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# THE ROAD TO ECONOMIC GROWTH

## Strategic Priorities for the ROAD SECTOR in Indonesia

### Introduction

1. As in many countries, the road sector accounts for the major share of domestic freight and inter-urban passenger land travel in Indonesia, playing a crucial role in linking communities and markets throughout the country. Enhanced international competitiveness, and the availability and affordability of goods and services within the economy, especially the access to basic services for reducing poverty in many isolated areas, are critically dependent on efficient functioning of the road sector.

2. Yet the road sector faces critical challenges at this time. After substantial investments in upgrading, expanding and extending the road network through the 1980s and 1990s, expenditures since the financial crisis in 1997 have fallen and are almost fully dependent on public funds and borrowing. Despite continuing preservation efforts, the arterial road network is becoming rapidly over-congested and inefficient, and the regional road networks are in poor condition and deteriorating. Moreover, the business environment is weak, there are substantial financial losses through corruption and poor quality, and institutional structures need further adaptation to decentralized and business-oriented operations. The sector appears to be facing an emerging crisis.



3. This poor infrastructure is hurting economic growth and the poor. Road congestion and travel costs have increased and are raising costs for industry and exporters. The poor have worst access to basic services and over one half of rural roads have limited access, increasing the regional disparities in development.

4. The purpose of this strategy note is to develop a common understanding between the Government of Indonesia and its donor and private sector partners of the physical and policy challenges which face the sector, and of a strategy for meeting these challenges in the medium-term of about 10 years. The strategy seeks to focus on the key themes which will enable the sector to grow and improve including public management, financial sustainability, and efficiency - and to highlight the roles of central and sub-national government, the private sector, and international financing agencies. Based on this strategy it then outlines a new approach to utilizing private sector and foreign assistance which could form the basis of future financing for the sector.

## The Emerging Crisis

5. Despite strong efforts, there are signs that the performance of the sector has been losing ground over the past decade.

6. **Road transport access is worsening through inadequate capacity in commercial corridors and limited density in rural areas.** The level of access provided by the road network, which had been comparable to other Asian countries, is not keeping pace with economic activity. At the national level, a lack of high standard arterial connections along major trade and commercial corridors, coupled with high congestion and poor safety on the arterial roads, has increased travel times and transport costs 43% of the arterial network on Java was congested in 2000 and this is expected to rise to 55% by 2010.

About 649 km of toll roads are in place, mainly in urban areas, compared with an estimated need of about 2,000 km. Arterial roads are constrained by obsolete low geometric standards, encroachment and a lack of bridges in remote areas. At the regional level (Province, district, urban), a low network density is constraining poverty reduction and growth in the isolated remote areas, particularly the Eastern Region and about half of the existing network provides unreliable and poor access, although it is estimated that in 2003, 94 % of rural Indonesians are within 2 kilometers of an all-weather road.

7. **Road quality is reasonable on national and provincial roads while poor in rural and urban areas.** The national road network is in reasonable condition, with 95% paved and 81% in good or fair condition in 2004. The provincial road network is also in predominantly good or fair condition, although, 20% of the length is unsealed, mainly in Eastern Indonesia and arising partly through the continual addition of low standard roads through reclassification. The 266,564 km district-level road network is in poorer condition with 52% paved, and about 50% in good and fair condition. The situation is worst in Eastern Indonesia and the low level of all-season access inhibits poverty reduction efforts and access to basic services for the poor.

	Km	% good and fair condition
National	34,628	81%
Provincial	37,164	63%
District/urban	266,564	about 50%
Toll roads	649	100%
Total	339,005	

Source: Strategic Plan: Ministry of Public Works 2005-2009, published March 2005

<sup>1</sup> Source: Strategic Plan: Ministry of Public Works 2005-2009, published March 2005

<sup>2</sup> Source: Village Potential Statistics Survey, World Bank Transport Sector Board Paper Rural Access Index March 2006

<sup>3</sup> Source: Strategic Plan: Ministry of Public Works 2005-2009, published March 2005

<sup>4</sup> Sources: Central Bureau of Statistics-BPS, 2003

**8. Recent spending patterns reflect dependence on and vulnerability to public budget.** Expenditure on road infrastructure increased during the boom period 1984-94 when the arterial road network was extensively upgraded to peak in 1993/94 at 22 % of national budget, but this dropped to 12 % before the 1997 crisis and has since been stable at about 10 %. Of this, investment spending on road development has consistently been about 40 % (Rp 2.1 trillion in 1999/00 Rp 18,227 billion in 2004 about US\$1.9 billion), although the utilization of funds is not well reflected by the budget categories. Spending on toll road construction essentially stopped in 1993/94, when foreign funding ceased and public spending declined to an operating level of about Rp 0.2 trillion/year in 1999/00. Asset preservation expenditures also declined since the boom to about the same level as the late 1980s in constant prices while they have maintained about a 50% share of total road expenditures, recently significantly more has been devoted to rehabilitation (betterment) works than to maintenance, and most recently the share devoted to maintenance has risen from 18 to 25 %. Foreign borrowing, which had dropped to 18% at the peak in 1993/94 has increased again to about 33% of the budget.

**9. An assessment of financing needs shows moderately good preservation of assets but large growing backlog of investment in network development.** For national roads, current funding for preservation of Rp 3 trillion/year is adequate, based on decision systems put in place over the past 15 years. However, improvement of the capacity of existing arterial roads shows a shortfall of about Rp 2.3 trillion/year (300 km/year) and extension of the network including freeways is non-existent except for a few strategic roads, and the shortfall is estimated about Rp 7.2 tr/year (200 km/year). Spending on national roads should therefore be increased by about Rp 10 tr/year to Rp 14 tr/year. At the regional level, local governments appear to be under-spending on preservation of existing assets (30% of needs) but meeting a larger 60% share of the improvement and development needs - they are thus progressing to improve access but with potential losses on existing assets. The shortfall at the regional level is Rp 9.5 tr/year, and the total shortfall on primary roads is thus Rp 19 tr/year.

**10. Financial sustainability for management of road assets is potentially achievable but faces some substantial impediments.** Revenues raised from the road sector through vehicle acquisition and ownership taxes, and fuel and other operational taxes contributed about Rp 7 tr/year in 2002. This is about 30% more than current road preservation spending and nearly comparable (70%) to the needs for bringing and keeping the whole primary road network in stable operating condition. However, this is more than offset by the large Rp 64 trillion (about US\$6.76 billion) fuel subsidy in 2006 (out of total government revised budget expenditures of Rp 699 trillion in 2006 or about US\$ 74 billion in 2006) provided to road users through below-market prices for motor fuels (so in effect road users receive a net benefit of public funds to use the road system). Subsidies remain although the Government took a bold step to substantially raise the pump price of fuel in October 2005. The proceeds of the vehicle revenues are treated as general tax revenues of the regional governments, not earmarked for financing road programs, and vary considerably between regions. Thus, while there is potential for placing the preservation of road assets on a self sustaining basis through a commercial fee-for-service model where road user charges are used to fund road expenditure programs, there are currently structural and policy impediments that have prevented this. Private sector financing is being mobilized for financially viable toll roads. Since this covers only a small portion of development needs, a comprehensive view of financing options is needed.

<sup>5</sup> Assuming exchange rate of US\$1 = Rp 9,500

<sup>6</sup> Figures at August 2006 prices. The current fixed price of R 4,500 / L for premium gasoline was about 70% of the international market price in August 2006. (As of April 2004 the price was R 1,800 per litre about 57% of the international market price).



11. **Institutional capacity is weak in critical aspects.** Despite sustained and substantial investments in capacity-building over two decades, certain needs remain. At the national level, road management capacity has been built up but development planning remains weak. Regional agencies, with new planning responsibilities due to decentralization, vary considerably in capacity and performance, and require capacity-building and incentives to use available planning tools. Inter-agency coordination is needs to be improved, between national agencies for road infrastructure and road transport regulation, and between central and regional agencies in respect of policy, planning and implementation. Heavy vehicle overloading is prevalent, raising road preservation costs by over 20%. Road traffic safety is poor, fatalities and accidents are seriously under-reported, and there seems little commitment to improvement. Programs and budget allocations often lack objectivity, transparency and public consultation, despite available procedures. The implementation of road works is often expensive and of low quality, raising costs by over 30%, due to uncompetitive procurement, low industry standards and poor supervision, in part due to prevalent corruption, collusion and nepotism in the agencies and industry.

## Pillars for an Infrastructure Strategy

12. Building on the recent analysis of the challenges across the whole infrastructure sector in Indonesia, an effective strategy for reforming and strengthening the road sector to position it for improved performance by 2010 and beyond, should be based on three pillars, i.e:

- Strong public policy support for planning and managing the road sector, with focus on improved service and development impact
- Sustainable financing policy, with appropriate cost recovery from users and sound framework for private sector participation
- Improved efficiency in implementation of public infrastructure programs, including competitive prices, transparent transactions and sustainable quality

## Focusing the Strategy for Road Infrastructure

13. Faced with these demands, there is a clear and urgent need for a national Strategy for the Road Sector. The holding strategy of the past six years has served as a transition with mixed results. The new strategy needs the following key elements

- Clear links between the sector planning goals and policies with the national economic development and reform goals
- Clear financing plan, showing sustainable use of public funds with maximum cost recovery and mobilizing private sector investments within a risk management framework
- Strong institutional structure, with clear definition of roles and responsibilities, transparent and efficient business processes, and improved service delivery.

14. The proposed strategy addresses the key challenges emerging from the analysis of the sector around these three themes at two administrative levels, the national and regional levels.

## Support public policies through strategic allocation of resources

15. *Strategy: Stimulate economic growth and reduction of poverty through focusing national road sector policy on development of the arterial road network to facilitate trade and efficient travel, focusing regional road sector policy on improving rural and urban access to services and markets, and ensuring sustained preservation of the existing road assets.*

16. In order to support a period of new and sustained national growth, the road infrastructure needs to be raised to a modern standard which will support growth for the next two decades, balanced with appropriate investment in other modes of transport (rail, water and air). At the national level, this would provide smooth, efficient connections between economic centers to increase the competitiveness of trade, and to overcome the present constraints of slow and congested travel. At the regional and local level, this would provide reliable access for the poor to basic services and give better access to markets.

17. Asset preservation the maintenance and rehabilitation of the networks should be stabilized and become financially sustainable from domestic sources. After two decades of foreign-assistance for preservation, the management procedures have been established and there is potential with the appropriate sectoral policy changes for full cost recovery from road users. Thus, foreign borrowing and private sector investment should now be focused and leveraged at the national level on substantial development of the arterial road network and at the regional level on improving access in rural and urban areas, all within fiscally prudent levels of domestic investment.

18. The resource strategy would be implemented through parallel programs at the national and regional levels, as follows:

(a) *National Level: Developing the Arterial Road Network to Facilitate Trade and Growth.* The focus would be a major development program to provide an upgraded arterial network and a modern high-capacity network linking major growth centers and external trading points within 10-15 years. Freeways comprising at least 1,500 km length of new access-controlled expressways (not limited to toll roads) would be built at 200 km/year to provide a complete trans-Java link and major parts of trans-Sumatra links. The national arterial road network would be improved at a rate of at least 300 km/year through capacity expansion and realignment of priority congested and slow segments to improve journey speeds and safety. The program would be prepared under an integrated plan for development of both the high-grade highway and arterial road networks, supporting national spatial and economic plans. The program cost of about Rp 10 tr/year would be funded through a comprehensive financing plan involving road users, foreign borrowing and the private sector with minimized demand on public funds (as detailed under the second pillar). Annual programs of road preservation would be maintained at full level of Rp 3 tr/year, publicly-funded and implemented within a framework of agreed performance criteria however, incremental improvements under the betterment programs would be minimized in favor of the major improvement program. National road spending would triple to Rp 14 tr/year.

(b) *Regional Level: Improving Rural and Urban Road Infrastructure to increase access to services and markets.* The quality and reliability of access provided by provincial, district and urban road infrastructure would be improved through an enlarged but balanced program of preservation,



improvement and development that doubles spending to about Rp 17 tr/year over 10 years. The primary focus would complete the restoration of the existing networks to fully maintainable condition with all-season access, and part would extend the network to support areas of economic and population growth. Additional central funding (DAK) and foreign financial assistance would be administered through a results-oriented framework that ensures adequate levels of maintenance, encourages accountability, and includes monitoring of the allocation of budget to roads. Planning and implementation would be undertaken fully by regional and local agencies, and financing would be implemented on a programmatic approach with joint local and national level monitoring of results to ensure accountability.

## Sustainable Financing for Road Sector

19. *Strategy: Achieve financial sustainability for the sector, through first, full recovery of road preservation costs from road users, with appropriate structure and allocation of revenues between national and regional levels, and second, mobilizing road development funds under a comprehensive financing framework involving public, road user and private sector sources and transparent risk-management.*

20. In a major policy shift, financing of the road sector would become structured on a business basis instead of as a public good in two parallel programs, firstly, cost recovery from road users for asset management and operations, and secondly, a comprehensive financing framework for infrastructure development involving resources from road users, private sector, and borrowing with careful management of risk. Raising expenditures from the present Rp 12 tr/year to the estimated Rp 31 tr/year needed to fund the proposed sector program is feasible through redirecting only half of the motor fuel subsidy and more effective leveraging of private sector finance, with no additional demand on public funds. Implicit in the financing policy is a restructuring of the motor vehicle and fuel taxes into cost recovery components that are linked to road sector needs, and general revenue components including consumption tax that are linked to government needs, with an appropriate basis for accrual to both local and central governments. Management of the road sector would progress to a fee-for-service basis, like other infrastructure utilities, but publicly-administered through targeted taxes and levies. In time, when the policy environment is conducive, a transparent accounting mechanism such as a road fund or account, with oversight involving road users, could be established. The mobilization of private sector finance would be broadened beyond the current limitation of viable toll road segments and toll revenues to include mechanisms for using and consolidating short-term investments and a variety of public-private financing options.

(a) *Recovering Costs of Road Preservation.* The motor-vehicle-related charges (PKB, BBNKB) would be restructured so that vehicle ownership charges relate better to the costs incurred and an appropriate portion of revenues is designated for roads. In particular, fees for heavy vehicles would be related to load capacity and road-damaging effects and road use fee would be differentiated from a consumption or luxury tax. Fuel subsidies would be removed quickly from motor fuels, and the fuel levy (PBBKB) restructured so an appropriate portion of revenues is designated for roads. Appropriate revenue targets would be established based on a rational basis for determining medium-term road needs and on national fiscal constraints for current conditions, aggregate revenues from all three sources need to be raised by 50% to Rp 10.5 tr/year for road use, net of any desired general revenues, accruing about one-third to national purposes and two-thirds to regional

purposes. The methods and structure for managing revenues and allocation from each source at central and regional levels need to be developed and established, and linked to the national fiscal structure. Legislation will need to be revised for restructuring and redirecting the road transport revenues.

- (b) *Raising funds for road development.* A comprehensive framework for mobilizing investment finance to support the road development program would be developed, providing the basis for sourcing funds from road users, the private sector, and public funds, including provisions for managing financial risk. In particular, this would overcome the present rigidity of limiting private sector finance to viable toll road projects (estimated to account for less than 20% of the high-grade highway needs) by providing for public-private partnerships and intermediaries that could mobilize a broader range of capital funds under a variety of options. These could include options such as a user surcharge, domestic bonds or other instruments that could target revenue-raising to a specific region where investment needs are highest or mobilize and consolidate short-term investments. Further reforms would be made to the institutional and regulatory environment for the provision and operation of toll roads to provide a risk management framework and to attract private sector investment for the full range of high-grade highway funding options, including public-funded and non-toll facilities, in order to achieve an integrated framework.

## Improved Efficiency in Service Delivery and Utilization of Resources

21. *Strategy: Improve the utilization of resources and the performance of institutions responsible for providing and managing the road infrastructure, and for controlling and managing the operation of road traffic, through (i) restructuring and reform of the institutions, (ii) improved business practices, (iii) reduced corruption and wastage, (iv) strengthening of regulation, and (v) strengthening of private sector.*

22. The efficiency strategy would be implemented through parallel programs at the national and regional levels, aiming at building institutional capacity and improving implementation processes with key short- term and long-term elements as follows:

- (a) *National Level: Institutional Capacity.* Service delivery at the national level would be improved through parallel short-term and long-term programs. A short-term program would aim at improving the business practices and performance in both the national agencies, Ministry of Public Works and Ministry of Transport, and in the construction industry, through e.g., improved financial management and increased information technology, risk-managed approaches (such as performance-based and long-term contracts), reduction of corruption, procurement reform, use of output budgeting and performance monitoring, raising the accountability of technical and project management staff, and strengthening control of overloading and road traffic safety. A long-term program would undertake a substantial restructuring of the national agencies to integrate the focus on roads and to differentiate the policy and regulatory functions from management and operations. This could include integration of road infrastructure and transport regulatory functions under the Ministry of Transport, and could consolidate management of the national arterial road network including the operation and management of the toll roads under a national highway agency. This path offers the best chance for ultimately achieving business-like efficiency and competitiveness in the road sector.



(b) *Regional Level: Institutional Capacity.* For the provincial, district and urban levels, service delivery would be improved through optional short-term programs which strengthen the road sector capacity in regional institutions. A medium-term program would encourage countrywide shared resources (such as a national association or technical institutes) for providing technical and capacity-building support and improving business processes (including planning and programming, procurement, accounting, and information and communications technology), etc. For national transfers, a mechanism needs to be established for enhancing accountability through performance monitoring and public reporting. Road management capacity would be strengthened through making simplified business tools available. Road traffic and safety enforcement would also be strengthened. The regional programs would build on relevant national business improvement and regulatory programs.

## A Support Program

23. Achievement of this three-pronged strategy implies a long-term phased program of substantial capital investment, reform of the financing structure of the sector, and institutional reform, with some clearly defined short-term objectives. Support for this sector strategy could comprise a Government program of policy reform and a parallel program of foreign assistance for policy advice, institutional reform, and investment financing.

### 24. Government Road Sector Policy Reform

- Removal of fuel subsidy on motor fuels and redirection of part to roads
- Restructuring of road-transport-related revenues and accounting
- Implementation of the Road Law
- Adaptation of new institutional arrangements for toll roads to extend to all high-grade highways and range of financing options
- Restructuring of national road management and road transport regulation

25. *Foreign Borrowing.* While it appears that current public funds applied to the sector could be restructured to fully finance the proposed expanded Rp 31 tr/year program, this may not be an optimal use of resources. Foreign borrowing should focus on maximizing support to the national road improvement and development program, estimated to cost US\$1.1 billion/year, through financing publicly-funded segments and leveraging private sector finance through guarantees and other mechanisms. Preservation programs should be funded domestically through public revenues sourced from road user charges. Some borrowing may also support the regional road programs for the purpose of overcoming the inherited backlog of road improvement and development, but subject to the on-lending arrangements and will of individual local governments. Options for structuring the borrowing program include:

- Separate series of projects for the national and for the regional levels: national road projects with separate donors or co-financed, sequenced or phased; regional road projects with separate donors by region;
- Separate series of projects by function and region: for freeways; for national arterial plus regional roads, by region; and (possible separation of) institutional reform under technical assistance loans.

## 26. Program or Series of Investment Operations:

The first option is preferred in respect of its clearer institutional focus. The amount of borrowing required depends on the Government policy decisions relating to redirection of the current fuel subsidies one half or US\$600 million/year is assumed across three donors, i.e., US\$6 billion over 10 years.

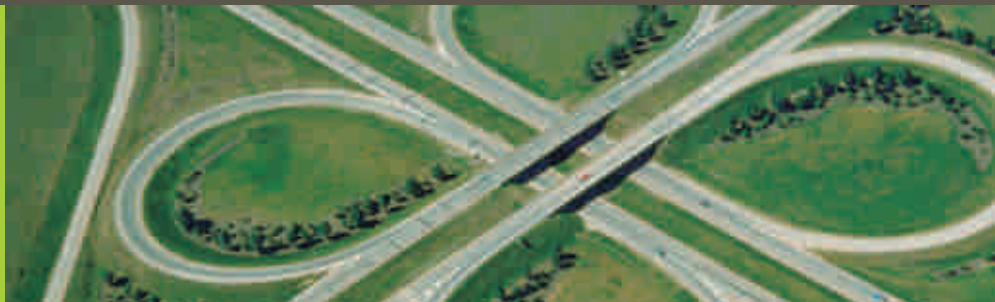
- Freeway investment program - US\$2 billion over 10 years supporting: investments in freeways and arterial road improvements; restructuring of sector financing; short-term capacity-building and business process reforms in Ministry of Public Works and Ministry of Transport and long-term restructuring of national institutions.
- Parallel highway investment projects - US\$4 billion over 10 years, supporting: investments in high-grade highways and arterial road improvements, plus various short-term capacity-building activities.
- Regional Road Improvement and Management Program About US\$0.6 billion over 6 years in a declining program aimed at the road improvement backlog and capacity building.

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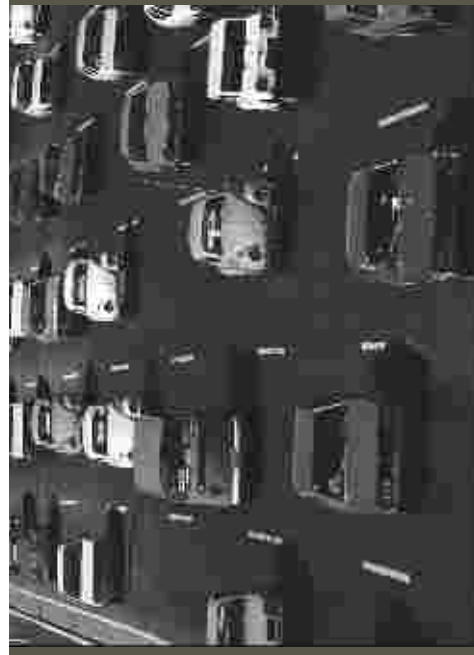




### SUMMARY OF PROPOSED TEN-YEAR STRATEGY FOR ROAD SECTOR IN INDONESIA

Road Infrastructure Network	Improving Link between Public Policy and Sector Management	Financial Sustainability	Improved Efficiency and Effectiveness of Services
<p><b>Strategic Development Objectives</b></p> <ul style="list-style-type: none"> <li>National Level:               <ul style="list-style-type: none"> <li>National primary road network (NRM) – Freeways</li> <li>Arterial Roads (NAR)</li> <li>Non-arterial Streets (NNS)</li> </ul> </li> </ul>	<p><b>Stimulate economic growth and reduction of poverty through:</b></p> <ul style="list-style-type: none"> <li>national road policy developing arterial road network to facilitate trade and efficient travel;</li> <li>regional road policy improving access to services and markets</li> </ul>	<p><b>Achieve financial sustainability for the sector through</b></p> <ul style="list-style-type: none"> <li>recovery of road preservation costs from road users with fair national regional allocation;</li> <li>financing framework mobilizing development funds from users, private sector and public sources</li> </ul>	<p><b>Improve utilization of resources and efficiency of institutions responsible for managing road infrastructure and traffic operations through:</b></p> <ul style="list-style-type: none"> <li>improved business practices, reduced losses, effective regulation and strengthened private sector;</li> <li>restructuring and reform of institutions</li> </ul>
<p><b>National Level:</b></p> <ul style="list-style-type: none"> <li>National primary road network (NRM) – Freeways</li> <li>Arterial Roads (NAR)</li> <li>Non-arterial Streets (NNS)</li> </ul>	<p><b>Modern highway network providing safe efficient travel at competitive transport prices</b></p> <p><b>Status</b></p> <ul style="list-style-type: none"> <li>Existing NRM in good condition, fully adequate preservation budget but poor value for money</li> <li>High rising congestion, 10-yr backlog of investment</li> <li>Slow trip speeds due to low old geometric standards on NAR</li> <li>Slow inter-city and trans-regional travel due to lack of NHH (500 km, mainly urban)</li> </ul> <p><b>Strategy:</b></p> <ul style="list-style-type: none"> <li>Substantial investment program R 10 Yr development program = 200 kmly NHH + 300 kmly improvement to NAR</li> <li>Plan NHH as interurban service support to national &amp; regional growth build 2000 km in 10 yrs</li> <li>Raise average trip speeds to 60 km/h on NAR</li> <li>Focus freight borrowing on development programs rather than preservation</li> </ul>	<p><b>NRN business on a feeder-servant basis with public funding limited to part of development investment</b></p> <p><b>Status</b></p> <ul style="list-style-type: none"> <li>Taxes on road users total R 7.1tr/yr sufficient to cover road preservation costs, however revenues not directed to sector and not based on road needs</li> <li>Motor fuel subsidies of R 37.1tr/yr near cost users are given net benefit R 30.1tr/yr to use roads - a highly regressive subsidy</li> <li>Private sector finance limited to viable toll road projects with full support in past decade</li> </ul> <p><b>Strategy</b></p> <ul style="list-style-type: none"> <li>Establish and restructure road user charges as basis for recovery of road costs</li> <li>Remove motor fuel subsidy and redirect portion to new road development program</li> <li>Attract PS investment in broad framework of all NHH network</li> <li>Employ range of user and public-private participation options to fill development financing gap</li> </ul>	<p><b>Vision:</b></p> <p>National Highway System (NHS) managed in efficient business-like approach, providing effective support to national growth &amp; value for money</p> <p><b>Status:</b></p> <ul style="list-style-type: none"> <li>Fair planning and implementing capacity in preservation, development &amp; safeguards</li> <li>Works achieve only 50-70% value for money due to poor quality, weak supervision, corruption</li> <li>Ineffective regulatory control of pricing and vehicles, increasing asset damage &amp; unsafe operation</li> <li>Complex bureaucracy spread over two Ministries limits effectiveness</li> <li>Diffused responsibility leads to low accountability of personnel</li> </ul> <p><b>Strategy:</b></p> <ul style="list-style-type: none"> <li>Strengthen development capacity, integrating NHH (tbl) and NAR planning</li> <li>Enhance agency quality through management accountability and anti-corruption measures</li> <li>Strengthen industry quality through risk-sharing and performance control</li> <li>Reform institutions, focus functions e.g. in managing Ministry of Transport and focus implementing and operational roles, e.g. in national road agency</li> </ul>

<p><b>Regional Level:</b></p> <ul style="list-style-type: none"> <li>- Regional primary road networks –</li> <li>- Provincial roads (PRN)</li> <li>- Kabupaten roads (KRN)</li> <li>- Urban roads (URN)</li> </ul>	<p><b>Vision:</b></p> <p>Regional road network provides safe reliable access to markets and services supporting social and economic development</p> <p><b>Status:</b></p> <ul style="list-style-type: none"> <li>➤ Existing PRN in fair condition, deteriorating due to reduced maintenance</li> <li>➤ Existing KRN and URN in poor condition, over 50% in poor condition &amp; unreliable access</li> <li>➤ Apparent recent surge in road improvement programs by local governments to 60% of roads</li> <li>➤ Expected net increase of 54,000 km in network length by 2014.</li> </ul> <p><b>Strategy:</b></p> <ul style="list-style-type: none"> <li>➤ Increase preservation, improvement and development programs by about 60% of Rp 9 trillion</li> <li>➤ Encourage performance measurement to a/c monitoring of trends &amp; needs</li> </ul>	<p><b>Vision:</b></p> <p>Local government road sector allocation and share of road user revenues are adequate &amp; sustainable</p> <p><b>Status:</b></p> <ul style="list-style-type: none"> <li>➤ LG meeting 80% preservation need &amp; 57% development need</li> <li>➤ Motor vehicle and fuel taxes raised by LG as general revenue</li> <li>➤ Road spending 17% of development spending in Province, 20% for Kab/Kota</li> <li>➤ Estimated shortfall of Rp 7 trillion in development expenditure and Rp 2 trillion in preservation</li> </ul> <p><b>Strategy:</b></p> <ul style="list-style-type: none"> <li>➤ National review of structure and sharing of road user revenues to establish cost recovery principle</li> <li>➤ Monitor and report road spending trends of LG at aggregate level</li> <li>➤ Review other local road financing mechanisms</li> </ul>	<p><b>Vision:</b></p> <p>Local governments ensure adequate capacity to managing road assets and have access to shared technical support</p> <p><b>Status:</b></p> <ul style="list-style-type: none"> <li>➤ Variable planning and implementation capacity</li> <li>➤ Profitable cv value for money</li> <li>➤ Multiple agency roles between national (PSK), provincial and kabupaten road officials</li> <li>➤ Lack of coordinated technical support system</li> </ul> <p><b>Strategy:</b></p> <ul style="list-style-type: none"> <li>➤ Central support for sustainable financing and management tools</li> <li>➤ Establishment of technical support association and centers</li> <li>➤ Approach especially linking as local government issue rather than sector issue</li> <li>➤ Clarify central v. Regional/LG roles</li> </ul>
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