

Indonesia

FY2022 Ex-Post Evaluation Report of Technical Cooperation Project
“KPPIP Support Facility”

External Evaluator: Keiko Watanabe, Mitsubishi UFJ Research and Consulting Co., Ltd.

0. Summary

This project aimed to promote the preparation of the bankable infrastructure projects in Indonesia by establishing a management structure for a Committee for Acceleration of Priority Infrastructure Delivery (hereinafter referred to as “KPPIP”) and providing support for the improvement of regulations and policies related to infrastructure development through strengthening the capacity of the KPPIP Project Management Office and related institutions. By doing so, the project intended to improve investment climate in Indonesia. The objectives of the project were consistent with the development policy and development needs in the country, and the project plan and approach were appropriate. The specific coordination was not planned with the other JICA projects nor non-JICA projects. But the project was consistent with Japan's development cooperation policy. Based on the above, the relevance and coherence of the project are high. The project purpose of promoting preparation of bankable projects was achieved. On the other hand, the extent to which this project to the overall goal of improving the investment environment in Indonesia was unclear, as there were many external factors other than this project. However, the project contributed to a certain extent to the improvement of the investment environment, as it supported the functionalization of the system to promote public-private partnership (hereinafter referred to as “PPP”) projects and confirmed that problem-solving activities by the KPPIP have led to the promotion of National Strategic Projects¹. In addition, other impacts were observed. For example, the project has enabled bilateral aid organizations such as JICA to provide support services for procurement procedures in PPP project. This has led to JICA actually providing support services for the Legok Nangka Waste to Energy Project in West Java (PPP project). Other example was that the regulation for land issues proposed for improvement in this project was formalized. Therefore, the effectiveness and impact of the project are high. The project costs exceed the plan, and the project period slightly exceeded the plan. Thus, the efficiency is moderately low. Regarding the sustainability of the project, there are some minor problems with the financial aspects, but the prospects for improvement and resolution are high, and sustainability is high.

In light of the above, this project is evaluated to be highly satisfactory.

¹ National Strategic Projects are large infrastructure projects designated by Presidential Decree in 2016. Initially 225 projects and 1 program were designated. It is reviewed annually, and as of the ex-post evaluation, it consists of 210 projects and 12 programs with a total size of 5,746 trillion rupiah (about ¥55.34 trillion).

1. Project Description



Project Location



MRT North-South Line Project promoted by the project (under construction, August 2017)

Source: KPPIP

1.1 Background

In Indonesia, the development of hard infrastructure has not kept pace with the country's rapid economic growth, creating a bottleneck to growth. Therefore, infrastructure development was a top priority in the Indonesian government's development plan. Against the backdrop of enormous infrastructure demand, the government had high expectations for mobilizing private-sector funds through PPPs in addition to conventional public works projects. Although the government had significantly strengthened PPP-related regulations and measures, there was a lack of track record of large-scale projects utilizing these regulations and measures, and the preparation of projects in which the private sector could invest was an issue.

Since 2010, Indonesia and Japan have been jointly promoting the Jakarta Metropolitan Area (hereinafter referred to as “MPA”) Development Initiative, and the use of PPPs was planned for the implementation of priority infrastructure projects within the MPA framework. This project was to implement mainly through KPPIP, which had just been established in response to a request from the Indonesian government, as the main counterpart agency, to formulate and promote national priority projects, including MPA projects, and to promote PPP.

1.2 Project Outline

Overall Goal	To promote priority infrastructure development including selected projects from Indonesia-Japan framework through sustainable operation of KPPIP PMO with favorable government policy, thus leading to improvement of investment climate in Indonesia.
Project Purpose	To accelerate sustainable operationalization of KPPIP and bankable project preparation, including selected projects from Indonesia-Japan framework.

Output(s)	Output 1	Standard procedure of KPPIP is operationalized.
	Output 2	The implementing capability of the function of KPPIP PMO and others related to PMO transaction for regulatory and policy stipulation is enhanced. ²
	Output 3	The preparation for bankable projects is enhanced.
	Output 4	The capability of the function of KPPIP PMO for debottlenecking problems that hinder preparation and implementation of KPPIP priority projects and selected projects from Indonesia- Japan framework is enhanced.
Total cost (Japanese Side)		1,172 million yen
Period of Cooperation		May 2014–December 2019 (Extension period: June 2017–December 2019)
Target Area		All over Indonesia
Implementing Agency		The Committee for Acceleration of Priority Infrastructure Delivery (KPPIP), Coordinating Minister for Economic Affairs
Other Relevant Agencies/ Organizations		PPP Unit of the Ministry of Finance, Ministry of Interior, Indonesia Investment Coordinating Board, Ministry of Agrarian Affairs and Spatial Planning/National Land Agency, Indonesia Infrastructure Guarantee Fund (IIGF), Infrastructure Financial Organizations
Consultant/ Organization in Japan		None
Related Projects		<Technical Cooperation> <ul style="list-style-type: none"> • Jabodetabek MPA strategic plan: Master plan for establishing metropolitan priority area for investment and industry in Jabodetabek area in the Republic of Indonesia (2011–2012) • The Project for PPP Network Enhancement (2011–2014)

As described in “1.1 Background,” this project was initiated primarily to support the framework of the MPA program, but the MPA framework was not followed under the Jokowi administration that came into power in October 2014. However, there was no change in the government's policy of basically promoting infrastructure development, and the fact that the newly established implementing agency, KPPIP, was in charge of National Strategic Projects nationwide, did not change the need to clarify its functions and strengthen the capacity of its staff. Therefore, the basic objective of the project remained the same, but the outputs focused more on strengthening the capacity of KPPIP and related institutions, as shown in Figure 1, with the aim of promoting infrastructure investment not only in MPA projects but also in Indonesia as a whole. Therefore, the project name was changed from the original “MPA Support Facility” to “KPPIP Support Facility.” This change in the PDM was formalized

² Japanese text of Output 2 is an intentional translation of the English text.

through the Joint Coordination Committee meeting held in October 2015 and with the exchange of minutes on December 17, 2015. This evaluation is based on the revised PDM 2.

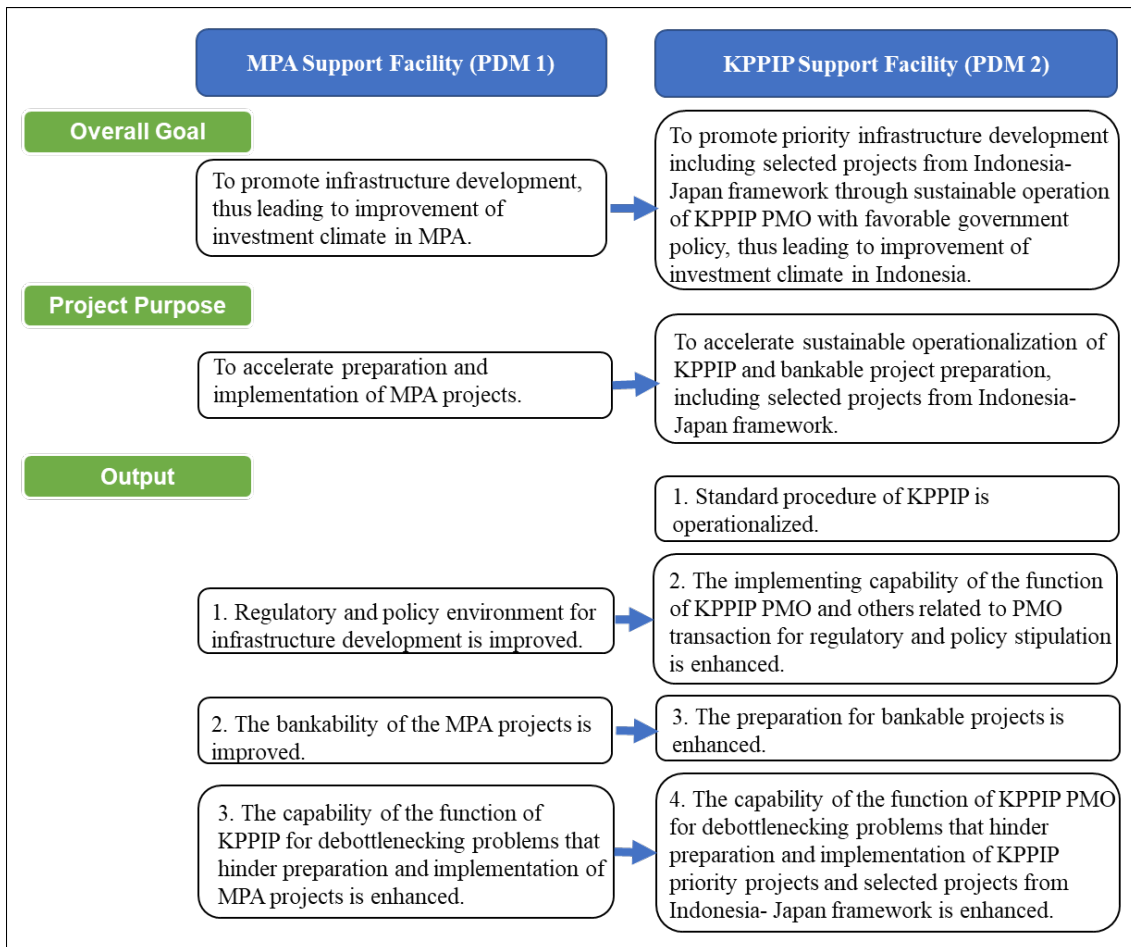
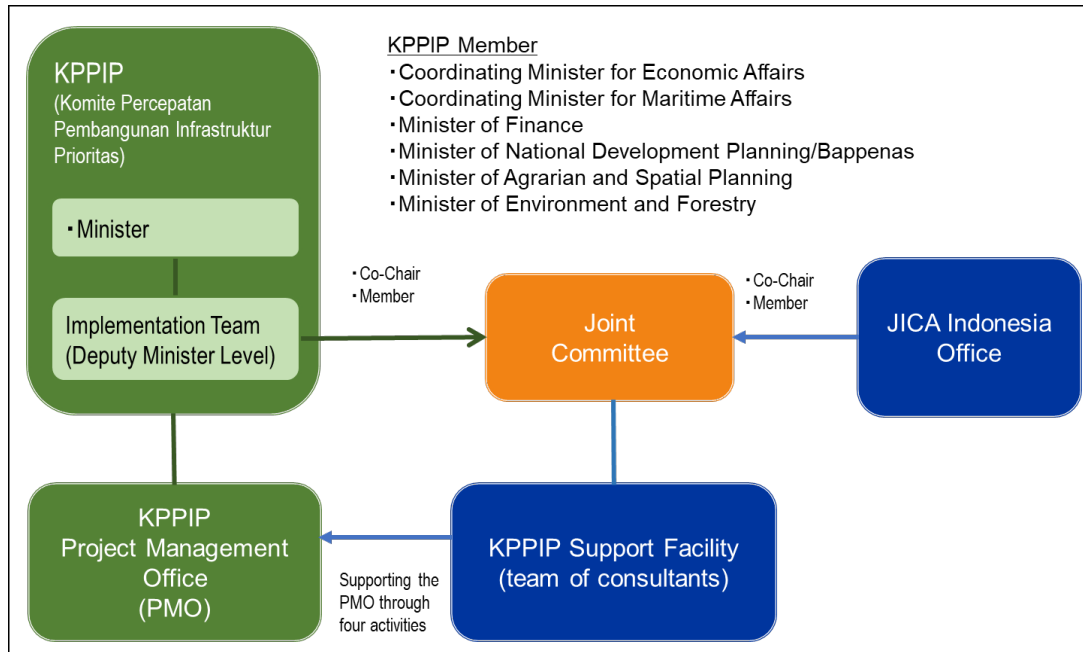


Figure 1: Transition of PDM

The implementation structure of the project is shown in Figure 2. The implementing agency, KPPIP, is a high-level decision-making body with six ministers as members, including ministers and vice-ministers. The actual implementation is handled by the Secretariat (Project Management Office (PMO)) under the jurisdiction of the Coordinating Ministry for Economic Affairs, and this project was implemented mainly by providing support to the PMO. At the same time, since infrastructure development and PPPs cover a wide range of sectors and implementing agencies, capacity strengthening was also targeted at related ministries and agencies that are members of the KPPIP.



Source: Information provided by JICA

Figure 2: Implementation Structure of the Project

1.3 Outline of the Terminal Evaluation

1.3.1 Achievement Status of Project Purpose at the Terminal Evaluation

Since priority projects were selected by KPPIP and funding arrangements were determined for almost all of them, it was judged that the indicator for the project purpose, “the number of KPPIP priority projects for which funding arrangements were determined or commenced construction works,” was achieved. However, as shown in the recommendations below, there were still some issues in each output, and it was evaluated that resolving these issues would increase the likelihood of achieving the project purpose.

1.3.2 Achievement Status of Overall Goal at the Terminal Evaluation

(Including other impacts.)

Although challenges remained for each output to achieve the project purpose, the analysis showed that if the project purpose were achieved and more successful bankable projects were implemented, the overall goal would be achieved.

1.3.3 Recommendations from the Terminal Evaluation

The Terminal evaluation showed tangible results toward the project purpose and overall goal, but recommended that the need to address new needs from the Indonesia government in order to further promote infrastructure development to meet the growing demand for

infrastructure development in the country. A two-year extension from the originally planned end date of 2017 was recommended to address these new needs. The extension period was mainly used to (1) strengthen capacity for decision-making on financial schemes³, and (2) support for the preparation of guidelines and training necessary for the application of the Availability Payment (hereinafter referred to as “AP”) scheme⁴, one of the main issues in promoting PPP infrastructure implementation, which had been strongly requested by the host government, (3) to introduce innovative land development methods, (4) support for the preparation for PPP projects, and (5) ongoing support for debottlenecking activities. The status of implementation is described in “3.2 Effectiveness and Impact.”

2. Outline of the Evaluation Study

2.1 External Evaluator

Keiko Watanabe, Mitsubishi UFJ Research and Consulting Co., Ltd.

2.2 Duration of Evaluation Study

This ex-post evaluation study was conducted with the following schedule.

Duration of the Study: December, 2022–March, 2024

Duration of the Field Study: July 1-16, 2023 and September 30, 2023–October 8, 2023

3. Results of the Evaluation (Overall Rating: A⁵)

3.1 Relevance/Coherence (Rating: ③⁶)

3.1.1 Relevance (Rating: ③)

3.1.1.1 Consistency with the Development Plan of Indonesia

At the time of planning, Indonesia's *Medium-term National Development Plan* (2010–2014) had identified “infrastructure development” as a national priority development issue, and PPP was expected to accelerate infrastructure development. The *MPA Master Plan*, prepared in 2012 in collaboration between Japan and Indonesia, was positioned as a complement to the long-term and medium-term national development plans, which is the upper policy, and the major projects in the MPA framework were to be completed by 2020.

The Medium-Term National Development Plan (2015–2019) at the time of

³ A financial plan for an infrastructure project developed after analyzing financial feasibility, Value for Money (value of services for money), and elements. The plan includes funding sources (public, private, PPP, ODA, etc.) and various conditions including the need for financial support such as long-term loans and guarantees, the amount and the period, and so on.

⁴ Under this system, a government contracting agency promises to pay a fixed amount to a private operator in exchange for the provision of infrastructure services based on indicators set by the private company entrusted with the operation of the infrastructure based on a PPP contract.

⁵ A: Highly satisfactory, B: Satisfactory, C: Partially satisfactory, D: Unsatisfactory

⁶ ④: Very High, ③: High, ②: Moderately Low, ①: Low

completion, which was prepared by the new Jokowi administration, continues to focus on infrastructure development, with policies to increase international competitiveness, improve infrastructure, and reduce regional disparities.

Therefore, the project is consistent with Indonesia's development policy at the time of planning and at the time of completion.

3.1.1.2 Consistency with the Development Needs of Indonesia

At the time of planning, approximately 10% of the total population (about 237.6 million (Indonesian government statistics (2010)) lived in the Jakarta metropolitan area, where 25% of GDP and 40% of foreign direct investment were concentrated. Although Indonesia boasted solid economic growth (growth rate: 6.2% (2011), 6.0% (2012)⁷), infrastructure development was not keeping pace with rapid economic growth, which was a bottleneck to further economic growth. To meet the enormous demand for infrastructure, the government had high expectations for mobilizing private-sector funds through PPPs in addition to conventional public works projects. Although the Indonesian government had established measures to implement PPPs, including a public guarantee system, a public financing system, and Viability Gap Funding (VGF)⁸, there was a lack of experience with large-scale projects that took advantage of these measures. This was largely due to the lack of quality of project preparation and implementation capacity of government officials, and there was a need to strengthen this capacity.

At the time of completion, Indonesia maintained a high economic growth rate in the 5% range and continued to have high infrastructure needs. The government expected infrastructure investment demand of approximately 4,796 trillion rupiah (about 43 trillion yen⁹) over the five-year period from 2015 to 2019, and expected private investment to provide about 40% of the funds needed¹⁰.

Based on the above, the objectives of this project, which aim to formulate and implement bankable projects that attract private financing, are consistent with the development needs of the project from the time of planning to the completion.

3.1.1.3 Appropriateness of the Project Plan and Approach

Lessons were raised from the similar project implemented prior to this project that since the Indonesian government was in the midst discussion about establishing a

⁷ World Bank Open Data.

⁸ A mechanism to support the establishment of PPP projects by providing partial support for construction costs from the Ministry of Finance to the private sector. It is applied to projects with high social benefits but low project profitability. (PPP Handbook of the Republic of Indonesia, JICA, May 2017 (in Japanese))

⁹ Estimated by the IMF using the 2015 Indonesian rupiah and dollar average (Rp 13,389.41 per dollar) and the yen-dollar annual average (¥121.044 per dollar).

¹⁰ "Public Private Partnership Book 2018," National Development Planning Agency.

system for infrastructure development, the project should work closely with the government, utilizing local consultants, and be flexible to match the policy as the discussions progress in the future. Taking this advantage of these lessons learned, the project has employed nine specialized local consultants. For example, the local consultant was assigned to the ministry in charge of a project that had problem in project preparation, and they worked closely with KPPIP to conduct debottlenecking activities, and the local consultants took the lead in strengthening the capacity of the staff in the ministries in charge of the project.

As described in “1.2 Project Outline,” due to the change in policy by the new President, the project was shifted from promoting the preparation and implementation of MPA projects, as originally envisioned, to promoting the preparation of bankable projects by establishing an operational structure for the newly established KPPIP and strengthening the implementation capacity of relevant institutions involved in the institutional and policy framework for infrastructure development. Therefore, an output to strengthen the functioning of KPPIP (Output 1) was added and the wording of each objective was changed to promote priority projects from all of Indonesia, instead of focusing on MPA projects. The change in the PDM was made in response to a policy change on the Indonesian side and did not change the basic objective of the project, which is to promote the preparation of bankable projects. The change in the PDM was agreed upon at the October 2015 Joint Coordinating Committee meeting and decided upon in December 2015 with the exchange of minutes. In addition, following the Terminal evaluation survey conducted in December 2016, a decision was made by exchanging of minutes (February 2017) that the project period would be 2014–2019, a two-year extension of the originally planned 2014–2017 period. In April 2019, a minute was also exchanged to clearly define the period, which was set to be 2014–December 2019. Both changes were made through a formal process as described above, and the process was appropriate. Therefore, it can be concluded that the PDM changes were appropriate.

On the other hand, no quantitative targets were set for the indicators of each output and project purpose. Under the goal of improving the investment environment and promoting bankable infrastructure projects, this project had to deal with infrastructure projects in various sectors, and there were a variety of issues to be addressed. Furthermore, since the infrastructure projects handled were national priorities, it was necessary to pay attention to the trends and intentions of the government. Therefore, the project activities were based on the needs of the government at the time. It was found that because specific activities could not be envisioned at the time of planning, and because there were many external factors that could not be achieved by this project

alone, depending on the themes and projects handled, no target values for indicators were set. Although detailed activities and contents were not defined, and there were no target values in the indicators at the planning stage, it can be said that the project plan and approach were appropriate, as the project implemented flexible activities in accordance with the government's needs, and generally found to produce results compared to the plan.

3.1.2 Coherence (Rating: ②)

3.1.2.1 Consistency with Japan's ODA Policy

In the priority area of "Support for Further Economic Growth" in *the Country Assistance Policy for Indonesia* at the time of the plan (April 2012), "Infrastructure Development for Metropolitan Areas" was positioned as one of the development issues. In *the JICA Country Analysis Paper*, "Support for Further Economic Growth" was identified as a priority issue, and JICA was to provide technical assistance, including promotion of the formation and implementation of PPP projects, and to support the resolution of infrastructure shortages, particularly in the metropolitan area.

The project is consistent with the development cooperation policies of the Japanese government and JICA at the time of planning.

3.1.2.2 Internal Coherence

Internal coherence was not confirmed because specific collaboration and coordination were not envisioned in this project at the time of the ex-ante evaluation, and there were no specific synergistic effects from actual collaboration and coordination.

3.1.2.3 External Coherence

External coherence was not confirmed in this project because there were no specific plans for coordination with activities with other donors, etc., and there were no specific synergistic effects from actual collaboration and coordination.

The implementation of this project was consistent with Indonesia's development policy and development needs, and the project plan and approach were appropriate. It was also consistent with Japan's development cooperation policy. Specific collaboration with JICA's internal and external projects was not envisaged in this project at the time of the ex-ante evaluation. Also, no specific synergistic effects could be confirmed.

Therefore, its relevance and coherence are high.

3.2 Effectiveness and Impacts¹¹ (Rating: ③)

3.2.1 Effectiveness

3.2.1.1 Project Output

As shown below, Output 1 was generally achieved, and Outcomes 2, 3, and 4 were achieved.

(1) Output 1: Standard procedure of KPPIP is operationalized.

(Indicator 1) Key official documents such as Standard Operating Procedures (SOPs), regulations and guidelines for PMO and stakeholders of priority projects

(Indicator 2) Selection of candidate priority projects by PMO based on selection criteria

For the KPPIP, which was just established in 2014 under the Presidential Regulations, the project prepared Standard Operating Procedures for the implementation of its work and provided administrative support, starting with the hiring of PMO staff. In addition, various guidelines for the main functions of KPPIP were prepared, including selection criteria for priority infrastructure projects, checklists for reviewing preliminary study results (OBC¹²), monitoring guidelines, and guidelines that provide the analytical methods and decision-making process necessary to consider funding schemes. Staff training were also conducted. Furthermore, the selection criteria for priority projects were determined in consultation with government contracting agencies, and 37 projects were selected as KPPIP priority project that were deemed to be of particularly high priority. It was confirmed that at the time of the Terminal evaluation, the PMO had reached the point where it was operating independently while operating the guidelines. Therefore, both Indicators 1 and 2 were achieved. On the other hand, with regard to the decision-making function of the financial scheme, which is one of the most important elements for the success of infrastructure projects, the KPPIP PMO staff and the Ministry of Finance directly involved in the decision-making process were strengthened during the extension period in response to the findings of the Terminal evaluation. The prepared funding scheme guidelines have been simplified in practical terms, and training and consultations have been conducted. It can be said that basic capacity regarding the decision-making framework for funding schemes has been built through this project. However, the project did not sufficiently strengthen the capacity of the decision-making function of the funding scheme, where actual experience was limited at the time of completion. Theoretically, however, analysis of funding scheme was understood, and the basic capacity for practical application was built, as the fact that KPPIP PMO has been providing advice on funding schemes for

¹¹ When providing the sub-rating, Effectiveness and Impacts are to be considered together.

¹² The results of the preliminary study (Pre-F/S), which includes technical studies, financial analysis, and site and environmental assessment, are referred to as the Outline Business Case (OBC).

National Strategic Projects after the project was completed. Therefore, it was judged that Output 1 was generally achieved.

(2) Output 2: The implementing capability of the function of KPPIP PMO and others related to PMO transaction for regulatory and policy stipulation is enhanced.

(Indicator) The number of recommendations for policy and regulation improvement through workshops, training courses, and guidelines, etc.

<Recommendations and results regarding policy and regulation improvement>

With regard to AP, one of the achievements of the project was the development and implementation of the respective Ministry of Finance and Ministry of the Interior Regulations on AP, based on the technical advice of the project.

In addition, to promote the implementation of the Project Development Facility (PDF)/Transaction Advisory (TA)¹³, which are implemented in the preparatory stage of PPP projects, the project made a technical proposal to Ministry of Finance for new funding sources and technical assistance mechanisms. PDF/TA has been assigned by Ministry of Finance to PT Sarana Multi Infrastruktura (Persero) (hereinafter referred to as “PT SMI”¹⁴), the government-affiliated infrastructure financial institution, or Indonesia Infrastructure Guarantee Fund (“IIGF”¹⁵), for implementation, but due to the increasing number of PPP projects and the high cost of consulting fees for PDF/TA, a new funding source and mechanism for providing PDF technical assistance were sought. It was confirmed that, partly due to the work of this project, the Ministry of Finance Regulations on PDF/TA for PPP projects have also been revised, allowing the Ministry

¹³ In addition to technical studies, financial analysis such as economic and financial internal rate of return, and preliminary feasibility study (Pre-F/S) such as environmental assessment, PPP projects require advanced project formation that cannot be covered by conventional Pre-F/S, such as complex PPP scheme design (e.g., division of roles and risks between public and private sectors), government financial support and government guarantees (guarantees by IIGF to the private sector for contract performance by the government contracting agency). The Project Development Facility (PDF) refers to such project formation work or the expert itself. The output of the Pre-F/S is called the Outline Business Case (OBC), and the output of the Pre-F/S, which is completed through the PDF, is called the Financial Business Case (FBC). After forming a project in the PDF, the services to support private sector project selection and contract conclusion are called Transaction Advisory (TA). The TAs provide assistance in preparing bid documents (Pre-Qualification (PQ) and Request for Proposal (RFP)) and in managing and evaluating the bidding process during the bidding phase. After the selection of a private sector operator through the bidding process, the TA supports the conclusion of a PPP project contract and related agreements with the preferred bidder. Normally, the role of the TA ends with the conclusion of the financing agreement. (JICA (2017) “PPP Handbook for the Republic of Indonesia”, mentioned above)

¹⁴ PT SMI provides investment and financing services for PPP projects as a financial institution wholly owned by the Indonesian government; it also provides project development facility (PDF) and transaction advisory (TA) services for PPP projects (see above JICA (2017) “Handbook on PPP in the Republic of Indonesia”)

¹⁵ IIGF is a public guarantee agency established at the end of 2009, 100% funded by the Ministry of Finance of Indonesia, which provides government guarantees for PPP projects, guaranteeing the contract performance of the government contracting agency in PPP projects and promising financial guarantees on behalf of the government contracting agency in the unlikely event of default by the government contracting agency, and so on, contributing significantly to risk mitigation for the private sector (see above JICA (2017) “Handbook on PPP in the Republic of Indonesia”).

of Finance to directly appoint an international agency to implement PDF/TA. In response, JICA and Ministry of Finance signed an MOU to provide PDF assistance, which led to JICA's implementation of TA for the Legok Nangka Waste to Energy Project in West Java Province as a pilot (see below under “3.2.2.2 Other Positive and Negative Impact”).

Furthermore, according to KPPIP, the biggest challenge in infrastructure projects is land issues, and the advisory support on land-related regulations and policies implemented in this project proved to be beneficial. For example, in order to promote urban redevelopment around train stations based on the premise of using public transportation, the project aligned the concept of station area development, which had been defined by each of the agencies involved, for a model district and organized the roles of the agencies involved, which had been ambiguous. The KPPIP also organized issues related to proposed regulations on innovative land development, such as land rights for air and underground space utilization, vertical land consolidation, and land bank, and made proposals for their institutionalization. According to the KPPIP, these findings can now be utilized when bringing stakeholders together for consultations on land-related issues.

<Practical Training on AP>

At the request of the Ministry of Finance, practical training on AP application was provided to Ministry of Finance staff, PT SMI staff, a government-affiliated infrastructure financial institution, and IIGF staff, an infrastructure guarantee fund. Interviews with participants of each organization during the ex-post evaluation confirmed that the AP guidelines and training materials prepared by the project are still being referred to and are being used to prepare PPP projects. In addition, interviews with these related institutions indicated that the introduction of the AP scheme has promoted PPP projects, confirming the usefulness of this activity in supporting the introduction of AP. Furthermore, interviews with KPPIP, Ministry of Finance, PT SMI, and IIGF officials who participated in the training confirmed that the training in Japan, which was conducted in the early stage of this project, was very beneficial for the preparation of PPP projects in Indonesia. The interviews with the KPPIP, Ministry of Finance, PT SMI, and IIGF officials confirmed that while there were still few PPP projects in Indonesia, the actual inspection of PPP/PFI projects¹⁶ in Japan and the exchange of opinions with the parties involved were useful in the formation of

¹⁶ PFI: One of the representative methods of PPP. It refers to the comprehensive outsourcing of part or all of a series of processes such as planning, design, construction, maintenance, and operation of public facilities, etc., to a private operator.

subsequent PPP projects, as the participants learned that PPP projects could be implemented in social infrastructure such as hospitals, that local governments could also become the project entity, and the characteristics of project that apply the AP scheme.

The indicator for this outcome is “the number of recommendations for policy and regulation improvement through workshops, training courses, and guidelines, etc.” Although no target value or specific content has been set for this output, it is judged to be an achievement because the project has flexibly responded to requests from the host government as described above and has made policy and regulation improvements that are important for promoting infrastructure development. Therefore, it can be judged that the output has been achieved.

(3) Output 3: The preparation for bankable projects is enhanced.

(Indicator) The number of projects for which OBC was reviewed and funding scheme proposed by PMO

Although no response was received on the number of proposed funding schemes at the time of completion, at least four preliminary OBC or FBC¹⁷ reviews were conducted under the project¹⁸, and the KPPIP PMO has begun to conduct its own supplemental studies on the OBCs. Interviews with the implementing consultant indicated that, based on the checklist developed under the project, the KPPIP PMO had determined that its capacity had been strengthened to the point where it could review the OBC or FBC, identify problems, and provide technical advice and recommendations for funding schemes. As this function was confirmed to be ongoing at the time of the ex-post evaluation, it can be said that the capacity to formulate the implementation of bankable projects has been improved, and the results are judged to be accomplished.

(4) Output 4: The capability of the function of KPPIP PMO for debottlenecking problems that hinder preparation and implementation of KPPIP priority projects and selected projects from Indonesia- Japan framework is enhanced.

(Indicator) PMO’s periodical monitoring reports showing the progress of projects and debottlenecking activities for acceleration

Under the new administration, the framework for priority infrastructure projects was not a Japan-Indonesia framework, but National Strategic Projects for all of

¹⁷ See footnote 12 above.

¹⁸ OBC and FBC support was provided for the Jakarta Sewerage Zone 1, Medan Hospital, Bali Sports Complex, and Legok Nangka Waste to Energy Project in West Java. For the Jakarta Sewerage Zone 1 project, the OBC assisted in conducting a complementary OBC study to determine the financial scheme, and facilitated decision-making on how to fund the project with Japanese ODA loans and how to share central and local financial resources.

Indonesia set by the new administration. The project addressed priority projects within the National Strategic Projects. The priority projects under the Japan-Indonesia framework were incorporated into the National Strategic Projects. There are more than 200 national strategy projects, and KPPIP priority projects were a further narrowing down of the national strategy projects.

Under this output, guidelines for monitoring infrastructure projects and debottlenecking were developed. The project monitored actual priority projects with the KPPIP PMO, identified various impediments such as land expropriation issues, funding sources, natural and social environment, negative impacts on existing industries, asset management, and political decisions, and conducted various consultative activities with relevant agencies to resolve the issues¹⁹. Since the KPPIP is set up under the Presidential Regulations with the function of resolving issues that hinder the promotion of National Strategic Projects, the relevant organizations gathered to hold consultations in response of KPPIP's call. The debottlenecking activities by KPPIP PMO were not only to coordinate with relevant agencies, but also to guide the direction of solutions. Since the Terminal evaluation, the KPPIP PMO has continued to gain experience and has reached the point where it could implement issue resolution activities on its own. In an interview with the Ministry of Finance at the time of ex-post evaluation, there were comments that highly evaluated the KPPIP PMO's efforts toward the debottlenecking activities. Therefore, the output is judged as achieved.

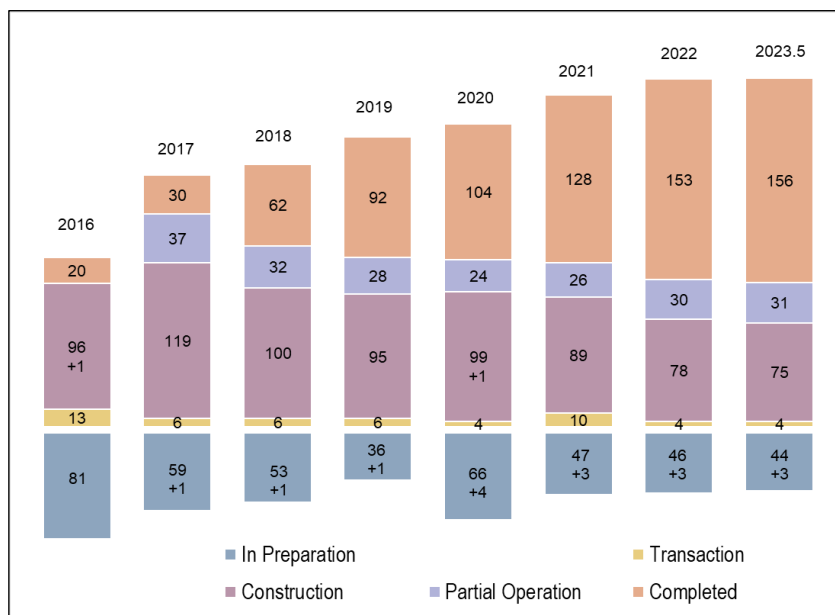
3.2.1.2 Achievement of Project Purpose

As shown in Table 1, at the time of completion, all of the KPPIP priority projects had either received funding or had begun construction. The ex-post evaluation confirmed the status of implementation of the National Strategic Projects, as the Japan-Indonesia framework was not followed. Figure 3 shows the cumulative results of National Strategic Projects up to May 2023. The target status of financial arrangement having accomplished or construction having begun refers to the stage above the "transaction" stage, where the project has been formed and has entered the bidding process. Looking at the cumulative results through 2019, when the project was completed, 221 projects (92 completed, 28 partially operation, 95 construction, and 6 transaction) correspond to approximately 85% of the total (257 projects). Therefore, the indicator can be said to have been achieved.

¹⁹ For example, in the Patimbang International Port project, issues related to the selection of a port terminal operator and the acquisition of abstracts for backup areas and access national roads are being discussed.

Table 1: Achievement of Project Purpose

Project Purpose	Indicator	Actual
To accelerate sustainable operationalization of KPPIP and bankable project preparation, including selected projects from Indonesia-Japan framework.	The number of KPPIP priority projects prepared in accordance with the key official documents mentioned in “OUTPUTS” and selected projects from Indonesia-Japan framework that accomplished financial arrangement or commenced construction works	<ul style="list-style-type: none"> As of the completion of this project, all 37 KPPIP priority projects selected under Output 1 had either made financial arrangement or had begun construction. As shown in Figure 3, by the completion of this project in 2019, 221 of the 257 National Strategy Projects (about 85%) had either been completed financial arrangement or had begun construction.



Source: Prepared by External Evaluator based on information provided by KPPIP

Note: In preparation: project formation stage; Transaction: starting to enter the bidding stage and fulfillment of financial arrangement; Construction: construction has begun; Partial operation: construction has not been completed, but facility operation has partially begun; Completed: construction has been completed. The “+ number” in the table indicates the number of programs in which multiple projects are combined.

Figure 3: Cumulative Achievements of National Strategic Projects (unit: Number of projects)

On the other hand, the indicator “number of priority projects that accomplished financial arrangement or commenced construction works” depends on the difficulty level, size, and form of the project, so it is not possible to judge whether bankable projects have been formed simply by the increase or decrease in the number of projects²⁰.

²⁰ As a supplementary indicator, “the number of projects for which multiple bids were submitted by short-listed firms after prequalification for bidding (the number of projects for which multiple firms submitted bids instead of one firm submitting a single bid) was considered in ex-post evaluation. However, the implementing agencies do not have information on the bidding stage, and individual inquiries to government contracting agencies and local governments are required for each project, making it difficult to obtain this information, which could not be confirmed in this survey.

In this evaluation, the number of projects for which the IIGF provided performance guarantees to government contracting agencies was confirmed as a reference. Since the IIGF guarantee is a program that guarantees the government contracting agency's contract performance to the private sector operator in PPP projects, the IIGF will provide a financial guarantee on behalf of the government contracting agency in the event that the government contracting agency defaults on its obligations. In other words, the risk is reduced for the private sector, leading to the preparation of bankable projects. As shown in Table 2, since its establishment in 2009, the IIGF had guaranteed only one project before the start of this project. However, after this project was implemented, the number of guaranteed projects has steadily increased. By 2019, when this project was completed, a cumulative total of 20 projects have been guaranteed. The IIGF staff indicated that this project has deepened their understanding of PPPs and provided them with know-how on how to apply new schemes for Indonesia, such as the AP scheme, which has led to the promotion of PPP projects. As of May 2023, a total of 32 projects have been guaranteed, of which 10 projects have applied the AP scheme, confirming that the project has contributed to the formation of bankable projects.

Table 2: Guarantees provided by IIGF (unit: Number of cases)

	2011	2016	2017	2018	2019	2020	2021	2022	May 2023
New Guaranteed Projects	1	8	6	2	3	4	4	3	1
Cumulative Total	1	9	15	17	20	24	28	31	32

Source: Interview with IIGF

In light of the above, the project achieved its purpose.

3.2.2 Impacts

3.2.2.1 Achievement of Overall Goal

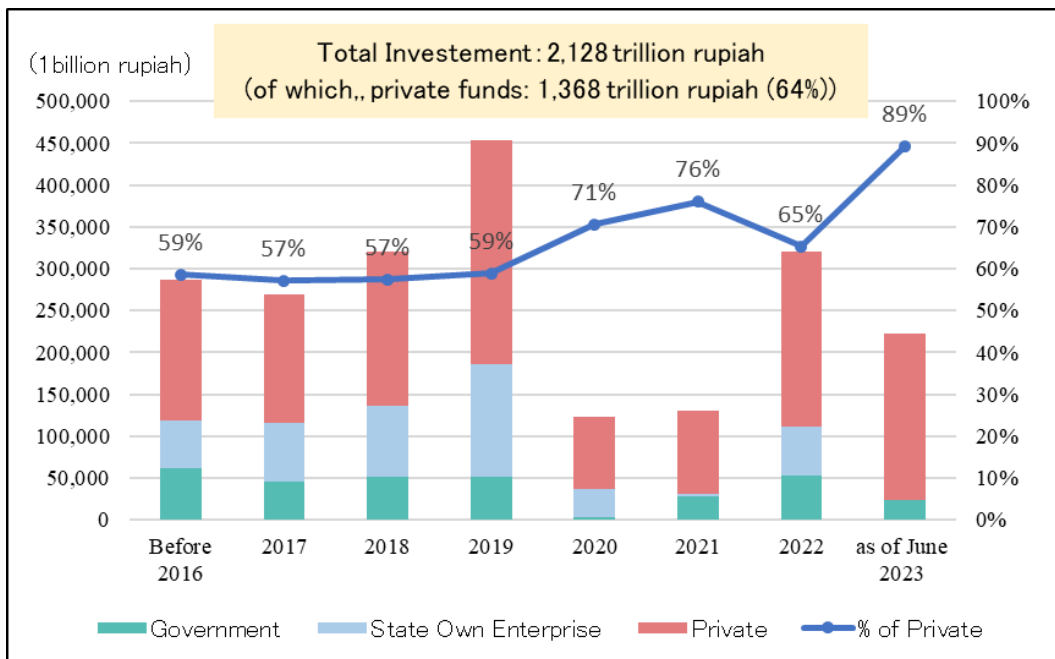
The three indicators set as overall goal were (1) “realization of priority infrastructure projects,” (2) “sustainable operation of the KPPIP PMO,” and (3) “increase in domestic and foreign direct investment in Indonesia and the Jakarta metropolitan area. Indicator (2) is confirmed in “Sustainability” below. Since there are many external factors other than the Project with respect to Indicator (3), and it is difficult to determine the status of achievement of overall goal, supplementary indicators were established as Indicators 2 and 3, as shown in Table 3 and confirmed them. In addition, indicators at the bidding stage, such as the number of unsuccessful or failed bids for priority projects and the number of projects for which multiple firms submitted bids, were also considered in the same manner as the project purpose. However, since the implementing agencies did not

have this information and it was difficult to obtain it. Therefore, the achievement level of overall goal was examined based on the following three indicators.

Table 3: Achievement of Overall Goal

Overall Goal	Indicator	Actual
To promote priority infrastructure development including selected projects from Indonesia-Japan framework through sustainable operation of KPIP PMO with favorable government policy, thus leading to improvement of investment in climate in Indonesia.	1. (PDM Indicator) Realization of priority infrastructure development projects *The implementation consultant confirmed that “realized” does not mean the number of construction completions, but rather that the project has been formed into a bid-ready status. In other words, a project is “realized” when it enters the “transaction” stage shown in Figure 3. Therefore, this indicator was confirmed from information provided by the implementing agencies on the progress of national strategy projects.	<ul style="list-style-type: none"> • As of the ex-post evaluation, the National Strategic Projects consisted of 210 projects and 12 programs, and as shown in Figure 3, 156 projects had been completed as of May 2023 (74% of the total number of projects). • Projects newly identified as National Strategic Projects through the annual selection process are added to the "Preparation" phase shown in Figure 3. From there, they enter the bidding phase (transaction phase) after technical and financial studies and financial schemes are reviewed by KPIP and related agencies. As shown in Figure 3, the number of projects in the preparation phase has not stagnated except for 2020, the year of the new coronavirus diseases pandemic, and has remained at a certain number. Since National Strategic Projects are added every year, the realization of projects (entering the bidding-ready stage) is considered to be facilitated to some extent.
	2. (Supplementary Indicator) Percentage of private funds invested in the development of priority infrastructure projects.	<ul style="list-style-type: none"> • As shown in Figure 4, the amount of private-sector funds invested in priority infrastructure projects has been steadily increasing, amounting to 1,368 trillion rupiah (about 13.2 trillion yen) as of June 2023, or about 64% of the total amount of funds. • The percentage of private-sector funds is on the rise and is expected to continue to grow. • Although the increase in private-sector funding is not the result of this project alone, as described above under “Effectiveness,” the regulation and policy support for project preparation and the capacity of the parties involved have been strengthened through this project. Thus, it is judged that the project has contributed to a certain extent.
	3.(Supplementary Indicator) Opinions on the effects of improvement in the infrastructure investment environment from the viewpoint of related private companies. (Interviews with 4 Japanese companies and 1 major Indonesian company implementing PPP (5 companies in total), ()	<ul style="list-style-type: none"> • Regulations and system regarding infrastructure development/PPP have improved over the past 10 years. (5 companies) • The establishment of IIGF has led to a greater number of PPPs and improved access to government finance. (1 Indonesian company) • The project has been recognized since its implementation, and it was believed that the project has played a role in improving the PPP regulations and policies. It is especially useful that various PPP promotion schemes such as AP and Viability Gap Funding Scheme, which were

	number of responded companies)	<p>supported by this project, have started functioning. (3 companies)</p> <ul style="list-style-type: none"> • The Legok Nangka Waste to Energy project in West Java, which incorporated the AP scheme and for which JICA conducted the TA, is attracting attention as Japanese company with high expectations. (4 companies) • KPPIP has provided technical advice and assistance in obtaining business licenses, planning to obtain government guarantees, coordination with relevant agencies, land acquisition issues, and funding, which have facilitated PPP projects. In particular, KPPIP's coordination and debottlenecking functions have made a big difference with regard to land issues, which had been a factor in the stagnation of PPP projects (1 company).
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Source: Prepared by External Evaluator based on information provided by KPPIP

Figure 4: Percentage of Funds Invested in the Development of Priority Projects and National Strategic Projects

As shown in the achievement status of the above indicators, the National Strategic Projects are progressing and the share of private financing is increasing to a certain extent. It was confirmed that the project has strengthened the capacity of KPPIP, the Ministry of Finance, and institutions related to infrastructure finance to implement schemes to promote PPP projects, such as AP and Viability Gap Funding, and has facilitated the formation of bankable projects. In addition, private companies interviewed confirmed that KPPIP's ability to coordinate with relevant organizations and resolve issues that

cause stagnation, such as land acquisition issues, has contributed to the promotion of projects. Although there are many factors other than this project that contributed to the improvement of the investment environment in Indonesia, as mentioned by the private companies, this project is considered to have made a certain contribution to the improvement of the investment environment in Indonesia by improving the implementation capacity of KPPIP and related government organizations in PPP-related regulations. Based on the above, the project has mostly achieved its overall goal.

3.2.2.2 Other Positive and Negative Impacts

1) Impacts on the Environment

The project was classified as Category C based on the *JICA Guidelines for Environmental and Social Considerations* (April 2010), as it was judged to have minimal undesirable effects on the environment. No negative impacts were confirmed by the implementing agency and the implementing consultant.

2) Resettlement and Land Acquisition

No resettlement or land acquisition has occurred as a result of this project.

3) Gender Equality, Marginalized People, Social Systems and Norms, Human Well-being and Human Rights, and Unintended/Intended Positive/Negative Impacts

<Expansion of organizations eligible for implementation in procurement support services for government contracting agency (TA Services)>

As mentioned above in Output 2, the regulation of Ministry of Finance on PDF was revised from the efforts made by the project, and international agencies were now able to implement PDF/TA. The project consulted with the National Property Risk Management Bureau of the Ministry of Finance to confirm that bilateral aid agencies such as JICA can also implement PDF and TA. As a result, in the Legok Nangka Waste to Energy Project (PPP Project) in West Java, JICA, in cooperation with the International Finance Corporation (IFC) of the World Bank Group, was to conduct TA work to assist the Indonesian government on a series of procurement procedures including bidding operations (preparation of bidding documents, bid evaluation, etc.) for the selection of a waste power generator (private company), negotiations with the selected waste power generator²¹. In fact, the project was awarded to a consortium of Japanese firms in August 2023. This is the first time in the world for JICA to provide TA to a government agency in a PPP project, and this is considered to be a significant impact of the project. This is

²¹ https://www.jica.go.jp/Resource/press/2019/20190924_10.html

one of the impacts of the PPP project. The Japanese firms interviewed were more hopeful that JICA's implementation of TA would provide them with the confidence that, for example, conditions would not change during the bidding process, and that this would encourage Japanese firms to participate in PPP projects in the future. TA operations had previously been appointed by the Ministry of Finance to PT SMI, IIGF, and other organizations, but the creation of an example of actual implementation by a bilateral aid organization such as JICA has expanded eligible organizations that can conduct TA operations. This was one of the impacts in advancing the PPP projects.

<Formalization of land-related policies and regulations proposed for improvement in this project>

The project has provided advisory support and made technical proposals to improve regulations and policies related to land that were important for infrastructure development projects, and these have been formalized. Under Output 2, the project provided support for institutionalization for innovative land solutions to promote urban infrastructure and urban environment improvement, held policy discussions with relevant organizations on issues and details to be stipulated in the regulations related to land rights for air and underground space utilization, vertical land consolidation, and land bank, and made proposals for institutional improvement. Based on these proposals, for example, detailed government regulation for Omnibus Law²² on “Right to Manage, Land Rights, Multi-story Housing Units, and Land Registration” (No. 18/2021) was made with regard to air and underground space utilization rights. As for the Land Bank, the government regulation on the “Land Bank Agency” was issued by the detailed regulation of the Omnibus Law (No. 64/2021), and in December 2021, the Land Bank Agency was established with the authority to use land for public purposes such as national development and agrarian land reform. The Regulation on Land Consolidation was issued in October 2019 as Regulation No. 12/2019 of the Ministry of Land and Spatial Planning/State Land Agency. Furthermore, as the issue of “lost land” (land that is no longer functional due to natural phenomena) is an obstacle to infrastructure development, KPPIP proposed to amend the existing Presidential Regulation (No. 52/2022) in order to resolve issues related to land compensation, which was amended in 2023 (No. 27/2023)²³. Thus, it was confirmed that the KPPIP PMO has made use of its know-how regarding proposals, consultation details, and institutional amendments made by the project.

²² The Law on Job Creation to improve the investment environment. This law aims to attract foreign and domestic investment, create new jobs and stimulate the economy by simplifying the procedures and harmonizing various laws and regulations into one after reviewing various existing laws and regulations related to investment and business.

²³ Addressing the social impacts of communities on land identified as destroyed in development for the public good.”

Based on the above, the promotion of project formation of bankable projects, which was set as the project purpose, was achieved through the implementation of this project. In addition, while there are other external factors on the overall goal of promoting priority infrastructure projects and improving the investment environment in Indonesia, a certain contribution from the project has been confirmed. Thus, the effects of the project have been realized. Other impacts were observed such as that the project's efforts led to legal reform, which expanded the scope of TA operations to international agencies, including bilateral aid agencies such as JICA, and that regulations for land issues, which had been proposed for improvement were formalized. Therefore, the effectiveness and impact of the project are high, as the effects of the project have generally been realized as planned.

3.3 Efficiency (Rating: ②)

3.3.1 Inputs

Table 4: Plan and Actual of Inputs

Inputs	Plan	Actual (At the Completion)
(1) Experts	<ul style="list-style-type: none"> • Long-Term: No. of person not specified (33 MM) • Short-Term: No. of person/MM not specified 	<ul style="list-style-type: none"> • Long-Term: Total 2 persons • Short-Term: Total 21 persons (86 MM)
(2) Trainees received	N/A	3 times (33 persons)
(3) Equipment	Vehicle, Office Equipment	PC, Copy machines and other office equipment
(4) Domestic Training	N/A	Total 1,158 persons
Japanese Side Total Project Cost	Total 880 million yen	Total 1,172 million yen
Indonesian Side Total Project Cost	N/A	N/A

* MM stands for man month.

Source: Information provided by JICA

3.3.1.1 Elements of Inputs

In addition to Table 4 above, as mentioned above under “Appropriateness of the Project Plan and Approach” the project hired nine local consultants with experience in preparatory studies and implementation support work for PPPs and infrastructure development. They contributed to the smooth implementation of the project by assigning them to the ministries in charge of project formation and other issues that needed to be resolved, conducting regulation surveys and close communication with various related

ministries, and preparing highly complete documents in both English and Indonesian.

3.3.1.2 Project Cost

Project costs exceeded the plan with actual expenses of 1,172 million yen (133% of plan) compared to the planned 880 million yen. The reason for exceeded cost was due to the increased input of experts to strengthen the consolidation of results during the extended period and to respond to the strong request from the Indonesian government for AP implementation support and improvement of land-related policies.

3.3.1.3 Project Period

The project period was planned for 36 months (May 2014–April 2017), while the actual period was 68 months (May 2014–December 2019). As mentioned above, the change of president during the start-up phase of the project caused a delay in the launch of KPPIP, the implementing agency, and the project needed to support KPPIP from the establishment of its management structure, and it was necessary to change the scope of the project from supporting the MPA concept to promoting National Strategic Projects in Indonesia as a whole. The change in scope was agreed upon by both parties and implemented in December 2015 through a formal process. In the Terminal evaluation conducted in December 2016, the project was proposed to be extended for two years beyond the initial period, based on the need to address emerging needs for promoting infrastructure development, including the formulation of guidelines for functionalizing the AP scheme and human resource development for related institutions, in response to the growing demand for infrastructure development in Indonesia. The extension was formalized in February 2017 with the agreement of both parties. The functionalization of the AP scheme, which was added as an activity under Output 2, was a necessary activity to ensure the achievement of the project purpose. Since the extension has confirmed the realization of the effects, it can be concluded that the extension was appropriate. Therefore, the period for which the extended two-year period was added was used as the planned value (60 months: May 2014–April 2019) and compared to the actual value of 68 months (May 2014–December 2019). The result was 113% of the planned value, and the project period was slightly exceeded the plan.

Therefore, efficiency of the project is moderately low.

3.4 Sustainability (Rating: ③)

3.4.1 Policy and System

In the *Medium-term National Development Plan (2020–2024)* in effect at the time of the ex-post evaluation, infrastructure development continues to be a key issue for promoting economic growth and reducing the economic disparity between East and West Indonesia. At the same time, the plan emphasizes the promotion of infrastructure development through PPPs within the limited government budget. Furthermore, the National Strategic Projects proposed by President Jokowi are targeted to be completed by 2024, the end of his term. The importance of KPPIP's role in promoting National Strategic Projects will continue. Based on the interviews with the implementing agencies, it is expected that the KPPIP will continue to function, since the National Strategic Projects are expected to be implemented after 2024 and infrastructure development will continue to be an important issue in Indonesia. Therefore, no major policy or system aspects related to this project were found.

3.4.2 Institutional/Organizational Aspect

The KPPIP is a body established by Presidential Decree (75/2014) of 2014 as a formal organization with the objective of becoming a coordinating body for the decision-making process in order to facilitate the resolution of challenges arising from the lack of effective coordination among the parties involved. In particular, it will serve as a point of contact to facilitate coordination in efforts to resolve issues in National Strategic Projects. The main functions of the KPPIP are (1) to establish the standard quality of pre-feasibility studies and review pre-feasibility study results, (2) to select and determine priority projects, (3) to determine funding schemes for priority projects, (4) to conduct monitoring and debottlenecking activities, (5) to determine strategies and policies to accelerate infrastructure development, and (6) to facilitate capacity building required for priority infrastructure development. At the time of the ex-post evaluation, there was no change in the functions of the KPPIP.

The KPPIP PMO is under the jurisdiction of the Coordinating Ministry for Economic Affairs, and at the time of the ex-post evaluation, the KPPIP PMO had 66 staff members, of which 40 were technical staff members, excluding general affairs, etc. Of the 40, 27 were government employees who belong to the Coordinating Ministry for Economic Affairs and are under the concurrent jurisdiction of the KPPIP PMO. There were 13 contract employees with infrastructure-related skills. Compared to when it was first established, the number of contract employees with specialized skills, which used to be around 30, has decreased due to the decrease in the budget. As a result, there have been some changes in the content of implementation, such as the limited implementation of

capacity building through training for implementing agencies and local governments, especially for the infrastructure projects mentioned in (6) above. However, there were no major problems caused by the shortage of staff.

As the main institutions implementing PPPs, the PPP Unit of the Ministry of Finance had 48 staff, the IIGF had about 150 staff, and PT SMI had 360 staff (17 in charge of PPPs). The KPPIP PMO has confirmed that the KPPIP member agencies (Ministry of Investment, National Development Planning Agency's PPP Department, etc.) have not experienced any problems due to insufficient number of staff in carrying out PPP-related tasks. Compared to the time of planning, there was no significant difference in the number of staff in these organizations, and no problem was found in promoting PPP implementation due to insufficient number of staff.

Based on the above, as an organization to promote bankable projects, there were no problems in the organization of not only KPPIP but also related institutions such as the Ministry of Finance, IIGF, and PT SMI, whose capacity was strengthened through this project, and no issues were found in their institutional/organizational aspects.

3.4.3 Technical Aspect

KPPIP has contract employees from the private sector with expertise and experience in PPP and infrastructure development. They have experience working for private financial institutions and private infrastructure engineering, and have a sufficient level of technical expertise to promote PPPs. In addition, KPPIP hires outside experts when it is necessary to use technologies that are not available within KPPIP. These staff members are performing the major functions of KPPIP as described above, and no technical issues were found. In addition, technical support has been provided by the World Bank and the Australian government, which are available for consultation on technical matters²⁴. On the other hand, contract employees with professional skills, who account for about 30% of the staff, are on one-year contracts. One of the issues for improvement in terms of technical sustainability and establishment of organizational capacity is to put them on long-term contracts, and in the future, government employees should be responsible for the technical skills, such as monitoring priority projects and debottlenecking activities.

Many of the staff members of the Ministry of Finance and infrastructure finance institutions targeted for capacity strengthening under the project were still involved in PPPs and infrastructure development at the time of the ex-post evaluation, and the skills they

²⁴ KPPIP is receiving technical assistance under the Australian “Indonesia-Australia Partnership for Infrastructure (KIAT)”. KIAT is an Indonesia-Australia partnership aimed at supporting sustainable and inclusive economic growth through improved access to infrastructure for all. It has a budget of A\$300 million over 10 years starting in 2016 to provide technical assistance to improve infrastructure policy, planning, and implementation. (https://www.dfat.gov.au/sites/default/files/indonesia-australia-partnership-infrastructure-kiat-phase-1-mid-term-review_0.pdf)

had acquired, including implementation of the AP scheme and infrastructure finance analysis, were still being used. Therefore, no major technical issues were found.

3.4.4 Financial Aspect

The budget of KPPIP, the implementing agency, is shown in Table 5, and the budget of KPPIP is allocated by the Coordinating Ministry for Economic Affairs, which has jurisdiction over KPPIP. The budget has been cut by about half since 2020, mainly due to the impact of COVID-19. In Indonesia, all government agencies have had their budgets cut to combat the new coronavirus infection. In addition, according to KPPIP, this is due to an increase in the number of organizations under the Coordinating Ministry for the Economic Affairs, which allocates budgets. In fact, the number of affiliated organizations increased from 10 in 2019 to 45 in 2023, confirming that the increase in the number of allocations within the limited budget was also a factor in the decrease in KPPIP's budget. However, among the existing 45 organizations, KPPIP has the third largest budget allocation, indicating that it is considered important among the Coordinating Ministry for Economic Affairs.

Table 5: KPPIP Budget Trends

(Unit: billion rupiah)

Year	2018	2019	2020	2021	2022	2023
Budget	40	30.35	15.46	15.33	15.69	16.03

Source: Questionnaire responses from KPPIP

Due to the reduced budget, the OBC supplemental survey, which had been conducted as part of capacity building during the project, was not conducted. On the other hand, the OBC supplemental survey should not necessarily be conducted by KPPIP. It is commissioned by government contracting agency through the Ministry of Finance to PT SMI or IIGF, or by outsourcing to outside parties. Therefore, this did not cause any delay in the preparation of infrastructure projects. KPPIP is conducting OBC and FBC reviews, monitoring of projects, and debottlenecking activities within a limited budget. In addition to this, as mentioned above in section “3.4.2 Organization and Structure,” the implementation of capacity building through training for implementing agencies and local governments for infrastructure projects was limited due to budget decreases. Thus, compared to during the implementation of this project, there were some activities that could no longer be implemented due to the reduced budget. The KPPIP functions in coordination with other related agencies and has maintained a certain budget size in recent years, but some minor problems have been observed.

From the PPP-related departments of the Ministry of Finance, it was confirmed that that there are no major problems with the Ministry of Finance budget needed to realize the PPP projects. For example, as shown in Table 6, the Ministry of Finance injects a certain amount of PDF implementation costs to PT SMI and IIGF each year. Costs for IIGF have been increasing each year. Costs for PT SMI have decreased during COVID-19 pandemic, but certain capital injections were confirmed. Interviews with PT SMI and IIGF confirmed that no financial challenges have arisen.

Therefore, although there are some minor problems in KPPIP's budget, it is being coordinated with other relevant agencies and has high prospects for improvement and resolution.

Table 6: PDF Implementation Costs from Ministry of Finance to PT SMI and IIGF
(Unit: billion Rupiah)

	2018	2019	2020	2021	2022
PT SMI	47.35	62.16	30.19	19.90	24.30
IIGF	20.21	30.64	26.78	34.31	42.22

Source: Questionnaire responses from the Ministry of Finance

3.4.5 Environmental and Social Aspect

There were no adverse effects of the project on the surrounding environment.

3.4.6 Preventative Measures to Risks

One immediate risk is that the new administration to be formed in 2024 will change its policies. Organizations established by the current president, including KPPIP, may be subject to change. On the other hand, Indonesia's infrastructure demand is high, and even under the new administration, private sector investment demand for infrastructure promotion will continue to be high. Among KPPIP's functions, the monitoring of priority projects and debottlenecking activities are functioning effectively and are regarded by relevant organizations as functions that will continue to be necessary in the future. Therefore, even though the name and structure of the KPPIP organization may change, the sustainability of the KPPIP's functions themselves is considered to be remained. Therefore, the impact is considered to be small.

Slight issues have been observed in the financial aspects, however, there are good prospects for improvement/resolution. Therefore, sustainability of the project effects is high.

4. Conclusion, Lessons Learned and Recommendations

4.1 Conclusion

This project aimed to promote the preparation of the bankable infrastructure projects in Indonesia by establishing a management structure for a Committee for Acceleration of Priority Infrastructure Delivery (hereinafter referred to as “KPPIP”) and providing support for the improvement of systems and policies related to infrastructure development through strengthening the capacity of the KPPIP Project Management Office and related institutions. By doing so, the project intended to improve investment climate in Indonesia. The objectives of the project were consistent with the development policy and development needs in the country, and the project plan and approach were appropriate. The specific coordination was not planned with the other JICA projects nor non-JICA projects. But the project was consistent with Japan's development cooperation policy. Based on the above, the relevance and coherence of the project are high. The project purpose of promoting preparation of bankable projects was achieved. On the other hand, the extent to which this project to the overall goal of improving the investment environment in Indonesia was unclear, as there were many external factors other than this project. However, the project contributed to a certain extent to the improvement of the investment environment, as it supported the functionalization of the system to promote PPP projects and confirmed that problem-solving activities by the KPPIP have led to the promotion of National Strategic Projects. In addition, other impacts were observed. For example, the project has enabled bilateral aid organizations such as JICA to provide support services for procurement procedures in PPP project. This has led to JICA actually providing support services for the Legok Nangka Waste to Energy Project in West Java (PPP project). Other example was that the system for land issues proposed for improvement in this project was formalized. Therefore, the effectiveness and impact of the project are high. The project costs exceed the plan, and the project period slightly exceeded the plan. Thus, the efficiency is moderately low. Regarding the sustainability of the project, there are some minor problems with the financial aspects, but the prospects for improvement and resolution are high, and sustainability is high.

In light of the above, this project is evaluated to be highly satisfactory.

4.2 Recommendations

4.2.1 Recommendations to the Implementing Agency

The KPPIP was established by the current Presidential Regulations and is a committee whose purpose is to promote the implementation of National Strategic Projects. The National Strategic Projects are planned to be realized by 2024, when the current administration ends. However, as of the time of the ex-post evaluation, more than 60 projects remain, and it is expected that they will continue beyond 2024. In addition,

infrastructure development/PPP projects are expected to remain in high demand in Indonesia even after the completion of the National Strategic Projects. Therefore, the functions of KPPIP are essential in promoting infrastructure projects. In particular, KPPIP's monitoring and debottlenecking activities are highly valued by the Ministry of Finance and other relevant agencies, and these functions should be continued.

On the other hand, approximately 30% of KPPIP's technical staff are employees on one-year contracts. Given the sustainability of KPPIP's organizational capacity, consideration should be given to having the organization composed of government employees in the future. In the short term, a human resource plan should be developed to reduce staff mobility by extending the contract terms of these contract employees and promoting them as government employees.

It is recommended that the KPPIP begin discussions and deliberations on the post-2024 KPPIP, including future staffing plans, with the competent Coordinating Ministry for Economic Affairs by the end of the current administration, as it is similarly contemplated by the implementing agency.

4.2.2 Recommendations to JICA

None.

4.3 Lessons Learned

Effective use of local consultants who are familiar with local conditions and have specialized skills will help resolve issues.

In this project, by assigning local consultants who were familiar with the local situation to the relevant organizations and project sites, it was possible to conduct constant surveys on regulations and communicate closely with the relevant organizations even without Japanese experts, making it easier to identify issues and derive directions for improvement, thereby contributing to the achievement of the project's results. For example, when the loan agreement for the Patimbang International Port Development Project (Yen Loan project) (L/A November 2017) was delayed, a local consultant was assigned to the department reviewing the loan agreement at the Ministry of Transport, identified the issues (obtaining environmental permits was an issue), proposed solutions to the problems, and built consensus among the agencies concerned. In addition, when the Medan Hospital PPP project was being implemented as a pilot project to apply the AP scheme, the local consultant took the lead in conducting the OBC and FBC surveys, which facilitated the project formation. In this way, by working together with related institutions that were unfamiliar with how to proceed with PPPs and yen loans to clarify and resolve issues, which also led to capacity building for the partner institutions. When promoting PPP/infrastructure development

support, it is necessary to research and understand the local legal system and how to obtain permits and licenses, and to identify and resolve issues through close involvement and communication with relevant local institutions. The support of local consultants specializing in infrastructure finance and PPPs is indispensable. If JICA implements similar projects in the future, it would be effective to proceed on the premise that such local consultants will be effectively utilized.

5. Non-Score Criteria

5.1 Performance

5.1.1 Objective Perspective

JICA concluded a Memorandum of Understanding with PT SMI, an infrastructure finance institution, to cooperate in the preparation of PPP projects and capacity building of PT SMI through this project, infrastructure finance-related activities other than PPP, and other mutually agreed matters. This agreement enabled smooth cooperation from PT SMI on OBC/FBC support, AP training module development, and PPP training for local governments, which were implemented by the project. Also, in the Medan Hospital PPP project, which was being implemented as a pilot project to apply the AP scheme, the relationship with PT SMI enabled close discussions with the Ministry of Health, which was in charge of the project. This made it possible to make recommendations for a PPP system and related systems in the hospital sector, the first of its kind in the social sector in Indonesia. Since the preparation of infrastructure development and PPP projects is complex, projects must be promoted while clarifying the issues through close communication and information sharing with relevant organizations. Formal collaboration with an important institution such as PT SMI was beneficial to both parties, not only in achieving the objectives of this project, but also in strengthening the capacity of PT SMI. It is worth mentioning that such cooperation by JICA was very effective in enhancing the effectiveness of this project.

5.2 Additionality

None

(End)