

FORUM TAKEAWAYS

Solutions that work, good practices that matter

Regional Forum on Successful Project Design and Implementation

6-8 September 2022. Jakarta, Indonesia



Project Readiness

- **Advance actions for institutional arrangements**, including organizing PMUs and training them, land acquisition, and procurement of consultants and contractors, can reduce total project duration (at least up to 9 months and more) and associated delays and commitment charges
- Modalities such as **PRF, SEFF are useful and available for DMCs** to prepare projects in pipeline including completion of detailed engineering designs
- MFF facilitates project readiness of subsequent tranches during implementation of tranche 1.



Challenges and Options

- **Capacity gaps to be analyzed** and resources allocated to fill the gaps
- PMUs/PIUs are staffed with **qualified personnel and trained before start** of implementation
- Debt-readiness criterion requires projects to be within the maximum limit of debt-to-GDP ratio
- Difference between ADB guidelines and Indonesia regulations in safeguards and procurement [local content in Indonesia],
- Multilaterals and development partners need to be flexible in their policies and actions, and they should harmonize their processes towards use of country systems



Best Practice Example: India's Project Readiness Requirements

- Preliminary project reports prepared, including **objectives, alignment with national priorities, components, cost estimates, expected funding from external agencies and available government budget, status of DPR/DED** (to be financed by government itself)
- **Look for Finance plus** before including in ICPM – not only plugging the financial gap but **adding value to it, including knowledge and technology transfer.**



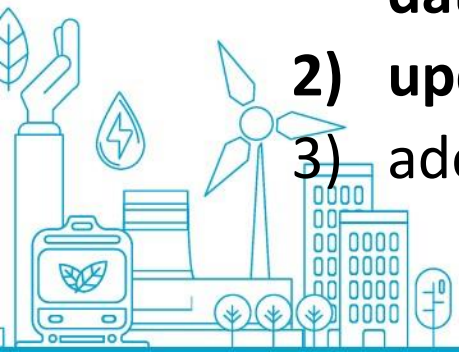
Project Readiness filters:

- **By Fact Finding:** (a) PMU/PIU to set up, budget arrangements, fund flow, stability of project officers; (b) the PP should be ready, TORs for all consulting contracts and shortlisting should have been completed and all bidding documents for civil works are approved; (c) 30% of the LA costs are allocated in the budget and start the LA process and EMP should be ready
- **By Loan negotiation:** (a) PIU/PMU in place, budget provisions are made, (b) project implementation plan should be in place, (c) all approvals relating to the project are taken (statutory), (d) 50% of LA must have been done, (e) 30% civil works contracts must be ready for award and all consulting contracts are finalized, (f) FM system, audit arrangements and oversight should be ready.
- **For signing the Loan,** 30% of civil works contracts are awarded and consultant contracts are finalized
- **For RBL** – must have independent verification agency to assess the results.
- **All 31 provinces and central government conducts e-procurement**



Learning from Evaluation

- Evaluation helps **to achieve development impact by ensuring**
 - (a) Accountability** – are resources used for properly;
 - (b) Learning** – what lessons can inform our decisions;
 - (c) Resource allocation** – how can use of resources be informed by evaluation knowledge of what works best
- Among the issues that SERD needs to address are
 - 1) finetuning its design and monitoring framework so that outputs and outcomes constitute a coherent theory of change, including impact indicators. This can be addressed by **having clear and adequate baseline data**;
 - 2) **updating its project design** and timing to strengthen project relevance;
 - 3) adequate **funding** of asset maintenance



Monitoring and Management Actions

- **Life cycle of the project need to be understood for proper planning and the team** which implements the project should be involved from the beginning of project development.
- **Risk management plans** to be translated into actions. should have proper experts in the consultants team.
- **Local government capacity** should be identified and awareness for various policies need to be communicated. ADB project officers, EAs/IAs need to interact regularly.
- Teams should **understand SOPs and timelines**. Systems need to be developed and approaches to be institutionalized so that monitoring continues.
- Cross learning through ADB is important for new EAs/IAs. **Planning is critical and tailor-made approaches are required.**



Monitoring and Management Actions (Cont'd)

- Bidding documents need to have schedule of associated works so that there are no surprises.
- Monthly and quarterly progress reports should be used for monitoring.
- Planning-controlling-managing cycle should be continuous. Interface of different works is part of management.
- Project asset maintenance is ensured through allocation and institutional arrangements for O&M For e-procurement to be effective, digitalization must be preceded by a streamlining of procurement processes.
- When dealing with a recurring problem, expand your analysis because that just might lead you to the solution of a broader systemic issue.
- Peer learning, exchanging experiences, and collaborating—as we do in this forum—work well in improving our capacity to design and implement better projects.



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Social Safeguards

- Gap filling measures are taken to address social safeguard issues, either through country policies and legislations or through negotiations between stakeholders. These help mitigate risks and minimize project delays.
- Some indicators:
 - 1) No civil works contracts are awarded before RP/DDR, IPD/DDR are cleared by ADB;
 - 2) No displacement occurs before all compensations are fully paid as confirmed by corresponding reporting;
 - 3) Project has a functioning grievance redress mechanism (GRM) and has no high-risk outstanding grievances related to implementation of safeguards;
 - 4) Scheduled monitoring reports are submitted as per agreed schedule, commencing loan effectiveness



Social Safeguards (Cont'd)

- Some good practice:
 - 1) Collaboration between social safeguards and engineer;
 - 2) Secure local government/unit endorsement of social safeguard plans;
 - 3) Harmonize schedules and milestones for land acquisition, procurement and project processing;
 - 4) Early, inclusive and comprehensive stakeholder consultation;
 - 5) Strengthen policy dialogue during project processing;
 - 6) Develop digital based monitoring tools



Environmental Safeguards

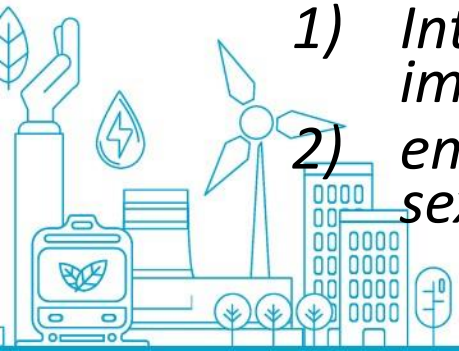
- Some indicators:
 - 1) No works contracts are awarded before the environmental management plans cleared by ADB;
 - 2) Requisite national environment, health and safety clearances and ADB environment safeguard clearances are obtained before commencement of applicable works;
 - 3) Project has a functioning grievance redress mechanism;
 - 4) Scheduled monitoring reports are submitted as per agreed schedule, commencing date loan effectiveness



Environmental Safeguards (Cont'd)

- Some good practice:
 - 1) EIA commences at the earliest stage of the project development and influence project design;
 - 2) Close working between teams, effective communication and collaboration;
 - 3) Avoiding or “designing out” environmental risk or impacts;
 - 4) Allocate adequate resources and time for EIA process – each project and EIA is different (complexity of project; significance and type of risks; geographic spread, etc);
 - 5) Engineer/LIC usually required to develop monitoring plans. Ensure that such plans and schedules are meaningful, aligned to EMP requirements, and focusing on key risks and impacts

- Safeguard Policy being updated, target release 2023. *Expected changes:*
 - 1) *Integrated environmental and social assessment, commensurate with the impacts and risks;*
 - 2) *enhanced focus on core labor standards (CLS) and working conditions, sexual exploitation abuse and harassment (SEAH)*



Financial Management

Value of FM: (i) PFM is to ensure accountability and efficiency in the use of public financial resources; (ii) FM of project is to control and monitoring of the use of project fund for implementation

FM readiness criteria: Timing of project management unit setup, including staffing, information systems, accounting and financial reporting standards, external & internal auditing standard, are a critical FM readiness factor

- Applicability and adaptability of information systems remains one of the key gaps identified in financial management assessments (FMAs)
- Accounting standards are to be clearly stated in Project Administration Manual and be legally promulgated in the country



Good practice in FM for successful projects:

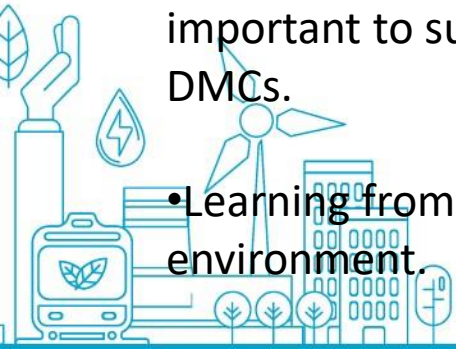
1) Implementation of FM arrangements; 2) Monitoring of project expenditures; 3) Timely, complete, and accurate financial reporting; 4) Compliance with independent audit requirements; 5) Update of project FM risk; 6) Sustainability analysis

Areas for improvement: Timeliness of report submissions; qualified audit opinion; strengthening internal controls and financial stability



Financial Management (Cont'd)

- Constant or repeated delays in projects implementation, lack of long-term financial sustainability and thus lower economic benefits from the investment, could be a sign of underlying systemic issues in financial management that require careful analysis and action.
- Project teams should focus on timely and quality financial management risk assessment and development of robust risk mitigating measures to improve readiness of projects and address project delays.
- Several factors should be considered when processing projects and analyzing delays during implementation, such as availability and strengths of country public financial management (PFM) systems, national regulations and standards, availability and capacity of qualified staff.
- Regular monitoring, reporting and update of FM risk and analysis of project financial performance and compliance with financial covenants help address project delays early on.
- Consultations with counterparts and technical assistance to improve country systems and institutions are also important to successful implementation of individual projects and strengthening of PFM systems of individual DMCs.
- Learning from good practices and knowing when it is feasible to apply them, i.e., what constitutes an adaptable environment.



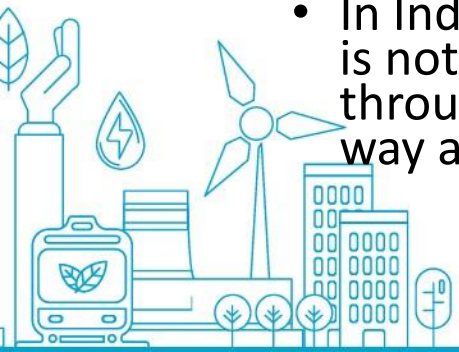
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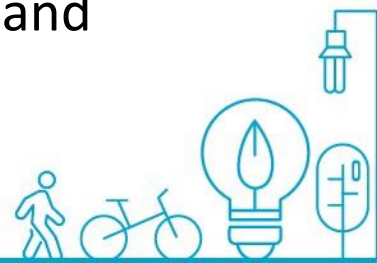
Procurement (Panel: Strengthening local contractors & suppliers' capacity to bid under ADB financed projects)

- A balance between small and large contracts is aspired, **adapted to country needs, suitable to the market and complexity of the projects and optimized in the process of strategic procurement planning process** so that local contractors can participate.
- In Indonesia, there is cross-pollination of expertise and complementation of roles between local and international contractors. **In most cases, as in joint ventures, local partners take the lead, and this is seen as contributing to boosting national capacity.**
- Countries can benefit from the procurement policies of multilaterals because those policies are broad, and they are informed by international practice. That said, **the use of country systems continues to be pursued.**
- **Procurement planning is like reverse engineering**, where the goal is made clear, and the resources required to achieve the outcomes are specified and procurement is built around those.
- In Indonesia, the **government policy on local content** is conflicting with ADB policies and this is not only impacting the implementation of projects but also the future pipeline investments through ADB financing. Discussions are going on between the government and ADB to find a way and the resolution is expected soon



Procurement (cont'd)

- Some constraints to advance contracting: **Lack of enabling country regulation** to start procurement before securing funding, or country's lack of counterpart funding itself
- Risks in Retroactive Financing: If the financing is not approved by the board for some reason, the DMCs have to find alternate source of funds and delays may have legal implications.
- **e-procurement journey of Indonesia** is inspiring, and the system is in full use for National bidding and for International bidding, contracting and consulting modules are already developed and in use by projects financed by MDBs. **Leadership, branding, attention** to fine details are important and the lessons learnt in Indonesia's journey will be useful for others in their development and implementation of e-procurement.
- In advanced stage, **underpinned by enabling policies** that preceded the procurement reform. The system is end-to-end, from planning to contract implementation and handover. It automates data collection and facilitates M&E.



Procurement (2017 Procurement Framework)

- The 2017 Procurement Framework **affords DMCs a certain degree of flexibility** because it is principle-based, not rules-based; and it facilitates harmonization with various development partners—all in support of DMCs and country systems.
- DMCs stand to benefit from the 2017 Procurement Framework because **it promotes beginning-to-end procurement support** instead of discrete review of procurement documents.
- Achieving efficiency and value for money requires streamlining procedures (e.g., the 2-envelope method that separates technical and financials) and broadening the use of alternative procurement arrangements



Procurement (merit points and life cycle costs)

- **The quality of selection to achieve value for money** can be ensured by using the **merit point scoring system** and **life cycle costs** in Bid evaluation. Merit point evaluation is more objective, uses quantitative metrics, and is effective in identifying low quality bids.
- **The criteria for merit points and life cycle costs should be well thought of and to be fit for purpose.** Sensitivity required in determining life cycle costs to arrive to the near to correct NPV. Include the project cross cutting objectives such as social, environmental, gender, climate change in construction.
- The mobilization schedule, construction schedule, method statement, etc., which are critical in contract implementation should be part of the criteria.
- This is not a silver bullet which can be applied to all the packages or projects but will be useful for complex projects and the **SPP process should identify and analyze these requirements.**



Contract management

- Managing contractors and consultants efficiently will enable risks are managed well and timely actions are taken to keep the cost and time overruns under control.
- The obligations of the employer and contractors should be well defined in the contract document and the compliance should be closely monitored.
- The assessment of risks and development of a risk management plan well before the contract is prepared (starting from the SPP) will help in incorporating the mitigation plans into the contract.
- Preparing a contract management plan and monitoring this plan closely with monthly discussions and updates will facilitate efficient implementation of contracts and timely corrective actions.



Transition to FIDIC Redbook

- Harmonized pink book is discontinued and all admeasurement contracts which used to use pink book before should now use Redbook. ADB no longer has license arrangements with FIDIC and hence cannot print the Redbook. The Employer should buy the license to use the Redbook in their bidding documents and the contractors should have the license to the Redbook for implementation of the contract.
- The particular conditions of contract in pink book are now in the name of COPA (conditions of particular application) in Bidding documents section 8 and it is much elaborate than the PCC of pink book. The EAs/IAs and contractors should get themselves familiarized with the conditions of contract and COPA.
- Depending on the complexities of the contract packages, the EAs/IAs can opt to use any form of contract suitable to the package/ project and ADB will work with them to incorporate that and prepare the bidding documents. Proper licenses need to be obtained so that there will not be any violations.

