

PURSE PROJECT

Private Participation in Urban Services

DRAFT

THIRD WORK PLAN

January 1996 - June 1997

PURSE Report No.106.00/96/034

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BAPPENAS
DEPARTEMEN DALAM NEGERI

DEPARTEMEN KEUANGAN
DEP. PEKERJAAN UMUM

1 INTRODUCTION

The PURSE "The Third Work Plan" covers Project implementation activities for the period January 1996 through the June 1997. It incorporates work tasks envisioned by the "Life of Project Guide" prepared as part of the initial Annual Work Plan in 1993, adding or eliminating certain elements in accordance with current needs of the Government and/or recommendations of the PURSE mid-term evaluation report. The proposed work plan tasks are consistent with the objectives of the Urban Policy Action Plan (UPAP) developed by the Government and supported by USAID.

A work plan period of eighteen months was selected because: a) typical tasks involving changes in Government policy or procedures are understandably long processes; and b) experience has shown that both Government and the Project are extremely busy during the fourth quarter of each year -- not a good time for the frequent meetings and consultations necessary to adequately produce a work plan.

The preparation of the Third Work Plan was aided by the "mid-term evaluation" recently conducted by an independent team. Their report finds that the goals, content, and timing of the PURSE Project remain appropriate at this mid-point in the Life of Project, a conclusion supported by events occurring in Indonesia which have made it clear that Government Repelita VI policies for public-private partnership (PPP) infrastructure development, and privatization efforts in general, are being carried out with increasing conviction.

This 18 month work plan builds on PURSE's implementation experience of the past three years, the increasingly well-articulated directions in which the Government is moving toward institutionalizing PPP for infrastructure, and the constructive recommendations of the PURSE mid-term evaluation team.

The work plan document is structured to clearly and concisely a) review the Project's goals and objectives; b) offer a revised conceptual model for implementation; c) discuss work plan strategy and methodologies for operationalizing the strategy; d) present the detailed work plan activities; and, e) propose the human resources required to carry out the work.

In the preparation of this work plan, four recurring themes have emerged which together summarize the thrust of project implementation for the remaining life of project:

- *Attention* -- focus on the goal of increasing the number of PPP/PSP transactions in the target technical sectors
- *Integration* -- all project activities must be implemented so that they are mutually supporting; PURSE work must be integrated with that of other donors and Government agencies.
- *Replication* -- PURSE must apply lessons learned to other projects and ensure that sustainability is achieved through training and appropriate documentation.

- *Communication* -- all aspects of project implementation must be effectively and continuously communicated to the Government, private sector, and other parties affected by the Project.

These themes will provide the overall guidance to implementation of specific workplan activities and utilization of staff resources over the eighteen month work plan period.

1. PENDAHULUAN

"Rencana Kerja Ketiga" PURSE meliputi kegiatan yang direncanakan untuk periode Januari 1996 sampai Juni 1997. Kegiatan-kegiatan dalam rencana kerja ini mengacu pada kegiatan-kegiatan seperti yang terdapat pada Pedoman Proyek (*Life of Project Guide*) yang disusun sebagai persiapan Rencana Kerja Tahunan 1993, dengan menambah atau menghilangkan elemen-elemen tertentu sesuai dengan kebutuhan Pemerintah dan/atau rekomendasi laporan evaluasi pertengahan PURSE. Kegiatan yang diusulkan sesuai dengan tujuan Urban Policy Action Plan yang dikembangkan oleh Pemerintah dengan bantuan dari USAID.

Rencana Kerja ini ditentukan untuk mencakup periode delapan belas (18) bulan karena dua hal: a) kegiatan yang memerlukan perubahan kebijakan atau prosedur Pemerintah adalah proses yang panjang; dan b) pengalaman menunjukkan bahwa baik Pemerintah maupun Proyek ini sendiri sangat sibuk pada kuartal keempat setiap tahun -- sehingga waktu-waktu ini bukanlah waktu yang tepat untuk sering mengadakan pertemuan dan konsultasi untuk menghasilkan rencana kerja yang baik.

Penyusunan Rencana Kerja Ketiga ini dibantu oleh "evaluasi pertengahan proyek" yang baru diselesaikan oleh suatu tim independen. Penemuan mereka adalah bahwa tujuan, isi, dan waktu dari kegiatan proyek PURSE sejauh ini masih sesuai, suatu kesimpulan yang juga sesuai dengan peristiwa yang banyak terjadi belakangan ini dimana jelas bahwa kebijakan Repelita VI untuk peranserta swasta untuk penyediaan sarana dan prasarana maupun peranserta swasta secara umum dilaksanakan dengan semakin mantap.

Rencana kerja ini juga didasarkan atas pengalaman PURSE selama tiga tahun terakhir, pengarahan yang semakin jelas dari Pemerintah dimana pelembagaan peranserta swasta untuk sarana dan prasarana semakin nyata dan rekomendasi konstruktif dari laporan evaluasi pertengahan proyek.

Dokumen rencana kerja ini disusun secara jelas untuk a) meninjau maksud dan tujuan proyek; b) menawarkan perubahan model untuk implementasi; c) membahas strategi dari rencana kerja dan metodologi untuk mengoperasionalkan strategi tersebut; d) menyajikan rencana kegiatan secara terinci; dan e) mengusulkan sumber daya manusia yang dibutuhkan.

Dalam penyusunan rencana kerja ini, ada empat tema yang akan menjadi inti pelaksanaan pekerjaan untuk sisa umur proyek:

- *Perhatian* -- usaha harus difokuskan pada peningkatan jumlah perjanjian kerjasama swasta pada ketiga sektor ruang lingkup PURSE
- *Integrasi* -- semua kegiatan harus dilaksanakan sedemikian hingga kegiatan tersebut saling menunjang; kegiatan PURSE juga harus terintegrasi dengan kegiatan donor dan instansi Pemerintah lain.
- *Replikasi* -- PURSE harus menerapkan pengalaman yang diperoleh kepada pekerjaan lain dan memastikan adanya kesinambungan dan pelembagaan melalui pelatihan dan dokumentasi.

- *Dokumentasi* -- semua aspek implementasi harus disampaikan secara menerus dan efektif kepada Pemerintah, swasta, dan pihak lain yang berkepentingan.

Tema-tema ini akan menjadi pedoman dalam pelaksanaan kegiatan seperti yang tercantum dalam rencana kerja dan dalam pemanfaatan tenaga kerja untuk periode delapan belas bulan di depan.

2 OBJECTIVES, STRATEGY AND METHODOLOGY

This section of the work plan reconfirms the goals to be achieved, develops an overall strategy to reach those goals, and discusses the methods to be used in operationalizing the implementation strategy. It also presents the recommendations of the mid-term evaluation report that are being incorporated into the on-going work.

2.1 Project Goals and Objectives

The goal, purpose and objectives of the PURSE Project remain largely unchanged from those of the original project design. The Project **Goal** is to increase the stock of infrastructure essential for economic growth and improve access to efficiently delivered services that contribute to an improved urban environment. The Project **Purpose** is to expand the participation of the private sector in the provision of selected urban services (water, wastewater treatment and solid waste management) on a sustainable basis through direct investment or contracted participation in supply, delivery, or other operational functions. The **Objectives** of the Project, therefore, are to increase private investment and public-private participation in the development, financing, construction, operation, maintenance and management of urban environmental infrastructure in the Republic of Indonesia, and to assist the Government in improving the investment climate for such projects.

These conceptual tenets will continue to guide the proposed implementation activities of the PURSE Project during this 18-month Third Work Plan period.

2.2 Strategic Plan Through End of Project

To achieve these goals and objectives by the end of the project (September 1998), PURSE must now shift its emphasis from the theoretical to the more practical, from the office to the field, from a focus on central government to local government, and from the conceptual to the reality of the need for service delivery.

PURSE is well positioned to provide meaningful assistance to cities through actual demonstration projects. Many of the tools needed to undertake PPP projects have been developed or are under development and are currently available for field testing. These include, for example, the Project Life Cycle, a detailed, step-by-step process for implementing infrastructure projects. Other examples include the Risk Management System, Sample Contract Documents, and eventually a PPP Law.

The principal **strategies** the project will use to accomplish PURSE's goal, purpose and objectives are the following:

- 1) Shift PURSE's principal implementation focus from the central government to local levels of government.
- 2) Address priority legal, regulatory and financial issues.

- 3) Develop an intergrated training program focused at the local level.
- 4) Engage PURSE in the Project Life Cycle process on demonstration projects where actions will have a measurable impact and may be replicated through technical assistance and/or training.

PURSE intends to implement this strategy by focusing Project resources on a limited number of technical assistance activities which, if carried out in a thoughtful and highly integrated manner, will represent significant, high impact achievements for the Government as well as the Project. These priority work plan activities are:

- 1) Develop and issue the "Public-Private Partnership Law."
- 2) Develop, legalize and disseminate various essential tools such as "The Project Life Cycle", "The Risk Management System", "Sample Forms of Agreements and Contract Documents", and "Techniques for Financial Analysis."
- 3) Prepare and deliver training in PPP to local government officials, local enterprise officials, and private sector proponents. Institutionalize the training within the GOI.
- 4) Provide "hands on" technical assistance to selected demonstration projects at the local government level.

2.3 Methodology for Implementing Third Work Plan

Methodologies for operationalizing the Third Work Plan strategy will include, but not necessarily be limited to, the following:

- Careful selection of demonstration projects to optimize use of resources and ensure replication and dissemination of lessons learned.
- Shift project budget resources saved by departure of long-term expatriate advisors to fund additional in-country travel, training activities, and long- and short-term Indonesian advisors.
- Shift some short-term local level of effort to fund a long-term local Training Manager and other local long-term professional technical assistance as needed.
- Improve coordination and integration of the Project by increasing formal communications with counterparts and other projects.
- Implement an effective training program geared towards the local level and utilizing operationalized training materials, and integrated with Demonstration Project activities.

PURSE believes that in following a pro-active, collaborative approach, and remaining flexible to exigencies of the work, the three original project components will be integrated in a dramatic and effective manner. Broad dissemination of project concepts and methods will occur over time as more cities observe successful projects involving the private sector being implemented elsewhere.

2.4 Mid-Term Evaluation Considerations

The recently concluded mid-term evaluation of the PURSE program objectively examined all aspects of the Project and made constructive recommendations to improve Project performance and impact. Equally important, the evaluation report confirmed that recent PURSE initiatives were indeed sound and effective, and that the Project itself was in the "right place at the right time" for making a substantive contribution to Indonesia's economic development.

The Third Work Plan incorporates many of the suggestions made by the evaluation team. These include, among others:

- a) shift emphasis from central to local levels of government
- b) develop more operationalized reports and documents
- c) develop an integrated, sustainable training program at the local level
- d) use the Project Life Cycle as a central, unifying element in implementation
- e) carefully select of demonstration projects to maximize use of Project resources and to ensure replicability
- f) respond to issues raised with regard to each demonstration project
- g) re-investigate PUOD interest in establishing monitoring indicators system

The Table on the following page presents a concise overview of the Third Work Plan strategy, methodology, tasks, and end of work plan status.

PURSE THIRD WORK PLAN

(January 1996 - June 1997)

- Goal : Increase Stock of Urban Infrastructure
- Purpose : Expand Private Participation in Service Provision
- Objective : Increase Private Investment and PPP in all Aspects of Water Supply, Waste Water, Solid Waste Management Project

STRATEGY	METHODOLOGY	TASKS	END OF WORK PLAN STATUS
<p>1. Focus principal implementation on <u>local</u> levels of Government through increased direct consulting TA and targeted training to demonstration projects.</p> <p>2. Focus on over arching legal, regulatory and financial issues central to facilitating PPP/PSP <u>Transactions</u>.</p> <p>3. Develop an integrated training program based on the <u>implementation process</u> of PLC, etc.</p> <p>4. Engage PURSE at any point in PLC process where actions have <u>impact</u> and are <u>replicable</u> through TA and/or Training</p>	<ul style="list-style-type: none"> • Select demonstration projects by <u>optimizing use of Project resources</u> and <u>ensure replication and dissemination of lessons learned</u> including through existing channels of communication (e.g., Perpamsi). • Shift project budget resources saved by departure of expatriate advisors to fund training and increased in-country travel activities. • Shift some ST local Level of Effort to fund LT Training Manager and other LT local professional TA as needed. • Improve coordination/integration of project by increasing formal communications with GOI counterparts and other donor activities. • Develop effective training program targeted to local levels by producing <u>meaningful</u>, user friendly documents and <u>operationalized</u> training materials in Bahasa Indonesia. 	<ul style="list-style-type: none"> • Draft Regulations for Wastewater Sector • Review & Preparation of Regulations for Private Developers' Responsibility to Provide Environmental Infrastructure • Development of PPP Project Monitoring Indicators System • Development of PPP Water Tariff Mechanisms • Further Development of Financial Analysis Model • Prepare Risk Management System • Develop Alternative Financial Guarantee Mechanisms • Academic Draft of Multi Sectoral PPP Law • Further Development of Project Life Cycle • Consulting Assistance to Demonstration Projects • Development of Negotiation Techniques • Implement Training & Communications Program Focused on Local Government and Local Enterprise Officials 	<p>1. Defined/Approved transaction framework; including PPP Law, Implementing Guidelines & Risk Management System</p> <p>2. Improved capacity as result of training program developed and being implemented</p> <p>3. Increased number of PPP/PSP projects contracted or under negotiation</p>

TABLE: OVERVIEW OF STRATEGY, METHODOLOGY & TASKS

3 THE THIRD WORK PLAN (January 1996 - June 1997)

This section of the work plan first discusses the integration of implementation activities toward common project goals, and then outlines the major work tasks envisioned for the coming eighteen month period.

3.1 Integration of the Original Three Project Components

The PURSE Project was originally conceived and organized into three major components or areas of work. These include: *Policy, Legal and Regulatory; Demonstration Projects; and Training and Communications*. PURSE understands that, for the Project to be successful, the activities carried out under the rubric of one of these components must be carefully integrated with those of the other components so that they become, in effect, mutually supporting.

It has been PURSE's experience, however, that the three component structure places conceptual and organizational constraints on implementation. While appropriate in helping facilitate the project design and describe overall technical direction and individual scopes of work, this structure does not lend itself as well to actual implementation. In short, the original three component structure does not, we feel, adequately articulate the necessary interrelationships among project activities, nor foster their integration when actually carrying out the work.

As depicted by the chart on the following page, we have tried to address this issue by reorganizing implementation along lines more conducive to activity integration which, we believe, is the intention of the original PURSE Project organizational design.

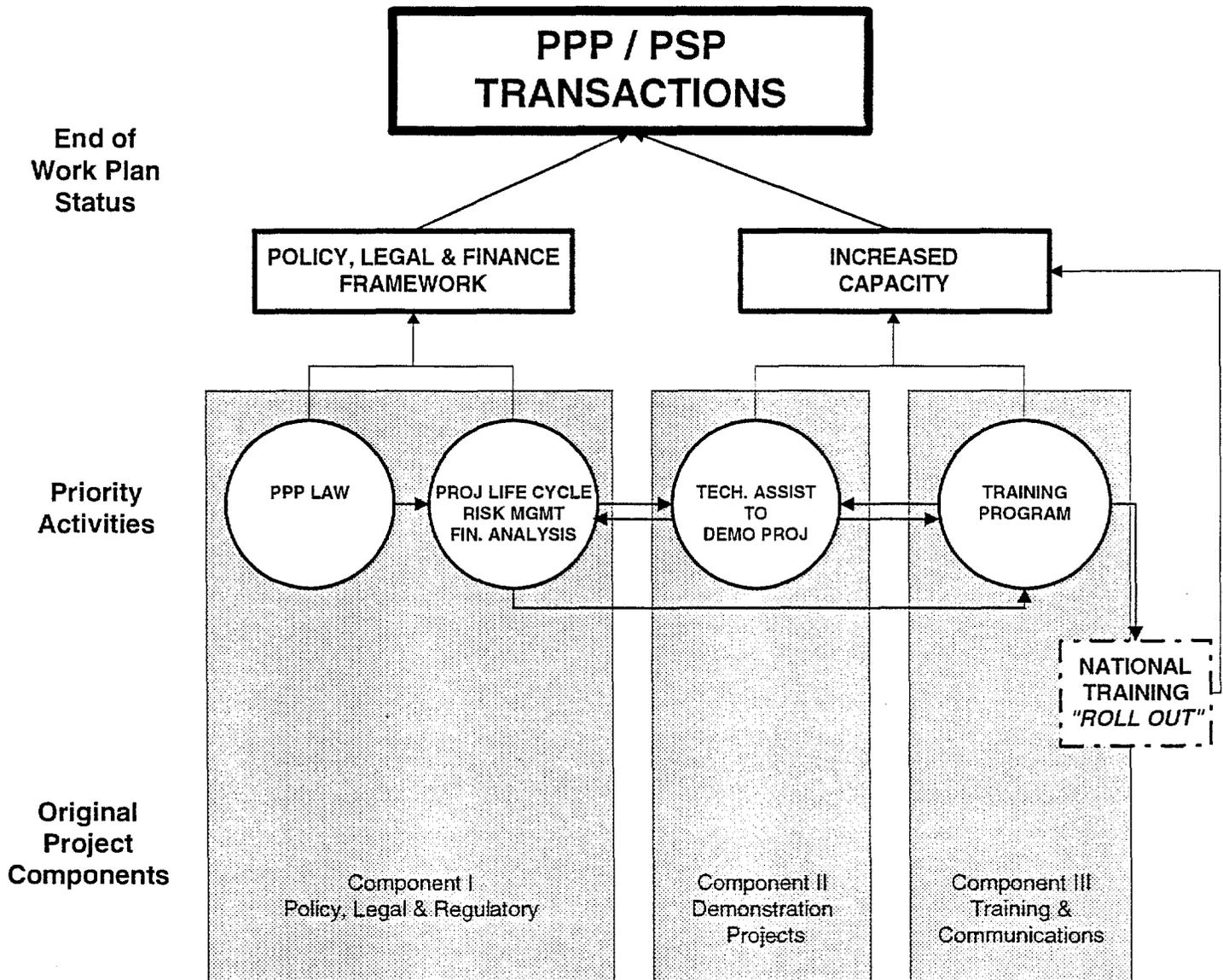
With the Third Work Plan, PURSE technical assistance now implies a total comprehensive approach to project development and implementation. This "holistic" approach brings together the "tools", the demonstration projects, and the training of concerned local government/enterprise officials, as a complete and integrated technical assistance package.

3.2 Focus on Priority Activities

To implement the work plan strategy, PURSE plans to focus its resources on four priority activities noted above in Section 2.2 which are critical to the Government's agenda for PPP development, and thus also key to the Project's success.

Therefore, the individual work tasks described below each contribute to the accomplishment on one (or more) of these four priority activities. As a result, they are designed to be implemented in a mutually supportive, integrated approach, rather than identified exclusively with a single project component.

INTEGRATION OF THIRD WORK PLAN ACTIVITIES



The above chart presents a schematic overview of the Project's focus on priority activities and their inter-relationships. It also serves as a graphic transition from the original three component organizational structure to the new, more integrated approach to implementation.

3.3 The Management of Demonstration Projects

PURSE has developed a demonstration project management system designed to facilitate a proactive, collaborative approach with local governments/enterprises for providing Project services. Based on a PPP project implementation plan developed jointly with the local project proponent, this management system will enable PURSE to better:

- advise the local government/enterprise of the services PURSE can (and cannot) provide.
- schedule tasks and manage Project resources required to implement them.
- clarify roles and responsibilities of all parties involved.
- integrate PURSE's training program into the demonstration project activities.

3.4 PURSE Training Strategy

The preparation and implementation of a revised training program will be a central element of the activities carried out under this Third Work Plan.

In the last quarter of the previous work plan period (ending December 1995), PURSE conducted an intensive review of training activities to date under the Project, and developed a comprehensive revised training implementation strategy and plan for this Third Work Plan.

This revised training plan activity coincided with the timing of the independent PURSE program evaluation, and came to many of the same conclusions, namely:

- the emphasis in training should be shifted from the central to local levels of government;
- training materials should be user-friendly, "operationalized" documents developed in Bahasa Indonesia;
- training should be more fully integrated with the other two Project components – Policy, Legal & Regulatory, and Demonstration Projects;

- appropriate human and institutional resources should be identified to assist in curriculum and materials development and training program delivery;
- PURSE should work closely with GOI and other training organizations to ensure sustainability of the training program.

All of these elements have been incorporated into the Training Plan for the Third Work Plan.

The PPP training program will include four major components, with discrete modules developed under each component. The advantage to this organization is two-fold: 1) selected experts can take responsibility for completing one or more modules, but not be tasked with undertaking an entire component, and 2) delivery of training can be customized using only those modules that are deemed necessary. During the first year of implementing PPP training, materials and delivery will focus on the water supply sector.

The PURSE training program consists of following components and modules:

Component One: Introduction to PPP/PSP

- Module 1A. Overview of PPP & PSP
- Module 1B. Types of PPP
- Module 1C. Types of PSP
- Module 1D. Role and Responsibilities of Government under PPP or PSP

Component Two: Project Life Cycle

- Module 2A. Project Identification and Selection of Private Party
- Module 2B. TOR and Feasibility Study Development
- Module 2C. Execution of Feasibility Study Reports & PP ?
- Module 2D. Contract Execution
- Module 2E. Transfer of Responsibilities to PP and Gov't Role
- Module 2F. Project Construction
- Module 2G. Project Operations
- Module 2H. Transfer or Renegotiation

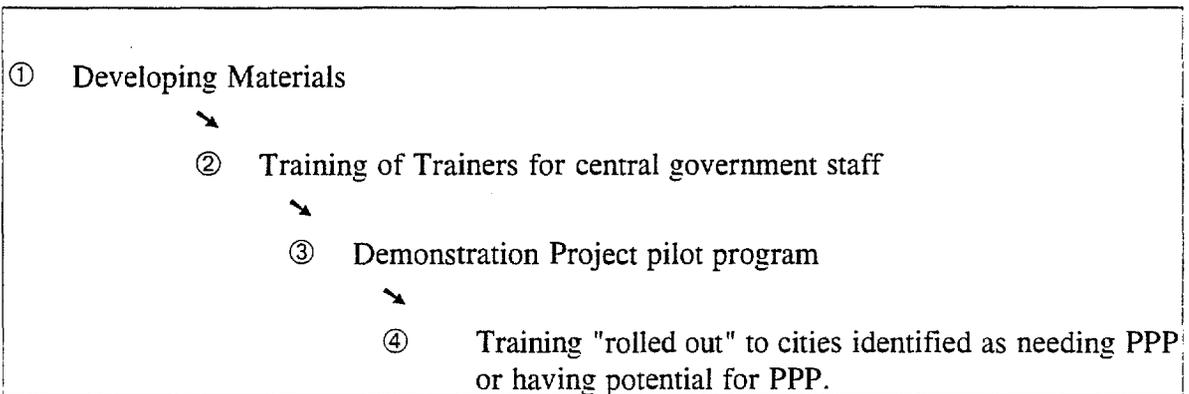
Component Three: Financial Analysis

- Module 3A. Financial Issues for the PDAM
- Module 3B. Financial Issues for Private Investors
- Module 3C. Setting Financial Objectives
- Module 3D. Use of Financial Models
- Module 3E. Evaluation of PP Proposals
- Module 3F. Structuring of PPP Contracts (financial aspects)

Component Four: Contract Preparation

Module 4A.	Objectives of the PPP
Module 4B.	Identification & Clarification of Issues
Module 4C.	Risk Assessment and Allocation
Module 4D.	Negotiation Process

The steps involved in the process of developing and institutionalizing this training are:



To leave behind a sustainable training program, PURSE will work closely with the DIKLATs of the appropriate Government agencies, as well as with other on-going programs, such as TAP4I and the Urban Management Training Program.

3.5 End of Work Plan Status

By the end of this work plan period (June 1997), PURSE intends to have attained the following major accomplishments:

- Defined and approved transaction framework, including a PPP law, implementing guidelines (PLC), and risk management system.
- Improved capacity at the local level of government as a result of a training program designed, implemented, and "rolled out".

These two accomplishments together will contribute directly to an

- Increasing number of PPP/PSP projects in the target sectors, either contracted or under negotiation.

All three of these accomplishments are quantifiable.

3.6 The Work Plan

The Third Work Plan activities are presented in both graphic and narrative form. The Gantt chart on the following page is used to depict an estimated implementation schedule for each of the twelve (12) proposed major project activities and steps over the next 18 months.

The timelines on the Gantt chart are, of course, for illustrative purposes only. Many, if not most, of the activities PURSE is engaged in are outside of the Project's total management control. Largely a process and institution-building effort, PURSE alone cannot dictate the decisions of Government, nor the process or speed of consensus building and decision-making so critical to achieving both PURSE and Government objectives.

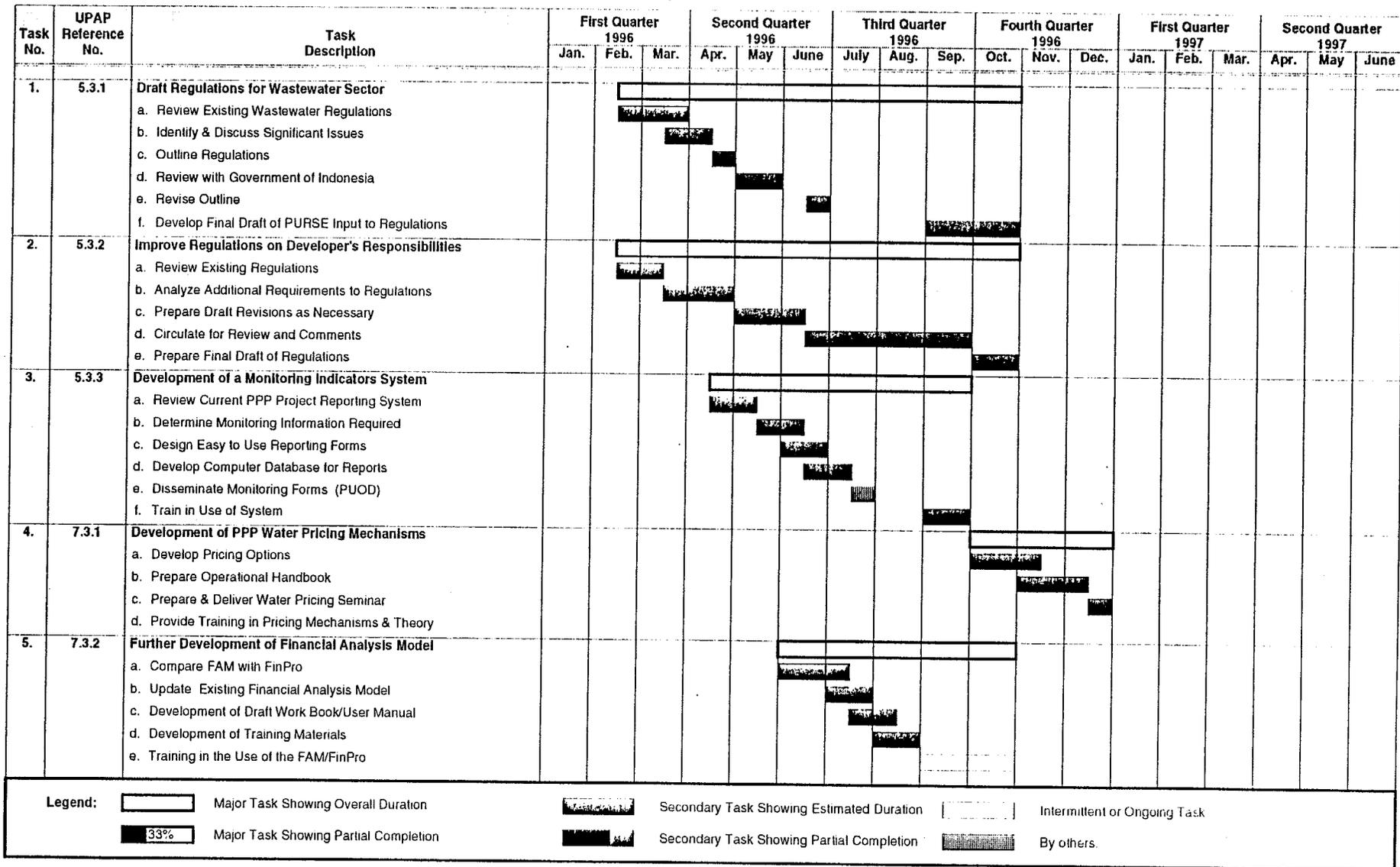
The Work Plan tasks shown on the various charts have been developed to assist the Government in achieving the objectives of the Urban Policy Action Plan (UPAP) and are consistent with Repelita VI second year and end of Repelita VI targets. These charts are presented as Annex A.

The one page summaries of each work plan task presented as Annex B provide descriptive detail of the purpose of the activity and the principal steps envisioned for carrying it out.

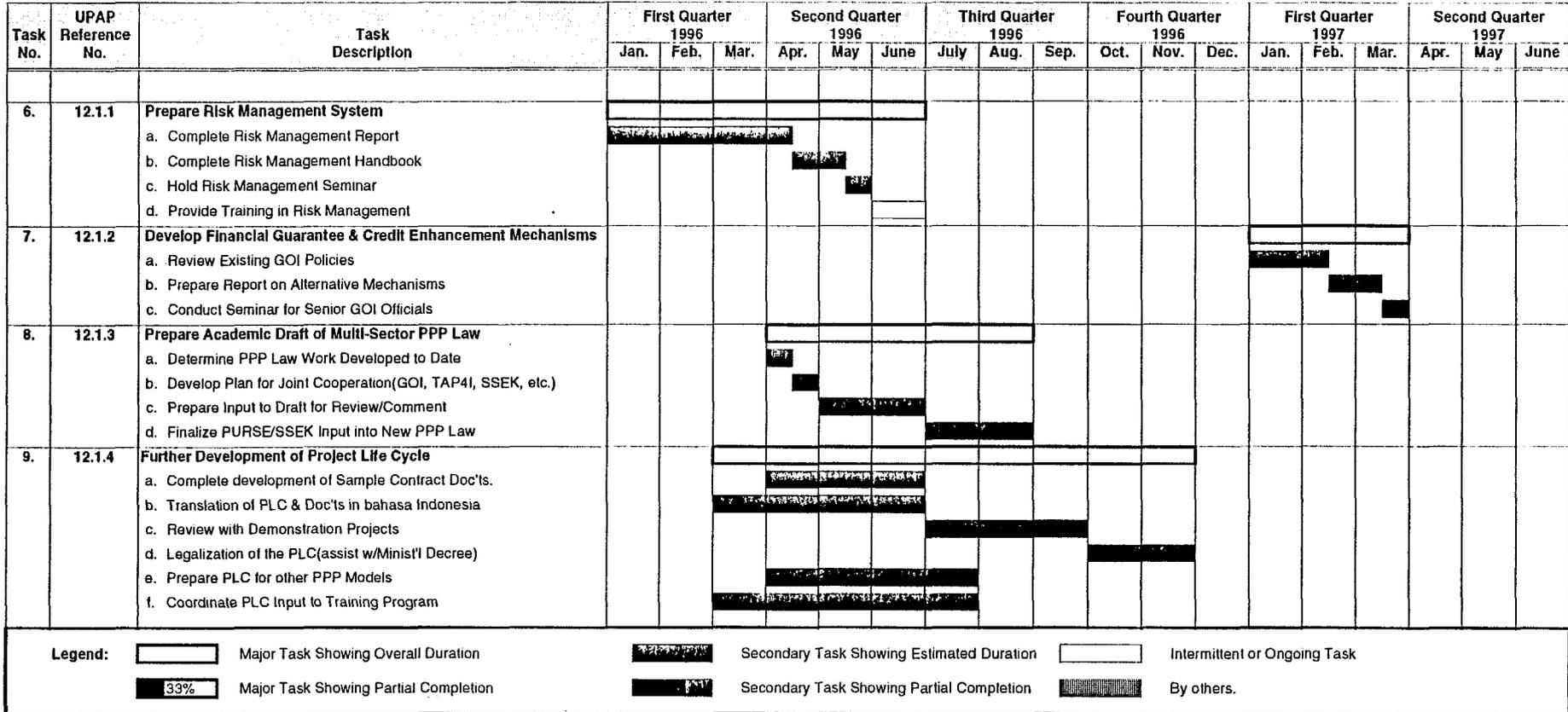
GANTT CHART - THIRD WORK PLAN - PURSE PROJECT

January 1996 - June 1997

Private Participation In Urban Services



GANTT CHART - THIRD WORK PLAN - PURSE PROJECT
 January 1996 - June 1997
 Private Participation In Urban Services

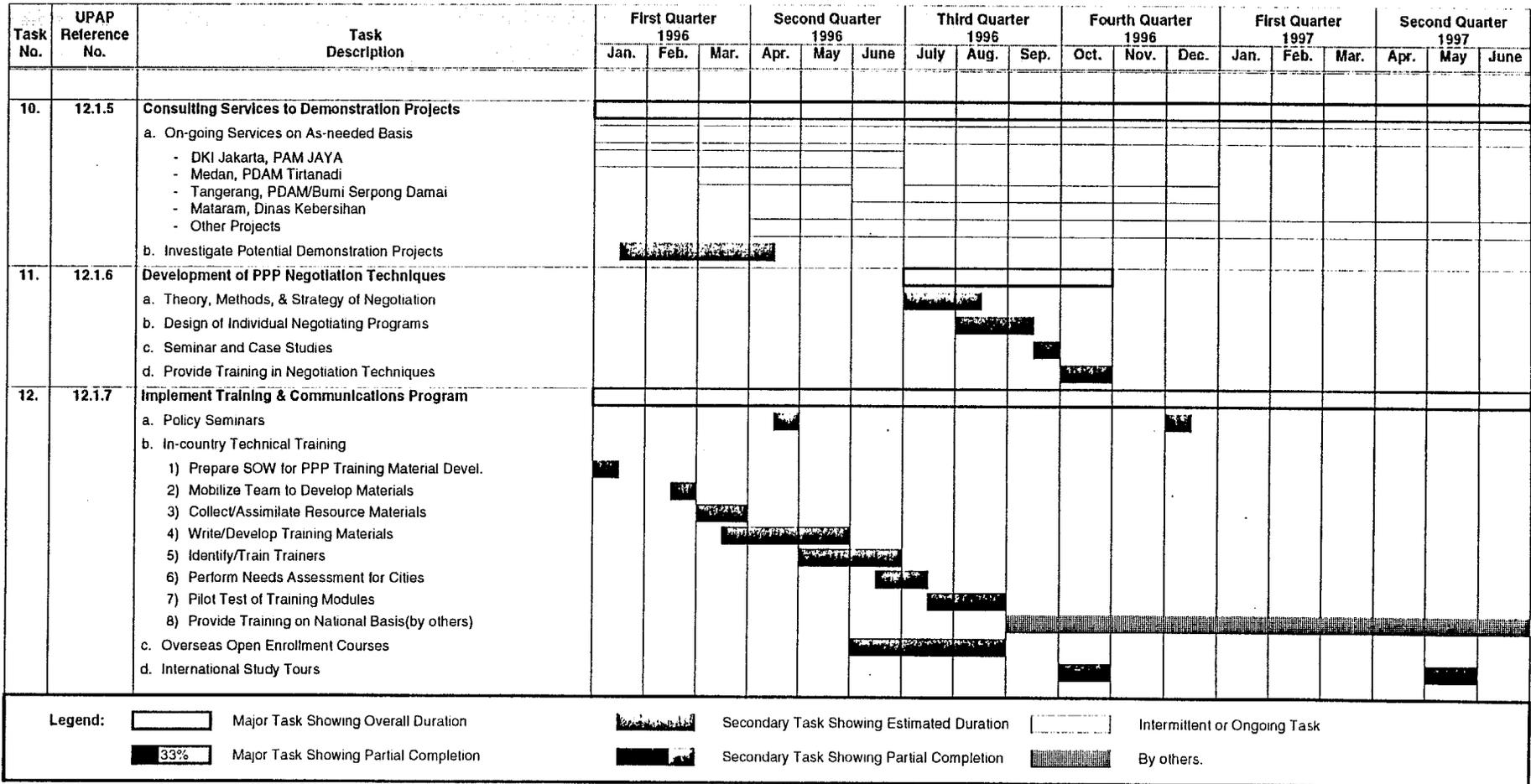


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GANTT CHART - THIRD WORK PLAN - PURSE PROJECT

January 1996 - June 1997

Private Participation in Urban Services



4 PERSONNEL AND RESOURCE REQUIREMENTS

Accomplishment and success of the Third Work Plan will rely heavily upon the competence and timely deployment of the personnel resources of the project. This section of the work plan outline the strategy and the details of allocating personnel and responsibilities within the work plan for maximum effectiveness. The chart at the end of this section projects level of effort allocation over the 18 month work plan period.

4.1 General Approach

In general, the tasks of the Third Work Plan will be carried out by a combination of long term professional staff, both American and Indonesian, and the judicious use of short term professionals to provide added expertise or expanded coverage of work requirements. Because the nature of the work has changed, i.e. from academic and theoretical to a more practical and field oriented project, emphasis is being shifted toward providing assistance directly to local governments and enterprises utilizing more local professionals and communicating more frequently in Bahasa Indonesia. Additionally, training in the field is becoming one of the major thrusts of the PURSE Program and, although the expatriate professionals will be involved in preparation and quality control, local professional staff along with trained and knowledgeable Government of Indonesia personnel will deliver most of the training courses.

4.2 Long Term Professional Staffing

As can be seen in the accompanying personnel schedule for the Third Work Plan, there are currently six long term professional positions on the PURSE Project. The *Chief of Party* position currently filled by *William J. Parente, P.E.*, is expected to continue throughout the 18 month period. Three positions currently filled by expatriates, namely *Municipal Services Advisor*, *Urban Economics Advisor* and *Contracts Advisor/Deputy Chief of Party* will gradually be phased out with responsibilities shifting toward the Indonesian long term professionals.

Municipal Services Advisor, Lindley H. Hall, P.E., will conclude his assignment in May 1996, ahead of that originally scheduled, due primarily to professional and personal reasons. He will have accomplished all of his technical requirements in the area of preparing draft technical regulations. Demonstration project responsibility will shift to local professionals. Although Mr. Hall's technical consulting and interaction will be missed, this does free up much needed financial resources for other project requirements such as training. *Contracts Advisor/Deputy Chief of Party, Mr. John Strattnner*, is due to depart the PURSE Project as originally scheduled in September 1996, having completed his technical requirements and having supported the project administratively through the projects busiest years. *Urban Economics Advisor, Mr. C. Mark Williams*, will be leaving the project on or about March of 1997. This is a month

earlier than originally scheduled due to budgetary constraints. It is anticipated that all of the above advisors will have fulfilled their technical obligations to the project.

With respect to Indonesian long term professional staff, *Municipal Services Specialist, Ir. Syarif Puradimadja*, will serve on PURSE throughout the 18 month period of the Third Work Plan. The *Project Development Specialist/Financial Analyst, Mr. Robert Rerimassie*, has submitted his resignation and will withdraw from PURSE effective February 1996. Mr. Rerimassie has accepted a challenging position with a prominent Indonesian finance company. In any case, the position is a critically important one and it is hoped that a suitable replacement can be approved soon. The Indonesian Project Development Specialist/Financial Analyst position will continue through the Third Work Plan and beyond.

4.3 Short Term Professional Staffing

During the execution of the PURSE Second Work Plan, several shortcomings in professional staffing were recognized, such as the lack of local professional training personnel (Training Manager and Training Administrator) and the lack of a local staff technical professional (Staff Environmental Engineer). This situation was remedied by utilizing some local short term person months (which has been previously under-utilized) to mobilize people to fill these semi-long term roles. The position of *Training Manager*, currently filled by *Ir. Purwoko Hadi* of PT REDECON, will be needed throughout the period of the Third Work Plan. Supporting the multitude of training activities is *Training Administrator, Ibu Irwina Yanitha Himawati*.

Assisting in the execution of demonstration projects as well as a variety of other tasks is *Staff Environmental Engineer and Planner, Ir. Laila Suryodipuro*. Her role is critically important as a technical and professional interface with the local governments and local enterprises in communicating PURSE concepts. She will also help facilitate the integration of demonstration project technical activities and issues with the PURSE training program.

True short term technical consulting will be utilized to undertake certain tasks as described in earlier portions of this work plan. These positions will be identified and filled by local subconsultants as the needs arise. Please refer to the following Personnel Schedule herein.

4.4 Use of Subcontractors

Subcontractors in the form of specialty consultants brought onto the project by USAID subcontracting procedures will be utilized for certain tasks for which PURSE does not have the required expertise or cannot dedicate sufficient attention in view of the multiple responsibilities of most of the long-term advisors. Examples of subcontracting during the Third Work Plan include the *Preparation of a Risk Management System*, currently being undertaken by the *Chemical Bank Project Finance Division* in conjunction with PURSE and the Ministry of Finance. In addition, the task of drafting a broad-based *Public-Private Partnership Law* will be under the subcontract with *Soewito, Suhardiman, Eddymurthy and*

Kardono(SSEK), a prominent local law firm. Another subcontract currently being pursued will provide addition legal documentation for model security agreements for the Project Life Cycle manuals.

4.5 Physical Resource Requirements

The physical resources to support the Third Work Plan are currently in place as a result of forward planning during the Second Work Plan. Adequate office space for both long term and short term professionals is available in the PURSE Project Office. With emphasis on project work shifting to the field, particularly after the development of professional quality training materials, physical resource requirements such as office space and vehicles will be correspondingly reduced.

ANNEX A

**WORK PLAN ACCORDING TO URBAN POLICY
ACTION PLAN**

PURSE PROJECT: THIRD WORK PLAN (January 1996 - June 1997)

POLICY OBJECTIVE (per Urban Policy Action Plan)	UPAP MEDIUM TERM GOALS (per Repelita VI) <i>TASKS/SUB-TASKS</i> (per PURSE 3rd Work Plan)	OUTPUT	LEAD GOI INSTITUTIONS	USAID RESOURCES		
				ADVISORS (pm)	SHORT-TERM ASSISTANCE	
					Foreign (pm)	Local (pm)
5 Implement a decentralized and coordinated process for the provision and management of urban infrastructure, facilities, and adequate level of investment provided	5.3 Strengthen the planning and management of urban infrastructure service delivery					
	5.3.1 <i>Develop Draft Regulations for the Wastewater Sector</i> a. Review existing Regulations b. Identify & discuss significant issues c. Outline Regulations d. Review with Government e. Revise the Outline f. Prepare and submit revised draft final revisions and legalization of Regulations	Discussion paper of principal issues (Apr. '96) Outline of draft Regulations (Apr. '96) Initial draft Wastewater Regulations (May '96) Final draft Wastewater Regulations (Oct. '96)	MPW BAPEDAL	Hall Suryodipuro		1.5
	5.3.2 <i>Update and improve regulations concerning developers' responsibility to construct and maintain environmental infrastructure.</i> a. Review existing regulations b. Analyze additional requirements c. Prepare draft revisions as necessary d. Circulate for review and comments e. Prepare final draft of Regulations	Issues paper (Apr. '96) Draft Regulations (if needed) Final draft Regulations (Oct. '96)	MPW BAPEDAL	Puradimadja Suryodipuro		0.6

PURSE PROJECT: THIRD WORK PLAN (January 1996 - June 1997)

POLICY OBJECTIVE (per Urban Policy Action Plan)	UPAP MEDIUM TERM GOALS (per Repelita VI) TASKS/SUB-TASKS (per PURSE 3rd Work Plan)	OUTPUT	LEAD GOI INSTITUTIONS	USAID RESOURCES		
				ADVISORS (pm)	SHORT-TERM ASSISTANCE	
					Foreign (pm)	Local (pm)
7 Establish a decentralized and coordinated system for urban environmental quality management.	5.3.3 <i>Develop a system for the collection and analysis of monitoring indicators to track the level of investment and on-going projects in urban environmental infrastructure.</i> a. Review current GOI PPP reporting system b. Determine monitoring info. required c. Design reporting form d. Develop computer database for reports e. Disseminate monitoring forms to PDAMs f. Train in use of system	Monitoring Form (Jun. '96) Database (July '96)	MOHA/PUOD	Parente		4
	7.3 Improve infrastructure and service pricing mechanisms which introduce economic incentives to enhance urban environmental quality 7.3.1 <i>Develop Options for PPP Water Project Pricing Mechanisms</i> a. Develop pricing options b. Prepare operational handbook c. Prepare & deliver water pricing seminar d. Develop training program in water pricing mechanisms and theory	Pricing Operations Handbook (Dec. '96) Seminar (Dec. '96) Training program & materials	MOHA/PUOD	Williams	3	3
	7.3.2 <i>Further Development of Financial Analysis Model (FAM)</i> a. Compare FAM with FinPro Model b. Update existing FAM c. Develop draft workbook/user's manual d. Develop training materials e. Conduct training	Paper (Jul. '96) Draft workbook/user's manual (Aug. '96) Training program & materials	MOHA/PUOD MOF	Williams	3	

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PURSE PROJECT: THIRD WORK PLAN (January 1996 - June 1997)

POLICY OBJECTIVE (per Urban Policy Action Plan)	UPAP MEDIUM TERM GOALS (per Repelita VI) TASKS/SUB-TASKS (per PURSE 3rd Work Plan)	OUTPUT	LEAD GOI INSTITUTIONS	USAID RESOURCES		
				ADVISORS (pm)	SHORT-TERM ASSISTANCE	
					Foreign (pm)	Local (pm)
12 Mobilize private sector and community participation in urban areas	12.1 Expand private sector participation in the provision urban environmental infrastructure and services					
	12.1.1 <i>Prepare a Risk Management System</i>		MOF MOHA/PUOD	Williams w/Chemical Bank	Subctrct	
	<ul style="list-style-type: none"> a. Complete draft report b. Develop and complete operational handbook c. Conduct a risk management seminar with high level GOI officials and members of private sector d. Prepare and implement training program in risk management 	<ul style="list-style-type: none"> Report (Apr. '96) Risk management handbook (May '96) Seminar (May '96) Training program & materials 				
12.1.2 <i>Develop Alternative Financial Guarantee Mechanisms</i>		MOF	Williams	3		
<ul style="list-style-type: none"> a. Review existing GOI guarantee policies b. Prepare report on alternative mechanisms c. Conduct seminar for senior GOI officials 	<ul style="list-style-type: none"> Report (Mar. '97) Seminar (Mar. '97) 					
12.1.3 <i>Prepare an Academic Draft for a Multi-sectoral PPP Law</i>		MOHA/PUOD BAPPENAS	Strattner w/SSEK		Subctrct	
<ul style="list-style-type: none"> a. Determine PPP Law work developed to date b. Develop plan for joint cooperation with TAP4I, SSEK, GOI procurement teams, etc. c. Prepare academic draft for review and comment d. Finalize PURSE/SSEK input into new PPP Law 	<ul style="list-style-type: none"> Academic draft (or inputs) (Jun. '96) Final draft (or inputs) (Aug. '96) 					

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PURSE PROJECT: THIRD WORK PLAN (January 1996 - June 1997)

POLICY OBJECTIVE (per Urban Policy Action Plan)	UPAP MEDIUM TERM GOALS (per Repelita VI) TASKS/SUB-TASKS (per PURSE 3rd Work Plan)	OUTPUT	LEAD GOI INSTITUTIONS	USAID RESOURCES		
				ADVISORS (pm)	SHORT-TERM ASSISTANCE	
					Foreign (pm)	Local (pm)
	<p>12.1.4 <i>Further Development and Institutionalization of the Project Life Cycle</i></p> <p>a. Complete development of sample contract documents</p> <p>b. Translation of PLC and documents</p> <p>c. Field test with demonstration projects</p> <p>d. Legalization of PLC (ministerial decree)</p> <p>e. Prepare training program in LPC</p> <p>f. Develop PLC models for other PPP formats (e.g. concessions)</p>	<p>Sample contract documents (May '96)</p> <p>Manuals in Bahasa Indonesia (Jun. '96)</p> <p>Instruksi menteri (May '96)</p> <p>Training program & materials</p> <p>PLC models (Jul. '96)</p>	MOHA/PUOD	Strattner Puradimadja	Subctrct	
	<p>12.1.5 <i>Provide On-going Consulting Services to Demonstration Projects on an As-needed Basis</i></p> <p>a. DKI/Pam Jaya</p> <p>b. Medan</p> <p>c. Mataram</p> <p>d. Other projects as identified</p>	<p>Policy recommendations, Technical & Financial issues papers; terms of reference; technical memoranda; document evaluation reports; etc. as needed and as appropriate.</p> <p>to be determined</p> <p>to be determined</p> <p>to be determined</p> <p>to be determined</p>	MOHA/PUOD BAPPENAS MOF MPW TKI, TKII	Parente Hall Williams Strattner Puradimadja Suryodipuro Djumhana		20

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PURSE PROJECT: THIRD WORK PLAN (January 1996 - June 1997)

POLICY OBJECTIVE (per Urban Policy Action Plan)	UPAP MEDIUM TERM GOALS (per Repelita VI) <i>TASKS/SUB-TASKS</i> (per PURSE 3rd Work Plan)	OUTPUT	LEAD GOI INSTITUTIONS	USAID RESOURCES		
				ADVISORS (pm)	SHORT-TERM ASSISTANCE	
					Foreign (pm)	Local (pm)
	<p>12.1.6 <i>Development of Negotiation Techniques</i></p> <p>a. Paper on theory, methods & strategy of negotiations</p> <p>b. Design of individual negotiating programs for demonstration projects</p> <p>c. Seminar for Government officials, including at local level in negotiation techniques</p> <p>d. Prepare, deliver training in negotiation techniques</p>	<p>Paper on Negotiations (Aug. '96)</p> <p>Negotiation strategies</p> <p>Seminar (Sep. '96)</p> <p>Training program & materials</p>	MOHA/PUOD TKI, TKII	Williams	4	
	<p>12.1.7 <i>Implement Training & Communications Program designed to focus on demonstration project cities and local government and enterprise officials. Private sector may also participate as appropriate.</i></p> <p>a. Policy seminars</p> <p>b. In-country Technical training</p> <p>o Prepare SOW for PPP training materials</p> <p>o Mobilize materials development team</p> <p>o Collect/assimilate resource materials</p> <p>o Write/develop training materials</p> <p>o Identify/train trainers</p> <p>o Perform needs assessments for cities</p> <p>o Pilot testing of training modules</p> <p>o Provide training on national basis</p> <p>c. Overseas open enrollment courses</p> <p>d. International study tours</p>	<p>Seminars (May & Dec. '96)</p> <p>Training program & materials (May '96)</p> <p>(Aug. '96)</p> <p>National PPP training program</p> <p>Courses</p> <p>Tours</p>	MOHA/PUOD BAPPENAS MOF MPW TKI, TKII UMTP	Parente Hadi	5	18

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ANNEX B

TASK DESCRIPTIONS

1. Draft Regulations for Wastewater Sector

(UPAP No. 5.3.1)

DESCRIPTION: Development of draft regulations in the Wastewater Sector for the Directorate General Cipta Karya, Ministry of Public Works.

Step a: Review Existing Regulations

Conduct a review of all existing laws and regulations pertaining to the collection, treatment and discharge of wastewater, including residential, commercial and industrial.

Step b: Identify Significant Wastewater Issues and Discuss with GOI

In consultation with appropriate GOI officials (Cipta Karya, Bapedal, Ministry of Health) identify the principal issues that need to be addressed and which will be the basis for any wastewater regulations which are developed.

Step c: Outline of Wastewater Regulations

Based on discussions on the principal issues, prepare a detailed outline of possible Wastewater regulations and include some descriptive material on the contents of each subsection. The outline will be based on the form and content of the final draft of the Water Supply Regulations produced by the Cipta Karya Review Group, if this is made available to PURSE.

Step d: Review with Government of Indonesia

Discuss the outline with the Wastewater Subsection in Cipta Karya.

Step e: Revise Outline

Revise the outline, as requested to do so by the Cipta Karya review group.

Step f: Develop Final Draft of PURSE Input to Regulations

If requested, develop the proposed Wastewater Regulations based on the approved outline. It may be that Cipta Karya will prefer to develop the Regulations by the method employed by them for the Solid Waste and Water Supply Regulations (Cipta Karya Review Group).

TRAINING: None anticipated until such Regulations are adopted.

TASK MANAGER: Lindley H. Hall/ Laila Suryodipuro

LEVEL OF EFFORT: Long-term: 0.6 Person Months expatriate (LH)
Short-term: 1.5 Person Months local (LS)

OUTPUT: "Issues Paper" on identified Wastewater issues; coupled with an outline of the possible Regulations. (If Requested) An initial draft of the Regulations.

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2. Improve Existing Regulations Regarding Developers' Responsibilities for Infrastructure

(UPAP No. 5.3.2)

DESCRIPTION: There exist regulations requiring property developers to provide certain infrastructure, including water supply, wastewater and solid waste facilities. The regulations may not be appropriate for privately financed projects, nor yet effectively implemented. A review of the current situation, and recommended improvements, if needed, is warranted.

Step a: Review Existing Regulations

Conduct a review of the existing regulations to determine if they are adequate in defining the requirements for provision of environmental infrastructure within new developments. Define any possible improvements which should be considered.

Step b: Draft a Report on the Review of the Regulations

Based upon the review conducted in Step a, draft a report and include conclusions on the need for further action to revise and/or develop regulations to more effectively define the requirements for environmental infrastructure within new developments.

Step c: Initial Drafting of Changes to Existing Regulations

If it is concluded that improvements and revisions to the existing regulations are possibly required, draft such recommended changes for review with the Ministry of Home Affairs.

Step d: Review with Government of Indonesia

Review the report and conclusions with the Ministry of Home Affairs. If no changes in regulations are necessary, no further action will be taken. If changes are necessary, review the draft changes with the appropriate departments, and with the Ministry of Home Affairs.

Step e: Revise Proposed Changes in the Regulations

Based upon review with the Ministry of Home Affairs, make necessary changes in the draft regulations. Submit the proposed changes to the Ministry of Home Affairs for action.

TRAINING: None anticipated.

TASK MANAGER: Syarif Puradimadja, Laila Suryodipuro

LEVEL OF EFFORT: Long-term: 0.4 Person Months (SP)
Short-term: 0.6 Person Months local (LS)

OUTPUT: A report on the review of existing regulations; augmented by draft changes to the existing regulations (as needed).

3. Development of a Monitoring Indicators System

(UPAP No. 5.3.3)

DESCRIPTION: Assist the Departemen Dalam Negeri, Direktorat Jenderal PUOD to identify, accumulate, assimilate and report data which will measure the progress of PPP in the water supply and solid waste sectors.

Step a: Review Current PPP Project Reporting System

Review with PUOD the current methods, if any, of systematized reporting of information regarding the implementation of PPP/PSP projects by local government units. The need, purpose for the collection of this data, and institutional home will be established.

Step b: Determine Monitoring Information Required

Building on prior work completed by PURSE, work with PUOD to establish what information is of importance and how, when, and how often it should be reported.

Step c: Design "Easy to Use" Reporting Forms

PURSE will assist PUOD in creating a form which will be simple to fill in and which also will be made a requirement of the project approval process in the standard Project Life Cycle.

Step d: Develop Computer Data Base for Reports

PURSE systems analysts will assist PUOD in creating a data base management system for inputting, storing, and reporting the pertinent information of project actions.

Step e: Disseminate Monitoring Forms (PUOD)

Once a satisfactory system is established, PUOD will disseminate forms to local governments nationwide with instructions on the use of the form and the reasons for its existence.

Step f: Train in Use of System

Appropriate persons in PUOD or other specified institutions will be given training in the use/maintenance of the information system, estimated to be approximate 1/2 day, or as needed.

TRAINING: A section of PUOD, yet to be determined, will receive training.

TASK MANAGER: William J. Parente, & PURSE Local Financial Expert

LEVEL OF EFFORT: Long-term: 1 Person Month - Local (intermittent)
Short-term: 2 Person Months - Local Jr. Finance Expert
2 Person Months - Local Systems Analyst

OUTPUT: Monitoring Indicators Reported Semi-annually.

4. Development of PPP Water Pricing Mechanism

(UPAP No. 7.3.1)

DESCRIPTION: Building upon the framework of the Tariff Policy Study which examined existing water pricing mechanisms and the need for alternative pricing mechanisms to fully support PPP (BOO/BOT, etc.) projects, PURSE and GOI counterparts will develop new pricing mechanisms that could be employed effectively in the development of PPP projects. The preparation of a handbook on PPP water pricing mechanisms will provide government officials with an enhanced capability to work with private sector developers and lenders.

Step a: Develop Pricing Options

PURSE will develop various options for BOO/BOT "wholesale" level water pricing mechanisms for the Government of Indonesia. The options will permit government officials to determine a pricing policy most appropriate for various types of BOO/BOT projects. PURSE will consult GOI officials in the development of these pricing policies and options.

Step b: Prepare Operational Handbook

Complete a draft handbook for the water BOO/BOT pricing mechanism. The handbook will be circulated to GOI officials and the private sector for their review. Comments will be solicited incorporated into the final draft of the handbook on water pricing mechanisms. The handbook will be produced in Bahasa Indonesia.

Step c: Prepare and Deliver a Water Pricing Seminar

PURSE, in cooperation with the GOI, will sponsor a Seminar on Water Pricing Mechanisms.

Step d: Provide Training in Pricing Mechanisms

PURSE will develop a training program for GOI officials. The training will provide information from the BOO/BOT water pricing handbook. PURSE and GOI officials will provide training on the most effective methods for using the handbook.

TRAINING: PUOD, local government, and PDAM officials.

TASK MANAGER: C. Mark Williams, Urban Economics Advisor, and a PURSE Local Financial Expert (to be named)

LEVEL OF EFFORT: Long-term: 3 Person Months - Local (intermittent)
Short-term: 3 Person Months - Water Pricing Expert (Ex-Pat)

OUTPUT: Handbook

5. Further Development of Financial Analysis Model

(Task No. 7.3.2)

DESCRIPTION: This task builds upon the Financial Analysis Model (FAM) developed under Second Work Plan. The FAM will be used to develop financial profiles of potential demonstration projects and can later be expanded into other sectors such as wastewater and solid waste. The model will help focus subsequent discussions with demonstration project cities by illustrating the key elements of the transaction, and by identifying areas where additional information is necessary or changes in project design are warranted. The FAM will be compared with FinPro to analyze the advantages and disadvantages of both models. A handbook will be finalized to assist users in the use of the FAM.

Step a: Compare FAM with FinPro

PURSE will review the FAM and the new FinPro model to compare its usefulness in developing financial analysis profiles of proposed PURSE demonstration projects.

Step b: Update Existing Financial Analysis Model

PURSE will review the existing Financial Analysis Model and update the model if necessary to facilitate its use as an analysis tool for demonstration projects.

Step c: Development of Draft Workbook/User Model

Complete development of a draft Work Book for use of the Financial Analysis Model.

Step d: Development of Training Materials

Training materials will be prepared for GOI government officials in the use of the financial analysis model for water.

Step e: Training in the Use of the FAM/FinPro

PURSE will conduct training for local government officials in the use of the FAM for demonstration projects.

TRAINING: MOF, PUOD, local government and PDAM officials will receive training.

TASK MANAGER: Mark Williams

LEVEL OF EFFORT: Long-term: 3 Person Months - Local & Ex-pat
Short-term: 3 Person Months - Finance Expert

OUTPUT: Updated Financial Analysis Model and User Handbook

6. Prepare Risk Management System

(Task No. 1.03.1)

DESCRIPTION: PURSE will design a project risk management system that classifies project risk in accordance with the financial and guarantee study, and provides guidance and procedures for managing and diversifying the risk profile of each BOO/BOT project. Project risk in this task encompasses development, construction and operating risk, and project finance risk. The risk management system will provide government officials with an enhanced capability to manage risk exposure to environmental infrastructure projects developed by the private sector.

Step a: Complete Risk Management Report

PURSE and Chemical Bank will complete a report that provides the outline of a risk management system for use in BOT environmental infrastructure projects. This report will review current risk management practices using the Paiton project as an example and will classify risk and specify methodology for negotiating risk transfer and risk allocation to third party groups. The risk management system will discuss the advantages and disadvantages of various forms of risk transfer.

Step b: Prepare User Handbook for Risk Management

For use by GOI officials, the handbook will provide a balanced perspective on the benefits of risk transfer and well risk allocation for the Government of Indonesia. The handbook, which will be produced in Bahasa Indonesia, will allow government officials to have guidance regarding decisions on risk issues where the private sector undertakes the development and operation of infrastructure projects.

Step c: Hold Risk Management Seminar

PURSE will sponsor a seminar on Risk Management with assistance from MOF & PUOD.

Step d: Provide Training for Risk Management

PURSE will develop and implement a risk management training program using the risk management report, and making extensive use of the risk management handbook.

TRAINING: Officials from MOF, PUOD, MPW and local government will receive training.

TASK MANAGER: C. Mark Williams

LEVEL OF EFFORT: Long-term: 3 Person Months (intermittent)
Short-term: Chemical Bank Subcontract

OUTPUT: Risk Management Report, Handbook and Training Materials

7. Develop Financial Guarantee and Credit Enhancement Mechanisms

(Task No. 1.09)

DESCRIPTION: The analysis of project financial guarantee and credit enhancement mechanisms will be used to develop information for proposed PURSE demonstration projects. In the completion of this task, PURSE will expand upon information outlined in the study on the History of Financing Infrastructure and Financing Environmental Infrastructure, Identification and Analysis of Credit Support and Financial Guarantee Options. PURSE will develop and analyze options for credit enhancement and financial guarantees for BOT projects. PURSE will also continue its dialogue with private financial and infrastructure development firms in conjunction with the GOI.

Step a: Review Existing GOI Policies

PURSE will review with the Ministry of Finance, MPW & PUOD the existing policies on financial guarantees and credit enhancement for environmental infrastructure projects as well as infrastructure projects in other sectors.

Step b: Prepare Report on Alternative Mechanisms

PURSE team members will utilize the information from **Step a** and will collect information from potential providers of debt capital for infrastructure projects and try to determine the need for credit support/financial guarantees. We will analyze regulatory requirements of both Indonesian and foreign lenders in order to determine the impact on Indonesian infrastructure finance. PURSE will investigate the requirements for Indonesian bonds and loans to determine what actions need to be accomplished in order to permit long term financing instruments to qualify for infrastructure financing.

Step c: Conduct Seminar for GOI Officials

PURSE will work with the PURSE Working Group members to conduct a seminar on financial guarantees and credit enhancement.

TRAINING: Training will consist of presentations and small seminars to GOI government officials.

TASK MANAGER: C. Mark Williams

LEVEL OF EFFORT: Long-term: 3 Person Months - Finance Expert (Expat)

OUTPUT: Short Report on Financial Guarantee and Credit Enhancement Mechanisms.

8. Prepare Academic Draft of Multi-Sectoral PPP Law

(UPAP No. 12.1.3)

DESCRIPTION: In response to a directive from the Chairman of the PURSE Tim Teknis, PURSE subcontractor SSEK will contribute to the preparation of a law or Presidential Decree (KEPPRES) concerning the development and implementation of public-private partnership infrastructure projects.

Step a: Determine PPP Law Work Developed to Date

PURSE will meet with appropriate Government agencies and projects (TAP4-I; Procurement teams, etc.) to learn the status of work performed to date on developing a PPP law. Where possible, copies of outlines, drafts, discussion papers, etc. will be obtained and reviewed.

Step b: Develop Plan for Joint Cooperation with Other Groups Working on this Law

Together with the other groups working on the PPP Law, PURSE/SSEK will determine the work remaining to be done in preparing the Law. Together with the other groups, PURSE/SSEK will develop a terms of reference and/or outline of the contribution that PURSE/SSEK will make to the draft PPP Law.

Step c: Prepare Input to Draft for Review & Comment

Following the outline prepared, PURSE/SSEK will develop an academic draft of the input requested into the draft PPP Law. This will be circulated among the other groups as well as to appropriate outside Government officials for their review and comment.

Step d: Finalize PURSE/SSEK Input into New PPP Law

Based on feedback received to the academic draft, PURSE /SSEK will make appropriate changes to the academic draft and finalize the Project's contribution to the draft PPP Law or KEPPRES.

TRAINING: While a presentation may be given by SSEK to the Tim Teknis/Kerja, no specific training activities are envisioned under this task.

TASK MANAGER: John Strattner

LEVEL OF EFFORT: Long-term: 4 Person Months (intermittent)
Short-term: SSEK fixed price subcontract (legal)

OUTPUT: Draft Input to PPP Law

9. Further Development of the Project Life Cycle

(UPAP No. 12.1.4)

DESCRIPTION: Finalize the development and dissemination of the Project Life Cycle to local levels of Government. Also focus on institutionalizing the PLC within the appropriate Government agency, most likely POUD.

Step a: Complete Development of Sample Contract Documents

Through a fixed price subcontract, identify/procure/develop sample contract (security package) documents to serve as models for PPP projects.

Step b: Translation of the PLC and Documents into Bahasa Indonesia

Both volumes of the PLC handbook will be translated into Bahasa Indonesia.

Step c: Review the PLC with Demonstration Projects

Once translated, local officials on demonstration projects will be asked to review and comment on the PLC for appropriateness, user-friendliness, comprehensiveness, etc.

Step d: Legalization of the Project Life Cycle

Work together closely with the designated Ministry to issue the PLC as a ministerial instruction or guidelines. Work closely with the appropriate ministry so they take ownership of the PLC, manage the process of dissemination, changes and updates, etc.

Step e: Prepare PLC for Other Public-Private Partnership Models

The PLC for BOO/BOT type projects will be modified to accommodate other PPP models, such as Concession Agreements.

Step f: Coordinate PLC Input to Training Program

Coordinate with the Training Unit in the development and implementation of PLC training module.

TRAINING: Training will be provided to local government and enterprise officials.

TASK MANAGER: John Strattner

LEVEL OF EFFORT: Long-term: 7 Person Months (intermittent)
Short-term: Fixed Price Subcontract(legal)

OUTPUT: Project Life Cycle Operations and Documents Manuals

10. Consulting Services to Demonstration Projects

(UPAP No. 12.1.5)

DESCRIPTION: Potential Demonstration Projects under PURSE will be eligible for technical, financial and contractual advisory consulting services. The nature and extent of these services will vary according to specific project requirements, client needs, and personnel and funds available. An example of possible services are listed as follows:

Step a: Initial Assessment of Project Potential

Conduct preliminary visits and meetings with local government and/or local enterprise officials to discuss and determine their interest in carrying out a PPP/PSP type of project.

Step b: Preliminary Assessment of Proposed Project(s) for PPP/PSP Potential

Perform preliminary analyses of project potential, financiability, and pinpoint possible "deal breaking" circumstances, if any. Discuss with GOI and recommend what, if any, further action to take.

Step c: Begin Work with Local Government

If results of Step b are positive, PURSE will discuss the standard Project Life Cycle with the local government project proponent. Further assistance will be contingent upon the project proponents agreement to follow prescribed procedures.

Step d: Evaluate Financial Carrying Capacity of PDAM or Local Government Project Proponent

With assistance of PUOD, PURSE will determine the project proponent's ability to service project debt requirements based on financial statements and estimated project tariffs.

Step e: Develop Plan of Action

PURSE will work with the local government project proponent to develop an action plan for carrying out the project in accordance with approved procedures of the GOI and the Project Life Cycle. This plan of action will normally begin by preparing an "Initial Evaluation" or "Pre-feasibility Study." Local professional consulting firms may need to be engaged by local government to undertake these initial studies.

Step f: Review Project Pre-feasibility Analysis

PURSE consultants will provide assistance to review the pre-feasibility study and, if found favorable, will assist the project proponent to prepare a Terms of Reference for a Feasibility Study (FS). This FS may be prepared under funding by the project proponent or can be performed by interested private sector parties through solicited or non-solicited process.

10. Consulting Services to Demonstration Projects
 (UPAP No. 12.1.5)

Step g: Pre-qualify Interested Private Investors

The local government/enterprise will have to put any interested private sector entity through a pre-qualification procedure in order to determine their ability to undertake all aspects of the project. PURSE can assist in providing procedures and forms for pre-qualification as well as assist in review of the firms if necessary.

Step h: Assistance Through Step-By-Step Process of Project Life Cycle

PURSE can provide service through the selection process, assist in developing a negotiating position for the project proponent, and review contract document preparation. On-going assistance can be provided through contract negotiation, construction stages, and start-up of facility(if it falls within the life of the PURSE Project).

TRAINING: No particular training is required as these would be "on-the-job" services.

TASK MANAGER: William J. Parente

LEVEL OF EFFORT:	Long-term:	6	Person Months - Chief of Party
		3	Person Months - Municipal Services
Advisor		12	Person Months - Municipal Services
Specialist		6	Person Months - Urban Economics
Advisor		12	Person Months - Proj. Devel./Finance
Expert		9	Person Months - Staff Engineer/Planner
	Short-term:		Person Months of Local Professionals -
			Medan - 4
			Tangerang - 2
			Mataram - 1
			PAM Jaya - 2
			Others - 11

OUTPUT: Signed Agreements, or substantial progress toward executed PPP contract agreements.

11. Development of PPP Negotiation Techniques

(UPAP No. 12.1.6)

DESCRIPTION: The negotiation of PPP Projects is a complex and time-consuming process. Government officials need to understand in order to be able to implement PPP Projects. Experience with existing PPP projects being negotiated with private sector firms has demonstrated the need for assistance and information in the methods of negotiating PPP Projects. The purpose of this task will be to provide additional support to the GOI to undertake the negotiating process.

Step a: Theory, Methods, & Strategy of Negotiation

PURSE will develop material describing the theory, methods and strategies of negotiation. We will develop a report that provides relevant information on these issues and results and supports the negotiation process for demonstration projects.

Step b: Design of Individual Negotiation Programs

PURSE team members will use the information obtained above to design individual negotiation programs. We will also develop specific strategies and individual negotiation programs for various PPP projects.

Step c: Seminar and Case Studies

PURSE will work with the Working Group members to conduct a seminar on project negotiation and will develop instructional materials and case studies to support a training program so that local government employees can receive training in PPP project negotiation.

Step d: Provide Training in Negotiation Techniques

PURSE will conduct training on negotiation techniques for PPP Projects.

TRAINING: Training will consist of course work in negotiation and include case studies.

TASK MANAGER: C. Mark Williams

LEVEL OF EFFORT: Long-term: 4 Person Months - Finance Expert
Short-term: 4 Person Months - Negotiation Expert

OUTPUT: Report on Theory, Methods, & Strategy of Negotiation.
Seminar on negotiation techniques.
Training program and materials on negotiation techniques for PPP infrastructure projects.

12. Implement Training and Communications Program

(UPAP No. 12.1.7)

DESCRIPTION: Based on a revised training plan prepared at the end of 1995, and the recommendations of the PURSE mid-term evaluation report, PURSE's training program for this work plan reflects a shift in emphasis to local level Government and enterprise officials; the development of a modular curriculum tied to the process of the Project Life Cycle; and, integrated more fully with demonstration projects.

Program a: Policy Seminars

PURSE anticipates conducting policy seminars (largely for central Government officials) as demonstrated needs arise. Two seminars are planned for 1996 -- risk management, and project negotiations. Private sector representatives will be invited to these events as appropriate.

Program b: In-Country Technical Training

This training will be focused at the local level, and will consist of a modular program delivered with materials prepared in Bahasa Indonesia. A training-of-trainers program will be developed, and pilot training activities conducted initially in PURSE demonstration project cities. PURSE will work closely with GOI training institutions and others to effectively transfer the training into a national "roll out" program to ensure sustainability.

Program c: Overseas Open Enrollment Courses

Open enrollment (or "short") courses will continue during the work plan period, but at reduced volume in order to allocate more resources for in-country training.

Program d: International Study Tours

Study tours/visits to PPP infrastructure facilities will be organized as appropriate. Most of these will likely be in Southeast Asia. For example, PURSE has already made preliminary arrangements for such a tour to visit water and wastewater treatment facilities in Malaysia.

TASK MANAGER: William Parente
Purwoko Hadi

LEVEL OF EFFORT: Long-term: 2 Person Months (intermittent) chief of party
18 Person Months -- training manager
Short-term: 5 Person Months - materials coordinator (Expat)
18 Person Months - various (Local)

OUTPUT: Training program, curricula, and materials
Seminars in risk management and negotiation techniques
Open enrollment courses organized and attended
International study tours organized and conducted