

PROJECT PAPER

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PD-ADD-517-81

Project Title: AREA DEVELOPMENT AGRICULTURAL
RESOURCE ASSESSMENT

Project No. 497-11-199-238

39

Recipient Country: REPUBLIC OF INDONESIA

U.S. Funding Requirements: \$ 385,492 grant assistance

U.S. Obligation Span : U.S. FY's 1975 through 1978

Date of this Submission : May 8, 1975

Mission Clearance and Approval

- 1. Drafter: *Samuel Acquist* Title: Agricultural Economist Date: May 8, 1975
- 2. Clearance: *Leonard H. Allen* Title: Chief Agriculture Division Date: 5/5/75
- 3. Clearance: *James A. Mori* Title: Program Officer Date: 5/8/75

Approved by:

Kenneth M. Kauffman Date: 5/9/75
Kenneth M. Kauffman
Deputy Director, U.S.A.I.D. Indonesia

(A)

Richard M. Cashin Date: 5/9/75
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Director, U.S.A.I.D. Indonesia

97-19702-2

I. PROJECT IDENTIFICATION

1. PROJECT TITLE

Area Development Agricultural Resources Assessment

3. RECIPIENT (specify)

COUNTRY Indonesia
 REGIONAL _____ **INTERREGIONAL** _____

4. LIFE OF PROJECT

BEGINS FY 1975
ENDS FY 1978

5. SUBMISSION

ORIGINAL _____ **DATE** _____
 REV. NO. _____ **DATE** _____
CONTR./PASA NO. _____

II. FUNDING (\$000) AND MAN MONTHS (MM) REQUIREMENTS

A. FUNDING BY FISCAL YEAR	B. TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMOD- ITILES \$	F. OTHER COSTS \$	G. PASA CONTR.		H. LOCAL EXCHANGE CURRENCY RATE: \$ US _____ (U.S. OWNED)			
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP COUNTRY		
										(A) Trust	(B) GOVT		
1. PRIOR THRU ACTUAL FY												Fund	
4. OPRN FY 75	104,062					3,000	14,476	86,586	17			21,352	57,926
3. BUDGET FY 76	205,319					5,500	29,913	169,897	28			43,582	119,094
4. BUDGET 1 FY 77	76,120					2,400	12,128	61,593	9			16,239	48,510
5. BUDGET 12 FY													
6. BUDGET 13 FY													
7. ALL SURQ. FY													
8. GRAND TOTAL	385,492					10,900	56,075	318,075	54			81,173	225,520

9. OTHER DONOR CONTRIBUTIONS

(A) NAME OF DONOR	(B) KIND OF GOODS/SERVICES	(C) AMOUNT

III. ORIGINATING OFFICE CLEARANCE

1. DRAFTER A. Rieffel	TITLE Indonesia Desk Officer	DATE
2. CLEARANCE OFFICER S.J. Littlefield	TITLE Director, Office of East Asian Affairs	DATE

IV. PROJECT AUTHORIZATION

1. CONDITIONS OF APPROVAL

2. CLEARANCES

BUR/OFF.	SIGNATURE	DATE	BUR/OFF.	SIGNATURE
DAA/EA	G. A. Zimmerly		GC/EA	H. Morris
EA/TD	T. C. Clark, Jr.		PPC/DPRE	H. Sharlack
EA/DP	W. Lefes			

3. APPROVAL AAs OR OFFICE DIRECTORS

SIGNATURE	DATE

4. APPROVAL A/ AID (See 3; O. 1025.1 V/C)

SIGNATURE	DATE

TITLE
Assistant Administrator, East Asia Bureau

ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER

**Title: AREA DEVELOPMENT AGRICULTURAL
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Project No. 497-11-199-238

PART I Section 1. Summary and Recommendation

The Government of Indonesia (GOI) has recently moved to decentralize development planning by establishing a planning unit called B/PPEDA (Badan Perencanaan Pembangunan Daerah) in each provincial government. The Mission considers the BAPPEDA program a vital step in strengthening the relevance of Indonesian development to the rural poor and recommends providing a grant of \$385,492 to assist BAPPEDA planning studies leading to provincially implemented development projects.

Section 2. Project Development Team

1. Grantee: The Ministry of Internal Affairs, Republic of Indonesia; executing agencies will be various BAPPEDAs plus a screening committee including the Ministries of Internal Affairs, Agriculture, Education, BAPPENAS and U.S.A.I.D.

2. Guaranty: Not applicable

3. The Grant:

a. Total Project Cost to A.I.D.: (Tables I and II)

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

i. Foreign Exchange: \$385,492 to be obligated in FY's 1975, 1976 and 1977

ii. Local Cost Component: (Under c below)

iii. Proposed Terms: Not applicable

c. Host Country Contribution: Initially A.I.D. will assume 20 percent of GOI direct costs. This will allow the GOI to cover expenses not included in previous budget submissions. As the project becomes a part of the GOI budget process this percentage is

expected to decline. Therefore the 20 percent local cost figure shown in Table I represents a ceiling. With the U.S. local cost contribution at this ceiling, the U.S. share of direct study costs is 62 percent and the GOI share is 38 percent. When project costs paid from the GOI Trust Fund are included as a GOI contribution, the U.S. share drops to 49 percent and the GOI share rises to 51 percent.

d. Other Donor Input: None

4. Description and Justification of Project: This is a project to institutionalize project development capability and related planning techniques in selected provincial planning units by providing technical advisors, training, commodities and a portion of local costs to assist the unit in conducting project development studies of provincially implementable projects of benefit to the rural poor. Throughout this paper the reader should bear in mind that three levels of project are under discussion:

1. The U.S.A.I.D.-GOI project
Assisting provincial planning units in project development
2. Project development plan
The analysis conducted by the assisted provincial planning unit
3. Provincial development project
The development project resulting from the project development study to be implemented by the provincial government

The planning units called BAPPEDA are new and inexperienced in the analytical and management procedures necessary for achieving policies and projects beneficial to poor agriculturalists. Practicle results oriented assistance provided during this formative period can be expected to significantly improve BAPPEDA functioning over the long term. The project inputs are technical assistance both with respect to the substance of the project studied and the methods of the study, training of BAPPEDA staff, commodities necessary for the execution of the study and payment for certain local costs not yet provided for in provincial budgets. The outputs are plans

of provincially implementable projects and the institutionalization of conventional analytical and management techniques. The assumption that the plans will be implemented is important for two reasons. First, planning which does not result in developmental activity is ineffective planning and wastes planning resources which are very scarce in Indonesia. A planning exercise which leads to nothing is sterile ground both for the offering of practical assistance and for the evaluation and incorporation of this assistance by planners who urgently need to adopt methods which produce results. Thus the implementation assumption makes the planning situation genuine and disciplines the efforts of those who give and those who receive assistance. Second, the implementation assumption ensures that this project, to the greatest extent possible, carries out the new Congressional guidelines. The mandate would be served without the assumption because BAPPEDA performance would benefit greatly from improved analytical and management procedures and, as argued below, improved BAPPEDA performance is a necessary step to higher rural incomes over the long run. However, one of the attractive features of this project is that it makes an impact on rural incomes in both the short and the long run. In the short run the assistance leads to a provincial development project providing concrete benefits to the rural poor. In the long run the assistance generates an improved planning process which has great leverage over rural incomes. Later in this paper under Part II Section 2 an explanation of the basis for this important assumption is provided.

If six to eight BAPPEDAs conceive high impact projects which are implemented and if they continue to produce such projects and are followed by other BAPPEDAs, then the project purpose, a significant decentralization of development planning, will be achieved. The key assumptions here are that a) momentum will be generated in the assisted BAPPEDAs so that they continue to produce policies and projects and b) their policy and project recommendations are implemented. Given the realization of these two assumptions, the project purpose would be achieved because the effective performance of six to eight BAPPEDAs would constitute a significant decentralization of development planning. Further decentralization would result from the effective operation of a greater number of BAPPEDAs, but a minimum of six would be sufficient for a major qualitative change in the vitality and effectiveness of planning outside Jakarta.

The linkage between the project purpose and the sector goal of increased rural income can be explained with reference to the conditions which must be obtained if the rural family is to become prosperous. Twenty years from now the Indonesian population is forecast between a low of 195 million and a high of 260 million. Even with large relocations to the outer islands, given the stock of agricultural land, this growth rate will necessarily result in small land holdings with intensive cultivation providing the only opportunity for adequate family income. Intensive cultivation requires intensive coordination and participation at the micro level. Much work must be performed, many decisions must be made by many people and many commodities in small lots must flow in and out. This kind of activity cannot be orchestrated from a national capital nor even from a provincial capital.

Presently development planning is effective only at the national level, in BAPPENAS and a handful of the ministries. If that huge population forecast to exist in 1995 is to escape a life of degradation and misery, the first steps in decentralizing planning must be made now and the most logical step is to move to the provincial level. This is the rationale behind the presidential decree of 1974 establishing the BAPPEDAs. The eventual full integration and coordination of the Indonesian planning system might be characterized by market towns, agri-business firms, producer associations or regional councils, it might be primarily capitalistic, socialistic or bureaucratic, but there is little doubt that one of the early developments will be the devolution of responsibility and effectiveness from BAPPENAS and the ministries to the provincial governments. Thus in helping to achieve the purpose of decentralizing planning to the provincial level, this project will contribute to the sector goal of increased rural income.

PART II Section 1. Project Background

1. History and Development of Proposal: The almost unrecognizable predecessor of this project first appeared in the Mission's 1973 congressional presentation. At that time there was considerable interest in the GOI and the Mission in applying the new ERTS technology to Indonesian mapping and resource assessment. This interest resulted in June 1974 in the visit to Indonesia of George Zissis, a satellite applications scientist. Further discussions in the late summer of 1974 led to the

conclusion that Indonesia was not ready to absorb this new and very sophisticated technology in a manner that would result in concrete benefits to the rural poor. Although a few highly trained individuals in one or two scientific institutes might be able to interpret the imagery there was no assurance that the administrative chain of planning and implementation would be able to transform this information into relevant decisions and useful projects. Nor was there a likelihood that the operatives engaged with front line problems in forestry, fisheries and agriculture would be able to feed back up the chain requests for information that would be intelligible to the producers and processors of satellite imagery. On the contrary it was felt that planners and implementors were underutilizing to a very large extent conventional information and techniques readily available.

During this period the government's intention to develop provincial planning units and transfer to them sizeable development funds under the revenue sharing program was becoming clear. The fact that existing planning methodology was underutilized plus the establishment of provincial planning units and the increased availability of funds suggested the possibility of making a contribution to the decentralization of development planning with a project to assist the BAPPEDAs.

2. Previous U.S.A.I.D. assistance in related areas:

In the PRP, Section V, Relevant Mission Experience, reference was made to the manner in which U.S.A.I.D. involvement with MUCIA, the East Asia Research Program and two prospective training seminars in the U.S. will benefit the project proposed here. The IPB Luwu Microeconomic Study was also mentioned and since it provides the most instructive experience for this project, it merits fuller amplification in this PP.

The Microeconomic Study, now completing the data analysis phase, was designed to complement broad scale, agricultural development of the entire Luwu region and was contracted to the most competent agricultural faculty in the country which unavoidably was remote from the scene and simultaneously engaged in other studies and teaching. Although the IPB study was the best approach given the constraints of the situation, certain of its features can be greatly improved upon in assistance to BAPPEDA studies. The opportunity for improved studies offered by the existence of the BAPPEDAs supports the case for providing them assistance.

First, the issue addressed in the BAPPEDA studies will be more circumscribed: not the development of an entire region but the solution of one problem.

Second, the BAPPEDA studies will be closely linked to project implementation. The planners conducting the studies are also the people who set development priorities guide the development budget and frame project decisions. Therefore they will devote far less of their time to general data collection, exploration of development strategy and problem identification.

Third, the technical assistance input will be far greater and will be able to make a daily contribution to study management and organization.

Fourth, there will be a training component directly supportive of the entity's main form of productivity.

Fifth, most of the study team members will be life long residents of the area of the study and as a team they will be permanently and exclusively focussed on the area and have responsibility for its development. Thus they will possess a valuable store of first hand prior knowledge and experience and they will have an incentive during the course of the study to acquire insights useful for the area's future problems.—

3. Other Donor Assistance: Although representatives from other donors - Ford, Belgium, FAO, World Bank - support the idea of small scale, project development studies with a strong link to implementation, currently they are not undertaking projects of this type. Ford is supporting studies of the Agro Economic Survey aimed at generating basic data on rural conditions rather than implementable projects or planning-process improvements. The Germans, Canadians and World Bank are assisting comprehensive studies of large regions: West Sumatra, Nusa Tenggara, and southern Sumatra, respectively.

In the large foreign funded studies the participation of Indonesians, especially those at the provincial level is often minimal. If training is provided, it is not directly supportive of the assisted entity's planning product. This is because there are normally several counterpart agencies, two or more ministries plus a provincial or kabupaten office, no one of which is permanently responsible for producing the type of study for which the donor during the duration of its assistance is taking the lead role. Thus the training component

which may consist of sending various officials to the West for a number of years assumes a random character not directly related to the study being undertaken. With respect to technical assistance, most often this is supplied for conducting the study, as is the case with the Canadian study of Nusa Tenggara rather than also using the study as an opportunity to introduce analytical techniques and management procedures of lasting value. Finally, concerning implementation, donor assisted development planning studies in Indonesia generally do not result in rapid and full implementation of study recommendations. One of the attractions of this project is the strong and deliberate linkage between analysis, institution building and implementation.

4. Host Country Activity in Project/Program Area:

As mentioned elsewhere in this paper, the GOI has initiated a major policy to decentralize development planning. It has created planning units with broad powers and large staffs, established a mechanism to transfer development funds and designed a training program for planning staff. The provincial government, BAPPENAS and the ministries of Interior and Finance are deeply involved in the new policy.

The training program conducted under the auspices of the Ministry of Internal Affairs is just getting under way. It will be a three to four months course focusing on planning methods and management held in Yogyakarta twice a year for the heads of the four BAPPEDA divisions: infrastructure, economy and finance, government and culture, and coordination. The Ministry has a budget of Rp.80 million for the current fiscal year and plans to begin preparing instructors in June with the first course beginning in August or September. A problem at present is the difficulty of recruiting experts to train instructors. U.S.A.I.D. may be able to help in this area by providing a planning educator to work with the Ministry's instructors rather than directly with the BAPPEDA staff members.

5. Studies done: For comments on a relevant U.S.A.I.D. assisted study see item 2 above.

6. Views of Country Team: The country team concurs that this project directly serves both Indonesian development priorities and U.S.A.I.D. program guidelines.

7. Opinion of Other Donors: As noted under item 3 above, other donors accept the rationale of this project but are not conducting projects of this type.

Section 2. Project Analysis

A. Economic and Technical: A critical development problem in Indonesia is the scarcity of skilled manpower needed to transform the financial resources arising from oil and foreign aid, the physical resources so generously provided by nature and the labor resources of the toiling masses into a higher standard of material well being. The resultant opportunity is to concentrate the existing skilled manpower in the most productive combination and apply this package to a poverty situation at the level where the impact is greatest. To a large extent the BAPPEDA program has done exactly this. It has mobilized a group of technical experts, given them power and money and placed them squarely in front of immediate poverty problems where short run high impact welfare solutions are possible. This can be done with the assurance that after twenty-five years of national development effort, the interests of long run planning and country-wide allocation will be taken care of by BAPPENAS and the central ministries. What remains to be done is to take advantage of the BAPPEDAs' potential and make them fully efficient and productive. Efficiency and productivity can be defined as follows:

- Maximum use of the BAPPEDA's scarce skilled manpower both with respect to work time and level of training and personal competence
- More projects prepared
- More policies evaluated
- More decisions framed
- More and more relevant analytical techniques used
- More and more relevant data supplied to decision makers
- More subcontracting of analytical components and data requirements to provincial agencies and universities

In order to achieve full productivity and given that they already possess power, money and the best skilled staff available, what the BAPPEDAs need most is an arsenal of reliable analytical, management and policy planning techniques and procedures and some formative experience on the right track. This project will help provide sound procedures and realistic experience by creating through the application of the project

development selection criteria a project development situation which requires the BAPPEDA to function in the optimal manner and provides assistance in doing so. As the BAPPEDA functions in a results oriented situation to develop a project of benefit to the rural poor, the techniques and procedures which can be introduced and immediately put to practical use can be grouped into the following categories: administrative decision making, policy analysis, bureaucratic analysis, project analysis, data analysis and implementation planning. One of the key justifications of this project is that these conventional procedures used throughout the world to increase the productivity of bureaucracies ranging from corporations, to hospitals to government agencies to military commands, are very rarely practiced in Indonesia and are especially lacking at the level of provincial government where they can best be introduced in the context of a product producing activity. Within the provincial government the BAPPEDA is the high level staff agency, just below the powerful chief executive, where the adoption of these techniques will most benefit the development performance of the provincial government. The following provides a brief comment and an illustrative list of such techniques.

1. Administrative Decision Making: At all levels of Indonesian government, top administrators do not make as many decisions as the inherent choices and potential development momentum will permit. This is due to weak goal setting and targeting from the top and poor analytical practices and inappropriate data processing from the lower ranks. Without a general upgrading of staff, considerable improvement could result from the introduction of rather mechanistic procedures which require people to frame decisions and judge their actions against various thresholds. The three decision making techniques noted below can very appropriately be introduced during the course of a project study. Any project will touch a host of issues and expose the need for choice. It is the job of the BAPPEDA to present these choice situations to the governor in simple clear one or two page reports and relate the choice both to existing provincial goals and targets and to other projects currently under way. The BAPPEDA should generate an active intellectual interchange between new policies and new projects:

- a. Option paper
- b. List of key issues or top priorities
- c. Goal, quantified target, outputs, inputs, review

2. Policy Analysis: An important intellectual function that within the provincial government the BAPPEDA is best situated to perform and which has an intimate connection to project preparation is the analyses of the real impact on provincial priorities of existing policies. At any time a great many policies are in operation, many of which have unintended and undesirable effects. This is more the case the more the government is unrepresentative and the more rapidly the society and economy are changing. Since government figures so large in the provincial economy, it is essential that the true impact of government policies be understood. The BAPPEDA being the only jurisdiction spanning intellectual body in the provincial government, is ideally suited to occupy and derive power from this intellectual vacuum:

- a. Change in income, production, saving, etc., resulting from Rp.1,000 change in spending or change in policy
- b. The relation between existing policies and tax incidence, incentives, uncertainty, labor availability, etc.

3. Bureaucratic Analysis: Part of the BAPPEDA's planning responsibility as set out in the presidential decree is to assist the governor in evaluating and planning the use of government resources which bulk very large in the economy and are dominated by manpower costs. This type of evaluation is related to both general government operation and project implementation. One of the benefits of having the BAPPEDA follow up on project implementation is not only so that it can evaluate the fruits of its project planning activities but also evaluate the real productivity of the government and make recommendations to the governor:

- a. Comparative costs of provincial agencies: man hours, salary, overhead, turnover, etc.
- b. Comparative benefits of provincial agencies: Profit, job creation, speed of operation or adaptation to new directives, etc.
- c. Actual versus desired work time budget
- d. Actual versus programmed organizational role

4. Project Analyses: It is an unfortunate fact that the conventional techniques of project analyses are rarely

used at the provincial level and yet are becoming increasingly necessary as project funds mount through the Inpres account. Again the BAPPEDA is in a favored position to employ these techniques. Its coordinating and allocating role requires it to compare many projects against common criteria and its authority to request data from the operating agencies gives it superior access to project information. A project planning exercise provides an ideal context for the group adoption of these techniques:

- a. Cost benefit ratio
- b. I.R.R.
- c. Shadow prices of inputs and outputs both economic and social
- d. Choice of discount rate
- e. Sensitivity and marginal return

5. Data Analysis: Performance in the supply and manipulation of data in Indonesian government, especially at the provincial level and below, can be greatly improved without major bureaucratic changes. Far more data are available than are effectively used and the existing ability of professional staff to process data is less than fully utilized. This is because the provision and manipulation of data is not governed by analytical purposes. Four purposes for the use of provincial data by the BAPPEDA are suggested below. These may not be the best or the only categories by which data should be organized and brought to bear productively but they do illustrate that categories are necessary and indicate that U.S. assistance could help introduce and clarify the need for such categories during the course of project preparation:

- a. Performance related:
 - program goals, targets
 - government operations
- b. Project:
 - preparation
 - implementation

c. Routine:

provincial budget

d. Ad hoc:

selected policies

selected decisions

6. Implementation Planning: Specifying the steps by which a project will be carried out is the last stage in project preparation. It requires thoroughness and skepticism rather than intellectual brilliance, serves as the project's midwife, and the expectation that implementation must be faced tempers the preceding analysis with realism:

a. Critical path analysis

b. Bar charts

c. Financial programming for authorization, obligation and disbursement

d. Critical assumptions

e. Capability analysis

f. Contingency planning

g. Verification of phase completion

The list of techniques outlined above constitutes the technology which would be provided by U.S. assistance. The fact that this technology despite its conventional character is not widely used in provincial government argues the existence of an intellectual vacuum. The existence of this vacuum provides an extremely productive opportunity for U.S. technical assistance to the BAPPEDAs. However, these techniques will lose much of their impact if they are presented to individuals in an abstract academic setting. These are techniques for group effectiveness best introduced while the group is working and as it needs them. This does not mean that the training of individuals has no value. Training with

a heavy emphasis on secondment to acquire experience and short courses to brush up or re-orient already learned skills is an important component of the project. Rather, the main purpose of the assistance is by steering a work situation in the proper direction to transform the sufficient formal attributes of a new and necessary organization into genuine long run productivity.

The project's training element has two components, secondment and short course work, both geared to the fact that BAPPEDA staff possess sufficient educational background but need experience and professional focus. First, either after or before a study, two BAPPEDA staff members would be seconded for a period up to six months to a progressive planning unit within or outside Indonesia dealing with similar development problems. The Aceh BAPPEDA has already expressed its willingness to receive and treat as regular staff members, two individuals from another BAPPEDA. Immediately upon approval of this project by AID/W, soundings will be taken in India, Malaysia, Thailand and the Philippines to locate regional planning units willing to accept four to six months secondment of Indonesian planners. Second, U.S.A.I.D. would provide the services of a planning educator to hold a seminar of about one month for roughly sixteen individuals, two from each of eight BAPPEDAs. As noted earlier in the paper this educator might achieve more impact if he were to help train the instructors to be used in the new Ministry of Internal Affairs BAPPEDA staff course. Also there is the possibility of combining a short course offered by a U.S. expert with the short course in planning techniques offered at the University of Indonesia.

B. Social: In the PRP it was argued that this project carries out the Congressional mandate and provides useful assistance to the BAPPEDA by directing BAPPEDA attention to certain problems which at this stage in Indonesian development have great significance for the rural poor. These are the economic/social problems of marketing and rural organization. These are economic problems in the sense that relatively small improvements will yield large returns in production, income and employment and social problems in the sense that their solution involves attitudes, values and relations between ethnic groups.

The Mission believes that for most agricultural commodities in Indonesia the spread between the price the producer receives and the price the consumer pays is unjustifiably large and acts as a major constraint to rural production.

This excessive spread is due at the macro level to a number of distortionary policies and regulations and at the micro level to a variety of shortages, information gaps, uncertainties, and monopoly positions throughout the chain of activities connecting the producer to the consumer; collection, grading, storage, preservation, transport and credit. A higher farm gate price would induce the farmer to buy more inputs, more speedily adopt proven technology, increase output and increase on farm investment. The greater volume of inputs and outputs would stimulate the growth of market towns and attract new entrants into marketing, thus increasing competition, lowering margins, and further raising the farm gate price. Rising farm income would slow urban migration and attract food processing and light manufacturing industries to the countryside to reduce bulk transport costs and to be near a growing consumption market respectively. In Indonesia, where demand for agricultural products is strong, proven technology is under utilized, land is fertile, yields are low and marketing losses are high, and labor is abundant, one of the keys to agricultural and economic transformation is the farm gate price. Due to their centralization and exclusively sectoral focus, the ministries are not well suited to deal with micro level problems of marketing prices, and rural organization. These problems are ideally suited to the strengths of the BAPPEDA: knowledge of local conditions, permanent relationship with the issue and area, and a mandate for coordinating diverse sectoral activities. Marketing/organization problems are pervasive on the micro level in Indonesia and a successful attack on a well defined problem by one of the more capable BAPPEDAs would constitute a breakthrough in Indonesian development.

Although technical assistance will be useful in guiding the BAPPEDA into marketing problems, the existence of a marketing problem is not a criterion for U.S. assistance. In some areas, production is a greater constraint to the income of the rural poor than marketing. In other areas, valuable project studies do not fall clearly into either marketing or production. Some studies of marketing problems will be supported, but confining all project development studies to this area would unduly limit a program of assistance to the BAPPEDAs.

To the extent that the provincial development projects resulting from the BAPPEDA studies address problems of marketing and rural organization, there are some grounds for believing that women and children may receive a disproportionately large share of the benefits. This belief is based on the apparent role of women in the rural production function particularly with respect to the different demands of production and marketing

and the peak labor problem. Concerning the former, we assume that the woman's contribution of work hours is greater in marketing - collecting, preserving, storing, retailing - than in production and within marketing, greater than the man's. Therefore any improvements in marketing should disproportionately improve the employment and income of women. Concerning the latter, we assume that peak load costs bear more heavily on women. Current research in Indonesia indicates that periods of peak labor demand put great pressure on women to both maintain the household economy, particularly feeding and protecting the children, and take advantage of off farm cash opportunities with the result that the woman overworks and younger children are left in the inadequate care of older children. A major cause of the peak load problem is uneven marketing. Preservation, storage, transport credit, etc., allow the farmer to base his production on the supply of productive factors among which is labor and his sales on the demand of consumers. Therefore improvements in marketing should even out labor requirements and save the woman from the cruel choice between cash income and her children's elemental needs.

C. Policy: The project will complement four national policies:

1. **BAPPEDA program:** As discussed elsewhere in this paper this is a national program to decentralize development planning. Provincial planning units have been created with adequate staffs, wide powers, and jurisdiction over expanded development budgets (see below). The purpose of the project is to help launch a selected number of these BAPPEDAs into effective operation by conducting studies of projects benefiting the rural poor.

2. **Priority of depressed and frontier areas:** The GOI is in the process of designating certain areas as high priority for development due to their frontier status or lagging behind the development of the rest of the nation. Assisted BAPPEDA studies in these areas can be expected to receive strong governmental support.

3. **Social service function of universities:** The national program of university development emphasizes the involvement of universities in the practical problems of their provinces and provides a budget for such activities. The project expressly intends that the BAPPEDA contract elements of the study to the provincial university and includes a representative of the Consortium of Agricultural Faculties on the screening committee.

4. **Inpres program:** The government has established a program for the transfer of central funds to the development budgets of the *desas*, *kabupaten* and provinces (see below). Thus the resources subject to BAPPEDA planning have greatly increased and in turn the BAPPEDA's development leverage has greatly increased.

D. **Financial:** Finance for implementation of provincial development projects: Beginning in the recently concluded GOI FY 1974/75, there occurred a radical jump in the amount of funds made available to the provinces for developmental purposes. The table below illustrates this with data from two provinces. It should be noted that the upsurge in 1974/75, which amounted to a gain of 134 percent for Aceh and 312 percent for East Java, is not only expected to be sustained in 1975/76 but will provide the base for further increases of 25 percent and 13 percent respectively, thus establishing provincial development finance on a new plateau. If the provinces had difficulty planning development expenditures at the old level, their capacities will be severely strained at the new levels. This provides a strong justification for U.S. assistance to the BAPPEDAs and a strong likelihood that a project designed with U.S. assistance will emerge in competition with other traditionally developed projects as a prime claimant for funds.

It is also apparent from the table that central transfers of development finance to the districts and villages grew substantially in FY 1974/75, roughly doubling. This improves the ability of the lower levels of provincial administration to cooperate with the BAPPEDA in selecting and implementing projects. This new liquidity and choice at the sub-province level also add more weight to the BAPPEDA's responsibility

SOURCES OF PROVINCIAL REVENUE: ACEH AND EAST JAVA
(\$ 000)

A-1

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	Estimate 1975/76		
ACEH									
A. Transfers to development budget									
1. Old system (Alokasi Devisa Otomatis)	903	1150	981	981					
2. New system (Inpres Propinsi)					981	2290	134	2862	25
B. Transfers to routine budget (Perimbangan Keuangan Pusat/ Daerah)	3312	3813	4626	4840	4840	-	-	-	-
C. Provincial taxes (Daerah)	245	494	1110	892	892	-	-	-	-
D. Total Provincial Government Revenue	<u>4460</u>	<u>5457</u>	<u>6717</u>	<u>6713</u>	<u>6713</u>				
E. Transfers to districts (Bantuan Kabupaten)	-	246	379	524	781	1606	106	-	-
F. Transfers to villages (Bantuan Desa)	618	618	618	665	669	1332	99	-	-
G. Total Provincial Revenue		<u>6321</u>	<u>7714</u>	<u>7903</u>	<u>8163</u>				
EAST JAVA									
A. Transfers to development budget									
1. Old system (Alokasi Devisa Otomatis)	2497	3767	3518	3324					
2. New system (Inpres Propinsi)					3324	13653	312	15359	13
B. Transfers to routine budget (Perimbangan Keuangan Pusat/ Daerah)	12417	14338	17528	26364	26364	-	-	-	-
C. Provincial taxes (Daerah)	2722	4018	4905	6743	6743	-	-	-	-
D. Total Provincial Government Revenue	<u>17636</u>	<u>22123</u>	<u>25951</u>	<u>36431</u>	<u>36431</u>				
E. Transfers to districts (Bantuan Kabupaten)	-	3059	4740	6527	9856	22500	128	-	-
F. Transfers to villages (Bantuan Desa)	2001	2182	2182	2182	2182	4207	93	-	-
G. Total Provincial Revenue		<u>27364</u>	<u>32873</u>	<u>45140</u>	<u>48469</u>				

for provincial priority setting and coordination.

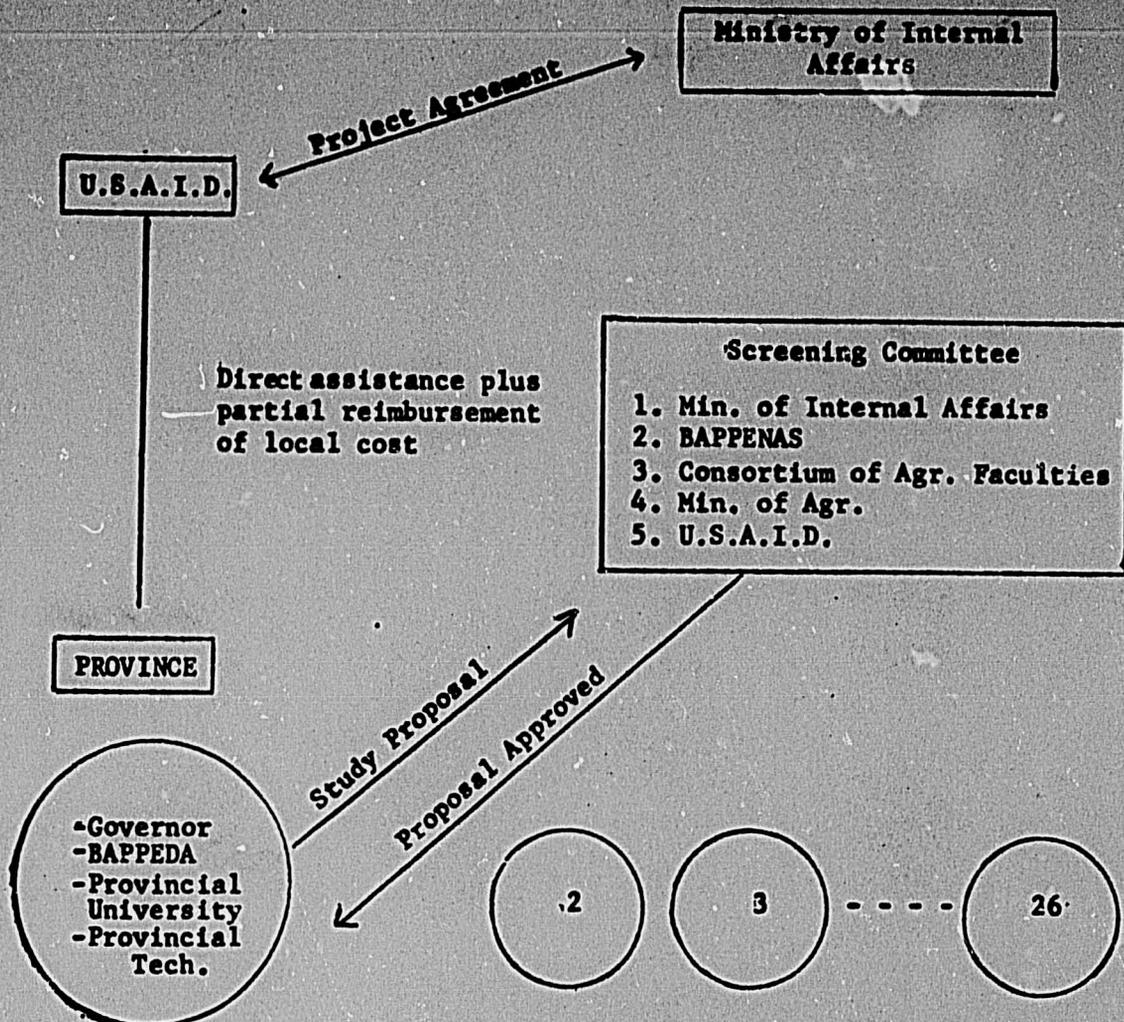
The province does not have complete discretion over the funds transferred to it under the Inpres Propinsi program. Certain portions are reserved for roads and irrigation. In the cases of Aceh and East Java these portions are 43 percent and 45 percent respectively: for Indonesia as a whole the average is 28 percent. However, given the fact that the provinces have more development funds available than they can rigorously administer and the fact that many projects have road and water components, this earmarking should cause no inhibition of the fullest possible expression of provincial development planning over the near term.

U.S.A.I.D. financial assistance - Most of the U.S.A.I.D. assistance will be provided in the form of the services of technical advisors. The U.S. contribution for local costs (see Table I) not covered in the current budget of the provincial government will be made in the form of a two part block grant to the Ministry of Internal Affairs. Upon the selection of a study proposal U.S.A.I.D. will pay one half of its local cost contribution to the Ministry and the remaining half upon completion of the study. The Ministry will be responsible for insuring that the BAPPEDA can meet study costs for per diem, honorarium and other expenses not provided for in its current budget.

E. Administration: The project will be given overall administrative supervision by the Ministry of Internal Affairs, Directorate General of Regional Autonomy, which will chair a screening committee composed of the Ministry of Agriculture, Bureau for Planning, the Ministry of Education, Consortium of Agricultural Faculties, BAPPENAS, Bureau for Regional Development and U.S.A.I.D., Agriculture Division, as depicted in the following diagram: (page 19)

The screening committee will approve study proposals submitted by the BAPPEDAs. Criteria for the choice of proposals are as follows:

1. Development of a project benefiting the rural poor: number of farm families affected, their location, income, employment and prospect of benefiting.
2. Study of a project conceived by the provincial government and supportive of its development priorities.



3. Development of a project likely to be implemented by the provincial government. The proposal must include evidence of the intention to implement.
4. Development of a project which, after being designed by the BAPPEDA, will also be subject to BAPPEDA monitoring. Such monitoring will include continuous evaluation with the possibility of modifying the project plan if changing circumstances require such action.
5. Maximum four months for the project development study.
6. Development of a project whose benefits are received by the target group in three years or less.
7. Development of a project without obvious environmental hazards and for which there will be an appraisal of environmental impact.

The administrative relations and capabilities upon which the success of this project depends are outlined as follows:

The president appoints and has the power to dismiss the provincial governor before the end of his five year term. The primary administrative link between the president and governor is the Ministry of Internal Affairs, Directorate General of Regional Autonomy. The governor appoints the director, deputy director, secretary and four division heads of the BAPPEDA which serves as his staff planning unit. As specified in the presidential decree of March, 1974, the BAPPEDA has the following responsibilities:

1. Provincialization of national five-year plan;
2. Province sectoral planning;
3. Yearly program for both provincial and central ministry development activities;
4. Coordination of provincial officials (dinas), ministry-linked officials serving under the governor (jawatan), and kabupatens;
5. Joint responsibility with provincial Finance Directorate for provincial budget receipts (including transfers from Jakarta) and expenditures;
6. Supervision of implementation of development projects.

BAPPEDA salaries and administrative expenses are securely funded out of permanent line categories in the routine provincial budget. Since their creation the BAPPEDAs have acquired staffs of from ten to thirty-five comprising both part and full time members. Based on available information not one of the twenty-six provinces has a BAPPEDA with less than four full time members. The minimum educational attainment of BAPPEDA staff appears to be the Ir. degree, six years of college study, with a number of professional degrees in law, economics and engineering and a few, probably less than five country-wide, Ph. Ds. Thus in terms of educational background the BAPPEDA program has assembled for development purposes the most skilled manpower in the provinces. Most of this manpower has been drawn from the provincial universities. For example, in Aceh all the full time members were recruited from teaching positions at Syah Kuala University and all the part time members continue to teach there. Given these educational qualifications and the relatively straightforward character of planning techniques as discussed above, the BAPPEDA is not only capable of conducting a study but also able to very productively absorb proven techniques and profit from a guided operational experience.

The very considerable powers of the Ministry, the governor and the BAPPEDA and the intimate administrative linkage between them give strong promise that the projects selected for study will be implemented. As discussed above, implementation is important because a) it provides a realistic and results oriented planning situation in which to give and receive advice, b) it makes possible short run concrete benefits in income, production and employment for the rural poor and c) it makes possible a feedback mechanism by which the BAPPEDA can profit from the ultimate successes and failures of its activities. Implementation is likely because the ministry in asking the governor and BAPPEDA to submit study proposals will specify among other criteria the criterion of evidence of intention to implement. The screening committee will have the power to reject study proposals where the prospect of implementation is slight. Once a study of a project is under way, the BAPPEDA within its responsibility for the formulation of the development budget can include the project in the budget submitted to the provincial parliament. Finally, during the resulting parliamentary debates the governor has considerable influence. In other words, assurances from screening committee, the governor and the BAPPEDA before the study begins that the project will be implemented, given the role of these parties in the implementation process, constitute a virtually binding guarantee that the project will be implemented.

Project Development Examples: Project development proposals will be approved for assistance by the screening committee according to criteria elaborated above and, therefore, it is not possible to specify the studies to be assisted under this project. However, it is possible, without premature selection, to give examples of the kind of development studies which might be eligible for assistance.

South Kalimantan - Vegetable Production and Marketing

All the vegetables consumed in Banjarmasin, and generally throughout the province of South Kalimantan, are imported from Java and Sulawesi and sold at prices up to 200% above Jakarta market prices; yet there are upland areas along the paved highway north of Banjarmasin suitable for vegetable production. This situation presents an opportunity for a study of a project where the provincial government would provide idle land, credit, infrastructure, and extension services for the production and marketing of vegetables by smallholders.

Central Sulawesi - Dry Land Cropping Pattern and Marketing

A transmigration project has been planned for the valley of Palolo, near the provincial capital of Palu. The soil is fertile and the Directorate General of Transmigration has funds reserved for the project. Because the valley cannot be extensively technically irrigated, a substantial portion of production will be dry land crops. A study is essential to determine the cropping pattern best suited to the agronomic conditions, smallholder management capability, and marketing prospects.

East Java - Fish Marketing

Since 1968, the East Java marine fish catch has declined 50%, despite an underutilized fish resource base and price rises of 10% to 15%, yearly. Fishermen comprise roughly 15% of the East Java agricultural labor force, and normally receive 50% of the price paid by the consumer. U.S.A.I.D. has discussed these problems in Surabaya with representatives of the fishery service (jawatan perikanan), BAPPEDA, and Brawijaya University. We are agreed that marketing, including preservation, storage, credit, transport, and producer organization, is the root cause of these problems. The BAPPEDA has suggested the possibility of a marketing project study for the town of Pasiran, Kabupaten Tuban, northwest of Surabaya. Pasiran has a large potential for increased small operator incomes, and a provincially planned and implemented solution to the marketing problem in this typical coastal town would constitute a breakthrough in Indonesian development.

Lombok - Area Development

BAPPENAS has designated south Lombok one of the ten poorest areas in Indonesia requiring urgent developmental attention. Fiscal-year, or supplemental funds from Inpres Propinsi, are available to implement a project conceived by the BAPPEDA in Mataram. The main constraint to farmer incomes in south Lombok is inadequate moisture. Study projects might include a rice-palawija rotational scheme, pump irrigation, or market towns/feeder roads.

West Java - Smallholder Rubber Marketing

The western part of West Java, Banten - which includes Kabupaten Lebak, where the smallholders are located - is one of the ten poorest areas; so, follow-up funding and provincial implementation for a U.S.-assisted planning study are highly likely. Slabs processed in Lebak are reported to be of higher quality than those from Sumatra, but the producers receive a lower price despite their more favorable location with respect to a major consumption and distribution point, Jakarta. This low price results from difficulties in collection, storage, credit, and transport, all of which derive, in part, from ineffective producer organization. Conditions are favorable for a planning/project implementation attack on Lebak smallholder problems, which could be replicated elsewhere in Indonesia.

Aceh - Padi Threshing and Storage

Due to insufficient manpower for threshing and insufficient storage capacity, Aceh farmers pile padi at the side of the field for up to three months after harvesting. This results in a spoilage loss of about 30% and lowers the quality and price of the remainder which reaches the consumer. The relative labor scarcity in Aceh both accounts for the difficulty of quickly moving the harvest into processing and storage, and provides a farmer-income base capable of amortizing an investment in threshing-storage capacity. A farmer-managed cooperative could be built around this investment/joint usage/pay-back activity. The Aceh Development Board, established in 1966 and converted into a BAPPEDA after the presidential decree, is the most experienced and effective BAPPEDA in the country. It has earned the unqualified support of the governor, assumed precedence over the dinas-jawatan complex, and planned many physical projects. It has evolved to the point where it is now ready, with U.S. assistance, to plan and implement projects in the area of rural organization and marketing. The BAPPEDA has the

prestige to be allowed jurisdiction over a pilot cooperative project and the professionalism to play the role of outside supervisor/standard keeper given such importance in Owens-Shaw, "Development Reconsidered."

Type of Assistance

Section 3. Project Implementation

1. Documentation Schedule: This PP will be submitted to A.I.D./W by the third week in May. A.I.D./W response should be received by the fourth week in May and the Mission will proceed with the obligation of FY 75 funds. The screening committee has agreed that work will proceed with the selection of the Phase I BAPPEDA project development studies and that detailed terms of reference will be prepared for two projects for obligation in FY 75. Subsequent year project agreements will be processed in the normal manner.

2. Project Schedule: Because of the time lag in contracting for technical assistance, the following schedule of project implementation is contemplated:

<u>Year</u>	<u>Funding</u>	<u>Implementation</u>
FY 75	2 project development studies	6 months after detailing studies
FY 76	4 project development studies	6 months after detailing studies
FY 77	2 project development studies	6 months after detailing studies

Fully accepting the conditional nature of its request in the absence of A.I.D./W approval and a signed project agreement, the Ministry of Internal Affairs in mid-April asked certain

governors and BAPPEDAs to submit study proposals which could be given serious consideration in the first screening were the project to go forward. These proposals will be available for review by the time the A.I.D./W decision arrives at the Mission. Upon receiving an A.I.D./W go-ahead, the Mission and the Ministry should be able to quickly conclude a project agreement and proceed with obligating documentation.

Requests to the governors and BAPPEDAs for study proposals will be repeated early in FY 76 and 77.

3. Technical Assistance: The Mission has considered several methods of obtaining the required technical assistance: a) contract with an private organization, b) contract with a university or a consortium of universities, and c) PASA arrangement with the U.S.D.A./ERS. Whatever arrangement is decided on will require A.I.D./W to enter into agreements in a timely manner after receiving the obligating documents. It is a requirement of project management that a continuing relationship be established with one organization to perform the required services over the life of the project. These services will include the provision of project development advisors for the various sub-projects, purchase and/or the supply of commodities that will remain the property of the selected BAPPEDA upon completion of the individual projects, and the supply of trainers for the in-country training program. The latter individuals may well be the same men as those providing project development advice.

The Mission is currently programing the use of a PASA with the U.S.D.A./ERS under a multi-year arrangement with individual project requirements to be called forward under a task order or other suitable arrangement. While the U.S.D.A./ERS may not have some specialist the project needs, it is felt they have a large cadre of staff and what few fall outside their terms of reference they can obtain on loan from the government agencies. On the basis of this document A.I.D./W is requested to ascertain if the U.S.D.A. is willing to consider entering into a PASA with the agency to provide the services required.

4. Local Costs: The project calls for the use of Block Grants as a vehicle for transferring the local cost element of the project that is to be supplied by the U.S.A.I.D. to the Government of Indonesia. Each selected project will be the subject of such a grant. The intent here is to reduce staff time in monitoring the project which is believed unnecessary due to the presence of project supplied advisors and provide matching funds on a secure basis in order that timely implementation can proceed.

5. Disbursement: Dollar costs will normally be accrued during the same fiscal year as the obligations but will probably not be completely disbursed until the subsequent year. This will not be true for FY 75 when accruals and expenditures will be expected in FY 76.

Local cost components of the project will follow a like pattern. See following Table II for obligation/disbursement schedule.

6. Monitoring: The paper work generated by the project will satisfy most of the requirement for monitoring its success. The BAPPEDA will produce a study which will show if it has planned professionally and absorbed useful techniques. Its sub-contracts with the provincial university, internal work plans and requests to provincial agencies for information and analysis will reveal its ability to delegate, coordinate and manage. Its option papers, policy recommendations, comments on government organization implementation plans, etc. will show if the BAPPEDA has learned to apply the insights gained from its project analysis to its wider responsibilities. Finally, the undertaking and completion of a project benefiting the rural poor will show if the BAPPEDA's activity produces concrete results.

U.S.A.I.D. monitoring will be handled by the Agriculture Division.

7. Evaluation Plan: Papers generated during the course of the project will allow evaluation as well as monitoring because they function simultaneously as status reports and final products. The screening committee has agreed that as a group they will visit the selected BAPPEDAs during the later part of the second year to review their accomplishments, recommend changes in operating procedures, and assess the results of the project.

Concerning the projects resulting from the BAPPEDA project development studies and its impact on the rural poor, evaluation of resulting projects will be conducted by the BAPPEDA and in a formal manner reported to the steering committee. This activity will largely be limited to be last year because of the lengthy gestation period through study, preparation, budgeting and implementation.

Section 4. Conditions and Covenants

In the project agreement there will be a provision to the effect that the screening committee upon approving a study proposal, depending on the nature of the study, may require

the BAPPEDA to produce certain documents in addition to the study. Two types are possible. The first concerns study spin off in the fields of policy, government operations, data requirements, etc. If the study closely touches such an area, the BAPPEDA may be required to prepare a sample paper. The second concerns using the study as a training case. The BAPPEDA may be required to embellish its study so as to make it a suitable case material for the Ministry of Internal Affairs BAPPEDA staff training program.

Section 5. Issues

The issues faced in bringing the project to this stage of resolution and whose solution is evident in this paper are as follows:

- transforming an impractical high technology project where the major input was ERTS imagery to something tailored to Indonesian development needs.
- moving from a general understanding that the BAPPEDAs need assistance to specifying the type of assistance they would find useful.
- establishing the link between study implementation and the implementation of the studied project.
- formulating the study selection criteria.
- formulating the operating procedures of the screening committee.
- establishing the financial procedures.
- moving this rather complicated project along in time for FY 1975 action

The only issue requiring further clarification is the project training element. U.S. on site assistance in introducing conventional planning techniques to BAPPEDA staff can be accomplished in two ways. A U.S. expert can train BAPPEDA staff directly or train the instructors for the course now being developed by the Ministry of Internal Affairs. The resolution of this issue will partly depend on the Ministry's success in recruiting people to train instructors. Concerning the secondment element in training, although agreement has been reached on this concept, little progress has been made in selecting planning units outside the country willing to receive BAPPEDA staff.

**SUMMARY
WORK**

Life of Project:
From FY 1975 to FY 1978
Total U.S. funding 9383,492
Date prepared: May 4, 1975

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MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>A.3. GOI/MDA reports Repelita II status reports</p>	<p>A.4. Decentralization of planning helps bring about A.1</p>
<p>B.3. Provincial "Blue Book" Provincial budget Governor's year end report Inpres spending report Budget submissions to provincial parliament BAPPEDA reports on BAPPEDA activities</p>	<p>Assumptions for achieving purpose:</p> <p>B.4. 1. GOI pushes BAPPEDA program 2. U.S. assisted BAPPEDAs continue to produce project plans and provide example to other BAPPEDAs 3. GOI Inpres transfers continue</p>
<p>C.3. 1.a. Studies</p> <p>1.b. Items in B.3.</p> <p>2.a. Project officials contacts with BAPPENAS and BAPPEDAs, BAPPEDA agreements with contractors 2.b. BAPPEDA worksheets internal documents and submissions to governor 2.c. Provincial government organization manual and project officers knowledge of actual intra-governmental relations 2.d. Comparison of past projects and planning methodology with present 3. Comparison of past and present organization and methodology of BAPPEDA</p>	<p>C.4. 1. AID/W can obtain advisors with appropriate expertise and productive in provincial setting</p> <p>2. Project development studies meeting selection criteria can be found</p>
<p>D.3.</p>	<p>D.4. 1. # 1 in C.4. above 2. Secondment openings in Malaysia, Thailand and Philippines can be obtained 3. Congressional and AID/S funding allocations sufficient</p>

Project Title & Number: Area Development Resources
Assessment # 497-11-199-238

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATOR
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>A.1. Increased rural income and participation in development process.</p>	<p>Measures of Goal Achievement:</p> <p>A.2. 1. Annual per capita income in rural areas of \$200.</p> <p>2. 25% increase of producer share of price paid by consumer for selected agricultural commodities.</p> <p>3. Five-fold increase in number of producer organizations which accumulate capital and where members provide at least 25% of investment funds and management personnel.</p>
<p>Project Purpose:</p> <p>B.1. Institutionalization of decentralized planning process in selected provinces for the preparation of quickly implementable development projects which will benefit the rural poor.</p>	<p>B.2. Continued output of development projects conceived and supervised by selected provinces with end of project status of target group showing minimum increase of 15% in income and/or employment.</p>
<p>Outputs:</p> <p>C.1. 1. Eight project development studies of provincially implementable agricultural development projects</p> <p>2. Institutionalization of procedures for a) coordination and delegation, b) analysis and management, c) implementation monitoring, and d) feedback of learning from completed projects</p> <p>3. Expanded staff knowledge of strengths and weaknesses of Indonesian provincial planning</p>	<p>Magnitude of outputs:</p> <p>C.2. 1.a. Eight project development studies defining an agricultural development problem and providing a solution with implementation plan and costs and benefits</p> <p>1.b. Project implementation</p> <p>2.a. Assignments for planning study components given to provincial dinas and universities</p> <p>2.b. Use of conventional analytical and management techniques in studies</p> <p>2.c. Official participation of BAPPEDA in project monitoring</p> <p>2.d. Incorporation/avoidance of past strengths/weakness in projects and planning methodology</p> <p>3. Modification of planning process to adopt advantageous practices used elsewhere</p>
<p>Inputs:</p> <p>D.1. U.S. Technical assistance Training Commodities Portion of local costs</p> <p>GOI Skilled manpower Routine budget</p>	<p>Implementation target (Type and quantity):</p> <p>D.2. U.S. TA 3-8 mm for each of eight studies @\$4,680/mm plus international travel Training: 1 mm TA per study Commodities: maps, photos, instruments, etc necessary for study execution; \$1000 - 1500 per study; Local cost range \$3000 - 9000 per study, maximum 20% GOI direct cost</p> <p>GOI Budget, salary, honorarium and overhead @ 6mm per mm of TA plus participant travel and per diem</p> <p>T.F. In-country travel and per diem costs of TA</p>

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AREA DEVELOPMENT RESOURCE ASSESSMENT
497-11-199-238
TABLE I
RANGE OF STUDY COSTS

		Type I (3 mm) (1 man)			Type II (6 mm) (2 men)			Type III (8 mm) (3 men)		
		US Costs	GOI Costs	Trust Fund	US Costs	GOI Costs	Trust Fund	US Costs	GOI Costs	Trust Fund
		\$	Rps. (000)	Rps. (000)	\$	Rps. (000)	Rps. (000)	\$	Rps. (000)	Rps. (000)
B.	GOI Costs: Study Resources									
1.	Salary (6 GOI mm @ Rp 165,8 per TA mm) Type I : 2,984 (3x6x165,8) Type II : 5,969 (6x6x165,8) Type III: 7,958 (8x6x165,8)		2984			5969			7958	
2.	Overhead (office/vehicles/etc.) 15%		448			895			1197	
3.	Honorarium (Rp 50/mm; I = 50x3x6 = 900, etc.)		900			1800			2400	
4.	Per diem (Rp 8/day; 10 day/ study; I = 8x10x3 = 240 etc.)		240			480			640	
5.	Training									
	a) Secondment									
	Travel (Rp 124/trip; 2 trips)		249			249			249	
	Per diem (Rp 8/day; 4 m/ training 8x30x4x2)		1920			1920			1920	
	b) Project Preparation Course									
	Travel 2 men: Rp 80/trip		160			160			160	
	Per diem (2 men:Rp 8/day: 30 days)		480			480			480	

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TABLE I
RANGE OF STUDY COSTS

	Type I (3 mm) (1 man)			Type II (6 mm) (2 men)			Type III (8 mm) (3 men)		
	US Costs	GOI Costs	Trust Fund	US Costs	GOI Costs	Trust Fund	US Costs	GOI Costs	Trust Fund
GOI Costs (cont.)	\$	Rps. (000)	Rps. (000)	\$	(Rps. 000)	(Rps. 000)	\$	Rps. (000)	Rps. (000)
Inflation based on FY 75 costs									
Year 1 0%		(0)			(0)			(0)	
Year 2 15%		(1107)			(1793)			(2252)	
Year 3 30%		(2214)			(3584)			(4500)	
Total Direct GOI costs Year 1		(7391)			(11953)			(15001)	
Year 2		(8488)			(13746)			(17252)	
Year 3		(9595)			(15539)			(19501)	

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AREA DEVELOPMENT RESOURCE ASSESSMENT
497-11-199-238
TABLE I
RANGE OF STUDY COSTS

		Type I			Type II			Type III		
		US Costs	(3 mm) GOI Costs	(1 man) Trust Fund	US Costs	(6 mm) GOI Costs	(2 men) Trust Fund	US Costs	(8 mm) GOI Costs	(2 men) Trust Fund
		\$	Rps. (000)	Rps. (000)	\$	Rps. (000)	Rps. (000)	\$	Rps. (000)	Rps. (000)
C.	Trust Fund									
1.	TA in-country travel (3 trips/man) (Rp 62,2/trip)			187			373			373
2.	TA per diem (Rp 16,6/day)									
	Type 1 - 90 days			1494			2988			3984
	Type 2 - 180 days									
	Type 3 - 240 days									
3.	Training (Project Prep. Course)									
	Instructor PD (28 days)			68			68			68
	(Rp 16,6/day) 464,8									
	Instructor travel (one trip)									
	(Rp 80/trip) 80									
	Rp. 544,8									
	Rp. 544,8 ÷ 9 studies = 68									
	Subtotal			1749			3429			4625
	Inflation based on FY 75 costs									
	Year 1 0%			(0)			(0)			(0)
	Year 2 15%			(262)			(514)			(664)
	Year 3 30%			(524)			(1029)			(1828)
	Total year 1			(1749)			(3429)			(4625)
	year 2			(2011)			(3943)			(5289)
	year 3			(2273)			(4458)			(5753)

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AREA DEVELOPMENT RESOURCE ASSESSMENT
 497-11-199-238
 TABLE I
 RANGE OF STUDY COSTS

D.		Type I			Type II			Type III		
		US Costs	(3 mm) GOI Costs	(1 man) Trust Fund	US Costs	(6 mm) GOI Costs	(2 men) Trust Fund	US Costs	(8 mm) GOI Costs	(4 men) Trust Fund
		\$	\$	\$	\$	\$	\$	\$	\$	\$
	<u>Local Cost Adjustment Illustrative</u>									
	(US \$ 1.00 = Rp. 414,5)									
	Direct Costs year 1	12393	17807	4219	34933	28837	8273	44793	36191	10676
	year 2	20232	20478	4852	38426	33163	9514	49272	41621	12977
	year 3	22072	23149	5484	41920	37489	10755	53752	47097	13879
	<u>US Pay 20% of Direct</u>									
	<u>GOI Costs</u>									
	year 1	+ 3561	- 3561		+ 5767	- 5767		+ 7238	- 7238	
	year 2	+ 4095	- 4095		+ 6633	- 6633		+ 8324	- 8324	
	year 3	+ 4630	- 4630		+ 7498	- 7498		+ 9409	- 9409	

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AREA DEVELOPMENT RESOURCE ASSESSMENT
497-11-199-238

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TABLE I
RANGE OF STUDY COSTS

		Type I (3 mm) (1 man) Total Costs in US \$		Type II (6 mm) (2 men) Total Costs in US \$		Type III (8 mm) (2 men) Total Costs in US \$	
E.	<u>Contribution Share: Illustrative - Using year 2 as basis</u>						
1.	<u>Adjusted US and GOI</u>						
	Total	40710		71589		90893	
	US	24327	60%	45059	63%	57596	63%
	GOI	16383	40%	26530	37%	33297	37%
2.	<u>Adjusted US/GOI Direct and Trust Fund</u>						
	Total	45562		81103		103170	
	US	24327	53%	45059	56%	57596	56%
	GOI	21235	47%	36044	44%	45574	44%
F.	<u>US Cost Components: Illustrative - Using year 2 as basis</u>						
	TA	16540	68%	33080	73%	42440	74%
	Commodities	1000	4%	1000	2%	1500	3%
	Training	853	4%	853	2%	853	1%
	Other	4095	17%	6633	15%	8324	14%
	Inflation	1839	7%	3493	8%	4477	8%
	Total	24327	100%	45059	100%	57596	100%

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AREA DEVELOPMENT RESOURCE ASSESSMENT

497-11-199-238

TABLE II 1/

USAID PROJECT COSTS (\$)

(Projected by Obligation and Expenditures)

		FY 75		FY 76		FY 77		FY 78				
		Obligation	Exp.	Obligation	Exp.	Obligation	Exp.	Obligation	Exp.			
1.	Technical Assistance											
a.	Advisors	24580	2000	151040	160000	49620	70000	0	53540	263540		
b.	Training	1700	0	3412	3000	1700	2500	0	1324	6024		
c.	Commodities	3000	0	5000	5000	2000	3000	0	2000	10000		
2.	Other Costs (including inflation)	14476	0	29913	20000	12128	10000	0	26517	56517		
3.	Inflation US \$ costs	0	0	15945	10000	10666	9000	0	7611	26611		
	Total	104062	2000	205310	195000	76120	94500	0	70992			
	Life of Project Costs											385192
Projections based on following mix of project types and obligation schedule: <ul style="list-style-type: none"> FY 75 - 2 type III FY 76 - 2 type III 2 type II FY 77 - 1 type II 1 type I 												
1/ Multiplication from Table I												

Memorandum

FILE**TO :** DISTRIBUTION**DATE:** May 13, 1975**FROM :** EA/TD, T. C. Clark, Jr. *cc***SUBJECT:** Indonesia - Area Development Agricultural Resources Assessment
Project Paper (PP)

A meeting to review this PP is scheduled for Wednesday, May 21, at 2:30 PM in Room 1410 NS.

To help us prepare for this review, you are requested to attend an East Asia Project Advisory Committee meeting scheduled for 10 AM, Monday, May 19, Room 609 RP. Please be prepared to submit, preferably in writing, your comments at this time. Issues for the May 21 meeting will be prepared following this EAPAC meeting.

Contact Donald Yeaman (telephone number 235-8870) if you have any questions which should be discussed before these meetings.

ATTACHMENTS:

1. The Project Paper
2. CABLE (STATE 97054) to USAID/Indonesia following EAPAC review of the PRP, listing issues that should be addressed in the PP

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cc:OPR/GS (State), Mr. Francis Lynn



AGENDA

**REVIEW OF PROJECT PAPER FOR AREA DEVELOPMENT AGRICULTURAL
RESOURCE ASSESSMENT PROJECT IN INDONEISA**

Wednesday, May 21, 1975 at 2:30 PM in Room 1410 NS

Chairman: DAA/EA, Mr. Garnett A. Zimmerly

- 2:30 - 2:45 - Opening Background Statement on Project:
Alexis Rieffel, Indonesia Desk Officer
- 2:45 - 4:15 Discussion of Issues: All participants
- 4:15 - 4:30 Concluding remarks from Chairman, announcing
Bureau decision on issues.