

4970189(4)
PI-440-751-F1

PROJECT PAPER

12p

Project Title: ASSISTANCE TO AGRICULTURE Project No.: 497-11-110-189

Recipient Country: Republic of Indonesia

U. S. Funding Requirements: \$463,000; grant assistance

U. S. Obligation Span : U. S. FY's 1975 and 1976

Date of Original Submission: April 2, 1969 (revised December 18, 1969)

Date of this Revision : December 31, 1974

Mission Clearance and Approval

1. Drafter: Cloris H. Kuhn Title: Assistant Program Officer Date: 12/20/74
2. Clearance: Edward H. [unclear] Title: Chief, Agriculture Division Date: 12/20/74
3. Clearance: Walter [unclear] Title: Program Officer Date: 12/27/74

Approved By: Richard M. Cashin Date: 1/3/75
Richard M. Cashin
Director, USAID Indonesia

PROJECT PAPER

Title: ASSISTANCE TO AGRICULTURE Project No. 497-11-110-189

PART I. Section 1. Summary and Recommendation

Since FY 1969 A.I.D. has provided a wide range of assistance to Indonesian agriculture under the Assistance to Agriculture project. Although specific activities under the project have been varied and changing over the years, helping to increase agricultural production (and thereby to increase rural incomes) remains the project goal. Through a two-year extension of the original Project Paper, A.I.D./Indonesia recommends that \$463,000 in grant funding be made available to 1) complete activities begun under previous year funding, and to 2) continue the development of several new agricultural sector activities which offer the potential of becoming separate projects.

Section 2. Project Development Team

1. Grantee: The Department of Agriculture, Republic of Indonesia; executing agencies will be appropriate bureaus and directorates general in the Department, currently planned to be at least the Directorates General of Fisheries and Agriculture/Food Crops, and the Bureau for Planning in the Department's Secretariat General.

2. Guaranty: Not applicable.

3. The Grant:

a. Total Project Cost to A.I.D.:

	U.S.		Participants		Commodities	Other	Total
	Personnel					Costs	
	\$	MM	\$	MM	\$	\$	\$
FY 1975 Oblig.	105	18	150	171	30	10	295
FY 1975 Expend.	131	14	250	302	32	152*	565
FY 1976 Oblig.	32	5	116	144	10	10	168
FY 1976 Expend.	46	9	167	208	10	50*	273
FY 1977 Expend.	28	2	69	86	-	-	97
FY 1978 Expend.	8	-	37	40	-	-	45

*Primarily, expenditures for the Luwu Micro-Economic Study

b. Amount of A.I.D. Assistance:

i. Foreign Exchange: \$463,000 to be obligated in FY's 1975 and 1976; \$517,000 in unliquidated balances (as of the end of FY 1974) remains in the project from previous year obligations.

ii. Local Cost Component: None

iii. Proposed Terms: Not applicable

c. Host Country Contribution: Currently estimated \$206,038 (the dollar equivalent of rupiah and in-kind assistance devoted to the project), or 30% of total project cost to A.I.D. and the GOI for U.S. FY's 1975 and 1976.

d. Other Donor Input: None

4. Description and Justification of Project (also, see Annex A): The Indonesia Agriculture Sector Assessment and goal statements made in the January 1974 Development Assistance Program (DAP) for Indonesia remain essentially valid. The Mission's strategy for U.S. assistance to the agricultural sector is stated in "Potential Areas for U.S. Assistance" in the DAP.

The "Agricultural Institutions" discussion in the DAP, however, has been affected by a major reorganization of the Department of Agriculture, just recently announced and currently being implemented. The reorganization of the Department has direct implications for the Assistance to Agriculture project in that, among other changes, 1) the Bureau of Planning, at the Secretariat General level, has been given broader responsibilities for the planning of agricultural development activities of the Department, and 2) the individual research institutes, previously housed in the five directorates general, have now been consolidated under the auspices of a new Agency for Research and Agricultural Development, an agency with status equivalent to that of a directorate general. Both of these changes created new assistance possibilities which are discussed below.

The purpose of the Assistance to Agriculture project is generally to complete specific activities initiated in prior years, and to continue the development of several new agricultural sector activities that offer the potential of becoming separate projects. USAID proposes to extend

the project for a maximum of two additional years, and to view the project during that time as an appropriate mechanism to identify, and bring to Project Paper level, several discrete agriculture projects which would then be considered for financing individually as either grants or loans.

The Assistance to Agriculture project is intended to foster institutional development and provide selected participant training to at least three GOI agencies: the Directorates General of Agriculture/Food Crops and Fisheries, and the Bureau of Planning. If further project opportunities are identified elsewhere during U.S. FY's 1975 and 1976, the project may be extended to other functional units of the Department as well.

Beyond the direct benefits of the project for the executing GOI institutions, the ultimate and most significant benefits will accrue to rural Indonesians. These benefits will come about through a two-stage process. The Assistance to Agriculture project is concerned primarily with the important first stage during which several new projects will be identified and developed specifically for eventual implementation in rural areas. The implementation would take place during the second stage, at which time the assistance provided during the first would have been transformed into the discrete loan or grant projects designed to immediately benefit such poor Indonesians as the small-holder farmer or fisherman. Because project development is anticipated, in the case of two of these project possibilities, primarily in more efficient fish and non-rice crop production, the ultimate benefits will take the form of increased rural incomes.

PART II.

Section 1. Project Background

Assistance to Agriculture has been the traditional A.I.D. source of a wide range of assistance to Indonesian agriculture since FY 1969. Its most closely related predecessor was the National Agricultural Program project (497-11-190-138), which centered primarily on increasing production of basic foodstuffs, and which, itself, was a composite of diverse prior-year agriculture projects. It began in FY 1959 and, although programmed to continue through FY 1966, was phased out in FY 1964 and replaced, from FY 1964 to FY 1966, by a Corn Production project (497-11-130-178) -- an extension of one of the activities which was a component of the prior project.

Because of its more concentrated focus (the area of Wonosobo, Central Java) and the very able direction of its American project officer, the corn production project was termed an "outstanding success" by its subsequent evaluators. The National Agricultural Program came to a premature phase out primarily because of GOI administrative and operational shortcomings: lack of sufficient manpower and skills to absorb a broad range of agricultural assistance and to manage subsequent programs.

This very problem was being faced on another front of U.S. assistance to Indonesian agriculture at that time -- the Development of Agricultural Colleges project (497-11-110-088). From FY 1957 through FY 1966, A.I.D. contracts provided University of Kentucky expert assistance to the Bogor Agricultural Institute (IPB) and the Bandung Technical Institute (ITB). IPB, of course, continues to be Indonesia's primary source of in-country-trained agricultural expertise.

A.I.D. assistance has continued under Higher Agricultural Education (497-11-60-190), a project which, since FY 1969, has focused on developing Gadjah Mada University in Jogjakarta, as well as IPB, into centers of excellence by improving graduate teaching and research. The U.S. assistance is provided through an Institutional Development Agreement with the Midwest Universities Consortium for International Activities (MUCIA).

Also, since FY 1972, the A.I.D. Agriculture Research project (497-11-110-198) has been assisting Indonesian rice production as the other projects have focused on education in agriculture and the production of other, non-rice, food crops.

Assistance to Agriculture was originally designed to strengthen the administration, organization, and operation of Project Bimbingan Massal (BIMAS), an existing Indonesian agricultural credit and extension program which promotes increased food grain production through wide-scale application of modern technology -- supply and distribution of new agricultural inputs, including seed of high yielding varieties, and production credit on reasonable terms. The original project encompassed three broad areas: 1) Improvement of farmer education and information services; 2) seed improvement, production, and distribution; and 3) improvement of fertilizer distribution.

In view of A.I.D.'s increasing interest in agricultural planning and marketing assistance, specific Assistance to Agriculture activities have gone through a process of evolution since FY 1969, involving some shifts in emphasis; overall objectives, however, have remained essentially consistent with original goals.

Consistent with this process of evolution, A.I.D. believes that its assistance can be more effectively managed through the careful preparation of specific projects, the identification of achievable targets, and the involvement of GOI agencies or directorates within which the responsibilities for project development and implementation are, or can be, clearly established. The Assistance to Agriculture project provides a logical mechanism, over U.S. FY's 1975 and 1976, through which discrete projects could be formulated in a manner that contributes to both A.I.D. and GOI program objectives and, concurrently, recognizes the Department of Agriculture's implementation and coordination capabilities.

Section 2. Project Analysis

Given the project development emphasis of this proposal, rigorous analysis of the economic, technical, social and other such aspects of Assistance to Agriculture is more appropriately accomplished at the time that individual sub-projects, whose development is made possible through Assistance to Agriculture, are refined to the Project Paper stage and formally presented to A.I.D. for assistance.

Nevertheless, a reasonably complete description of the project's purposes -- as the first stage in a two-stage effort to increase rural agricultural income -- details the manner in which the project foresees developing specific agricultural projects for analysis (technical and economic feasibility) and ultimate implementation. These more specific project purposes are:

1. Improving supply, distribution, and promotion components of systems to market agricultural production inputs.

Under prior-year commitments, assistance was provided to initiate a fertilizer quality control program. In-country training programs for fertilizer inspectors are being expanded for the program. A.I.D. will complete its assistance to fertilizer quality control, through this project, by providing to the Soils Research Institute in Bogor additional participant training, laboratory and

sampling equipment, and a short-term consultant to assist in setting up the laboratory equipment, and in spelling out standard operating procedures. Additional short-term consultancies in fertilizer marketing, distribution, and management may also be provided.

2. Improving production, distribution patterns, and marketing of fish and selected major food crops other than rice. Selected target areas within the agricultural sector will be studied and, where feasible, potential new projects will be identified and designed. At least two such target areas have already been identified and agreed upon by A.I.D. and the GOI.

a. Upland/Secondary Crops: These crops are major food crops (corn, soybeans, peanuts, cassava, and sorghum) grown in cropping systems involving rice or in rain-fed or marginally irrigated areas where moisture availability is insufficient or topography unsuitable for rice. During the last decade, total production, yields, and area harvested of these crops have remained generally static or, in some cases, declined.

There is a need to develop programs that are technically manageable by, and economically attractive to, farmers if this situation is to be changed. Production techniques need to be tested, and economic constraints must be identified.

The testing of production techniques is being done by the IRRI/Los Banos Multiple Cropping program. This program is developing plans to expand its assistance to the Department of Agriculture through its research and extension organizations for testing on farmer fields the techniques of increasing cropping intensity involving a range of compatible food crops. The north coast of West Java has been selected to receive the focus of attention because of its relatively low cropping intensity and potential for increase. Initially, this new concentration of effort will involve the testing of agronomic and farm management practices of production-increasing systems, including rice as one of the crops.

The identification of socio-economic constraints to increasing production of these secondary crops would be accomplished under the Assistance to Agriculture project. A small team of short-term consultants to the Directorate General of Agriculture/Food Crops would be provided under this project to survey and, where feasible, recommend principal components of a production marketing project. Important aspects of the survey would deal with marketing channels, price relationships, market potential for raw and/or processed products, and related agro-economic concerns.

b. Inland/Brackish Water Fisheries: The Directorate General of Fisheries and A.I.D. have already begun to appraise the potential for a project to expand the production of brackish water and inland pond fisheries along the eastern coast of the northern provinces of Sumatra. This region is reported to contain about 15% (20,000 to 25,000 ha) of the ponded/brackish water fish culture area of the country. The appraisal of the northern Sumatra region will focus on the potential for introducing intermediate level technology to the small operators, e.g., pond water control, fertilizing to increase feed production, stocking management, product marketing, etc.

A consultant from USAID/Philippines made a technical appraisal of the area during a two week visit to Indonesia in October, 1974. With the mutual concurrence of the Directorate General of Fisheries and A.I.D., a project development team of short term duration would be provided to follow up the technical appraisal. The project would also provide for the continuation of participant training activities for fisheries, agreed to in prior years.

3. Improving planning and evaluation capability in the new Bureau for Planning, Department of Agriculture.

The agricultural organizations of the GOI are very thinly staffed with professionally trained agricultural economists. At present, there are no more than eight or nine trained to the Ph.D. level in the entire country, three of whom are within the Department of Agriculture. Competence in this discipline needs to be increased,

both quantitatively and qualitatively, to provide the professional skills essential to development planning, analysis, and evaluation.

In support of the Department of Agriculture's intention to strengthen its planning and analytical capabilities through increasing responsibilities of the Bureau of Planning, the project would provide for:

- a. A team of short term consultants to work with the Bureau of Planning, to help appraise and evaluate organization of staff, functional responsibilities, task organization and methodology, and
- b. Participant training at the graduate degree level in agriculture economics for up to four new candidates. These candidates would be selected by the Bureau of Planning, drawing from the various planning and agriculture economic units of the Department of Agriculture.

Section 3. Project Implementation

1. Implementing Plan:

(See Table next page)

2. Evaluation Plan: A major evaluation and review of Assistance to Agriculture would be scheduled for completion not later than the third quarter of FY 1976. At that time, project outputs currently identified will have been completed, the project itself would be half-way through its remaining life, and identification of additional discrete agricultural projects for potential development to the Project Paper level would have begun. Evaluation at that time would not only appraise the first year-and-a-half of the period covered by this Project Paper (i.e. U.S. FY 1975 - FY 1978) but also would allow sufficient time for experience and corrective action to be integrated into the project and implemented before the project is phased out at the end of FY 1978.

The bases for evaluation of Assistance to Agriculture would be 1) the implementing plan in Part II, Section 3, 1 above, 2) the annual Project Agreements, and 3) the attached Logical Framework Matrix.

Section 4. Conditions and Covenants

None

Section 5. Issues

None

PART III. Annexes

Annex A: Logical Framework Matrix

Project Title & Number: ASSISTANCE TO AGRICULTURE 497-11-110-169

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATOR	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes: Increased agricultural production, and rural incomes.</p>	<p>Measures of Goal Achievement: Comparison of Indonesian production, yield, and income data.</p>	<p>Data from currently published statistical bulletins and other periodic reports of, e.g., the United Nations and especially the GOI.</p>	<p>Assumptions for achieving goal targets: 1. That GOI agricultural policy decision-making will be influenced by an expanding base of accurate and timely reported agriculture data, and that sufficient incentives for production will be created for, primarily, small farm holders. 2. That Indonesia's capacity for educating and training its human resources will expand, and that agriculture in particular will receive a sufficient portion of this education and training.</p>
<p>Project Purpose: Complete specific activities initiated in first five years of the project, and continue development of several new agricultural sector projects and activities.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status. 1. Operationally effective Soils Research Institute assisting in providing national information and guidance in fertilizer quality control. 2. Completed project planning and initiation of 1) an Upland/Secondary Crops project, 2) an Inland/Brackish Water Fisheries project, and 3) two or three additional projects in agriculture. 3. A well-organized and reasonably effective Bureau of Planning in the Department of Agriculture.</p>	<p>Progress reports from the fertilizer quality control inspectors; Official requests from the GOI Department of Agriculture for U.S. assistance for specific projects in agriculture. National Development Planning Agency (BAPPENAS). "List of Project AID Proposals."</p>	<p>Assumptions for achieving purpose: 1. That returned trainees, and existing Department employees as well, will be assigned to appropriate positions within the GOI to apply their skills, and transfer them in part to others. 2. That traditional patterns of production, distribution, exchange, and consumption of agricultural inputs and outputs will be sufficiently flexible to adapt to Department of Agriculture innovations and decrees. 3. That the Department of Agriculture itself will be, through its recent reorganization, continually receptive to innovations and more willing and capable of implementing them.</p>
<p>Outputs: 1. Fertilizer quality control program. 2. Analysis and comprehensive plan to increase production and distribution of upland/secondary crops. 3. Analysis and comprehensive plan to take advantage of the smallholder inland/brackish water fisheries potential of North Sumatra. 4. Analysis and comprehensive plans for two to three additional project activities in agriculture. 5. Systematic review of the organization and technological methodology of the Bureau for Planning, Department of Agriculture.</p>	<p>Magnitude of Outputs: 1. Field force of 15 fertilizer control inspectors, and one basic analytical laboratory with technicians. 2. One proposal, at Project Paper level of comprehensiveness, for an Upland/Secondary Crops project. 3. One proposal, at Project Paper level of comprehensiveness, for an Inland/Brackish Water Fisheries project. 4. Two or three proposals, at Project Paper level of comprehensiveness, for two or three additional agricultural projects. 5. One report reflecting professional opinion and recommendations for the existing organization of the Bureau of Planning.</p>	<p>1. Annual evaluation of the project through the use of the Project Appraisal Report (PAR). 2. Periodic reports required of technicians, and an evaluation of their performance upon completion of services. 3. Follow-up on participant training and delivery of project commodities. 4. Project Agreements and Project Implementation Orders (PIOs) for FY's 1975 and 1976.</p>	<p>Assumptions for achieving outputs: That project management will be efficient enough to ensure that inputs are procured and implemented in accordance with well-designed schedules detailed in annual Project Agreements.</p>
<p>Inputs: 1. Participant training and commodities. 2. U.S. contract or PASA technical consultant services. 3. GOI budget, administrative, and counterpart support for sub-projects and U.S. consultants.</p>	<p>Implementation Target (Type and Quantity) 1. Commitment for an additional 315 man of training and \$60,000 in project commodities and other costs over U.S. FY's 1975 and 1976. 2. Commitment for an additional 23 man (\$137,000) of U.S. technical consultant services over U.S. FY's 1975 and 1976. 3. Commitment of corresponding GOI personnel and rupiah over over GOI FY's 1975 and 1976 for project purposes.</p>	<p>1. Nomination by GOI of qualified participants and budgetary provisions for their travel costs. GOI submission to A.I.D. of itemized list of required commodities. 2. Designation by GOI of qualified technical counterparts with adequate time allotted to prepare for, and work with, U.S. consultants.</p>	<p>Assumptions for providing inputs: That GOI and A.I.D. standard operating procedures for providing budget, trainees, technicians, commodities, counterparts, and administrative support are understood and complied with.</p>