

PD-MAIL-507

US DIV

CLASSIFICATION PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-647

1. PROJECT TITLE Cooperative Development Jakarta Cooperative League of the United States of America (CLUSA) / Operational Program Grant (OPG)			2. PROJECT NUMBER <b>ASIA-G-1180</b>	3. MISSION/AID/W OFFICE USAID/Indonesia	
4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY)			<input type="checkbox"/> REGULAR EVALUATION <input checked="" type="checkbox"/> SPECIAL EVALUATION		
5. KEY PROJECT IMPLEMENTATION DATES		6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION		
A. First PRO-AG or Equivalent FY <u>76</u>	B. Final Obligation Expected FY <u>83</u>	C. Final Input Delivery FY <u>84</u>	A. Total \$ <u>NA</u>	From (month/yr.) <u>1/77</u>	
B. U.S. \$ <u>816,234.</u>			To (month/yr.) <u>5/82</u>		Date of Evaluation Review <u>Jan - May 1982</u>

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List actions and/or unresolved issues; cite three items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., Memo, SPAR, PIO, which will present detailed request.)

E. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
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The attached evaluation report on the subject project raises in depth and in detail a wide range of problems and as yet unresolved issues concerning project implementation. The Mission, the technical staff of the Office of Voluntary and Humanitarian Programs (VHP) and the Mission Director, are working at present to seek the resolution of these problems and issues in cooperation with the grantee, CLUSA, and concerned representatives of the Government of Indonesia.

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

<input checked="" type="checkbox"/> Project Paper	<input checked="" type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____
<input checked="" type="checkbox"/> Financial Plan	<input type="checkbox"/> IT	_____
<input checked="" type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify) _____
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIOE	_____

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

A. <input type="checkbox"/> Continue Project Without Change
B. <input checked="" type="checkbox"/> Change Project Design and/or
<input checked="" type="checkbox"/> Change Implementation Plan
C. <input type="checkbox"/> Discontinue Project

11. PROJECT OFFICER AND JOINT COUNTY / OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Name and Title)

Ross C. Coggins, Chief WHP  
 in *William*  
 Patrick A. Gage, PRO  
*Pat Gage*

12. Mission/AID/W Office Director Approval

Signature  
 Type Name  
*William A. Foster*  
 Date  
 May 27, 1982

### 13. Executive Summary

On June 30, 1976 the Agency for International Development (AID) entered into a Grant Agreement with the Cooperative League of the United States of America (CLUSA) under the terms of which CLUSA was to establish a sound cooperative development program in Indonesia. This program was to be carried out by increasing the capacity within the office of the Director General of Cooperatives (DITJENKOP) at the national, regional and kabupaten levels to do agri-business project identification, planning and development, to implement these projects effectively and to do project evaluation. At the close of the project it was expected that there would exist, as project outputs, the following: trained staff within the DITJENKOP in agri-business project planning, development, implementation and evaluation; agri-businesses established in agricultural cooperatives in rural areas; and the existence of a technical relationship between CLUSA and the DITJENKOP and an Indonesian Federation of Cooperatives.

The period of the original grant was for three years and the amount of funds provided was \$249,489. However, over the life of the project the grant was amended on numerous occasions until, at present, the life of the grant was extended to June 30, 1982 and the amount of the grant was increased to \$816,234.

During the first quarter of 1982 USAID/I conducted a review of the activities of the grantee in order to ascertain the degree, or level, of progress which had been made towards meeting the objectives of the grant.

While the Klatan cooperative model developed to an extent that it now appears to offer promise, most of the project outputs expressed in the original grant agreement and appended log-frame were not achieved either in terms of quality or quantity.

- The output of trained staff at national, provincial, and kabupaten level may have been achieved numerically but not qualitatively.
- The numbers of "agribusinesses in various stages of development" were not achieved during the life of the project.
- While a "technical relationship between CLUSA and DITJENKOP" was established, the present nature of that relationship is unclear.

The major reasons underlying these findings, in the view of the evaluation team, appear to be poor project design (excessively ambitious project goals), an apparent lack of communication between the grantee and the USAID Mission, and inadequate management on the part of the grantee and the USAID Mission.

Poor project design is evidenced by the fact that the sub-projects which constituted the major outputs of the project were not defined in sufficiently practical terms in the original agreement. (Ref: Sect. 22-b, page 34).

Poor communications is evidenced by the fact that once the problems were known to the Mission no actions were taken on the part of the Mission, at least during the initial three and a half years of project implementation, to

counsel or guide the grantee. The result of this lack of counsel or guidance was that the grantee expended considerable time and resources attempting to implement ambitious activities.

Poor management on the part of the grantee is evidenced by the type and nature of activities which the grantee attempted to design and implement.

The review raised the following concerns and issues that remain to be resolved.

#### Major Concerns and Issues.

1. What are CLUSA's objectives in terms of cooperative development in Indonesia? Do they differ from the objectives of the Government of Indonesia? Has CLUSA had any impact upon the formulation of these objectives?
2. What evidence exists that the PUSPETA Klaten cooperative model, established and propounded by CLUSA, is successful, and is therefore a viable alternative to the cooperative model established by the Government of Indonesia?
3. Can elements of the Klaten model be replicated elsewhere in Indonesia without a similar infusion of external funding?
4. Is the present project design and planned allocation of resources adequate to accomplish the present project objectives?
5. Has CLUSA effectively deployed qualified technical and managerial staff to implement their program in Indonesia?
6. Is an adequate effort being mounted to transfer to, and instill in, project staff the skills necessary to manage the project adequately?

#### 14. Evaluation Methodology

The purpose of the evaluation is to assess the impact of CLUSA's presence on cooperative development in Indonesia. In its conduct the evaluation focused upon: the impact of the project upon the staff of the Directorate General of Cooperatives and the intended beneficiaries participating in sub-project activities; project performance compared to the objectives outlined in the original and amended project papers; AID, CLUSA, and GOI financial and other inputs into the project; and, the managerial role of CLUSA in cooperative development.

The timing of the evaluation, early 1982, was specified for two reasons, the present OPG expires on June 30, 1982 and CLUSA has requested an extension of time and additional funding. At the same time CLUSA, under the terms of an agreement between AID and CLUSA effected in July of 1981, is now utilizing over \$1 million in financial resources generated by the sale of PL 480 Title II commodities in Indonesia. The results of the evaluation are intended to generate recommendations regarding the extension of the OPG and the manner in which CLUSA effectively utilizes the financial resources generated by the PL 480 Title II sales.

The evaluation was conducted by a team from the USAID Mission consisting of : Patrick Gage of the Program Office, James Gingerich and Kevin Rushing of the Agriculture Office and staff members of the Office of Voluntary and Humanitarian Programs. In addition, CLUSA reviewed the scope of work and provided staff inputs and logistic support for the evaluation.

The evaluation encompassed a week long trip to the site of the Central Java Klaten project in the Kabupaten of Klaten in Central Java. Extensive field visits were made from this central site to the majority of primary cooperative sites (KUDs) in the Kabupaten and discussions were held with local officials at the village, district, and provincial level. Discussions were held with CLUSA staff, both past and present in Klaten and elsewhere.

A major source of information was the grantee's quarterly reports and the USAID/I correspondence and financial files on the project.

#### 15. External Factors

It is the GOI's intention to provide a larger role in the Indonesian economy for cooperatives, as a means to achieve Five-Year Plan objectives including Pemerataan (equity).

The long history of the cooperative movement in Indonesia is first reviewed briefly to provide context for this evaluation, then follows a description of the GOI's present cooperative program. This introduction should help to explain the opportunities for cooperative development in Indonesia and the difficulties faced by foreign assistance organizations.

Since this project was originally conceived as a vehicle for assisting the Government of Indonesia in its long range objectives for cooperative development, it is essential to review the long term role of cooperatives in Indonesia and to remark briefly on recent developments which have perhaps had short term effects upon that long range goal.

Prior to Indonesia achieving its status as an independent nation, cooperatives were seen by nationalist leaders as a means of liberating Indonesians from economic domination by both their colonial rulers and by non-indigenous businessmen. Consumer cooperatives were formed as early as the 1930s, and at that time, prior to independence, may have been as much political as economic in their objectives. Following independence, and particularly following the event from which the modern cooperative movement is dated, the Tasikmalaya cooperative conference on July 12, 1947, cooperatives grew rapidly in number.

Following the economic collapse and political explosion of the mid-sixties, existing cooperatives were screened for their political affiliations. Those with communist affiliations were disbanded and those with a true cooperative structure and purpose, approximately 14,000, of all types, remained in existence.

In the 1970s the new model cooperative (Koperasi Unit Desa or KUD), centered around rice marketing, began to emerge in and expand from Central Java. In 1973 the GOI linked these organizations with their efforts to

increase rice production, and utilized the KUDs to distribute seed, fertilizer and pesticides. Thousands of such cooperatives were organized at this time and many were recipients of warehouses, milling and transportation equipment, either at no cost or with low-cost loans from the government, in order to encourage their participation in the rice procurement and marketing program of the government. Most of the loans have never been repaid.

In early 1978 a major event occurred during a cabinet reorganization which has been regarded as being of considerable importance with respect to its impact upon cooperative development in Indonesia. The Directorate General of Cooperatives was transferred to the Ministry of Trade and Cooperatives, and placed under the responsibility of a newly appointed Junior Minister for Cooperatives, Mr. Bustanil Arifin who also retained his position as chairman of the Bureau of Logistics (BULOG). At the same time a new Director General was appointed.

Cooperative development has been upgraded in that the responsibility for cooperative development now reposes within a Ministry responsible for the development of trade and cooperatives headed by a Minister and a Junior Minister solely responsible for the development of cooperatives, whereas, prior to the reorganization, the responsibility had been within the Ministry for Manpower, Transmigration and Cooperatives and was headed only by a Director General.

The Government, (and here one refers to not only other elements of the government but also enterprises it controls), has placed a large amount of effort into the development of cooperatives as a means of ensuring a higher level of economic well being for the rural populace of Indonesia. BULOG, the government logistics agency responsible for the purchase of agricultural products, has effected an increase in the amount of rice purchased through KUDs rather than from private entrepreneurs, by offering beneficial price differentials. A 1981 government decree stipulates that sugar cane purchases by sugar mills must be effected through cooperatives. The government has undertaken measures to affect the clove trade in the same manner. Substantive links have been forged between cooperatives and the private sector, as exemplified by private processors' purchases of milk from cooperatives.

Admittedly, many past accomplishments in the area of cooperative development are based on an element, albeit sometimes a considerable element, of subsidy and support, and thus in the short run effect the distribution of wealth rather than the creation of wealth, these accomplishments are evidence of the government's intent to utilize the cooperative structure to effect the level of wealth of the rural populace.

If criticism or doubt persists, it is only concerned with whether cooperative development should be from the "top-down" or from the "bottom-up" approach. Critics of the former claim such an approach unfairly competes with established channels of trade and can be characterized as heavy government intervention. Critics of the latter, and thus supporters of the general consensus within the government, claim that waiting for spontaneous growth in development from grass-roots cooperative organizations would be too slow.

Quoting from the December 1981 issue of Prisma, an Indonesian journal of social sciences, Bustanil Arifin, the Junior Minister for Cooperatives,

states, "we pursue a policy of encouraging the development of cooperatives which indicate signs of succeeding, but we will waste no time and money on those which does not appear to be able to survive. And since the capacity of cooperatives are too limited to allow them to initiate rapid development, government assistance is needed". The Indonesian constitution states that Cooperatives are to be one of the three pillars of the economy, the other two being the private entrepreneurs and the government itself. Musliman Nasution, Secretary to the Minister, stated in the same issue of Prisma, "the government's involvement in cooperative activities should not be viewed as 'meddling', but rather as an implementation of Article 33 of the 1945 Constitution".

The arguments can and have been more vehemently expressed, but simply stated; there is no argument over the importance of cooperatives, only whether their growth should be encouraged more from the top, i.e. through government intervention, or from the bottom, i.e. encouraging their growth and development through the spontaneous and popular participation of their members.

This is the setting in which CLUSA has attempted since 1976 to assist the GOI in establishing a sound cooperative development program. The setting has not altered substantially over the life of the project, but the direction of emphasis has altered, and there have been periods of waiting and indecision while the directions and strengths of competing opinions have been uncertain. As yet there is no firm evidence that any one approach by the government will become dominant.

There are, however, differences of view on how cooperatives should develop. Within DIRGEN Cooperatives, there is an understanding of some of the structural and other shortcomings of the country's present cooperative model, i.e. their lack of representation at the village level. Some of these problems are set out below in an attempt to relay the atmosphere and context in which CLUSA has attempted to carry out a program of cooperative development.

A basic problem of the cooperative as manifested by the Kecamatan KUD organization is that it is not rooted in the village where it would be possible to gain the advantages of member cooperation. The Kecamatan is a geographic area encompassing a number of villages and in turn, a grouping of Kecamatans comprise the constituents of a Kabupaten. A Kecamatan thus may be likened to the concept of a township within a US county. Because the KUD has few village roots and little or no business activities of their own (despite the professed intention to make the cooperative village based), the KUDs have inadvertently come to depend on the GOI for support via the mechanism of differentiated guaranteed prices for commodity purchases and sales. These margins on operations sustain the staff. It is possible that the elite of the Kecamatan town become members and managers of KUDs to gain control of the subsidized commodities which generally have higher prices on the local market.

The cooperative movement has probably not yet been able to capitalize on the principal advantage of this form of organization. At the village level members know each other, tasks are simple, and the risk of loan default is reduced because of social pressure and personal knowledge. At the Kecamatan KUD level, with a population of between 30,000 to 50,000 people, no such knowledge is possible, and the managerial tasks require an entrepreneurial ability. (There is about one KUD cooperative for every 12-14 villages on

Java). For the lack of capital and volume of business, the KUD is not able to compete to obtain effective managers; thus it is not likely to become financially self-sustaining from profit margins on the sale of subsidized commodities. In short, cooperatives as structured, may have few advantages. To sustain the KUD financially in the face of these difficulties the GOI over the years has provided a monopoly on fertilizer, seed, and pesticides for in-kind loans (BIMAS program). It is the stated policy of the GOI to provide similar distribution arrangements through the KUDs for nine basic commodities; rice, cooking oil, salt, sugar, dried fish, kerosene, soap, coffee and cloth. The eventual distribution of these commodities through all KUDs, at controlled prices, will provide the KUDs with additional operating margins and ensure the availability of the commodities to the rural populace at reasonable prices.

In short, it appears that cooperatives in Indonesia generally lack business activities which earn true profits. Thus far, KUDs have not proven to be centers of self-sustaining commercial activity.

## 16. INPUTS

### A. 'A.I.D. Inputs

The inputs provided to achieve the project purpose are delineated in the original grant agreement between CLUSA and the Agency for International Development, and within subsequent amendments to that agreement, and within a Memorandum of Agreement between CLUSA and the Government of Indonesia acting through the Ministry of Manpower, Transmigration and Cooperatives. The original grant agreement between CLUSA and AID, signed on June 30, 1976, has since been amended sixteen times and the provisions of these amendments have altered the quantity and source of project inputs over the life of the project.

On April 30, 1976 a Memorandum of Agreement was entered into between CLUSA and the Ministry of Manpower, Transmigration and Cooperatives in which it was stated that the GOI was desirous of utilizing the services and staff of CLUSA to reinforce and develop cooperatives within Indonesia. Under the terms of the Agreement the Ministry was to provide the following goods and services:

- A. Office space.
- B. One or more telephone lines and necessary office equipment (typewriter, desks, chairs, filing cabinets, etc.)
- C. Office staff, of sufficient size, including a secretary and administrative assistant.
- D. Automobiles, one of whose cost may be supplemented by CLUSA funds.
- E. Rent, including maintenance, for an adequate house up to \$30, 000 for a three year period.
- F. One or more drivers.
- G. Transportation and expenses of vehicle operation plus in-country transportation expenses of the CLUSA Resident Consultant and short-term consultants (excl. per diem.)
- H. The DGK to provide staff for training, program planning and implementation.
- I. Other necessary support and assistance to CLUSA.

The original Grant Agreement between AID and CLUSA, signed on June 30, 1976, see Appendix A, stated that CLUSA would provide a Resident Employee who will assist in the implementation of the project, supplemented by consultants in specific areas of expertise as needed. The log-frame attached to the Agreement noted that AID, through CLUSA, would provide a resident consultant for thirty six months and that CLUSA would provide ten man-months of consultants services. The Government of Indonesia was to provide the support and services cited in the Memorandum of Agreement between CLUSA and the Ministry. The Period covered by the grant was for the period September 1, 1976 to September 1, 1979 while the total amount of the grant was \$249,489, derived from the addition of the following line items; Personnel Compensation \$138,327, Travel and Transportation \$38,080, Other Direct Costs \$12,600, and Overhead \$60,482.

Amendment No. 1 to the Agreement, entered into on November 5, 1976, authorized the Grantee to purchase \$2,500 worth of household appliances and furniture from AID within the line item "Other Direct Costs" of the Grant budget.

Amendment No. 2, entered into on August 25, 1977, authorized the transfer of \$5,500 from the Grant budget line item "Travel and Transportation" to the line item "Other Direct Costs" to cover housing costs under the grant. Other provisions of this amendment were; the grant was amended to provide the full \$249,489 within the original agreement, and the grant period was extended through January 31, 1980.

Amendment No. 3, November 3, 1977, changed the monthly financial reporting requirement to quarterly.

Amendment No. 4, entered into on October 20, 1978, changed the grant termination date from January 31, 1980 to March 31, 1979 and authorized changes within the line items of the grant budget as follows; Personnel Compensation \$113,715, Travel and Transportation \$54,856, Other Direct Costs \$20,161, and Overhead \$60,757, for a total of \$249,489.

Amendment No. 5, entered into on November 7, 1978, reflected a change in the overhead rates under the CLUSA Grant Agreement.

Amendment No. 6, entered into on March 26, 1979, reflected a further change in the overhead rates.

Amendment No. 7, entered into on April 20, 1979, effected a change in CLUSA's reporting requirements in that reports were hence forward to be sent to the USAID Mission rather than CM/ROD/ASIA.

Amendment No. 8, entered into on March 20, 1979, changed the grant termination date from March 31, 1979 to April 30, 1979, and noted that CLUSA was to undertake a project evaluation in July of 1979.

Amendment No. 9, entered into on April 30, 1979, extended the grant termination date from April 30, 1979 to April 30, 1980 and added \$426,981 to the total of the original grant for a new total of \$676,470. The budget attached to the amendment, see Appendix C, indicates that actual costs incurred to April 30, 1979 totalled \$218,483 and that an additional \$457,987

would be required prior to project completion. Under the heading "Special Provisions" to the grant amendment it is noted that "a full description of the project is contained in the project paper submitted to USAID with CLUSA letter dated May 17, 1978". See Appendix B for the amended Project Description. The inputs noted within the log frame attached to this document are identical to those contained in the original log-frame which was a constituent part of the original Grant Agreement. The budget covering the period May 1, 1979 to April 30, 1980, attached to Amendment No. 9 indicates a substantial alteration in the type and quantity of project inputs which are to be provided by AID under the OPG. From the line item entries of the supporting detailed budget it is indicated that AID will provide within the OPG grant for the period of the grant extension, the following:

- A Resident Representative for 12 mm
- A Project Development Assistant for 12 mm
- Two Project Coordinators for 24 mm
- Expatriate Consultants for 6 mm
- Indonesian Consultants for 24 mm
- In-Country travel (total of \$8,000)
- Rent and utilities; Resident Advisor 12 mos
- Project Assistant 12 mos
- Project Coordinators 24 mos
- Under "Other Direct Costs; a typewriter, typewriter maintenance, office supplies, translation services, communications, reproduction costs etc.
- Commodity support for the Klaten Pilot Project, including; office equipment, wagons, dryers, threshers, a tractor, etc. (total \$68,100.)
- \$6,500 for a rice bran stabilization project.

Amendments Nos. 10 and 11, entered into on October 1 and October 4, 1979 authorize, on the basis of a request from CLUSA the utilization of \$23,300 to subsidize the salaries, and cover the costs of recruitment of; one General Manager, five Department Managers and twenty four field men. The funds were to be drawn from the budget line item "Klaten Pilot Project Commodity Support" and both amendments stressed that the utilization of AID funds for this purpose was limited to a period of one year.

Amendment No. 12, entered into on February 8, 1980, authorized an additional \$16,000 to be drawn from the line item "Klaten Pilot Project Commodity Support" to be utilized as working capital.

Amendment No. 13., entered into on April 30, 1980, extended the termination date of the grant period from April 30, 1980 to December 31, 1980, and expressed USAID's agreement in principle to provide further funding for the project.

Amendment No. 14, entered into on May 27, 1980, provided an additional \$139,764 to the previously amended total of \$676,470, thus increasing the total of the grant to \$816,234. The funds

provided were to cover project costs between the period April 1, 1980 and December 31, 1980. The additional funds provided for;

- 1 Resident Consultant 6 mm
- 1 Proj. Dev. Assistant 6 mm
- 1 Proj. Mngmt. Coord. 6 mm
- Rent and utilities for all the above personnel
- In-Country travel (total \$4,000)
- Typewriter maintenance and office supplies
- Salary supplements for twenty personnel over a six month period (total \$13,200).

Amendment No. 15, entered into on December 4, 1980, extended the grant expiration date to June 30, 1981 and Amendment No. 15, entered into on July 13, 1981, extended the grant expiration date to June 30, 1982.

The original and ultimately amended grant budgets and time periods are set out below

	9/1/76 -9/30/79	9/1/76 -6/30/82
Personnel Compensation	\$138,327	\$454,853
Travel and Transp.	38,080	120,025
Klaten Commodity Supp.	-	48,100
Rice Bran Stabilization	-	350
Other Direct Costs	12,600	26,350
Overhead	60,482	166,552
<b>Total</b>	<u>\$249,489</u>	<u>\$816,234</u>

FY 77) (-----1977-----) (-----1978-----) (-----1979-----) (-----1980-----) (-----1981-----) (-----1982-----) (FY 83  
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 (Eval.) + (Eval.) + (Re. Amend. #2 LOP)  
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6/30/76 Grant Agreement signed covering period 9/1/76 to 2/28/78 (18 mos.) Remaining funding contingent upon evaluation initial 15 mos. implementation.

Amend. #1 - 11/5/76 Allowed purchase of USG furniture (\$2,500) from "Other Direct Costs" within project budget.

Amend. #2 { 8/25/77 - Grant increased to \$249,489. (+\$112,489), Grant period extended to 1/31/80.  
 - "Evaluation after fifteen months" rescheduled to April 1978.  
 - New project budget and Grantee allowed housing costs of \$5,500 from grant funds.

Amend. #3 { 11/3/77 - Monthly financial reporting requirement changed to quarterly requirement.

Amend. #4 { 10/20/78 - Grant ending period amended from 1/31/80 to 3/31/79.  
 - Project budget adjusted to reflect actual costs to 9/1/78.

Amend. #5 { 11/7/78 - Reflected new overhead rates.

Amend. #6 { 3/26/79 - Reflected new overhead rates.

Amend. #7 { 4/20/79 - Reporting shifted to USAID/I from CM/ROD/ASIA.

Amend. #8 { 3/20/79 - Grant expiration date changed from 3/31/79 to 4/30/79.  
 - Also notes - CLUSA will undertake an evaluation in July 1979, and a final evaluation at the end of the grant period.

- Grant termination date extended from 4/30/79 to 4/30/80 { Amend. #9 4/30/79  
 - Grant amount increased to \$676,478 (+\$426,981).  
 - Project now based on revised proposal submitted by CLUSA to USAID/I 5/17/78.  
 - Project rebudgeted to reflect actual costs to 4/30/79 (\$218,483) and additional costs to 4/30/80 (\$457,987).

- CLUSA authorized to use \$21,300 of Klaton Commodity Support (\$68,100) { Amend. #10 10/1/79.  
 to supplement salaries of: 1 Gen. Manager, 5 Dept. Managers, and 24 Field men.

-USAID/I indicates again their approval of salary supplements for 30 personnel at Klaton, but notes their approval for "only one year." { Amend. #11 10/4/79.

- USAID/I authorizes \$16,000 from "Klaton Commodity Support" for use as "Working Capital." { Amend. #12 2/8/80.

- Expiration date of grant extended from 4/30/80 to 12/31/80, and states USAID/I's agreement in principle to additional funding. { Amend. #13 4/30/80.

- Increased project budget to \$816,234 (+\$139,764), the increased amount includes \$13,200 to supplement salaries for another six months. { Amend. #14 5/27/80.

- Extended grant expiration date from 12/31/80 to 6/30/81 { Amend. #15 12/4/80.

- Extended grant expiration date from 6/30/81 to 6/30/82 { Amend. #16 7/13/81

Best Available Document

## B. CLUSA Inputs

Over the life of the project to date CLUSA has provided, with grant funds, the services of a Resident Consultant, who arrived in Indonesia on January 21, 1977. In addition, a Project Development Assistant was provided for a period of one and a half years. In association with the Central Java Klaten project, one Project Coordinator was resident in Klaten for a period of two and one half years commencing in August of 1979, and an additional Project Coordinator in association with the same project and the Aru Islands Seaweed project was resident in Indonesia for a period of one year commencing in December of 1978.

Short term consultants were provided by CLUSA in association with the development of a number of CLUSA programming objectives and recommendations. Their names, period and length of stay are set out below.

### National Identity Program

Oscar Norling - Oct. - Dec. 1977 2 man/months

### National Public Relations Program

Woodrow Beard - Nov. - Feb. 1978 3 man/months

### INKUD Feasibility Study (Cooperative Organizational Structure)

Harold Jordan - Nov. - Feb. 1978 3 man/months

### Long-term Comprehensive Coop. Planning

Dr. John Schott - Aug. and Oct. 1979 (2 times) 3 weeks total

### Aru Islands Seaweed Project

Leroy Hollenbeck - Jan. 1979 3 weeks

### Nutrition/Rice Bran Stabilization

Paul Crowley - Mar. 1979 2 weeks

### Central Java Klaten Project

F. Maurice Armbrecht - Sept. 1980 1 man/month

Z.C. Zeller - Sept. 1980 2 weeks

J. Mason - June-July 1981 2 man/months

## C. GOI Inputs

The GOI inputs to the project are spelled out earlier in this section, and refer to the provision of housing, vehicles, office equipment, in-country travel expenses of CLUSA staff, and the provision of counterpart staff to carry out the project. There is no doubt that during the early stages of project implementation the GOI endeavoured to provide these agreed to inputs. For example, the Memorandum of Agreement stated that the GOI would provide \$30,000 for rent and maintenance of a house for the Resident Advisor for a

three year period. Apparently \$30,000 was provided; however, it was insufficient to pay for a full three year lease. USAID/I agreed to provide for the initial discrepancy and subsequent grant amendments indicate that OPG funds eventually covered the additional housing costs of all CLUSA staff.

Amendment Nos. 9 and 14 to the original Grant Agreement contain budgetary line items which indicate that OPG funds subsequently paid not only for house rents of CLUSA staff but also for; the provision and maintenance of a typewriter, office supplies, communications and reproduction costs as well as in-country travel costs of CLUSA staff. CLUSA's quarterly reports indicate that the provision of a vehicle on a permanent basis was problematic and that a vehicle was eventually provided on a loan basis.

Over the life of the project it appears that the responsibility for the provision of these inputs eventually shifted to CLUSA and they were ultimately provided with resources granted by AID within the OPG. The shift may be accounted for by the fact that the Memorandum of Understanding between CLUSA and the relevant GOI Ministry originally covered a three year period (later extended to five years in the BAPPENAS/CLUSA Agreement). The project is now entering its sixth year of implementation.

## 17 Measurement of Actual Output Progress

### A. Training

The original project paper, designated the Program Description, stated the first project output would be "Trained staff within the Ditjenkop in Agribusiness project planning, development, implementation and evaluation". The magnitude of this output was stated as "142 Ditjenkop staff trained at national, regional and kabupaten level". When Amendment No. 9 to the Grant Agreement was effected on April 30, 1979, the magnitude of this output was altered to reflect the fact that 165 DGC and cooperative staff were to be trained, though the date by which this output was to be attained remained as December 31, 1979. The project paper, both the original and the later amended project paper noted that this training would be accomplished by "carrying out formal classroom and on-the-job training programs in the techniques of establishing new cooperatives and new cooperative agribusiness activities".

During July of 1979 CLUSA staff conducted an evaluation of the CLUSA project. Quoting from the report which was the product of that evaluation, "During implementation of the project, formal classroom training was de-emphasized. The emphasis was placed on 'dynamic training', or informal, on-the-job training, as a regular part of the planning and evaluation of all projects on which CLUSA had or was working". CLUSA's quarterly reports contain no references to any training conducted in a classroom setting.

Quoting further from the 1979 CLUSA evaluation report, "The table in the original project documents, listing Ditjenkop staff training goals, was meant to provide a measure of project accomplishment and progress. These targets have not been met". However, the report notes delays in project implementation and further states that, "..... The project is not too far behind its training targets, at least at the national level. As the field

projects are implemented and as new ones are identified, the training component of the CLUSA project should increase".

It should be noted that at the time this evaluation was conducted by CLUSA staff, July 1979, CLUSA was actively implementing only two projects, the Klaten project, the Aru Islands Seaweed project.

CLUSA has provided the evaluation team with a written response to the situation noted above, which is as follows, "From that time forward, it was CLUSA's intention that all new projects would be sub-projects of the three major projects (including Luwu as a major CLUSA project). It was evident to CLUSA that the Klaten project would generate far more than the 80 projects mentioned in the log-frame and more than 165 persons trained in various sub-projects."

Quoting again from CLUSA's evaluation report, "A high percentage of the training of the Jakarta Ditjenkop staff occurred in conjunction with the preparation of the Ditjenkop/CLUSA project agreement and the Klaten Village and District-level Cooperative Agribusiness Development Project documents". The report cites a total of 28 training sessions "held in conjunction with the Klaten project". Virtually all of the "training sessions" referred to transpired within one single day. In fact, three different sessions are listed as occurring on the same day. The training sessions referred to occurred in approximately ten different geographic locations and involved participants such as; "25 potential employees", "rice mill staff", "60 farmers", "40 farmers", as well as the Bupati and his staff and regional cooperative staff. Since the subject for each session was the Klaten project, or a specific aspect of the project, it seems likely that these "training sessions" could be better defined as "presentations" rather than training, for they certainly could not have encompassed project planning techniques, feasibility studies, project implementation or project evaluation.

The CLUSA evaluation report also notes that, "Ten project planning/training sessions were held in the development of the Aru Islands project", however, there is no indication that the sessions were, or were not, any different from the Klaten project training sessions.

There is no doubt that the project achieved some degree of training. However, CLUSA's own quarterly reports, their evaluation report, and conversations with PUSPETA Klaten staff strongly suggests to the evaluation team that the "training" given was not of the quality and quantity originally envisaged in the project paper, whether or not it was presented in a classroom or transpired as on-the-job training.

CLUSA provided a written response to the evaluation team which suggests that training targets were achieved within the project. That response was "At this point CLUSA contends that CLUSA and the GOI had changed their emphasis from training top Ditjenkop staff to on-the-job training and education of local government officials, cooperative employees and farmer leaders (Ketua Kelompok) as an essential process in the development of the grass-roots level cooperatives, i.e. the Klaten project."

In the first full quarterly report (June 30, 1977) reference is made to the beginning of the change in emphasis. The report says, "More personnel

from the operating cooperatives at the National (INKUD), Provincial (PUSKUD) and Kecamatan (KUD) levels will be involved in the Project Development and Training Programs. Although personnel at all government levels in the Department of Cooperatives will be involved in the training programs, the personnel from operating cooperatives will be much more involved than was envisioned in the original OPG of 'people to be trained'."

In order to avoid duplication of training and to cooperate with other foreign assistance agencies focusing on training, CLUSA is working with the ILO at the national level, the British team at the Jateng provincial level, the German group specializing in KUD accounting systems, and the Dutch team which has a training component in its KUD loan program in Klaten. CLUSA is proposing that they cooperate with the ILO in developing training materials based upon all aspects of the Klaten project."

The evaluation team however attempted to verify CLUSA's statement regarding their active coordination with other donors. An ILO representative, with intimate knowledge of the ILO/UNDP project "Cooperative Development and Training", stated that the purpose of the ILO project was to gather data regarding all donor's activities in the area of cooperative staff training in order to establish baseline data and training policies for the Director General of Cooperatives. In this context, the ILO requested CLUSA to submit material pertaining to their training programs in Klaten. The ILO representative noted that no such material was received from CLUSA. The evaluation team also spoke with a representative of the FREDERIK-EBERT Foundation, the German technical assistance agency. The representative, responsible for the training program for the KUD accountants, noted that Mr. Fox had indeed visited the project twice. The FES representative however noted that their project had evolved an accounting system for KUDs and PUSKUDs and that the system, involving a double entry system, vouchers, and a uniform chart of account, was to have been implemented by all KUDs and PUSKUDs as long as one year ago. The USAID/I review of the Puspeta/Klaten accounting system, appendix D to this report, indicates that the Klaten project has not implemented this system thus leaving in doubt, at least in this area, the degree of cooperation with other donors fostered and achieved by the Puspeta/Klaten project.

A representative of the British assistance team, located in Semarang, Central Java, informed the evaluation team that no cooperation existed between their project and the Puspeta/Klaten project. The representative noted in fact that he had never met the CLUSA resident representative and while their project had offered to provide training in specific areas for Puspeta/Klaten staff, no response to this offer was ever received.

A member of the Dutch Embassy in Jakarta noted that their cooperative project, located in Semarang, Central Java, was comprised of a team of five technical experts and had provided, on a credit basis, 119 rice mills, 127 trucks, 31 hand tractors, and two water pumps to KUDs in the province of Central Java. While the Embassy representative could not comment on the degree of cooperation between their project and Puspeta/Klaten he did confirm that the first nineteen activities listed in the list of CLUSA OPG projects assisted (fifteen rice mills and four trucks), see page 34, were in fact also components of the Dutch cooperative project.

## B. Agribusiness Sub-projects

The second output of the project, as stated in the log-frame was "Agribusinesses established in agricultural cooperatives in rural areas". The magnitude of this output was stated as, "80 projects using improved planning techniques in various stages of development". The original project paper, or "program description" did not contain any detailed description of these activities; however, the May 19, 1978 CLUSA submission to USAID/I, which formed the basis of a one year extension of the OPG and an increase in funding of \$426,981, does refer to these activities more specifically. (See Appendix B)

Within the document referred to, the first major activity of the resident consultant is generally described as "making policy suggestions" to "high ranking government officials". The second major activity is described as "Encouraging the initiation of new projects (Any agribusiness activity which a cooperative or a group of cooperatives may feel is an essential service for its members or which will increase the productivity and/or income of the cooperative and/or its members), ideas, and programs". Elsewhere in the same document it is stated that "The major emphasis of this project will be;", and among five items under this heading is, "developing agribusiness projects for the primary and secondary cooperatives". The paper noted that primary cooperatives were presently engaged in fertilizer, seed, and pesticide distribution, rice purchasing, grain storage and rice milling, but that the "opportunities for adding new products and services are almost endless". The paper noted among these endless opportunities; grain drying, transportation, processing and marketing of cash crops, machinery leasing, tool sales, and various livestock and poultry enterprises as possible agribusiness projects. Quoting further from the paper it is stated that "the technology for establishing and expanding small agribusiness operations is available. The main problems faced by designers of such projects are that successful rural agribusiness projects must be small enough to be effectively utilized by small scale farmers and yet sufficiently large to be economically viable".

The foregoing represents an attempt to define the outputs of the project, at least with respect to the "80 (agribusiness) projects using improved planning techniques in various stages of development", since they were not clearly identified in the original Grant Agreement. This fact was remarked upon by Mr. William E. Gohn of CM/ROD/ASIA in a memorandum to the files dated October 11, 1978.

In that memorandum, which recommended approval of the fourth grant amendment, he notes that "the Program Description is broad enough to include just about anything the Grantee wants to do within a general framework of Cooperative Activity.

## C. Specific Sub-projects

CLUSA has requested that the following statement preface the description of the first three projects listed and described below. "The first three projects identified in the early quarterly reports resulted from CLUSA's and the GOI's feeling that some experts should look at some of the essential elements of a three-tiered national cooperative system and plan. Although the

quarterly reports referred to these studies and recommendations as "projects", they were in fact only elements of a national plan and became part of CLUSA's recommendations to the GOI on how cooperatives should be developed. These studies are described as follows;"

(1) National Identity Program

This project is cited within the contractor's first quarterly report, submitted June 30, 1977, as one of six major projects having the highest priority within CLUSA's program. The purpose of the program was to identify strong multi-purpose farm cooperatives with a trade mark, and "PUSPETA", derived from the Bahasa Indonesia for "farmers service center" PUSAT PELAYANAN PETANI, had already been identified as the most favored trademark. The mark was to be integrated with a "National Marketing Program" for cooperative products, a "National Identity Program" and a "Public Relations Program" in order to improve the image of cooperatives and their products. A more detailed description of the National Identity Program is contained in the Project Description, Appendix E to this report, and the Scope of Work, Appendix F, which sets out the work to be accomplished by the consultant, Oscar Norling.

The "National Identity Program" was to be an integral part of two other projects, the "National Public Relations Program" and the "INKUD Feasibility Study, Creation and Operation". These three programs were considered to be complementary to each other. The "National Identity Program", or the utilization of a nationally known trade mark, was envisaged as initially advertising local products of village cooperatives, KUD's, with expansion occurring as products were eventually marketed through the regional cooperative center, the PUSKUD, and eventually the national level cooperative organization, the INKUD. The time frame for the program was considered to be long term, in the region of ten years.

By September 30, 1977 a scope of work for the feasibility study had been completed and by this date the GOI had approved the project. During the period October 16 to December 14, 1977, Oscar Norling, a consultant under a contract to CLUSA worked in Indonesia and prepared the feasibility study for the project.

Work on this project, and the two related projects, the National Public Relations Program and the Cooperative Organizational Study ceased early in 1978. The ultimate utilization of the work carried out under this, and the two related projects, the National Public Relations Program and the INKUD Feasibility Study, Creation and Operation, is perhaps best expressed by quoting from a letter sent by the CLUSA resident consultant to CLUSA's Director of International Programs in Washington. The letter was copied to USAID/I. That letter states, "I am disappointed that Ditjenkop hasn't been more cooperative in getting PUSKUD personnel together to talk with Harold Jordan. (consultant for the INKUD Feasibility Study.) For some reason Ditjenkop is really dragging its feet on the organization of the INKUD and help to the PUSKUDs. If we don't get more enthusiasm soon, we will make the report and then shelve any more activities on my part in promoting the INKUD/PUSKUD and the National Identity and Marketing Programs I will spend my time on Klaten, Luwu and similar projects. I plan to discuss this with Ima (Suwandi) today if I get a chance."

(2) National Public Relations Program

This project was conceived as an integral part of the National Identity Program and the Cooperative Study. The Program's objective was the development of a multi-media nationwide campaign to increase public awareness of the cooperative program in Indonesia. Aspects of the program were to range from national T.V. and radio advertisements to the development of a simple booklet to be distributed to farmers. Additional information regarding this project is contained in Appendix G, the scope of work for the consultant.

CLUSA recruited a consultant to develop the program, Mr. Woodrow Beard, and he worked in Indonesia from approximately mid-November 1977 to approximately mid-March 1978.

Work was completed on this project, notably a flip chart, the script for a slide presentation, and a booklet to be distributed to farmers following the visual presentation early in 1978.

(3) INKUD Feasibility Study, (Cooperative System)

This program was one of the initial activities identified by CLUSA for implementation. Essentially, it was to establish a national level cooperative organization, the INKUD, and was viewed as an integral part of the National Identity Program and the National Public Relations Program. The program was thought of as a long range program, approximately ten years.

Mr. Harold Jordan arrived in Indonesia in November 1977 to develop the program, by which time CLUSA referred to it as the "Feasibility Study of Cooperative Organizational Structure" and was to encompass planning for primary (KUD), secondary (PUSKUD) and the national level (INKUD) cooperative development program. See appendix H, which was the scope of work for Mr. Jordan, for additional details of this project.

During the second quarter of 1978 the CLUSA representative was asked by USAID staff to assist them in developing a PID for a three year project to assist the GOI in cooperative management. The proposed project would have provided technical assistance for the development of a national level cooperative institution, the INKUD, and proposed a level of AID funding of \$3.3 million. The PID also referred to PL 480 Title III funds as a probable source of equity capital for cooperative development. In subsequent meetings with the GOI, the Mission Director and AID/W representatives tried to get the GOI to transfer a portion of PL 480 Title I resources to Title III. Since the GOI rejected this proposal, no further action was taken by AID on the PID.

CLUSA persevered in their efforts to develop and implement a program encompassing long range national level cooperative development. During the latter part of 1979 Dr. John Schott, a CLUSA consultant, at the request of Mr. Muslimin, Secretary to the Junior Minister, prepared a project paper for the provision of professional services to the Ministry to develop a long term cooperative development plan. The project paper was submitted to BAPPEKAS with the suggestion that the World Bank would fund the project. At the time of the evaluation CLUSA provided the USAID with copies of correspondence between the office of the Director General of Cooperatives and the IBRD,

indicating that CLUSA would be implementing a six month long national cooperative development study. The proposal was prepared by CLUSA and would be implemented with IBRD resources, approximately \$250,000.

(4) Central Java PUSKUD Rice Mill Klaten Project

This project is cited within CLUSA's first quarterly report submitted June 30, 1977. The basis of the project was identified as a rice procurement and processing activity, utilizing existing plant capacity, which had been built by the German Government under their foreign aid program, and was to be conducted in competition with private traders. See Appendix I, the scope of work for the project coordinators and, Appendix J, a preliminary project description, for additional details of this proposed project. The mill referred to is located in the town of Ceper, which in turn is located near the town of Klaten, the administrative center of the Kabupaten of Klaten, in the province of Central Java. By September 1977 a scope of work for the project had been completed, and it noted that four expatriate and four Indonesian Project Coordinators would be required, all resident in Klaten, to assist in implementing the project. Also at this time, September 1977, it was noted that the project would be expanded to work with 35 KUDs in the Kabupaten and it was stated that the project would not be completed prior to the termination date of the OPG.

By December 1977 the project had been approved by the then Director General for cooperatives, and it became known as the "Klaten Project". At this point three KUDs were identified for intensive work and it was planned to start the rice purchasing program in March or April. The three KUDs identified were; KUD Wedi, KUD Jimus, and KUD Turus. The program did not commence due to uncertainties over the supply of credit and organizational changes within the GOI regarding responsibilities for cooperatives.

By June of 1978 CLUSA had identified the need for credit, approximately US \$1.2 million, without which the program could not be implemented. The starting date for the project by this time had been rescheduled to October 1978.

It must be noted that in May 1978, CLUSA submitted a proposal to USAID/I to extend their OPG to March 1980 and requested an additional \$426,981. Within this amount there were funds requested for "travel" for two VIA (Volunteers in Asia) persons to travel to Indonesia to work in the project, and there were funds within the total amount for equipment for the Klaten project. There were no funds within the proposal for working capital.

In September of 1978 CLUSA noted that personnel to assist in the project could not be hired because the OPG had not been extended. At this point CLUSA was approximately one year in time from the original project completion date and neither time nor money remain to implement the project. Initial implementation was then rescheduled to January 1979.

In December 1978 CLUSA hired a Project Management Coordinator at Klaten for the project, Mr. Jim Heckman, while at the same time implementation was rescheduled to commence in April 1979.

During the first quarter of 1979, progress was made in terms of organizational details, though the complete project paper was yet to be written. Initial implementation was again delayed until June 1979.

In April of 1979 CLUSA's grant was increased by \$426,981, and the project termination date was extended to April 30, 1980. The GOI approved the development budget for Klaten. The purpose of the amendment, granted at CLUSA's request, was to allow CLUSA to proceed with the Klaten project, hire some additional project personnel and to extend the life of the project to April 30, 1980.

During August of 1979 Mr. Garry Swisher was employed by CLUSA as Project Management Coordinator and during December of 1979 CLUSA and the Indonesian Project Development Officer in Klaten hired four Indonesian management staff. It should be noted that in October of 1979 USAID/I approved CLUSA's request to allocate \$23,300 of the funds budgeted for Klaten commodity support (\$63,100) to supplement the salaries of thirty personnel to be hired by Puspeta Klaten.

During the first quarter of 1980 the Director General for Cooperatives recommended that CLUSA approach the Ministry of Finance for a working capital loan. By June of 1980 CLUSA had been able to secure a small working capital loan from the office of the Junior Minister for Cooperatives in the amount of Rp. 10 million (US\$16,000) to purchase cabe (small peppers) from members in one KUD (Bayat).

With this limited amount of working capital in hand CLUSA mounted, during the second quarter of 1980, an energetic campaign to enlist farmers in working groups within Kecamatan Bayat villages. Within the area of KUD Bayat, previously noted as an initial area of concentrated activity, they were instrumental in gathering 7,518 farmers into 355 groups within 14 villages. It was noted at the time however that less than a tenth of these farmers could be involved with, or benefit from, proposed Puspeta/Klaten activities. The only programs started in Bayat were the distribution to participating farmers of 200 goats and 19 cows as well as the distribution of fertilizer, seeds and pesticides. CLUSA maintained, at the time of the evaluation, that the LCUSA representative advised against starting the livestock program before all supporting services were in place, however the management team felt that PUSPETA must begin a small program to show good faith. The total cost of the goat project was \$2,529 and involved the distribution of 200 goats to 25 farmers living in two villages. The program was considered a failure in that many of the animals died, or were sold prematurely, and the loans granted for their purchase were not repaid. The evaluation team interviewed the manager of the Bayat KUD, a Mister Gito, who stated that the goats were too young when purchased and distributed. The goats were distributed just prior to the dry season when natural forage was limited, and the recipients of the goats, chosen by the KUD management, had no experience in animal husbandry. The loans granted for the purchase of the 19 cows, amounting to a total of \$9,624, were still being repaid during the first quarter of 1982.

The Klaten project, as originally conceived, came to a virtual standstill in May of 1980 due to the lack of working capital. At the end of the first quarter of 1981 project staff were reduced from 82 to 35. Quoting from the CLUSA quarterly report for June 30, 1981, "loss of personnel occurred as of March 31, 1981 when Puspeta Klaten had to terminate 57% of its employees

because of lack of budget support and operating capital. This year of training and salary payment has been lost. Such a large reduction presupposes very little business activity for 1981. All field workers were cut from the budget. 65% of the 35 employees remaining are truck drivers, rice mill employees, janitors and guards leaving only 15 other employees. If we are to have any kind of operational program to carry out the goals and objectives of the CLUSA/Puspeta project, it can't be done with this number of people. If and when the PL 480 grant is approved new employees will have to be hired and trained again."

From this time on it is clear that any additional progress was dependent upon CLUSA securing PL 480 Title I resources to carry on the project. The GOI predicated its granting of any additional loans to the project on the acquisition by CLUSA of these resources.

In 1981 a bridging loan of Rp. 50,000,000 (\$80,000) from the Junior Minister of cooperatives for working capital. This loan was made only on the understanding that CLUSA and AID had all but formally signed the PL 480 Title II Transfer Authorization.

(5) West Java PUSKUD Rice Mill Project

This project was one of the initial six projects identified within CLUSA's first quarterly report. At the suggestion of the Director General staff, it was identified as a possible CLUSA project, to be implemented in a manner similar to the Klaten Project (Central Java PUSKUD Rice Mill Project), it was noted that certain difficulties had been identified within the Kabupaten Krawang KUDs and that these difficulties would delay project implementation. The difficulties referred to were the misappropriation of rice purchase funds.

During December of 1977 six large private sector mills in the area were turned over to the West Java PUSKUD. CLUSA noted at the time that the efficient operation of these mills, and the original PUSKUD mill, would require working capital of approximately Rps. 3.5 billion, or over US\$ 8 million.

Whether for the lack of capital, or the KUD difficulties cited above, CLUSA dropped all efforts to plan or implement this project after December 1977.

(6) East Java PUSKUD Project Studies

This project was identified as one of the initial six projects cited in CLUSA's initial quarterly report for possible implementation. In that report, of June 30, 1977, CLUSA stated, "At least ten economic feasibility studies will be done for KUD's in East Java which are eligible for ADB Agricultural Loans. This project will be carried out in cooperation with the East Java PUSKUD."

Since this was in fact an ADB project, with expatriate advisors, the Director General staff recommended that the ADB should have full responsibility for this activity. Consequently nothing more was done by CLUSA.

(7) LUWU Transmigration Area Project

While CLUSA's quarterly reports continue to note the progress being made by the CLUSA consultant assigned to the LUWU project, the actions and accomplishments of this consultant can not be attributed to this project's goals and performance. The CLUSA relationship with the LUWU project is solely that CLUSA has provided, under a sub-contract, the services of one qualified person to the contractor implementing the LUWU project. The Rural Development Office of USAID/I, which is responsible for the implementation of the Luwu project, supports this interpretation of the CLUSA/Luwu relationship, noting that there are no official linkages between the Luwu project and CLUSA beyond the contractual one noted.

The consultant, which CLUSA provided on a sub-contract basis for the LUWU project, has contributed significantly to the development of cooperatives in the project area, and his efforts will no doubt have a measurable impact upon centrally located decision and policy makers within the national cooperative movement. The outputs attributed to this consultant however were provided for within the Luwu project and not with resources granted to CLUSA within their OPG.

(8) Prefeasibility Study on use of ferro-cement for KUD bulk grainstorage and drying units.

This activity was identified as a possible project in CLUSA's quarterly report covering the period July through September 1977. The report noted that a Mr. John Heimovics, a private consultant, who had worked in 1973 on an AID financed report covering grain storage and marketing in Indonesia, would return to Indonesia in November of 1977 and would prepare for CLUSA a feasibility study covering the applicability of utilizing ferro-cement for constructing grain storage facilities.

Mr. Heimovics worked in Indonesia for a period of two weeks and in mid-November presented his report which concluded that the proposed techniques of construction were structurally sound and economically feasible. Also at this time, the CLUSA representative discussed the proposed activity with the Director of the Institute of Technology located in Bandung, who offered to work with CLUSA on any development projects using the proposed technology.

The evaluation team would note that just prior to Mr. Heimovics visit to Indonesia in November of 1977, the USAID Mission, through its Office of Science and Technology, funded the conduct of a feasibility study on the potential for utilizing ferro-cement construction techniques in Indonesia. The study was carried out by a representative from the Asian Institute of Technology and a representative from the Sjaru Cement Co. Ltd. during October of 1977. The study concluded that ferro-cement construction techniques could reduce by half the cost of erecting grain storage facilities in Indonesia. Following the publication of the report, and based on the findings of a concurrent seminar, USAID provided grant funding to the Institute of Technology in Bandung to further develop the technology of ferro-cement construction.

CLUSA's quarterly reports after this period (up to December 1977) make no further reference to this activity. The project was "identified", a

feasibility study was completed prior to December 31, 1977, but no further activity occurred regarding this proposed output of the CLUSA project. At the time of this evaluation, CLUSA stated, "that the technology had not been developed to a point which warranted widespread use through cooperatives; consequently no further work was done."

(9) Bali PUSKUD/KUD Projects

In the interest of finding potential projects for cooperative members, this project was identified in CLUSA's second quarterly report, covering the period July through September 1977. The project was premised upon the production of sweet corn by the KUD's in Bali, the potential market for the sweet corn being the tourist hotels of Bali, with surplus production being locally canned and marketed within Indonesia, and perhaps in Singapore.

There are no further references to this project in any other reports submitted by CLUSA to AID, thus, the project never went beyond the stage of being "identified" as a possible project.

(10) East Java PUSKUD/KUD rice mill projects.

This project was identified by CLUSA in their quarterly report covering the period July through September 1977. In that report, CLUSA stated that a program similar to the Central Java purchasing program (the Central Java PUSKUD Rice Mill Project) could be undertaken in East Java. The report cited the existence of seven KUD's within the province which, with funds provided by the Provincial Governor, had established facilities for the processing of rice.

The next, and last, reference to this activity is contained in CLUSA's following quarterly report (Oct. - Dec. 1977), in which it is stated, "No decisions have been made on expanding the Klaten Project into East Java. It is unlikely that such a decision will be made before late 1978." Thus, this possible project was dropped.

(11) Tasikmalaya Project.

This activity is first noted as a possible CLUSA activity in their quarterly report covering the period January through March 1978. The identification of the activity and the eventual implementation of the activity as a CLUSA project output is indeed doubtful as indicated by CLUSA's reference to the activity in their quarterly report for March 31, 1978. Quoting from that report, "Ditjenkop is planning a fertilizer distribution project in Kabupaten Tasikmalaya, (West Java), to be carried out by the West Java PUSKUD. At this time it has not been decided what role CLUSA will play in the project. An effort is being made to coordinate the foreign experts from the various organizations assisting Ditjenkop. Mr. Tom Haney, FAO advisor, is the principal designer of the project. Mr. Cserny, the cooperative bank advisor, and Mr. Loveridge, the ILO project leader, may have important roles in assisting the project."

The Directorate General decided that the project would be implemented by the FAO which had done all of the preliminary work. As noted in their following quarterly report, CLUSA made no further efforts to be involved with this activity.

(12) Nutrition/Rice Bran Stabilization

During May of 1978 CLUSA submitted a proposed revision of their OPG to USAID/I. Their proposal requested funds for an expansion of the OPG over an extended period of time. Within the budget accompanying their proposal was a line item for an activity entitled "Rice Bran Stabilization", and a detailed budget for this line item was set out as follows:

(i) Local purchase of ingredients; 8 tons @ \$400/ton	\$3,200.
(ii) Transportation (in and out)	800.
(iii) Processing (IPB)	1,200.
(iv) Packaging and Printing	800.
(v) Printing/Literature/Slides	900.
TOTAL	\$6,900.

The project initially centered around processing rice bran, a by-product of the rice milling process, from the Klaten mill, into a nutritious foodstuff.

The CLUSA quarterly report for the period July through September 1978 noted that a request to utilize \$6,900 within the revised OPG had been sent to AID/W for approval. The report also notes that the activity will be carried out in cooperation with CARE, the Agricultural College in Bogor, and the College of Engineering at Bandung. The following quarterly report, covering the period October through December 1978, noted that CLUSA is a member of an advisory committee governing the activity and that the committee was formed with representatives from the the following organizations: CARE; the Agricultural College in Bogor; the Institute of Technology at Bandung; Catholic Relief Services (CRS); the Department of Education; and, the Department of Health. The report also noted that the experiments would be conducted with a Brady Crop Cooker owned by CARE and operated by the Agricultural Engineering Department in Bogor. The report also noted that the objective of the project was to develop a nutritious food from local ingredients. Two experiments had already been conducted utilizing 60% PL 480 Title II commodities and 40% local ingredients.

The December 1, 1978 minutes of the USAID/I review of CLUSA's request for an expansion of their program, based on CLUSA's May 17, 1978 submission, refer to the fact that the Rice Bran Stabilization and Nutrition Program will be "implemented in conjunction with CARE and the agricultural university in Bogor." The finished products were to be used in a mother/child feeding program "under the supervision of CARE and the Department of Health." A second objective of the project was "the testing of the low-cost extrusion cooker for stabilization of the very high quality of rice bran produced in (the) Klaten project."

CLUSA's next quarterly report, covering the period January through March 1979, noted that the the third experiment with the Brady Cooker had been conducted on March 13, 1979, utilizing 60% PL 480 Title II commodities.

The same quarterly report (Jan. - Mar. 1979) noted that Mr. Paul Crowley of the USDA visited Indonesia in late March and consulted with CLUSA on their future plans for this activity. He also carried with him, from the United States, the vitamin and mineral supplements needed for the experiments.

The amendment to the OPG, which provided the \$6,900 requested by CLUSA for the activity, was effected in April of 1979, by which time the experiments to manufacture a nutritious food from local ingredients were essentially completed.

The evaluation team interviewed a past employee of CARE/Indonesia and a food technologist of IPB who was involved with the experiments. The ex-CARE employee noted that the experiments were being conducted to determine the feasibility of utilizing local products in place of PL-480 Title II commodities in their feeding programs. The IPB technologist was not aware of CLUSA's involvement in the experiments.

CLUSA's financial reports indicate that a total of only \$336.13 was expended for this activity.

While in Indonesia Mr. Crowley assisted CLUSA in the preparation of a project paper, the purpose of the project being to prepare and distribute nutritious foodstuffs utilizing local ingredients. The project was to have been managed by CLUSA and was initially presented to the USAID as an adjunct to a project then being developed by the USAID/Population Office, the Village Family Planning/Maternal Child Welfare Project. The project did not proceed any further. The evaluation team can not determine the specific reason for there being no further activity but would note that at the time AID/W was not encouraging the implementation of feeding programs and the USAID Mission did not encourage the addition of this activity to the broader VFP/MCH project then being developed.

(13) Eco-Solar Generator.

In their quarterly report covering the period January through March 1979, CLUSA noted that a Dr. L.J.W.M. Verpaalen had been in Indonesia throughout most of the quarter talking to Indonesians about the development of solar energy generation. The system which he proposed developing had been the result of the work of an associate of his who had worked on the generation of solar energy in Indonesia and Brazil over the past forty years.

CLUSA, having "identified" ecological solar generation as a possible activity, stated that they "will continue to explore ways in which a project can be developed and funded. Mr. Verpaalen left Indonesia after failing to obtain support from any Indonesian Ministries, consequently CLUSA did not proceed any further with this activity.

(14) Aru Islands Seaweed Project

This activity was initially identified as a possible CLUSA sub-project in CLUSA's quarterly report for the period June through September 1977. Correspondence contained in USAID/I's files indicates that there is a degree of confusion regarding the source of the impetus which initiated this particular sub-project. See Appendix J.

USAID/I provided a limited amount of funding (\$3,400 - \$4,000) to provide the services of a Volunteer in Development Corporation (VDC) consultant, Mr. Leroy Hollenbeck, to perform the feasibility study for the project. The study

was completed during the period May to August 1978. Upon completion of the feasibility study CLUSA began preparing a Project Paper for presentation to potential donors and financial institutions. CLUSA hired the Aru KUD manager, Mr. Petier Ursepuny, as a consultant to assist in the preparation of the project paper, and Mr. Hollenbeck, who was present in Jakarta for a three week period in January 1979, also assisted in its preparation. In March of 1979 the project paper was reviewed by USAID/I staff and approved. The funding required for the three year proposed project amounted to a total of \$2,755,093, of which; \$310,990 was to be provided by USAID, \$427,733 by the GOI, \$577,838 was to be secured through local lending institutions, while the remaining \$1,458,532 constituted the contribution of the beneficiaries.

The USAID/I review committee approved the project, but noted that PVC Co-financing would be available only for the first year of project implementation. This amount was \$125,135, however, due to funding limitations at that time, only the first six month's requirements could be met with available co-financing funds. The USAID thus obligated \$77,120 to fund the initial implementation of the project.

The primary purpose of the project was to enable 1,300 families (approximately 5,000 people) of the Aru Islands to establish a self-sustaining seaweed farming industry which would; (1) increase their low incomes and contribute to improved living conditions, (2) prevent natural depletion of the seaweed beds, and (3) develop an effective and economically viable village unit cooperative organization.

Prior to September 30, 1979 the Director General of Cooperatives transferred four fishing boats from Jakarta to the Aru KUD, and on December 7, 1979 the Board of Directors of the project completed arrangements for the boats to be leased by the KUD to a private Indonesian/Japanese joint venture company for shrimping as an interim income generating activity.

During September and October of 1979 Mr. Hollenbeck and Mr. James Heckman, another CLUSA consultant, commenced their assignments with the project, Mr. Heckman providing assistance to the KUD in the area of administration and accounting, while Mr. Hollenbeck commenced the establishment of the physical and organizational structure for the growing of seaweed.

Within months of the initial implementation of the project problems were encountered. The consultant, Mr. Hollenbeck, noted that the seaweed plants grown from the floating rafts at the initial test site were not being properly maintained, but he also noted that since those responsible for maintenance were not being paid there was a clear disincentive to performing the required work.

Also at this time a serious problem had been identified with respect to the financial management of the project, which was attributed to the General Manager of the Aru KUD. During the second quarter of 1980 the Ditjenkop office, at the request of CLUSA conducted a financial and management audit of the project. Project activities were halted as of June 5, 1980, pending the outcome of the audit.

The project consultant, with USAID consent, meanwhile surveyed alternative sites within Indonesia to implement the project.

In September 1980 CLUSA decided to terminate the project "because of the insoluble management and other related problems." Quoting from CLUSA's quarterly report for the period June through September 1980, "The main management problem which developed from the irresponsible spending habits of the General Manager are compounded by other weaknesses, such as:

- a). A Board of Directors hand picked by the General Manager who are more interested in the income generated by the fishing trawlers than in developing a sea weed farming project.
- b). Distrust of the Board and Management by the Provincial Cooperative Officer who refuses to release budgeted funds or equipment to the project.
- c). The inability of the Ditjenkop to take decisive action to change the Board and the management because of local political pressures."

Actual implementation of this project covered something less than a year. The CLUSA consultant fulfilled one year of his contract. Implementation of the project was terminated, by CLUSA because of the reasons given above.

(D) Tabular Summary Of Outputs

The status of project outputs over the life of the project is summarized in Table II. This table indicates during which six month period any one particular sub-project was identified (A), the period in which the feasibility study was completed (B), when planning was completed, but not necessarily when funding was secured (C), when sub-project implementation commenced (D), and when the particular sub-project was evaluated (E). In addition, an indication (O) is given with respect to the time period beyond which any particular sub-project was no longer being considered for implementation by CLUSA.

The table indicates, for example, that during the six month period ending December 31, 1978: the Central Java PUSKUD/Klaten sub-project had been planned, but not necessarily funded; the INKUD sub-project had been planned but not necessarily funded; the Aru Islands Seaweed sub-project feasibility study was completed; the Nutrition/Rice Bran Stabilization sub-project feasibility study was completed; but by 12/31/78 all other "identified" sub-projects had been dropped from consideration for implementation by CLUSA.

The summary at the bottom of Table II compares the sums of these specific activities with the projected output table contained in the amended grant agreement, see Appendix B, the projected outputs being stated in parenthesis. Also this portion of the table indicates the number of sub-projects which were "active" during each six month period, "active" being defined as the period of time between the point at which the project has been identified by CLUSA as a possible sub-project and that point in time beyond which it is no longer being considered for implementation.

The bottom portion of the table, indicates that by the same date, 12/31/78: twelve projects had been identified, against a cumulative projected total of 60, 6 feasibility studies had been completed against a projected output of 28, projects planned and funded totaled 2 against a projected output

of 20, no projects were being actually imp. no projects had been evaluated against a t in the life of the project. In addition, identified sub-projects had been abandoned four sub-project activities were actively

The data and events expressed in this since the information was drawn from solel For example work may have been accomplishe but not reported in their quarterly report formulated upon the basis of six month tin exactly when during the six month period, occurred. The table does however provide of activities undertaken by CLUSA over the

	12/31/76	6/30/77	12/31/77	6/30/78	12/31/78	6/30/79	12/31/79	6/30/80	12/31/80	6/30/81	12/31/81	6/30/82
1. National Identity Program		A----	---B---	---0								
2. Cent. Java PUSKUD/Klaten		A----	---C---				---D---	---0				
3. West Java PUSKUD		A----	---0									
4. East Java PUSKUD Studies		A-0										
5. Luwu Transmigration & Dev.		(A)										
6. INKUD Feasibility Studies		A----	---B---	---C---								
7. Nat. Public Relations Pro.			A----	---B-0								
8. Ferro-cement Grain Storage			A-B-0									
9. Bali PUSKUD			A-0									
10. East Java PUSKUD/Rice Mill			A-0									
11. Aru Islands Seaweed			A----		---B---		---C-1---	---0				
12. Tasikmalaya Project				A-0								
13. Nutrition/Rice Bran				A----	---B---	---C-0						
14. Eco-Solar Generation						A-0						

Summary Output Achievement

A. Identification	5 (10)	5 (15)	2 (15)	0 (20)	1 (20)							
B. Feasibility Studies		3 (6)	1 (10)	2 (12)	0 (12)							
C. Planned and Funded		1 (3)	1 (7)	0 (10)	1 (10)	1						
D. Implemented		0 (2)	0 (4)	0 (6)	0 (8)	2						
E. Evaluated			0 (1)	0 (2)	0 (4)							
O. Sub-project terminated	1	4	3		2		1	1				
No. of Projects Active	5	9	7	4	5	3	3	2	1	1	1	1

(E) Commentary on the Outputs

The project paper states that "80 projects using improved planning techniques (would be) in various stages of development," by the end of the project's lifetime. A schedule of project outputs within the amended project paper in fact notes that by the end of the project; 80 projects would be identified, 40 feasibility studies completed, 30 projects planned and funded, 20 projects implemented, and 7 or 8 evaluated.

Quantitatively, the project did not reach these goals.

In making the statement that the sub-projects did not, for the most part, meet the goals of the project, it is necessary to reflect upon the fact that sub-projects were to have been appropriately sized agribusiness activities managed by primary and/or secondary cooperatives for the benefit of their members. This intent is drawn from the amended project paper, Appendix B, which states that projects are defined as, "Any agribusiness activity which a cooperative or group of cooperatives may feel is an essential service for its members or which will increase the productivity and/or income of the cooperative and/or its members."

Three projects identified by CLUSA in their early quarterly reports do not meet these criteria, the National Identity Program, the INKUD Feasibility Study, and the National Public Relations Program. These three projects were designed to establish a national level cooperative organization, identify it with a "trade mark", and nationally publicize its existence, yet the project itself was ostensibly to demonstrate to the GOI the value of cooperatives to national development through a bottom-up approach. CLUSA's own evaluation, conducted in July of 1979 notes that, "The GOI indicated fairly early in the life of the project that efforts toward the development of a national-level cooperative federation and provincial-level federations should be postponed for a while so that emphasis could be given to the development of KUDs".

With respect to the appropriateness of the size of the activities identified, at least four of the identified projects were inappropriately large in light of the project budget. As early as June 1978 the CLUSA representative cited the need for \$1.2 million in working capital in order to implement the Central Java PUSKUD project. In December 1977 he cited the need for \$8 million in working capital to operate mills in the West Java PUSKUD project. In March of 1979 the need for \$2.22 million to effectively implement the Rice Bran Stabilization project was noted, and the East Java PUSKUD Studied project was in fact an early attempt to conduct feasibility studies for proposed multi-million dollar investments in the Province utilizing Asian Development Bank capital loans.

The Aru Islands Seaweed project is perhaps the only sub-project that was designed to be implemented by a primary cooperative, and it is truly unfortunate that this activity failed.

Following a review by CLUSA of the initial draft of this evaluation report, the CLUSA resident consultant, Mr. Edwin Fox, and CLUSA's Vice President for International Development, Mr. Ferris Owen, presented the evaluation team with written material attesting to the successful completion of the project. Specifically they presented the team with written statements

and a tabular summary of 110 sub-projects, in various stages of development, which were being undertaken in association with the Puspeta/Klaten project. Their tabular summary is presented as Table III, presented overleaf.

CLUSA states that, "Both quantitatively and qualitatively the project achieved these outputs, and in fact, surpassed them with one exception. There were no evaluations mounted due to the delayed implementation of the Puspeta/Klaten sub-projects. This can be understood when considering the long gestation period of the major Puspeta/Klaten project." However, it is noted that the 110 sub-projects of Klaten do clearly fit the project definition agreed to in the 1978 project description."

CLUSA's written statement then reiterates the definition of a project contained in the amended project paper (see previous page for the definition) and states that, "Under this definition there are only three major projects and scores of sub-project which qualify as 'projects' within the above description. The major projects are; the Puspeta/Klaten project, the Luwu project, and the Aru Islands Seaweed project." The list of 110 sub-projects submitted by CLUSA are related solely to the Puspeta/Klaten project.

CLUSA thus contends that this list of projects illustrates their successful accomplishment of the project outputs as quantified in the original, and amended, project agreements, and in fact exceeds the target outputs since the list comprises 110 projects identified, rather than the quantity of 90 specified in the log-frame of the project agreement; both the original and amended versions.

The evaluation team however would make the following observations regarding the list of 110 sub-projects. A CLUSA employee assisted the evaluation team in reviewing the list at the time of the team's visit to Klaten.

The first 19 projects listed are in fact activities which were carried out under the Dutch technical assistance project which distributed 119 rice mills and 127 trucks to KUDs throughout Central Java. CLUSA did have an impact in this activity in that they assisted in the preparation of a feasibility study for the placement of some of the mills and allocation of the trucks in the Kabupaten of Klaten.

Project No. 20, building material sales, is listed solely as having been "identified" as a possible activity.

Projects 21 through 28 are activities which were "identified" during the period in which CLUSA was implementing activities with OPG resources, but they are also activities for which resources were provided under the terms of the PL-480 Title II grant, and as such, are activities which would not have progressed to the stage of implementation without those resources.

**MISSING PAGE**  
**NO. 31**

Projects 29 through 32, the local manufacture of stainless steel articles, are listed as being in the process of being studied for their feasibility, which indicates that CLUSA has yet to determine if these items can in fact be locally manufactured.

The evaluation team is aware that projects 33 and 34, raw materials for silage production, are underway but would note that the corn, grass and legumes produced are to fill silos being constructed, or already constructed, with resources from the PL-480 Title II grant.

Projects 35 through 44, human and animal food production, are dependent upon the arrival in-country of an extruder and other equipment which has been purchased by CLUSA with resources from the PL-480 Title II grant. These activities are not therefore being carried out as activities utilizing OPG resources.

Projects 45 through 48, dairy production and cow management involving up to 800 cows, is in fact a GOI program to distributed dairy stock. CLUSA has been involved in this program in that they have been involved in selecting the sites for distribution.

Projects 49 through 58, involving feed distribution and milk collection, have not yet been implemented since their implementation is dependent upon the arrival in-country of equipment purchased by CLUSA with resources from the PL-480 Title II grant.

Projects 59 through 62, involving swine production, are listed as being "in the process" of having feasibility studies completed, however the evaluation team is not aware of any further developments regarding these activities.

Projects 63 and 64 have in fact been implemented. The evaluation team observed the poultry operation at the KUD in Pedan which involved 117 of the KUD's total membership and learned that the operation had commenced on November 7, 1981. The team did not visit the poultry operation at the Polanhardjo KUD nor did the team ascertain if either operation involved OPG resources in the form of working capital loans.

Projects 65 and 66, involving broiler production, are listed as being studied for their feasibility, but have not progressed beyond that stage.

Project No. 67, beef cattle fattening in Bayat, while listed as currently under study, was in fact implemented with resources from the OPG, however, the project involved no more than 19 cows and a similar number of beneficiaries. A CLUSA staff member informed the evaluation team that the amount of working capital loans involved was approximately \$9,624, and that once the loans were repaid the funds were utilized for the salary subsidies of PUSPETA staff.

Projects 68 through 73, involving beef and poultry production, as well as project No. 74, involving egg production and marketing, are listed solely as having been "identified" with the exception of two activities that are being studied for their feasibility. These activities, if implemented, will be implemented with PL-480 Title II grant resources rather than OPG resources.

Project No. 75, rice seed production, has in fact been implemented by CLUSA utilizing the drying facilities of the PUSPETA/Klaten rice mill. The activity did not commence however until late 1981 or early 1982 and thus may not have involved the utilization of OPG resources.

Project No. 76 through 79, involving seed production and marketing, are listed as having been "identified", with the exception of peanut seed production and marketing which is being studied for its feasibility.

Project No. 80, small tools marketing, has only been "identified" and the evaluation team did not learn whether or not there are plans to proceed further with this activity.

With respect to project No. 81, fertilizer distribution, it should be noted that while PUSPETA/Klaten is involved in fertilizer distribution to KUDs in Klaten it is in fact a program that the GOI has initiated through the cooperative organization in Indonesia, as noted earlier in this report. CLUSA has noted in parenthesis that this is a GOI program.

Project No. 82, pesticide/herb/fungicide distribution, is presently being studied for its feasibility, while the following project, a fertilizer mixing plant, has been "identified" as a possible activity.

Project No. 84, rice milling at PUSPETA/Klaten, has been listed as having been implemented, however, CLUSA has informed the evaluation team that this activity is not likely to be repeated following one attempt to mill a substantial quantity of rice. The attempt to economically mill rice failed because of the fact that poor quality rice was initially purchased for milling and the margin between the buying and selling price did not cover the cost of milling.

Based on the experience noted above, the following project listed, No. 85, involving rice production contracts, may involve production of rice solely for the production of seed.

Project No. 86, sheet metal production, was implemented, however following initial implementation the evaluation team is not aware that this is a continuing activity.

Project No. 87, clay roofing tile financing, was implemented and the site of implementation, KUD Pembangunan, was visited by the evaluation team. Utilizing a small amount of OPG resources, working capital loans were provided for 93 of the KUD's 1,030 members. The loans were utilized to purchase the raw materials necessary for the production of clay roofing tiles.

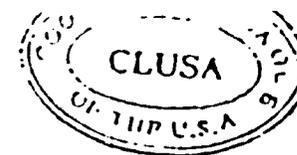
Project No. 88, the erection of kiosks and the provision of rice drying floors, is an activity which is being carried out by the GOI at their initiative.



PROJECTS ASSISTED

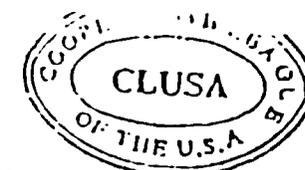
No.	PROJECT	PUSPETA/KUI	Projects Identified	Project Feas. Study Completed	Projects Planned and Funded	Projects Implemented	Projects Evaluated
1	Rice Mill (Dutch Financing)	Pembangunan	X	X	X	X	
2	Rice Mill " "	Bayat	X	X	X	X	
3	Rice Mill " "	Cawas I	X	X	X	X	
4	Rice Mill " "	Cawas II	X	X	X	X	
5	Rice Mill " "	Delanggu	X	X	X	X	
6	Rice Mill " "	Bulan	X	X	X	X	
7	Rice Mill " "	Karangnoko	X	X	X	X	
8	Rice Mill " "	Karagdowo	X	X	X	X	
9	Rice Mill " "	Gantiwarno	X	X	X	X	
10	Rice Mill " "	Prambanan	X	X	X	X	
11	Rice Mill " "	Kebonarum	X	X	X	X	
12	Rice Mill " "	Manisrenggo	X	X	X	X	
13	Rice Mill " "	Joganawan	X	X	X	X	
14	Rice Mill " "	Juwiring	X	X	X	X	
15	Rice Mill " "	Toloyo	X	X	X	X	
16	Transport/Truck " "	Wedl	X	X	X	X	
17	Transport/Truck " "	Juwiring	X	X	X	X	
18	Transport/Truck " "	Toloyo	X	X	X	X	
19	Transport/Truck " "	Kebonarum	X	X	X	X	
20	Building Materials Sales-- Cement/Nails and Wood	All 35 KUDS	X				

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No.	PROJECT	PUSPETA/END	Projects Identified	Project Feas. Study Completed	Projects Planned and Funded	Projects Implemented	Project Evaluated
21	Wet Cast Silo Staves *	PUSPETA	X	X	X	In process	
22	Fiber/Cement Roofing Sheets	PUSPETA	X	X	X	In process	
23	Pre-Cast Cement Slats *	PUSPETA	X	In process			
24	Pre-Cast Cement Poles	PUSPETA	X	In process			
25	Pre-Fab Roof Trusses	PUSPETA	X	In process			
26	Pre-Fab Livestock Buildings *	PUSPETA	X	In process			
27	Cement Stave Tanks-- Water, Molasses, and Manure *	PUSPETA/EUDS	X	In process			
28	Cement Stave Grain Storage Bins *	PUSPETA/EUDS	X	In process			
29	Steel Farrowing Crates *	Batur	X	In process			
30	Steel Milking Stanchions *	Batur	X	In process			
31	Steel Silo Construction Accessories *	Batur	X	In process			
32	Stainless Steel Milk Cans *	Batur	X				
33	Corn Silage Forage Production *	PUSPETA *	X	X	X	In process	
34	Grass and Legume Hay Production *	PUSPETA/4 EUDS	X	X	X	In process	
35	Concentrate Feed Manufacturing	PUSPETA	X	X	X	In process	
36	Pre-Mix Manufacturing	PUSPETA	X	X	X	In process	
37	Supplement Feed Manufacturing	PUSPETA	X	X	X	In process	
38	Synthetic Protein - Slow Release N. *	PUSPETA	X	X	X	In process	
39	Heat Treated Protein *	PUSPETA	X	X	X	In process	
40	Extruded Oil Seeds *	PUSPETA	X	X	X	In process	



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No.	PROJECT	PUSPETA/KUD	Projects Identified	Project : Feas. Study Completed	Projects Planned and Funded	Projects Implemented	Projects Evaluated
41	Extruded Rice Bran *	PUSPETA	X	X 1	X	In process	
42	Low Trypsin Inhibitor Protein *	PUSPETA	X	X	X	In process	
43	Extruded Baby Pig and Calf Feeds *	PUSPETA	X	X	X	In process	
44	Extruded Human Foods - Weaning, Nursing and Pregnant Mothers *	PUSPETA	X	X	X	In process	
45	Dairy Production - Cow Management(300)	Karangnoko	X	X	X	In process	
46	Dairy Production - Cow Management(300)	Jatinom	X	X	X	In process	
47	Dairy Production - Cow Management (100)	Kemalang	X	X	X	In process	
48	Dairy Production - Cow Management (100)	Manisrenggo	X	X	X	In process	
49	Feed Mixing & Dist/Silos & Mixer Wagon*	Karangnoko	X	X	X	In process	
50	Feed Mixing & Dist/Silos & Mixer Wagon*	Jatinom	X	X	X	In process	
51	Feed Mixing & Dist/Silos & Mixer Wagon*	Kemalang	X	X	In process		
52	Feed Mixing & Dist/Silos & Mixer Wagon*	Manisrenggo	X	X	In process		
53	Milking Centers (5) *	Karangnoko	X	X	X	In process	
54	Milking Centers (5) *	Jatinom	X	X	X	In process	
55	Milking Centers (2) *	Kemalang	X	X	In process		
56	Milking Centers (2) *	Manisrenggo	X	X	In process		
57	Mobile Milk Cooler/Delivery System *	PUSPETA	X	X	In process		
58	Milk Treatment Plant	PUSPETA	X				
59	Swine Breeding Stock *	PUSPETA	X	In process			
60	Swine Multiplication Center *	Bayat	X	In process			



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No.	PROJECT	PUSPETA/KUD	Projects Identified	Project Feas. Study Completed	Projects Planned and Funded	Projects Implemented	Projects Evaluated
61	Swine Leasing Program *	PUSPETA	X	In process			
62	Swine Fattening Projects *	Bayat	X	In process			
63	Poultry - Egg Laying	Pedan	X	X	X	X	
64	Poultry - Egg Laying	Polanhardjo	X	X	X	X	
65	Poultry - Broiler Production		X	In process			
66	Poultry - Broiler Production		X	In process			
67	Beef Cattle Fattening *	Bayat	X	In process			
68	Beef Cattle Fattening *	Karaning	X	In process			
69	Duck Breeding Program/K.K. Campbell	PUSPETA	X				
70	Poultry and Duck Hatchery	PUSPETA	X				
71	Poultry Processing Plant	PUSPETA	X				
72	Meat Slaughter & Processing (Beef & Pork)	PUSPETA	X	In process			
73	By-Product Processing *	PUSPETA	X				
74	Egg Grading, Cooling, Storage & Mkt.	PUSPETA	X				
75	Rice Seed Prod./Processing/Marketing	PUSPETA	X	X	X	X	
76	Corn Seed Prod./Processing/Marketing	PUSPETA	X				
77	Peanut Seed Prod./Processing/Marketing	PUSPETA	X	In process			
78	Soy Seed Prod./Processing/Mkt.	PUSPETA	X				
79	Vegetable Seed Marketing	PUSPETA	X				
80	Small Ag. Tools/Marketing	PUSPETA	X				



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No.	PROJECT	PUSPETA/KUD	Projects Identified	Project Feas. Study Completed	Projects Planned and Funded	Projects Implemented	Projects Evaluated
81	Fertilizer Distribution (Gov't)	PUSPETA/KUDS	X	X	X	X	
82	Pesticide/Herb/Fungicide Distribution	PUSPETA/KUDS	X	in process			
83	Fertilizer Mixing Plant	PUSPETA	X				
84	Rice Milling	PUSPETA	X	X	X	X	
85	Rice Production Contracts	PUSPETA/KUDS	X	X	in process		
86	Sheet Metal Production Financing	Pembangunan	X	X	X	X	
87	Clay Roof Tile Financing	Pembangunan	X	X	X	X	
88	Rice Storage/Fertilizer Kiosks & Rice Drying Floor	11 KUDS	X	X	X	X	
89	Kerosene Distribution	4 KUDS	X	X	X	X	
90	Refined Sugar Distribution	All KUDS	X	X	X	X	
91	Cooking Oil Distribution	All KUDS	X				
92	Process Coffee Distribution	All KUDS	X				
93	Soap and Detergent Distribution	All KUDS	X				
94	Proprietary Drugs & Medicines	All KUDS	X				
95	Salt Distribution	All KUDS	X				
96	Cotton Cloth Distribution (Batiks)	4 KUDS	X				
97	Wax Distribution (Batiks)	4 KUDS	X				
98	Crop Buying Stations	20 KUDS	X	in process			
99	Custom Land Preparation	2 KUDS	X	in process			
100	Mechanical Threshing & Drying	2 KUDS	X	in process			

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Project No. 89, kerosene distribution, was initiated by PUSPETA/Klaten to provide fuel stocks for KUD rice mills. The activity involved organizing the bulk supply of fuel to KUDs with rice mills since, by law, suppliers had to restrict sales to vehicles only. This was not a profit making operation per se but an activity to organize the supply of a necessary commodity and did not involve the utilization of OPG resources.

Project No. 90, sugar distribution, is a program which the GOI has mandated to be carried out by KUDs as part of their efforts to effect the distribution of nine basic commodities, sugar being one of the nine, through KUDs.

The remain twenty projects on the list, with three exceptions, have all been designated as having been "identified" as possible activities to be carried out in the future. It is very unlikely that a number of these activities will be carried out however, for example, the Central Computer Services project is unlikely to be implemented since AID/W and the Mission eliminated funding for a computer from a previously submitted CLUSA budget proposal. It is equally unlikely that CLUSA will attempt to implement a bicycle and motorcycle sales program, a mail order catalog, or a project involving fried chicken (ayam goreng) restaurant franchises.

One project which does not appear on this list, but which was implemented by CLUSA, was the distribution of 200 goats to the member's of the Bayat KUD. The project was remarked upon in the section of this report covering the individual agribusiness sub-projects, specifically the Klaten Project, on page \_\_\_\_\_. The project failed but it is remarked upon here because it involved loans to farmers, utilizing OPG resources, amounting to approximately \$2,529. This total, combined with the loans to 19 farmers in Bayat for the beef cattle fattening project (No. 67 on the CLUSA list) account for a total of \$12,153 of the total amount of \$16,000 granted under the OPG for use as working capital.

The evaluation team's response to the submission by CLUSA of this list of activities which they contend meets the objectives set forth in the original and amended project papers is set forth below.

It is clear that CLUSA, after attempting during the early years of the project to implement a much broader cooperative development program in Indonesia, eventually narrowed their attempts to one specific area and project, the Klaten sub-project. Over the life of the project the definition of agribusiness sub-projects was applied solely to sub-activities of the Klaten project.

Of the list of 110 agribusiness sub-projects submitted to the evaluation team it should be noted that the first nineteen were in fact the result of other donor inputs, thirty activities on the list have only been identified as possible activities, and some of those are very unlikely to be implemented, at least twenty three of the projects listed will be, or are to be, implemented with resources encompassed by the PL-480 Title II grant, and twenty two projects are listed as being in the process of being studied for their feasibility. Actual projects that have been implemented, and which may have resulted in economic benefits for members of KUDs, number approximately eight.

It is clear from the foregoing that the amount of resources within the total amount of funds granted to CLUSA, a total of \$816,234, that no more than \$16,000 was actually utilized in approximately eight projects which may have resulted in economic benefits for cooperative members. What is equally clear however, is that CLUSA utilized a great deal of time and effort in planning for the implementation of activities which were to be carried out with PL-480 Title II grant resources.

#### 18. Purpose

The project purpose is expressed in two statements, the first being, "Increase the capacity within the office of the Director General of Cooperatives (DITJENKOP) at the national, regional and Kabupaten levels to assist the primary and secondary cooperative to do agribusiness project identification, planning and development, implementation and evaluation".

The End of Project Status (EOPS) of this portion of the project purpose is simply stated as, "Trained DITJENKOP and cooperative staff personnel who are identifying, planning and implementing Agribusiness projects".

Mutual agreement on the project purpose between USAID/I, CLUSA, and the GOI did exist at the outset of project implementation in that the project purpose stated above was encompassed within a Memorandum of Understanding between CLUSA and the Ministry of Manpower, Transmigration and Cooperatives, entered into on April 30, 1976 by CLUSA and the Ministry. USAID/I concurred with CLUSA's proposal at the same time, and in fact had extensively reviewed the proposal prior to its approval.

The project purpose has however not entirely been achieved in that cooperative staff at the national and regional level are not at present actively planning, developing, or implementing agribusiness projects. The reason the purpose has not been achieved is two-fold.

Firstly, the project outputs were not achieved. Quantitatively to the degree expected as indicated in the section covering project outputs the agribusiness activities owned and operated by primary and secondary cooperatives did not materialize as a result of this project, with the exception of the Central Java PUSKUD project, which continues in existence with AID supplied financial resources beyond the inputs of this project, and the Aru Island Seaweed project, which, as it has been noted, unfortunately failed. The output of trained staff, initially dependent upon classroom and on-the-job training, and later solely upon the latter, could not be wholly accomplished, simply because, with two exceptions, there were no agribusiness sub-projects in existence upon which to base on-the-job training. The exceptions were, again, the Klaten project and the Aru Island Seaweed project. In the case of the former, kabupaten, or secondary cooperative, level staff did, and continue to, receive training in project identification, design, planning and implementation. However, the utilization of this training is essentially constrained to one sub-provincial geographic area. The Aru Islands project did encompass on-the-job training for KUD staff, however, the project was short lived and the training instilled in the KUD staff is no longer applicable to the project purpose.

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Secondly, the GOI, while perhaps initially "enthusiastic" about cooperative institutional development (as stated as an assumption in the log-frame) has recently emphasized its continuing perception of cooperatives as institutions whose purpose is the supply of agricultural inputs to farmers. While this perception, and practice, is not deleterious to the operation of agribusiness by primary and secondary cooperatives, it is the perception given preference by the GOI.

A related factor, again an assumption in the log-frame, is that the GOI would "provide sufficient incentives (presumably monetary) to hold and stimulate professional growth of qualified personnel". This assumption can not be perceived as being valid or there would be no need for the salary supplements paid to the Klaten Puspeta staff under the OPG. The payment of these subsidies was made from OPG resources, with the reluctant concurrence of the USAID Mission, and resulted in resources being diverted from their utilization to achieve the project outputs and purpose. (Salary supplements for these personnel continue to be paid under the continuing PL-480 Title II funding arrangements for the Klaten project.) Members of the evaluation team sought the opinion of a senior Indonesian official within the ditjenkop office regarding the payment of salary supplements to Puspeta employees. In his candid opinion the payment of subsidies at this stage of the project was counterproductive to the purpose of the project, particularly with respect to the replicability of the project. The official clarified this opinion by stating that there were no objections to sharing the profits generated by cooperative business activities but he stressed that the present level of payments resulted in friction between employees of the cooperative organization.

The second half, or statement, of the project purpose was to, "Establish a sound organizational structure for developing autonomous grass-roots farmers organizations in the primary cooperatives". This segment of the project purpose can not be perceived as having been accomplished, primarily because the projects outputs were not achieved. With respect to the Klaten Project, there is little evidence to date that the CLUSA developed an appropriate structure to relate to the primary cooperative organization base in the Klaten area. The revised project paper submitted to USAID/I in May 1978 notes that the rapid expansion of KUDs (primary cooperatives) and the remarkable increase in membership of these cooperatives, occurred during the period 1971 to 1976, prior to this project's implementation and as a result of the GOI's own efforts.

The most notable effort on the part of CLUSA to work with a primary cooperative (KUD) to establish an economic functioning agribusiness was the Aru Islands Seaweed Project. (Ref. page 23) This project however failed to attain the status of an economically viable agribusiness, and the reasons cited for the lack of success were not entirely attributable to CLUSA.

CLUSA however does not agree with the evaluation team's conclusion that the project purpose has not been achieved CLUSA provided the team with a written statement attesting to its achievement and that statement has been appended to this report as Appendix K.

19. Goal/Sub-Goal

The broader objective of the project was "The establishment of a sound cooperative development program in Indonesia helping to improve economic progress and living conditions and a more equitable distribution of national income to the rural population".

This project has not yet contributed significantly to this stated goal, basically because the outputs and the purpose were not achieved. The project achieved no notable increase in agribusiness activity carried out by KUDs, nor were any other activities achieved by the project which could have had an effect on the living conditions of cooperative members. The revised project paper noted that by 1976, as a result of the GOI's initiative in this area, there were in existence in Indonesia 3,510 village level cooperative organizations. Actual village level cooperative work conducted under the auspices of this project involved solely the cooperative organizations in the sub-provincial area of Klaten in Central Java. At present this area contains 35 primary cooperative organizations (KUDs). The project's impact can thus be narrowly perceived as having had an effect upon less than one percent of the target population. The impact upon even this group could not be said to have been more than marginal since the activities carried out by the project in this area did not affect all of the KUDs, nor anything like the majority of the members of the KUDs upon which it did have an impact.

The CLUSA resident representative maintained a dialogue with Government officials responsible for the development of cooperatives in Indonesia. The CLUSA evaluation report of 1979 notes that he acted in an advisory capacity, and that while CLUSA's suggestions have not always been accepted, he was able to create a healthy atmosphere of discussion and debate.

Members of the evaluation team however sought the opinion of a senior Ditjenkop official regarding the relationship established by CLUSA with the Ditjenkop and other GOI agencies or bodies. In his opinion, candidly and forthrightly expressed, CLUSA officials had not established a close and productive relationship with GOI entities. The official cited specifically the Ditjenkop's inability to communicate with CLUSA officials. He cited the antagonism which they had aroused within BAPPENAS, the GOI national level planning agency. He noted the disappointment CLUSA had engendered within the Ministry of Finance. The Ministry of Finance granted a \$1 million loan to Puspeta/Klaten on the understanding that it would be rapid upon receipt of the \$1.4 million PL-480 Title I resources by CLUSA. The Ministry of Finance is perplexed by the assumption of CLUSA that the loan money is now regarded as additive to the PL-480 Title I resources.

The Ditjenkop official went on to remark upon the high level presence CLUSA maintained in Jakarta while project implementation was in fact located in Central Java. He noted that other donor groups, notably the FAO and the Swiss, implementing cooperative development projects, located all of their project staff at the sites of project implementation, and in fact had done so upon the insistence of the Ditjenkop Office. The official stated that sufficient representation to the Ditjenkop Office

could have been maintained by CLUSA personnel either visiting Jakarta from the project site, Klaten being only forty five minutes by air from Jakarta, or by telephoning directly from Klaten in circumstances that warranted instant communication. The official specifically requested that if a technical and advisory presence is to be maintained by CLUSA in Indonesia that it be located at the site of project implementation.

CLUSA representative however do not agree that the project failed to achieve its goal. They submitted a written statement to the evaluation team attesting to its achievement and that statement has been appended to this report within Appendix K.

## 20. Beneficiaries

The ultimate goal of this project, as stated in the log-frame was to effect a more equitable distribution of the national income to the rural population through the establishment of a sound cooperative development program. The project is specifically targeted upon the small farmer members of village cooperatives.

The evaluation report has indicated that the project has not had a significant impact upon the target population in that, while many activities to achieve this goal have been planned, few have in fact been implemented. Therefore, at the present time, given the status of project has yet to achieve a measurable impact upon the target group of beneficiaries.

CLUSA has provided the evaluation team with a written statement, presented in Appendix K, which notes that beneficiaries to date have been limited to officials within the cooperative structure, but notes that the planned for impact upon small rural farmers has yet to be attained.

## 21. Unplanned Effects

The project has had no unplanned effects. CLUSA has however prepared a statement which they requested be inserted under this heading and that statement has been included in Appendix K.

## 22. Lessons Learned

The original grant agreement contained the statement that "CLUSA will undertake a project evaluation at the end of fifteen (15) months and again at the conclusion of the Grant period". In fact the original obligation of \$137,000 of the full Grant Amount of \$249,489 was to cover the initial eighteen months of project implementation, and the remaining funds were to be obligated following the evaluation. The evaluation was eventually rescheduled to occur fifteen months after the arrival of the CLUSA advisor, who arrived three months later than planned; thus it was to take place in April of 1978.

In March of 1978 the USAID VHP Office agreed with CLUSA that "It is too early in the life of the project to have very much to evaluate," and it was decided that the "evaluation would not take place before late 1978".

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On June 2, 1978 a USAID/I committee reviewed CLUSA's proposal for additional funds for an expanded program. On June 8, 1978 a telegram was sent to AID/W expressing the views of the Mission on CLUSA's proposal. That telegram contained the statement, "all agree that it is still too early for formal evaluation of the project, and that this evaluation could be rescheduled for later 1978 - possibly at the time of the preparation of the calendar year 1979 budget figures for other donors".

On September 22, 1978 USAID/I cabled AID/W with a report on GOI commitments to the project which were established following a visit to Indonesia of Mr. Ferris Owen of CLUSA's headquarters in the US. That telegram contained the statement "Mission sees no need to press for formal evaluation of project in latter 1978, and will defer to CLUSA's own scheduling preferences which we now understand are focused on first quarter CY79".

On March 12, 1979 CLUSA's resident representative wrote to the Chief of the USAID/I VHP Office to confirm earlier discussions regarding the scheduling of an evaluation. In his letter the resident representative noted that the evaluation was scheduled to commence on July 9, 1979 and requested that "AID should supply one person" to participate in the evaluation. The Mission's response, sent to CLUSA on March 20, 1979, stated "We concur with the schedule you have proposed for the evaluation. However, it is suggested that USAID's role be limited to clearance of the evaluation plan prior to the initiation of the evaluation and participation in the final meeting in which the overall report is reviewed.

The Evaluation was conducted in July of 1979. A meeting was held on July 18, 1979, attended by Ditjenkop staff, CLUSA Indonesia and Washington staff and the Director of the USAID/I VHP Office and the USAID/I Evaluation Officer. At that meeting the CLUSA evaluation team proposed that "it would not be useful to use the logframe as the only, or even major measurement base for the evaluation", but that the evaluation would focus on the project context, "i.e. the dynamics of the evolving situation in Indonesia and the role of cooperatives..... and on CLUSA's activities within that context" The evaluation did concentrate on the dynamics of the project setting and stated, "if measured strictly in terms of numbers of people to be trained, numbers of training sessions to be held, numbers of projects to be planned, implemented and evaluated as outlined in the original project documents (i.e. the log-frame), the Evaluation Team would be forced to state that the Project fell far short of its goals". The final evaluation report was submitted to USAID in January 1980.

Further on the subject of the CLUSA evaluation, the VHP Office in a Memorandum to the Mission Director, dated March 10, 1980, stated that the report indicated "that no real progress had been made in terms of the development cooperatives."

The evaluation conducted by CLUSA in July of 1979 represents the sole effort to evaluate this project from the date of its initial implementation to the present.

Throughout the life of this project the Mission failed to utilize the mechanism of the evaluation process to gain an insight into the project's progress. It may be argued that the activity was initially small, in the

monetary sense, compared to the Mission's overall portfolio, or that it was a short term activity in that it was to originally span only three years, and thus did not warrant the utilization of scarce manpower to conduct an evaluation, however, the project did not remain small nor did it remain short term. The original grant of \$249,489 was amended to a total of \$816,234 over the life of the project, the life of the project was extended by more than two and a half years, and the grantee is now responsible for the disposition and utilization of over \$ 1 million in resources generated through the sale of PL 480 Title II commodities.

The Mission was well aware, during the early life of the project, that CLUSA was endeavoring to secure much greater amounts of resources over a much longer time frame than originally encompassed by the original grant agreement. The first quarterly report submitted by CLUSA presented program objectives which would require ten years to implement. As early as December 1977 CLUSA envisaged a program incorporating "massive capital infusion" into the cooperative structure of Indonesia, which by March of 1978 was encompassed in a proposal utilizing \$ 75 million in PL 480 Title III resources. In May of 1978 the Mission submitted a PID to AID/W for a \$ 5 million project, which was developed by CLUSA, to assist in the development of cooperatives. These, and other indications that the project was bound to exceed the parameters of the original grant, were sufficient reason for the Mission to be concerned with project performance, and to assess that performance through the process of evaluation.

If there is a lesson to be learned from this evaluation it may be that no project, or activity is too "small" to be the object of a substantive evaluation.

### 23. Special Comments

#### A. Management

##### (1). AID

A substantive lack of prudent management on the part of AID/W and the USAID Mission is evidenced by the sequence of events expressed in various grant amendments and other documentation regarding the project.

The original implementing document, PIO/T No. 498-251-3-6868053, signed by Alexander R. Love of ASIA/PD for the Agency on June 21, 1976, contained the statement, "The project is approved in principle for a three year period but OPG funding will be provided for the first one and a half years initially (\$137,000). The final decision on remaining funds will be made following an evaluation to be conducted prior to the end of this period". On July 2, 1977 AID/W requested USAID/I's comments/concurrence to utilize FY 77 funds to fund the second eighteen months of the project and on July 6 USAID/I concurred with AID/W's request. On August 25, 1977 the grant agreement was amended for the second time and the grant level increased to the full amount of \$249,498.

On May 19, 1978 USAID/I received a request from CLUSA for additional funds for sub-project activities to be utilized within the current lifetime of the grant, which was then scheduled to terminate on January 31, 1980. A Mission

Review committee recommended that CLUSA's proposal be approved and the proposal was sent to AID/W with the recommendation that it be approved, though the transmittal airgram noted that, "All agree it is still too early for formal evaluation of the project". The Mission was advised however that additional funds were not available during that (FY78) fiscal year.

Prior to an Asia Bureau meeting on December 18, 1978 to review CLUSA's May 1978 proposal to expand the OPG, the CLUSA resident advisor assisted USAID on November 1, 1978, in preparing a discussion paper for the review meeting. The discussion paper contained the following statement, "Achievements to date under this OPG include: (1) the training of 38 national, 60 provincial and 68 Kabupaten (district) staff as of June 30, 1978. These figures equal or exceed the target figures; (2) the identification of 16 projects (versus a target of 15); (3) the completion of 6 feasibility studies; and (4) assistance with the implementation and securing financing of 11 other projects". The statement went on to reiterate the cumulative output targets of the project, i.e. 80 projects identified, 40 feasibility studies, etc. This statement of achievements was in fact false and misleading in that by June 30, 1978 the project was to have identified a total of forty agribusiness projects. The "target of 15" referred to was in fact the target for the six month period preceeding June 30, 1978. The discussion paper also noted that the Mission agreed that it was "still too early for a formal evaluation of the OPG", yet the discussion states that the project had equalled or exceeded its targets.

CLUSA's proposal for an expanded OPG was approved by AID/W and the ninth amendment to the grant agreement was effected on April 30, 1979. This amendment, which increased the total grant by \$426,981 and extended the grant period by one year, was effected only two months prior to the first, and only effort to evaluate the project.

In March of 1980 the USAID reviewed a PID submitted by CLUSA, which encompassed the sale of PL 480 Title II commodities. In conjunction with that review the VNP Office sent a memorandum to the Director which expressed a number of reservations about the project. It noted that the CLUSA evaluation, done in July of 1979, "concluded that no real progress had been made in terms of the development of cooperatives" and also remarked upon the apparent withdrawal of support by the GOI for the CLUSA program. The memorandum recommended that "no additional USG aid be provided to CLUSA until we have a clear indication of GOI support". The Mission Director passed these concerns to the CLUSA resident advisor, who responded, on May 21, 1980, by providing a copy of an agreement between CLUSA and the Director General of Cooperatives. The agreement outlined CLUSA's inputs to the Klaten project, but not the GOI's and on May 27, 1980 Amendment No. 14 provided, an additional \$139,764 to the grant total.

The preceding paragraphs appear to indicate that the Mission agreed to various extensions of time and the provision of additional funds for the grant, with no clear idea of what was actually being accomplished under the grant. In future the Mission intends to devote the requisite resources in terms of manpower and skills to closely monitor this project.

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(2) CLUSA

It is clear from the foregoing sections of this report, particularly the section dealing with project outputs, that the project failed to achieve overall its stated goals. Part of the blame for this state of affairs has been attributed to the USAID Mission for not closely monitoring the progress of the project, and in turn, not providing the grantee with counseling and guidance. However, it also seems that this project did not meet its stated objectives because of inadequate project management.

The original grant agreement was decidedly vague on the specifics of activities which were to be carried out by the grantee, but it was understood that the purpose of the project was to demonstrate to the GOI the viability of cooperative development from the "bottom-up" and to instill within the Indonesian cooperative structure the ability to sustain such development. The grantee's own revised proposal, submitted to USAID/I in May of 1978, leaves no doubt that this was to be accomplished through the establishment of cooperative owned agribusinesses.

The grantee's initial efforts however were directed towards large scale, long term, national level programs. Fully two thirds of the consultant input provided by CLUSA was directed toward the development of these programs, namely the INKUD Feasibility Study, the National Identity Program and the National Public Relations Program. The GOI's interest in these programs was largely lacking as evidenced by the CLUSA resident representative in a letter to the USAID of January 18, 1978, which in part said, "If we don't get more enthusiasm soon (from the Ditjenkop) we will ..... shelve any more activities on my part in promoting the INKUD/PUSKUD and the National Identity and Marketing Programs."

Rather than abandoning efforts at this level and in this direction, the CLUSA resident advisor, in early 1978, developed a \$3.5 million PID for the INKUD/PUSKUD project in the hope of securing additional AID funding for this program. In 1979 the same program was developed for World Bank funding.

The results of these efforts has been that some GOI officials may have developed a rather skeptical opinion of the efforts of CLUSA in Indonesia. This skepticism has been voiced in conversations between USAID and GOI officials within the Ditjenkop. They have reservations concerning the viability and replicability of the sole remaining CLUSA sub-project in Indonesia, the Klaten Project. They have voiced specific reservations about the salary subsidies paid to the Puspeta staff in Klaten, subsidies which have increased salaries as much as tenfold over what equivalent civil servants receive in similar organizations. They have expressed concern over the fact that CLUSA is attempting to prove the viability of an activity geographically located in Central Java, yet have expanded resources on maintaining a presence in Jakarta. The attitude of the GOI, as expressed by Ditjekop officials, is that the Klaten Project be "left alone," and while it can not be judged a failure, they seem far from convinced that it will be a success.

B. Project Design.

The original project paper failed to identify in any quantitative terms the size or character of the sub-projects which were to be the major outputs

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of the project. The initial quarterly reports and other material submitted to the USAID following the initial implementation of the project referred to long term projects beyond the life of the grant, referred in detail to the national scope of some of the activities, and evidenced the need for funds greatly in excess of those provided within the terms of the original grant agreement.

With the distinct advantage of hindsight it is clear now that there existed a serious lack of communication between CLUSA and the Mission, or that what was being communicated was misunderstood or misinterpreted, for very early in the life of the project it is evident that the objectives of CLUSA could not be met with the resources provided by AID within the OPG. It is not until late in March 1980 that the Mission, in a letter from the Director to the CLUSA resident representative, suggests "scaling down plans and activities to those that are acceptable and implementable but which will still further the overall objectives and goals of cooperative development".

C. CLUSA and PL 480 Title II Grant.

Early in the life of the CLUSA OPG cooperative project, the CLUSA resident representative identified the need for capital for a program of cooperative development, and at the same time identified the sale of PL 480 Title II Commodities as a means of generating the required capital. By mid 1980 PL 480 resources were linked in concept with a proposed program to expand the CLUSA sub-project in Klaten into a more comprehensive and intensive effort to bring about "bottom-up" development of the cooperatives in the kabupaten of Klaten. In October 1980 CLUSA presented to USAID/I a proposal for a three year program in Klaten utilizing \$6 million to be generated by the sale of PL-480 Title II Commodities. Negotiations between CLUSA officials, AID/W, and the USAID culminated in July of 1981 with the granting to CLUSA of 5,700 metric tons of PL-480 Title II wheat valued at \$1 million. By the mechanism of a Transfer Authorization, effected on July 21, 1981, Title to the wheat was passed from the United States Department of Agriculture to CLUSA and thence to BULOG, the GOI purchasing and distribution agent for agricultural products in Indonesia. BULOG in turn opened a Letter of Credit in favor of CLUSA, in a United States Bank, for the C.I.F. value of the wheat, an amount estimated to be approximately \$1.4 million.

The funds thus generated were in effect granted to CLUSA to carry out an expanded program in the Kabupaten of Klaten, utilizing the institutional base which had been established with the OPG resources. The aim of that program, quoting from the Transfer Authorization, is to "improve rural food systems and incomes by encouraging farm leaders to develop existing cooperatives into growth-oriented agri-businesses from the "bottom-up" by improving cooperative management and thereby increasing agricultural production, diversifying crops cultivated, building cooperative capital, providing production credit, processing and marketing rural produce, marketing primary commodities to the village residents and initiating activities in the new agribusiness areas".

The budget which was appended to the Transfer Authorization, illustrating the planned allocation of the financial resources to meet this goal, has been appended to this document, as Appendix L. It should be noted that the budget covers the period July 1, 1981 to June 30, 1984, a three year period. The actual project, and its implementation, as stated in the Transfer

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Authorization, is contained in the Project Document submitted to USAID on October 1, 1980. A disparity however is evident in that the referred to document presented a program utilizing \$6 million in resources whereas the amount of resources eventually granted to CLUSA amounted to approximately \$1.4 million. Salaries of CLUSA personnel to implement the project in Indonesia are not included as a line item in the budget. The original October 1980 Project Document however contains the statement that the "Funding of all CLUSA personnel involved in the proposed program will be requested via extensions of CLUSA/Indonesia's current OPG from AID".

From the proposal presented to USAID on October 1, 1980, entitled "Integrated Rural Food Systems Development Through Village Cooperatives, it is clear that CLUSA intends to establish a livestock and poultry feeding operation with the resources available to it from the PL 480 grant and the Government of Indonesia loan. The operation is to be based upon the production of silage and the establishment and operation of a feed mill at PUSPETA Klaten. The proposal contains very detailed projections of returns and profits, however the USAID is concerned with a number of factors upon which the proposal is based. The greatest concern is that the program is based upon an untested technology in Indonesia, the production and storage of silage, and that the program, as a whole, is reliant upon the successful operation of a modern feed mill. The latter, as described in CLUSA's proposal, represents a very high level of technology and will require managerial and operational competence of a very high level. The proposal is also predicated upon the assumption that the farmers, or KUD members, will benefit from the purchase and utilization of manufactured feed and silage.

The USAID intends to address these concerns as topics of the evaluation which, by the terms of the Transfer Authorization, is scheduled to take place one year after the initial implementation of the project.

The foregoing, and the attached evaluation of past activities, serves to illustrate the present status of CLUSA in Indonesia, a presence supported by AID with PL-480 funds and an Operational Program Grant. The evaluation of CLUSA's past activities has raised concern on the part of the USAID regarding the present and future status of CLUSA's role in cooperative development in Indonesia. The USAID believes that these concerns must be resolved before any additional AID funds can be committed to CLUSA for the support of their activities in Indonesia.

The USAID's concern over these and other issues is complicated by the fact that CLUSA has not complied with the reporting requirements set forth in the Transfer Authorization, and therefore USAID/I has not had access to regular information. Specifically, the Transfer Authorization stipulated that, "CLUSA (would) submit quarterly to USAID/Jakarta a 'Progress and Financial Report', covering the physical progress of the project, a description of cost modifications, any major problems concerning the procurement of equipment, supplies and services, and lastly, detailed information on commitments and disbursements of funds made available to CLUSA.

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

JUN 28 1976

Cooperative League of the U.S.A.  
1828 L Street, Northwest  
Washington, D.C. 20036

Subject: Grant No. AID/ASIA-G-1180 (Indonesia)  
Allotment No. 426-64-493-0069-61  
Appropriation No. 72-11X1026

Gentlemen:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "AID" or "Grantor") hereby grants to the Cooperative League of the U.S.A., 1828 L Street, Northwest, Washington, D.C. 20036 (hereinafter referred to as "CLUSA" or "Grantee") the sum of one hundred thirtyseven thousand dollars (\$137,000) to provide support for a program in Indonesia as more fully described in the attachment to this Grant entitled "Program Description."

This Grant is effective and obligation is made as of the date of acceptance and shall apply to commitments made by the Grantee in furtherance of program objectives during the period 1 September 1976 through 28 February 1978.

This Grant is made to CLUSA on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment A, entitled "Program Description"; Attachment B, entitled "Standard Provisions"; Attachment C, entitled "Payment Provisions" and Attachment D, entitled "Logical Framework Matrix" all of which have been agreed to by your organization.

Please sign the Statement of Assurance of Compliance, enclosed herein, and the original and seven(7) copies of this letter to acknowledge your acceptance of the conditions under which these

Best Available Document

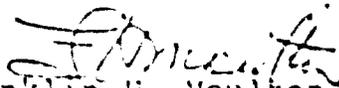
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Cooperative League of the U.S.A.  
Page 2

funds have been granted.

Please return the Statement of Assurance of Compliance and the original and six (6) copies of this Grant to the Office of Contract Management.

Sincerely yours

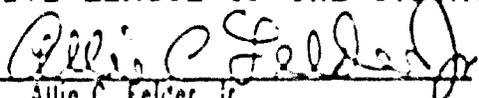
  
Franklin H. Moulton  
Grant Officer  
Regional Operations Division-ASIA/NE  
Office of Contract Management

Attachments:

- A Program Description
- B Standard Provisions
- C Payment Provisions
- D Logical Framework Matrix

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ACCEPTED:

COOPERATIVE LEAGUE OF THE U.S.A.

BY:   
Allie C. Felcer, Jr.

TITLE: \_\_\_\_\_

DATE:           Vice President &  
          Director, Outreach Division          

0-30-76

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PROGRAM DESCRIPTION

A. PURPOSE:

The purpose of this Grant is to support the Grantee's program to provide assistance to the Government of Indonesia (GOI) in its long range objectives for Cooperative Development.

B. BACKGROUND:

The GOI has committed itself to a national policy whereby cooperatives will be the primary economic institution for spreading increased economic benefits to the rural population. The Government of Indonesia has requested assistance from the Cooperative League of the United States (CLUSA) to create a professional agribusiness project planning, training, and evaluation capability within the Director General of Cooperatives working within the Ministry of Manpower, Transmigration, and Cooperatives (DITJEBKOP). Once this capability is acquired by the DITJEBKOP staff, these people will train others in GOI institutions as well as members of national, regional, and local cooperative groups in improved project planning procedures.

C. IMPLEMENTATION:

CLUSA International Programs will provide a Resident Employee who will assist in the implementation of the project, supplemented by consultants in specific areas of expertise as needed. It is expected that outside consulting will be required in the areas of agricultural economics, marketing analysis, pilot project baseline surveys and economic feasibility studies and implementation planning. CLUSA's Resident <sup>Employee</sup> ~~Consultant~~ *Employee*

assigned to this project will:

1. Assist the Director General and his staff in acquiring increased program planning skills through both classroom and on-the-job training programs covering:
  - a. Methods for agribusiness project identification and prefeasibility studies including analysis of economic, social, and political factors;
  - b. Agribusiness project planning techniques and documentation;
  - c. Agribusiness project financing, implementation and monitoring procedures.
2. Encourage initiation of new projects, ideas and programs by Indonesian Agriculture Cooperatives in increasing services and efficiency offered to the rural populations.
3. Assist in pre-feasibility and economic feasibility studies for cooperative agribusiness projects.
4. Work with personnel of other agencies (ILO, UNDP, AID, Etc.,) that are assisting the Director General of Cooperatives in program development and expansion of capability.
5. Provide orientation, coordination, supervision and backstopping for short-term consultants assisting the DITJENKOP/CLUSA Programming Project.

6. Provide documentation for short-term consultant requests and other requests where CLUSA could be of assistance to cooperative development in Indonesia.

7. Short-term consultants will be assigned in specified areas of expertise as needed.

D. REPORTING:

Quarterly reports will be submitted to CLUSA/Washington, the Director General, USAID/Indonesia, and three copies to CM/ROD/ASIA, AID/Washington. CLUSA will undertake a project evaluation at the end of fifteen (15) months and again at the conclusion of the Grant period. Copies of the evaluation reports will be furnished to the foregoing designated recipients.

E. BUDGET:

1. Total AID Program Budget

Personnel Compensation	\$138,327
Travel and Transportation	38,000
Other Direct Costs	12,600
Overhead	60,482
<b>TOTAL</b>	<b>\$249,409</b>

Amount Presently Obligated \$137,000

2. Summary of Projected Program Inputs

AID/OPG	\$249,489
Other Donor	59,083
GOI	135,000
<b>TOTAL</b>	<b>\$443,572</b>

3. Fiscal Year Allocation of Funds

<u>Line Item</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>Total</u>
Personnel Compensation	\$44,100	\$46,305	\$47,922	\$138,327
Travel and Transportation	\$13,900	\$6,760	\$17,420	\$ 38,080
Other Direct Costs	<del>\$ 5,066</del> <sup>* 3,915 only</sup>	<del>\$ 3,755</del> <sup>\$ 42,661 only</sup>	<del>\$ 3,768</del> <sup>\$ 4,418 only</sup>	\$ 12,600
Overhead	\$19,813	\$18,346	\$22,323	\$ 60,482
TOTAL	<u>\$81,729</u>	<u>\$75,677</u>	<u>\$92,083</u>	<u>\$249,489</u>

F. ADDITIONAL FUNDING PROVISION:

The total amount of this Grant is \$249,489. The amount presently available & committed to this Grant as partial funding and obligated hereunder is \$137,000. It is estimated that this amount shall be sufficient to fund the Grant during the period 1 September 1976 through 28 February 1978. Additional funds may be provided as they become available, in accordance with Standard Provision "L" Attachment "B" entitled "Limitation of Funds." The committed and obligated funds shall be deemed increased by the Grant Officer only upon written notice to the Grantee of such action by the Grant Officer.

G. DISBURSEMENT OF FUNDS:

The Grantee shall be authorized to draw an amount equivalent to the first four (4) months of anticipated expenditures and shall be reimbursed on a quarterly basis thereafter in accordance with Attachment C, "Payment Provision" of the Grant.

Project Title & Number: DITJENKOP/CLUSA PROGRAMMING PROJECT

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS
<p>Program or Sector Goals: The broader objective to which this project contributes:</p> <p>(A-1)</p> <p>Establish a sound cooperative development program in Indonesia helping improve economic progress and living conditions and more equitable distribution of national income to the rural population.</p>	<p>Measures of Goal Achievements: (A-2)</p> <ol style="list-style-type: none"> <li>1. Improvement in living conditions for rural poor in areas served by KUDs and other cooperatives.</li> <li>2. Number of new, viable KUDs and other cooperatives established.</li> <li>3. Increased small farmer income in areas served by KUDs.</li> <li>4. Increase in KUD membership.</li> </ol>
<p>Project Purpose: (B-1)</p> <p>Increase the capacity within the office of the Director General of Cooperatives (DITJENKOP) at the national, regional and Kabupaten levels to do Agribusiness project identification, planning and development, to implement these projects effectively and to do project evaluation.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status. (B-2)</p> <ol style="list-style-type: none"> <li>1. Trained DITJENKOP staff personnel who are identifying, planning and implementing Agribusiness projects to assist agricultural cooperative and their development and services in rural areas.</li> <li>2. Professional cooperative Agribusiness planning within DITJENKOP designing projects acceptable to national and international development agencies. (See Attached)</li> </ol>
<p>Outputs: (C-1)</p> <ol style="list-style-type: none"> <li>1. Trained staff within DITJENKOP in Agribusiness project planning, development, implementation and evaluation.</li> <li>2. Agribusiness established in agricultural cooperatives in rural areas.</li> <li>3. Technical relationships between CLUSA, DITJENKOP and Indonesia Federation of Cooperatives established.</li> </ol>	<p>Magnitude of Outputs: (C-2)</p> <ol style="list-style-type: none"> <li>1. 142 DITJENKOP staff trained at national, regional and kabupaten level.</li> <li>2. 80 projects using improved planning techniques in various stages of development.</li> <li>3. Activities of DITJENKOP staff to support effective development efforts.</li> </ol>
<p>Inputs: (D-1)</p> <p>U.S. Government (AID)--thru CLUSA (OPG)</p> <ol style="list-style-type: none"> <li>1. Resident consultant in program planning, development, implementation and evaluation (36 man months)</li> </ol> <p>CLUSA</p> <ol style="list-style-type: none"> <li>1. Short term T.A. Consultants (10 man months)</li> </ol> <p>Government of Indonesia</p> <ol style="list-style-type: none"> <li>1. DITJENKOP personnel in directorate of (See attached)</li> </ol>	<p>Implementation Target (Type and Quantity) (D-2)</p> <ol style="list-style-type: none"> <li>1. See Attached Budget</li> </ol>

## C INDONESIA

MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS -
<p>(A-3)</p> <ol style="list-style-type: none"> <li>1. Evaluation and analysis measuring the impact of cooperatives in project areas on rural development.</li> <li>2. DITJENKOP Statistics</li> <li>3. GOI Economic Analysis and Surveys</li> <li>4. AID/I FBS</li> </ol>	<p>Assumptions for achieving goal targets: (A-4)</p> <ol style="list-style-type: none"> <li>1. GOI-fiscal and political policies will continue to place high priority on the role of cooperatives in the National Development Plan. Pricing and regulatory policies will provide incentives and opportunities for cooperatives to be successful.</li> </ol>
<p>(B-3)</p> <ol style="list-style-type: none"> <li>1. Project Documents.</li> <li>2. DITJENKOP reports and CLUSA evaluation files.</li> <li>3. Project proposals accepted by BAPPENAS and favorably evaluated by GOI and/or international agencies.</li> <li>4. CLUSA Files</li> </ol>	<p>Assumptions for achieving purposes: (B-4)</p> <ol style="list-style-type: none"> <li>1. Current wave of enthusiasm of GOI for cooperative institutional development will continue.</li> <li>2. Willingness of GOI to provide incentives necessary to recruit, hold and stimulate professional growth of qualified personnel.</li> <li>3. No radical shifts in GOI policy affecting the objectives of this project.</li> </ol>
<p>(C-3)</p> <ol style="list-style-type: none"> <li>1. DITJENKOP reports and files.</li> <li>2. Pre-feasibility and feasibility studies carried out by consultants, DITJENKOP staff and other host country or international agency personnel as requested.</li> <li>3. Project Documents and Reports</li> <li>4. CLUSA Reports.</li> </ol>	<p>Assumptions for achieving outputs: (C-4)</p> <ol style="list-style-type: none"> <li>1. Training programs in co-op planning and evaluation are successful.</li> <li>2. Financial assistance by internal and external organizations continues to increase.</li> <li>3. GOI meets its personnel and financial commitments.</li> </ol>
<p>(D-3)</p> <ol style="list-style-type: none"> <li>1. DITJENKOP files and records</li> <li>2. CLUSA records and audits</li> <li>3. MOF/MOE/MOH-T-C Policies</li> <li>4. AID Project Documents FY 77, 78, 79 FBS</li> </ol>	<p>Assumptions for providing inputs: (D-4)</p> <ol style="list-style-type: none"> <li>1. That the GOI allocates sufficient personnel and financial resources to implement and carry out this project.</li> <li>2. That AID will contribute to the achievement of the project purpose.</li> </ol>

DITJENKOP/CLUSA COOPERATIVE DEVELOPMENT PROJECT

Project Location :

Indonesia

PVO Name and Location :

Cooperative League of the USA  
1828 L Street, N.W.  
Washington, D.C. 20036 USA

Indonesia Contact :

Ibnoe Soedjono  
Director General of Cooperatives  
Ministry of Trade and  
Cooperatives  
Jakarta, Indonesia

Contact Person :

Ferris Owen  
Director, International Programs  
Washington, D.C. 20036 USA

Edwin L. Fox  
c/o Direktorat Jendral Koperasi  
(Cikoko) Tromol Pos 384  
Jakarta, Indonesia

Date of Submission to AID :

~~April 28, 1978~~

19 MAY 1978

Time Frame of Project :

Three Years

Total OPG Request : \$ 767,100.

\$ 249,489. (obligated)

\$ 517,611. additional amount requested

Implementation Date :

January 19, 1977 —

## DITJENKOP/CLUSA COOPERATIVE DEVELOPMENT PROJECT

### I Project Purpose

- 1.1. To assist the Directorate of Cooperatives (in the Department of Trade and Cooperatives) in :
  - A. Establishing a sound organizational structure for developing autonomous grass-roots farmers' organizations in the primary cooperatives (Koperasi Unit Desa/KUD) and viable supply and marketing (secondary) cooperatives at the provincial and national levels.
  - B. Developing sources of funding (loans and equity capital grants) from foreign and domestic sources.
  - C. Developing longer term projects for management assistance and training for primary and secondary cooperatives.
  - D. Increasing the capacity within the office of the Director General of Cooperatives (DITJENKOP) at the National, Regional and Kabupaten levels to assist the primary and secondary cooperatives on agribusiness project planning (including pre-feasibility studies), to implement cooperative projects more effectively and to evaluate ongoing projects.
- 1.2. The target group of beneficiaries will be rural populations engaged in agricultural activities. This group, variously estimated to be between 70% and 85% of the population, makes up the majority of Indonesians. The number of low income farmer beneficiaries is contingent upon the ultimate organizational structure and management of the cooperative movement.

The achievement of the objectives of this project in the predominantly rural areas of Indonesia will increase the levels of income of the poorest majority and help reduce the migration of workers seeking employment in the urban areas.

- 1.3. The purpose of this project is supportive of the Government of Indonesia long range objectives for cooperative development. The thrust of the cooperative movement, in conformity with new GOI policy statements (Presidential Instruction No. 2/1978), is to reach all the weak economic groups in the rural areas, including the landless, tenant farmers and farmers with relatively small holdings.

### II General Description of Project

- 2.1. The GOI has committed itself to a National Policy whereby Cooperatives will be the primary economic institution for spreading increased economic benefits to the rural population. The GOI, through the Director General of Cooperatives has requested full-time assistance from the Cooperative League of the United States (CLUSA) in the form of a Resident Consultant (RC) and short-term consultants to achieve the purpose of this project.
- 2.2. This project provides an innovative departure from Government to Government bilateral assistance by providing planning, technical and commodity assistance directly to a people's organization - the rural cooperatives (Koperasi Unit Desa - KUD). Personnel in the GOI will be trained to assist the cooperatives in organizing and in agribusiness project development.

- 2.3. This project will strengthen and assist DITJENKOP and the KUD primary and secondary cooperatives by sharing project development techniques and further creating a core of people capable of planning and implementing agribusiness projects. The RC will work with short-term consultants from Indonesia and abroad as well as the DITJENKOP and the primary and secondary cooperatives.

His job will be :

- a. Making policy suggestions to the Ministers, Director General of Cooperatives and other high ranking government officials;
  - b. Encouraging the initiation of new projects 1/, ideas and programs;
  - c. Assisting the DITJENKOP and Cooperative personnel in acquiring program planning skills;
  - d. Assisting in some of the pre-feasibility and economic feasibility studies;
  - e. Coordinating the efforts of short-term advisors;
  - f. Brokering certain assistance requirements to the U.S. Cooperatives or other donor agencies.
- 1/ Any agribusiness activity which a cooperative or a group of cooperatives may feel is an essential service for its members or which will increase the productivity and/or income of the cooperative and/or its members.

- 2.4. In addition, the KC will have the responsibility of assisting the DITJENKOP in setting-up guidelines and carrying out formal classroom and on-the-job training programs in the techniques of establishing new cooperatives and new cooperative agribusiness activities. These guidelines will include the following steps :

- a. How to organize farmer groups and active committees.
- b. How to organize the primary Cooperative.
- c. Agribusiness project identification.
- d. Pre-feasibility studies.
- e. Detailed economic feasibility studies.
- f. Project planning and documentation using logical framework procedures.
- g. Project financing.
- h. Project implementation and training programs.
- i. Project monitoring.
- j. Project evaluation.

### III End of Project Conditions

- 3.1. When the project is concluded we expect the following conditions to exist :

- a. A trained staff within DITJENKOP who are assisting the primary and secondary cooperatives in identifying, planning, initiating and evaluating agribusiness projects to develop multipurpose agricultural cooperatives and assist in other areas of project development for the cooperative sector. Projections indicate a total of at least 80 such projects in various stages of planning and implementation will occur during the life of the project.

- b. The existence of a plan for organizing farmers groups as a basis for disbursing production credits and developing farmer membership and participation in the primary cooperatives.
- c. Effective visual presentations for farmers groups to encourage membership in cooperatives.
- d. Additional activities of the DITJMKOP staff to support more effective development efforts. Areas suggested which have been stressed and will be developed but are not all inclusive are :
  - 1. Cooperative supply, marketing and credit systems in the newly implemented transmigration areas;
  - 2. Rural electrification cooperative systems;
  - 3. Other commodity marketing programs;
  - 4. Adequate shelter and shelter materials availability;
  - 5. Cooperative life insurance, retirement plans, savings associations and the resulting capital formation and control by members;
  - 6. Establishment of national level cooperatives to support local and regional cooperatives;
  - 7. Establishment of provincial level cooperatives to support the multipurpose agribusiness activities in the cooperative sector;

#### IV Project Background

4.1. The GOI is giving high priority to rural development. Special attention is being given to the institutional aspects of cooperative development as a means of delivering production inputs, processing and marketing of farm outputs and the related credit needs.

#### 4.2. Past History.

"The cooperative movement in Indonesia has a past history that could raise doubts in certain circles about their ability to serve their members properly. This has been caused by mismanagement and political interference in the affairs of cooperatives." (Statement by Lunoe Soedjono, Director General of Cooperatives)

4.3. With the suppression by the present administration of President Suharto of the attempted communist coup, the cooperatives were largely purged of political interference. However, this earlier unfortunate chain of events left the cooperative movement in a state of relative confusion and with a loss of integrity. In order to correct this situation the GOI has adopted a policy of strong support for cooperative development and has articulated a national policy whereby cooperatives will be the principal economic institution to support its rural development efforts. Consequently, the GOI embarked upon a campaign of farmer education and reassurance to re-establish farmer confidence in cooperative institutions and make cooperatives the agent of development and modernization at village levels.

4.4. In 1967 a new cooperative law was enacted which provided the legal framework for the reorganization of the cooperative movement. Many defunct societies were dissolved and new pre-cooperatives (BADAN USAHA UNIT DESA - BUUD) and legally chartered cooperatives (KOPERASI UNIT DESA - KUD) were formed. Under the first two Five-Year Plans (REPELITA I - 1969/1974 and REPELITA II - 1975/1979) cooperatives have made an important contribution to national economic and social development. As a result the new structure utilizing the BUUD/KUD is actively promoted by the GOI.

4.5. Recent Development History.

The present form of KUDs was first established in 1971 in the Jogjakarta Special Province. The success of the KUDs proved to the GOI's satisfaction that BUUD/KUDs can act as agents of modernization in the rural areas. Thus the GOI decided to promote and develop BUUD/KUDs in each province of Indonesia. Local government response was amazing. Instead of the goal of 10 BUUD/KUDs in each province, the provincial governments moved much faster. By the end of 1972, 633 BUUD/KUDs were established throughout the country. The bigger the role the BUUD/KUDs played, the more speedily the local governments tried to develop them.

4.6. The development of BUUD/KUDs since 1971 is as follows :

- 1971 - 35 BUUD/KUDs in Jogjakarta Special Province
- 1972 - 633 BUUD/KUDs in 10 main BIMAS (special Rice Program) Provinces
- 1973 - 2,173 BUUD/KUDs throughout Indonesia (including 986 KUDs).
- 1974 - 2,933 BUUD/KUDs (including 964 KUDs)
- 1975 - 3,514 BUUD/KUDs (including 1,074 KUDs)
- 1976 - (as of November/76) 3,510 BUUD/KUDs, with 2,312,235 members.

V Project Analysis

- 5.1. The major emphasis of this project will be ;
- a. in establishing a sound organizational structure in which the cooperatives can develop
  - b. finding ways in which farmers can organize to receive credit and other KUD services
  - c. developing sources of funding for cooperative projects
  - d. developing projects for management assistance, and
  - e. developing agribusiness projects for the primary and secondary cooperatives.

In the course of carrying out the above activities, a professional capability will be created in the office of the Director General of Cooperatives and the secondary cooperatives to do agribusiness planning, financing, implementation, and evaluation.

- 5.2. The principal agribusiness activities in which the BUUD/KUDs are presently engaged are :
- a. Fertilizer, seed, and pesticide distribution
  - b. Paddy rice purchasing, primarily for GOI buffer stocks
  - c. Storage for grain and input supplies
  - d. Custom rice milling.

A few KUDs have purchased small Japanese rice hullers and polishers and are milling rice for their members own use and limited amounts for GOI stocks. An occasional KUD utilizes the rice hull by-products in small kilns as fuel to fire locally produced bricks.

- 5.3. The opportunities for adding new products and services are almost endless. Possible projects for KUDs include :
- a. Improved rice hulling and milling equipment
  - b. Grain drying - rice/corn, millet, sorghum
  - c. Grain storage
  - d. Transportation
  - e. Processing and marketing of cash crops - pepper, kapok, cloves, fruits and vegetables
  - f. Farm machinery leasing - hand tractors, irrigation pumps, hand threshers, etc.
  - g. Sale of hand tools - petchels, sprayers, hand tillers, hand fertilizer spreaders
  - h. Various livestock enterprises, including the processing of meat and/or dairy products
  - i. Livestock and poultry feed mixing utilizing corn, rice bran, and other by-products
  - j. Cattle Feeding and fattening
  - k. Sale of basic building supplies

There can be many other agribusiness projects and activities depending on the area and resources available.

- 5.4. The technology for establishing and expanding small agribusiness operations is available. The main problems faced by designers of such projects are that successful rural agribusiness projects must be small enough to be effectively utilized by small scale farmers and yet sufficiently large to be economically viable. Resolving this dichotomy is an important part of project planning and will be dealt with in detail by the RC and short-term consultants in conjunction with DITJENKOP staff.

- 5.5. The RC as well as short-term consultants in this project, will be used as trainers, transmitting their planning expertise to the staff of DITJENKOP.

- 5.6. This project is designed to complement development assistance being given to the Indonesian Cooperative movement by other donor countries and agencies. Such assistance includes :

1. ILO - Management and Manpower Training
2. FAO - Fertilizer needs and distribution systems
3. ADU - Credit of \$ 2,700,000. for agricultural equipment and workshops in East Java
4. Netherlands - Credit of \$ 3,500,000. for marketing program in Central Java
5. West Germany - Primary organization in North Sumatra and secondary society management training in Lampung, Sumatra
6. France - Hydro Power Electric Cooperative
7. USAID - \$ 15,000,000. loan (with a cooperative development component) for Integrated Agricultural Project in LIMU, South Sulawesi
8. USAID - \$ 10,000,000. loan for rural electric cooperatives.

VI Institutionalizing Project with Domestic Resources

6.1. Since the input of CLUSA will be small in terms of manpower, the DITJENKOP will assume the responsibility of developing the full potential of this project from the very beginning. The DITJENKOP has assured CLUSA that full time personnel are available and that funds and manpower will be available to carry out this project.

VII Project Implementation

7.1. CLUSA International Programs will provide a Resident Consultant who will assist in the implementation of the project, supplemented by consultants in specific areas of expertise as needed. It is expected that outside consulting will be required in the areas of agricultural economics, marketing analysis, pilot project baseline surveys and economic feasibility studies and implementation planning.

7.2. The RC will have an Indonesian counterpart within the Directorate of Program Development who will have responsibility for development and implementation of this project. The RC will operate out of the National Office of Ditjenkop. Project collaboration with primary and secondary cooperative leaders will be on a continuous basis. This close working relationship will insure institutionalization of the project in both the public and private sector.

7.3. Because a number of inputs from governmental and private entities will be required, the RC's primary role will be that of Program Planner, Designer, Trainer and Resource Coordinator. An important element will be on-the-job training in which the National staff of the DITJENKOP will be working with the provincial staff to develop actual projects with local KUDs. This training will involve project identification, analysis of economic, social and political factors, credit availability and recommendations for further action. If recommended action calls for further study then a scope of work would be developed for the project and a statement of the qualifications and expertise required would be prepared.

7.4. In all work established program planning procedures will be used. This includes the LOGFRAME with supporting narrative.

7.5. Each new project planned and implemented will require training courses in financial planning, management techniques, member participation, accounting procedures, board/management relationship, production, marketing and distribution techniques and credit systems. Although the RC might assist in development of the proper training courses, the curriculum preparation and training would be carried out by the DITJENKOP staff in cooperation with ILO staff using existing facilities of the DITJENKOP.

VIII Measurement of Project Accomplishment

8.1. Quantitative

The anticipated schedule of persons trained and projects in various stages of development and implementation over the life of the project is set forth below:

Best Available Document

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**STAFF MEMBERS  
DITJENKOP AND COOPERATIVES RECEIVING TRAINING**

Period Ending	6/30 1977	12/31 1977	6/30 1978	12/31 1978	6/30 1979	12/31 1979	Cumul 1979 Total
DGC National Staff	0	5	10	10	10	0	
National Cooperatives	0	0	0	0	0	5	
<b>Total</b>	<b>0</b>	<b>5</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>5</b>	<b>40</b>
DGC Provincial Staff	0	5	5	5	5	0	
Secondary Cooperatives	0	0	5	5	5	5	
<b>Total</b>	<b>0</b>	<b>5</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>5</b>	<b>40</b>
DGC Kabupaten Staff	0	10	10	10	10	5	
Primary Cooperatives	0	0	0	10	15	10	
<b>Total</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>20</b>	<b>25</b>	<b>20</b>	
<b>T O T A L S</b>	<b>0</b>	<b>20</b>	<b>30</b>	<b>40</b>	<b>45</b>	<b>30</b>	<b>165</b>

**PROJECTS ASSISTED**

Projects Identified	0	10	15	15	20	20	80
Feasibility Studies Completed	0	0	4	12	12	12	40
Projects Planned and Funded	0	0	3	7	10	10	30
Projects Implemented	0	0	2	4	6	8	20
Projects Evaluated	0	0	0	1	2	5	8

Project Title & Number : DITJENKOP/CLUSA COOPERATIVE DEVELOPMENT PROJECT

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS
<p>Program or Sector Goal: The broader objective to which this project contributes :</p> <p>(A-1) Establish a sound cooperative development program in Indonesia helping improve economic progress and living conditions and more equitable distribution of national income to the rural population.</p>	<p>Measures of Goal Achievement : (A-2)</p> <ol style="list-style-type: none"> <li>1. Improvement in living conditions for rural poor in areas served by KUDs and other cooperatives.</li> <li>2. Number of new, viable KUDs and other cooperatives established.</li> <li>3. Increased small farmer income in areas served by KUDs.</li> <li>4. Increase in KUD membership.</li> </ol>
<p>Project Purpose : (B-1)</p> <ol style="list-style-type: none"> <li>a. Increase the capacity within the office of the Director General of Cooperatives (DITJENKOP) at the national, regional and Kabupaten levels to assist the primary and secondary cooperatives to do agribusiness project identification, planning and development, implementation and evaluation.</li> <li>b. Establish a sound organizational structure for developing autonomous grass-roots farmers organizations in the primary cooperatives (KUDs).</li> </ol>	<p>Conditions that will indicate purpose has been achieved: End of Project Status. (B-2)</p> <ol style="list-style-type: none"> <li>1. Trained DITJENKOP and cooperative staff personnel who are identifying, planning and implementing Agribusiness projects.</li> <li>2. Project evaluation system for Indonesian cooperatives established.</li> </ol>
<p>Outputs : (C-1)</p> <ol style="list-style-type: none"> <li>1. Trained staff within DITJENKOP and primary and secondary cooperatives in Agribusiness project planning, development, implementation and evaluation.</li> <li>2. Agribusinesses established in agricultural cooperatives in rural areas.</li> <li>3. Supportive relationships between CLUSA DITJENKOP and Indonesian agricultural cooperatives established.</li> </ol>	<p>Magnitude of Outputs: (C-2)</p> <ol style="list-style-type: none"> <li>1. 165 staff trained at national, regional and Kabupaten level.</li> <li>2. 80 projects using improved planning techniques in various stages of development.</li> <li>3. Activities of DITJENKOP staff to support effective development efforts.</li> </ol> <p>(See Schedule C-2)</p>
<p>Inputs : (D-1)</p> <p><u>U.S. Government (AID) thru CLUSA (OPC)</u></p> <ol style="list-style-type: none"> <li>1. Resident consultant in program and project planning, development, implementation and evaluation (36 man months)</li> </ol> <p><u>CLUSA</u></p> <ol style="list-style-type: none"> <li>1. Short term T.A. Consultants (10 man months)</li> </ol> <p><u>Government of Indonesia</u></p> <ol style="list-style-type: none"> <li>1. DITJENKOP personnel in Directorate of Program Development to work with resident consultant at national, provincial and Kabupaten levels.</li> <li>2. Office space, vehicle, administrative assistance, housing for resident consultant.</li> <li>3. In country travel expenses and other supporting services.</li> </ol>	<p>Implementation Target (Type and Quantity) (D-2)</p> <ol style="list-style-type: none"> <li>1. See Attached Budget.</li> </ol>

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	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
er and er eas	(A-3) 1. Evaluation and analysis measuring the impact of cooperatives in project areas on rural development. 2. DITJENKOP Statistics. 3. GOI Economic Analysis and Surveys. 4. AID/I FBS.	Assumptions for achieving goal targets : (A-4) 1. GOI-fiscal and political policies will continue to place high priority on the role of cooperatives in the National Development Plan. 2. Pricing and regulatory policies will provide incentives and opportunities for cooperatives to be successful.
er (E ?) staff ning et e-	(B-3) 1. Project Documents. 2. DITJENKOP reports and CLUSA evaluation files. 3. Project proposals accepted by BAPPENAS and favorably evaluated by GOI and/or U.S. AID. 4. CLUSA Files.	Assumptions for achieving purpose : (B-4) 1. Current wave of enthusiasm of GOI for cooperative institutional development will continue. 2. Willingness of GOI to provide incentives necessary to recruit, hold and stimulate professional growth of qualified personnel. 3. No radical shifts in GOI policy affecting the objectives of this project.
er - port	(C-3) 1. DITJENKOP reports and files. 2. Pre-feasibility and feasibility studies carried out by consultants, DITJENKOP staff and other host country or international agency personnel as requested. 3. Project Documents and Reports. 4. CLUSA Reports.	Assumptions for achieving inputs: (C-4) 1. Training programs in co-op planning and evaluation are successful. 2. Financial assistance by internal and external organizations continues to increase. 3. GOI meets its personnel and financial commitments.
y)	(D-3) 1. DITJENKOP files and records. 2. CLUSA records and audits. 3. MOF/MOE/MOM-T-C Policies. 4. AID Project Documents FY 77, 78, 79 FBS.	Assumptions for providing inputs: (D-4) 1. That the GOI allocates sufficient personnel and financial resources to implement and carry out this project. 2. That AID will contribute to the achievement of the project purpose.

April 18, 1979

**E. BUDGET**

1. <u>Summary</u>			
<u>Line Item</u>	<u>1/1/77- 4/30/79</u>	<u>5/1/79- 4/30/80</u>	<u>Total 1/1/77- 4/30/80</u>
a. Personnel Compensation	\$ 108,031	\$ 165,000	\$ 273,031
b. Travel, Transportation and Allowances	44,036	100,800	144,836
c. Other Direct Costs	10,446	17,402	27,848
d. Klaten Pilot Project Commodity Support		68,100	68,100
e. Rice Bran Stabilization and Nutrition Project	<u>400</u>	<u>6,500</u>	<u>6,900</u>
Total Direct Costs	\$162,913	\$357,802	\$ 520,715
f. Overhead (Actual thru 12/30/77; Provisional thereafter)	<u>55,570</u>	<u>100,185</u>	<u>155,755</u>
Grand Total	\$218,483	\$457,987	\$676,470

g. The above budget sets limitations for the allowability of dollar costs for individual line items. Without the prior written approval of the Grant Officer, the Grantee may not exceed the grand total set forth in the budget nor may the Grantee exceed the dollar costs for any individual line item by more than 15% of such line item. The revised approved detailed budget is attached. Residual funds as of April 30, 1979 may be applied to costs incurred in the ongoing period.

**2. Detailed Budget, 1/5/79-4/30/80**

a. <u>Personnel Compensation</u>		
(1) Salary - Resident Representative (12 mm)		\$39,000
(2) Salary - Project Development Assistant (12mm)		21,000
(3) Salary - 2 Project Coordinators (24 mm)		<u>24,000</u>
	Sub-Total Salaries	\$84,000
(4) Post-Differential (15% x \$60,000 and 25% x \$40,000)		15,000
(5) Fringe Benefits (25% of Salaries)		21,000
(6) Consultant Fees:		
a. Expatriate: 6 mm @ \$125/day (25 days/mo)		18,750
b. Indonesian: 24 mm @ \$1,000/mo		24,000
	(including housing allowance)	

(7) Fringe Benefits for Consultants (12% of fees)	<u>2,250</u>
Total Personnel Compensation	\$165,000

b. Travel, Transportation and Allowances

(1) International travel to post: (2 employees) @ \$900 ea.	1,800
(2) International Travel: Indonesia/U.S. (4 employees + 2 dependents)	5,400
(3) International travel: Consultants 3 trips @ \$1,800/ea	5,400
(4) In-country travel - Indonesia	8,000
(5) <u>Per Diem - Indonesia:</u>	
a. Staff: 360 labor days @ 32/day	11,500
b. Consultants: 180 days @ 55/day	<u>9,900</u>
Sub-total per diem	21,400

(6) <u>Unaccompanied Baggage</u>	
a. Travel to post: 2 employees @ 250 lb/ea @ \$1,000 each	2,000
b. Return to U.S. 2 employees @ 250 lb/ea @ \$1,000 each	2,000
c. Return to U.S. 2 employees w/one dependant each @ 450 lb/ea @ \$1,800 each	<u>3,600</u>
Sub-total Unaccompanied baggage	7,600

(7) <u>Shipment of Household Effects</u>	
a. Travel to post: 2 employees @ 1500 lbs each \$2,000/ea	4,000
b. Return to U.S. 2 employees @ 1500 lb/ea @ \$2,000/ea	4,000
c. Return to U.S. : 2 employees w/one dependent each @ 2,500 lb ea. @ 2,750 ea shipment	<u>5,500</u>

Sub-total - Shipment of Household Effects	\$13,500
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(8) <u>Storage of Household Effects in U.S.</u>	
a. Employees w/no dependents: 2 employees @ 12/mo. ea. @ \$40/mo.	960
b. Employees w/1 dependent at post: 1 employee @ 12/mo. each \$65/mo.	<u>780</u>
Sub-total - Storage in U.S.	\$ 1,740

(9)	<u>Packing, Crating and Drayage of HHE &amp; Storage</u>	
	2 employees @ \$500 each	1,000
(10)	Medical Travel	1,500
(11)	<u>Quarters:</u>	
	(a) Rent and Utilities:	
	Resident Advisor @ \$1,400/mo.	16,800
	(b) Rent & Utilities: Programming Assistant	
	@ \$600/mo x 12 mos	7,200
	(c) Rent and Utilities: 2 project coordinators	
	@ \$300/mo each @ 12 mos. each	7,200
	Sub-total - quarters	<u>31,200</u>
(12)	R and R Travel @ \$565/person x 4 persons	<u>2,260</u>
	Total Travel, Transportation & Allowances	\$100,800
c. <u>Other Direct Costs</u>		
(1)	Office Equipment (Typewriter)	1,200
(2)	Typewriter Maintenance	200
(3)	Office supplies @ \$100/mo x 12 mos.	1,200
(4)	Translation services 12 mos. @ \$200/mo	2,400
(5)	Communications: 12 mos. @ \$400/mo.	4,800
(6)	Physical exams - 6 persons @ \$85/person	510
(7)	Visas, passports, airport taxes, etc.	
	4 long-term + 4 consultants @ \$100/person	800
(8)	Recruitment costs - (travel, subsistence and communications) 2 positions @ \$1,200/position	2,400
(9)	Reproduction costs @ \$50/mo. x 12 mos.	600
(10)	Other miscellaneous costs	<u>3,292</u>
	Total Other Direct Costs	\$ 17,402
d. <u>Klaten Pilot Project Commodity Support</u>		
(1)	4 KUD Gabah Buying Stations/Equipment	24,000
(2)	PUSKUD/Klaten:	
	(a) Typewriter & Supplies	1,200
	(b) I.D. Card Embosser	2,400
	(c) 10 I.D. Card Imprinters	4,000
	(d) 50,000 PUSPETA I.D. Cards	7,500
(3)	3 KUD Bulk Gabah Wagons	7,500
	3 Flat Bed Wagons	6,000
(4)	Dryers and Threshers	3,500
(5)	65 HP 4 wheel tractor, w/rotovator & disc plow, including spare parts	<u>12,000</u>
	Total Klaten Commodity Costs	\$ 68,100
e. Rice Bran Stabilization and Nutrition Project		
	Total Direct Costs	\$ 6,500
		<u>\$357,802</u>
f. Overhead (provisional) at 28% of Total Direct Costs		
	Total Estimated Cost	100,185
		* <u>\$457,987</u>

\* Includes \$31,006 in unexpended funds provided under Amendment No. 2

3. Summary of Projected Inputs

AID/OPG	\$676,470	(52%)	
Other Donors	79,083	(6%)	
GOI	548,736	(42%)	<i>App. 200,000, 500, 500</i>
TOTAL	<u>\$1,304,289</u>	<u>(100%)</u>	

CLUSA FINANCIAL REVIEW REPORT

SUMMARY OF FINDINGS

APRIL 13, 1992

## Introduction

Since June 28, 1976 USAID has provided \$2,131,586 to CLUSA programs in Indonesia. This includes an OPG in the amount of \$816,234 and proceeds from the sale of Title II commodities amounting to \$1,315,352. The purpose of this grant is to assist CLUSA in establishing a model cooperative program in Indonesia and to increase the capability of the Office of the Director General of Cooperative at the national, regional and at the Kabupaten levels. Currently most of the activities are centered in Klaten Kabupaten, Central Java.

In addition to those USAID grants, the Junior Ministry of Cooperatives provided Rp. 630,000,000 or \$976,745 and another \$80,000 to CLUSA/PUSPETA program activities as bridging loans. These will be paid back when proceeds from sale of Title II commodity available. We learned later that the Junior Minister had agreed these loans to CLUSA/PUSPETA for 10 years with a two years grace period.

Under the OPG, USAID now funds primarily go to pay salaries of CLUSA personnel and administrative costs. This includes; international and in-country travel, house rent, per-diem, consultant fees, office supplies and equipment etc. The proceeds from the Title II sale are primarily intended for PUSPETA working capital; this includes construction of several silos at various KUD sites, livestock and paddy seed projects.

The initial OPG grant agreement was signed on June 28, 1976. Activities were not started until the arrival of the Resident Representative in country in late January 1977.

## Activity

The offices of OMF and VHP have jointly performed a financial review of CLUSA programs. The review was performed at the PUSPETA office in Klaten, Central Java, as well as at the CLUSA office in Jakarta.

The purpose of review was to determine whether CLUSA/PUSPETA's financial management/system is adequate to manage the expanded CLUSA programs.

- \* PUSPETA - Pusat Pelayanan Petani (Farmers Service Center)
- \*\* KUD - Kooperasi Unit Desa (Village Cooperative Unit)

### Scope

Activities were limited to a review of the CLUSA accounting/management system to see if it met generally accepted accounting standards. The review included an examination of receipts and expenditures for the period of November 1979 thru March 1982, the recording of such transactions in the accounting records and the reporting of financial information from Klaten to CLUSA Jakarta, as well as reconciliation of CLUSA's financial report to USAID/Indonesia.

We also reviewed personnel and payroll systems and procedures for staff paid with OPG/Title II funds.

### The Financial System

PUSPETA receives funds from various sources, namely: Dept. of Finance, CLUSA and Dept. of Cooperatives. We noted that the account for all donor inputs are kept in one book of accounts. They are mingled with each other. This causes difficulties in tracing OPG funds. The book of accounts generally were not neat; they contained numerous erasures and cross-outs. For almost the entire period under review there had been erasures or cross-outs. No corrected pages were inserted in the books. We also noted that a substantial number of entries had been made in pencil. Adjusted entries were occasionally posted beneath totals with no description to substantiate the adjustment. In these instances it became necessary for the book-keeper or accountant to give a verbal explanation when a question arose on the adjustment being made.

As a result, the following recommendations are made:

#### Recommendation No. 1

It is recommended that CLUSA/PUSPETA should maintain a separate book of account for its OPG funds and Title II

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

#### Recommendation No. 2

In order to maintain proper books of account CLUSA/PUSPETA should insure that:

1. All entries are in permanent ink.
2. All entries are legible and neat.
3. Entries are made only when determined to be correct, thus reducing the number of cross-outs.
4. That no erasures are made and no "white-out" used.

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- 5. All corrections should be initialed by the person making the correction.
- 6. All adjustments should include sufficient information to determine the nature of a justification for the adjustment.

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

We noted that documentation for the salary for the period of January and March 1980 was missing.

The financial system presently being utilized by CLUSA/PUSPETA does seem to provide the necessary information for recording and reporting financial transaction but in a complex manner which appears to be extremely time-consuming.

Recommendation No. 3

In order to maintain good books of account and to improve the system being utilized, CLUSA/PUSPETA should initiate a training program for its accountants or assistants. Alternatively, a public accountant might be hired to educate them on the maintenance of proper books of accounting.

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

There are several items of equipment now sitting at PUSPETA warehouse, purchased through OPG funds. This includes the following:

<u>Item</u>	<u>Quantity</u>
Hand Tractor	3 ea
Tractor	1 ea (donated by CAPE)
Embossing Machine	1 ea
Stamp Machine	2 ea
Plastic Card Inprinter	1 ea
Moisture Tester	1 ea
CRS (ID Card)	53,000 ea

However, CLUSA/PUSPETA maintains no inventory records for this equipment.

Recommendation No. 4

It is recommended that CLUSA/PUSPETA maintain inventory records both in their Klaten and Jakarta offices.

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

According to Mr. Fitriadi, PUSPETA General Manager, until now there is no oral or written agreement between CLUSA and PUSPETA Klaten over the use of USAID funds. It is unclear whether they will be granted or loaned to PUSPETA. We discussed this matter with Mr. E. Fox, CLUSA Representative. He said a decision will be made only when all activities are fully operational.

Recommendation No. 5

CLUSA should determine, as soon as possible, whether the use of USAID funds will be on a grant or a loan basis to PUSPETA or a mixture of both and on what terms.

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

A review was also conducted at CLUSA's Jakarta office. Not much could be reviewed as all records of expenditures are handled by CLUSA's home office in Washington D.C. This includes procurement of equipment intended for the project, paying of wages, etc. CLUSA/Jakarta doesn't maintain any books of account. The only things they keep there are the copies of vouchers or chits on commodities purchased. We could not get complete information on transactions in order to determine actual monthly expenditure made by the Jakarta office. Therefore, we could not reconcile CLUSA/Washington reports to USAID with field expenditures. We could not report on how CLUSA/Jakarta prepares its financial reports to its home office in the United States.

Recommendation No. 6

It is recommended that another financial review be conducted at CLUSA's office in Washington, as most of its records of expenditures are kept there.

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

I. OPG Funds (Klaten Expenditures)

Files indicated that as of December 31, 1981, USAID has disbursed \$630,153 to CLUSA. Of this amount only Rp. 19,912,000 or \$31,860 was given to PUSPETA. The breakdown is as follows:

1. Salary subsidies, November & December 1979	- Rp. 800,000 Or \$1,282
2. Salary subsidies for the whole year of 1980	- Rp.9,112,000 " \$14,579
3. Salary subsidies for January thru June 1981	- Rp.6,742,000 " \$10,787
4. Working Capital	- Rp.3,258,000 " \$5,212
Sub-Total	<u>Rp.19,912,000 or \$31,860</u>

OPG Funds (CLUSA/Jakarta Expenditures)

1. Expenses January 19 thru July 2, 1981, included salaries for two CLUSA/ Jakarta personnel	- \$ 13,604
2. Equipment	- <u>\$ 10,636</u>
Sub-Total:	- \$24,240
	- <u>\$31,860</u>
Total expenditures both Klaten & Jakarta	<u>\$66,100</u>

This indicated that out of \$630,153 which had been disbursed to CLUSA, only \$66,100 had been expended for CLUSA programs in Indonesia. We were unable to trace the rest of the funds amounting to \$564,053 as all records of expenditures are handled by CLUSA's home office in Washington D.C.

We also noted that about Rp. 1,350,000 or \$2,160 has been expended for housing for three Indonesian staff. This was charged to USAID funds.

Recommendation No. 7

It is recommended that CLUSA/Jakarta should not pay any housing allowance using OPG funds for its Indonesian staff living at the site.

Approved \_\_\_\_\_  
Disapproved \_\_\_\_\_

**II. Title II Funds Expenditures**

CLUSA's home office report to CLUSA/Jakarta shows, total expenditures from July 1981 thru March 26, 1982 as follows.

1. Participant Travel	\$ 22,309.82
2. Local Costs July - December 1981	\$ 15,549.64
3. Local Costs January 1982	\$ 22,422.13
4. Equipment purchased	\$ 132,042.16
5. Overhead Costs at 28.55%	\$ 17,969.00
	<hr/>
Total:	<u>\$210,292.79</u>

Of that amount \$159,900 have been received by CLUSA/Jakarta.

<u>Date Received</u>	<u>Amount</u>
10/31/81	\$ 20,000.00
10/31/81	\$ 10,000.00
01/30/82	\$ 50,000.00
02/27/82	\$ 49,937.50
03/08/82	<u>\$ 29,962.50</u>
Total:	\$159,900.00

From the amount \$159,000 received by CLUSA/Jakarta, \$119,061.73 was transferred to PUSPETA Klaten. The breakdown is as follows:

<u>Date</u>	<u>Amount</u>
01/14/82	Rp. 10,000,000
03/13/82	40,000,000
03/23/82	7,152,000
03/30/82	<u>20,000,000</u>
Total:	Rp. 77,152,000 or \$119,061.73

Personnel/Payroll

CLUSA/PUSPETA currently employs 44 local staff both in Jakarta and Klaten offices, 14 of whom are paid with Title II funds.

These Employees are:

- |     |                      |   |                                |
|-----|----------------------|---|--------------------------------|
| 1.  | Mr. Fitriadi         | - | General Manager /Klaten        |
| 2.  | Mr. Dariono          | - | KUD Operation, Manager/Klaten  |
| 3.  | Mr. Waluyo           | - | Production, Manager/Klaten     |
| 4.  | Mr. Sutrisno         | - | Admin & Finance Manager/Klaten |
| 5.  | Mr. Bambang Soelarto | - | Livestock Dept. Head/Klaten    |
| 6.  | Mr. Ahmad Syaiful    | - | Agronomy/Klaten                |
| 7.  | Mr. Suranto          | - | Field Worker/Klaten            |
| 8.  | Mr. Subandi          | - | Field Worker/Klaten            |
| 9.  | Mr. Supriadi         | - | " " "                          |
| 10. | Mr. Irawan Santoso   | - | " " "                          |
| 11. | Mr. Jaswadi          | - | " " "                          |
| 12. | Mr. Kartoyo          | - | Tractor Operator               |
| 13. | Ms. Nina             | - | Secretary/Admin/Jakarta        |
| 14. | Mr. Mujiono          | - | Clerk/Jakarta                  |

Reporting

According to the grant agreement CLUSA is required to submit both its financial and narrative reports to USAID on a quarterly basis. Three sets of financial and narrative reports have not been received by USAID, they were for the periods of:

1. July thru September 1981
2. October thru December 1981
3. January thru March 1982

Recommendation No. 8

It is suggested that USAID under the OPG with hold further advance payments to CLUSA until all reports are submitted. USAID should also require CLUSA to suspend expenditures under the Title II Funded Project until reporting is updated.

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

Silo

A large portion of the silage equipments has arrived at Klaten, Central Java. One American expert is at the site working at the project site installing the silos.

# NATIONAL IDENTITY PROGRAM

DITJEN KOPERASI/CLUSA  
PROJECT NUMBER 1.

5 AGUSTI 1977

## A. AN INTEGRATED 3 POINT PROGRAM

1. TO ESTABLISH A NATIONAL "TRADE MARK" FOR
  - a) Products produced by KUD members, and
  - b) Products sold by KUD to its members.
2. "TRADE MARK" TO BE INTEGRATED WITH A NATIONAL MARKETING PROGRAM FOR
  - a) High quality food products produced by KUD members and marketed by the KUD, PUSKUD and INKUD to
    - 1) KUD members
    - 2) Other cooperatives
    - 3) Government of Indonesia
    - 4) Private Traders
    - 5) Private Wholesalers
    - 6) Supermarkets
  - b) Quality products (mixed fertilizers, pesticides and basic necessities) to be sold by INKUD, PUSKUD and KUD to its members.
3. A NATIONAL "PUBLIC RELATIONS" PROGRAM TO BE INTEGRATED WITH THE NATIONAL MARKETING PROGRAM AND THE NATIONAL IDENTITY PROGRAM (TRADE MARK).
  - a) A well planned program to improve the "IMAGE" of the Farmer Cooperatives by a CO-ORDINATED use of all National Media.
    - 1) Television
    - 2) Radio Indonesia
    - 3) Newspapers
    - 4) Magazines
    - 5) Trade Publications
    - 6) Technical Bulletins
    - 7) Sign Boards
    - 8) Direct Mail
    - 9) Contracts with Private Companies
    - 10) Special Market Promotions
  - b) Use of the "PUBLIC RELATIONS" program to promote and develop a market for products using the Cooperative "Trade Mark".

THIS IS A LONG RANGE PROGRAM--PERHAPS 10 YEARS. IN THE INITIAL STAGES, IT WILL DEVELOP MORE AS A LOCAL PROGRAM IN CERTAIN PROVINCES, ASSOCIATED WITH SPECIFIC PROJECTS. EVENTUALLY, AS MORE PROVINCIAL PUSKUDS AND KUDS BECOME INVOLVED IN PRODUCTION AND MARKETING PROGRAMS USING THE NATIONAL COOPERATIVE TRADE MARK, THE PROGRAM WILL EMERGE AS A NATIONAL PROGRAM.

EVERY PERSON LIKES TO BE ASSOCIATED WITH A SUCCESSFUL PROJECT. IF OUR KUD AND PUSKUD PROJECTS ARE FAILURES, IT REFLECTS ON THE WHOLE COOPERATIVE MOVEMENT. IF OUR PROJECTS ARE SUCCESSFUL, THE RESULTS CAN BE USED IN THE PUBLIC RELATIONS PROGRAM TO STRENGTHEN OUR "IMAGE" WITH THE FARMERS (MEMBERS) AND CONSUMERS. SUCCESS BREEDS ENTHUSIASM FOR EVERYONE ASSOCIATED WITH COOPERATIVES AND THE COOPERATIVE MOVEMENT.

## B. MARKETING

THE ORGANIZATION WHICH CONTROLS THE MARKETING OR SALES OF A PRODUCT HAS THE POWER TO CONTROL THE PRICES PAID TO THE FARMERS WHO PRODUCE THE PRODUCT OR THE RAW MATERIAL FOR FURTHER PROCESSING.

A MARKET PRICE WHICH PERMITS THE FARMER TO SELL HIS PRODUCT AT A PROFIT IS ESSENTIAL. AS LONG AS THE COOPERATIVES DO NOT CONTROL MARKETING, THE KUD MEMBERS ARE AT THE MERCY OF THE PRIVATE TRADERS AND SPECULATORS.

C. TRADE MARK

TO CONTROL THE SALES OF A PRODUCT, THE COOPERATIVE MUST ESTABLISH A NATIONAL "TRADE MARK" WHICH CAN BE USED ON QUALITY PRODUCTS PRODUCED AND SOLD BY COOPERATIVES.

THE TRADE MARK SHOULD HAVE THESE CHARACTERISTICS;

1. EASY TO IDENTIFY (TO READ)
2. EASY TO SAY (SPEAK)
3. EASY TO REMEMBER
4. MELODIOUS (NICE FOR HEARING)
5. ASSOCIATED ONLY WITH HIGH QUALITY PRODUCTS.
6. IDENTIFY THE ORGANIZATION PRODUCING THE PRODUCT.

D. LONG RANGE OBJECTIVES FOR THE KUD

WE WOULD LIKE TO SEE THE KUD BECOME A MULTI-PURPOSE FARMERS SERVICE CENTER. (PUSAT PELAYANAN PETANI) (SERBA USAHA). THE NAME "PUSPETA" HAS BEEN SUGGESTED AS A TRADE MARK WHICH CLEARLY IDENTIFIES THE KUD AS A FARMERS SERVICE CENTER AND MEETS THE OTHER CRITERIA LISTED ABOVE.

A KUD WOULD EARN THE DISTINCTION OR THE RIGHT TO USE THE TRADE MARK BY MEETING CERTAIN CRITERIA AND STANDARDS. SUCH STANDARDS MIGHT INCLUDE THE FOLLOWING;

1. More than 50% of the eligible farmers in the area serviced by the KUD are full members.
  2. The KUD is a democratic organization with each member participating in the elections of the Board of Directors--not controlled by a few rich members.
  3. Members of the Board of Directors or Board of Supervisors do not have a Conflict of Interest with the present or potential business activities of the KUD.
  4. A good bookkeeping system with a full financial accounting to every member.
  5. Many business activities for the benefit of the members.
  6. Purchase a majority of the member's products or production.
  7. Process, package and sell a quality product.
  8. Sell "PUSPETA" products to its members.
  9. Be a full paid up member of the PUSKUD.
  10. Support and participate in the Social Programs of the Local Government--(Province/Kabupaten/Kecamatan/Desa).
  11. Prepare a long range plan for development of new projects-- 5 years and 10 years.
  12. Involve members in the planning process. Set up study committees for making the MASTER DEVELOPMENT PLAN and for planning each new activity.
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E. ALTERNATIVE NAMES FOR "TRADE MARK".

<u>TRADE MARK</u>	<u>No. OF LETTERS</u>	<u>FULL NAME</u>
1. PUSPETA	7	PUS/AT PE/LAYANAN PETA/NI
2. KOPETA	6	KO/PERASI PETA/NI
3. KOPANI	6	KOP/ERASI PET/ANI
4. PUSPETANI	9	PUS/AT PETANI
5. KOPETANI	8	KOPE/RASI PE/TANI
6. KOPELANI	8	KO/PERASI PEL/AYANAN PET/ANI
7. INDOKUD	7	INDO/NESIAN KUD (KOPERASI UNIT DESA)
8. INDOCOOP	8	INDO/NESIAN COOP/ERATIVES
9. INDOKOP	7	INDO/NESIAN KOP/ERASI

F. POSSIBLE PRODUCTS TO CARRY "PUSPETA" TRADE MARK. (SEE SEPARATE LIST--BASE LINE DATA)

G. LONG TERM IMPLEMENTATION METHODS.

1. NEGOTIATE MARKETING CONTRACTS TO SUPPLY PRIVATE COMPANIES AND PRIVATE TRADERS WITH PRODUCTS MEETING CERTAIN QUALITY STANDARDS.

2. CONSIDER OPERATING "PUSPETA" SUPER MARKETS IN MAJOR CITIES i.e. JAKARTA, SURYABAYA, JOGJAKARTA, SEMARANG, UJANG PANDANG, MEDAN, ect., using

- a) Franchising use of "PUSPETA" Trade Mark to Private Companies
- b) Management Contracts with Private Companies
- c) Joint Ventures with Urban Cooperatives

3. CONSIDER OPERATING "PUSPETA" ("FAST FOOD", "DRIVE IN", "CARRY OUT") FOOD CHAINS (SIMILAR TO U.S. COMPANIES i.e. MCDONALDS, KENTUCKY FRIED CHICKEN, PIZZA HUT, LONG JOHN SILVERS FISH & CHIPS, BASKIN-ROBBINS ICE CREAM, etc.) under

- a) FRANCHISES using "PUSPETA" Trade Mark
- b) MANAGEMENT Contracts
- c) JOINT VENTURES with Consumer and Functional Group Cooperatives

FOODS MIGHT BE FRIED CHICKEN, SATE, FISH & CHIPS, HAMBURGERS, NASI GORING, GADO-GADO, ICE CREAM, etc.

4. Negotiate "Private Label" products for sale through PUSKUDS and KUDS by

- a) Purchasing product in cartons ready for shipment and sale, or
- b) Purchasing products in bulk and setting up packaging, labeling and shipping department.

5. NEW PROJECTS FOR PROCESSING AND PACKAGING MEAT, POULTRY, FISH, VEGETABLES, FRUITS, and SPECIAL FOOD MIXES.

- a) Poultry processing plants
- b) Fish processing plants
- c) Fruit and vegetable packing plants

H. ROLE OF PUSYUD AND INKUD.

THE ABOVE PROGRAMS CAN BE DEVELOPED EFFECTIVELY ONLY BY KUDS JOINING TOGETHER TO FORM A PUSKUD AND THE PUSKUDS JOINING TOGETHER TO FORM THE INKUD.

THE ACTIVITIES MENTIONED ABOVE CANNOT BE CARRIED OUT BY THE KUD WITHOUT THE ORGANIZATIONAL, PROCESSING AND MARKETING STRUCTURE OF THE PUSKUD AND INKUD. THEY ARE VITAL TO THE SUCCESS OF THE COOPERATIVE DEVELOPMENT PROGRAMS.

WITHOUT THE PUSKUD AND THE INKUD, THE KUDS WILL STRUGGLE FOR 50 YEARS WITHOUT MAKING SIGNIFICANT PROGRESS.

Best Available Document

SUCCESSFUL SUPPLY AND MARKETING PROGRAMS MUST BE INTEGRATED WITH IMPORTANT BUSINESS SERVICE AND MARKETING ACTIVITIES CARRIED OUT AT THE NATIONAL AND PROVINCIAL LEVELS BEFORE THE KUD CAN HAVE AN EFFECTIVE AND SUCCESSFUL PROGRAM.

IN THE UNITED STATES, THE NEW ENGLAND PROTECTIVE UNION WAS ORGANIZED IN 1845. THERE IS NOW A 130 YEAR HISTORY OF COOPERATIVE DEVELOPMENT. FOR ALMOST 100 YEARS, COOPERATIVES STRUGGLED FOR SURVIVAL. MOST OF THE COOPERATIVES ORGANIZED IN THE FIRST 50 TO 100 YEARS FAILED FOR ONE REASON OR ANOTHER, MOSTLY FROM LACK OF KNOWLEDGE OF COOPERATIVE PRINCIPLES, LACK OF CAPITAL, LACK OF MANAGEMENT AND MARKET POWER.

NOT UNTIL THE SMALL FARMER COOPERATIVES JOINED TOGETHER TO FORM LARGER REGIONAL COOPERATIVES (SIMILAR TO PUSKUDS) AND NATIONAL COOPERATIVES (INKUD) COULD THEY CONTROL ANY ASPECT OF MARKETING OF THEIR PRODUCTION. BY ORGANIZING REGIONAL AND NATIONAL COOPERATIVES, AND THROUGH MERGERS AND CONSOLIDATIONS, THE SMALL FARMER COOPERATIVES ACQUIRED MARKET POWER, AND COOPERATIVE DEVELOPMENT HAS ACCELERATED. IT IS ESTIMATED THAT COOPERATIVES HANDLE 40% OF ALL FOOD PRODUCED IN THE U. S. A.

COOPERATIVES ARE NOW VERY STRONG BUSINESS ORGANIZATIONS, WITH SEVERAL OF THE REGIONAL COOPERATIVES BEING LISTED AMONG THE TOP 100 U. S. COMPANIES IN SALES AND PROFITS.

#### I. RECOMMENDED IMPLEMENTING ACTIONS.

1. CONSULTATIONS WITH MINISTER, PRESIDENT, FINANCE MINISTER, BAPPENAS, and OTHER INTERESTED GOVERNMENT DEPARTMENTS. MAKE AFFIRMATIVE DECISION TO IMPLEMENT 3 POINT INTEGRATED LONG RANGE PROJECT BY AUTHORIZING THE FEASIBILITY STUDIES TO BE MADE.

2. DECIDE ON "TRADE MARK" NAME.

3. UNDERTAKE DETAILED DEVELOPMENT OF INTEGRATED PLAN.

a) Short Term Advisor for three months to do Economic Feasibility on INKUD and its role in the Integrated 3 Point Program.

b) Short Term Advisor for three months to assist in all aspects of the National Marketing and Identity Program.

c) Short Term Advisor for three months to assist in all aspects of the National Public Relations and Identity Program.

IF POSSIBLE, ALL THREE ADVISORS SHOULD BE IN INDONESIA AT THE SAME TIME-- (SUGGESTED SEPT. 15 TO DEC. 15--immediately after LEBARON), SINCE THE CONTRIBUTION OF EACH PERSON IS COMPLEMENTARY TO EACH OF THE OTHERS. (If we wait until after September 15, then it is likely to be early 1970 before Advisors will be available).

4. AFTER ADVISORS HAVE BEEN IN INDONESIA AND THE LONG RANGE "MASTER PLAN" HAS BEEN DEVELOPED, FURTHER CONSULTATIONS SHOULD BE HELD WITH THE MINISTER, THE PRESIDENT, BAPPENAS AND OTHER INTERESTED GOVERNMENT DEPARTMENTS. A DECISION SHOULD BE REACHED ON IMPLEMENTATION AND TIME FRAMES.

5. IF DECISION IS AFFIRMATIVE, BEGIN WORK ON DEVELOPING PROJECT STUDIES AND ECONOMIC FEASIBILITY STUDIES FOR EACH PROJECT WITHIN THE "MASTER PLAN".

#### J. ESTIMATED TIME SCHEDULE.

1. PHASE I --DEVELOP MASTER PLAN

ONE YEAR.

2. PHASE II--PROJECT IMPLEMENTATION--

TO BEGIN IN JANUARY 1970.

SPECIFIC PROJECT FEASIBILITY STUDIES.

PROJECT: NATIONAL IDENTITY AND MARKETING PROGRAM

SUGGESTED TIME  
SCHEDULE: NOVEMBER--DECEMBER 1977 & JANUARY 1978.

INFORMATION AND  
PROJECT DESCRIPTION:

1. One of the deficiencies in the KUD (Koperasi Unit Desa) development program is the absence of a long range marketing plan for products produced by KUD members and products sold to KUD members.

2. While most cooperative officials agree that a marketing program for all of Indonesia cannot be undertaken in the near future, there is agreement that a marketing program can be started in certain areas of the country on selected products. However, such activities should be a part of a long range market development program.

3. Managers and Directors of the PUSKUDS (Provincial level cooperatives) feel the need for strengthening their marketing programs to increase the business activities of the PUSKUD and KUDs and to provide better markets and prices for members' produce.

4. One part of the marketing program will include the selection of a "Trade Mark" to be used on all cooperative products meeting certain quality standards.

5. The "Trade Mark" will be part of an integrated program of marketing and public relations to improve the image of cooperatives among the KUD members and the general public.

6. Since there is a good deal of overlapping and integration of programs in National Identity and Marketing, Public Relations and the establishment of a National level Cooperative (INXUD), the Director of Planning recommends that all three consultants be in Indonesia at the same time to compliment each other's efforts and work together as a team.

SCOPE OF WORK: The written report should include, but not be limited to, the following:

1. Help select the National "Trade Mark". Consultations should be held with Koperasi officials, PUSKUD and KUD managers and directors, local advertising and media personnel and others to select a Trade Mark with the following characteristics:
  - a) Short and simple
  - b) Attractive
  - c) Easy to identify
  - d) Easy to say
  - e) Easy to remember
  - f) Melodious
  - g) Identifies the organization producing the product.
2. Help select the list of products to carry the National Trade Mark.
3. Develop a marketing program for products produced by KUD members (mostly food products) and products sold to KUD members (mostly production supplies and basic necessities). Identify the various kinds of market outlets and what can be done to develop them.
4. Suggest ways and means by which Cooperatives can begin the marketing programs without owning the production and processing facilities (i.e. production and processing contracts with private firms, private label, bulk purchases and packaging, etc.).

5. Suggest a long range program with time schedules for introducing new products to the market and the amounts and kinds of media advertising to be used.
6. Develop a program for integrating the market programs with the Public Relations program for as much "free" publicity as possible.
7. Develop a distribution plan in cooperation with the consultant working on the INKUD feasibility study.
8. Outline a program for developing a sales and service organization for various levels of cooperatives (INKUD, PUSKUD, and KUD) with suggested plans for compensation and training.
9. Make a pre-feasibility study on the economic aspects of marketing certain products and determine which products require separate comprehensive economic feasibility studies.
10. Determine the amount of capital required for the marketing programs and identify possible sources.
11. Summarize in one section of the written report a listing of all specific recommendations.
12. Prepare a draft report before leaving Indonesia for discussion with the CLUSA advisor, the staff of the Directorate General of Cooperatives and the PUSKUD committee.

#### QUALIFICATIONS:

1. The consultant must have a broad knowledge and experience in sales and market development programs in cooperatives, private business, as a media executive or as an account executive in an advertising company, or a combination of marketing experiences.
2. An understanding of cooperative principles, practices and procedures.
3. Experience in food and/or farm supply marketing in the United States, and, if possible, in LDCs. A basic knowledge of agriculture and agricultural marketing problems would be helpful.
4. The consultant should have the ability to suggest ideas and programs without being too aggressive or dictatorial, but with the art of persuasion.
5. The consultant should be equally at ease (including good rapport and communication) with farmers, businessmen and government officials.
6. The consultant (and spouse) should be sensitive to peoples' needs at all levels of society. They must always remember they are guests in Indonesia and should act accordingly.

LANGUAGE: A knowledge of the language would be helpful but is not essential for this project. Many of the people with whom the consultant will be working speak English. Also there are competent translators and interpreters among the staff assistants.

PROJECT: NATIONAL PUBLIC RELATIONS PROGRAM

SUGGESTED TIME

SCHEDULE:

NOVEMBER--DECEMBER 1977 & JANUARY 1978

INFORMATION AND

PROJECT DESCRIPTION:

1. Cooperatives do not enjoy a high level of public confidence and esteem in Indonesia for a number of reasons;
  - a) During the middle 60's, many cooperatives were used as a political tool of the PKI (Communist Party). Farmers confidence in cooperatives was destroyed.
  - b) Because of farmer distrust, many cooperatives do not have a strong organization of participating members. Therefore, business activities are limited and unprofitable.
  - c) Because of limited activities and low profits, KUDs do not project an image of successful business enterprises. The general public considers the KUD to be weak and ineffective.
  - d) KUDs have had a very short existence. When the New Order came into being (1966) there was no political, social, or economic stability. The cooperative was in a "survival" period. The enactment of the law on the Basic Regulation for Cooperatives (Law No. 12--year 1967) saved the life of the Cooperative. Out of 64,000 cooperative societies in existence, only 12,248 were able to survive. The first KUD was not developed until 1971. As of one year ago (July 1976) there were 3,783 KUDs and BUUDs.
2. The Government policy is geared toward cooperative development as a supporting pillar of economic development and the backbone of the peoples' economy in conformity with the spirit of the Constitution. The existence of a cooperative society means the existence of a structural change in the community, particularly in the rural areas.
3. In the Indonesian Development Program, Cooperatives are designated to serve as the main centers for rural business and economic activities.
4. The purpose of this project is to develop ways and means of improving the "IMAGE" of cooperatives with
  - a) Farmers to increase membership and stronger participation in supply and marketing programs, and
  - b) The General Public to create a receptivity and market for cooperative products, and
  - c) Various department of Government to assure more and stronger support for cooperative programs.
5. This project is one part of an integrated 3 part program which includes National Identity and Marketing Program, A National Public Relations Program and a feasibility study for a National Level Cooperative (INKUD).
6. Since there is a good deal of overlapping and integration of programs in National Identity and Marketing, Public Relations and the establishment of a National Level Cooperative (KUD), the Director of Planning recommends that all three consultants be in Indonesia at the same time to compliment each other's efforts and work together as a team.

SCOPE OF WORK: The written report should include, but not be limited to, the following;

1. Work with consultants on the National Identity and Marketing program and the National level cooperative (INKUD) to incorporate aspects of their programs into the National Public Relations Program.
2. Develop programs aimed specifically at
  - a) Farmers--to influence them on becoming members of the KUD and participating in its activities.
  - b) Public--to increase awareness of the cooperative Trade Mark and Identity Program.
  - c) Government Officials--for increased support of Government departments.
3. Programs should be developed for presentation in all kinds of media, i.e.
  - a) Television
  - b) Radio
  - c) Newspapers
  - d) Magazines
  - e) Trade Publications
  - f) Sign Boards
  - g) Direct Mail
  - h) Technical Bulletins
  - i) Special Market Promotions
  - j) Contracts with Private Companies
4. Consult with local media officials and members of local advertising agencies for their ideas and suggestions and future cooperation in running "news releases".
5. Consult with song writers to see if advertising jingles and a National Cooperative "Marching Song" can be composed--perhaps a National contest for jingles, slogans, product names, etc.
6. Prepare visual presentations for private showings to
  - a) Farmers
  - b) Trade Associations
  - c) International Financial Institutions
  - d) Government Departments
7. Prepare visual presentation for Rice Procurement Programs for farmers in Klaten (Central Java) and Krawang (West Java).
8. Prepare visual presentation for BAPPENAS on INKUD feasibility study.
9. Determine what kind of staff and organization should be set up in the Directorate General of Cooperatives and in the INKUD and PUSKUD to handle the Public Relations Programs together with a job description for each position.
10. Prepare a budget for the Directorate General of Cooperatives on the cost of a Public Relations Program covering a period of three years.
11. Summarize in one section of the written report a listing of all specific recommendations.
12. Prepare a draft report before leaving Indonesia for discussion with the CLUSA advisor, the staff of the Directorate General of Cooperatives and the PUSKUD committee.

QUALIFICATIONS:

1. The consultant must have a broad knowledge and experience in market and sales development programs in cooperatives, private business, as a media executive, or as an account executive in an advertising company, or a combination of marketing experiences. Specific experience in actual preparation of visual presentations would be very helpful.
2. An understanding of cooperative principles, practices and procedures.
3. Experience in food and/or farm supply marketing in the United States, and, if possible, in LDCs. A basic knowledge of agriculture and agricultural marketing problems would be helpful. Specific experience in farmer presentations would be helpful also.
4. The consultant should have the ability to suggest ideas and programs without being too aggressive or dictatorial, but with the art of persuasion.
5. The consultant should be equally at ease (including good rapport and communication) with farmers, businessmen and government officials.
6. The consultant (and spouse) should be sensitive to peoples' needs at all levels of society. They must always remember they are guests in Indonesia and should act accordingly.

LANGUAGE: A knowledge of the language would be helpful but is not essential for this project. Many of the people with whom the consultant will be working speak English. Also there are competent translators and interpreters among the staff assistants.

PROJECT: FEASIBILITY STUDY ON NATIONAL LEVEL COOPERATIVE (INKUD)

SUGGESTED TIME

SCHEDULE:

NOVEMBER--DECEMBER 1977

& JANUARY 1978

INFORMATION AND  
PROJECT DESCRIPTION:

1. Provincial Level Cooperatives (PUSKUDS) have been set up by local agricultural cooperatives (KUDS) in 10 of Indonesia's 26 Provinces. The PUSKUDS feel a need for setting up a National Cooperative (INKUD) to carry out certain business activities which cannot be handled by each individual PUSKUD.

While the PUSKUDS feel the need for a National Level Cooperative, no plan has been developed showing the activities of the INKUD or the economic feasibility of the INKUD.

2. Before BAPPENAS (National Planning Agency) will approve the establishment of INKUD, BAPPENAS must be convinced of the need for the services of such an organization.

3. At a meeting of PUSKUD managers and directors at Lake Toba on June 22, 1977, a committee of 5 people was appointed to develop plans for establishing an INKUD. Before a decision can be made, the need, activities, and the economic feasibility must be clearly established.

4. The Director General of Cooperatives has agreed to assist the PUSKUDS in helping to finance the study under the GOI/CLUSA project agreement. This study would be designated as PROJECT NO. 3 under this agreement.

5. A number of agricultural projects cannot be carried out successfully by the KUDS without a variety of goods and services provided by the PUSKUD and the INKUD. These activities should be identified and incorporated into the feasibility study.

SCOPE OF WORK: The written report should include, but not be limited to, the following:

1. Identify the activities which should be carried out by an INKUD to determine the need for such an organization.
2. Establish a long range development program for the INKUD with suggested time schedules for starting each activity.
3. Make a pre-feasibility study on the economic aspects of INKUD activities. This should include estimates of revenues and expenses of each recommended activity.
4. Determine which activities of the INKUD warrant separate comprehensive economic feasibility studies.
5. Determine the amount of capital required for the INKUD operations and identify the sources from which it will come.
6. Develop an organization chart and a job description for each important management position, as well as recommendations on compensation.

7. Prepare a suggested budget and cash flow projection for the first 3 years of operation.
8. Prepare a list of recommended By-Laws in addition to standard By-Laws required by Cooperative regulations.
9. Prepare a narrative describing
  - a) Operational procedures
  - b) Management reports
  - c) Record keeping and accounting procedures
  - d) Kind and size of sales organization
  - e) Distribution system
  - f) Extension activities and training programs
10. Prepare an outline showing the kinds of training programs which should be developed for management, administrative and sales employees.
11. Summarize in one section of the report a listing of all specific recommendations.
12. Prepare a draft report before leaving Indonesia for discussion with the CLUSA advisor, the staff of the Directorate General of Cooperatives and the PUSKUD committee.

#### QUALIFICATIONS:

1. The consultant must have a broad knowledge and experience in business management and programming techniques and their uses in the development of agribusiness projects.
2. An in-depth understanding of cooperative principles, practices, procedures and operations and an understanding of the large role of governments in the cooperative sector in most LDC's.
3. Experience in agriculture and agribusiness in the United States, and if possible, in LDCs. A broad knowledge of agricultural activities with an expertise in one or more areas of activity.
4. The consultant should have the ability to suggest ideas and programs without being too aggressive or dictatorial, but with the art of persuasion.
5. The consultant should be equally at ease (including good rapport and communication) with farmers, businessmen and government officials.
6. The consultant (and spouse) should be sensitive to people's needs at all levels of society. They must always remember they are guests in Indonesia and should act accordingly.

Language: A knowledge of the language would be helpful but is not essential for this project. Many of the people with whom the consultant will be working speak English. Also there are competent translators and interpreters among the staff assistants.

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PROJECT: CENTRAL JAVA PUSKUD RICE MILL--KABUPATEN KLATEN  
35 KUD SUB-PROJECTS IN KABUPATEN KLATEN

*7/22 (205) 10/25*

SUGGESTED TIME SCHEDULE: MARCH 1978 through SEPTEMBER 1979

BACKGROUND INFORMATION:

A major CLUSA Project with the DITJEN KOPERASI will be the Rice Mill Project in Kabupaten Klaten, Central Java. Kabupaten Klaten is primarily rural consisting of 23 Kecamatans with a total population of 1,050,000. Although the area is extremely fertile with a well developed infrastructure of roads and irrigation, the population pressure is very intense with an average of more than 20 persons per hectare of Sawah (irrigated rice land). The majority of the farmers have less than .25 ha. of land.

There are 35 established KUDs in Kabupaten Klaten. Membership is a small percentage of farmers eligible for membership. Present business activities of the KUDs is minimal consisting primarily of seed, fertilizer and pesticide sales and a small amount of gabah purchases. Only 5 of the KUDs have small rice mills.

The PUSKUD Rice Mill is located at Ceper, close to the center of the Kabupaten. It was built by the German Government under a foreign assistance program about 5 years ago. The premises, buildings and equipment are excellent.

The Rice Mill has a capacity of 2 tons per hour of Gabah. Running 3 shifts (24 hours/day) for 250 days per year, the mill has a capacity of 12,000 tons of gabah. (24 hours x 2 tons = 48 tons x 250 days/year = 12,000 tons)

Over 300,000 tons of gabah are produced annually in Kabupaten Klaten. The mill requires 4% of the gabah produced in Klaten to run at 100% of capacity-- 3 shifts per day. An additional 300,000 tons of gabah are produced in neighboring Kabupatens (not including Jogjakarta). The requirements are sufficiently small to effect very little the gabah marketing and milling practices and patterns in Kabupaten Klaten and the surrounding area. A good competitive gabah purchasing program through 35 KUDs should easily produce more than 12,000 tons of gabah per year for the PUSKUD Rice Mill.

PROJECT DESCRIPTION:

The main project will have 35 sub-projects with KUDs in Kabupaten Klaten including, but not limited to, the following activities.

1. A fully integrated gabah purchase program, including the setting up and operation of gabah buying stations throughout the Kabupaten.
2. A membership development program.
3. Establishment of credit unions and credit programs at each KUD.
4. Development of a rice collection, drying, storage and milling program for each KUD.
5. Marketing programs for gabah (unhulled rice) and beras (milled rice).
6. Project identification and economic feasibility studies for additional KUD projects and activities.
7. Management improvement programs, and the involvement of members in project planning and development.

The project will require 4 Expatriate and 4 Indonesian Project Coordinators. The project coordinators will reside in Kabupaten Klaten and provide an effective line of communication between the CLUSA Project Director, the Indonesian Co-Directors and the farmers.

SCOPE OF WORK: Each Project Coordinator and his Indonesian counterpart will be responsible for

1. Coordinating the activities of the field staff of Ditjen Koperasi (KKOPD), the Agriculture Ministry field staff (directing the BIMAS/INMAS Rice intensification program), the Agriculture extension staff and the BRI (Bank Rakyat Indonesia) which provides the credit. The Government Staff presently in Kabupaten Klaten consists of

17	Field Staff (Koperasi) working with 35 KUDS
46	Agriculture Staff (BIMAS/INMAS)
40	Agriculture Extension workers
40	BRI Staff (BIMAS/INMAS Credit)
146	Total

2. Coordinating the activities listed under "Project Description" above.
3. Assisting the CLUSA Project Director and his Indonesian counter-parts in developing, modifying and improving project activities to be implemented under this project.
4. Working with 9 KUDS in carrying out the activities under this project.
5. Supervising and training the KUD employees assigned to the Gabah buying stations.
6. Providing the Project Directors with the following written reports
  - (a) a weekly report of the past week's activities and accomplishments and a work plan for the following week.
  - (b) a quarterly report at the end of each calendar quarter showing the problems and accomplishments, and a list of project goals for the next quarter.
7. Organizing and holding farmers' meetings for visual presentation of various KUD programs.

QUALIFICATIONS: The Project Coordinator must have

1. A desire to work with farmers in a Less Developed Country (LDC) on agricultural development projects.
2. A farm background. It would be most helpful if the P.C. had been reared on a farm. If all of the P.C.s do not have this background, then at least 2 of the 4 P.C.'s must have this background.
3. An in-depth understanding of Cooperative principles, practices, procedures and operations.
4. Experience in Agribusiness, if possible. Although this requirement is not absolutely essential, some agribusiness experience would be helpful.

5. The ability to live in rural areas where living conditions are difficult, drinking water must be boiled, local foods are different than western foods and waste disposal practices are primitive.
6. The ability to suggest ideas and programs without being too aggressive or dictatorial, but with the art of persuasion.
7. A sensitivity to people's needs at all levels of society. They must always remember they are guests in Indonesia and should act accordingly.
8. A fluency in Bahasa Indonesia. Although a knowledge of this national language will allow the P.C. to communicate with a majority of the people, he will probably learn a considerable amount of the Javanese language while living in Klaten. The majority of the local people speak Javanese although the national language is taught in the schools.

KLATEN RICE MILL PROJECT

This is a fully integrated program between the Puskud Branch in Klaten and 35 KUDs. It should result in the following:

1. A dramatic increase in membership of Kuds in Klaten
2. Operation of the PUSKUD rice mill on 3 shift basis for 250 days per year at a substantial profit.
3. The stimulation of many new projects and employment opportunities in Klaten.
4. An increase in farmer income.
5. A dramatic increase in equity capital of PUSKUD and KUDs.
6. An increase in the profitability of the 35 KUDs.
7. Development of a cohesive, coordinated organization of government workers - i.e. Koperasi, Agriculture and BRI.
8. Experience in project development and "on the job" training for many Koperasi employees.
9. A "pilot project" in membership development, organization, project planning and management which can be duplicated in some other areas.
10. A chance to coordinate the activities with assistance from other international organizations and governments.
11. A training ground for many cooperative employees.
12. An opportunity to try many new PILOT PROJECTS for testing before introducing them to other areas. i.e. Crop Insurance Programs, Life Insurance Programs, Operation of large Rice Mills, Livestock, Poultry and Feed Programs, Membership Development Programs, etc.
13. A project for "ON THE JOB TRAINING" for Lembaga Management Training Programs.
14. An opportunity to test KREDIT PROGRAMS and KREDIT UNIONS in combination with KUDs.
15. Enlarged opportunities for the PUSKUD in CENTRAL JAVA to begin many other activities.
16. Use of experimental COMPUTER PROGRAMS for ACCOUNTING RECORDS, PATRONAGE REFUND CALCULATIONS, etc. and Statistical information for Management.

**PUSKUD/KUD GABAH PROCUREMENT PROGRAM  
1977-1978 SEASON**

**WHAT DOES THE FARMER AGREE TO DO?**

**1. CONTRACT TO SELL HIS GABAH TO THE KUD as**

- a) Dried Gabah
- b) Wet Gabah
- c) Harvested Padi (Dried)
- d) Harvested Padi (Wet)
- e) Unharvested Padi (Yellow)--Advance 60% of estimated price at harvest.

At a price of Rps. 70 per Kg. (or current market price whichever is higher) based on 14% moisture (AIR) and not more than 3% empty husks and foreign material.

Accept the appropriate discounts (based on chart) for moisture, empty husks, and foreign matter, and drying costs.

- 2. PURCHASE FERTILIZER AND PESTICIDE FROM THE KUD, IN THE QUANTITIES RECOMMENDED BY THE KUD TECHNICIAN OR THE AGRICULTURAL EXTENSION AGENT. (Essentially the BIMAS/INMAS Program)
- 3. FOLLOW THE BIMAS OR INMAS RICE GROWING PROGRAM (TECHNICAL PROGRAM RECOMMENDED BY THE GOVERNMENT EXPERTS--SEED, FERTILIZER and PESTICIDES, with the proper FLOOD CONTROL and WATER CONTROL.
- 4. JOIN THE KUD AS A FULL MEMBER AND PARTICIPATE IN THE ELECTIONS OF THE BOARD OF DIRECTORS REPRESENTATIVE. MINIMUM PAYMENT FOR MEMBERSHIP IS RPS. 1,000 WHICH CAN BE DEDUCTED FROM ADVANCES MADE BY THE KUD FOR THE GABAH.
- 5. JOIN THE KUD CREDIT UNION AS A FULL MEMBER AND PARTICIPATE IN THE MEETINGS. MINIMUM PAYMENT FOR MEMBERSHIP IS RPS. 1,000 WHICH CAN BE DEDUCTED FROM ADVANCES MADE BY THE KUD FOR THE GABAH.
- 6. CONTRIBUTE 5 RPS. PER KG. OF DRIED GABAH TO THE CAPITAL OF THE KUD AND PUSKUD AND A PERSONAL LIFE INSURANCE PROGRAM, as follows:
  - a) PUSKUD = Rps. 2 per Kg.
  - b) KUD = Rps. 2 per Kg.
  - c) INSURANCE = Rps. 1 per Kg.
- 7. AGREE TO WORK ON STUDY COMMITTEES OR PLANNING COMMITTEES OF THE KUD AND DESA ACTION GROUP IF REQUESTED BY THE BOARD OF DIRECTORS TO DO SO.
- 8. SUPPORT THE EFFORTS OF THE KUD AND PUSKUD IN BUILDING A STRONG ORGANIZATIONAL STRUCTURE FOR THE BENEFIT OF THE MEMBERS, AND A STRONG CAPITAL AND SURPLUS (RESERVES) STRUCTURE SO THE KUD AND PUSKUD CAN START NEW CAPITAL PROJECTS FOR THE BENEFIT OF THE MEMBERS.
- 9. ASSIST IN THE MEMBERSHIP PROGRAMS. HELP CONVINCE YOUR NEIGHBOR TO BECOME A MEMBER OF THE KUD. A LARGE PARTICIPATING MEMBERSHIP WILL ENABLE THE KUD TO BRING MORE BENEFITS TO ITS MEMBERS. A LOCAL SELF-HELP PROGRAM WILL ACHIEVE MUCH MORE THAN ANY GOVERNMENT PROGRAM CAN DO.
- 10. SUPPORT YOUR KUD BY BUYING PUSKETA PRODUCTS. (PUSAT PELAYANAN PETANI) HELP YOUR KUD ACHIEVE THE STATUS OF A PUSKETA.

WHAT DOES THE FARMER GET IN RETURN? (BENEFITS)

VALUE TO FARMER  
RPS./KG. GABAH

1. GOOD PRICE FOR HIS GABAH--MINIMUM of GOVERNMENT FLOOR PRICE. 1 Rp./Kg.  
MAXIMUM OF MARKET PRICE, IF HIGHER. (Not Counted)
2. LOANS (ADVANCE ON GABAH) TO MEET URGENT LIVING EXPENSES, at 3 Rp./Kg.  
VERY LOW INTEREST RATES. (Cost of loan from KUD/CREDIT UNION is only 10% to 30% of the cost of a loan from a private trader or money lender)
3. LIFE INSURANCE--FOR HEAD OF HOUSEHOLD. 1 UNIT FOR EACH 1.000 KG. OF DRIED GABAH. PROCEEDS FROM 1 UNIT DEPEND UPON AGE OF THE INSURED. (See Schedule of Values)
  - a) AUTOMATIC REPAYMENT OF LOANS TO KUD/CREDIT UNION IN EVENT OF DEATH OF THE INSURED. 1 Rp./Kg.
  - b) BALANCE OF PROCEEDS TO THE INSURED'S FAMILY.
  - c) ALL PREMIUMS PAID PLUS THE DEATH BENEFIT WILL BE PAID.
4. "SURAT KETERANGAN UNTUK EMAS MURNI" ATAU "SERTIPIKAT TERBUAT DARI EMAS" FOR TOTAL OF 2 RPS./KG. OF CLEAN, DRY GABAH SOLD TO KUD/PUSKUD. 2 Rp./Kg.
5. INTEREST PAYMENTS ON "SURAT EMAS MURNI" FROM PUSKUD. 1% INTEREST PER MONTH, PAYABLE EACH 6 MONTHS (TWO TIMES PER YEAR) 1/2 Rp./Kg.  
(Not Counted)
6. "SURAT KAPITAL DANA CADANGAN UANG" FROM KUD. A TEN YEAR CERTIFICATE/NON-TRANSFERABLE/NON-INTEREST BEARING--PAYABLE TO MEMBER OR FAMILY IN 10 YEARS. FOR TOTAL OF 2 RPS/KG. GABAH. 2 Rp./Kg.
7. "PUSPETA" T SHIRTS--FOR MEMBER AND FAMILY--1 T SHIRT FOR EVERY 1.000 KG. CLEAN, DRY GABAH. 1 Rp./Kg.
8. ELECTRONIC WRIST WATCH--TEXAS INSTRUMENTS L.E.D. (LIGHT EMITTING DIODE) ELECTRONIC WATCH FOR EACH 3.000 KG. CLEAN, DRY GABAH. (FARMER may pay small difference in cash to get the watch if he has less than 3.000 Kg. of Gabah) 5 Rp./Kg.
9. LOTTERY TICKETS--1 CHANCE FOR EACH 500 KG. CLEAN, DRY GABAH. TOTAL OF 1,000 PRIZES IN DRAWING. 1/2 Rp./Kg.  
(Not Counted)
 

FIRST PRIZE = PADI TRACTOR	SECOND PRIZE = FM/AM/SW RADIO
	UNTUK CASSETTE RECORDER/PLAYER
THIRD PRIZE = BICYCLE	FOURTH PRIZE = CAST ALUMINUM
	COOKWARE SET
FIFTH PRIZE = FM/AM/SW RADIO	
15 PRIZES = FM/AM RADIO (LARGE SIZE)	
30 PRIZES = FM/AM POCKET RADIO (SMALL SIZE)	
50 PRIZES = TEFLON/ALUMINUM COOKING PAN	
400 PRIZES = ELECTRONIC CALCULATORS	
500 PRIZES = STAINLESS STEEL SEWING SCISSORS	
10. GABAH/BERAS RICE BANK--GABAH MAY BE DEPOSITED WITH THE KUD/PUSKUD RICE BANK, AND BERAS MAY BE WITHDRAWN AT ANY TIME DURING THE YEAR--ON DEMAND. BERAS WILL BE PACKAGED IN 25 KG. BAGS. 1 Rp./Kg.
  - a) 65 KG. BERAS RETURNED FOR EVERY 100 KG. CLEAN, DRY GABAH.
  - b) 55 KG. BERAS RETURNED FOR EVERY 100 KG. CLEAN, WET GABAH, WITH 20% to 24% AIR. (Includes cost of drying)

TOTAL VALUE OF ABOVE

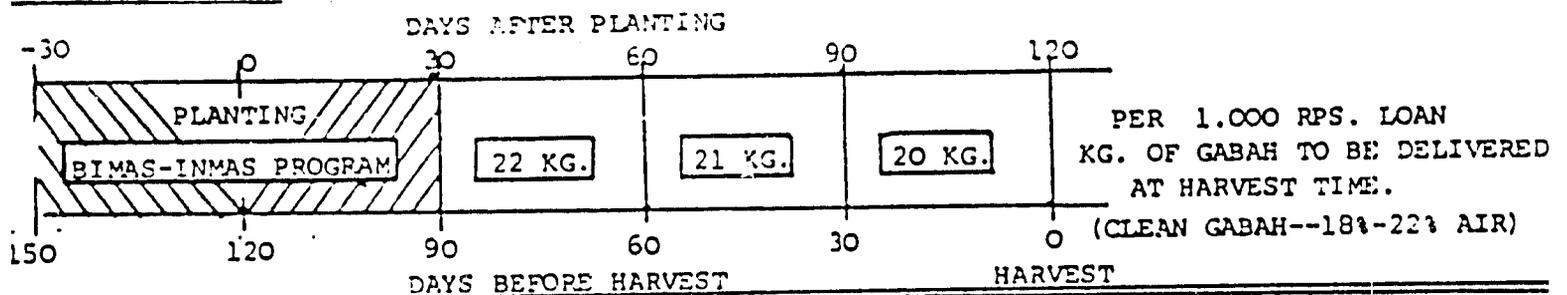
15 Rps./Kg.

PUSKUD/KUD GABAH PROCUREMENT PROGRAM.  
1977-78 SEASON

SUMMARY			
FARMER INVESTS (DEBIT)		FARMER RECEIVES (KREDIT)	
CASH PRICE DRY GABAH	<u>RPS./KG.</u> 65	CASH PRICE DRY GABAH	<u>RPS./KG.</u> 65
FARMER INVESTS IN KUD	<u>5</u>	VALUE OF SERTIPIKAT <sup>2</sup> and MERCHANDISE	<u>15</u>
ORDINARY SALE GABAH	70	PRICE/KG. DRY GABAH FROM KUD	80
		EXTRA PROFITS:	
		1. Rps. 10/Kg. Dry Gabah	
		2. PATRONAGE REFUNDS FROM PUSKUD/KUD.	

FOR EACH 5 Rps./Kg. INVESTMENT IN HIS PUSKUD/KUD

FARMER GETS AN IMMEDIATE RETURN OF 15 Rps./Kg.



DAYS BEFORE HARVEST	PER 1,000 RPS. KG. GABAH	RUPIAHS PREMIUM/1,000 RPS. LOAN			PREMIUM FOR DRY GABAH
		UNDER 14%	14% to 16%	16% to 18%	
0 - 30	20	95	80	65	
30 - 60	21	100	85	70	
60 - 90	22	105	90	75	

**DAFTAR - PERINCIAN KONTRAK  
(KUD MEMBERS ONLY)**

**EACH CROP  
(4 to 6 Months)**

**EACH YEAR**

**ANYTIME**

LINE OF CREDIT

RPS. 20.000 for each  
1.000 kgs. Gabah (14% AIR)

Luas Tanah Ha.	Kontrak Gabah Kg.	Batas Pinjaman Rps.
1.67	5.000	100.000
1.50	4.500	90.000
1.33	4.000	80.000
1.17	3.500	70.000
1.00	3.000	60.000
0.83	2.500	50.000
0.67	2.000	40.000
0.50	1.500	30.000
0.33	1.000	20.000
0.17	0.500	10.000

6. INSURANCE (See separate sheet)

- a) Term Life Asuransi
- b) Kredit Life Asuransi
- c) Pesantran Life Asuransi
- d) KUD Sertifikat Redemption

Kontrak Gabah Kg.	Asuransi Unit
5.000	5
4.500	4½
4.000	4
3.500	3½
3.000	3
2.500	2½
2.000	2
1.500	1½
1.000	1

9. PUSPETA T SHIRTS

1 shirt (any size) for every 1.000 kgs. clean, dry Gabah sold to the KUD/PUSKUD.

10. WATCH--Swiss Movement or Electronic Watch. (See schedule of prices)
- 17 Jewel Swiss Movement day/date watch or Electronic 5 function LED or LCD watch for Gabah sold to KUD/PUSKUD.
- VALUE: 5 RPS./Kg. of clean, dry Gabah, or more.

SAVINGS SERTIFIKAT (PUSKUD)

RPS. 2/Kg. Gabah

SAVINGS SERTIFIKAT (KUD)

RPS. 2/Kg. Gabah

Kontrak Gabah Kg.	Bea Sert. PUSKUD	Bea Sert. KUD
5.000	10.000	10.000
4.500	9.000	9.000
4.000	8.000	8.000
3.500	7.000	7.000
3.000	6.000	6.000
2.500	5.000	5.000
2.000	4.000	4.000
1.500	3.000	3.000
1.000	2.000	2.000
0.500	1.000	1.000

7. CROP ASURANSI

60% of the value of the Gabah crop for total loss. Adjustment and settlement at harvest time.

8. LOTTERY TICKET

Drawing once each year for 1.000 prizes. Five top prizes ranging from Hand Traktor to Short Wave Radio Kaset combination.

1 Lottery Ticket for every 500 kgs. clean dry Gabah sold to the KUD/PUSKUD.

"TRUE VALUE" PRICE FOR GABAH

Buying Stations will clean, weigh and test Gabah for the farmer, in his presence Farmer will be paid on the basis of quality and the actual rendement of his Gabah.

BANK BERAS (See Schedule)

WORKING COPY

USAID ROUTING		
TO	Act.	Info.
DIR		
O/D		
L A		
DirF		✓
P R O		
R D		
FCI		
H N		
EHR		✓
VHP		
PTE		✓
AGR		
A/C		
JAO/ADM		
PER		
GSO		
CSA		✓

1629 FCI Northwest Washington, D.C. 20006 / 202 223-2072



# Volunteer Development Corps

Ferris S. Owen  
 Cooperative League of the USA  
 1828 L Street Northwest  
 Washington, D.C. 20036

May 21, 1979

Mr. Owen, I have your May 8 letter, and I appreciate your thanks. We are very happy to have worked with Aru Islands Village Unit Cooperative, headquartered in Dobo, to determine the feasibility of its members' cultivating, drying, and marketing seaweed. The report of our volunteer, Leroy Hollenbeck, was so complete as to establish beyond reasonable doubt the feasibility of such activity.

Let me review the history of this project. Glenn Walters, then marine resources development officer for the Agency for International Development in Jakarta, asked Mr. Wilbur if VDC could advise the Cooperative on the feasibility of seaweed cultivation, processing, and marketing. Mr. Wilbur told him this is in line with VDC's purposes and work, and we'd be glad to undertake this assignment if the co-op's leaders wanted us to do so.

Luckily, the co-op's manager, Pieter Ursepuny, was in Jakarta. Mr. Walters introduced him to Mr. Wilbur, and three days later Mr. Ursepuny signed an application for VDC assistance and an agreement to provide our volunteer certain services. Mr. Ursepuny and Mr. Wilbur met with Ima Suwandi, foreign assistance director, Directorate General of Cooperatives, Ministry of Trade & Cooperatives, to enlist the Ministry's support. Mr. Suwandi agreed to approve the co-op's request as soon as the provincial government confirmed its registration.

Mr. Walters phoned us in January 1978, five months later, to advise that the co-op was indeed registered. We asked him to recommend a specialist qualified to handle this assignment. He said he had read and been impressed with the report of a former Peace Corps volunteer in the Philippines, Leroy Hollenbeck, involving a similar study. After consulting with our sponsor organizations involved with agricultural cooperatives — Agricultural Cooperative Development International, American Institute of Cooperation, and National Council of Farmer Cooperatives — on the selection of Mr. Hollenbeck, we reached him at the University of Hawaii and invited him to volunteer his services for this assignment. He agreed to do so as soon as he completed his course work at the University in late May.

In April Mr. Walters hired an Indonesian government worker, Mr. Hassan, to accompany Mr. Ursepuny to the Islands for a preliminary survey. About this time Mr. Fox seems to have become involved and sent a member of his staff to the islands for a brief survey. Mr. Fox met Mr. Hollenbeck when he arrived in Jakarta in May for conversations with Mr. Walters and Mr. Suwandi. Mr. Hollenbeck returned to Jakarta from the islands in August and submitted his written and oral report to AID's staff, including Mr. Fox and Mr. Walters, and to Mr. Suwandi.

We are very pleased that the members of this Cooperative will soon receive follow-up help. It's my impression that continuing advisory assistance may be more important than large sums of money. I'm glad Mr. Hollenbeck, with his special skills, his unique training, and his grassroots approach, will be returning to the Islands in September.

David W. Angevine  
President

cc - Donald H. Thomas  
Glenn M. Anderson  
Thomas C. Niblock  
Wilbert M. Holcomb  
Leroy F. Hollenbeck III

May 8, 1979



common ground for cooperatives™

Mr. David Angevine  
Volunteer Development Corps  
1629 K Street, N.W.  
Suite 500  
Washington, D.C. 20006

Dear Mr. Angevine:

During my recent visit to Indonesia I had the opportunity to review the history of an important project now underway in which both CLUSA and VDC have been involved. It is the Aru Island KUD EUCHEUMA SEAKEED Development project.

This project is one of many which CLUSA is currently supporting. In the early stages of this development, Mr. Fox inquired of Mr. Steve Wilbur as to whether VDC could arrange to provide a specialist to do the feasibility study. Mr. Wilbur assured him V.D.C. would, even though they did not usually do preliminary feasibility studies but rather provided consultants to organized programs. It was very timely and important that such assistance was available. Our Indonesian counterpart in the project, Mr. Urseguny Manager of the developing Aru project, suggested a source of technical assistance in the Philippines and VDC arranged for Mr. Hollenbeck's services. His report, made with the assistance of Mr. Urseguny, was the basis for much additional project preparation resulting in a co-financing grant from U.S. AID of approximately \$511,000.00 to carry out the project, and in addition, on this date \$150,000.00 worth of boats needed in the operation have been granted by the GOI.

The purpose of this letter is to express our thanks for such assistance. The input of a qualified volunteer consultant, used in an ongoing project plan where the follow-up technical and financial support exists is an ideal use of your resource. In this particular case, the project will affect a series of Island communities not yet in the monetized system including over 30,000 people.

We hope we may bring more such requests to your attention in the future. As you are aware we have significant long range programs in several countries with experienced cooperative representatives who can coordinate such inputs.

Sincerely,

Ferris S. Owen

cc: Don Thomas  
Glenn Anderson

SUITE 1100 / 1828 L ST., N.W.  
WASHINGTON, D.C. 20034  
202 / 872-0550 CABLE: CLUSA



## Suggestions from CLUSA

### Commentary on the Outputs

The Project Paper with its schedule of project outputs notes that by the end of the project, 80 projects would be identified, 40 feasibility studies completed, 30 projects planned and funded, 20 projects implemented, and 7 or 8 evaluated.

Both quantitatively and qualitatively the project achieved these outputs and, in fact, surpassed them with one exception. There were no evaluations mounted due to the delayed implementation of the PUSPETA/Klaten sub-projects. This can be understood when considering the long gestation period of the major PUSPETA/Klaten project. However, it is noted that the 110 sub-projects of Klaten do clearly fit the project definition agreed to in the 1978 project description.

It is unfortunate that the major project ARU was terminated. The CLUSA quarterly reports clearly point out the nature of the problems and the steps taken to overcome them. This led to a final agreement with USAID that because there were not yet conditions operating within the ministry which could assure proper accountability on the part of the KUD board and management, the project must be terminated.

In regard to the LUWU major project we note that even though this developed on a CLUSA sub-contract with the Checchi organization, it developed as part of CLUSA'S input under the supervision of the Resident Representative. Many of the conditions developed in the PUSPETA/Klaten model (integrated, primary/secondary, multipurpose, grass roots system) were incorporated in the LUWU project. This project and its sub-projects not noted in the evaluation also fit the OPG definition of a project.

### Commentary of the Purpose

The first three paragraphs are all right, but should continue as follows

This important agreement with the GOI has allowed CLUSA from the beginning to focus its attention and activities on the grass roots level economic services to farmers and from this base be able to "Train DITJENKOP and Cooperative staff personnel who are identifying, planning, and implementing agribusiness projects".

There were many project proposals by the G.O.I. and others which were not mounted by CLUSA because they did not fit this definition of a project.

The CLUSA counterpart, the Indonesian Directorate staff including the Director General's Programming Director did go into the field with the Resident Representative to explore ways to involve farmers through their KUD's in the solution of their own service needs. This approach caught on quickly at the Kabupaten level and all government officials were involved in the ensuing important Kabupaten PUSPETA Model.

This grass roots development did not involve extensive training programs at the top Director General levels as was in fact expected on the part of the Director General. This primary focus caused some problems and was responsible for some of the delay in the actual implementation of the project during the first three years of its development. Nevertheless, CLUSA was able to hold to the original agreement and the Director General and later the Junior Minister agreed to form the special PPK Klaten PUSPETA project, with agreement on major policy concessions to allow PUSPETA to become a Secondary Service Center Cooperative at the Kabupaten level. These concessions are agreed to in attachments to the PL 460 grant agreement.

Training inputs by CLUSA are noted throughout their quarterly reports and their effectiveness will have to be measured by the longer range attention which the Ministry will give to the results of the Klaten Model.

No analysis or report is available regarding the numbers of persons trained within the Klaten Project, but in studying the magnitude of the organizational structure and the sub-operations mounted, it is determined to involve large numbers of employees, government personnel and farmer leaders and members.

For these reasons this project purpose is satisfactorily achieved. Future implementation of this project should focus on maintaining and increasing the involvement and support of the governmental decision makers. The following evidences of current G.O.I. support are noted. CLUSA, in spite of changing political and administrative conditions, has significant contacts and support at this time.

1. A new 3-year BAPPENAS/CLUSA agreement is now ready to be signed.
2. All government programs to the farmer are now focused through PUSPETA in kabupaten Klaten.
3. Ministry of Finance has made a one million dollar (\$1,000,000.00) operating loan to PUSPETA at concessional rates.
4. The local PUSPETA manager is now a member (the only non-governmental) of the local PEMDA coordinating body for all programs to serve farmers.
5. World Bank, BAPPENAS, Junior Minister, Muslimin, Director General, and a 10 member administrative committee have proposed to ask CLUSA to assist in a long range planning operation.
6. CLUSA is working with INKUD and have their verbal support for PUSPETA's developing needs.
7. Four (4) essential operating policy concessions are now effective in PUSPETA Klaten.
  - a. subsidised salaries for an interim period
  - b. Secondary Cooperative status
  - c. Local board control (TAB)
  - d. Operating margins to be analysed at the actual kabupaten service level.
8. The G.O.I. is putting substantial financial resources into the Klaten area. (See Appendix E.)

It should be noted that the G.O.I. reluctantly agreed to the salary subsidy clause and may find it difficult to continue this practice following the completion of the PL 480 inputs. CLUSA expects by that time the subsidies will be phased out the operations will be able to continue to support qualified management. With this operating example the G.O.I. may appreciate the importance of obtaining and keeping qualified management in this kind of private sector rural institution.

The second half or statement of the project purpose was to "Establish a sound organizational structure for developing autonomous grass roots farmers organizations in the primary cooperatives".

The PUSPETA Klaten Model which has come into being over a 5-year period has created in this G.O.I. Special PPK/PUSPETA Klaten project a grass roots organizational structure for farmers to participate in their own Kabupaten

level cooperative system. The service center has its local board of directors. It is to be owned by the KUD'S in turn by the farmers. The service center will provide needed services to the KUD'S and their farmer members.

This system has been established primarily by Indonesians themselves and has its own Indonesian board and management with only outside consultants and advisors during the start-up period.

Whether or not the structure remains sound will have to be determined in the future. Much will depend upon future management, financial controls, and member education and services.

Kabupaten Klaten is a densely populated area where KUD'S typically were not effectively servicing farmers' needs. Careful base line data and evaluation should be an integral part of this project.

Because of the perceived potential benefits of the ARU Island Seaweed Project and the notable efforts of CLUSA to work with a newly formed primary cooperative (KUD), it is unfortunate that conditions could not be obtained for its full implementation.

#### Commentary on the Goal/Sub-Goal

First paragraph all right, but should continue as follows;

The contribution of the Klaten project (if successfully continued) can significantly affect the lives of up to 150,000 farm families in Kabupaten Klaten. All 35 KUD'S are now actively involved. Main service functions are only now getting underway since adequate start-up capital and operational funds have just become available.

The total impact nationally of the Klaten Project, which is expected to directly affect between 1 to 2% of the farmers of Java, will only be felt if the Model or parts of it are integrated into the government's long range planning for agriculture and cooperatives. If this does prove to be the case, then it could have a major impact nationally. It is encouraging to note that the G.O.I. is allowing this Special PPK project to continue and is cooperating with it. Many INKUD and PUSKUD plans are dependent upon finding ways to effectively reach the masses of farmers. Current government programs are now reaching the farmers of Kabupaten Klaten through PUSKUD and the KUD'S. This is a unique model.

Some of the expanding operational plans of PUSPETA are currently being developed with the involvement of top INKUD management regarding necessary services from that level which will at the sometime be essential to the success of this model.

For these reasons the CLUSA OPG has contributed significantly to the goal of "The establishment of a sound cooperative development program in Indonesia helping to improve economic progress and living conditions and a more equitable distribution of the national income to the rural population".

#### Commentary on the Beneficiaries of OPG

Certain specific high-level Ministry persons are knowledgeable and have been involved in the development of the G.O.I. special PPK PUSPETA/Klaten Cooperative Project, and the related national and regional studies made. Most of them are, or may be, in administrative and/or politically important positions to guide future national policy in rural economic planning. Their decisions on such matters will have the benefit of this experience. Properly used the entire country may be benefited both socially and economically.

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Those government officials at the Kabupaten and below levels are and will become better able to serve their people due to the new economic programs including member educational programs for farmers who are becoming involved as owners of their own service system.

Cooperative employees of the new primary and secondary integrated system have the advantage of upward mobility within a growing cooperative system which expects to pay comparable wages to private industry for qualified employees who gain professional capabilities. Profitable operations will depend very much on their contribution and they will have an incentive to work hard.

The farmers themselves will gain new status with increased income as they effectively become a part of an economic system which is designed to work for them. Increased productivity from new services and technology can give them the incentive to make the most of their land and labor.

The consuming community will profit from the increased productivity and wealth generated from an expanding rural income base.

#### Unplanned Effects

In the early two years of the OPG it could not have been expected that a USAID mission would have so fully supported a six million dollar request for a PL 480 Title II grant. A grant to finance a demonstration to prove to the leaders of the G.O.I. that their own people could play a significant part in the building of a sound agricultural system.

Then when the grant was reduced to one million dollars it could not have been expected that the G.O.I. would become sufficiently supportive to more than make up for the difference, and in fact cooperate in almost every possible way by agreeing to major politically difficult policy concessions essential to the project's future.

In the beginning days of the farmer education and organization phase of the planning it could not have been expected that most government officials at the Kabupaten, Kecamatan and Desa levels would have volunteered their time and that of their clerks to carry the message of a new cooperative association to the farmer.

CLUSA expected to have to find dozens of volunteers to assist. Very few were needed and these were Indonesians.

It was not expected that the farmers would so quickly and democratically organize themselves into councils at the Kelompok level, electing a council chairman in 355 groups in the first Kecamatan Bayat with over 7000 individual farmers.

With the two-year delay in obtaining operating funding, it could not have been expected that management would have remained loyal and remained with the plan with only hope that funds would ultimately be found.

The last paragraph page 32 refers to a March 10, 1980 letter which we have not seen, so we cannot comment on the context in which the phrase was made.

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APPENDIX A

COOPERATIVE LEAGUE OF THE USA  
CLUSA/KLATEN PL 480 TITLE II BUDGET 3\_YEARS

July 1, 1981 - June 30, 1984

<u>LINE ITEM 1/</u>	<u>SUB-TOTAL</u>	<u>TOTALS</u>
<u>1. Salaries - CLUSA</u>		
<u>A. U.S. Personnel 2/</u>		
CLUSA Home Office Professional:		
6 person mos. @ \$2830/mo. (average)	\$16,980	
<u>B. Indonesian Personnel</u>		
1. Secretary 39 x \$240	\$9,360	
2. Clerk-Bookkeeper 39 x 20	<u>3,120</u>	
• Subtotal CLUSA Indonesian Personnel	12,480	
TOTAL SALARIES		\$ 29,460
 <u>2. Consultants</u>		
<u>A. U.S./Expatriate Consultants</u>		
18 person mos. @ 25/days/mo. \$190/day	85,500	
<u>B. Indonesian Consultants</u>		
18 person mos. @ \$1,000/mo.	18,000	
TOTAL CONSULTANTS		103,500
 <u>3. Fringe Benefits</u>		
<u>U.S. and Expatriate Consultants</u>		
A. Worker compensation Ins. @ 11% of consultant fees	9,405	
B. Emergency evacuation Insurance @ 1% of consultant fees	955	
TOTAL FRINGE BENEFITS		10,260

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APPENDIX A

<u>LINE ITEM</u>	<u>SUB-TOTAL</u>	<u>TOTAL</u>
<u>4. Travel and Transportation</u>		
A. International Travel - CLUSA Personnel (field and home office staff) (9 trips @ \$2,600) (incl. home leave and R&R travel for field staff)	\$23,400	
B. International travel: Expatriate Consultants (9 trips @ \$2,600) (incl. unaccompanied baggage)	23,400	
C. In country travel - CLUSA Personnel	6,000	
D. In country travel - Indonesian and expatriate consultants	6,000	
E. Emergency evacuation travel (if not covered by insurance)	1,500	
TOTAL TRAVEL AND TRANSPORTATION		\$ 50,300
<u>5. Allowances</u>		
A. Quarters - U.S. Field Staff		
Resident Advisor	10 x 1600 : 16,000	
? - Assistant Resident Advisor	10 x 1000 : 12,000	
Project Management Coordinator	35 x 200 : <u>7,200</u>	35,200
B. Per Diem - U.S. Field Staff within Indonesia: 240 person days @ \$45/day (Est.)		10,800
C. Per Diem - Consultants in Indonesia, incl. enroute : 550 days @ \$50/day (average)		27,500
D. Per Diem - CLUSA/W Staff (60 days @ \$60 ave)		3,600
E. Per Diem - Indonesian Consultants and staff \$32x180	<u>5,760</u>	
TOTAL ALLOWANCES		\$2,860
<u>6. Other Direct Costs - CLUSA</u>		
A. CLUSA/Indonesia Office Supplies (36 x \$25)	900	
B. CLUSA/Indonesia photocopying (36 x \$90)	3,240	
C. Translations (36 x \$100)	3,600	

APPENDIX A

<u>LINE ITEM</u>	<u>SUB-TOTAL</u>	<u>TOTAL</u>
<u>6. (Continued) - Other Direct Costs - CLUSA</u>		
D. Telex, telephone, postage (36 x \$500)	\$18,070	
E. Misc. - Visas, Innoculations, etc.	<u>780</u>	
TOTAL OTHER DIRECT COSTS		\$ 26,520
 <u>7. Participant Training</u>		
A. International travel - Indonesian trainees (3 @ \$2,600) (incl. unaccompanied baggage)	20,800	
B. International travel - U.S. Staff/Team Leader (2 @ \$2,600) (incl. unaccompanied baggage)	5,200	
C. Per Diem - Indonesian trainees and leader (320 person days @ \$60)	9,200	
<u>D.</u> English language training (3 trainees @ \$600/ea)	<u>4,900</u>	
TOTAL PARTICIPANT TRAINING		50,000
 <u>8. Subordinate Agreement with PUSPETA Klaten</u>		
<u>A. Supplemental Salary Subsidies</u>		
<u>1. Management</u>		
a) \$2,000 x 12 mo.	24,000	
b) \$1,500 x 12 mo.	18,000	
c) \$1,000 x 12 mo.	<u>12,000</u>	54,000
 <u>2. Area Managers (5)</u>		
a) \$400 x 12 mo.	4,800	
b) \$300 x 12 mo.	3,600	
c) \$200 x 12 mo.	<u>2,400</u>	10,800
 <u>3. Kecamatan Managers (24)</u>		
a) 288 m.m. x \$48	13,824	
b) 192 m.m. x \$32	6,144	
c) 96 m.m. x \$16	<u>1,536</u>	21,600

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APPENDIX A

<u>LINE ITEM</u>	<u>SUB-TOTAL</u>	<u>TOTAL</u>
<u>8. (Continued Subordinate Agreement with PUSPETA Klaten)</u>		
4. <u>KUD Managers (30)</u>		
a) 360 m.m. x 548	17,280	
b) 180 m.m. x 324	<u>4,320</u>	21,600
5. a) 180 m.m. x 343	3,640	
b) 180 m.m. x 324	<u>4,320</u>	12,750
6. Misc. - New Job Categories	<u>9,135</u>	
SUB-TOTAL SALARY SUBSIDIES (3 Years)		130,000
B. Travel and Allowances		12,000
C. Training Programs & Misc. Expenses		8,000
D. <u>Equipment and Vehicles</u>		
① C.B. Radios (for KUDs buying stations and trucks) 30 units @ 3500, incl. antennas & central tower	18,000	
2. <u>Vehicles</u>		
a) Automobiles (1)	16,000	
b) Motorbikes (20 @ 3800 ea)	<u>16,000</u>	32,000
SUB-TOTAL EQUIPMENT AND VEHICLES		50,000
E. Fixed Assets and Equipment (incl. loans to KUDs)		350,000
F. Working Capital (incl. loans to KUDs)		<u>400,000</u>
TOTAL PUSPETA SUBORDINATE AGREEMENT		1950,000
TOTAL DIRECT COSTS		21,312,000

Best Available Document

APPENDIX A

<u>LINE ITEM</u>		<u>SUB-TOTAL</u>	<u>TOTAL</u>
<u>9. Overhead (provisional)</u>			
Direct Costs	\$1,312,900		
Less : Exclusions :			
PUSPETA Klaten Subordinate Agreement	<u>950,000</u>		
Base of Application	\$ 362,900		
Multiplied by provisional overhead rate	x 2%		
Overhead			<u>37,100</u>
TOTAL COST			<u>\$1,400,000</u>

ESTIMATED GRANT PROCEEDS

5,300 M.T. Wheat	x \$250	<u>\$1,325,000</u>
Interest Income		<u>75,000</u>
		<u>\$1,400,000</u>

NOTES

- 1/ Adjustments among the line items are unrestricted.
- 2/ Salaries of U.S. Home Office International Department personnel (professional) who administer the project will be allocated as a direct cost to the project on a prorata basis. CLUSA will maintain time records to support such cost allocation.