; (iii) a draft

final report containing a draft project 19 weeks after commencement; (iv) a final report within 2 weeks of receiving comments on the draft final report.

IV. THE PRESIDENT'S DECISION

16. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance, on a grant basis, to the Government of the Republic of Indonesia, in an amount not exceeding the equivalent of \$600,000 for the purpose of preparing the Private Sector Participation Development Facility for Urban Infrastructure Project, and hereby reports such action to the Board.

PRELIMINARY TECHNICAL ASSISTANCE LOAN PROJECT FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions And Risks
<p>Goal</p> <ul style="list-style-type: none"> • Increase private sector participation in the provision of urban infrastructure investments and services • Promote good governance, competition, and transparency in the selection of private project sponsors • Develop a municipal credit market 	<ul style="list-style-type: none"> • Attract more private sector capital for urban infrastructure and service provision • Increased number of competitively bid projects with private sector participation • Increased number of local government regulations for private sector participation in line with revised Presidential Decree 7 • Increased access for local governments to long-term financing 	<ul style="list-style-type: none"> • National statistics • Government departmental records on private sector participation activity; number of competitively bid projects with private sector participation • Size and performance of municipal lending portfolio 	<ul style="list-style-type: none"> • Political stability and economic recovery uncertain • Continued Government support for regional autonomy and private sector participation in urban infrastructure • Return of investor confidence
<p>Purpose</p> <ul style="list-style-type: none"> • Facilitate access to finance for local governments to prepare and tender suitable urban infrastructure projects for private sector participation • Enhance competence of financial intermediaries such as state banks in municipal finance 	<ul style="list-style-type: none"> • Local governments preparing, bidding, negotiating, and managing private sector projects • Familiarity of financial intermediaries such as state banks in local government credit and governance assessment and rating 	<ul style="list-style-type: none"> • Technical assistance (TA) / loan progress reports • Review missions • Project completion/TA loan completion report 	<ul style="list-style-type: none"> • Local government borrowing ability and capacity • Limited experience with private sector participation projects • Resistance to open bidding procedures • Limited interest by the private sector

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	400.0	0.0	400.0
ii. Domestic Consultants	0.0	55.0	55.0
b. International and Local Travel	15.0	5.0	20.0
c. Reports and Communications	2.0	3.0	5.0
2. Equipment ^b	3.0	2.0	5.0
3. Workshops	10.0	5.0	15.0
4. Miscellaneous Administration and Support ^c	5.0	0.0	5.0
5. Representation at Contract Negotiations	5.0	0.0	5.0
6. Contingencies	75.0	15.0	90.0
Subtotal (A)	515.0	85.0	600.0
B. Government Financing			
1. Office Accommodation	0.0	15.0	15.0
2. Counterpart Staff Remuneration and Per Diem	0.0	40.0	40.0
3. Counterpart Travel	0.0	10.0	10.0
4. Workshops	0.0	60.0	60.0
5. Contingencies	0.0	25.0	25.0
Subtotal (B)	0.0	150.0	150.0
Total	515.0	235.0	750.0

^a Financed from the Asian Currency Crisis Support Facility, funded by the Government of Japan.

^b Purchase of one computer, one scanner, one printer, one photocopier, and one fax machine.

^c Includes office supplies, communications, translation, local transportation, and other miscellaneous expenses.

Source: Staff estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Consulting Tasks

1. The scope of work under the project preparatory technical assistance (TA) is divided into five parts, concluding with a fully prepared TA loan project for a Private Sector Participation (PSP) Development Facility for Urban Infrastructure (the Facility), including terms of reference (TOR) for the consultant to be engaged under the Facility. Throughout the assignment, the consultant will take a participatory approach and will involve stakeholders, and particularly the Ministry of Finance, through ongoing dialogue during project preparation. The consultant tasks include, but are not limited to the following:

2. **Enabling Environment and Demand Assessment.** The consultant will

- (i) provide detailed short-, medium-, and long-term estimates of the demand and scope for domestic and foreign sponsored PSP projects in urban infrastructure; identify constraints for PSP in urban infrastructure projects; provide specific project proposals, including potential financing sources, develop criteria for projects, local governments, and local enterprises to be visited; and prepare a long-list of local governments and local enterprises with pilot projects;
- (ii) identify the local government finance system, including local government revenue sources, municipal bond potential, as well as supply of, demand for, and constraints to local government borrowing/lending; in particular, assess the current borrowing and lending environment for local governments and private urban infrastructure projects; assess the short-, medium-, and long-term demand of local governments and local government enterprises for a credit facility to finance consultancy services for soliciting PSP in urban infrastructure projects; identify local government and/or local government enterprise borrowing/lending impediments and restrictions; provide the future outlook and an overview of any government or other plans to foster local government finance, and particularly local government borrowing;
- (iii) provide a problem tree for (i) and (ii) above, including what issues are addressed through which projects and organizations; propose remedial actions to address the constraints in (i) and (ii) above and, in the case of legal impediments, propose amendments to existing laws, regulations, and decrees; and
- (iv) describe the rationale of the Facility in terms of addressing the constraints; provide suggestions and a rationale for the types of local governments, local government enterprises, and projects to be included (i.e., sectors and subsectors, joint cooperation projects between local governments); and propose definitions for the terms “local governments,” “local government enterprises,” and “infrastructure” in the context of the project.

3. **Analysis of Structure.** The consultant will

- (i) based on the reports carried out under Loan 1501-INO¹ and Loan 1501-INO² from the Asian Development Bank (ADB) and in close cooperation with ADB's TA on Financing Mechanisms for Local Government Development scheduled for 2002, review alternative funds channeling mechanisms with emphasis on the participation of a state bank as a nucleus for establishing a local government credit market; assess whether a revolving credit facility for consultancy services with a state bank as the intermediary would be a suitable and sustainable loan structure; assess the practicality, advantages, and disadvantages of each alternative and provide recommendations for the preferred solution;
- (ii) confirm the suitability and willingness of state banks such as Bank Negara Indonesia (BNI), Bank Rakyat Indonesia (BRI), and Bank Mandiri and a representative number of their branches, or any other suggested funds channeling vehicles to act as an intermediary and executing agency for the Facility, including review and evaluation of coverage of branch network, experience in local government and project finance, financial performance (supported by inputs from relevant line ministries), and governance; assess the practicality, advantages, and disadvantages of each alternative and provide recommendations for the preferred solution;
- (iii) identify practical alternative institutional arrangements for the preferred intermediary, assess the advantages and disadvantages of each alternative, and provide recommendations for the preferred solution;
- (iv) propose alternative arrangements for the engagement of consultancy services under the TA loan, particularly with regard to tender evaluation, and number and structure of contracts (e.g., individual contracts vs. wholesale approaches, such as framework contracts with tranching individual contracts; and contractual relationships); assess the practicality, advantages, and disadvantages of the alternatives, particularly the acceptability to local governments and local enterprises, and provide recommendations for the preferred arrangements that conform to existing government regulations and ADB procurement procedures; and
- (v) present the alternatives and solicit a consensus on the preferred structural solution for the Facility in a workshop with stakeholder involvement; include a session for state banks, local governments, local legislature, local enterprises, commercial banks, and private sector sponsors to review the key issues of local government and local enterprise creditworthiness assessment, and particularly financial reporting and local governance.

4. **Analysis of Intermediary.** The consultant will

- (i) provide a detailed analysis of the selected intermediary, including background and ownership structure, organization and management, activities, policies and

¹ Loan 1501-INO: *Regional Development Account and Loan*, for \$50 million, approved on 5 December 1996.

² Loan 1729-PHI: *LGU Private Infrastructure Project Development Facility*, for \$3 million, approved on 20 December 1999.

procedures, past and current financial performance, projected financial performance, and corporate governance; and

- (ii) review and assess lending guidelines of the intermediary that are applicable to local governments, local government enterprises, and private sector infrastructure projects, including loan processing and administration procedures, credit manuals, loan agreements and covenants, environmental due diligence, computerized models for financial evaluation applicable to local governments, local enterprises and/or project finance, and credit/governance rating and monitoring systems.

5. Project Design and Development. The consultant will

- (i) define the role of the intermediary and design and optimize a sustainable lending mechanism, including on-lending and repayment modalities; terms, conditions, and size of subloans; risk identification and allocation, including potential for ADB risk mitigation instruments; funds access; screening and eligibility criteria for local governments, local enterprises, and project evaluation (including local government and local enterprise creditworthiness and governance assessment, assessment of poverty focus, and environmental due diligence); loan monitoring and administration procedures; and ADB loan review procedures — particular issues to address and resolve include subloan pricing, justification/allocation of loan margin, allocation of foreign exchange risk, incentives for stakeholders, prescreening of conceptual potential for PSP for confidence in the project, failed bids, PSP procurement procedures (particularly for small projects below the threshold of Presidential Decree 7); with regard to the latter the consultant will liaise closely with ADB's TA 3720-INO³ which is expected to start in January 2002 and includes a review of Presidential Decree 7/1998 for private sector procurement, and the development of alternative competitive and transparent processes for projects below the threshold of Presidential Decree 7/1998 for which the general procurement process may be too onerous;
- (ii) provide a logical framework analysis following ADB's format; prepare organization charts and flow charts for the project, in particular for funds flow, application, and implementation processes;
- (iii) identify potential bottlenecks and risks to the implementation of the Facility and propose remedial actions;
- (iv) based on the demand assessment for Facility funding, provide cost estimates for the fund value, a financing plan and preliminary disbursement schedule for the Facility as well as a 10 year cash flow forecast in United States dollars and Indonesian rupiahs;
- (v) amend or prepare the following tools for the intermediary to ease implementation of the Facility: (a) draft TOR including reference to compliance with relevant ADB policies, and particularly ADB's Poverty Reduction Strategy and the poverty partnership agreement with Indonesia where ADB financing for the resulting

³ TA 3720-INO: *Strengthening Procurement Policies, Legal Framework, and Institutions*, for \$500,000, approved on 19 September 2001.

project is desired, and budget for the consultants to be contracted under the TA loan; (b) credit manual for processing and administering the Facility in compliance with all relevant ADB policies; (c) guidelines for loan application and information requirements for dissemination to local governments and local government enterprises, (d) draft subloan agreements, including covenants; and (e) a computerized model for the financial evaluation, credit and governance rating and monitoring of local governments, local enterprises, and projects;

- (vi) test and, if necessary, amend the application of the manuals, guidelines, computer models, and model TORs and budgets and provide capacity building to the intermediary on the long list of local government and local enterprise projects by (a) preparing a shortlist of eligible local governments, local enterprises, and projects; (b) ranking the short-listed local governments, local enterprises, and projects; (c) following assistance in screening private sector interest, selecting and evaluating three eligible local governments and/or local enterprises with pilot projects to be prepared for private sector participation with consultants funded under the Facility immediately after its approval; and (d) preparing the TOR and budget for the consultants;
- (vii) design and produce promotional materials such as brochures, fliers, slide presentations, advertisements, and a video for promoting and creating awareness of the Facility; provide capacity building in marketing the Facility to the intermediary by jointly organizing and delivering five regional workshops to promote the Facility and to provide training in the loan application procedures and information requirements; and
- (viii) assess the need and recommend the key features and terms and conditions for a new ADB credit line that will support urban private sector infrastructure projects.

6. Capacity Building for Facility Management. The consultant will

- (i) based on the review and analysis, particularly under para. 4 (ii) recommend and formulate improvements to the existing practices and procedures of the intermediary, particularly regarding the ability to assess and monitor local government and local government enterprise credit and sound governance mechanisms;
- (ii) identify and deliver systems and programs needed for the intermediary to effectively manage the Facility, including marketing the Facility, assisting and training local governments and local Government enterprises in the loan application process and the preparation of TORs and budgets for the consultants, and implementing the recommendations to improve practices and procedures, particularly in credit and governance rating and monitoring; and
- (iii) ensure the familiarity of the intermediary with all relevant ADB policies, including procurement and disbursement procedures.

7. The project will comply with all relevant ADB policies and private sector development projects resulting from the TA loan where ADB financing is envisaged, and will particularly address ADB's Poverty Reduction Strategy and the poverty partnership agreement with Indonesia. The project will be presented in a form consistent with ADB's standards and formats,

and will be sufficient to be the basis for ADB management review following a management review preparation mission, which will be conducted with the consultants.

B. Reporting Requirements

8. The following reports will be prepared and will be provided in hard copy and in electronic form, in a format acceptable and suitable for use by the recipients:

- (i) an inception report, outlining initial progress, and recommending any changes required to the agreed work plan, within 3 weeks of commencement of the TA;
- (ii) an interim report, 8 weeks after the commencement of the TA: the interim report will form the basis for the consensus building workshop (para. 3[v]) expected to take place in week 10, including a summary of the selection criteria used;
- (iii) a draft final report, detailing the findings of the study, the activities undertaken, and the proposed future project, 19 weeks after commencement of the TA: the draft final report will form the basis for the management review preparation mission, to take place 5 months after commencement of the TA; and
- (iv) a final report, 2 weeks after having received comments on the draft final report.