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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

PROJECT PAPER

INDONESIA

LUWU AREA AND TRANSMIGRATION DEVELOPMENT

PROJECT PAPER AMENDMENT

497-0244

APRIL 1981

UNCLASSIFIED

LUWU PROJECT PAPER AMENDMENT

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AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET		1. TRANSACTION CODE <input checked="" type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number <u>One</u>	DOCUMENT CODE <u>3</u>
2. COUNTRY/ENTITY <u>INDONESIA</u>		9. PROJECT NUMBER <u>497-0244</u>		
4. BUREAU/OFFICE <u>ASIA</u>		5. PROJECT TITLE (maximum 40 characters) <u>Luwu Area & Trans.Dev. Project</u>		
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <u>1</u> <u>2</u> <u>3</u> <u>1</u> <u>8</u> <u>3</u>		7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY <u>76</u> B. Quarter <input checked="" type="checkbox"/> C. Final FY <u>82</u>		

8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY <u>76</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	()	()	()	(3,700)	()	(3,700)
(Loan)	(15,000)	()	(15,000)	(15,000)	()	(15,000)
Other U.S.	1.					
	2.					
Host Country		2,500	2,500		68,900	68,900
Other Donor(s)						
TOTALS	15,000	2,500	17,500	18,700	68,900	87,600

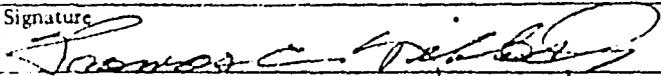
9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) FN	100	070	070		15,000	3,700		3,700	15,000
(2)									
(3)									
(4)									
TOTALS					15,000	3,700		3,700	15,000

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)						11. SECONDARY PURPOSE CODE			
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code		BR		INTR					
B. Amount									

13. PROJECT PURPOSE (maximum 480 characters).
 To increase per capita income and food consumption of Luwu subsistence-level farmers, to increase movement of marketable agricultural surpluses to food deficit areas, and to establish a multi-purpose management body.

14. SCHEDULED EVALUATIONS				15. SOURCE/ORIGIN OF GOODS AND SERVICES				
Interim	MM YY	MM YY	Final	MM YY	<input type="checkbox"/> 000	<input type="checkbox"/> 941	<input type="checkbox"/> Local	<input type="checkbox"/> Other (Specify)
	0 5 8 1	0 6 8 2		1 1 8 3				

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 a of 16 page PP Amendment)
 This amendment provides FY 81 and 82 grant funding to continue the U.S. Technical Assistance to the project through to its revised completion date of December 31, 1983.

17. APPROVED BY	Signature 	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
	Title Director, USAID/Indonesia	
		MM DD YY 0 1 2 1 8 1

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

PROJECT AUTHORIZATION

AMENDMENT

INDONESIA

Luwu Area and Transmigration
Development
Project No. 497-0244

1. The Luwu Agricultural Project for Indonesia was authorized on June 26, 1975 on the basis of life-of-project funding in the amount of Fifteen Million United States Dollars (\$15,000,000) in loan funds. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby amend that authorization as follows:

The total planned obligations for the project are authorized in an amount not to exceed Eighteen Million Seven Hundred Thousand United States Dollars (\$18,700,000) of which Fifteen Million United States Dollars (\$15,000,000) in loan funds is authorized, and Three Million Seven Hundred Thousand United States Dollars (\$3,700,000) in grant funds is authorized with the additional funding provided hereby available through fiscal year 1983, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to assist in financing the foreign exchange and local currency costs of the project.

2. The authorization referred to above remains in force except as hereby amended.

Clearances:

	Date	Initial
Herbert E. Morris, GC/Asia	<u>4/7</u>	<u>RC/HEM</u>
G. R. Van Raalte, Asia/PD	<u>4/3</u>	<u>[Signature]</u>
Robert Halligan, Asia/DP	<u>4/8/81</u>	<u>[Signature]</u>
William R. Ford, Asia/ISPA	<u>4/7</u>	<u>[Signature]</u>
Thomas M. Arndt, Asia/TR	<u>4/6</u>	<u>[Signature]</u>

Signature

Frederick W. Schiel
Acting Assistant Administrator
Bureau for Asia

April 9, 1981
Date

GC/Asia:LChiles:hp:4/3/81

December 1980

LUWU PROJECT PAPER AMENDMENT

I. Introduction

On October 23, 1975, a \$15 million loan agreement between the Government of the Republic of Indonesia and the United States Agency for International Development was signed which formally initiated the Luwu Area and Transmigration Development project in a government district (kabupaten) named Luwu, in South Sulawesi. The project, which now totals approximately \$88 million in estimated costs (compared to the original cost estimate of \$42.8 million), was seen as the first stage in the long-term development of kabupaten Luwu.

The project was originally scheduled to end in June of 1980. The GOI has requested, and AID has agreed, that the terminal date for loan disbursements be extended to December 31, 1983. However, the GOI and USAID have formally allocated in writing all loan funds, and there is insufficient loan funding to carry on the U.S. technical assistance beyond mid-1981.

This Project Paper Amendment therefore proposes AID grant funding in FY 81 and FY 82 to provide the minimum technical assistance requirements necessary to assure the satisfactory completion of original project objectives, as well as to initiate a planning process at the kabupaten level designed to increase the capability of local government to continually improve upon the planning for kabupaten development as well as to insure preparation of follow-on projects and programs suitable for financing by the donor community or GOI itself.

In short, through the additional technical assistance proposed in this Project Paper Amendment, AID would insure completion of work already initiated as well as establish the institutional and planning base required to sustain the pace of development in kabupaten Luwu upon termination of AID assistance inputs.

II. Estimated Total Project Costs

A significant factor which should be noted at the outset is the major increase in estimated total project costs. The 1975 Capital Assistance Paper (CAP) gave a total cost estimate of \$42.8 million, broken down as follows: road, \$25.0 million; irrigation, \$11.5 million; Farmer Service Centers (later established as Farmer Cooperative Centers and Rural Extension Centers), \$2.6 million; transmigration, \$2.4 million, and organization, technical assistance, training and evaluation, \$1.3 million.

In the next USAID in-house evaluation of this project scheduled for May 1981, a very careful analysis will be made of the revised estimated total project costs. However, the Mission's December 1980 estimate is that these costs have risen from \$42.8 million to

\$87.8 million - an increase of 105.1 percent. The revised estimate is: road, \$63.3 million; irrigation, \$14.5 million; Farmer Cooperative Centers (FCCs) and Rural Extension Centers (RECs), \$5.0 million; organization, technical assistance, training and evaluation, \$4.0 million, and transmigration, \$1.0 million.

Under the CAP projections, the AID contribution to project costs overall was to have been 35%, and the GOI contribution 65%. However, while total estimated project costs have risen 105%, even with approval of the requested \$3.7 million in grant financing, the U.S. life of project contribution will have increased only 25% (from \$15 million to \$18.7 million and all for technical assistance). And overall, while the GOI estimated total project cost contribution is expected to rise to 78.5% (\$68.9 million), the U.S. contribution would decrease proportionally to 21.5% (\$18.7 million of the \$87.8 estimated total). Notwithstanding these substantial cost increases which must be borne by the GOI, the GOI remains determined to complete the project in all its many facets as previously agreed.

III. Present Project Status

A. General

The latest comprehensive assessment of the status of the present project is contained in the June 1980 PES (see Annex E). The purposes of the Luwu project are to:

- increase per capita income and food consumption of Luwu subsistence - level farmers
- increase the movement of marketable agricultural surpluses to food deficit areas, and
- establish a management body for multi-purpose rural development which could be used as a example for development efforts in the country.

A map of the Luwu project area with the location of the various project activities is presented as Map I.

Six discrete project outputs were intended to collectively contribute to the attainment of these purposes:

- a Luwu Project Headquarters established and functioning effectively for integrated project planning, management and evaluation;
- 178 kilometers of arterial road rehabilitated;
- 8,480 hectares brought under irrigation systems;

- four Rural Agricultural Extension Centers established and functioning;
- three Farmer Cooperative Centers established and functioning, and
- 700 families transmigrated from other Indonesian islands to Luwu.

1. Establishment of an integrated area development management office

A Luwu Project Headquarters has been built exclusively with GOI resources and is staffed and functioning in Palopo (the kabupaten capital), with branch offices in Ujung Pandang (the capital of the province of South Sulawesi) and in Jakarta. The project headquarters management and staff are appointed by the Ministry of Manpower and Transmigration because at the time the project was being conceived that Ministry was considered the most appropriate institution for managing inter-sectoral coordination since it had such responsibility for transmigrants.

Acceptance of the Luwu management model has been moderately successful, especially in view of the fact that it introduces a horizontal management system whereas Indonesia's orientation is strongly toward vertical systems of management, and Indonesia's implementation of development operations continues to be sectorally and centrally based. There is in fact coordination with regard to the loan inputs, as well as voluntary coordination on the part of the sectoral offices (e.g., attending the monthly coordination meetings in Palopo and sometimes sending to headquarters copies of the annual budgets). The Luwu management model has also been copied by the Asian Development Bank in a transmigration project in Sumatra, and has been studied by the World Bank in its planning for management systems for its assistance to Indonesia's transmigration program. Further, valuable lessons have been learned upon which USAID has made specific recommendations to the GOI for improving the project management which are being considered for eventual acceptance (see Annexes A and B). (USAID has been informed, for example, that the Directorate General of Water Resources Development will, in April 1981, assign a full-time irrigation subproject manager with budget-holding authority to Palopo. At present, the subproject manager is stationed in Ujung Pandang, the provincial capital, and is also the chief of irrigation for the entire province. This decision to station a full-time subproject manager in Palopo satisfies a long-standing and important USAID recommendation.)

Notwithstanding the limited progress that has been made with respect to coordinated and decentralized decision-making, the project has evolved from what was originally conceived as a transmigration project into a comprehensive area development

activity. Within the GOI governmental framework, therefore, it would be appropriate to encourage a shift in responsibility for the overall planning and management of the development of the kabupaten from the Ministry of Manpower and Transmigration to the Ministry of Home Affairs. Thus, over the next several years (1981-1983) we expect to see the functions of the Luwu project Headquarters be increasingly assumed by the kabupaten government. A principal task for AID in the remaining years of our assistance to the Luwu project will be to assist with this transition. As will be elaborated upon later on in this document, one of the principal purposes to be accomplished through the proposed additional technical assistance is the development of a planning process at the kabupaten level and the development of a comprehensive plan for Luwu which, together with supporting feasibility studies, will be used to provide the institutional base and conceptual framework required to facilitate external donor and GOI investment.

2. 178 kilometers of arterial road rehabilitated

One of the first decisions the project faced was whether to continue the practice of using expatriate road design and construction contractors, or whether to attempt to build in and leave behind an Indonesian capability for road design and construction. In order to serve the latter institutional objective, the decision was made to use Indonesian contractors even though they were inexperienced.

The result has been a much longer time frame than had been originally anticipated to obtain adequate design plans and to have construction initiated. A U.S. firm (Louis Berger, International) was brought in to assist the Indonesian firm providing the engineering supervision, but the U.S. company's initial pre-occupation was not with supervision, but with redesign of the originally inadequate design plans. Actual work on the road rehabilitation did not start until May of 1979, 3½ years after the loan agreement had been signed. The redesign of the road, however, has resulted in a much higher standard road than was intended in the Capital Assistance Paper (e.g., there will be a 4.5 meter wide asphalt concrete paving rather than the 3.0 meter paving mentioned in the CAP).

As of December 1980, approximately twenty-five percent of the road subproject has been completed. The GOI is now aiming at all-weather use of the road by December 1981, and for final completion by September 1982. Also, the GOI has identified 12 more existing bridges and five culverts which need significant repair and which were not included in the original plans. Utilizing its own resources, the GOI intends to repair or replace the five culverts in the 1981/82 period and to repair or temporarily replace the 12 bridges with Bailey-type bridges. Beginning in 1984, all the temporary bridges will be replaced with permanent

bridges or culverts. Additionally, due to the higher standard of road being built and the higher costs of materials and construction than was originally anticipated, the GOI contribution to this activity will rise significantly, while AID's fixed amount reimbursement (FAR) contribution will decrease proportionally in comparison to that of the GOI. It is now estimated that the sub-project will cost \$63.3 million (compared with the CAP estimate of \$25 million).

3. 8,480 hectares brought under irrigated systems

The AID - funded irrigation construction activities are at Bone Bone (1,480 ha) and Kalaena (7,000 ha) - see MAP I. These irrigation construction activities are carried out in conformity with the Luwu master irrigation plan prepared for the GOI by the Government of the Netherlands (the Dutch are also assisting with the construction of irrigation for 8,600 ha near Palopo).

As of December 1980, 73% of the irrigation construction relevant to the 8,480 ha target was under contract, with the balance to be contracted in 1981. All of the Bone Bone system (1,480 ha) and a portion of the Kalaena system (1,233 ha of 7,000 ha) has been brought under irrigation to date. This sub-project activity is scheduled for completion in April of 1983.

4. Four Rural Extension Centers established and functioning

All four RECs have been completed and all are carrying on training and demonstration activities for extension agents and for farmers. The RECs are spread throughout the kabupaten and each is responsible for a particular agricultural speciality. The REC at Mangkutana (see Map I) specializes in livestock and poultry breeding; the REC at Bone Bone concentrates on food crops; the facility at Walenrang on fisheries, and that at Padang Sappa on estate crops.

In the past there had been an absence of cooperation between the REC and the FCC subprojects (although the two were originally planned to not only work closely together but to be physically located together). Over the past year, the two programs have begun to complement and work closely with one another. For example, at the request of and for the members of the Farmer Cooperative Center at Bone Bone, the REC there is presently carrying out comparative rice production trials to demonstrate the most appropriate types of rice to be cultivated in the Bone Bone area.

Despite the training and demonstration activities being carried on by the REC subproject, however, there is still no long-range REC program. There is only limited information available on the present agricultural production situation and no plans have been formulated as to long-range production objec-

tives. Such a long-range program still needs to be established.

5. Three Farmer Cooperative Centers established and functioning

As originally designed, four FCCs were to be established in conjunction with the 4 RECs. However, a much more comprehensive range of facilities and services are being undertaken than earlier planned with the consequence that the AID loan funds allocated for the FCC subproject are sufficient to support only three centers. However, the GOI is planning to provide the fourth FCC (in Southern Luwu) from its own resources in 1983. One FCC, at Bone Bone, has been in operation since June of 1979. The second, at Mangkutana, commenced limited operations (primarily the provision of fertilizers and pesticides) in November 1980, and will begin full operations in February 1981 when its buildings are completed. The third FCC, at Walenrang, is scheduled to begin operations in January 1982.

The FCC provides the following services: (1) rice, maize and soybean marketing; (2) seed, fertilizer and pesticides supply; (3) agricultural credit; (4) tractor rental; (5) livestock marketing, and (6) seed multiplication. In 1980, the one FCC operating at full capacity exported approximately 1,000 metric tons of rice from Bone Bone (through the ports at Palopo and Malili) to other islands in Indonesia and had another 600 MT ready for export. Through 1979, the Bone Bone area had always been a rice deficit area. This is the first time in the history of Luwu that such a quantity of rice has been exported - a major objective of the project - and serves as one indicator of the positive impact generated by the combined progress of the irrigation, FCC and road subprojects. Further, the GOI has been so impressed with the FCC subproject progress that it has decided to utilize its own resources for the construction and operation of the fourth FCC, and it is using the Bone Bone FCC as the primary model for all FCC-type operations throughout Indonesia.

6. 700 families transmigrated to Luwu

This output was achieved by January of 1979 when the last of the 700 families moved to Luwu (mostly from Bali and Lombok). The families have established their homes and crop lands. The transmigrants are prospering and the majority believe their lives have improved significantly as a result of the move to Luwu.

. IV. The AID Rural Electrification Project in Luwu

In addition to the development activities described above, AID is supporting the formation of a rural electrification cooperative in the Luwu area. Based in Bone Bone, this cooperative will eventually serve 61,500 households (an estimated 144,000 people), providing them with household electricity for consumption and for small-scale

cottage industry. The cooperative is based on the highly successful models in the U.S. and the Philippines and is at present receiving technical assistance in cooperative organization from the National Rural Electrification Cooperative Association (NRECA) of the U.S. and Charles T. Main International, an engineering firm supervising the construction. U.S.G. assistance to the GOI for 10 such sites in Indonesia is \$6.0 million in technical assistance and \$30 million for equipment and other commodities. The cooperative will generate 4.7 megawatts of power from generators provided and installed by the Government of Canada. The cooperative is being supported by the Directorate-General of Cooperatives, the same agency in charge of the FCC program. The rural electrification project is expected to provide a model for rural electrification for rural Indonesia. The project is representative of the GOI's emphasis on cooperatives as a means of promoting equitable national growth. Overtime, the project is expected to make a substantial contribution to the quality of rural life and opportunities for productive employment in kabupaten Luwu.

V. Plans For Future Development In Kabupaten Luwu

The USAID-assisted Luwu project was initiated in the middle of the 1970s on the assumption that it was the first step in the long-term development of the kabupaten. This assumption was so definite on the part of AID that as early as December of 1975 (the loan agreement was signed in October 1975), the Mission submitted and AID/W approved a Project Review Paper for Luwu Phase II for FY 77 funding. It soon became obvious that implementation of the initial project would not allow that timeframe to be met.

However, the development effort has momentum in Luwu and, as the only donor in the kabupaten dealing with the overall development of the district, it is timely for USAID to consider preparation of a more comprehensive picture of the future. Finishing the on-going project is of course a primary objective, but we also want to be certain that the development process we have helped to set in motion is maintained.

When taking into account kabupaten, provincial and national development plans for the next five years in Luwu, it appears that major resource allocations of from \$80 to \$100 million from as yet unspecified sources are being contemplated over the next few years alone. Plans are being developed for a major feeder road and bridge program estimated to be in the neighborhood of \$40 million. Continuation of the irrigation systems construction is planned in the \$30-\$40 million range. Expansion of the cooperatives program is contemplated in the \$7-\$10 million range, and of the agricultural extension program in the \$3-\$5 million range. There are tentative plans for assistance in rural health care, rural and technical education programs, major settlement activities, rural industry, and telecommunications.

All of this preliminary planning is unlikely to be translated into concrete projects unless careful attention is devoted to the development, within the kabupaten, of a capacity to carry out the critical planning function. AID is in the unique position of being able to effectively assist the kabupaten government develop this planning and management capability during the remaining years of the project's life. With the development of planning and management capability, the GOI should be able to negotiate the follow-on investments that were originally contemplated to be financed by AID.

VI. AID Extension Assistance

The Mission is proposing grant funding in FY 81 and 82 totalling \$3. million, primarily for technical assistance. The purposes of the additional assistance are:

- (1) To oversee the successful attainment, within the December 1983 loan termination timeframe, of project objectives.
- (2) To develop a planning and management capacity in local government and as part of that effort to prepare a comprehensive development plan for the kabupaten with specific focus on agricultural development requirements and the infrastructure requirements needed to support them. The plan should be prepared with the intention of being used to inform major donors with regard to possible investments in the kabupaten over the next five to ten years.
- (3) In the course of preparing the comprehensive plan, to help upgrade the kabupaten local government planning capacity to coordinate the implementation of the planning effort.
- (4) To carry out a comprehensive evaluation of the USAID Luwu project to determine its replicability (or that of certain of its parts; e.g., the FCCs) within other areas of Indonesia.

A. Purposes

1. To Successfully Complete The Original Project

a. Roads and bridges

Tables I and II contain the Mission's most recent estimates of the work which needs to be done before the December 1983 timeframe in order to complete the road and irrigation subprojects. For the road subproject in particular, it is clear from the chart that a dramatic upturn in construction progress is needed in order

to make the end-1983 deadline. This means an increase in large numbers and quantities of laborers and equipment, and in expanded work shifts and overtime. Consequently, the requirements for supervision must also be expanded. At present, Louis Berger International, Inc. is providing four full-time technicians: an Engineer-in-Charge, a Resident Engineer for Section I (Malili to Bone Bone) and a Resident Engineer for Section II (Bone Bone to Palopo), and a Materials Engineer. Their contracts, loan-funded, expire August 18, 1981. The GOI and the consultants believe that these advisors should be retained on a long-term (i.e., two-year) basis, and that there are additional long-term requirements for a Bridge Engineer and two Inspectors. It is clear that some mix of these engineers will need to be retained into 1983 in order to assure the successful completion of the road subproject.

Additionally, the GOI (and particularly the local government) would like assistance in preparing pre-feasibility studies for a feeder roads and bridges program covering approximately 200 kilometers. Such a feeder road program is needed to generate the traffic required to insure full utilization of the kabupaten road now being rehabilitated with AID financing. And finally, some thought must be given to the maintenance requirements for the entire main and feeder roads and bridges programs. Development of budget, manpower, equipment and operations requirements over the next five to ten years is needed; there are currently no plans for undertaking such an analysis.

For the road subproject, therefore, the consultant personnel to be funded from the 1981/82 grant funds will be expected to:

- (i) provide the supervision necessary to complete the originally-agreed-to 178 kilometer road by the end of 1983;
- (ii) assist the kabupaten local government in preliminary planning for the development of a kabupaten-wide feeder roads and bridges plan with supporting pre-feasibility studies;
- (iii) assist the kabupaten in the preparation of an operations and maintenance program for its five-to-ten year road construction/rehabilitation program.

b. Irrigation

There are approximately 5,800 ha still to be brought under irrigation in order to reach the subproject target of 8,480 ha. The GOI has estimated (in the 1980 PES exercise - see Annex E) that it will complete system construction by April of 1983. Construction advisory services are therefore needed through this period to assure quality construction of the systems, as well as the development of a properly trained, staffed and equipped construction, inspection, and materials testing cadre and program. AID loan funding is presently providing one irrigation construction advisor through June 18, 1981.

Operations and maintenance (O&M) of the completed systems constantly poses a problem. O&M of irrigation projects throughout Indonesia is seldom seen as a priority. The long-term O&M advisor now being provided under the Luwu project loan (through June 18, 1981) prepared a master O&M plan and budget in 1979 for the loan-assisted systems which was accepted January 1980 by USAID as satisfying a Condition Precedent of the loan. As the result of this plan and continuous effort to assure that it is implemented, Rp. 25 million was provided in mid-1980 for O&M of the Luwu irrigation systems - the first such O&M funding provided to Luwu. Although additional and increased funding is required in order to meet O&M targets, a positive first step has been taken. Technical services in this field should be continued in order to sustain the level of O&M activities set forth in the irrigation master plan, including the training of staff and workers in appropriate O&M techniques and in developing annual O&M budget requirements. The O&M advisor also assists in establishing water users associations to manage the tertiary and quaternary systems.

As part of its assistance to the proposed local government comprehensive development plan preparation, the consultant personnel should also provide technical guidance on the extension of the irrigation systems beyond that being carried out under the current project. The Dutch Government prepared a master irrigation plan for the kabupaten in 1974. The consultant personnel should assist in updating that plan and in having it incorporated into the overall Luwu comprehensive Development Plan in such a way as to facilitate donor consideration of further irrigation investments in Luwu.

For the irrigation subproject, therefore, the consultant personnel to be funded from the new AID grant funds will be expected to:

- (i) provide the construction and O&M supervision and training necessary to complete the 8,480 ha irrigation subproject by the end of 1983, and
- (ii) assist the kabupaten local government in the preparation of the irrigation component of the Comprehensive Development Plan.

c. Farmer Cooperative Centers

The first FCC (at Bone Bone) commenced operations in June 1979 and is providing the full range of services described earlier to the over one thousand members of the eleven smaller cooperative centers (KUDs) in the Bone Bone area. Three more FCCs are scheduled to come into operation before the end of 1983 (the second, at Mangkutan, has already begun limited operations). Thus the major portion of implementing the FCC program lies ahead.

Under the current Luwu loan, one FCC consultant is provided to this subproject. That consultant is funded until June 18, 1981.

The consultant requirements cover the full range of FCC operations - from assisting in the design and timely construction of the physical facilities to establishing the most appropriate and feasible mix of services and inputs for the cooperative members, including a profitable and viable marketing operation. The demands on the FCC subproject and the consultant are significantly greater than those originally envisaged in the 1975 CAP, which limited FCC activities to input supply, seed multiplication, and rice marketing. In addition, the subproject is also responsible for encouraging the production, marketing, processing and transport of secondary crops; for providing agricultural credit to farmers through the KUDs; for providing tractor hire services; for guaranteeing reasonable prices for livestock marketing; for producing livestock feed, and for improving the performance of village-level cooperatives to a level where they can effectively channel the FCC services to their members. From a staff of four, as envisaged in the CAP, the Bone Bone FCC now has over 30 full-time professional and clerical staff members.

For the FCC subproject, therefore, the consultant personnel to be funded from the 1981/82 grant will be expected to:

- (i) provide the assistance necessary to complete the projected four FCCs, as well as to effectively establish a sustainable program of agricultural cooperative services and support, and
- (ii) assist in the preparation of plans for agricultural marketing opportunities and requirements over the next five-to-ten years which can be used to attract additional GOI and/or donor resources to the area. This plan preparation would be part of the kabupaten comprehensive planning effort.

d. Rural Extension Centers

All four RECs originally projected have been completed and are carrying on training and demonstration activities for farmers as well as for extension agents. The REC consultant (whose contract ends June 18, 1981) is presently working with the REC subproject staff and personnel on the development of a comprehensive agricultural extension program plan for the next several years. Depending upon the quality of this plan, it is possible that only short-term technical services in this field will be required from the grant funds. Consultant personnel would be expected to:

- (i) assist in the development and implementation of loan-funded and GOI-funded training and demonstration activities to take place into 1983, and
- (ii) assist in the preparation of the agricultural extension portion of the kabupaten comprehensive development plan

e. Other

The immediately preceding activities cover the technical assistance requests of all of the main elements of the on-going project. The road and irrigation subprojects alone constitute 80% of the USAID-loan inputs. However, there are other project-support elements, arising from the original project, which may require technical assistance over the next several years. The contractor will be expected to show what mixture of short-term technical assistance would be used to address these elements.

2. Comprehensive Development Plan

The 1979 special Checchi evaluation of the Luwu project makes the case that some rather significant development momentum is occurring in Luwu. The USAID-supported Luwu Area and Transmigration Development Project undoubtedly has been and will continue to be responsible for a significant portion of that momentum. We have outlined above the range of technical assistance requirements the Mission believes is needed to attain the original project objectives. It is also clear that any additional AID support after the 1981/82 grant is at present uncertain. In the absence of our ability, at the present, to commit AID to a second phase project and in conformance with the natural sequence of events mentioned earlier in having the Ministry of Home Affairs and the kabupaten local government assume project responsibility, we should also use the FY 81/82 grant funds to assist the GOI to prepare a development framework of priorities, a "Comprehensive Development Plan", which could be used to attract continuing donor and GOI resource allocations.

The focus of the plan would necessarily be on agricultural production and marketing objectives and requirements. However, the plan would also need to detail the infrastructure requirements necessary to support agricultural development. The two principal infrastructure requirements in the near future are feeder roads and bridges and irrigation construction. It is for these reasons that we have included inputs for the grant-funded road and irrigation consultants, as mentioned above.

However, also needed will be an overall development plan for the district, including descriptions of its economic situation and its agricultural makeup and objectives, its long-range development priorities and requirements, supported with appropriate technical, economic and social analysis of sufficient quality and depth to attract follow-up financing to the kabupaten. The AID grant-funded technical assistance would provide services to assist the kabupaten in the preparation and completion of this plan.

Although the AID assistance will provide the minimum level of effort needed to assure completion of this objective, there is also a possibility that other foreign donors now involved in Luwu would want to contribute supporting assistance for the effort. Thus the AID/GOI assistance would result in a complete basic plan, but another donor might be willing to assist in a more detailed assessment of one of its

components (e.g., the Dutch might agree to do a complete master plan for irrigation construction for all of Southern Luwu). It is also possible that, with other donor support, an effort could be made to improve the planning capacity at the provincial level as well. This is something which will become clearer as discussions proceed with other donor and GOI officials.

There are three other major donors now involved in Luwu: the Dutch (who prepared the Luwu Master Irrigation Plan and who are assisting in the building of 8,600 ha of irrigation systems at Lamasi (see Map I), the West Germans (who have provided approximately \$20 million in loan funds to rehabilitate 144 kilometers of road from Palopo south to Tarumpakae), and the Canadians (CIDA is providing assistance for a feasibility study for the rehabilitation of the road from Wotu north to Poso, thus linking South and Central Sulawesi). These donors have all been contacted by USAID and have shown an interest in discussing long-term joint planning assistance for Luwu and adjoining areas, including province-level assistance. USAID is pursuing this possibility.

The objective would be to develop a five-to-ten year Comprehensive Development Plan for Luwu which would lay out the case for other major donors such as the Asian Development Bank and the World Bank to pick up significant portions of the investment requirements of Luwu.

3. Development Of A Kabupaten Planning Capacity

As part of the comprehensive plan preparation, AID's grant assistance will also have as an objective the development of a kabupaten planning capacity which can continue the planning effort and oversee plan implementation after our assistance terminates. As the plan is being prepared, the AID-provided consultants will work with kabupaten planning officials to upgrade their planning capabilities.

This objective is the natural and logical next step in the evolution of the management of the project. The Luwu Project Headquarters planning and coordination responsibilities are to be gradually assumed by local government, and the next two to three years should therefore include a focus on preparing for that transfer. In this regard, we will propose that the Ministry of Home Affairs be a signatory to the FY 81 and 82 Grant Agreements.

4. Evaluation

USAID has now performed three internal evaluations of the Luwu Project (the most recent one of which is attached as Annex E), and the Checchi team contributed a useful evaluation in 1979. The fourth USAID internal evaluation is scheduled for May 1981 and there will be a fifth in 1982. Also, the Luwu Project Headquarters has contracted with Hasanuddin University (UNRAS) in Ujung Pandang to conduct two evaluations of the project and a third UNHAS evaluation

is presently underway (and due to be available by April 1981).

All these efforts have provided valuable insights into the progress of the Luwu project. The Mission would also like to see a major external evaluation of the project to achieve three purposes: (1) an objective assessment by a party previously uninvolved in the project to validate and measure project progress, (2) an assessment of the degree to which AID loan (and grant) support of the project can be attributable to its progress and positive impact on the project area beneficiaries, and (3) which elements of the project are replicable (and in which ways) in Indonesia. The timing of this evaluation would be programmed for the 1982/83 period as current project activities are concluding.

VII. The AID Grant

In April 1979, the GOI and USAID held a one-week workshop in Luwu to discuss what technical assistance would be required after the present TA loan funding ran out in 1981, especially since loan-funded operations would continue on into 1983. As the result of the decisions reached in that workshop and the subsequent GOI request for grant funding for continued technical assistance (see Annex C), the Mission estimated that \$3.2 million would be needed in FY 81/82 to provide that assistance. In the nearly two years which have passed since then, however, costs per person-year have risen (in 1979 a figure of \$100,000 per person per year was used and now that figure is approximately \$120,000 to \$130,000 per person per year), and the technical assistance requirements have been modestly expanded, mainly because of the addition of a planning element. Also, as has been described earlier, a strong need for an agricultural credit component has been identified. The PP amendment request, therefore, is for \$3.7 million, which the Mission would accommodate within its overall allotments for FY 81 and 82.

The requested \$3.7 million is broken down as follows:

1. Technical Assistance: \$ 3,520,000

A request for a predominant capability waiver is also being sent to AID/Washington to authorize the Mission to negotiate a new contract directly with a joint venture composed of the existing U.S. contractors in Luwu: Checchi/DMJM, Louis Berger. The contractor will be expected to propose to AID and the GOI the makeup, timing, and period of services of the technical expertise it believes will be necessary to accomplish the purposes set forth above. The proposal shall set forth in detail the rationale for the long and short-term personnel and studies which are required, which must be within the limitation of the 352 person-months (at an average of \$10,000 per month) available for this purpose.

2. Contractor Logistical Support: \$ 80,000

The GOI will be expected to provide basic housing, office accommodations, vehicles, drivers, in-country per diem, and some office support. However, to assure fully adequate contractor office support, \$80,000 of the grant funds will be reserved for such items as the salaries of a full-time administrative assistant, secretaries and clerks. This will be to insure that the team leader's management of the substantive aspects of the activities are interfered with to the least extent possible by administrative details.

3. Special Evaluation: \$ 100,000

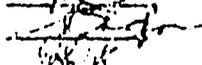
This funding would be used to conduct a special evaluation of the project in order to determine its success as well as its replicability as a whole and in its various components.

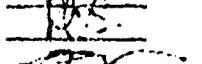
VIII. Summary

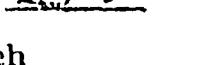
This PP amendment recommends that \$3.7 million be provided in grant funds over the FY 81/82 time period in order to complete the original Luwu project in such a fashion as to assure that the developmental momentum it has helped to generate is sustained, especially in view of the possibility that AID may not be in a position after 1983 to continue to support Luwu's development, as had been planned originally. This assistance forms a complementary component of the recently extended period of loan financing to the end of 1983. The Mission strongly recommends that it be approved.

Clearances:

RD:DTinsler: 

PRO:RCohen: 

OMF:RBourquein: 

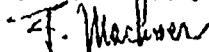
LA:DRobertson: 

DD:RSimpson: 

DIR:TCNiblock: 

AGR:WTappan: 

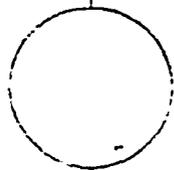
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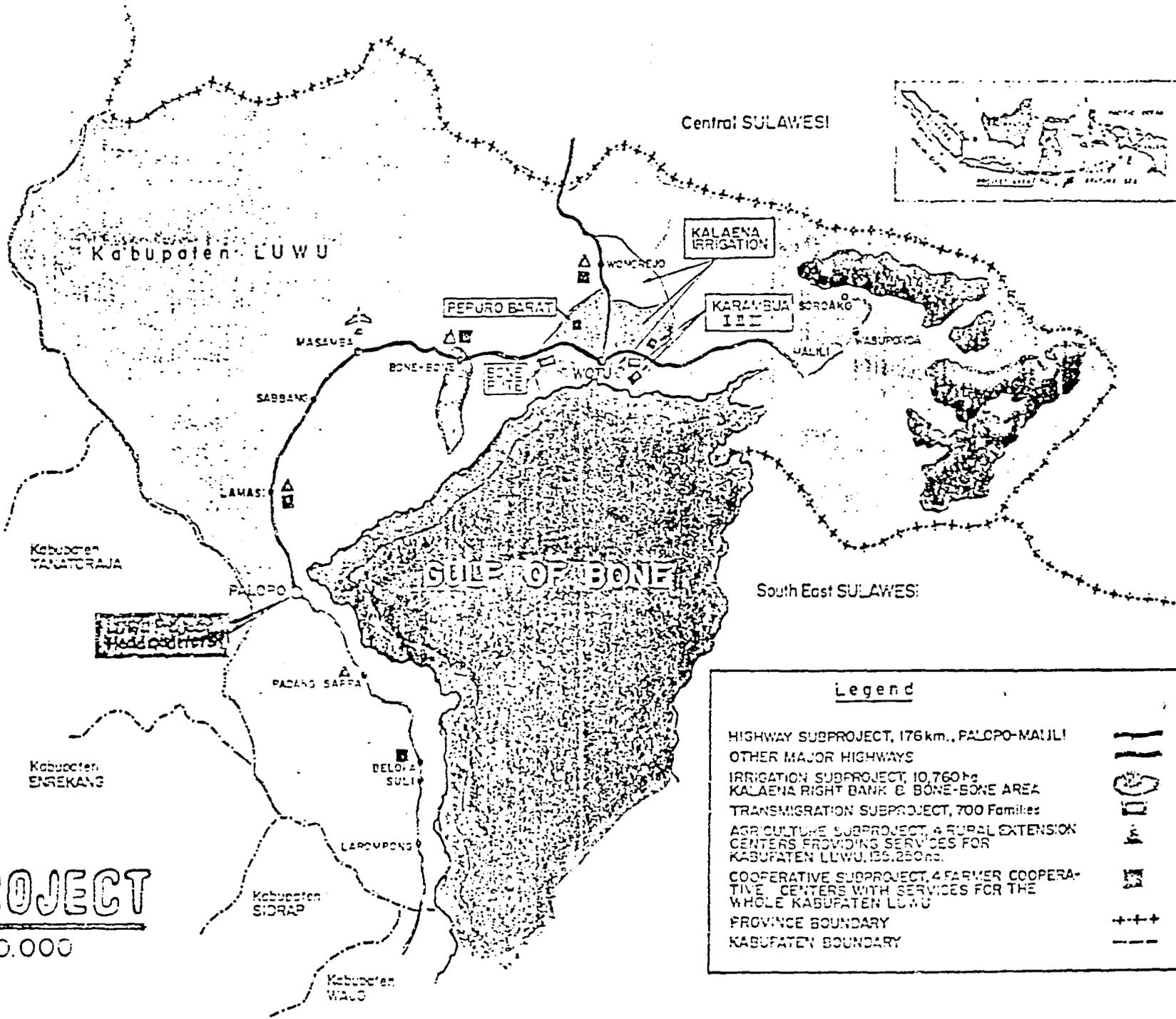
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LUWU PROJECT

SCALE: 1:200,000



Kabupaten MAMUJU



Central SULAWESI

South East SULAWESI

Legend

HIGHWAY SUBPROJECT, 176 km., PALOPO-MALILI
 OTHER MAJOR HIGHWAYS
 IRRIGATION SUBPROJECT, 10,760 ha
 KALAENA RIGHT BANK & BONE-BONE AREA
 TRANSMIGRATION SUBPROJECT, 700 Families
 AGRICULTURE SUBPROJECT & RURAL EXTENSION CENTERS PROVIDING SERVICES FOR KABUPATEN LUWU, 135,250 ha.
 COOPERATIVE SUBPROJECT, 4 FARMER COOPERATIVE CENTERS WITH SERVICES FOR THE WHOLE KABUPATEN LUWU
 PROVINCE BOUNDARY
 KABUPATEN BOUNDARY

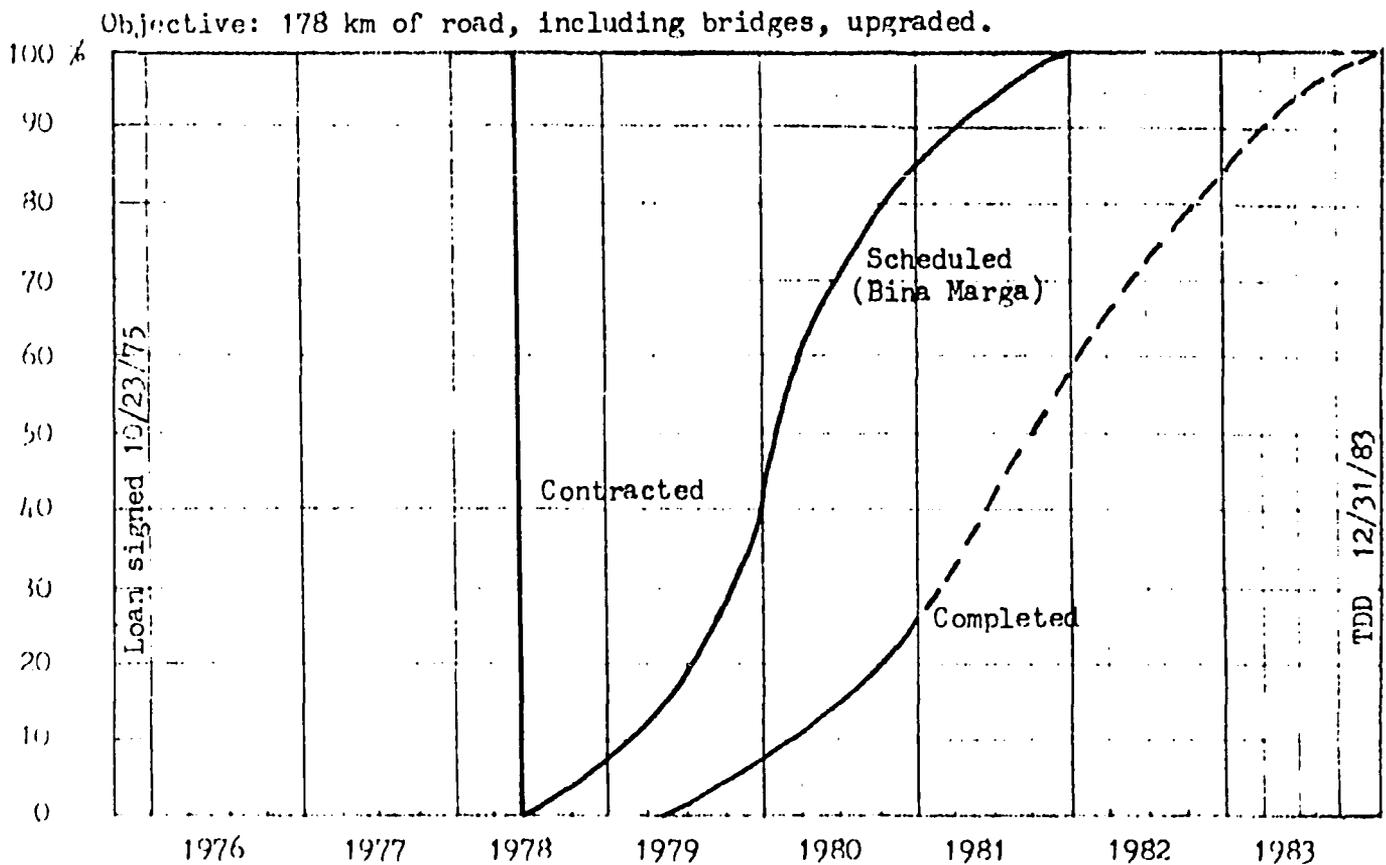
LUWU PROJECT AMENDMENT (DECEMBER 1980) : MAP 1

LUWU PP AMENDMENT (DECEMBER 1980): TABLE I

Quarterly report: period ending December 31, 1980

LUWU AREA and TRANSMIGRATION DEVELOPMENT PROJECT

Table 1: ROAD SUBPROJECT: Status of reimbursable construction.



- Highlights this qtr. : Paving commenced from Polopo.
Problems this qtr. : Revised design, quantities and realistic construction schedule (required for FAR) not yet complete.
Action required : Bina Marga/Consultant - Complete above and submit for USAID approval.
Note : Completion percentage is based on current estimated road cost which has increased from the 1975 CAP estimate of \$25 million to approximately \$63 million (1980-81 dollars).

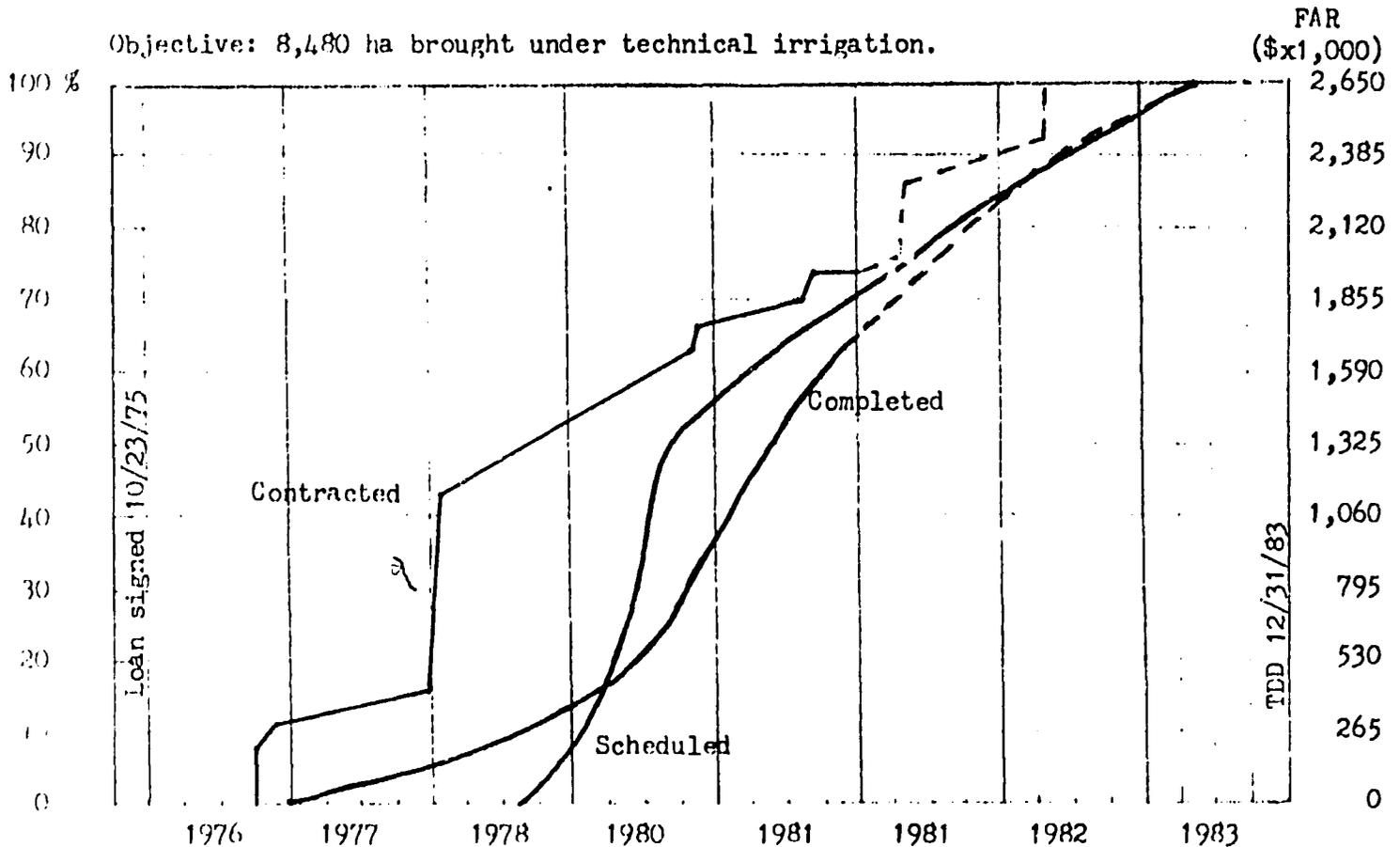
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LUWU PP AMENDMENT (DECEMBER 1980): TABLE II

Quarterly report: period ending December 31, 1980

LUWU ARIA and TRANSMIGRATION DEVELOPMENT PROJECT

Table 2: IRRIGATION SUBPROJECT: Status of reimbursable construction.



- Highlights this qtr. : Materials testing program started (required for FAR).
- Problems this qtr. : IFY construction budget/contract planning incomplete; Loan funded equipment not fully utilized; system O&M inadequate.
- Action required : Prolu Irigasi - Budget planning; accelerate testing program; provide equipment P.O.L.; increase O&M funding level.
- Note : Completion percentage includes all work, i.e., main canals, weirs and drains, which are required, but cannot be directly related to hectareage physically irrigated. It is estimated that \$1.6 million of the Loan FAR total of \$2,650,000 could now be eligible for reimbursement pending receipt of satisfactory testing results for completed construction and provision of O&M funding.

LUWU FP AMENDMENT (DECEMBER 1980): ANNEX A

Letter No. II/010
January 3, 1977

His Excellency
Dr. Harun Zain
Minister of Manpower and Transmigration
Jalan Haji Agus Salim 58
Jakarta

Dear Minister Zain:

On December 19, 1976, USAID held its internal evaluation review of the Luwu Area and Transmigration Development Project. The Indonesian participation in that evaluation was excellent. Over fifty percent of those in attendance were Indonesian officials, and the number represented was the highest of any of our project evaluations. Their active involvement in our review was most valuable and appreciated.

A very important subject discussed in the meeting was that of project coordination. We believe Colonel Haru Susanto has been instrumental in contributing to the progress of the project and that we are fortunate to have such a determined and dedicated project manager. Both at the evaluation session and in conversations USAID Luwu project staff have had with various Government of Indonesia representatives, several ideas emerged which we believe should be passed on to you as specific USAID recommendations for improving the effectiveness of the Luwu project office. We believe these recommendations are fully consistent with the existing and new regulations, including Presidential Decree No. 26 of 1978, which govern mixed area development/transmigration projects of the Luwu type. They therefore could not only be applied without great delay or difficulty, but could also set a positive example for similar area development/transmigration projects, such as the one in Southeast Sulawesi, which is proposed for external donor financing by the Asia Development Bank, the Islamic Development Bank and the European Economic Community.

Our recommendations are as follows:

(a) First, all subproject budgets under the Luwu Project (for example, irrigation, land clearing, road betterment, agricultural extension and the others) should be combined in one budget (DUP/DEF) for consideration as a package by RAPPENAL. This would enable all concerned to view the project as the integrated, multi-purpose development activity that it is supposed to be.

(b) Second, all subproject budgetary requests should first go through the Luwu project office for coordination and approval before being submitted to BAPPENAS for its consideration. This would give the project headquarters the authority it now lacks to carry out its responsibilities.

(c) Third, each subproject should have its own subproject manager who must be stationed at the overall project headquarters in Palopo, with no other responsibilities but those of his particular subproject, and with all the necessary authority, including being a DIP-holder (or having fund expenditure control), to carry out the subproject activities in coordination with the Luwu project office.

(d) Fourth, each subproject manager should coordinate his activities directly with the Luwu project office. This is to include regular attendance at the monthly coordination meetings in Palopo and informing the project office of the amounts and breakdowns of the DIP figures received from BAPPENAS. Also, for effective budgetary control, the project office should be included in the consideration and approval process for tender and contract documents.

We believe that the foregoing, if implemented, would do a great deal to improve the administration of the Luwu Project and the achievement of its objectives. I hope you will communicate to me your reactions to and decisions on these recommendations.

Because of the potential benefits which the foregoing recommendations might offer for other USAID assisted projects, I am taking the liberty of sending a copy of this letter to Minister Sumarlin of BAPPENAS and, because of the involvement of other ministries in the implementation of the project, I have also taken the liberty of sending copies to the Ministers indicated below.

Sincerely,

Thomas C. Niblock
Director

CC:

Minister Sumarlin, Vice Chairman, BAPPENAS
Dr. Ir. Purnomosidi, Minister of Public Works
Prof. Dr. Ali Wardhana, Minister of Finance
Prof. Dr. Ir. Soedarsono, Minister of Agriculture

Dr. Major General Hartono, Minister of Transmigration
Dr. Major General Soekalis, Director General of Transmigration
Major General Andi R. Odang, Governor of South Sulawesi
Dr. Saad Suhb, Bupati, Kabupaten Luwu
Colonel Maleska S.S., Chief, RAPPEDA, Ujung Pandang
Colonel Haru Suwanto, Luwu Project Manager, Palopo
Mr. Cliff Muan, CHECCIII/DADM consultant, Palopo

Distribution:

RD, RD/AD-2, PRO, OMF, DD, C&R-3

Clearances: (all in draft)

RD/AD:ASupic _____
RD/AD:KABaldwin _____
RD:WCLarson _____
PRO:RZimmerman _____
PRO:RCohen _____
OMF:HHunter _____
DD:WGBollinger _____

RD/AD:KABaldwin:ja:1/3/79

Letter No. 11/1862

JUL 2 - 1980

His Excellency
Prof. Drs. Harun Zain
Minister of Manpower and
Transmigration
Jalan Haji Agus Salim 58
Jakarta

Dear Minister Zain:

Forwarded herewith for your review is the USAID Project Evaluation Summary (PES) of the 1980 evaluation of the Luwu Area and Transmigration Development Project. USAID appreciates the outstanding cooperation and support given this evaluation by all Indonesian Government offices concerned. I feel that the evaluation generated a significant degree of increased attention to solving major implementation issues and, therefore, directly benefited the implementation process. I had earlier intended to suggest that you convene a meeting of the Transmigration Control Unit to consider the outstanding implementation issues of the project. However, because of the progress made during the evaluation toward addressing those issues and the encouraging signs which are emerging for the success of the project, I now feel that such a meeting might not be necessary.

I believe the attached PES document adequately summarizes the implementation status of the various subproject activities, so I will not repeat that information here. However, some overall project management issues arose as a result of the evaluation, and I would like to make several suggestions with regard to those issues. I recommend that:

1. All sectoral agency project budgets (DIPs) for Project Luwu be coordinated, concurred in and presented to BAPPENAS as a package DIP by the Luwu Project Headquarters.

2. DIP allocations be finally approved by BAPPENAS as a package DIP and pass through the Luwu Project Headquarters for distribution to the subproject managers.

3. All subproject managers be stationed in Palopo and given full DIP-holding and other necessary authority to carry out on-site operational decisions.

4. The sectoral subproject managers be enjoined to regularly attend each Lusu Project Headquarters coordination meeting.

5. A coordinating Project Treasurer be appointed within the Directorate General of Budgets of the Ministry of Finance to handle all Project Lusu financial documents. This person would be responsible for processing each of the sectoral subproject treasurer's monthly reports of expenditures, accountability, and request for reimbursement and would forward them promptly to USAID through the Directorate General of International Monetary Affairs, and to the Lusu Project Manager.

6. DIP allocations to the field be timely, preferably within the first month of each new GOI fiscal year. We recognize that the new DIP process instituted for IFY 80/81 seems to have achieved this objective and we hope this process will continue.

If you desire, I would welcome the opportunity to review these recommendations with you. Again, USAID is gratified at the support given the recent Lusu evaluation by all the GOI agencies involved. The intensity, extent and quality of their cooperation in providing written assessments and participating in all the group meetings and field visits were clearly the best we have ever had in any of our joint USAID-GOI evaluation efforts.

Sincerely yours,

Thomas C. Niblock
Director

Enclosure: a/s

cc:

The Junior Minister of Transmigration, Jakarta
The Director General of Transmigration, Jakarta
Drs. Heru Susanto, Lusu Project Manager, Lusu Project
Headquarters, Palopo, Sulawesi Selatan (w/o enclosure)
Mr. Cliff Noon, Checchi/DIM Resident Representative,
Lusu Project Headquarters, Palopo, South Sulawesi (w/o enclosure)
Mr. Richard Black, Checchi Co., Washington, D.C. (w/o enclosure)



SEKRETARIAT NEGARA
SEKRETARIAT KABINET RI

Jakarta, February 27, 1980.

No. : 1412 /Set.Kab/LN/P/2/1980.

Mr. Thomas C. Niblock
Director
USAID
JAKARTA.

Dear Mr. Niblock,

Proposal for Technical Assistance of
Luwu Area and Transmigration Development
Project.

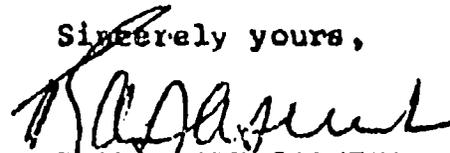
I have the honour to submit a technical assistance request for the Luwu Area and Transmigration Development Project.

For your perusal I am enclosing the Project Proposal of the proposed project.

Any assistance that you might render to this proposal will be highly appreciated.

Thanking you for your continued cooperation, I remain,

Sincerely yours,


INDRA KARTASAEMITA
Head
Bureau for Technical
Cooperation.

- C.: 1. Sekjen ~~Dep.~~ NAKERTRANS.
2. Dit. KST, Dsplu.
3. Dir. Neraca Pembayaran dan Administrasi
Bantuan Luar Negeri, Dep. Keuangan.
4. Kepala Biro KELN, BAPPENAS.
5. Dirjen. Transmigrasi.

DRAFT

PROPOSAL FOR TECHNICAL ASSISTANCE
OF LUMU AREA AND TRANSLOCATION
DEVELOPMENT PROJECT

The Loan Agreement between the GOI and USAID for the support of the Lumu Area and Translocation Development Project was signed in October of 1975. A five year project was planned. It has become apparent that an extension of the project time - frame is necessary. The planning time is now for completion sometime in 1983. Discussions have been held preliminary to planning for a Phase II loan to continue and expand on the work and programs implemented under the present loan. The principal of these discussions took place during a workshop held in the Lumu area from April 29 to May 6, 1979. It was recognized during the workshop the Phase II must be delayed until Phase I is more nearly completed. In studying the situation, the workshop participants came to the conclusion the technical assistance and training aspects of the project should be continued and strengthened during the extension period and in preparation for Phase II. Consequently, recommendations were made for the expansion of the existing technical assistance to a team of 12 long term consultants and approximately the same amount of short term consultants for varying periods of from three to six months. U.S.A.I.D. has offered to consider a grant to cover this assistance and, as indicated in U.S.A.I.D. Letter No. II/1443 dated June 14, 1979, is waiting for the proposal.

To meet the above mentioned requirement the following positions are requested to be included in the grant planning. Generally they closely follow the workshop recommendations.

LONG TERM

- I. Project Management.
1. Area Development Advisor
 2. Resettlement Advisor
 3. Project Impact and Evaluation Advisor
 4. Training Programs and Methods Advisor

II. Irrigation ..

II. Irrigation.

1. Construction Advisor
2. Operations and Maintenance Advisor
3. Construction Equipment Shop Superintendent Advisor
4. Construction Equipment Maintenance Advisor

III. Agriculture.

1. Agriculture Development Planning Advisor
2. Agriculture Extension Advisor

IV. Cooperatives.

1. Farmer Cooperatives Center Advisor
2. Farmer Water Users Association Advisor

SHORT TERM

I. Project Management.

1. Financial Management Advisor

II Agriculture.

1. Cash Crops Advisor
2. Past Control Advisor
3. Fisheries Advisor
4. Reforestation / Environmental Control Advisor
5. Land Tenure/Utilization Advisor
6. Women's Role and Family Affairs Specialist

III. Irrigation.

1. Civil Engineer (Survey Instructor)
2. Quality Control Laboratory Advisor

IV. R o a d s.

1. Road Maintenance Advisor
2. Feeder Road Design / Planning Advisor

V. H e a l t h.

1. Rural Health Planner

VI. Cooperatives.

1. Rural Credit Planner
2. Agro - Business Opportunities Specialist

It is recognized that, as the situation of the project area changes, there may be need, to change some of these positions.

Consequently some flexibility should be retained to expand or contract - these recommendations. A short description of each position proposed is attached.

Jakarta, January

1980

DESCRIPTION OF POSITIONS REQUESTED FOR SUPPORT BY USAID TECHNICAL ASSISTANCE GRANT FOR PROJECT LUNU TO SUPPLEMENT LOAN AGREEMENT.

NO. 497 - F - 038

LONG TERM POSITIONS.

I. Project Management.

1. Area Development Advisor.

As the technical assistance team leader provides advice and assistance to the Project Manager in coordinating, monitoring and managing the wide range of project activity. He will coordinate and provide guidance to the technical assistance team members to insure a cohesive, complimentary and helpful advisory program is maintained.

2. Resettlement Advisor.

Provides advice and assistance to the Project Lunu and Kabupaten officials in the planning for the accommodation of spontaneous migrants drawn to the area. Advises and assists the Transmigration Sub - Project Manager and coordinates with the Kabupaten Transmigration officials in the on-going programs to develop the transmigrants in the project area. Plays a central role in the development of transmigration and resettlement plans for Phase II of Project Lunu.

3. Project Impact and Evaluation Advisor.

Provides advice and assistance to the Project Headquarters staff in monitoring, evaluating and reporting on the entire gamut of project activity. Recommends Data Management procedures to be established and advises and assists the Project Headquarters staff in carrying out those procedures. Coordinates, under the direction of the team leader, the consultant contributions to project-wide Phase II planning.

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4. Training ..

4. Training Program and Methods Advisor.

Advisees and assists the training Director to coordinate all Project Lanu Training activities. Reviews and makes recommendations on all DIP Supplement training proposals. Provides periodic reports to verify completion of all sub - project training activities. Maintains a continuously updated Project Training Plan and assists in monitoring its implementation.

II.

Irrigation

1. Construction Advisor.

Provides advice and assistance to the Irrigation Sub - Project Manager in monitoring and managing Irrigation construction activity. Provides construction monitoring services to include inspections to ensure that construction work follows the designated specifications. Advisees and assists in work priority scheduling.

2. Operations and Maintenance Advisor.

Advisees and assists officials of the Directorate General of Water Resources at the national, provincial and Kabupaten level in the operation and maintenance of completed portions of the Lanu Irrigation systems. Works closely with and advises the Water User's Associations and provincial and Kabupaten officials on the operation and maintenance of the tertiary and quaternary systems in the project area. Closely monitors the operation and maintenance of the primary and secondary canal systems at Bone Bone and Kalanna.

3. Construction Equipment Shop Superintendent Advisor.

Advisees and assists the Irrigation Sub - Project Construction Equipment Shop Superintendent in the operation of the shop's operations. Heavy emphasis will be placed on the maintenance of an adequate spare parts inventory, and on having appropriate shop tools in good condition.

4. Construction ..

4. Construction Equipment Maintenance Advisor.

Provides advice and assistance on the operation and maintenance of construction equipment in the field. Provides on-the-job training to the equipment operators in the field. Will make frequent field inspections to ensure the equipment is properly utilized and maintained.

III. Agriculture

1. Agriculture Development Planning Advisor.

Provides advice and assistance in preparing long-range agriculture development plans for the Luwu area. Under the direction of the team leader, coordinates the agriculture planning activities of the short term agriculture specialists and incorporates their recommendations into the planning process for the overall agriculture program. Advises and assists in the implementation of the long-range program.

2. Agriculture Extension Advisor.

Provides advice and assistance to the Rural Extension Center Sub Project Manager in the preparation and conduct of agriculture extension education programs in the Luwu area. From time to time acts as an instructor on extension methods and concepts.

IV. Cooperatives

1. Farmer Cooperatives Center Advisor.

Advises and assists the Farmer's Cooperatives Center Sub-Project Manager in organizing and establishing Farmer's Cooperatives Centers in the Luwu project area. Advice and assistance will be provided to cover a wide range of agro-business activities - covering organization, financing, input supply and marketing to include purchasing, processing and storing grains.

2. Farmer..

2. Farmer Water User's Association Advisor.

Provides advice and assistance to the Water User's Associations in the Iamu area. Assists in water systems organization, planning and management activities. Advises on farm water management. Advises and assists in planning the most effective means of extending the scope and methods for the associations.

SHORT TERM POSITIONS

I. Project Management

1. Financial Management Specialist.

Provides advice and assistance to the Project Treasurer on the financial aspects of the implementation of the Loan Agreement. This includes the establishment of Functional Accounts, Program Specifications and the Foreign AID Reimbursement boundaries. Advises and assists the Project Treasurer on the coordination of the Sub-Project Treasurers in meeting the terms of the Loan Agreement.

2. Agri-Business Opportunities Specialist.

Makes a study of the farm - business community relationships - and activities relating to farm inputs supply and the marketing of farm produce. Makes recommendations pertaining to a long term program to increase the number of suppliers and types of - supplies available to the farm community and to increase the market options for the farmer's produce.

II. Agriculture

1. Cash Crops Specialist.

Makes a study of the existing cash crop activity in the project area. Also studies the suitability of any tropical crop that - can be grown in the area. These studies will be within the framework of farmer's attitudes, availability of inputs and real market opportunities. Recommendations will be made on specific actions that can be taken to improve the cash crop posture of the project area.

2. Pest ...

2. Pest Control Specialist.

Makes a study of the pest control situation in the project area and identifies the most successful pesticides in the marketplace and any limitations on their availability. Recommends new, environmentally safe, pesticides that should be introduced to the area. Makes recommendations for improving existing pest control techniques.

3. Fish Shrimp & Sea - Food Specialist.

Makes a study of the possibilities and opportunities for the development of commercial fishing industry. Considers the feasibility of these production opportunities in the light of political, financial and exporting programs.

4. Reafforestation / Environmental Impact Specialist.

Makes a study to identify existing and potential environmental problems being created by current activities in Luvu and makes recommendations regarding useable mitigating measures.

Areas of concern include erosion problems, soil fertility, stream bank protection and water recharge capability.

5. Land Tenure / Utilization Specialist.

Makes a study of the land title situation, their issuance, ease of transferability, and utilization of land areas within villages. Develops a system of criteria which would define the selection process for the best utilization of land areas within political boundaries.

6. Women's Role and Family Affairs Specialist.

Makes a study and develops recommendations for program activity designed to improve the well - being of rural families by focusing on the women's role. Included will be programs designed to increase knowledge in Home Economics, nutrition improvement, clean water supply and waste disposal and other sanitary measures. Family planning will also be emphasized.

III.

Irrigation

1. Civil Engineer (Survey Instructor).

Develops and presents a survey course for the survey team of the Irrigation Sub - Project. Follows this course with closely supervised on - the job training of the surveyors.

Coordinates with the Sub-Project design section and makes recommendations for the frame - work and procedures to develop a detail mapping program for the irrigation systems.

2. Quality Control Laboratory Advisor.

Advises and assists in the development of a quality control - laboratory for the Irrigation Sub - Project. He will analyze the requirements and be active in the setting up of a complete materials and soil laboratory and make detailed recommendations to initiate both field and laboratory testing procedures.

IV.

Roads

1. Road Maintenance Specialist.

Advises and assists the Kabupaten Public Works officials in - developing and conducting an effective maintenance program to preserve the 177 km highway constructed by the Road Betterment Sub - Project.

2. Feeder Road Design / Planning Specialist.

Advises and assists in the design of a feeder road network to improve rural communications and the farm - to - market movement of goods in Kabupaten Luwu. Assists in the preparation of plans, and establishment of priorities for the improvement of feeder - roads and bridge culvert program.

V.

Health

1. Rural Health Planner.

Makes a study of the Luwu area and recommends programs designed to improve preventative medicine and health care activities.

Studies should include immunization, sanitation, nutritional and family planning activities. Possible improvements in the services available at rural health stations should also be considered.

VI. Cooperatives..

VI. Cooperatives

1. Rural Credit Specialist.

Makes a study of the rural credit activities in Kabupaten Luwu and prepares a recommended plan for a rural credit activities in connection with Project Luwu. Emphasis will be placed on inputs credit tied to marketing arrangements with the Farmer's Cooperatives Center.

Jakarta : January , 1960.

UNCLASSIFIED

PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-44

PROJECT TITLE LUWU Area and Transmigration Development Project		PROJECT NUMBER 0244	LOCATION Jakarta
LOAN NUMBER 497-T-038		EVALUATION NUMBER (Under the number indicated by the reporting unit a.s. Country or AID/W Administrative Code, Place Year, Serial No. beginning with the 1 each FY) 80-8	
KEY PROJECT IMPLEMENTATION DATES		ESTIMATED PROJECT FUNDING	
A. First AID/W or Equivalent FY 76	B. First Disbursement or Receipt FY 81	C. First Input Delivery FY 84	A. Total 50 million
			B. U.S. 15 million
		7. PERIOD COVERED BY EVALUATION	
		From (month/yr.) December 1978	
		To (month/yr.) April 1980	
		Date of Evaluation Report April 29/30, 1980	

ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List actions and/or unresolved issues; also those items needing further study. (NOTE: Mission decisions which require AID/W or regional office action should specify type of document, e.g., Unger, SPAR, PIO, which will govern detailed request.)	C. NAME OF OFFICER RESPONSIBLE FOR ACTION	E. DATE ACTION TO BE COMPLETED
1. Mission requests AID/W to approve an extension of the Loan TDA and TDO.	R. Machmer	June 1980
2. USAID sends a letter to the LUWU Project Headquarters suggesting guidance for carrying out all future evaluations.	Messrs. Tinsler, Baldwin, Stapanek, Zimmerman, Ellert-Beck, and Machmer	June 1980
3. The Logical Framework and CPI Network are revised.	R. Machmer/ R. Zimmerman	June 1980
4. Mission submits an amended IP for AID/W approval of a FY 81 grant for technical assistance and training.	R. Machmer/ R. Zimmerman	August 1980

BEST AVAILABLE DOCUMENT

<p>9. INVENTORY OF DOCUMENTS TO BE REVIEWED FOR ABOVE DECISIONS</p> <p><input checked="" type="checkbox"/> Project Paper <input checked="" type="checkbox"/> Implementation Plan or SPAR <input type="checkbox"/> Other (Specify) _____</p> <p><input type="checkbox"/> Financial Plan <input type="checkbox"/> PIOT _____</p> <p><input checked="" type="checkbox"/> Logical Framework <input type="checkbox"/> PIO/C <input type="checkbox"/> Other (Specify) _____</p> <p><input type="checkbox"/> Project Agreement <input type="checkbox"/> PWA _____</p>	<p>10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT</p> <p>A. <input type="checkbox"/> Continue Project Without Change</p> <p>B. <input type="checkbox"/> Change Project Design and/or</p> <p>C. <input checked="" type="checkbox"/> Change Implementation Plan</p> <p>D. <input type="checkbox"/> Discontinue Project</p>
<p>11. PROJECT OFFICER AND HOST COUNTRY CHIEF OF PARTY SIGNING PARTICIPANTS AS APPROPRIATE (Name and Title)</p> <p>Frederick E. Machmer, Jr., USAID/LUWU Project Office</p> <p>Dr. Huru Susanto, GOI LUWU Project Manager</p> <p>(see separate list attached for other participants)</p>	<p>12. Mission/AID/W Office Director Approval</p> <p>Thomas C. Niblock</p> <p>Thomas C. Niblock, Director</p> <p>Date 17 June 1980</p>

Luwu Area and Transmigration Development Project

AID Loan 497-T-038

13. SUMMARY

The Luwu Project continues to combine concrete indications of progress toward the achievement of project outputs, purpose and goal with a mixture of frustrating implementation delays.

The project was originally scheduled to end in mid-1980. It is now projected to end in 1983. The loan continues to have a serious pipeline problem, while questions of GOI maintenance commitment and capability are beginning to arise even before infrastructure development is complete. However, the GOI has repeatedly stated its strong intention to assure proper operation and maintenance of completed infrastructure. Still elusive is the answer to a major objective of this effort: whether it is in fact replicable in any or all of its parts, especially that of the method of project management and coordination. Finally, the U.S. Government is now faced with a decision whether or not to commit additional funding for the Luwu development effort, and whether that commitment should include planning for even further, large-scale development assistance for Luwu beginning in the 1983/84 period.

On the plus side, the four major subprojects (road, irrigation, Farmer Cooperative Centers and Rural Extension Centers) are making progress toward their completion, although not in the time frame originally envisaged. Two recent evaluation studies (the UNHAS report of 1979 and the Checchi (Robert Manly) report of 1979) show that progress is being made toward the achievement of the goals of increased agricultural production and incomes in the project area, although it is too early (and very difficult) to precisely and definitely link these developments only to AID-supported inputs. The various sectoral agencies involved in the implementation of the project have in fact begun to coordinate their activities more effectively with the overall coordinating office, the Luwu Project Headquarters. The Government of Indonesia has indicated on numerous occasions that it welcomes the assistance being provided by the U.S. Government and has officially requested additional assistance in FY 1981 in order to assure the successful completion of the current project and to assist in planning future assistance for Luwu.

In summary, despite all the serious managerial and implementation problems which remain, progress is being made and appreciated by all parties concerned, including project beneficiaries. The U.S. development assistance provided by Loan 038 has

been a significant catalyst in helping to bring about this progress. As this project continues to be monitored and evaluated, there are increasing signs that it will prove to be a meaningful and valuable contribution to a complex but dynamic development effort.

14. EVALUATION METHODOLOGY

There have been two previous regular evaluations of this project: September 1977 and December 1978. In March 1980, a USAID/Jakarta evaluation team spent one week with GOI project counterparts in the project area viewing physical developments and interviewing project beneficiaries, as well as in working meetings with local government leaders in the project headquarters in Palopo, South Sulawesi, as a means for developing background information for this PES. Project and subproject management personnel also submitted written reports keyed to the most important PES questions.

This evaluation is also based upon numerous other field trips to the project site; on reports of project implementation; on discussions with GOI national, provincial, local and project officials; expatriate consultants, including the U.S. consultant firms employed for this project; other donor personnel, and A.I.D. staff.

This document was prepared after a two-day working session (April 29 and 30) in the USAID Mission in Jakarta, in which both GOI and USAID personnel participated. It is intended to represent a consensus of all parties involved in the project as to the major implementation issues to be addressed.

15. EXTERNAL FACTORS

The December 1978 PES statement under this heading remains highly relevant: "..... the means for implementing both integrated rural development and transmigration programs continues to be a major and as yet unresolved problem. This brings into question a basic assumption of the project -- that the relevant sectoral agencies charged with detailed implementation activities have sufficient motivation to sincerely and objectively attempt to permit coordination of their activities for an over-all project goal. The attempt to establish a viable over-all coordinating mechanism -- the major institutional development goal of the project -- remains the most difficult and least successful of the project objectives." However, Presidential Decree No. 26 of 1978, on the management and administration of transmigration programs, has been issued to achieve this purpose. Further, GOI representatives at the evaluation stated that they believed that the preparation of a master development plan for the kabupaten, concurred in by all necessary agencies, would assure coordinated development of the area.

There have been other external factors affecting project implementation as well. Weather conditions (unusually severe and prolonged rainy periods) have adversely affected road and irrigation construction. The GOI system for the provision of each fiscal year's budget requirements (the DIP) has been poorly administered nation-wide, often with operating budgets not available until 7 or 8 months into the fiscal year. However, beginning April of 1980, a new budget allocation process was put into effect which had the DIPs available the very first month of the new GOI fiscal year, so that this should no longer be a problem. There is also some reluctance on the part of the GOI to decentralize its decision-making authority with the result that some of the procedural decisions which could be made in the field are sent to Jakarta for ratification. Finally, the implementation schedule continues to be judged by a timeframe (originally established in the 1975 Capital Assistance Paper) which has proven to be impractical in terms of the complexity of the project and the realities of the Indonesian development scene.

16. INPUTS

For budgetary purposes, project activities continue to be handled on a sectoral basis, rather than as a comprehensive package budget as has been so often recommended by USAID and which has been brought to the attention of senior level government officials orally and in writing. The result is that there is no one on the GOI side who is knowledgeable at any one time about the status of total GOI commitments and whether those commitments are sufficient for carrying out the required activities necessary to achieve over-all project purposes.

Each of the major project activities has its own share of input shortages. It is the opinion of the GOI Project Manager that his own staff is undermanned in terms of qualified personnel to carry out the headquarters' responsibilities. The management of the road subproject, accounting for 50% of the A.I.D. loan, is in the process of addressing remaining issues regarding the financial and managerial support for the design and engineering supervision effort; repair of some 15 bridges not included in the original plans; provision of all of the Indonesian construction contractors' equipment requirements; financing for increased costs of road and bridge construction resulting from inflation and underestimates of construction requirements and quantities in the original design plans, and, finally, a timetable for the completion of the subproject. It is believed that the steps which have been initiated to solve these matters will be successful.

Approximately 30% of loan inputs are related to the irrigation subproject. Construction is proceeding steadily for this activity and the GOI has improved its managerial support for the subproject. But the major concerns now are the need for certifications of satisfactory completion of construction according to originally-agreed-to plans and specifications, and funding for the Operations and Maintenance of the systems. The irrigation subproject is now estimated to be the last activity to be completed -- by April of 1983. However, this completion date is dependent upon the progress of land clearing.

For the Farmer Cooperative Centers (FCC) subproject, it was decided that a much more comprehensive range of services should be provided by the FCCs than that originally envisioned in the CAP. Because of this operational expansion and also underestimates in the CAP of required operating facilities, it was decided to reduce the number of FCCs to be built under the AID loan from four to three. However, in order to make these FCCs fully functional, the GOI must make available working capital credit to fund FCC marketing and input supply operations. A proposal to this effect has been made and responded to favorably by the GOI, but has yet to be finally approved. The FCC subproject also needs a GOI-sponsored agreement giving it input distributor status in order to become an effective supplier of agricultural inputs.

The Rural Extension Centers (REC) subproject has been the most successful physically, with all four RECs having been built and with training and demonstration activities being carried out. Further, many more activities are planned but have not yet been carried out. There remains a shortage of full time and technically qualified REC employees. There is also a question about the quality of the extension program itself. Adequate support for the subproject by its own management had been a serious question in the past but has improved markedly recently. It is believed that any major remaining problems with this subproject can be worked out after the now-vacant position of REC consultant is satisfactorily filled.

Finally, the lack of a meaningful health proposal caused a decision to be made in 1979 to drop the health subproject. It is hoped that a comprehensive rural health program will be planned for the proposed Luwu Phase II program.

17. OUTPUTS

a. Improvement of the 178 km. Palopo-Malili road

Recently completed design work shows that the length of the road is 178 kilometers rather than the 176 km. originally planned. Both road construction contractors (Sekayu and Pembangunan Jaya) have established their base camps, although due to increased quantities, they need to add to their equipment complements. There had been long delays in the payment of the contractors' invoices by the GOI Department of Highways, but this situation has been significantly improved with the new GOI budgetary process of 1980.

Of the 178 kilometers, approximately 75 kilometers (42 in the Sekayu section from Mina to Malili and 33 in the Pembangunan Jaya section from Palopo to Mina) have had subbase material laid and box and pipe culverts constructed to a point where, for the most part, vehicles may travel at full speed.

Of the 23 bridges included in the original construction plans, design work has been completed by the design engineer and has been accepted by the GOI (Bina Marga -- the Department of Highways) on eleven. Design work on seven more was expected to be finished by early May and on the remaining five sometime after that. Perhaps even more significantly, 2 other bridges not included in the original plans have been subsequently identified as needing substantial and urgent repair work. Also, 3 other crossings are being replaced by box culverts and ten others need new decking.

As a means of improving support for the design and supervision effort, Bina Marga will pay the consultants' invoices through the Treasury office in Palopo instead of Jakarta, and has initiated the necessary procedures for that action. It is expected that the payment through the Palopo Treasury office can be made for the August 1980 invoices. There will be a review in October 1980 to determine and provide additional GOI budget requirements for the project.

Over the past year, the Jakarta office of the Directorate General of Highways has delegated considerable decision-making authority to the subproject manager at the site. A major objective of the establishment in 1979 of the subproject manager's office in Palopo instead of Bone Bone was to allow for greater coordination of the road subproject with the overall Project Headquarters management as well as with the other subprojects. The marked improvement in the coordination of the road and irrigation subprojects, and with these subprojects with the Project Headquarters, has been especially encouraging.

b. Construction of the Bone Bone and Kalaena Irrigation Systems

Six contracts (or units of work) which form self-contained segments of the overall system and which are to be financed partially from the A.I.D. loan have been completed. Six more remain to be completed. A total of 2,627 hectares has been brought under irrigated cultivation of the A.I.D. project objective of 8,480 hectares (the 8,480 ha. figure is a revision of the original 10,760 ha. objective. The revision is a result of more accurate calculation of the numbers of hectares actually being brought under improved irrigation).

There are two main concerns. First, it is a requirement to disbursement of the Loan Agreement that the Government of Indonesia certify that completed works were constructed according to plans and specifications. The specifications call for 95% compaction and yet Irigasi has no adequate compaction testing procedures. USAID has made it clear to subproject officials that USAID will accept certifications of satisfactory completion only if they are accompanied by sample test results for compaction and concrete quality, and that these tests must be carried out with the participation of the USAID project engineer. USAID has also urged Irigasi officials to institute regular testing programs for ongoing and future construction, and has indicated that it would rely upon tests as well as inspection to assure acceptance of the GOI certifications. Nevertheless, it should be pointed out that there has been an overall improvement in the quality of construction over the past several years.

The other main concern is for adequate Operations and Maintenance (O&M) budgets to train irrigation systems operators and to carry out the actual functioning and maintenance of the systems. A budget still has not been provided for this purpose (although Rp. 19 million has been allocated in the GOI FY 79/80 DIP and some operations training funds have been provided in earlier years). USAID has made clear that under the terms of the Loan Agreement it cannot reimburse until an effective O&M plan was in fact being funded.

c. Four Farmer Cooperative Centers Built and Functioning

As explained earlier, the more comprehensive range of facilities and services to be offered by the FCCs has for finan-

cial and managerial reasons, resulted in a reduction of this output from 4 to 3 FCCs.

One FCC, at Bone Bone, has been completed and is functioning. Two more, at Mangkutana and Walemrang, will be completed and in operation, respectively, in 1980 and 1981. The originally envisioned fourth FCC, in southern Luwu, will be included in the projected Luwu Phase II.

The FCC/Bone Bone, which began operations in 1979, is providing the following services: (1) rice, maize and soybean marketing; (2) seed, fertilizer and pesticide supply; (3) agricultural credit supply; (4) tractor rental; (5) livestock marketing, and (6) seed multiplication. Although these services are all operating viably, the operations will be unable to quantitatively achieve their projected output targets without a reliable channel of working capital credit to the FCC.

In quantitatively measuring output, only about 15 percent of the CAP-projected volume of crops marketed were actually purchased, processed and sold. This low level output was essentially caused by three factors: (1) working capital shortages; (2) uncompleted rehabilitation of the irrigation systems, thus reducing the effective arable surface, which in turn caused (3) a lesser volume of surplus local production to be marketed. Also, about 20 percent of the targeted output of hybrid seeds was produced during the first year, mainly due to limited demand, but also due to rehabilitation work on the irrigation distribution systems. The agricultural credit programs could be considered quantitatively successful due to their average rate of repayment of over 98 percent. Tractor rental services have operated at full capacity since starting operations (in fact, demand could not be satisfied, because only 2 tractors are available whereas plans called for the FCC to have a tractor-rental program based on 10 tractors, but BAPPENAS reduced the funding for this purpose), and agricultural input sales have increased substantially every month.

d. Four Rural Extension Centers (REC) Built and Functioning

Physically, this subproject is the most successful to date. The four RECs have been built and training and demonstration activities have been carried out at and from each of the Centers. However, the agriculture extension activity needs fur-

ther strengthening of its objectives and plans. It may be that the role of the REC activity with the agricultural production system of the kabupaten needs to be more precisely and clearly defined and accepted. There had been a lack of coordination and cooperation between the FCC and REC subprojects, but with a recent noticeable improvement in the management of this subproject and in cooperation with activities of the FCC subproject, project progress has begun to pick up. Also, the position of REC consultant needs to be filled as soon as possible, and this should help significantly to overcome any additional project problems.

e. Project Headquarters Functioning with Personnel Trained in Areas of Integrated Project Planning, Management and Evaluation

Much of what was stated in the 1978 PES can be restated here. The Project Headquarters, established by the Ministry of Manpower and Transmigration, which was the agency picked up by the GOI to coordinate this project, is functioning from its main office in Palopo, the capital of Kabupaten (district) Luwu, in the province of South Sulawesi. The Project Manager, as reported in the last PES, still does not believe he has a full complement of professional staff. Coordination continues to be the most difficult institutional objective of the project. Although there has been some improvement in coordination (due to a voluntary effort on the part of the sectoral agencies; perhaps a better realization of the integrated, multi-sectoral nature of the project, and a requirement by A.I.D. that all requests for reimbursement or disbursement under the loan must be approved by the GOI Project Manager), the sectoral agencies seldom bring the project headquarters into their budgetary planning and allocation processes (even on an informational basis), and one key subproject manager is not even stationed in the project site (the irrigation subproject manager, who is the Chief of the Water Resources Division of the Ministry of Public Works for the entire province of South Sulawesi thus must be stationed in Ujung Pandang, the provincial capital city). Even within the sectoral agencies, the delegation of authority to the field is weak and varied. The FCC subproject does most of the key decision making at site, with good support from the Jakarta headquarters office. On the other hand, nearly all decisions on the irrigation subproject are concentrated at Ujung Pandang, the provincial headquarters, while in the past even minor decisions on the road subproject awaited action in Jakarta, over 1,500 miles away.

It is perhaps no surprise that the FCC subproject is operationally perhaps the most successful to date, while the road and irrigation subprojects are the furthest behind. However, GOI representatives of the irrigation and road subprojects stated during the evaluation that they expect progress on their activities to begin to pick up significantly this year.

Again, quoting the 1978 PES: "The fact is that the Project Manager is charged with enormous responsibility but is given very little real authority. The inability of the GOI Project Office to effectively orchestrate the project brings into serious question whether this is truly an integrated, multi-purpose area development effort."

f. Systematic Evaluation of the Project's Progress and Socio-Economic Impact

Two useful evaluation reports were produced in 1979: the second UNHAS (Hasanuddin University at Ujung Pandang) report and a report undertaken at the request of the Luwu Project Office by the Checchi consultants (in an effort led by Robert Manly). Both reports show signs of some very positive developments happening in the kabupaten and especially in the areas covered by the project. The Checchi report, for example, shows the following average annual growth rates since the project Loan Agreement was signed in 1975: 18.6% for food exports, 12.5% for food consumption per capita, 17.5% for food production, and 12.6% for net income per food farm person. There also appears to have been a great deal of spontaneous movement to and investment in the project area caused by expectations of benefits resulting from the project.

It is recognized that the evaluation effort is a continuing one which requires further refinement and development, and USAID will be providing guidance on this matter to Luwu Project Headquarters, which is the office ultimately charged with the evaluation effort.

18. PURPOSE

The project purpose is to increase agricultural productivity in the Luwu project area. It is expected that the achievement of this purpose will result in improvement in the well-being of the rural poor and transmigrants by means of increased incomes and employment opportunities, as well as in establishing institutions intended to continue to bring about those benefits. Both the GOI and USAID share a common perception of purpose, and this project

has a high priority with the GOI. The Luwu project has been used and probably will continue to be used as an example for the management of multi-purpose development projects in the country.

A revised Logical Framework is attached to this PES. USAID and the Luwu Project Office are still trying to determine the best evaluation methodology and measurements to be used in following the progress of this project. A special problem is trying to tie the project's inputs to whatever data results are produced showing progress in agricultural production. Nevertheless, for the first time, some baseline data is becoming available and some indicators show positive progress toward increased agricultural production in Luwu.

19. PROGRAM OR SECTOR GOAL

The program or sectoral goal is: "to improve the quality of life of subsistence-level, rural area farmers, and to support the establishment of institutional mechanisms for enhancing long-term rural development implementation and progress". Measurements of achievement of these goals are listed in the revised Logical Framework Matrix attached. Two research efforts conducted in 1979 (the UMIAS report and the Checchi report) compiled a large mass of data indicating progress toward achievement of these objectives. USAID will be issuing a letter to the Luwu Project Headquarters in the near future outlining possible methods for refining and improving upon techniques and measurements already produced.

20. BENEFICIARIES

Kabupaten (or district) Luwu has a population of approximately 446,000. The entire population of the kabupaten is expected to benefit, directly or indirectly, from the project, although its impact will be most directly felt in the kecamatans (or subdistricts) located in the "North Luwu Plain". A breakdown of the estimates of project beneficiaries can be found in the "benefit incidence" description attached to this PES. The principal beneficiaries will be the food farmers and their families located in the Palopo and primary project areas (estimated at over 200,000 people). Approximately 90% of the population of the project area is composed of such farmers, nearly all of them with two or less hectares.

Agricultural productivity can be expected to increase due to: increased land productivity, higher levels of production technology being applied, and increased labor productivity. Population growth will be greater, both because large numbers of transmigrant families are being brought into the area as well as because there is evidence that people have larger families when they become

transmigrants than they would have if they stayed in their original high population density, labor surplus areas. However, this population increase is not expected to have an adverse impact. On the contrary, it fits within the national goal of opening new agricultural production land in the outer islands. Also, there are very active and very successful family planning programs being undertaken in the project area.

The project will increase income levels of the rural poor. Transmigrants with little or no land will obtain land in the Luwu area upon which they can become productive and increase their own wealth. The project also generates non-farm jobs (e.g., road construction crews, clerical staff) for unskilled and skilled workers. Increased employment opportunities will reduce unemployment and underemployment. The irrigation and diversified agricultural aspects of the project will also reduce the seasonal nature of agricultural employment and income floors in the project area. This will have a multiplier effect to reduce employment seasonality in the non-agricultural sectors. The USAID-supported Rural Electrification project in the Luwu area just beginning to be implemented, is also expected to have a positive impact on the development of Luwu's rural poor.

21. UNPLANNED EFFECTS

There are no startling unexpected results or impact. Agricultural production in the Bone Bone area was adversely impacted for a period of about two years due to a cut back in the supply of irrigated water to that area while the Bone Bone irrigation system was being rehabilitated, but the supply of water has been resumed. The lack of a meaningful health program proposal has caused that element to be eliminated from the current project, but it is expected that a comprehensive health program will be planned for Luwu Phase II.

The evaluation report prepared by the Checchi consultants presents a development progress picture in Luwu which, when tied to the status of this project's inputs and outputs, is more optimistic than many would think possible. But all agree that the evaluation effort for this project has really only begun, and that further research and refinement of methodology need to be undertaken in order to come up with a more precise picture of development progress in Luwu and how those developments are tied to this project.

22. LESSONS LEARNED

Three basic lessons have been learned. The first is that three key elements of this project were substantially underestimated in the planning stages. The three are: the implementation timing of the project, the role of the GOI coordinating agency, and the role of the consultants.

In planning for a novel and complex integrated rural development activity such as this, a great deal of implementation time must be afforded the project in view of the heavy reliance upon new and relatively inexperienced government institutions and national contractors.

Also, in planning an integrated, multi-sector, rural area development program in a country inexperienced with such efforts, the coordinating agency charged with the responsibility for the management of that activity must also be given some authority to carry out its responsibility. In the case of this project, an appropriate mechanism would be to provide the Luwu Project Headquarters with some degree of budgetary approval authority in coordination with the sectoral budgetary processes. Some of this objective has been achieved by requiring the Project Manager's approval on any requests for reimbursement or disbursement of loan funds. But despite statements of intent to achieve this objective, the GOI on its side has not in fact improved the coordinating authority of the Luwu Project Headquarters since its inception.

Finally, under the first basic lesson learned, the role of the consultants was underestimated from the start of the project. Although there have been problems, overall the consultants have made a critical difference in how effective the implementation of a particular subproject or activity has been. On the other hand, consultants accepted for assignment to such a project must be prepared to attempt to understand and to accept cultural and developmental differences (i.e., attitudes and patterns of action) between their home countries and the country in which they are working. It is specially advantageous to them and to the degree of success of their developmental objective in the country if they develop at least some operational terminology and comprehension of the local language. Very often problems in implementation and morale are more easily overcome with an operational knowledge of the local language than in more formal ways. Unfortunately, the number and length of service of the consultants was also underestimated at the outset and additional loan funds had to be used to keep the consultants on, while a FY 1981 grant is being proposed for a more complete technical assistance package to see the current project through to completion, as well as to assist in the planning of future Luwu assistance. Finally under the role of the consultants, it is suggested that in construction projects such as this where USAID believes it necessary to include U.S. consultants in the supervision of the activity, the need should also be considered to have U.S. consultants review locally prepared plans, designs, specifications and bid documents prior to advertising for bids.

The second basic lesson learned is that whereas concentration has been placed on seeing how replicable the overall coordinating mechanism can be for projects of this type, apparently neglected

has been an identification of replicability of the best parts of the different subproject activities (e.g., how methods and practices for organizing and managing the Farmer Cooperative Center at Bone Bone could be useful in organizing other such cooperative activities throughout Indonesia). An attempt should be made by the GOI and USAID to identify subproject activities which can be useful in considering how best to plan similar development activities in Indonesia.

The third basic lesson learned is the greater role USAID has had to play in detailed project implementation than was originally anticipated. Perhaps because of the weakness in the authority of the GOI coordinating office, USAID has found itself not only involved in detailed negotiations and meetings on even minor implementation matters (e.g., whether the consultant Engineer-in-Charge on the road subproject should be living in Bone Bone, or in Palopo) but has found itself initiating such meetings. In planning such complex and novel projects as this, therefore, one must be prepared to accept the role of USAID not only as an overseer of U.S. Government interests and compliance with U.S. Government regulations, but also as an active participant in the detailed implementation process.

23. SPECIAL COMMENTS OR REMARKS

The Luwu Area and Transmigration Development Project is as complex to evaluate at this point as it has been to implement. If one wishes, one may point to very disturbing and dismaying negative project indicators (implementation delays, loan pipeline). On the other hand, one may see very positive indicators (increased voluntary cooperation and coordination by the sectoral agencies, the Checchi evaluation report, increasing interest in the project by provincial and kabupaten level government bodies and officials). A very significant fact in this regard is that the project has already begun to be viewed as a model for the management of rural development programs in Indonesia. The Asian Development Bank used the Luwu project as its basic model in 1976 and 1977 in planning a major transmigration project in Kendari, Southeast Sulawesi. There are trips nearly every month to the project site by senior GOI officials and representatives of international donor agencies to learn from the project what might be replicable for area development programs elsewhere in Indonesia. The project receives the attention of the highest levels of Government in Indonesia, including that of President Suharto's personal advisor on development in the country, the Secretary of National Development, Lt. General Solichin GP, who paid a week's visit to the project area in 1979 and who is kept constantly up to date on its progress.

The fact of the matter is that we are probably about half-way through what is actually a ten-year project for all practical pur-

poses, and matters are not as good nor as bad as they might be. One must always keep in balance the intricacies of the methodology and objectives of the project and the realities of the development situation in Indonesia.

Perhaps the best way to sum up this project at this point is to quote two individuals, one American and one Indonesian, both of whom have been involved in this project from its start.

Mission Director Thomas C. Niblock, having been led into the wrong office one day by the USAID Luwu project officer while on his way to a meeting with the Minister of Manpower and Transmigration, realizing the error before anyone else, stopped, looked around somewhat aghast and declared: "This is not where we want to be!". It most certainly is not. But then we are reminded of the sage comment of the GOI Project Manager for this project, Col. Heru Susanto, who, in the recent trip to Luwu in preparation for this evaluation, stated: "It is not too dark, but the light is not too bright" -- which has been interpreted to mean that we have moved forward with this project from a point of almost total blindness to a point where we may be seeing a bit of the light at the end of the tunnel; that we are perhaps half-way along toward the achievement of many if not most of the goals of this project, and that there is great hope and promise that we will succeed.

PROJECT TITLE: LUWU AREA AND TRANSMIGRATION DEVELOPMENT PROJECT

I. Impact re Section 102(d) Criteria: (Explain How)

Increase Agricultural Productivity

According to some preliminary figures developed by the Checchi consultants in 1979, there seems to have been an increase in the annual average growth rates in the primary project areas of the value of food production on farms of from .1% in FY 75/76 to 35.7% in FY 78/79. However, these figures remain to be verified, as does the direct effect of this project upon agricultural production in the project areas.

Reduce Infant Mortality

Forty midwives have been trained. It is estimated that each midwife will serve 100 women. The probability of infant mortality among the children of these 4,000 women has therefore been reduced.

Control Population Growth

Not pertinent at this time. An objective of the Government of Indonesia is to increase the population of this under-populated area as a means of relieving population pressures in other parts of Indonesia and to increase agricultural productivity in the area.

Promote Greater Income Distribution

The income of the target group in the primary project areas is rising from severely depressed levels at the start of the project. Preliminary figures in the Checchi consultants' report indicate that the growth rate of income since the project began has averaged 28.3% per year for food farmers in primary project areas, as against 12.7% in other areas of the kabupaten. However, direct linkage between this project's inputs and statistical increases have yet to be firmly established.

Reduce Un-Underemployment

The estimate of the Checchi consultants' report is that as of the end of 1979, 6,040 jobs have been created above what would have been expected without the project.

**Strengthen/Create Institutions Which Aid Social/
Economic Development**

Several Presidential and Ministerial decrees have been issued which are intended to establish a multi-sectoral coordinating body. Administrative actions have been taken or are planned to be taken to advance sectoral institutions aiding social and economic development.^{1/} The ultimate success of these actions will be determined by the degree to which project implementation and achievement of objectives is advanced by them, as well as how well they serve to cause greater participation and decision-making at lower levels of government.

Improve condition Of Women: Social/Economic/Political

As part of the target group, the condition of women has improved, especially economically. Women have also benefited from the training of midwives.

^{1/} Presidential Decrees 29/1974 and 26/1978. Minister of Finance Decrees 387/1978 and 395/1979. A decree under the Ministry of Trade and Cooperatives is under preparation which will establish the Luwu FCCs as models of cooperatives development for the country.

LWU AREA AND TRANSMIGRATION DEVELOPMENT PROJECT

Period: FY 75/76 to FY 78/79

II. Benefit Incidence* (Please specify effect on women wherever possible)

A. Direct Beneficiaries

	(Number)	(Who)	(Where)
Income	201,300		Food farm population in primary project areas.
Labor	6,040	Government employees, contracted labor, and off-food-farm employment.	
Agricultural Production	201,300		Food farm population in primary project areas.
Education/Training/Management	10,794		In-country and third country training, including village level training.
Medical Treatment (Reduction of Disease, available facilities/services)	4,000	40 trained midwives affecting 100 persons each-all women.	
Living Conditions Improved (water, housing, sanitation nutrition, institutions, decrease cost of living)	446,000		Total population of Luwu Kabupaten, the total project area.
Provision of Power/Transportation	282,000		Population of kecamatan affected by road improvement.

Estimated Overall Total Without Double Counting 446,000

B. General Population in an Area that indirectly benefits from:

increase availability of food	<u>446,000</u>	
increase mobility in area	<u>282,000</u>	<u>Overall 446,000</u>

* Most of these figures are not mutually exclusive and many will include people who benefit in two or more ways.

general health improvement	<u>205,300</u>	(midwives beneficiaries plus population benefiting from increased diet due to increased income)
or overall economic improvement	<u>446,000</u>	

C. People in Area not affected. Why?

Approximately 160,000 people in ten kecamatans outside of the primary project area and the Palopo area have not directly benefited from the project. Growth rates for farm income and food production have not increased in these kecamatans. These people, however, have undoubtedly benefited indirectly from the spontaneous investment occurring in the kabupaten.

D. People in Area adversely affected. How?

Undoubtedly there is some adverse impact from a project of this nature. There are, for example, occasional land title disputes between established residents and transmigrants. The increased migration into the kabupaten which has occurred since the project began, has caused the growth rate of farm incomes to decrease in areas where new land is not being cleared. Incomes are increasing in the areas with few project activities, but at a slower rate than in the primary project areas.

Lusu Area and Transmigration Development Project
Logical Framework Matrix

I. Program or Sector Goal

A. 1. Narrative Statements

a. To improve the quality of life of subsistence-level, rural area farmers.

b. To support the establishment of institutional mechanisms for enhancing long-term rural development implementation and progress.

A. 2. Measures of Achievement

a. Increase in per capita income.

b. Increase in per capita food consumption

c. Increase the movement of marketable surpluses from food surplus to food deficit areas.

d. Existence of effective multi-sector, rural development oriented, coordinating mechanisms.

A. 3. Means of Verification

a. Official GOI national, provincial, kabupaten and village-level records.

b. Published GOI decrees.

c. Combined GOI and USG analyses of documents and events.

A. 4. Important Assumptions

a. Conditions of political stability.

b. Motivation and desire to achieve stated goals.

c. Qualified personnel in sufficient numbers for implementation.

d. Adequate financial resources are provided and in a timely fashion.

e. Markets exist.

f. Physical facilities exist to permit unimpeded implementation.

g. Population growth will not surpass production increases.

h. Production increases will not be absorbed by local consumption.

i. Input/output price relationships provide target farmers incentives to use more advanced production technology.

j. Favorable land tenure/ title conditions.

k. Appropriate crop production/ protection technology is available and disseminated.

Luwu Area and Transmigration Development Project
Logical Framework Matrix

II. Project Purpose

B. 1. Narrative Statements

a. To increase per capita income and food consumption of Luwu subsistence-level farmers.

b. To increase the movement of marketable agricultural surpluses to food deficit areas.

c. To establish a management body for multi-purpose, rural development, which could be used as an example for development efforts in the country.

B. 2. Conditions Indicating Achievement of Project Purpose

a. A 40,000 MT per year incremental production increase in milled rice.

b. 14,000 MT per year incremental production increase of non-rice food crops.

c. 25,000 MT per year incremental production increase of rice outflow.

d. 7,000 MT per year incremental production increase non-rice outflow.

e. \$25 per year increase in net per capita food farmer income.

f. Increased local per capita food consumption.

g. An overall GOI coordinating office established to manage the achievement of project purposes.

B. 3. Means of Verification

a. GOI statistics, mainly kabupaten data.

b. Luwu Project office records and analysis.

c. GOI decrees and administrative orders.

d. Field surveys.

B. 4. Important Assumptions

a. Appropriate crop production/protection technology is available and disseminated.

b. Qualified personnel in sufficient numbers available.

c. Integrity of GOI statistical information.

d. GOI budgetary allocations are adequate and are provided in a timely manner.

e. Existence of markets and transportation facilities.

f. Production increases are not absorbed by local populace.

g. Favorable tenure and land title conditions.

Luwu Area and Transmigration Development Project
Logical Framework Matrix

III. Project Outputs

C. 1. Narrative Statements

- a. Project Headquarters established.
- b. Palopo-Mailli road rehabilitated.
- c. Bone Bone and Kalaena irrigation systems constructed/rehabilitated.
- d. Agricultural extension services improved.
- e. Agricultural cooperative services improved.
- f. Families from outside Luwu transmigrated to Luwu.
- g. Resettlement of families within Luwu.
- h. Establishment of a satisfactory road and irrigation maintenance capability.
- i. Establishment of an information system, including evaluation, to provide examples of project replicability.

C. 2. Magnitude of Outputs

- a. One Luwu Project Headquarters built, staffed and functioning effectively in the field of integrated project planning, management and evaluation.
- b. 178 kilometers of road, including bridges, upgraded.
- c. 8,480 hectares brought under irrigated systems.
- d. 4 Rural Extension Centers established and functioning effectively.
- e. 3 Farmer Cooperative Centers established and functioning effectively.
- f. 700 families transmigrated to Luwu.
- g. 1,000 families resettled within Luwu.
- h. Operations and maintenance budgets of sufficient magnitude being provided regularly.
- i. All relevant project publications, documents, analyses and evaluations available for public utilization.

C. 3. Means of Verification

- a. GOI records, statistics, and documents.
- b. Project Luwu records, reports and documents.
- c. GOI budgetary allocations.
- d. Site visits and inspections.
- e. Periodic evaluations.

C. 4. Important Assumptions

- a. Sufficient coordinating authority provided to the Project Headquarters.
- b. Adequate numbers of trained personnel in planning, implementation, management and evaluation.
- c. Adequate and timely financial resource allocations.
- d. Capability and motivation of construction contractors.
- e. Commitment of GOI to this project, including taking all necessary measures to assure its successful implementation.

Luwu Area and Transmigration Development Project
Logical Framework Matrix

IV. Project Inputs

D. 1. Narrative Statements

- a. GOI provides
 - (i) All necessary budgetary support above the USAID contribution necessary to see the project through to successful completion, and
 - (ii) All necessary regulatory and administrative organization and orders.
- b. USAID provides
 - (i) A concessionary loan to finance foreign exchange and local costs, and
 - (ii) whatever support is possible from its Jakarta headquarters.

D. 2. Magnitude of Inputs

- a. Of an approximately U.S. \$50 million project, the GOI provides about \$35 million, or 70 percent of total project costs.
- b. The U.S. Government provides a \$15 million concessionary loan, or about 30 percent of total project costs.

D. 3. Means of Verification

- a. GOI budgetary allocations.
- b. Project Headquarters records and documents.
- c. USAID records and documents.
- d. GOI decrees and administrative regulations.

D. 4. Important Assumptions

- a. Accurate financial records are kept by all parties.
- b. Sufficient budgetary support is provided on a timely basis.
- c. There is sufficient commitment to an integrated development approach to permit issuance and implementation of all necessary governmental regulations intended to assure project success.
- d. There is sufficient commitment to assure compliance with the necessary regulations.

1980 Luwu PEB

1980 Luwu Project Evaluation Participants

Government of Indonesia

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2. Mr. Suratno, Assistant for the evaluation of development projects

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3. Drs. Sudjino, Assistant for foreign affairs to the Junior Minister of Transmigration.
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