



<b>1. Project Data:</b>		<b>Date Posted :</b> 11/20/2002	
<b>PROJ ID:</b> P039754		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Second Technical Assistance Project For The Public And Private Provision Of Infrastructure	<b>Project Costs (US\$M)</b>	33.6	24.6
<b>Country:</b> Indonesia	<b>Loan/Credit (US\$M)</b>	28.0	24.6
<b>Sector(s):</b> Board: PSD - Central government administration (100%)	<b>Cofinancing (US\$M)</b>	0.0	0.0
<b>L/C Number:</b> L3913			
	<b>Board Approval (FY)</b>		95
<b>Partners involved :</b>	<b>Closing Date</b>	03/31/2000	12/31/2001
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
The project's objectives were to assist the Republic of Indonesia to : (a) assess strategic priorities for reducing infrastructure bottlenecks; (b) develop an updated strategy for public and private partnership and suitable frameworks for private participation in the provision of infrastructure services (PSP); (c) redefine the relative roles of central and local authorities in the implementation of infrastructure projects; and (d) enhance program evaluation capability in central and regional planning bodies, and implementation capabilities in line agencies and local governments.			
<b>b. Components</b>			
Noted with final costs in parentheses : (a) national sector policies and planning frameworks and strategies to develop institutions and design regulation to strengthen public /private partnership in the provision of infrastructure services (US\$11.3m.); and (b) feasibility studies, engineering designs (for public projects), environmental and resettlement assessments and remedial plans (US\$13.3m.). It also included reviews by independent experts of studies as well as unsolicited proposals by private investors, and audits of selected major assignments to evaluate their impact on institutional development. Finally, the project would finance training of staff of the PMU and the various PIUs in the selection, monitoring, and evaluation of TA services, project management, private provision of infrastructure, and negotiating techniques. The main focus of the project was on regional planning, ports, toll roads, transportation, water supply and environmental sanitation systems development, and water resources management .			
<b>c. Comments on Project Cost, Financing and Dates</b>			
At US\$24.6m., final costs were 73% of those estimated at appraisal. The lower cost was due to the devaluation of the rupiah and the elimination of cost sharing requirements with the borrower . The project began while a similar previous project was ongoing, which delayed initiation of the project . The project was extended twice, delaying the closing date by 21 months. The Bank loan of US\$24.6m. (US\$3.4m. of which had been cancelled) financed 100% of the project instead of the 83% intended.			
<b>3. Achievement of Relevant Objectives:</b>			
The achievement of an actual increase in private investment in infrastructure was limited by Indonesia's economic and political crisis. However, the objectives of the project focused on institutional development (preparing a policy and institutional framework for increased PSP), and there was modest success (but not substantial success) in achieving these institutional objectives .			
Although many subprojects were carried out under the project, they were of mixed quality and mostly poor impact . The specific results discussed in the ICR are repeated below .			
<ul style="list-style-type: none"> <li>• Of the 44 sub-projects financed under the project to assess strategic priorities for reducing infrastructure bottlenecks, 30 were evaluated as producing good or fair quality studies . Thirteen were evaluated as having a substantial impact, five a modest impact, and 11 a negligible impact; the rest were not evaluated .</li> <li>• The second objective, to develop an updated strategy for public and private partnership and suitable frameworks</li> </ul>			

for private participation in infrastructure services, was addressed by 23 sub-projects. Of these, 9 were evaluated as having a substantial impact, 3 a modest impact, and 7 a negligible impact; the remainder were not evaluated. Overall, substantial success was achieved in establishing a framework for private participation.

- The third objective, addressed by 25 sub-projects, had more modest success. The changing political and organizational environment and decentralization reduced the value of some of the work done under the project.
- The fourth objective, to enhance program evaluation capability for the first time in central and regional planning bodies and implementation capabilities in line agencies and local governments, was innovative and well-achieved given the trying conditions. But again, decentralization and reorganization of government ministries and reassignment of staff could reduce its effectiveness.

#### 4. Significant Outcomes/Impacts:

- Substantial progress was made in policy and planning for strategic transport corridors and arterial road networks in Java, and for the development and management of toll roads. In addition the foundations were laid for improvements to the planning of road maintenance and for the introduction of earmarked road funds to improve the allocation and use of funding for highway maintenance.
- Substantial progress was achieved in water supply master planning for local governments in four regions.
- The project's PMU became the de facto Public-Private Partnership Center, and played a key role in developing the legislative framework for private participation in infrastructure and its implementing regulations and guidelines.
- The Government developed a better understanding of private participation in infrastructure and the role of the government as an enabler rather than an implementer of infrastructure projects.

#### 5. Significant Shortcomings (including non-compliance with safeguard policies):

- Although the objectives of the project were very relevant for the development of private participation in infrastructure in Indonesia, the achievement of project objectives (by component) was found to be modest or negligible in the ICR. Particularly with the additional challenges posed by decentralization, there is a large unfinished agenda of institutional reforms to be completed.
- Although many of the subprojects financed under the loan provided useful inputs into the development of new policies, and increased the understanding of a range of issues related to infrastructure, there is little evidence showing that concrete actions were taken as a result of the studies financed under the project. Many studies produced almost no useful impact, and the quality of some studies was judged to be unsatisfactory.
- The project commenced prematurely, some 18 months before its predecessor project (TAP4I-I) was completed. The resources of the PMU were insufficient to cope with the two projects, and focused initially on finishing TAP4I-I. As a result, initiation of the project was delayed, and much of the planned pipeline of sub-projects were taken up by other bilateral or multilateral technical assistance programs which proceeded more rapidly. There were other reasons for delays in disbursements, including government billing rate guidelines that required special approvals for consultant fees above those rates, and differences in definitions of disbursement categories between the Bank and the Government.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Satisfactory	Moderately Unsatisfactory	<p>The achievement of the project's objectives (by component) was found to be modest or negligible. There is a large unfinished agenda of institutional reforms, many at the sub-national level, needed to facilitate private participation in infrastructure in Indonesia.</p> <p>The quality of subprojects financed under the project was mixed. Many subprojects were evaluated as having a modest or negligible impact. In many cases, the studies financed under the project did not appear to result in concrete actions taken in terms of the adoption (not just preparation) of new PSP strategies, legislation, and follow-up. The results suggest that the kinds of activities financed by the loan were not the best method for introducing public-private cooperation and institutional change.</p> <p>The subprojects and their outputs</p>

			ranged over a wide area, and it was difficult to relate some of them to the objectives of the project. This could have been avoided during project design with a better logical framework.
<b>Institutional Dev .:</b>	Modest	Modest	
<b>Sustainability :</b>	Likely	Non-evaluable	As the ICR notes, there has been a loss of continuity as a result of decentralization. It is clear that many local governments have different priorities and are not always keen to implement projects prepared by central government agencies. Since, due to macroeconomic conditions, there is currently little public or private funding available to implement sub-projects, the studies done under the project may become out of date and will have to be revised.
<b>Bank Performance :</b>	Satisfactory	Satisfactory	Project preparation seemed to have been rushed, and implementation was commenced prematurely. However, project supervision improved mid-way through the project, and Bank staff were committed to achieving the project objectives despite the political and economic turmoil that was affecting Indonesia.
<b>Borrower Perf .:</b>	Satisfactory	Unsatisfactory	The commitment and participation of the borrower to the project appeared to be marginal, and counterpart funds were reduced as a result of the economic crisis.
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

### 7. Lessons of Broad Applicability:

Many of the problems of private investment in infrastructure during the financial crisis were the result of debt and equity in foreign currency. These projects will continue to be vulnerable to external shocks until domestic financial markets are more fully developed.

The policy framework for PPI should be part of an overall infrastructure framework, so that public and private infrastructure development do not compete with each other.

Demonstration projects are essential: it is only when faced with real situations arising in pilot projects that practical difficulties are brought to the attention of policymakers.

Changing the mindset of government officials who are accustomed to public provision of infrastructure services, to support private sector participation, is a long process. It is further complicated when the public sector is undergoing a process of decentralization.

**8. Assessment Recommended?**  Yes  No

### 9. Comments on Quality of ICR:

The ICR was reasonably well prepared. However there are some shortcomings: the lack of quantitative information on trends in PPI in Indonesia versus comparator countries; insufficient discussion of what remains to be done to achieve a good PPI framework; the inconsistency in ratings between Annex 5 and the text; and the lack of information on the achievements under the Y2K component. The ICR was perhaps too generous in its assessment of borrower performance, since the Government seemed to take a relatively passive role in the project.