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Chemonics International

Final Draft Copy

Preliminary WORKPLAN

for

Project Year One

PURSE Project

Private Participation in Urban Services Project

Government of Indonesia

*BAPPENAS Deputy V
Ministry of Finance
Ministry of Home Affairs
Ministry of Public Works*

USAID Contract No. : 497-0373-C-00-3030-00

Prepared by:

*C. Mark Williams
Chemonics International*

July 1993

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Executive Summary

First Annual PURSE WORKPLAN

EXECUTIVE SUMMARY

PURSE Project

The *purpose* of the PURSE Project is to provide assistance to the Government of Indonesia in the development of a institutionalized local government process that will make use of public private partnerships for the construction of much needed urban environmental infrastructure (Water Supply, Waste Water, and Solid Waste Facilities). Indonesia has extraordinary requirements to increase its level of infrastructure development, but is unable to meet those needs within the framework of its existing financial mechanisms for infrastructure development. The Government of Indonesia is attempting to provide alternative methods of infrastructure development through initiatives such as PURSE so that infrastructure needs can be achieved as needed.

PURSE Project Components: The PURSE Project is divided into three *interrelated* components. They are (1) Policy, Legal and Regulatory, (2) Demonstration Project Development, and (3) Training and Communications. Each of these three components is integrated and serves as an important support function to the remaining two components. Any lessons learned or information gained from the activities of one component will be used to bolster the remaining two components. PURSE Project achievements will be dependent on the effective coordination between individual workplan tasks contained in all three workplan components. One of the major objectives of PURSE staff is to develop an ongoing and effective administrative process to insure superior coordination.

Policy, Legal & Regulatory: The PURSE Project will offer assistance to the Government of Indonesia in the development of an institutionalized system which will permit infrastructure development through a process of public private partnerships and private sector participation. The PURSE Project will undertake an effort which will result in the development of recommendations for new *policies, laws, regulations, and standard operating procedures* for infrastructure development using private sector development and financing.

Demonstration Projects: PURSE will identify and coordinate the development of actual *demonstration projects*. Information gained from demonstration project development will be incorporated into recommendations for new GOI policies, decrees, regulations, and standard operating procedures as part of the Policy, Legal and Regulatory Component.

Demonstration Projects will also be heavily utilized for the training of GOI officials. Training activities will attempt to match the development of a new legal and regulatory program with a program of training, skill development and knowledge transfer which will allow GOI officials to effectively operate under the new legal environment in the development of public private partnerships. Actual demonstration projects will be used to effectively implement training and legal and regulatory development so that the process is being field tested as it is being developed. GOI officials will have concrete examples of actual projects so that learning and training examples can be made more realistic and effective.

Training and Communication: Under the PURSE Project, an extensive training program will be developed so that changes imposed under the Policy, Legal and Regulatory Component will be provided to officials of the central and local government. Training will utilize actual experiences gained from demonstration projects in order to provide a realistic and meaningful aspect to the training agenda. PURSE will use local government officials and private sector persons who have implemented demonstration projects to enhance the understanding of public private partnerships to local government officials. PURSE believes that the integration of theory with actual real life situations will make the training program more meaningful and useful. PURSE will also attempt to expand training by formulating a US and foreign based training components which utilize long term academic training for promising GOI employees as well as short term training which will incorporate an admixture of lectures with theory and actual project development from the United States, ASEAN and elsewhere.

Conclusion: The PURSE team recognizes the importance of the mission of the PURSE Project. The health and welfare of the Indonesian citizenry and the future success of the economic transformation of the Indonesian economy are linked to the government's ability to provide needed expansion of its infrastructure base. The PURSE team recognizes the importance of this effort and places great importance on our ability to function effectively as a team with our associates in the Government of Indonesia. PURSE is committed to making every effort and using every available resource to assist the Government of Indonesia in the success of this project and its mission.

Section I

First Annual WORKPLAN Matrix

PURSE: First Annual Workplan

Private Participation in Urban Services Project

Date: July 1, 1993

USAID Jakarta

Chemonics, International

POLICY, LEGAL AND REGULATORY		Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year 2
1.01	Public Private Partnership Policy Development					Anthony Torrens		BAPPENAS			10/93			
1.02	Legal & Regulatory PPP Policy Development							Ed Mazuroski					12/93	
1.03	Project Financial & Performance Guarantee Study				Mark Williams			MOF/BAP		10/93				
1.04	Evaluation of Water Project Costs							Urban Econ Advisor			CIPTA KARYA		12/93	
1.05	Evaluation of Existing Tariff Policy										Urban Econ Advisor		CIPTA KARYA	
1.06	Willingness to Pay Survey											Michael Conlon	PUOD	
1.07	Review Government Contracting Procedures							Shyami De Silva					PUOD	
1.08	PURSE Performance and Monitoring System									Ed Mazuroski	BAPPENAS		12/93	
DEMONSTRATION PROJECTS														
2.01	Develop PURSE Preliminary Financial Models							Mark Williams		CIPTA KARYA		11/93		
2.02	Evaluate Public Private Partnership Projects							Michael Conlon		CIPTA KARYA		11/93		
2.03	Develop Inventory of PPP & PSP Projects							Michael Conlon		CIPTA KARYA		12/93		
2.04	Market PPP & PSP Demonstration Projects										Michael Conlon		CIPTA KARYA	
2.05	Private Sector Solicitations for Demo Projects										Michael Conlon		BANGDA	
TRAINING & COMMUNICATIONS														
3.01	Development of PURSE Training Program							Ed Mazuroski		BAPPENAS		11/93		
3.02	Short Term GOI Overseas Training							Mark Williams		BAPPENAS				
3.03	Short Term GOI In-Country Training							Urban Econ Advisor			BANGDA			
3.04	Central Government Training and Workshop									Ed Mazuroski	BAPPENAS			
3.05	Public-Private Forum for PURSE Projects										Michael Conlon		PUOD	
3.06	Overseas GOI Academic Training							Mark Williams		BAPPENAS				

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Section II

Life of Project Summary

PURSE: Life of Project Summary

Private Participation in Urban Services Project

Date: July 1, 1993

USAID Jakarta

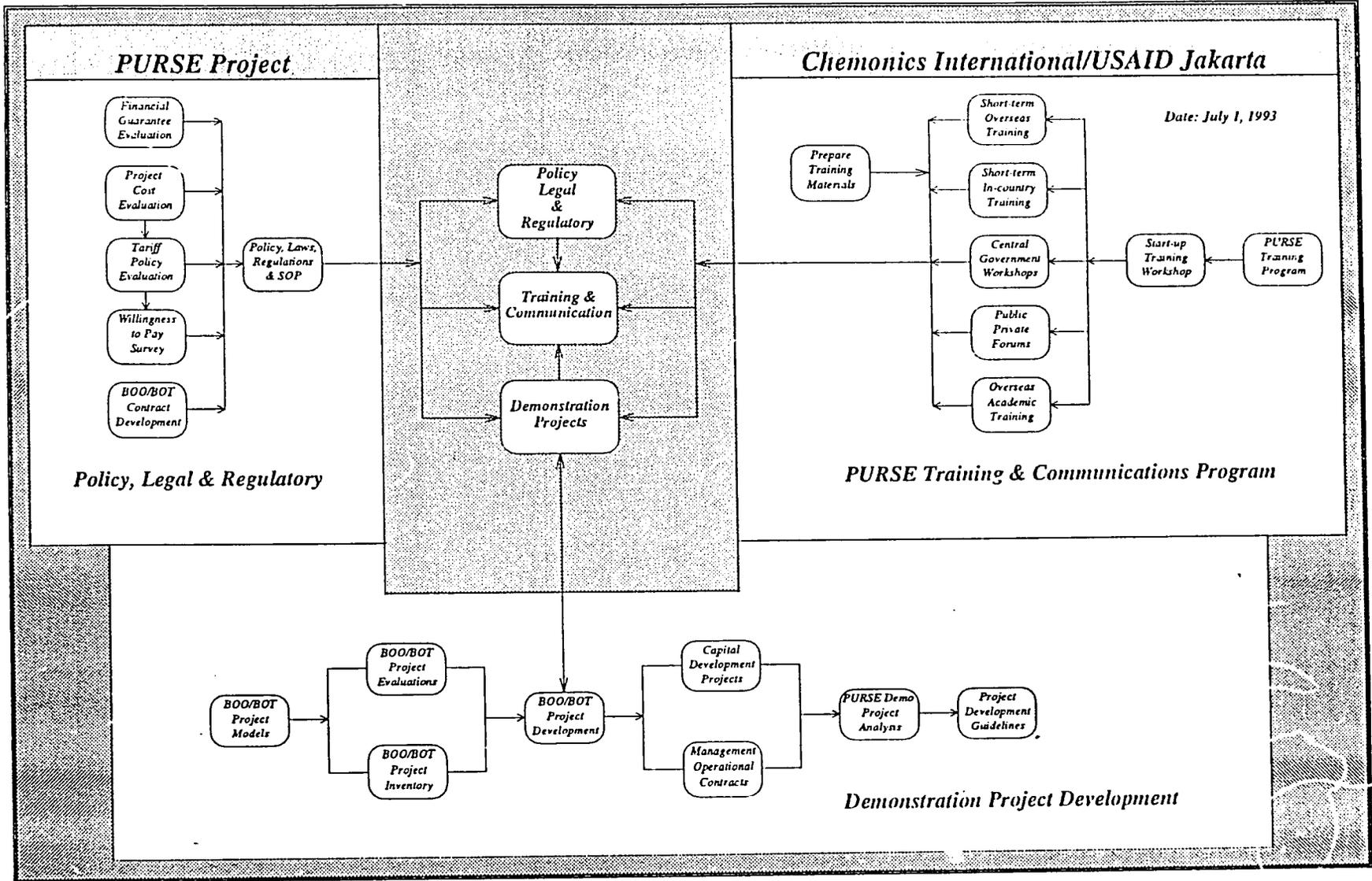
Chemonics, International

	Year One				Year Two				Year Three				Year Four				Year Five				Year Six				EOP				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4					
POLICY, LEGAL AND REGULATORY																													
a	Policy Review				Policy Development				Policy Implementation																				
b	Legal & Regulatory Review				Development of Laws				Development of Regulations																				
c	Study of Financial Guarantees				Development of Standard Operating Procedures																								
d	Project Cost Analysis				Project Cost Analysis				Project Cost Analysis																				
e	Review of Tariff Policy				Willingness to Pay Survey & Study																								
f	Development of Model Contracts																												
g	Project Evaluation System																												
h																													
i																													
DEMONSTRATION PROJECTS																													
a	Model Design																												
b	Evaluations																												
c	Develop Inventory				Develop Additional Inventory																								
d	Develop PURSE Marketing Plan				Continue PURSE Marketing Efforts																								
e	Develop PURSE Solicitations				Continue Solicitations																								
f	Project 1				Project 2				Project 3				Project 4				Project 5												
g	Project 1				Project 2				Project 3				Project 4				Project 5				Project 6				Project 7				
h																													
i																													
TRAINING & COMMUNICATIONS																													
a	Develop Training Program																												
b	1				2				3				4				5				6				7				
c		1				2				3				4				5				6				7			
d																													
e		1				2				3				4				5				6				7			
f	Select Participants				Select Participants				Select Participants																				

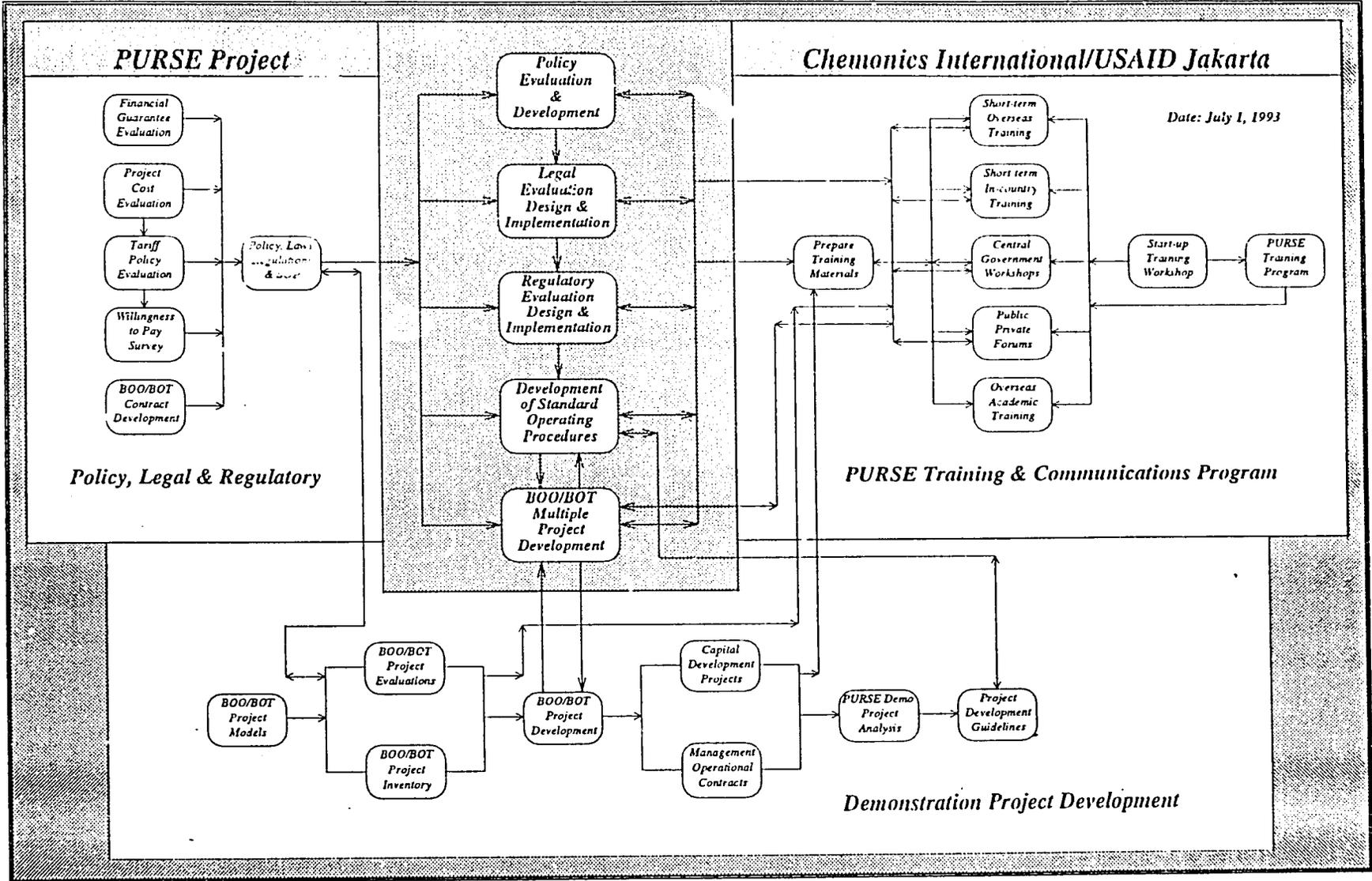
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Section III

PURSE Project Operational Flowchart



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Section IV

Level of Effort and Project Deliverables Chart

P. POLICY, LEGAL AND REGULATORY COMPONENT

			Task Manager	Due Date	ITS/Staff LOE	SIT/Exp LOE	L. Staff LOE	SOL C LCE	GOI Liaison
1.01	Preliminary Review and Evaluation of Central Government Policy for PURSE Projects								
	<i>Review Existing Policy for Private Participation and Outline Recommendations for Future Policy</i>								
	<i>Complete Policy Reviews for the Water, Wastewater & Solid Waste Sectors</i>								
P 1.0	(Deliverable) (Discussion Paper) An Analysis of Existing Policy for Public-Private Participation (PPP)		Intens	10/91	4.1	0.9	1.1	0.9	BAP
1.02	Legal & Regulatory Review of Private Sector Participation								
	<i>Study National and Local Government Laws Impacting on Private Sector Participation</i>								
	<i>Review the Legal, Regulatory and Financial Roles of PDAM's in Private Participation Projects</i>								
P 2.1	(Deliverable) Report Analysis of Existing Legal & Regulatory Issues for PPP & PSP Projects		Mazuroski	12/93	3.7	0.9	2.1	0.9	PUOD
1.03	Review and Evaluation of GOI Authority to Provide Financial and Performance Guarantees								
	<i>Review Options for Developing and Using GOI Financial and Performance Guarantees for PURSE Projects</i>								
P 3.0	(Deliverable) Discussion Paper An Analysis of Project Financial and Performance Guarantees		Williams	9/93	3.7	0.9	1.4	1.6	BAP
1.04	Evaluation of Existing Cost Recovery and Service Delivery Costs for Urban Water Projects								
	<i>Analyze Capital and O&M Costs of Providing Urban Water Infrastructure Services</i>								
P 4.0	(Deliverable) Discussion Paper A Comparison of Projected and Real Costs Urban Water Systems		UEA	12/93	3.5	0.0	2.3	1.4	CK
1.05	Evaluation of Existing Tariff Policy for Environmental Infrastructure								
	<i>Study Existing Tariff Structure and Compare with Actual Costs of Service Delivery</i>								
P 5.0	(Deliverable) Discussion Paper An Evaluation of the Adequacy of Existing Tariffs to Recover Real Costs		UEA	YR/2	1.8	0.0	1.8	1.4	PUOD

		Task Manager	Due Date	LT/Staff LOE	ST/Exp LOE	LT/Staff LOE	S/VC LOE	GOI Liaison
2.03	Develop a Preliminary Inventory and Profile Contracting Opportunities for BOO/BOT							
	Complete a Preliminary Description of Projects and Cities for BOO/BOT Demonstration Projects							
D 3.0	<u>Deliverable</u> <u>Discussion Paper</u> Preliminary Inventory of Projects and Cities for BOO/BOT Demonstration Projects	DPA	10/93	1.2	0.0	0.9	0.9	CK
2.04	Packaging and Marketing of BOO/BOT Demonstration Projects							
	Prepare Offering Package and Marketing Plan BOO/BOT Demonstration Projects							
D 4.0	<u>Deliverable</u> <u>Prospectus</u> Offering Package for BOO or BOT Project							
D 4.1	<u>Deliverable</u> <u>Project Note</u> The Packaging and Marketing of BOO/BOT Demonstration Projects	DPA	YR/2	0.7	0.0	0.5	0.9	CK
2.05	Private Sector Solicitations for Demonstration Project Development.							
	Solicit proposals on potential projects from private firms, and prequalify them.							
D 5.0	<u>Deliverable</u> <u>Publication</u> Publication of Solicitations for Private Sector Participation in BOO/BOT Projects	DPA	YR/2	0.7	0.0	0.0	0.0	BAN

T. TRAINING & COMMUNICATIONS PROGRAM

3.01	Preparation and Development of Preliminary PURSE LOP and Annual Training Program							
	Identify Training Opportunities and Complete a Preliminary PURSE Project Training Program							
T 1.0	<u>Deliverable</u> <u>Project Report</u> PURSE Project Training Program	MISA	12/93	1.8	0.0	0.2	0.0	BAP
3.02	Implementation of Short Term Overseas Training and Workshops for GOI Employees.							
	Identify Training Opportunities and Complete a Preliminary Overseas Project Training Program							
T 2.0	<u>Deliverable</u> <u>Preliminary Plan</u> A Five Year Overseas Training Program for GOI Employees	COP	3/93	1.6	0.0	0.0	0.0	BAP

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			Task Manager	Due Date	LT/Staff LOE	ST/Exp LOE	LT/Staff LOE	St/LC LOE	GOI Liaison
3.03	Implementation of Short Term In-Country Training and Workshops for GOI Employees								
	Develop Module Training Program (both Technical and Financial) for GOI Participants								
T 3.0	Deliverable	Preliminary Plan	Prepare Preliminary PURSE Module Training Plan for GOI Employees						
T 3.1	Deliverable	Workshop	Hold Workshop 1 for Training in Private Participation						
			UEA	10/93	2.5	0.7	0.9	0.9	BAN
3.04	Central Government Training and Workshop								
	Coordinate with the Steering Committee to Implement Two Initial Workshops Located in Jakarta								
	Initial Workshop will Focus on Workplan and GOI Input and Concerns on PURSE								
	Second Workshop will Present Preliminary Models and Address GOI Concerns								
T 4.0	Deliverable	Training Plan	Send Two GOI Employees Overseas for Masters Degree Educational Training						
			MISA	5/93	1.6	0.9	1.4	1.2	BAP
3.05	Public-Private Forum for Private Participation Projects								
	Plan and Implement a Public-Private Forum for Private Participation Projects								
	Discuss Case Studies and Identify Proposed Projects								
T 5.0	Deliverable	Forum	Forum 1: Public Private Forum for Private Participation Projects						
			DPA	11/93	1.6	0.7	1.2	0.7	BAN
3.06	Overseas Graduate Academic Training for GOI Employees								
	Assist the Steering Committee in the Identification and Processing of Two Candidates for Advanced Academic Training								
T 6.0	Deliverable	Masters Program	Send Two GOI Employees Overseas for Masters Degree Educational Training						
			COP	YR/2	0.6	0.0	0.0	0.0	BAP

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/July 1, 1993

Chemonics/USAID Jakarta

PURSE Project**Level of Effort****POLICY, LEGAL AND REGULATORY COMPONENT**

1.01 Preliminary Policy Review

1.02 Legal & Regulatory Review

1.03 Project Financial Guarantee Study

1.04 Study of Water Project Costs

1.05 Tariff Policy Evaluation

1.06 Willingness to Pay Survey

1.07 Local Government Contracting Procedures

1.08 PURSE Performance and Evaluation System

DEMONSTRATION PROJECTS

2.01 Development of Preliminary Financial Models

2.02 Evaluation of Existing BOO/BOT Projects

2.03 Development of Preliminary Inventory

2.04 Marketing of BOO/BOT Projects

2.05 Demonstration Project Solicitations

TRAINING & COMMUNICATIONS PROGRAM

3.01 Development of Preliminary PURSE Training Program

3.02 Short Term Overseas Training Program

3.03 Short Term In-Country Workshops

3.04 Central Government Training

3.05 Public-Private Forums

3.06 Overseas Graduate Training

Task Manager	Due Date	LTA/LOE Month	EX/Staff LOE	ST/Exp LOE	LO/Staff LOE	STA/C LOE	COP LOE	MSA LOE	UEA LOE	DPA LOE	CA LOE	LMSA LOE	LEFA LOE	GOI Liaison
UEA	10/93	4.4	19.0	4.0	6.0	4.0	4.0	3.0	10.0	1.0	0.0	3.0	3.0	WG
MSA	10/93	3.7	16.0	4.0	7.0	4.0	3.0	10.0	2.0	1.0	0.0	4.0	3.0	WG
COP	10/93	3.7	16.0	4.0	6.0	7.0	10.0	2.0	2.0	3.0	0.0	2.0	4.0	WG
UEA	12/93	3.5	15.0	0.0	6.0	3.0	2.0	1.0	10.0	2.0	0.0	2.0	4.0	MPW
UEA	YR 2	1.8	8.0	0.0	6.0	2.0	1.0	1.0	4.0	2.0	0.0	2.0	4.0	MHA
DPA	YR 2	1.6	7.0	0.0	2.0	1.0	1.0	2.0	2.0	2.0	0.0	1.0	1.0	MHA
CA	YR 2	4.8	21.0	0.0	6.0	1.0	1.0	1.0	1.0	2.0	16.0	4.0	2.0	MHA
MSA	12/93	2.3	10.0	3.0	0.0	0.0	3.0	6.0	1.0	0.0	0.0	0.0	0.0	WG
Subtotal (Wks)		25.8	112.0	13.0	39.0	22.0	25.0	26.0	32.0	13.0	16.0	18.0	21.0	
DEMONSTRATION PROJECTS														
COP	6/93	3.0	13.0	2.0	3.0	2.0	8.0	3.0	2.0	0.0	0.0	2.0	1.0	WG
DPA	8/93	2.3	10.0	0.0	7.0	8.0	2.0	4.0	2.0	2.0	0.0	4.0	3.0	MPW
DPA	10/93	1.2	5.0	0.0	4.0	4.0	1.0	0.0	0.0	4.0	0.0	2.0	2.0	MPW
DPA	YR 2	0.7	3.0	0.0	2.0	4.0	0.0	0.0	0.0	3.0	0.0	1.0	1.0	WG
DPA	YR 2	0.7	3.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0	0.0	0.0	WG
Subtotal (Wks)		7.8	34.0	2.0	16.0	18.0	11.0	7.0	4.0	12.0	0.0	9.0	7.0	
TRAINING & COMMUNICATIONS PROGRAM														
MSA	12/93	1.8	8.0	0.0	1.0	0.0	2.0	4.0	1.0	1.0	0.0	1.0	0.0	WG
COP	3/93	1.6	7.0	0.0	0.0	0.0	2.0	1.0	1.0	2.0	1.0	0.0	0.0	BAP
UEA	10/93	2.5	11.0	3.0	4.0	4.0	2.0	3.0	3.0	3.0	0.0	2.0	2.0	BAP
MSA	5/93	1.6	7.0	4.0	6.0	5.0	3.0	2.0	2.0	0.0	0.0	3.0	3.0	BAP
DPA	11/93	1.6	7.0	3.0	5.0	3.0	1.0	1.0	1.0	4.0	0.0	2.0	3.0	WG
COP	YR 2	0.6	2.5	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.5	0.0	0.0	WG
Subtotal (Wks)		9.8	42.5	10.0	16.0	12.0	12.0	11.0	8.0	10.0	1.5	8.0	8.0	
Total (Month)		43.5	43.5	6.2	16.4	12.0	11.1	10.2	10.2	8.1	4.0	8.1	8.3	

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Section V

PURSE/GOI Counterpart Matrix

P. POLICY, LEGAL AND REGULATORY COMPONENT

			Task Manager	Due Date	GOI Liaison
1.01	Preliminary Review and Evaluation of Central Government Policy for PURSE Projects		URBAN ECONOMIC ADVISOR		
P 1.0	<u>Deliverable</u>	<u>Discussion Paper</u>	TORRENS/CONSULTANT	10/93	BAPPENAS
			MUNICIPAL SERVICES ADVISOR		
1.02	Legal & Regulatory Review and Evaluation of PURSE		ED MAZUROSKI	10/93	PUOD
P 2.0	<u>Deliverable</u>	<u>Discussion Paper</u>	Baseline Review of Existing Legal and Regulatory Issues for PURSE Projects		
			CHIEF OF PARTY		
1.03	Review and Evaluation of GOI Authority to Provide Financial and Performance Guarantees		MARK WILLIMAS	10/93	BAPPENAS
P 3.0	<u>Deliverable</u>	<u>Discussion Paper</u>	An Analysis of GOI Authority to Provide Financial and Performance Guarantees		
			URBAN ECONOMIC ADVISOR		
1.04	Evaluation of Existing Cost Recovery and Service Delivery Costs for Urban Water Projects		SHORT TERM CONSULTANT	12/93	CIPTA KARYA
P 4.0	<u>Deliverable</u>	<u>Discussion Paper</u>	A Comparison of Projected and Real Costs Urban Water Systems		
			URBAN ECONOMIC ADVISOR		
1.05	Evaluation of Existing Tariff Policy for Environmental Infrastructure		SHORT TERM CONSULTANT	YR/2	PUOD
P 5.0	<u>Deliverable</u>	<u>Discussion Paper</u>	An Evaluation of the Adequacy of Existing Tariffs to Recover Real Costs		
			DEMONSTRATION PROJECTS ADVISOR		
1.06	Survey and Evaluation of Willingness to Pay for Urban Environmental Infrastructure		MIKE CONLON	YR/2	PUOD
P 6.0	<u>Deliverable</u>	<u>Project Report</u>	An Evaluation of the Willingness to Pay for Urban Infrastructure Services		
			CONTRACTS ADVISOR		
1.07	Review Existing Local Government Contracting Procedures for Private Sector Procurement		SHYAMI DE SILVA	YR/2	PUOD
P 7.0	<u>Deliverable</u>	<u>Discussion Paper</u>	An Evaluation of Contracting Procedures for Local Government Services		
			MUNICIPAL SERVICES ADVISOR		
1.08	Development of PURSE Performance and Evaluation System		ED MAZUROSKI	12/93	BAPPENAS
P 8.0	<u>Deliverable</u>	<u>Project Report</u>	PURSE Monitoring and Evaluation System		

D. DEMONSTRATION PROJECTS COMPONET

			Task Manager	Due Date	GOI Liaison
2.01	Develop and Evaluate Preliminary Financial Models for Capital Intensive PSP Projects		CHIEF OF PARTY		
D 1.0	<u>Deliverable</u>	<u>Discussion Paper</u> Development of Preliminary Financial Models for Capital Intensive PSP Projects	MARK WILLIMAS	11/93	CIPTA KARYA
2.02	Evaluate and Study Existing BOO/BOT PSP Projects		CHIEF OF PARTY		
D 2.0	<u>Deliverable</u>	<u>Case Studies</u> A Description of Existing BOO/BOT Projects in Indonesia	MIKE CONLON		
D 2.1	<u>Deliverable</u>	<u>Project Report</u> An Analysis of the Important Lessons Learned from Existing PSP Projects	MARK WILLIMAS	11/93	CIPTA KARYA
2.03	Develop a Preliminary Inventory and Profile Contracting Opportunities for BOO/BOT		DEMONSTRATION PROJECTS ADVISOR		
D 3.0	<u>Deliverable</u>	<u>Discussion Paper</u> Preliminary Inventory of Projects and Cities for BOO/BOT Demonstration Projects	MIKE CONLON	12/93	CIPTA KARYA
2.04	Packaging and Marketing of BOO/BOT Demonstration Projects		DEMONSTRATION PROJECTS ADVISOR		
D 4.0	<u>Deliverable</u>	<u>Prospectus</u> Offering Package for BOO or BOT Project	MIKE CONLON		
D 4.1	<u>Deliverable</u>	<u>Project Note</u> The Packaging and Marketing of BOO/BOT Demonstration Projects	MIKE CONLON	YR/2	CIPTA KARYA
2.05	Private Sector Solicitations for Demonstration Project Development.		DEMONSTRATION PROJECTS ADVISOR		
D 5.0	<u>Deliverable</u>	<u>Publication</u> Publication of Solicitations for Private Sector Participation in BOO/BOT Projects	MIKE CONLON	YR/2	BANGDA

11.

T. TRAINING & COMMUNICATIONS PROGRAM

			Task Manager	Due Date	GOI Liaison
3.01	Preparation and Development of Preliminary PURSE LOP and Annual Training Program		MUNICIPAL SERVICES ADVISOR		
T 1.0	<u>Deliverable</u>	<u>Project Report</u>	ED MAZUROSKI	12/93	BAPPENAS
			CHIEF OF PARTY		
3.02	Implementation of Short Term Overseas Training and Workshops for GOI Employees.		MARK WILLIMAS	1993	BAPPENAS
T 2.0	<u>Deliverable</u>	<u>Preliminary Plan</u>	A Five Year Overseas Training Program for GOI Employees		
3.03	Implementation of Short Term In-Country Training and Workshops for GOI Employees				
T 3.0	<u>Deliverable</u>	<u>Preliminary Plan</u>	Prepare Preliminary PURSE Module Training Plan for GOI Employees		
T 3.1	<u>Deliverable</u>	<u>Workshop</u>	UEA	12/93	BANGDA
			MUNICIPAL SERVICES ADVISOR		
3.04	Central Government Training and Workshop		ED MAZUROSKI	10/93	BAPPENAS
T 4.0	<u>Deliverable</u>	<u>Training Plan</u>	Central Government Seminars and Workshops		
3.05	Public-Private Forum for Private Participation Projects		DEMONSTRATION PROJECTS ADVISOR		
T 5.0	<u>Deliverable</u>	<u>Forum</u>	MIKE CONLON	11/93	PUOD
			CHIEF OF PARTY		
3.06	Overseas Graduate Academic Training for GOI Employees		MARK WILLIMAS	YR/2	BAPPENAS
T 6.0	<u>Deliverable</u>	<u>Masters Program</u>	Send Two GOI Employees Overseas for Masters Degree Educational Training		

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Section VI

Task Strategy Review

POLICY, LEGAL AND REGULATORY COMPONENT

There are eight tasks outlined for the first year work plan in the Policy, Legal and Regulatory Component. These tasks are designed to lead to the development of a process whereby private sector participation and public private partnerships can be implemented throughout local governments in Indonesia. The goal of this workplan component is to develop a process that can be institutionalized in a manner which allows private participation to proceed where local need and financial resources are adequate to support development. The objectives of the policy component are to provide GOI officials with recommendations for sensible laws and workable procedures which lead to needed and cost efficient infrastructure development.

The first year efforts will involve the completion of baseline studies for *Private Participation Policy, and Legal and Regulatory* design and development. The goals of the baselines studies are to provide specific recommendations for the formal design and implementation of GOI Policy for PPP and PSP in the water, wastewater, and solid waste sectors. The Legal and Regulatory Review will provide specific recommendations for the development of decrees that institutionalize the process of developing public private partnerships in local governments. The first year workplan activities *provide equal emphasis* on the water, wastewater and solid waste sectors.

The third task will entail a study and evaluation of GOI authority to provide *financial and performance guarantees* to public private partnership projects. The study will analyze past ad hoc guarantees to BOO/BOT type projects. This study will include an analysis of the international *infrastructure* financial lending environment and its relationship to financial and performance guarantees. The results of this effort will provide GOI officials with an understanding of the institutional constraints that international lenders must operate under and how these constraints impact on Indonesia's infrastructure financing needs. The report will provide a specific recommendation for the provision of financial and performance guarantees for GOI sponsored public private partnership (BOO/BOT) projects as well as mitigating impacts which will allow Indonesia to monitor its sovereign debt and macroeconomic goals and to *reduce and effectively manage its financial risk*.

The fourth, fifth and sixth tasks will evaluate the cost and revenue relationships of GOI built water projects and project the expected financial impacts on projects that are developed under the BOO/BOT concept as compared to those built under GOI ownership. The cost/revenue relationship and comparison between private and public funded projects will provide information relative to the extent of benefits which could be expected from public private partnerships in this sector. The sixth task will provide an analysis of the willingness and ability of differing classifications of users to pay for services provided by public private partnerships. (Studies on Solid Waste and Wastewater will immediately follow Water Supply studies in the second year.)

The seventh task will review existing contracting procedures for private sector procurement and will provide specific recommendations and examples for additional efforts which are needed in order to enhance private sector contracting opportunities with contracting documents which facilitate private participation which protecting local government interests. The final task will result in the development of a PURSE Performance and Evaluation System. This system will be designed to provide the GOI and USAID with a periodic monitoring and performance data on the PURSE Project.

POLICY, LEGAL AND REGULATORY COMPONENT

1.01 Preliminary Review and Evaluation of Central Government Policy for PURSE Projects

Purpose: The purpose of this study is to compile and catalog existing governmental policies and policy deficiencies which impact on the process of promoting and facilitating 'Public Private Partnerships' and Private Sector Participation in urban environmental sector projects.

Long Term Objectives:

- a. To Develop a GOI Policy for Urban 'Public Private Partnerships' (PPP) and Private Sector Participation (PSP)
- b. To Develop Specific Sector Policies for 'Public Private Partnerships' in the Water, Wastewater and Solid Waste Sectors

Strategy: PURSE will conduct a preliminary review and evaluation of the Government of Indonesia's Policy for 'public private partnerships' and private sector participation in the ownership and operation of urban environmental infrastructure projects. It is essential to identify and interpret existing governmental policies that correspond to the implementation of infrastructure projects that incorporate private business entities as owners and/or operators in place of traditional governmental or quasi-governmental caretakers. Without a definitive 'public private partnership' policy and an explicit governmental authorization to promote 'public private partnerships', it is unlikely that GOI officials at the central or local government levels will embrace 'public private partnerships' as a viable means of financing, developing and operating urban environmental infrastructure projects.

The completion of this study will provide a framework for the design of a definitive GOI 'public private partnership' policy that can be developed and implemented by the central government. A clear and concise GOI 'public private partnerships' policy developed in tandem with comprehensive regulations and standard operating procedures will serve as a requisite directive to central and local government officials that the concept of 'public private partnerships' and private sector participation for urban infrastructure projects has been embraced and endorsed by the central government. The adoption of a high level PPP policy will accomplish a necessary first step in the implementation of the PURSE Project.

Assumptions: Existing GOI policy for 'public private partnerships' and private sector participation is ambiguous and not readily understood by most government officials. Existing BOO/BOT projects have been developed on an ad hoc basis and have not been completed within the framework of an ongoing local government institutional process based upon a clear and concise governmental policy.

Steps:

1. Compile existing data relative to GOI policy for 'public private partnerships' and private sector participation
2. Undertake policy reviews for the water, wastewater, and solid waste sectors.
3. Develop a matrix of existing policies relative to 'public private partnerships'.
4. Tabulate and outline 'public private partnership' issues and agenda items in need of policy development.
5. Develop preliminary recommendations for GOI policy for 'public private partnership' and private sector participation in the water, wastewater, and solid waste sectors.

Schedule: This effort will commence upon the approval of the workplan and will be completed within six months.

Deliverables: Discussion Paper

An Analysis of Existing Policy for Public Private Partnerships (PPP)

Task Manager

Urban Economic Advisor (Anthony Torrens)

EXPA1 LOE

4.4 Months

Level of Effort:

Weeks:

Chief of Party (COP)	4
Municipal Services Advisor (MSA)	3
Urban Economic Advisor (UEA)	10
Demonstration Projects Advisor (DPA)	1
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	3
Project Development/Finance Professional (Local Staff)	3
Short-Term Advisor (Expatriate)	4
Short-Term Advisor (Local)	4

POLICY, LEGAL AND REGULATORY COMPONENT

1.02

Legal & Regulatory Review of Private Sector Participation

Purpose: The purpose of the legal and regulatory review is to establish a baseline survey of existing laws and regulations and to develop a framework for the enactment of new laws and regulations that facilitate 'public private partnerships' and private sector participation in urban environmental infrastructure.

Long Term Objectives:

- a. To Develop GOI Laws, Ministerial Decrees, and Regulations that Institutionalize the Process of Developing Public Private Partnerships
- b. To Develop a Standard Operating Procedures and Project Guidelines for Public Private Partnership Projects

Strategy: It is essential to establish a comprehensive understanding of existing laws and regulations which impede Public Private Partnerships (PPP) in order to develop new decrees and regulations which establish the authority of PPP to evolve within an insitutional framework. The existing legal structure of Indonesia is complex, and the evolution of legal doctrines which will permit and endorse Public Private Partnerships in the environmental services sector will require changes to law or new decrees in multiple ministries, including the Ministry of Home Affairs and the Ministry of Public Works. Authority for PSP will also have to conform with existing environmental laws and may require modifications to the laws and/or decrees of the Ministry of Finance regarding financial performance guarantees. It is necessary to undertake a comprehensive review of government laws to determine where efforts at legal reform or the development of new laws and decrees should be focused. In addition, the prominent role of PDAM's in the financing, development and ownership of environmental infrastructure will need to be closely examined.

This study must also focus on existing regulations which impact on every aspect of private sector participation in order to access their deficiencies or their adequacies to support full scale PSP. It will be necessary to evaluate legal and regulatory needs against constitutional laws which may precide certain activities that could impact upon the Public Private Partnership concepts being advocated by the PURSE Project. Regulatory reform will follow the introduction of new laws and decrees.

{Included in this evaluation will be a study of the law that prohibits the ownership of natural resources (such as water) by any party other than the government. In the case of water, it will be necessary to establish that private sector participation embraces the process of sourcing, treating, and transporting water to residential, commercial, industrial and governmental users. Under no circumstances could water rights be sold to a private entity under provisions of the Indonesian Constitution.}

Assumptions: Many of the existing laws and regulations that impact on private sector participation are complex, vague, contradictory and lack definition. Clear and concise regulations authorizing the implementation of private sector participation in urban environmental projects are inadequate to satisfy the complex requirements of private sector involvement and need to be developed or extensively modified.

Steps:

1. Discuss legal and regulatory issues with the Technical Team and with the Working Group. The PURSE Team will discuss legal and regulatory issues with appropriate Government of Indonesia officials to obtain feedback and recommendations for the report.
2. Hire legal consultant(s) to undertake research of the Indonesian Legal System and provide information relative to private sector participation.
3. Prepare a matrix of legal and regulatory issues impacting on private participation. Locate voids in law which need to be filled in order to justify private sector participation.
4. Present preliminary review findings to Working Group and Steering Committee for guidance.
5. Complete final baseline review of legal and regulatory issues which impact on PURSE Projects and provide recommendations for further action.

Schedule: The review of existing laws and regulations will commence in the second quarter of the year and will be completed by 10/30/93.

Deliverable I: Report

Baseline Review of Existing Legal and Regulatory Issues for Public Private Partnership and Private Sector Participation Projects

<u>Task Manager</u>	<u>EXPAT LOE</u>
Municipal Services Advisor	3.7 Months

<u>Level of Effort:</u>	<u>Weeks:</u>
Chief of Party (COP)	3
Municipal Services Advisor (MSA)	10
Urban Economic Advisor (UEA)	2
Demonstration Projects Advisor (DPA)	1
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	5
Project Development/Finance Professional (Local Staff)	3
Short-Term Advisor (Expatriate)	4
Short-Term Advisor (Local)	4

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POLICY, LEGAL AND REGULATORY COMPONENT

1.03 *Review and Evaluation of GOI Authority to Provide Financial and Performance Guarantees*

Purpose: The purpose of this analysis is to examine policy options for securing GOI financial and performance guarantees for public private partnership projects in the urban environmental sector and to identify, analyze and recommend alternative methods for providing private sector investors and financial institutions with acceptable financial assurances and performance guarantees.

Long Term Objectives:

- a. To Develop GOI Policy and Procedures for providing Project Financial and Performance Guarantees for Public Private Partnerships

Strategy: This analysis will address the importance and the rationale for securing financial and performance requirements for private sector organizations and for financial institutions that undertake urban environmental infrastructure project developments. The PURSE team will analyze existing financial or government institutional capabilities related to provision of project financial and performance guarantees.

The study will also focus upon the financial and performances guarantees required by institutional lenders as well as those required by various national and international financial regulatory agencies (BIS/Bank for International Settlements) which oversee banking institutions (*Financial and bank regulatory agencies impose restrictions and requirements on national and international bank lending practices regarding collateralization and loan securitization*). The study will attempt to access minimum GOI and international standards for lending to various types of environmental infrastructure projects. This information will give GOI officials a more comprehensive understanding of the practices and norms involved in domestic and international lending and the extent of the need for various guarantee mechanisms.

The information obtained from this research will provide a framework for the discussion of policy issues relative to financial and performance guarantees. This study will lead to a greater understanding of the financial and performance guarantee issues and should lead to the development of a realistic and workable program of guarantees. The report will also provide PURSE team members and GOI officials with information that can be used to develop and recommend creative solutions to complex financial structuring problems.

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Assumptions: Government officials understand that financial and performance guarantees are essential to the development of most urban infrastructure projects. GOI officials lack a comprehensive understanding of private sector financial risk analysis, are concerned about excessive government debt and are sensitive to potential private sector abuses. They are uncertain and therefore, reluctant to address the issue of financial guarantees. This study paper will offer increased knowledge and awareness of this topic and provide recommendations for further activities.

Steps:

1. The PURSE team will obtain information concerning government policy on financial and performance guarantees on urban infrastructure.
2. The PURSE team will meet with local and international lenders to access the level of assurances required for urban infrastructure projects. The interviews will focus on the specific guaranties required to make the investment models viable as well as international (including Bank for International Settlements) lending standards.
3. The PURSE team will analyze comparative case studies from other projects in Indonesia as well as other countries including the U.S.
4. The PURSE Team will discuss preliminary findings with the appropriate Government of Indonesia officials to obtain feedback of the preliminary conclusions of the study and recommendations for final conclusions.
5. The study will provide recommendations for further action and information which supports those recommendations.

Schedule: This effort will commence upon the approval of the workplan and will be completed by 10/30/93.

Deliverables: Discussion Paper

An Analysis of GOI Authority to Provide Financial and Performance Guarantees

<u>Task Manager</u>	<u>EXPAT LOE</u>
Chief of Party	3.7 Months
<u>Level of Effort:</u>	<u>Weeks</u>
Chief of Party (COP)	10
Municipal Services Advisor (MSA)	2
Urban Economic Advisor (UEA)	2
Demonstration Projects Advisor (DPA)	3
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	2
Project Development/Finance Professional (Local Staff)	4
Short-Term Advisor (Expatriate)	4
Short-Term Advisor (Local)	7

POLICY, LEGAL AND REGULATORY COMPONENT

1.04 Evaluation of Existing Cost Recovery and Service Delivery Costs for Urban Water Projects

Purpose: The purpose of this study is to analyze urban water infrastructure development and operating costs and to develop a rationale for analyzing the true costs of service delivery as well as the extent of actual cost recovery of selected urban water projects.

Long Term Objectives:

- a. To Develop a Project Cost Analysis Demonstrating the Cost Relationship between Public and Private Urban Environmental Projects.

Strategy: It is generally accepted that existing water supply investments in Indonesia involve a high level of subsidy. These subsidies are both explicit and implied in the financing programs and tariff structures utilized by the GOI and the major international donor lending institutions. In order to understand how the private sector may join in the delivery of urban water systems, it is important for all participants to understand the full development and operating costs of urban water projects. This study will attempt to develop data which provides information and conclusions on the true development and operating costs of selected urban water projects. The analysis will concentrate on the most recent major investment projects sponsored by the private sector, PDAM's, the GOI/RDA and the IUIDP projects of the ADB and the World Bank.

Since project development and operating costs are fully paid by joint contributions from the users (direct reimbursement) and by the GOI (direct and indirect reimbursement), this cost analysis will present an opportunity to demonstrate that citizens, either directly and/or indirectly through the government, pay full cost for the delivery of urban services. The study results will provide a foundation for analyzing and differentiating between the cost benefits and cost penalties associated with both public and private ownership and operation of urban water projects.

Assumptions: PURSE assumes that satisfactory data is readily available on existing water infrastructure projects and the data will be sufficient to develop the financial conclusions needed for this study.

Steps:

1. Select PDAM's for analysis. This will be a joint effort of PURSE, MOHA, and MOPW. Criteria will include the size and importance of the PDAM and the urban area it serves, as well as the availability of

accurate data on recent investment programs. Approximately 10-15 PDAM's will be chosen for comparative analysis and 4-6 of these will be selected for detailed cost studies.

2. The study will review recent investment programs of the PDAM's selected for the study. The initial analysis will consist of an engineering review to determine the full capital costs of each project. Although largely a desk review of existing documents, selected site visits will be undertaken jointly with Ministry and PDAM officials to determine if full costs have been identified and to assess possible cost overruns incurred in the completed investments.
3. The next step in the cost analysis will be to determine accurate costs of operation and maintenance. This will require an evaluation of the general conditions of existing facilities and the operating budgets for maintenance and replacement of used equipment. The analysis will also attempt to quantify any in-kind contributions provided by the government.
4. A review of staffing levels and technical qualifications will help identify shortcomings in the O&M budget and to quantify levels of professional staffing required to maintain an efficient public utility.
5. The study team will complete a financial review, assemble the financial statements of each PDAM selected for detailed analysis and integrate them into multi-year analytical models. The analysis will include income and funds flow statements and balance sheets. The focus of the financial analysis will be on internally generated cash from operations, and the cost of borrowing. Below market rate borrowing costs will be quantified along with other direct subsidies provided in the investment program either directly by the Municipalities or from the GOI budget or indirectly from the proceeds of international borrowing.
6. Through projected financial statements, the financial analysis will provide benchmarks of rates of return on investment, in both rupiah and dollar terms, assuming existing tariff levels. The information obtained will provide an accurate picture of the true costs of developing and operating urban water systems. The results obtained from this task will provide a basis for the completion of the next tasks, which are a review of tariff policy and a correlation between the costs of developing and operating publicly and privately owned systems.

Schedule: The evaluation of the water project costs will commence within three months of the approval of the workplan and be completed by 12/31/1993.

Deliverables: Discussion Paper

A Comparison of Projected and Real Costs of Building & Operating Urban Water Systems

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Task Manager

EXPAT LOE

Urban Economic Advisor

3.5 Months

Level of Effort:

Weeks

Chief of Party (COP)	2
Municipal Services Advisor (MSA)	1
Urban Economic Advisor (UEA)	10
Demonstration Projects Advisor (DPA)	2
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	2
Project Development/Finance Professional (Local Staff)	4
Short-Term Advisor (Expatriate)	0
Short-Term Advisor (Local)	3

POLICY, LEGAL AND REGULATORY COMPONENT

1.05 Evaluation of Existing Tariff Policy for Environmental Infrastructure

Purpose: The PURSE team will study existing tariff structures and will correlate tariff revenues with true costs of service delivery as a means of demonstrating the comparison between the actual government cost of providing water services and the tariffs which are collected.

Long Term Objectives:

- a. To Develop a Project Tariff and Revenue Analysis Demonstrating the Revenue Relationship between Public and Private Urban Environmental Projects.

Strategy: This task should be seen as a logical extension and continuation of the cost study detailed in Task 1.04 above. Once the actual capital and operating costs have been determined, it will be possible to provide an accurate analysis of the tariff levels required to achieve targeted rates of return. The strategy will be to use the integrated financial models developed in the cost study to analyze alternative tariffs, in both rupiah and dollars, to achieve the desired objectives. The analysis will concentrate on the tariff levels required to satisfy recent major investment projects sponsored by PDAM's, the GOI and the IUIDP projects of the World Bank.

The results of this study will be used to compare the actual costs of developing and operating urban water systems with the revenues obtained within the existing tariff structure as well as the level of government subsidy involved in providing financial support to urban water systems. The report should demonstrate that the development, operating and financing costs of public systems are higher than perceived. The report should also provide a basis for determining whether comparable 'subsidized' public and privately financed urban water systems can be structured so that private systems are competitive from a true cost and efficiency standpoint with public systems.

Assumptions: It is assumed that the true cost of building and operating urban water systems is not supported by existing tariff levels and that considerable government subsidy is provided. It is assumed that complete data is readily available on existing investment projects and will be provided to the study team in an orderly and timely manner.

Steps:

1. The team will undertake a study of existing government of Indonesia tariff policy for urban water systems.

2. The team will select PDAM's for analysis. The PDAM's used in the cost study will be used if the team feels that the information collected in the previous study is sufficient for analytical purposes.
3. The study will undertake a financial analysis of project costs and compare those costs with existing tariffs and GOI tariff policy. In-kind contributions may also be incorporated into this analysis.
4. The study will give preliminary conclusions regarding the cost of development and operation of urban water systems to the Government of Indonesia.
5. The tariff analysis will also attempt to determine the required rates of return and the investment time horizon of actual and potential private investors in the water sector. This will entail a series of interviews with the public and private sector, including government development banks; international development banks (the World Bank and the ADB); potential private investors, both local and international, and private commercial and development banks, including the IFC.
6. Based on these findings, the analysis will develop alternative financial models at differing tariff levels designed to satisfy the investment objectives of the various potential investors. These will be compared with existing government costs.
7. While tariff levels are the most important single variable, other critical parameters of PDAM efficiency may be taken into consideration. Among these are assumed levels of collection of water bills, key staffing ratios, investments in routine maintenance and replacement of equipment, training, the amount of water leakage and efficiency.

Schedule: This study will begin in the fourth quarter of the first year of the PURSE Project and will be completed in the first quarter of the second year.

Deliverables: Discussion Paper

An Evaluation of the Adequacy of Existing Tariffs to Recover Real Costs

<u>Task Manager</u>	<u>EXPAT LOE</u>
Urban Economic Advisor	1.8 Months

<u>Level of Effort:</u>	<u>Weeks</u>
Chief of Party (COP)	1
Municipal Services Advisor (MSA)	1
Urban Economic Advisor (UEA)	4
Demonstration Projects Advisor (DPA)	2
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	4
Project Development/Finance Professional (Local Staff)	4
Short-Term Advisor (Expatriate)	0
Short-Term Advisor (Local)	2

POLICY, LEGAL AND REGULATORY COMPONENT

1.06 Survey and Evaluation of Willingness to Pay for Urban Environmental Infrastructure

Purpose: The study will attempt to access and highlight the major issues involved in the willingness of users to pay for urban environmental services and to determine where the ability and willingness to pay is highest.

Long Term Objectives:

- a. To Establish Criteria and Benchmarks on the Willingness of Residential, Commercial, Industrial and Governmental Users to pay for services provided from both Public and Privately Owned Urban Environmental Projects.

Strategy: The willingness of users to pay actual costs of urban services continues to be a watershed issue for governments which have traditionally approved heavy subsidies for this sector. It is important to undertake and develop a survey of the ability and willingness of users to pay for urban services in order to ascertain the level of concern of users who may be required to alter their traditional reliance on government policies of providing free or low cost services. It is also important to identify those users who are willing to pay higher tariffs in order to increase their level of service, especially when economic benefits can be obtained. Users are more willing to pay if they can afford services which they need, especially if the completion of infrastructure projects means that needed economic development can progress. This study will attempt to examine this dynamic. It will also attempt to analyze the impact of changing regulatory environments on the willingness to pay.

It is clear that private sector infrastructure projects would not be feasible in many areas of Indonesia now or in the near future. A secondary purpose of this survey is to identify areas where private sector projects are needed and where they are financially feasible. The evaluation of the willingness to pay issue will attempt to identify locations where the need for infrastructure and the ability of business and residential users to pay full costs for service delivery outweigh the arguments and the reluctance of government officials and residents to pay for full cost recovery.

Assumptions: PURSE officials have assumed that individuals who receive low cost services may be reluctant to pay increased costs for urban environmental infrastructure, especially if they only have limited financial resources. The PURSE team has also assumed that the lack of adequate infrastructure has halted economic development and economic progress, and that business and residential users who would benefit from a more rapid development of infrastructure would be willing and

able to commit the financial resources needed to complete infrastructure development.

Steps:

1. Design survey methodology.
2. Design the Willingness to Pay Survey and identify issues and locations where survey will be completed.
3. Have survey approved by Working Group.
4. Hire short term consultant assistance to undertake surveys.
5. Complete survey and evaluate results.
6. Prepare report and submit to Working Group and Steering Committee.

Schedule: The Willingness to Pay Study will begin in the fourth quarter of the first year and be completed by the end of the second quarter of the second year.

Deliverables: Report

An Evaluation of the Willingness to Pay for Urban Infrastructure Services

Task Manager

EXPAT LOE

Demonstration Projects Advisor

1.6 Months

Level of Effort:

Weeks

Chief of Party (COP)

1

Municipal Services Advisor (MSA)

2

Urban Economic Advisor (UEA)

2

Demonstration Projects Advisor (DPA)

2

Contracts Advisor (CA)

0

Municipal Services Professional (Local Staff)

1

Project Development/Finance Professional (Local Staff)

1

Short-Term Advisor (Expatriate)

0

Short-Term Advisor (Local)

1

POLICY, LEGAL AND REGULATORY COMPONENT

1.07 Review Existing Local Government Contracting Procedures for Private Sector Procurement

Purpose: The information learned from this review will enable the Contracts Advisor to begin to develop model contracts which can be used by all local governments in facilitating the development of private participation projects.

Long Term Objectives:

- a. To Establish Model Contracts for Public Private Partnership Urban Environmental Projects.

Strategy: Public private partnership projects will require extensive contracting between local governmental authorities and private developers. It will necessary to study and understand contracting procedures so that GOI requirements can be followed throughout the process of developing public private partnership BOO/BOT projects. In addition, local contracting procedures may conflict with requirements of private business and financial institutions. It will be necessary to identify conflicting issues and develop solutions so that the contracting phase of the BOO/BOT development can proceed as smoothly as possible. The Purse Team aims to improve the institutional capabilities of the GOI Ministries enabling them to initiate, evaluate, execute, and monitor private sector participation alternatives for providing urban services. The development of model contracts and contracting procedures will facilitate this process.

Local government officials have little or no knowledge of private sector ownership and operation of infrastructure projects and, without model contracts, these officials may not have the resources or expertise to properly prepare and execute contract documents with private business entities. This study will provide the basis for the development of model contracts and the development of alternative procedures to contract and implement projects.

Assumptions: Local governmental officials would be more willing to enter into contracts for infrastructure development and operation with private contractors if they are able to refer to standardized documents and guidelines which provide clear guidance and direction in the execution of contracts.

Steps:

1. Review contracting laws and procedures and locate resource materials.
2. Hire local consultants to provide assistance in studying and identifying local contracting procedures.

3. Outline preliminary findings and discuss of major issues.
4. Present preliminary findings to Technical Team for review and discussion.
5. Prepare final draft of findings for presentation to Working Group and Steering Committee for approval.

Schedule: Preparation of the discussion paper will commence during the fourth quarter and will be completed in the first quarter of the second year.

Deliverables: Discussion Paper

An Analysis and Evaluation of Contracting Procedures for Local Government Services

Task Manager

Contracts Services Advisor

EXPAT LOE

4.8 Months

Level of Effort:

Weeks

Chief of Party (COP)	1
Municipal Services Advisor (MSA)	1
Urban Economic Advisor (UEA)	1
Demonstration Projects Advisor (DPA)	2
Contracts Advisor (CA)	16
Municipal Services Professional (Local Staff)	4
Project Development/Finance Professional (Local Staff)	2
Short-Term Advisor (Expatriate)	0
Short-Term Advisor (Local)	1

POLICY, LEGAL AND REGULATORY COMPONENT

1.08

Development of PURSE Performance and Evaluation System

Purpose: A performance and evaluation system should be developed in order to provide a consistent and systematic methodology for monitoring the progress of the PURSE Project. It is important to have a generally accepted monitoring and evaluation system so that the Chemonics, USAID, and the GOI can determine the progress of PURSE project objectives.

Long Term Objectives:

a. To Establish a Performance and Evaluation System for the PURSE Project. The Performance and Evaluation System will also include a monitoring system on the progress of the implementation of PURSE Demonstration Projects.

Strategy: The monitoring and evaluation system will provide a system where-by PURSE activities and objectives are monitored on a continual basis. This system will facilitate the preparation of quarterly and yearly reports which are required under the contractual obligations of the PURSE Project. As part of the monitoring and evaluation system, the PURSE Team will also develop an Expert System, which will attempt to codify and organize the PURSE project into a useful working document for the development of urban environmental systems embracing private participation.

Assumptions: It will be necessary to develop a monitoring and evaluation system in order to maintain a consistent analysis of progress in the PURSE Project, to give Chemonics, USAID and the Government of Indonesia periodic reports and indicators of the status of the PURSE Program, and to fulfill contractual obligations under the PURSE Project.

Steps:

1. The PURSE team will solicit comments from USAID and GOI on goals of monitoring and evaluation system and important indicators.
2. PURSE staff will complete a preliminary design of a monitoring and evaluation system and a PURSE Expert System and present the proposal to GOI Working Group and USAID for comments and recommendations.
3. A final draft of the monitoring and evaluation system will be completed and presented to GOI Steering Committee and USAID for approval.
4. The monitoring and evaluation system and the expert system will be presented to PURSE staff at in-house workshop, and all Chemonics employees will be trained to use the monitoring and evaluation system.

5. The monitoring and evaluation system will be implemented and quarterly and annual reports will be provided as required, and an expert system will be developed.

Schedule: The development of the Purse Monitoring and Evaluation System will commence within three months of the approval of the workplan and be completed by 12/31/93. (All reports required under the PURSE Project will be provided prior to the completion of the Monitoring and evaluation system.)

Deliverables: Report

PURSE Monitoring and Evaluation System and PURSE Expert System

<u>Task Manager</u>	<u>EXPAT LOE</u>
Municipal Services Advisor	2.3 Months

<u>Level of Effort:</u>	<u>Weeks</u>
Chief of Party (COP)	3
Municipal Services Advisor (MSA)	6
Urban Economic Advisor (UEA)	1
Demonstration Projects Advisor (DPA)	0
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	0
Project Development/Finance Professional (Local Staff)	0
Short-Term Advisor (Expatriate)	3
Short-Term Advisor (Local)	0

DEMONSTRATION PROJECTS

There are five tasks outlined for the first year work plan relative to demonstration projects. Each of these activities will provide a uniform basis upon which to select Public Private Partnership and Private Sector Participation Projects which can serve to demonstrate the feasibility of implementing private and public sector sponsored projects in the Urban Environmental Sector.

The first year efforts will involve the design of preliminary financial models of capital intensive PSP projects which can serve as a basis of discussion with officials of the central and local government so that the concept of PPP capital intensive projects can be understood and agreed upon by all parties. The secondary task will entail the preparation of case studies on existing BOO/BOT projects so that important issues from previous projects can be compiled and provided to the GOI in a coherent and useful fashion. This information will be synthesized in a report which will provide information on the lessons learned from prior successful and unsuccessful attempts to implement BOO/BOT Projects.

The third task will result in researching and compiling a preliminary inventory and profiling of potential Public Private Partnership Projects which can be implemented in conjunction with the PURSE Project. This inventory will not be all encompassing, but will provide a beginning basis upon which to commence with preliminary analysis of promising BOO/BOT Projects.

The fourth and fifth tasks will begin the process of packaging potential projects and preparing marketing plans for the first BOO/BOT projects. Project vendors will be selected from public and private sources through solicitations. The fourth and fifth tasks will begin in the first year of the PURSE Project and will continue into the second year work plan and beyond.

Demonstration project development will provide both PURSE and GOI Officials with an opportunity to field test information developed from the Policy, Legal and Regulatory Component. Information from demonstration projects will give staff personnel an opportunity to correct deficiencies in the preliminary recommendations for the development of regulatory and standard operating procedures. In addition, PURSE demonstration projects will offer an invaluable source of information and materials for the PURSE Training Program.

DEMONSTRATION PROJECTS

2.01 Develop and Evaluate Preliminary Financial Models for Capital Intensive Public Private Partnership Projects

Purpose: The initial efforts in the Demonstration Projects phase will result in the preparation of a discussion paper which will entail the development of preliminary financial and organizational models of capital intensive Urban Environmental Infrastructure Projects (PURSE Projects). The models will serve as a basis for discussion with the Steering Committee and the Working Group so that the financial and developmental concepts of Public Private Partnership and Private Sector Participation projects which will be advocated as part of the PURSE Project are understood and agreed upon by all parties prior to undertaking participation in actual project developments.

Long Term Objectives:

- a. To Develop Project Financial Models for Public Private Partnerships.

Strategy: Private ownership and financing of public infrastructure projects is significantly different from government financing and operation. There are common misconceptions and misunderstandings of private sector involvement in projects which were, and in most instances, are still the domain of government authorities. It is important that governmental officials understand and develop a consensus agreement relative to the multiplicity of issues which must be confronted and resolved prior to the commencement of private sector participation.

The PURSE team will develop and present financial and organizational models which attempt to describe basic private participation projects involving urban environmental infrastructure. Each model will include specific details which give the reader a clear understanding of many facets of the financial and legal structuring of private sector projects. The models which are presented will include the following elements:

1. Financial Structure
2. Legal structure (Ownership Structure)
3. Management Structure
4. Regulatory Issues
5. Government Obligations
6. Alternatives
7. Ancillary Issues

Private ownership and management of public assets is controversial and can be perceived in many different variations. Government officials whom do not have significant experience with public private partnerships need to be educated about the potential benefits that private sector participation can bring to community development. Just as importantly, governmental officials have to be trained so that

they can spot potential abuses of ill-conceived private sector participation, which can lead to misuse and costly abuse of important public and private sector resources.

The PURSE team believes that it is important that model public private partnership projects be presented so that governmental officials can learn and understand more about private sector participation. It is also important that PURSE and government officials have a common conceptual understanding of models of public private partnerships so that misunderstandings will not develop regarding perceptions of the mechanics of public private partnerships and the structure of private financings.

Assumptions: Governmental Officials and business executives are committed to concept of public private partnerships and private sector participation, but need to understand the concept in greater detail in order to overcome their objections concerning the potential pitfalls of private sector participation.

Steps:

1. Develop financial and organizational models which can serve as a guide to the proper structuring of private sector projects. The models will be developed with input from both government officials and private business executives
2. Incorporate the models into a discussion paper which can be presented to the Steering Committee and the Working Group for discussion and approval.
3. Use the discussion paper for training and for providing information which will provide a basis for proceeding to actual demonstration projects.

Schedule: This effort will commence upon the approval of the workplan and will be completed by 11/30/93.

Deliverables: Discussion Paper

Development of Preliminary Financial Models for Capital Intensive PSP Projects

<u>Task Manager</u> Chief of Party	<u>EXPAT LOE</u> 3.0 Months
<u>Level of Effort:</u>	<u>Weeks</u>
Chief of Party (COP)	8
Municipal Services Advisor (MSA)	3
Urban Economic Advisor (UEA)	2
Demonstration Projects Advisor (DPA)	0
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	2
Project Development/Finance Professional (Local Staff)	1
Short-Term Advisor (Expatriate)	2
Short-Term Advisor (Local)	2

DEMONSTRATION PROJECTS

2.02 *Evaluate and Study Existing Public Private Partnership Projects*

Purpose: The PURSE team will study a wide range of existing projects in Indonesia, the United States and other ASEAN countries to learn from the successes and failures of similar projects. This information should enable the project participants to avoid past mistakes and to advance the Public Private Partnership process more readily.

Long Term Objectives:

- a. To Develop a Catalog of Public and Private Sector Projects and Project Information which Provides Data and Information that can be used for the Development of Policy, Legal, and Regulatory Programs, Demonstration Projects and GOI Training Materials.

Strategy: PURSE team members will undertake a series of studies of existing Public Private Partnership Projects located in Indonesia, the United States and other ASEAN countries. The studies will include projects in the water, wastewater, and solid waste sectors as well as other sectors including power, highways, and mass transportation. The staff will prepare case studies of each project in order to highlight the noteworthy aspects of private sector participation and to identify the major issues which impacted the development project. The case studies will also include some private participation projects which were proposed but not developed such as Umbulan, Semarang and Buaran. These case studies will attempt to identify the major issues which prohibited development and will attempt to present an understanding of why private participation failed.

In Indonesia, there are a few public private partnerships projects which have been planned for years, but which have not yet proceeded. Members of the PURSE team will, at the request of the Steering Committee or the Working Group, undertake an analysis of those projects and attempt to prepare additional case studies.

At the time that case studies are completed, the PURSE team will prepare a report which will provide an analysis of the lessons learned from existing public private partnership projects and from unsuccessful projects. This report will attempt to provide the reader with an in-depth understanding of the history of private sector participation projects in Indonesia and will identify major issues which may impact on PURSE projects.

Assumptions: There have been many attempts at private sector participation. The reasons behind the success and failures of specific projects would provide important information in the design of new projects and the redesign on proposed projects. Information will also provide GOI officials with a aggregation of material which can help to promote a more cogent understanding of public private partnership process.

Steps:

1. Select private participation projects to be reviewed.
2. Develop criteria and format for the preparation of case studies.
3. Visit and study projects.
4. Complete case studies.
5. Prepare report which provides an analysis of information provided by the case studies.
6. Use the report for training and for providing information to the GOI.

Schedule: This effort will commence upon the approval of the workplan and will be completed by 11/30/93.

Deliverable I: Case Studies

A Description of Existing Public Private Partnership Projects in Indonesia and in other Countries

Deliverable II: Report

An Analysis of the Important Lessons Learned from Existing PSP Projects

<u>Task Manager</u>	<u>EXPAT LOE</u>
Demonstration Projects Advisor	2.3 Months

<u>Level of Effort:</u>	<u>Weeks:</u>
Chief of Party (COP)	2
Municipal Services Advisor (MSA)	4
Urban Economic Advisor (UEA)	2
Demonstration Projects Advisor (DPA)	2
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	4
Project Development/Finance Professional (Local Staff)	3
Short-Term Advisor (Expatriate)	0
Short-Term Advisor (Local)	8

DEMONSTRATION PROJECTS

2.03 Develop a Preliminary Inventory and Profile Contracting Opportunities for Public Private Partnership Projects

Purpose: The profile will attempt to identify existing contracting opportunities for public private partnership projects and to provide important information relative to those projects.

Long Term Objectives:

- a. To Develop a Catalog of Public Private Partnership Projects for Demonstration Project Development.

Strategy: The PURSE Team will canvas the government and business communities to locate potential public private partnership projects which could serve as likely candidates for PURSE projects. The team will analyze as many projects as possible in an attempt to develop profile criteria which will enhance the opportunity for selection of good projects. Profiles will be developed for each project and will be compared with benchmarks which will be developed by the PURSE team for projects which fit PURSE criteria as viable candidates for PURSE projects. Financial and legal benchmark data will be developed from information derived from studies undertaken in the Policy, Legal and Component of the PURSE project.

Assumptions: It is assumed that many potential projects which are being supported by governmental and private parties can be uncovered, and that some of those projects will fit into criteria developed by other studies that will demonstrate a good candidacy for PURSE feasibility.

Steps:

1. Identify sources of project information.
2. Develop criteria for the identification of sources of project information.
3. Schedule fieldwork and meetings.
4. Use information gathered to develop criteria.
5. Develop benchmarks for project comparison.
6. Analyze results and complete discussion paper.

Schedule: The development of preliminary project inventories and profiles will commence within six months of the approval of the workplan and be completed by 12/31/93.

Deliverables: Discussion Paper

*Preliminary Inventory of Projects and Cities or BOO/BOT
Demonstration Projects*

<u><i>Task Manager</i></u>	<u><i>EXPAT LOE</i></u>
Demonstration Projects Advisor	1.2 Months

<u><i>Level of Effort:</i></u>	<u><i>Weeks</i></u>
Chief of Party (COP)	1
Municipal Services Advisor (MSA)	0
Urban Economic Advisor (UEA)	0
Demonstration Projects Advisor (DPA)	4
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	2
Project Development/Finance Professional (Local Staff)	2
Short-Term Advisor (Expatriate)	0
Short-Term Advisor (Local)	4

DEMONSTRATION PROJECTS

2.04 Packaging and Marketing of BOO/BOT Demonstration Projects

Purpose: The marketing of demonstration projects will provide specific project opportunities in the urban environmental sector to private business interests. This activity will also generate business linkages between the GOI and international and local businesses, stimulating private investment in the development and operation of urban environmental infrastructure.

Long Term Objectives:

- a. To Develop a Marketing Program for Public Private Partnership Projects.

Strategy: The PURSE team and the GOI will select and develop proposals for environmental infrastructure projects from the project inventory developed in Task 2.03. These proposals will be packaged into a marketing document which will be distributed in accordance with the marketing plan for PURSE projects. The projects will also be marketed on an ad hoc basis where appropriate.

Specific project opportunities need to be effectively marketed to appropriate investor and development entities. The PURSE team will develop a marketing plan, which will identify (1) the media and major informational sources used by the relevant client or investor groups (including OPIC); (2) the kind of information that the investor group needs; (3) the type of assistance investors need; (4) what on-going sources of information are presently published or available; and (5) client references or examples of similar programs in Indonesia and other countries. The marketing plan will focus on the most effective means for the distribution of project information and materials.

Assumptions: There is serious interest on the part of private entities, particularly in the U.S., to investment in Indonesia and the Far East, and that investment could be increased and more business linkages could be established with the targeted marketing of specific projects.

Steps:

1. Develop a preliminary public private partnership project Marketing and Investment Plan for Indonesia.
2. Identify the media and major information sources that clients and investors use.
3. Maintain direct dialogue with industry and banking leaders, to develop their interest while determining what type of assistance the private sector needs or desires regarding investment and marketing opportunities.
4. Identify sources and references on privatization information including other countries.

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5. Compile marketing and investment resources, including:
 - a) Media sources
 - b) Mailings and mailing lists
 - c) Newsletters and releases
 - d) Informational brochures and monographs
 - e) Forums, conferences and seminar materials
6. Manage contact with Chemonics home office marketing program for demonstration projects.
7. Prepare demonstration project marketing material for private firms.

Schedule: The preparation of the Offering Package and the packaging and marketing of public private partnership projects will commence during the final quarter of the first project year and will be completed during the second year of project implementation.

Deliverable I: Prospectus

Project Offering Package(s)

Deliverable II: Note

Packaging and Marketing of Demonstration Projects

<u>Task Manager</u>	<u>EXPAT LOE</u>
Demonstration Projects Advisor	.7 Months

<u>Level of Effort:</u>	<u>Weeks</u>
Chief of Party (COP)	0
Municipal Services Advisor (MSA)	0
Urban Economic Advisor (UEA)	0
Demonstration Projects Advisor (DPA)	3
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	1
Project Development/Finance Professional (Local Staff)	1
Short-Term Advisor (Expatriate)	0
Short-Term Advisor (Local)	4

DEMONSTRATION PROJECTS

2.05 *Private Sector Solicitations for Demonstration Project Development.*

Purpose: The purpose of this task to obtain a qualified listing of private entities that demonstrate a high level of interest in the development of a PURSE related project.

Long Term Objectives:

- a. To Develop a Bidding and Evaluation Program for Public Private Partnership Projects.

Strategy: This task activity will attempt to obtain qualified leads from prospective developers that can express a bona fide interest in a PURSE/GOI sponsored environmental services project. Potential developers will be required to undertake an extensive financial and technical evaluation of a project in order to respond to the solicitations. The solicitation process will attempt to narrow the field from interested parties to business entities that can express and demonstrate a substantive commitment to specific project development. This will allow the PURSE team to focus its efforts on those organizations that demonstrate a high degree of commitment to proceeding into the next step of the development process. The solicitation process will also allow the PURSE team to obtain feedback of the success of its efforts to develop private sector interest in environmental services projects through a review of the number and quality of respondents.

Assumptions: Project solicitations will provide specific projects for private developers to evaluate. The response to solicitations will provide the PURSE Team and the GOI with feedback on corporate interest in private sector participation projects.

Steps:

1. Develop criteria for solicitations.
2. Develop solicitations.
3. Develop marketing plan for solicitations.
4. Market solicitations in accordance with marketing plan.
5. Evaluate solicitations responses.
6. Develop list of priority firms.

Schedule: The development of the initial Purse Project Solicitations will commence during the final quarter of the first year and be completed by in the second year.

Deliverables: Publication

Publication of Solicitations for Private Sector Participation in BOO/BOT Projects

<u><i>Task Manager</i></u>	<u><i>EXPAT LOE</i></u>
Demonstration Projects Advisor	.7 Month

<u><i>Level of Effort:</i></u>	<u><i>Weeks</i></u>
Chief of Party (COP)	0
Municipal Services Advisor (MSA)	0
Urban Economic Advisor (UEA)	0
Demonstration Projects Advisor (DPA)	3
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	0
Project Development/Finance Professional (Local Staff)	0
Short-Term Advisor (Expatriate)	0
Short-Term Advisor (Local)	0

TRAINING AND COMMUNICATION COMPONENT

There are six tasks outlined for the first year work plan relative to Training and Communications. Each of these activities will be designed to provide GOI officials with an admixture of training which will increase and 'enhance their ability' to effectively develop Public Private Partnership (PPP) skills and manage PPP project implementation.

Each training activity will attempt to *coordinate* relevant material from the Policy, Legal and Regulatory and the Demonstration Project Components of the PURSE Project. PURSE recognizes that the process of implementing public private partnerships and private participation is very difficult and complex. Using data and information from 'Indonesian Demonstration Projects' will provide realistic and effective models for training. The PURSE staff will endeavor to develop an effective training program which is suited to the needs of local government decision makers.

The major task of the first year will be to develop a 'PURSE Training Program' that provides a framework for sensible and effective training. The PURSE Training Program will endeavor to provide GOI officials with useful skills which will help them do their job more effectively. PURSE will give training which increases the knowledge of GOI officials and sensitizes them to both the 'benefits and the risks' of developing public private partnerships.

PURSE will develop training programs in conjunction with the GOI for Short Term Overseas training which will expose GOI officials to an overseas training experience which integrates text and case studies with lectures and on-site visits to private participation projects in the US and other countries. This integrated learning experience will combine theory with actual demonstrations of real life projects and will provide government officials with a more substantive and well rounded learning experience.

PURSE will also develop in-country training programs in order to transfer skills and knowledge to GOI officials in the development of PURSE public private partnership projects. In-country training will draw upon the results of studies conducted by the PURSE team, actual experiences of expert trainers, lessons learned from PURSE and other demonstration projects implemented in Indonesia (and elsewhere), as well as new developments in the implementation of new laws, decrees, regulations and standard operating procedures by the GOI.

PURSE will also conduct *public private forums* which bring together officials of the GOI and the private sector to discuss public private partnership and private participation projects. The forums will aim to bridge the gap between the public and private sectors as well as to formulate and bring forth new ideas and concepts in the implementation of workable and sensible public private partnerships.

The GOI will select highly motivated GOI mid-level officials for overseas graduate training in the US. US graduate training will expose GOI officials to modern government administration programs in the US and will provide a unique perspective on the development of public private partnerships in the US and around the world. Overseas academic training provides well rounded learning experiences to government officials.

TRAINING & COMMUNICATIONS PROGRAM

3.01 *Preparation and Development of Preliminary PURSE LOP and Annual Training Plan*

Purpose: The development of a training program will provide clear direction for the preparation of training material and for the design and development of workshops where training of government officials will occur.

Long Term Objectives:

- a. To Develop an Effective Training Program for GOI Officials in the Implementation of Public Private Partnerships.

Strategy: The training phase of the PURSE Project is critical to the ultimate success of public private partnerships and private sector participation. The involvement of private entities in the ownership, operation and management of urban infrastructure is a complex and confusing undertaking. Unless government officials are provided with extensive training through a well designed training program, government officials will not have the tools to facilitate private sector participation, and many of the efforts of the PURSE Project will not be achieved.

Chemonics believes that the development of modular training program which provides extensive and in-depth training in all major functional and technical areas of public/private partnerships is vital to the transfer of useful knowledge to officials of the Government of Indonesia. The design of a training program is difficult and time consuming, but will insure that expert training is proved to government administrators who are responsible for the development and approval of private participation projects.

Assumptions: Government officials have very little understanding of the private sector (especially at the local government level) and need extensive exposure to training activities in order to learn how to deal effectively with job requirements relating to the implementation of projects with private sector participation.

Steps:

1. Design training needs categories for educating government officials.
2. Design and develop a preliminary modular training program.
3. Present preliminary training program to Working Group for discussion and review.
4. Finalize a modular training program for the first year and for the life of project. (The life of project training program will be subject to future modification upon the approval of the Steering Committee.)

Schedule: The Training Program will commence in the third quarter and will be completed by 11/30/93.

Deliverables: Report

PURSE Project Modular Training Program

Task Manager

EXPAT LOE

Municipal Services Advisor

1.8 Months

Level of Effort:

Weeks

Chief of Party (COP)	2
Municipal Services Advisor (MSA)	4
Urban Economic Advisor (UEA)	1
Demonstration Projects Advisor (DPA)	1
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	1
Project Development/Finance Professional (Local Staff)	0
Short-Term Advisor (Expatriate)	0
Short-Term Advisor (Local)	0

TRAINING & COMMUNICATIONS PROGRAM

3.02 *Implementation of Short Term Overseas Training and Workshops for GOI Employees.*

Purpose: Overseas training will be provided to governmental officials in order to further develop administrative and technical skills needed to proceed with more advanced methods of project development and operation.

Long Term Objectives:

- a. To Develop an Effective Overseas Training Program for GOI Officials in the Implementation of Public Private Partnerships.

Strategy: Chemonics will develop an overseas training program which combines academic training in private sector participation with actual visits to privately owned and operated infrastructure projects. This program will provide a well rounded training experience which increases expert knowledge and provides additional administrative skills to government officials so they will be more adept in negotiating private sector participation in urban service projects in Indonesia. If GOI officials are exposed to prototype projects through onsite training, the learning experience will provide a concrete example of project development and will add immeasurably to the confidence building aspect of the learning experience.

Assumptions: Governmental officials do not fully understand the mechanics of private sector participation in other countries and will be able to develop a more thorough appreciation and a greater commitment to private sector participation from actual overseas experiences.

Steps:

1. Identify and select programs for training.
2. Develop schedules for overseas training.
3. Select participants for training.
4. Complete language testing, if necessary.
5. Finalize arrangements and coordinate travel and training requirements with Washington office.

Schedule: Complete preliminary five year plan in 1993.

Deliverables: Preliminary Plan

A Five Year Overseas Training Program for GOI Employees

<u><i>Task Manager</i></u>	<u><i>EXPAT LOE</i></u>
Chief of Party	1.6 Months

<u><i>Level of Effort:</i></u>	<u><i>Weeks</i></u>
Chief of Party (COP)	2
Municipal Services Advisor (MSA)	1
Urban Economic Advisor (UEA)	1
Demonstration Projects Advisor (DPA)	2
Contracts Advisor (CA)	1
Municipal Services Professional (Local Staff)	0
Project Development/Finance Professional (Local Staff)	0
Short-Term Advisor (Expatriate)	0
Short-Term Advisor (Local)	0

TRAINING & COMMUNICATIONS PROGRAM

3.03 *Implementation of Short Term In-Country Training and Workshops for GOI Employees*

Purpose: Short term training will provide an opportunity to teach new skills to local government officials and to expose new concepts and ideas.

Long Term Objectives:

- a. To Develop an Effective In-Country Training Program for GOI Officials in the Implementation of Public Private Partnerships.

Strategy: Local government officials need significant training in order to effectively implement urban infrastructure projects which are owned or operated by the private sector. Chemonics will develop an advanced modular training program and program materials which will provide extensive training in each area where additional skills are needed by governmental officials. The training will transfer expert knowledge so that government officials will be able to develop skills and obtain the confidence needed to work with the private sector. The training will be comprised of an admixture of instruction, case studies, working examples and lectures from government officials experienced with private sector participation.

Assumptions: It is assumed that local government officials do not have the technical or financial skills needed to work effectively with the private sector in the development and operation of infrastructure projects.

Steps:

1. Determine subject for first workshop.
2. Schedule first workshop.
3. Develop workshop training materials.
4. Complete workshop logistics.
5. Develop participant list with GOI and invite participants.
6. Hold Workshop I.

Schedule: The modular training program will be completed 12/31/93. The first workshop will be completed in the fourth quarter of the first year.

Deliverables: Plan

Prepare Preliminary PURSE Module Training Plan for GOI Employees

<u>Task Manager</u>	<u>EXPAT LOE</u>
Urban Economic Advisor	2.5 Months

<u>Level of Effort:</u>	<u>Weeks</u>
Chief of Party (COP)	2
Municipal Services Advisor (MSA)	3
Urban Economic Advisor (UEA)	3
Demonstration Projects Advisor (DPA)	3
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	2
Project Development/Finance Professional (Local Staff)	2
Short-Term Advisor (Expatriate)	3
Short-Term Advisor (Local)	4

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TRAINING & COMMUNICATIONS PROGRAM

3.04 Central Government Training and Workshop

Purpose: The central government training workshops will provide government officials with the opportunity to develop a greater understanding of the PURSE Project and to provide feedback and input to PURSE project consultants.

Long Term Objectives:

- a. To Provide High Level GOI Officials with Training in Public Private Partnerships and to Receive Input from GOI Officials.

Strategy: PURSE government counterparts will be provided with an opportunity to be briefed on the objectives of the PURSE project and on the preliminary workplan. The presentation will provide newly appointed government counterparts with the opportunity to provide feedback to PURSE project staff which can be incorporated into the final workplan. The workshop will also provide a briefing on PURSE project financial and organizational models and the results of case studies conducted on existing public private partnership projects. The conceptual models will increase the level of understanding of governmental officials of private sector project financial and legal structures and will give local officials a uniform reference and understanding of PURSE projects that will be advocated as part of the PURSE initiative.

Assumptions: Government officials need and expanded understanding of the financial and legal structures of private sector deals and must be provided useful conceptual models and examples in order to more fully understand privately financed and operated projects.

Steps:

1. Complete preliminary design of Workshop I.
2. Obtain approval for Workshop I.
3. Set date and complete work on logistics for Workshop I.
4. Hold Workshop I.

Schedule: Workshop I will be held in the fourth quarter (October) .

Deliverables: Workshop I

Hold PURSE Workshop I for GOI to discuss PURSE Workplan and Workplan Task Results

<u>Task Manager</u>	<u>EXPAT LOE</u>
Municipal Services Advisor	1.6 Months

<u>Level of Effort:</u>	<u>Weeks</u>
Chief of Party (COP)	3
Municipal Services Advisor (MSA)	2
Urban Economic Advisor (UEA)	2
Demonstration Projects Advisor (DPA)	0
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	3
Project Development/Finance Professional (Local Staff)	3
Short-Term Advisor (Expatriate)	4
Short-Term Advisor (Local)	5

TRAINING & COMMUNICATIONS PROGRAM

3.05 Public-Private Forum for Public Private Partnership Projects

Purpose: Public-Private forums provide the opportunity for government and business persons to develop market awareness among firms in Indonesia, the U.S. and other countries and will create dialogue between the authorities of the GOI and private companies interested in public private partnership projects.

Long Term Objectives:

- a. To Provide a Mechanism for GOI Officials and Private Business to Discuss Urban Infrastructure Problems and to Establish Relationships with GOI Officials in the Development of Public Private Partnerships.

Strategy: The annual forums will be milestones in the project, supporting an evolving dialogue between the GOI and private companies. Forum contents will be designed to carefully reflect the developments and phases of the PURSE project. These events will attempt to maximize the opportunity for private firms to meet face-to-face with government counterparts in order to explore opportunities for private sector participation in urban service projects and to discuss the relative concerns of each party. Their main theme will be to promote private investment in Indonesia. (US companies that attend the forums and pursue investments in Indonesia should be visited by GOI officials on their inspection tours.)

The first year will focus on central government priorities as well as projects that are being developed in the PURSE pipeline. The forum will also feature discussions of previous privatizations and a review of privatization policy and legal issues that the GOI is considering. Most of the attendance will come from companies already present in Indonesia, although it can be anticipated that firms located outside Indonesia will also attend.

Such events have to be planned well in advance and managed by professionals contracted especially for this purpose. Key institutions in the environmental services sector should be called upon to take an active role in planning and promoting the events. GOI institutions involved in investment promotion, with the help of the home offices of the consultants that form part of the PURSE consortia, should also lend support to the marketing effort.

Assumptions: The GOI has provided a clear mandate to proceed with the participation of private companies interested in investing and providing services in environmental infrastructure.

Steps:

1. Organize a planning committee comprising government, educational, professional and industry organizations that can spearhead the development of the forums.
2. Develop conference program and program materials.
3. Identify participants to be targeted in the initial forum.
4. Begin marketing program including news releases, mailings and inscriptions.
5. Complete forum logistical arrangements.
6. Conduct forum, with reconnaissance missions for visitors.
7. Follow-up in Indonesia and from the home offices of the consortia in the US on the implementation of recommendations that arise in the forums

Schedule: Forum I will be held in the last quarter of Year I.

Deliverables: Forum

Forum I: Public Private Forum for Private Participation Projects

Task Manager

EXPAT LOE

Demonstration Projects Advisor

1.6 Months

Level of Effort:

Weeks

Chief of Party (COP)	1
Municipal Services Advisor (MSA)	1
Urban Economic Advisor (UEA)	1
Demonstration Projects Advisor (DPA)	4
Contracts Advisor (CA)	0
Municipal Services Professional (Local Staff)	2
Project Development/Finance Professional (Local Staff)	3
Short-Term Advisor (Expatriate)	3
Short-Term Advisor (Local)	3

TRAINING & COMMUNICATIONS PROGRAM

3.06 Overseas Graduate Academic Training for GOI Employees

Purpose: Overseas graduate academic training will provide government employees with the opportunity to obtain advanced management training and skill development, with emphasis on private market solutions to public sector problems.

Long Term Objectives:

- a. To Provide U.S. Academic Training for promising Mid-level GOI Officials in the Implementation of Public Private Partnerships

Strategy: Ministry employees will be sent to U.S. universities to obtain advanced management training and to acquire in-depth knowledge and skills which pertain to the implementation of private participation projects in the U.S. and throughout the world. The experience will enable ministry employees bring their skills back to Indonesia and employ them in the course of their duties. In addition, these employees will be able to transfer their knowledge to other employees, thus raising the professional level of colleagues in the government.

Assumptions: Most Indonesian government employees do not have significant knowledge or experience in public private partnerships or private sector participation in infrastructure projects, and their knowledge can be developed through advanced graduate training in the US educational system.

Steps:

1. Prepare schedule for overseas graduate training
2. Develop selection process for GOI employee candidates.
3. Select candidates and complete English testing.
4. Select specific US Colleges and Universities and apply to admission.
5. Complete logistics.
6. Undertake US graduate training.

Schedule: This process will continue throughout the life of the project.

Deliverables: Master Program

Send Two GOI Employees Overseas for Masters Degree Educational Training

Task Manager
Chief of Party

EXPAT LOE
.6 Months

Level of Effort:
Chief of Party
Contracts Advisor (CA)

Weeks
2
.5

Section VII

Preliminary Terms of Reference
(1.01, 1.02, 1.03, 2.02)
&
PURSE Definitions

TERMS OF REFERENCE

POLICY, LEGAL AND REGULATORY COMPONENT

1.01 *Preliminary Review and Evaluation of Central Government Policy for PURSE Projects*

Purpose: The purpose of this study is to outline *existing* governmental policies and policy deficiencies which impact on the process of facilitating private sector participation and public private partnerships in urban environmental sector projects. This study will also provide recommendations for specific policy development for public private partnership initiatives.

Objectives of the Report:

- a. To Compile and Catalog Existing GOI and Ministerial Policies Regarding Public Private Partnerships and other Forms of Private Participation.
- b. To Develop Recommendations and a Rough Draft for Specific Sector Policies for Public Private Partnerships in the Water, Wastewater and Solid Waste Sectors.

Study Coordinator and Tim Teknis Liaison:

Chemonics, Inc.	Anthony Torrens	(Short Term Consultant)
BAPPENAS	Bastary Pandji Indra	Tim Teknis

Tim Teknis Liaison Tasks:

1. Provide input and direction on task implementation to study coordinator.
2. Coordinate central and local government liaison with study coordinator.
3. Monitor task implementation schedule and coordination with Tim Teknis.

Job Description:

1. Compile information regarding existing GOI Policy for 'public private partnerships' and private sector participation in public sector projects. Research and review policies of other ASEAN Countries and policies in use in the United States. Interact with Director of Water Supply and other government officials to discuss previous policy development and input.
2. Undertake an examination of 'public private partnership' policies for the water, wastewater and solid waste sectors.

3. Research and outline substantive 'public private partnership' issues requiring policy development.
4. Interview executives from the Government of Indonesia and the private sector (both local and foreign) to solicit their views in regard to 'public private partnerships' and private participation.
5. Develop 'public private partnership' and private participation policy recommendations for the GOI to review. Provide examples of specific proposals for 'public private partnership' and private sector participation policy for the water supply, waste water, and solid waste sectors.

Anticipated Study Results:

The completion of this study will provide a conceptual basis for the development of a comprehensive GOI 'public private partnership' and private participation policy for the water supply, waste water, and solid sectors that can be implemented by the central government. The study should be able to provide specific recommendations for sector policies.

Schedule: This effort will commence in June 1993 and will be completed in October of 1993.

<i>Work Activity</i>	<i>Month</i>
a) Research and Information Gathering	1 to 2
b) Report Writing and Preparation	3 to 4
c) Preparation of Draft Report	5
d) Preparation of Final Report	6

Deliverables: Discussion Paper

Title of Discussion Paper:

An Analysis of Existing Policy for Public Private Partnerships (PPP).

***Recommendations for Sector Policy Development in the
Water Supply, Waste Water and Solid Waste Sectors***

TERMS OF REFERENCE

POLICY, LEGAL AND REGULATORY COMPONENT

1.02

Legal & Regulatory Review of Private Sector Participation

Purpose: The purpose of the legal and regulatory review is to establish a baseline survey of existing laws and regulations and to develop a framework for the enactment of new laws, ministerial decrees and regulations that facilitate 'public private partnerships' and private participation in the water supply, waste water, and solid waste sectors.

Objectives of the Report:

- a. To Develop an Understanding of the Existing Legal and Regulatory Setting for GOI Laws, Ministerial Decrees, and Regulations that Impact on the Process of Developing 'Public Private Partnerships'.
- b. To Identify Legal and Regulatory Voids that Impede the Development of 'Public Private Partnership' and Private Participation Projects within an Institutionalized Setting.
- c. To Provide an Outline of Recommendations and Suggested Drafts for New Laws, Decrees and Regulations which should be considered in order to Institutionalize the Process of Developing 'Public Private Partnership' and Private Participation Projects through Local Government Initiatives.

Study Coordinator and Tim Teknis Liaison:

Chemonics, Inc.
PUOD/MHA

Ed Mazuroski
Sussongko

Municipal Services Advisor
Tim Teknis

Tim Teknis Liaison Tasks:

1. Provide input and direction on task implementation to study coordinator.
2. Coordinate central and local government liaison with study coordinator.
3. Monitor task implementation schedule and coordination with Tim Teknis.

Job Description:

1. Compile information regarding existing GOI laws, decrees and regulations for 'public private partnerships' and private sector participation in public sector projects. Review laws enacted in other ASEAN Countries and in the United States.

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2. Prepare a matrix of GOI legal and regulatory issues which impact on 'public private partnerships' and private sector participation. Research and outline substantive 'public private partnership' and private sector participation issues which may require additions and/or modifications to existing laws and decrees. Locate voids in law which need to be filled in order to justify 'public private partnerships' and private sector participation.
3. Undertake specific examinations of 'public private partnership' laws and regulations for the water supply, waste water and solid waste sectors..
4. Complete final baseline review of legal and regulatory issues which impact on PURSE Projects. Present findings of the preliminary review and provide recommendations for further action. Provide suggestions for the introduction of new laws and decrees for the water supply, waste water, and solid waste sectors which would authorize the development of 'public private partnership' and private sector participation projects by units of local government.

Anticipated Study Results:

The completion of this study will provide a comprehensive understanding of the existing legal environment which impacts on 'public private partnership' and private sector participation projects that originate from local governments. The study will also provide a conceptual foundation that will guide the development of comprehensive GOI laws and regulations which authorize local government development of 'public private partnership' and private participation projects for the water supply, waste water, and solid sectors. The study should be able to furnish specific recommendations for decrees that authorize full scale development of 'public private partnerships'.

Schedule: The review of existing laws and regulations will commence in the second quarter of the year and will be completed by December 31.

<i>Work Activity</i>	<i>Month</i>
a) Research and Information Gathering	1 to 2
b) Report Writing and Preparation	3 to 4
c) Preparation of Draft Report	5
d) Preparation of Final Report	6

Deliverable: Report

Title of Report:

Analysis of Existing Legal and Regulatory Issues for Public Private Partnership and Private Sector Participation Projects

Recommendations for Legal and Regulatory Development

TERMS OF REFERENCE
POLICY, LEGAL AND REGULATORY COMPONENT

1.03 *Review and Evaluation of GOI Authority to Provide Financial and Performance Guarantees*

Purpose: The purpose of this analysis is to explain 'project financial and performance guarantees' and to provide an understanding and a rationale that demonstrates the need for these types of financial instruments. The study will examine and outline policy options that would allow the GOI to develop an institutional mechanism for providing GOI financial and performance guarantees for public private partnership projects.

Objectives of the Report:

- a. To Provide GOI Officials with a Conceptual Understanding of the Domestic and International Project Lending Process for Public Private Partnerships and the Institutional Lending Requirements Imposed by Foreign Regulatory Bodies on Lending Institutions and their Impact on the Lending Process.

- b. To Recommend a Mechanism for Providing Private Sector Investors and Financial Institutions with Acceptable Financial Assurances and Project Performance Guarantees. The Guarantee Mechanism will also Describe Risk Reduction and Risk Mitigation Systems which can be Employed by the GOI.

Study Coordinator and Tim Teknis Liaison:

Chemonics, Inc.	C. Mark Williams	Chief of Party
Ministry of Finance	To Be Determined	Tim Teknis

Tim Teknis Liaison Tasks:

1. Provide input and direction on task implementation to study coordinator.
2. Coordinate central and local government liaison with study coordinator.
3. Monitor task implementation schedule and coordination with Tim Teknis.

Job Description:

1. Compile information regarding existing GOI and foreign banking and lending regulations for 'public private partnerships' in public domain projects. Provide specific examples of project loan mechanisms which are in use in other

developed countries as actual field examples. Also provide information relative to accepted international standards including those imposed through the Bank for International Settlements (BIS).

2. Describe the normal mechanics for providing loan funds to 'public private partnership' projects and the guarantee mechanisms that are required by financial lenders.
3. Develop prototype project financial and performance guarantee mechanisms for use with government sponsored 'public private partnership' projects.
4. Conduct interviews with government officials, private business executives, commercial and investment banking officials, and officials of donor agencies.
5. Provide GOI officials with analysis of the financial risk that would be assumed by providing project financial and performance guarantee mechanisms and develop alternatives methods which would reduce financial risk. Include comparative case studies from other countries for review and analysis.
6. Provide suggestions for developing and implementing 'financial and performance guarantee' policy and provide specific recommendations for language for various project financial and performance guarantee mechanisms.
7. Provide recommendations for the institutional mechanisms that need to be developed in order to implement a program of project financial and performance guarantees. Briefly discuss the interrelation of proposed project financial and performance guarantees to macroeconomic policy considerations and provide suggestions .

Anticipated Study Results:

The completion of this study will provide a comprehensive understanding of project financial and performance guarantees and the need and rationale for the development and implementation of guarantee mechanisms. The report will provide the GOI with the information and specific recommendations needed to consider the implementation of program of project financial and performance guarantees for 'public private partnership' projects.

Schedule: This effort will commence in June and will be completed by October 30, 1993.

	<i>Work Activity</i>	<i>Month</i>
a)	Research and Information Gathering	1 to 2
b)	Report Writing and Preparation	3
c)	Preparation of Draft Report	4
d)	Preparation of Final Report	5

Deliverable: Report

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Title of Report:

An Analysis of Project Financial and Performance Guarantees:

*Recommendations for Development and Implementation
of Guarantee Mechanisms*

TERMS OF REFERENCE

DEMONSTRATION PROJECTS

2.02 Evaluate and Study Existing BOO/BOT PSP Projects

Purpose: The purpose of this study is to review a wide range of existing projects in Indonesia, the United States and other ASEAN countries in order to learn from the successes and failures of 'public private partnership' projects and to apply those lessons to future GOI sponsored projects. This study will also provide recommendations for design of new projects and suggestions for advancing the private participation process more readily.

Objectives of the Report:

- a. To Catalog Public/Private Sector Projects and Project Information regarding existing BOO/BOT projects in Indonesia, the United States and other ASEAN countries.
- b. To Provide Data and Information that can be used for the Development of Policy, Legal, and Regulatory Programs, Demonstration Projects, Project Development Guidelines and GOI Training Materials.

Study Coordinator and Tim Teknis Liaison:

Chemonics, Inc.	Michael Conlon	Demonstration Projects Advisor
MPW/Cipta Karya	Ibu Tuti Ariati Sussongko	Tim Teknis
MPW/Cipta Karya	Ibu Rina Indriani	Tim Teknis

Tim Teknis Liaison Tasks:

1. Provide input and direction on task implementation to study coordinator.
2. Coordinate central and local government liaison with study coordinator.
3. Monitor task implementation schedule and coordination with Tim Teknis.
4. Participate in on-site project visits as needed.

Job Description:

1. Select the private participation projects to be reviewed through research and discussions with members of the Technical Team, including projects in water supply, waste water, and solid waste sectors, as well as other sectors such as power, highways, and mass transportation.

2. Develop a preliminary set of analytical criteria for the preparation of case studies and delineate a standard format for presentation of the data and information in a typical case study.
3. Visit the sites of the case studies and meet with representatives of the public and private sectors who were involved with the planning, development and operation of the projects and study the history of the projects.
4. Complete the case studies by collecting all available data and information regarding the projects, and compile the data and information in the standard format for presentation.
5. Prepare a report for each case study which analyzes the data and information collected utilizing the standard set of analytical criteria and provide an overview based on the patterns of success and failure which appear in the case studies.
6. Use the report, and in particular the overview analysis and recommendations, in training materials and in providing information to the GOI related to the development of policy, legal, and regulatory programs.
7. Develop preliminary 'guidelines' and benchmarks for 'public private partnership' and private sector participation project development.

Anticipated Study Results:

The completion of this study will provide an in-depth understanding of the history of private sector projects in Indonesia and will identify major issues which may impact on PURSE projects. The study will also provide recommendations for policy, legal and regulatory programs and demonstration projects.

Schedule: This effort will commence in June 1993 and will be completed by October 31, 1993.

	<i>Work Activity</i>	<i>Month</i>
a)	Identify Projects	1
b)	Project Reviews & Case Study Reports	2 to 3
c)	Report Discussion and Writing	2 to 3
d)	Preparation of Draft Report	4
e)	Preparation of Final Report	5

Deliverable I: Case Studies

Title of Report:

A Description of Existing BOO/BOT Projects in Indonesia

Deliverable II: Report

Title of Report:

*An Analysis of the Important Lessons Learned from Existing PSP
Projects*

DEFINITIONS OF TERMS

PURSE PROJECT

PURSE PROJECT DEFINITIONS: The PURSE Project will be involved in many types of infrastructure projects in the water supply, waste water and solid waste sectors. Projects will range from large capital development projects (such as a water supply distribution system or a solid waste transfer station) to small management operating and service contract projects (such as a management agreement to operate a water treatment plant or an agreement perform a billing and collection service for users of a solid waste landfill).

Most projects are identified by many different 'generic' names to denote the type of project which is being discussed. These generic names (such as BOO or BOT) are often used interchangeably and are confusing to even to most experienced professional. Therefore, for the PURSE Project, we will identify the most commonly used names for describing projects, and we will propose definitions of terms that, upon agreement, will allow all participants in the PURSE Project to understand the nature of the project as specified by the use of certain descriptive generic names.

Public Private Partnership: *(Capital Intensive Projects)*

The term 'public private partnership' is a 'global' term, referring to any *capital intensive infrastructure project* which is developed, financed and constructed by a private sector organization with the authorization and support of an agency of government to provide a public infrastructure service.

BOO (Build, Own, Operate):

BOO will refer to a *specific* type of 'public private partnership' in which a private sector organization will 'own' the project and will be responsible for construction, financing and operation of the infrastructure project which provides a public domain infrastructure service.

BOT (Build, Operate, Leasehold Transfer):

BOT will refer to a specific type of 'public private partnership' in which a private sector organization will be responsible for construction and operation of an infrastructure project which provides a public domain infrastructure service. The Project will be owned for a pre-determined period of time (the lease period) by the private sector organization that has developed the Project and will be transferred to the GOI immediately at the end of the lease period. Under BOT Leasehold schemes, a project sponsor will also be responsible for securing project financing.

TURNKEY:

BOT will refer to a *specific* type of 'public private partnership' in which a private sector organization will be responsible for construction and operation of an infrastructure project which provides a public domain infrastructure service. The ownership of the Project will be transferred to the GOI immediately upon completion of construction and after the project is approved or certified for operation. Under BOO schemes, a project sponsor may also be responsible for financing if required under the terms of reference for that project.

Private Sector Participation: (Non-Capital Intensive Projects)

The term 'private participation' is a 'global' term, referring to any *non-capital intensive infrastructure project* which does not involve large capital expenditures, but which will provide a service under a contractual agreement with the GOI or it's designated representative to provide a public domain infrastructure service.

Management Operating Contract:

Management Operating Contracts will refer to contracts whereby a private organization has entered into a contractual agreement with an agency of government to operate of facility such as a water treatment plant, a solid waste landfill or a solid waste transfer station. Under an operating contract, the private sector organization will be given management responsibility for the total operation of a capital intensive facility.

Management Service Contract:

Management Operating Contracts will refer to contracts whereby a private organization has entered into a contractual agreement to provide a specific service to an agency of government that is in charge of the operation of a capital intensive facility. Management operating contracts could involve providing engineering testing services to an operator of a water treatment plant or providing vehicle and vehicle transportation services to an operator of a solid waste transfer station.