



# Draft Design and Monitoring Framework

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## Indonesia: Infrastructure Reform Sector Development Program (IRSDP) Subprogram 2

A design and monitoring framework is an active document, progressively updated and revised as necessary, particularly following any changes in project design and implementation. In accordance with ADB's public communications policy (2005), it is disclosed before appraisal of the project or program. This draft framework may change during processing of the project or program, and the revised version will be disclosed as an appendix to the report and recommendation of the President.

**Asian Development Bank**

## Infrastructure Reform Sector Development Program (IRSDP) Subprogram 2

### DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p><b>Impact of IRSDP</b></p> <ul style="list-style-type: none"> <li>• Improved investment climate in Indonesia's economy</li> </ul>	<p>GCI ranking of Indonesia improved in 2010 from previous ranking in 2004.</p> <p>Real GDP annual growth rises to at least 7% in 2012 from 5.0% in 2004</p>	<p>Global Competitiveness Reports of the World Economic Forum</p> <p>BPS National Income Accounts reports</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Macroeconomic and political stability</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Adverse effects of external shocks on capital inflows</li> </ul>
<p><b>Outcome of IRSDP</b></p> <ul style="list-style-type: none"> <li>▪ Enhanced infrastructure provision and access</li> </ul>	<p>Infrastructure investments increased from 3.2% of GDP in 2004 to at least 6% in 2015</p> <p>Percentage of population with access to electricity increased from 67% in 2004 to at least 80% in 2015</p> <p>Regular load shedding in the Java-Bali grid eliminated from 2011 onwards</p> <p>Percentage of population with access to piped water connections increased from 17.5% in 2004 to 65% in 2015</p> <p>Percentage of national roads in good/fair condition increased from 81% in 2006 to 100% in 2010.</p>	<p>KKPPI, Investment Coordination Committee and MOF reports</p> <p>MEMR and PLN reports</p> <p>MEMR and PLN reports</p> <p>MPW reports</p> <p>MPW reports</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Government continues to implement the reform agenda after the 2009 elections</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Weak capacity and coordination of reform implementation</li> <li>• Poor governance and corruption</li> <li>• Resistance to tariff increases</li> </ul>

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<p><b>Outputs of Subprogram 2<sup>1</sup></b></p>	<p><b>Between October 2006 and September 2008:</b></p>		
<p><b>Component 1: Cross-sector policy, institutional, and legal framework</b></p>			
<p>1. Improved PSP framework</p>	<p>Revised presidential regulation on PSP issued</p>	<p>KKPPI Secretariat report</p>	
<p>2. Improved cross-sector coordination</p>	<p>Operations of the KKPPI Secretariat unified and streamlined</p>	<p>KKPPI Secretariat reports</p>	
<p>3. Transparent risk sharing decisions</p>	<p>Decisions on government support for transport projects made</p>	<p>KKPPI and MOF reports</p>	
<p>4. Revolving fund for land acquisition</p>	<p>Rp600 billion allocated in the 2008 APBN for the revolving fund</p>	<p>MOF and MPW reports</p>	
<p>5. Consistent PSO policy across sectors</p>	<p>Cross-sector PSO policy adopted</p>	<p>TA 4728 report</p>	
<p>6. Improved sector regulation</p>	<p>Institutional and capacity building recommendations made</p>	<p>TA 4728 report</p>	
<p><b>Component 2: Sector-specific reforms</b></p>			
<p>7. Laws and implementing regulations</p>	<p>Five sector laws passed and related implementing regulations issued within 12 months</p>	<p>MCI, MEMR, MOT and MPW reports</p>	
<p>8. Master plans for infrastructure development</p>	<p>Four master plans prepared and issued through ministerial regulations</p>	<p>MEMR, MOT and MPW reports</p>	
<p>9. Improved cost recovery in energy; land, sea and air transport; and telecommunications</p>	<p>Domestic oil prices increased by 29% and cost recovery principles introduced through ministerial regulations</p>	<p>MEMR, MOT and MCI reports</p>	
<p>10. Anticorruption measures in the road sector</p>	<p>Action plan developed and e-procurement introduced</p>	<p>MPW reports</p>	
<p>11. Debt restructuring program for PDAMs</p>	<p>Ministerial regulation issued and program implementation started</p>	<p>MOF and MPW reports</p>	
<p><b>Component 3: Facilitation of PPP project transactions</b></p>			

<sup>1</sup> For details of outputs and activities under Subprogram 2, see the policy matrix in Appendix 6.

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<p>12. Standard bidding documents for PPP projects</p> <p>13. Feasibility studies and tendering for model PPP projects</p> <p>14. PDF support for project preparation and transaction execution</p>	<p>Such documents used for all PPP projects in the power, transport and water supply sectors</p> <p>Feasibility studies for 10 and tendering for 2 PPP projects initiated</p> <p>Pipeline of at least 15 PPP projects developed for the PDF</p>	<p>BPJT, MCI, MEMR, MOT, MPW, and PLN reports</p> <p>BPJT, BPPSPAM, MCI, MEMR, MOT, MPW, and PLN reports</p> <p>PMU reports</p>	
<p><b>Main activities under Subprogram 2 (completed between October 2006 and September 2008):</b></p> <p>1.1 Identify gaps and inconsistencies in Perpres 67/2005, consult relevant stakeholders and draft a revised presidential regulation on PSP in infrastructure provision</p> <p>2.1 Review the structure of the KKPPPI Secretariat, and develop and implement recommendations to strengthen its operations</p> <p>2.2 Update the rolling 5-year pipeline of PPP projects</p> <p>3.1 Operationalize the RMU in terms of functions, budget, staffing, and standard operational procedures</p> <p>3.2 Prepare a policy study for the proposed Guarantee Fund for risk sharing</p> <p>4.1 Assess revised land acquisition framework vis-à-vis international best practices and propose changes</p> <p>4.2 Issue regulations on land acquisition guidelines and the establishment of the revolving fund for land acquisition</p> <p>5.1 Review current PSO practices and arrangements in each sector</p> <p>5.2 Formulate a consistent cross-sector PSO policy based on international best practice</p> <p>6.1 Assess current regulatory arrangements in each sector in terms of institutions and reporting</p> <p>6.2 Formulate short- and medium-term recommendations for sector regulation based on international best practice</p> <p>7.1 Draft sector laws, undertake consultations with stakeholders, revise drafts as necessary, and submit them to Parliament</p> <p>7.2 Draft and issue implementing regulations for the sector laws</p> <p>8.1 Prepare/update master plans for infrastructure sector expansion and</p> <p>8.2 Issue ministerial regulations for the issuance of the master plans</p> <p>9.1 Conduct comprehensive socialization programs for increases in tariffs and prices for infrastructure services</p> <p>9.2 Develop cost recovery principles and formulas for the various infrastructure sectors</p> <p>10.1 Adopt e-procurement for all national road projects</p> <p>10.2 Develop an Anticorruption Action Plan in the areas of procurement, accountability, auditing, and human resources development</p> <p>11.1 Assess the technical and financial performance of PDAMs, and publish the results</p> <p>11.2 Design a debt restructuring program for PDAMs</p> <p>12.1 Based on international best practice, draft standard bidding documents for toll road, power plant, water supply, airport, and port PPP projects</p>			<p><b>Inputs</b></p> <p>ADB loan of \$280 million for Subprogram 1</p> <p>ADB loan of \$26.5 million and Dutch grant of \$7.6 million for the PDF</p> <p>ADB grant of \$2 million for TA 4728</p> <p>ADB grant of \$2 million for TA 4872</p> <p>Cofinancing from the Government of Japan of \$100.0 million for Subprogram 1</p> <p>National budget (APBN)</p>

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13.1 Prepare terms of reference and recruit consultants for feasibility studies for PPP projects	
13.2 Undertake market sounding and prequalification for PPP projects, and select private sector partners through a transparent and competitive bidding process	
14.1 Operationalize the PDF in terms of staffing and standard operational procedures	
14.2 Issue ministerial regulation on the establishment of the IIFF	

ADB = Asian Development Bank, BPJT = Indonesian Toll Road Authority; BPS = Central Bureau of Statistics, GCI = global competitiveness index, GDP = gross domestic product, IIFF = Indonesian Infrastructure Financing Facility, IRSDP = Infrastructure Reform Sector Development Program, KKPPI = National Committee for the Acceleration of Infrastructure Provision, MCI = Ministry of Communications and Informatics, MEMR = Ministry of Energy and Mineral Resources, MOF = Ministry of Finance, MOT = Ministry of Transportation, MPW = Ministry of Public Works, PDAM = regional water supply enterprise, PDF = Project Development Facility, PLN = State Electricity Corporation, PMU = Project Management Unit, PPP = public-private partnership, PSO = public service obligation, RMU = Risk Management Unit, TA = technical assistance.

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