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

PROJECT PAPER

INDONESIA

PROVINCIAL AREA DEVELOPMENT PROGRAM II

497-0276

1983

UNCLASSIFIED

PDAAP039

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>		<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	<b>Amendment Number</b> One	<b>DOCUMENT CODE</b> 3
<b>2. COUNTRY/ENTITY</b> Indonesia		<b>3. PROJECT NUMBER</b> 497-0276		
<b>4. BUREAU/OFFICE</b> ASIA		<b>5. PROJECT TITLE (maximum 40 characters)</b> Provincial Area Development Program II		
<b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b> MM DD YY 12 01 89		<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY 79 B. Quarter 3 C. Final FY 84		

8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY 83			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	12,706	1,444	14,150	17,930	23,570	41,500
(Grant)	( 1,460 )	( 40 )	( 1,500 )	( 8,760 )	( 1,240 )	( 10,000 )
(Loan)	( 11,246 )	( 1,404 )	( 12,650 )	( 9,170 )	( 22,330 )	( 31,500 )
Other U.S.						
1. Host Country	0	3,000	3,000	0	29,150	29,150
2. Other Donor(s)						
<b>TOTALS</b>	12,706	4,444	17,150	17,930	52,720	70,650

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) FN	200B	033	033	6,500	18,000	3,500	13,500	10,000	31,500
(2)									
(3)									
(4)									
<b>TOTALS</b>				6,500	18,000	3,500	13,500	10,000	31,500

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)							11. SECONDARY PURPOSE CODE		
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code	BR	BS	DEL	EQTY	PART	TNG			
B. Amount	14,000	7,000	2,000	16,000	4,000	2,000			

13. PROJECT PURPOSE (maximum 480 characters)

- To increase the productive capacity and incomes of rural poor;
- To improve the capabilities of local government to undertake rural development activities; and
- To improve the capabilities of key central government agencies to support local government in this process.

14. SCHEDULED EVALUATIONS					15. SOURCE/ORIGIN OF GOODS AND SERVICES				
Interim	MM	YY	MM	YY	Final	MM	YY		
	06	85				12	88	<input checked="" type="checkbox"/> 000	<input checked="" type="checkbox"/> 941
					<input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify)				

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment)

The purpose of this amendment is to secure additional AID funding for the second phase of the Provincial Area Development Program II. Both GOI and USAID recognize that PDP is a long-term program and that the first four years of project activities represent only the initial phase of a long-term program designed to strengthen local government institutions and increase the productivity capacity and income of the rural poor. USAID Indonesia is requesting this amendment, as recommended by AID/W evaluation team.

17. APPROVED BY	Signature	William P. Fuller	Date Signed	MM DD YY	04 16 83
	Title	Director USAID/Indonesia		MM DD YY	04 19 83

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION	MM DD YY	04 19 83
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AID 1990-4 (8/8) *(Based on facsimile signed by W.P. Fuller which had arithmetic errors)*

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\* Because of their volume these annexes are not included in the paper but are available on request through ASIA/PD or ASIA/ISPA/I.

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PROJECT AUTHORIZATION

AMENDMENT

INDONESIA

Provincial Area Development  
Program (PDP) II  
A.I.D. Project No. 497-0276

1. The PDP II Project was authorized on March 7, 1979, with life-of-project funding of \$24,000,000 of which \$18,000,000 was loan-funded, and \$6,000,000 was grant-funded. The authorization was amended on May 3, 1982, to add \$500,000 in grant funds, thereby increasing the life-of-project funding to a total of \$24,500,000, of which \$6,500,000 was grant-funded.
2. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, that authorization is hereby further amended to add \$13,500,000 in loan funds, and \$3,500,000 in grant funds, thereby increasing the life-of-project funding to \$41,500,000 of which \$31,500,000 is loan-funded and \$10,000,000 is grant-funded. The amount of the increase, \$17,000,000, shall be available for a two-year period from the date of this amendment, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to assist the financing of foreign exchange and local currency costs for the project. The planned life of the project, as amended, is ten years and six months from the date of initial obligation.
3. The amendment(s) to the Project Agreement(s) which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms, covenants, and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

(a) Condition Precedent to Disbursement

Prior to the first disbursement of loan funds under this amendment for subproject activities, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made with respect thereto, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D., evidence that the Cooperating Country has issued a series of instructions to the provinces participating in the project which establish a new planning system agreed upon between the Cooperating Country and A.I.D.

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(b) Covenant

In order to maximize the institutional development of districts (kabupaten) resulting from the project, the Cooperating Country shall agree that any district which participates in the project shall continue to do so for the entire life of the project whether such district is presently participating or is added during the extension of the project.

4. The authorization referred to above remains in force except as modified herein.

Signature Frank B. Kimball  
M. Peter McPherson  
Administrator

Date June 1, 1983

<u>Clearances:</u>	<u>Date</u>	<u>Initial</u>
Charles W. Greenleaf, AA/ASIA	<u>5/23</u>	<u>CW</u>
John R. Bolton, AA/PPC	<u>5/31</u>	<u>JRB</u>
Richard Derham, GC	<u>5/27</u>	<u>RD</u>

SRT  
GC/ASIA:STisa:hp/eb:5/11/83:632-8092

GLOSSARY OF TERMS

AOP	- Annual Operational Plan for FDP activities in a given province or subdistrict
APBD	- Annual budget for province level government
APBN	- Annual budget for national level government
BAPPEDA	- Regional Planning Agency; <u>Badan Perencanaan Pembangunan Daerah</u>
BAPPEDA Tingkat I	- Regional Planning Agency at the provincial level; a staff office of the Governor
BAPPEDA Tingkat II	- Regional Planning Agency at the kabupaten or distric level; a staff office of the Bupati
BAPPENAS	- National Development Planning Agency; <u>Badan Perencanaan Pembangunan Nasional</u>
BPD	- Regional Development Bank; Bank Pembangunan Daerah
BANGDA	- Directorate General of Regional Development, Ministry of Home Affairs; GOI counterpart agency for PDP
BANGDES	- Directorate General of Village Development; Ministry of Home Affairs; implements INPRES Desa
Bupati	- Chief executive officer of the district (kabupaten) level of local government under the Department of Home Affairs
Camat	- Chief executive officer of the subdistrict (kecamatan) level of local government under the Department of Home Affairs
DIP	- Approved project document which includes financing; Daftar Isian Proyek
DUP	- Proposed project document; Daftar Usulan Proyek
Dati I	- Provincial level of government; <u>Daerah Tingkat I</u> : Level One Region
Dati II	- District level of government; <u>Daerah Tingkat II</u> : Level Two Region

Desa	-	Village
Dinas	-	Technical agency in charge of project implementation; under the provincial governor under the Ministry of Home Affairs
GOI	-	Government of Indonesia
IFY	-	Indonesian fiscal year
Governor	-	Chief executive officer of the provincial level of government under the Ministry of Home Affairs
INPRES	-	A GOI program begun in 1969 to decentralize authority and funding for infrastructure (schools, roads, markets,) implemented by the Ministry of Home Affairs; <u>Instruksi Presiden</u> : Presidential Instruction
Kabupaten	-	District; the administrative unit below a province and above a subdistrict (kecamatan); see Bupati
Kantor Wilayah (KanWil)		Province level office representing a sectoral ministry
Kecamatan	-	Subdistrict: the administrative unit below a district (kabupaten) and above a desa (village); see Camat
Kepala Desa	-	Chief executive office of a village under the Ministry of Home Affairs
LKMD	-	Village Council; Lembaga Ketahanan Masyarakat Desa
LGT II	-	Local Government Training II; a USAID-assisted training project implemented by the Agency for Education and Training (Badan Diklat) in the Ministry of Home Affairs
MPS	-	Multi-Year Program Strategy for PDP in a given province or sub-district
NTB	-	Nusa Tenggara Barat; a PDP II province located between Bali and NTT
NTT	-	Nusa Tenggara Timur; a PDP II province in Eastern Indonesia located between NTB and Irian Jaya

- PDP - Provincial Development Program
- PKK - Women's organization at the village level: The Healthy and Prosperous Family
- Province - The administrative unit of local government above the district (kabupaten) and below the central government
- REPELITA Daerah - Five Year Regional Plan
- Tingkat I - Level one: the province level of government; see Dati I
- Tingkat II - Level two: the kabupaten level of government; See Dati II

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I. EXECUTIVE SUMMARY

Relationship of PDP to the CDSS

A common theme underlining the AID development assistance strategy to Indonesia, as articulated in the FY 1985 CDSS, centers on the importance of building institutional capacity, particularly the capacity of local government and non-government institutions. Central to this strategy is the need to encourage the devolution of authority and responsibility from central to lower levels of government and to develop communication linkages between local government and the rural communities they serve to insure that localized needs and aspirations are addressed.

Effective community participation in the process of governmental decision-making in Indonesia is presently limited due to long standing cultural and political traditions and the centralized and hierarchical nature of the governmental administrative structure. An essential first step in generating greater popular participation in governmental decision making centers on the need to strengthen the capacities of local government to plan and manage developmental resources in an efficient manner. Until local governments have established a basic capacity to plan and manage development programs the central government is unlikely to devolve significant authority and vest substantial financial resources with local governments and as long as local government capacity is limited it is unlikely that they can develop effective linkages with the communities within their jurisdictions.

The Provincial Area Development Program (composed of PDP I and II) has received the following support from the GOI and USAID since 1977:

Project	AID		GOI	Total
	Grant	Loan	(excluding in kind)	
\$ in millions				
PDP I	2.8	6.0	4.2	13.0
PDP I, Extension	2.3	6.5	4.5	13.3
PDP II	6.5	18.0	6.0	30.5
Sub Total	<u>11.6</u>	<u>30.5</u>	<u>14.7</u>	<u>56.8</u>
Proposed PDP II, Extension	<u>3.5</u>	<u>12.65</u>	<u>9.7</u>	<u>25.85</u>
Total	15.1 ====	43.15 =====	24.4 ====	82.65 =====

The purpose of this amendment is to present the strategy for USAID's final input into PDP; to secure that final input, specifically, additional funding for four annual planning and implementation cycles in the six PDP provinces which begin (for four provinces) in April, 1983, and for additional technical assistance to work with GOI agencies in implementing systems for planning, monitoring and evaluation.

PDP and INPRES: goals and purposes:

PDP was established as part of the revenue sharing (INPRES) programs of the Ministry of Home Affairs. The eight INPRES programs fund the construction of infrastructure projects such as roads, irrigation systems, and elementary schools. PDP, the only non-infrastructure INPRES program, provides block grants for locally planned and implemented projects in agriculture, small industry, and credit in eight provinces of Indonesia. The first INPRES program was established in 1969; the two PDP programs (I & II) were established in 1977 and 1978.

The long range goal of PDP is to increase the productivity of rural people through locally designed and implemented programs for economic development. The means of achieving PDP's goal is to decentralize and provide increased funding and authority to the planning boards (BAPPEDA) and in turn to technical agencies at the province and district (kabupaten) levels to support locally designed and managed programs.

The purpose of PDP is to strengthen these local planning boards and technical agencies so that they can make good use of this delegated authority, and to expand local participation in project design and implementation. It is expected that these boards and agencies will rapport and work with village level institutions, in particular, the elected village councils (LKMDs), the forum in which rural people can meet with district level planning officials to express their concerns about the development of their communities. Stronger local agencies can also establish policies and programs which contribute to sustained regional development. PDP, for example, has helped to establish rural credit programs with policies which allow programs to be self-financing and is establishing livestock programs which can be expected to run with no more than routine local government assistance, such as the extension service. The delegation of authority and funding to the BAPPEDAs under PDP also provides them the opportunity to experiment with a variety of technologies and approaches to rural development problems which cannot be addressed by national programs.

The Process of PDP

The PDP, as a program of the GOI, is attempting to establish a process of economic and institutional development rather than being a conventional project with narrowly defined outputs and a limited time horizon. AID inputs are necessarily being made over a discrete ten year time horizon, but the GOI's strategy of decentralization was in place before the input of AID resources and will inevitably continue to evolve upon termination of these external resources.

Under PDP I and II the Ministry of Home Affairs makes annual block grants of about \$1.0 million to the province's regional planning board (BAPPEDA) in each of the eight PDP provinces as prefinancing for the annual program. The BAPPEDAs are then responsible for determining the overall strategy for the use of those funds. That strategy is expected to meet policy goals established by the center (maximum decentralization, maximum participation by rural people, among others). The province is responsible for determining the extent of further decentralization of PDP funding appropriate in the province and the content of the province's program. The maximum extent of decentralization desired by GOI legislation would make the district responsible for multi-year and annual planning as well as monitoring and evaluating regional development programs, both PDP and sectoral. Regardless of the extent of decentralization in any particular province, province-level BAPPEDAs are responsible for quality control and coordination of development programs. These programs are expected to take advantage of local resources and be responsive to local needs as identified through a process of discussions with rural people.

The PDP I provinces have completed five planning and implementation cycles. The PDP II provinces, begun in two groups in 1979 and 1980, have completed four and three cycles respectively. The province planning boards have increasingly redelegated funding and authority to local levels of government according to the ability of those levels to accept authority. West Java and NTB have redelegated 60% of the annual budget to the district (kabupaten) level by the third cycle and plan further redelegation when subdistrict (kecamatan) agencies are stronger.

Programs to date

To date approximately 660 projects have been approved under PDP II involving USAID funding of about \$14,900,000. The sectors to which PDP funds have been committed have been as follows:

- Agriculture	\$6,000,000
- Credit	4,500,000
- Small industry	1,500,000
- Training	1,500,000
- Local government	1,400,000

Agriculture programs feature fisheries (small fish ponds, new supplies of fingerlings, motorization of ocean-going boats); livestock (distribution, new breeding and care techniques); estate crops (intercropping techniques); forestry (fast-growing fuelwood trees); food crops (new varieties, experiments and demonstrations with non-rice crops; upland and dryland farming trials and demonstration, research and training centers, better extension).

Credit programs consist of cash systems at the subdistrict and village levels and supported at the province level by the locally managed banking system. These credit systems uniformly charge interest rates which cover the cost of borrowing and which are consequently self-sustaining. The most advanced systems (in particular Central Java) are preparing to experiment with savings and loan associations. Beneficiaries of small scale credit are petty traders, predominantly women, who generally increase the size of their loans with repeated borrowing.

Small industry programs provide credit for materials, equipment, marketing opportunities, new production techniques, and new products to rural producers.

Training programs have been largely technical training for officials in technical agencies and for recipients of project inputs. The latter will be emphasized in the future as well as training for officials in management and administration of the revised planning system (and later in monitoring and evaluation) and for village people in community development and needs assessment through the LKMD.

#### Lessons learned

The experience of PDP to date, as documented in a 1981 AID/W sponsored evaluation and more recently by the PCC Local Government Field Study and an AID/W sponsored evaluation of the PDP credit strategy, has demonstrated the essential soundness of the GOI's and AID's strategy of governmental decentralization. Particularly in the fields of rainfed agriculture and credit the PDP has demonstrated the central importance of decentralized priority setting and management. Several lessons have been distilled from the PDP experience which will shape the process of decentralized planning and management under the project in future years. Among the lessons learned are:

- o that an emphasis on direct and immediate impact must take into account as well the need to produce sustained impact;
- o that decentralized planning can lead to a lack of program focus without the discipline of a sound planning process;
- o that an information system is vital to good management and planning;
- o that the quality of support from the center to the provinces needs to be improved, including the need to revise the reimbursement system;
- o that a clearer distinction must be made between the center's role in determining policies and requiring accountability, and the provinces' role in devising locally appropriate strategies to meet national and regional policies goals.

The strategy for the PDP II extension

Based on experience thus far, the next phase of PDP will be based on the following strategy:

1. Institutional development of the province and district level BAPPEDAs. During the extension the capacity of these agencies will be strengthened and their roles in decentralized development more clearly defined operationally. The provincial BAPPEDAs are responsible for overall coordination and quality control of development programs and for general strategy setting for the province; district BAPPEDAs are responsible for specific strategies for the district and for managing the process of communicating with rural people through the forum of elected village councils (LKMDs).
2. Revised planning system. This system establishes a five-year plan for PDP funding, the Multi-Year Strategy (MPS); an annual operational plan (AOP); and an improved project proposal document (DUP). The latter is expected to provide sufficient information on which to base monitoring and evaluation. The annual plan shows the activities of a single budget year and is the basis for integrated, inter-sectoral planning. The MPS sets the long-term goals for PDP and during the life of PDP will bridge the annual activities with the regional plan (REPELITA Daerah) which for the time being is an extremely general planning document also prepared by the planning boards. After PDP the skills and methods learned in preparing the MPS can be used in preparing a more thorough and comprehensive REPELITA Daerah.
3. Revised information system. This system includes monitoring and evaluation systems and complements the planning system. The monitoring system tracks implementation, and the evaluation system measures impact. Both are necessary to later planning so that experience can be analyzed and incorporated into planning.
4. Revised reimbursement system. The percentage of cost system will replace the present fixed amount reimbursement system. The intent is to permit a sampling of projects and consequently a more substantive review of activities in each province. The intent, furthermore, is to review the provinces' systems of planning, monitoring, and evaluation, not to duplicate or substitute for these systems.
5. Revised training system. Training in the future will be loan funded and will be identified and executed by the provinces through the normal planning and budgeting (DUP/DIP) system. Training, then, will be an adjunct and complement to the planning process for project activities. Training will emphasize skills training in the administrative processes (planning, monitoring, and evaluation), and management for planning officials, skills training for recipients of project inputs, and community development training for members of village councils (LKMDs) to improve the bottom up planning process.

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AID inputs

Under this extension the Mission proposes the following inputs:

1. Technical assistance for six provinces and the center: 44 person-years of long-term expatriate assistance; 4 person-years of short term assistance; 6 person-years of expertise procured through an Indonesian firm. On average each province (and the center) will receive 8 person-years of assistance over the six-year life of this extension.

Assistance to the center (BANGDA) will consist of a Chief of Party/Training advisor, a long-term trainer, and a long-term credit advisor. (Already in place in BANGDA is an advisor for planning and information systems funded through PDP I.) All provinces except Bengkulu will have a long-term planning advisor who will work with the BAPPEDAS and technical agencies to implement the revised planning and information systems. Technical consultants in agriculture, credit, and small industry will be stationed in several provinces and will serve multiple PDP provinces.

2. Training: masters degree training for up to 20 GOI officials. These officials will be selected both from the BAPPEDAS and technical agencies and from the center. Most of this training will be in the US.

3. Commodities: 12 vehicles for use by long-term consultants.

4. External evaluations of project outputs and impact.

5. Capital assistance for training and project activities in the six PDP II provinces over four annual cycles of activities: \$4,290,000.

Expected outputs and achievements

By the PACD the Mission expects that the following outputs will be in place as a result of the activities of the project:

a. Four annual cycles of programs and projects will have been completed by the six provinces.

b. An improved planning system designed to program PDP funding during the life of the project and also to be compatible with other GOI requirements for local government planning and for the INPRES program.

c. Improved information systems (monitoring and evaluation) to monitor implementation and measure impact.

d. Strengthened provincial and district institutions. It is expected that local government planning agencies will possess the systems and staff skilled in manipulating these systems to ensure coordination and quality control of development programs in their regions. These agencies will also be able to provide the policy and infrastructure base necessary for continuing regional development.

- e. Increased staff capability for central and local planning agencies, both in terms of ability to operate the improved systems and in understanding and managing decentralized authority and relations with village-level organizations which collaborate directly with rural people.
- f. Improved implementation through improved systems, more skilled staff, and better support and policy guidance from the center.
- g. Development of new approaches and long-term programs through the exercise of decentralized authority.
- h. Strengthened policy of decentralization from the center to the regions based on a positive and productive experience with PDP. The center is showing increasing interest in decentralizing authority and funding from sectoral ministries to the provinces. PDP is expected to assist further experiments with decentralization through a strengthened local government system for planning and implementation.

Summary recommendations: The Mission has reviewed this amendment and finds the proposed continued support of PDP appropriate, sufficient, and necessary to achieving the goals of the PDP program as originally conceived. PDP's design and goals are consistent with the CDSS's emphasis on participation and productivity. The Mission, therefore, recommends that this amendment be approved.

Issues: The Mission has identified the following issues as ones requiring further attention during the implementation of this extension:

1. Local resource mobilization: Local government support for decentralized programs such as PDP is clearly necessary if these programs are to be sustained. The administrative apparatus and legislation are not yet conducive to many kinds of local resource generation, such as taxation and mobilizing private savings and investment. The major tax source, the land tax, is collected by the districts and hence unavailable to provincial governments. During the extension the Mission and the GOI will explore different methods of resource mobilization and the commitment of those funds to PDP, using as a model Central Java's commitment for IFY 82/83 of Rp. 300 million of its own resources to PDP, one third of the annual PDP program for that province.
2. Use of Indonesian consultancy firms: The present proposal calls for increased participation by Indonesian experts in the technical assistance to PDP. At present there appear to be Indonesian firms which could take on the responsibility of providing long-term assistance in agriculture. There does not yet appear to be sufficient Indonesian expertise for planning, information systems, and institution building. During this extension the Mission and the GOI will explore the means of bringing Indonesian resources into the technical assistance package.

## II. PROJECT RATIONALE AND DESCRIPTION

### A. Introduction

The PDP I Project Paper Amendment (affecting the provinces of Central Java and Aceh) was the first step in the process of rethinking PDP after several years of experience. That amendment identified major issues facing PDP and gave a general indication of how those issues might be addressed. The present amendment builds on that foundation and lays out a general plan of action for the years ahead. Specifically, it addresses the PDP program in the six PDP II provinces of Bengkulu, West Java, East Java, South Kalimantan, West Nusa Tenggara (NTB) and East Nusa Tenggara (NTT). It suggests improvements which will be common to both PDP I and II. This amendment also builds on the recommendations of the AID/W evaluation team, those of the April 1982 team concerned with improving PDP's information systems, and those of the PPC Local Government Study Team in November 1982. Both sets of recommendations are presented in Annex K. The proposed improvements in PDP design also draw extensively on the experience of another USAID project, the Rural Works (Padat Karya) project, now in its seventh and final year of implementation. The training model developed and found successful under Padat Karya has been adapted to PDP, as have parts of the planning and information systems.

### B. PDP in the GOI's national development program

The CDSS argues that Indonesia is currently entering a period of transition. Partly because of the successes of the past policies partly because of and a new world economic climate that has resulted in a decline in demand in Indonesian exports, particularly oil, the GOI faces a series of new challenges and must develop new responses. The first challenge arises from rapidly diminishing revenues from oil, timber, and other natural resources. Funds for development programs are becoming scarce, and therefore there is a greater need to use resources more efficiently. A second challenge is that the centralized planning, which has achieved a high level of development to date, is now insufficient and by itself inappropriate to meet the highly localized needs of the diverse regions of the country. In recognition of this problem, the GOI is showing increasing interest in devolving greater responsibility for planning and implementing development programs to more local levels of government.

This increasing interest is beginning to overcome a reluctance within the GOI to decentralize any significant authority or funding because centralized control has been important during the Soeharto period as an essential element of civil order and calm and as a policy of national growth which has made major gains in developing the nation. Sectoral ministries, which have always been highly centralized, are beginning to address the question of how they might begin to decentralize some authority to tailor development programs to particular regions; this question was not being addressed at all only a few years ago, except by the Ministry of Home Affairs.

PDP, under Home Affairs, is one effort to encourage this process of devolution and to explore alternative ways of addressing localized problems of development in Indonesia through the exercise of delegated authority and funding. Two of the basic objectives of PDP -- building the capacities of local government agencies (BAPPEDAs and technical agencies) and developing the capacities of the central government agencies to support those local agencies - are the preconditions to greater decentralization of authority. This greater decentralization is, in turn, a precondition for achieving the fundamental goal of PDP: contributing to a sustained increase in the incomes and productivity of rural people.

The Introduction of the PDP I Project Paper Amendment describes the development of PDP in the program of the Ministry of Home Affairs (Dalam Negeri). PDP is one approach to decentralization of funding and authority which builds upon the experience of the INPRES (Presidential Instruction) programs begun in 1969. In common with PDP, INPRES programs devolve authority for planning, implementing, monitoring, and evaluating programs to lower levels of government, including provincial, district (kabupaten), and village (desa) authorities. Villages receive direct assistance through INPRES Desa which provides limited funding (about \$2,000) to each village council (LKMD) for local needs. This program is implemented through the Directorate General of Village Development (BANGDES), a parallel Directorate General under Home Affairs to that which administers PDP and the remaining INPRES accounts, the Directorate General for Regional Development (BANGDA). The level of funding for INPRES programs and the conditions under which authority is devolved are determined by the central government. Although approximately 15 to 20% of the nation's development budget is now committed to INPRES programs, the extent of the authority of local levels of government to use these funds remains circumscribed.

PDP differs from INPRES programs in that it is intended to support non-infrastructural projects in contrast to the nearly exclusive focus of INPRES programs on infrastructure projects such as road and school construction. PDP also vests authority for planning the use of funds with the provincial planning boards (BAPPEDA) instead of with any single sectoral agency. This distinction is important because effective inter-agency cooperation and coordination are often lacking in Indonesia where there is a tradition of rigidly established sectoral divisions.

PDP provides annual block grants to eight provinces along with authority to redelegate the authority to more local levels of government and the responsibility for devising strategies which guide and justify the use of funds and for managing those funds to ensure efficient project implementation and financial management.

PDP block grants are used for the following purposes:

1. to experiment with new approaches to local development which cannot be accommodated within present GOI programs;

2. to demonstrate and elaborate experiments which have proven successful so that these can be financed by on-going development programs;
3. to finance the extension of national programs which are appropriate to a particular locality but for which national funding is insufficient; and
4. to train local planning officials in administration, management, and technical fields and to train local people in community development and the technical skills necessary to manage projects;

C. Summary of PDP Accomplishments to Date

Sound project management entails a process of learning and continuous redesign based on field experience. The opportunity to rethink the PDP strategy in this amendment calls for serious assessment of the problems experience to date, both accomplishments and problems. This section briefly highlights the progress of the project to date. Further detail is in the PDP I Project Paper amendment.

1. Institutional development

During the 1970s the GOI made several important changes in the nation's development program to reflect an increasing awareness of the importance of decentralization and regional development. One such change in the Ministry of Home Affairs was the elevation of the former Directorate for Regional Development to the level of Directorate General for Regional Development (BANGDA). This change represents a significant step in the move to focus GOI attention on regional development and on the importance of the active participation of local level agencies in the development process. As a Directorate General, BANGDA has access to a larger and more skilled staff, additional budget resources, and a more influential position in the GOI.

At the same time the problems of operations and staffing in BANGDA, i.e., too few skilled people for all the new responsibilities and the need for clearer administrative routines and policy guidance to the provinces, are still in evidence. Strengthening BANGDA's ability to support the provinces and provide the services needed for decentralized planning and implementation are, therefore, a major focus of this extension.

PDP has benefited in recent years from more active participation by BAPPENAS (National Planning Agency) and the Ministry of Finance in PDP operations. Officials from both have begun participating regularly in field monitoring visits. This exposure has allowed them to see PDP at close range and will help to make the PDP model more widely understood by Indonesian policy makers and especially by those with responsibility for the allocation of development funds.

At the provincial level, several assessments have been made of institutional development in PDP. These include the work of short term institution building technical assistance teams and an AID/W evaluation

of PDP. Despite wide differences among provinces, the findings reported by these teams include the following:

- o there is evident commitment at all levels to more decentralized project management which incorporates bottom-up planning and increased popular participation;
- o the district and provincial BAPPEDAs have been strengthened, and in several provinces a significant devolution of planning responsibility to this level is evident;
- o there is increased attention to cross-sectoral coordination in planning;
- o there is greater provincial attention to efforts to identify and reach the rural poor;
- o at virtually each level of government in every PDP province, staff with a significant role in PDP planning and implementation have shown a high level of interest in and commitment to PDP.

These accomplishments are important and represent an encouraging base from which to continue institutional development. In particular, it has been demonstrated that the staff of provincial and subprovincial agencies are highly receptive to the opportunity to assume new responsibilities. One example is field monitoring. PDP in most provinces has resulted in a significant increase in field visits by BAPPEDA staff. What is needed now is a continuing effort strengthen decentralized planning and implementation and to focus project activities and to optimize their benefit by means of better guidance and procedures.

## 2. Sectoral programs

### a. Overview of PDP activities

The AID/W evaluation noted that "many PDP projects have improved the productive capacity of the beneficiaries." The evaluation also noted a positive impact of PDP projects on "enhanced self-confidence and self-determination among beneficiaries."

Not surprisingly, the impact of PDP projects varies among both sectors and locations. At its best PDP brings a combination of technology, improved planning, and supplementary funding to activities in a particular location. Among the benefits are the following:

- o improved intersectoral coordination;
- o greater responsiveness to local needs;
- o more complete project analysis and planning; and
- o better monitoring and evaluation.

In some cases sectoral staff are for the first time attempting to discuss project ideas with local beneficiaries as part of the planning process.

Use of the logical framework or similar planning tools by local project leaders has improved understanding of project goals, content, and criteria for measuring success. Joint BAPPEDA-sectoral agency field visits have increased both coordination and contact with the field.

The impact of PDP, however, has not been limited to specific projects supported by this program. Because of the flexibility of PDP funding, provincial and district agencies have been able to undertake experimental approaches to assisting the rural poor. Where these have been demonstrated to be effective, innovations have been incorporated into on-going government programs funded through the normal budget channels. In Central Java, for example, PDP has contributed to the revitalization of a rural credit program by establishing new policies and procedures, particularly an upward revision of the interest rate structure to enable the credit system to cover its costs, thus eliminating the need for continuing government subsidy. A recent evaluation has determined that these innovations have been successful and that the provincial government is now providing its own funds on a far larger scale so that this credit system can be expanded to new areas. There have also been inter-provincial technology transfers as one province has studied and learned from the experience of another. West Nusa Tenggara (NTB) has patterned its rural credit program on the PDP-supported credit programs in East Java. This represents a new pattern of communication and learning in a nation where almost all resources, knowledge and instructions originate at the national level and flow downward to provincial and sub-provincial agencies.

b. Promoting Development through Technology and Policy Innovation

From its inception PDP has been understood to provide provinces the opportunity of experimenting with locally appropriate approaches to rural development. This opportunity has given rise to a series of programs which have taken advantage of local conditions, programs which could not have been undertaken by national programs either for lack of national funds or national policy support. In other words, local governments have used PDP to set policies and structures in place which are necessary precursors to local development beyond the activities of the public sector itself. Several examples are given below. Mounting these programs has also made clear a major weakness of the DUP as a planning document. Its activities are generally limited to a single sector and to a single fiscal year. Consequently, it cannot provide for integrated intersectoral planning and implementation. The strengthened planning system described in this document will attempt to meet this need through the a system of Multi-Year Strategies (MPS) and annual plans (AOP). The value of this revised planning system is that it is the mechanism through which decentralized funding and authority can be used to experiment with locally appropriate technologies and develop successful experiments into thoroughly planned programs suitable for sectoral or external funding or which are self-financing.

Livestock projects, particularly small ruminant (sheep and goat) projects, constitute an important element of the PDP agricultural portfolio in all eight provinces. In the last two years alone, approximately 12,000 animals have been distributed to small holders and to landless or near landless families in PDP target villages. Small ruminant projects are typically established as sharing (gaduhan) projects where the recipient is required to pass on to other eligible recipients a number of the off-spring generated from the stock provided by the project.

In the early years of PDP small ruminant projects were restricted to the distribution of stock, and little or no attention was given to the related support services required to improve productivity over time. Available evidence suggests that returns to landless and subsistence farmers from such projects are in the range of 20%; research (supported by the AID/W financed CRSP project, in conjunction with the Indonesian Livestock Research Institute) indicates that substantial productivity gains could be achieved with greater attention to breeding management, nutrition and animal health.

This evidence, as well as experience with small ruminant and cattle projects under PDP, has led to new livestock projects. These projects, now in the planning or early implementation stages in several provinces, apply known technologies to improve the productivity and increase the holdings of farm families through local extension services; long term benefits of these programs accrue to families who are able to market animals through the private sector and also consume some animals to improve the family's nutrition. For instance, Central Java (a PDP I province) is working out a cooperative agreement with Indonesian Livestock Research Institute and the CRSP Project to link PDP small ruminant activity with the technical backstop capacity of the Livestock Institute and the CRSP consultants.

The role played by PDP in developing rainfed cropping systems demonstrates of value decentralized planning. As a result of PDP interventions in rainfed agriculture and technical assistance support from USAID financed agricultural consultants, PDP provinces have begun to respond systematically to priorities dictated by the agro-climatic realities of their regions rather than national priorities and targets. They have taken advantage of the opportunity to experiment with rainfed agriculture, including secondary crops, while national attention is still focused on irrigated rice. For example, in the extremely dry eastern province of Nusa Tenggara Timur (NTT) PDP introduced an improved variety of mungbean and increased yields by more than 100%. The initial trials and subsequent multiplication of seed stock for distribution has given way to a broader integrated program of applied research in rainfed crops and cropping systems. Subsequently, extension services have been developed to bring the results of applied research to farmers' fields.

Central to NTT's effort was Indonesia's first Dryland Applied Research Station financed by PDP. This research facility, assisted by a PDP financed contract with the national Food Crops Research Institute in Bogor and a resident expatriate agriculture consultant, undertook the

initial mungbean research. The project was later expanded to include upland rice, corn, soy beans, peanuts, pigeon peas, and related cropping systems research appropriate to the drought prone conditions of NTT. As the research program grows beyond the funding capacity of PDP, the station's research program will be supported by the USAID-assisted Applied Agriculture Research Project which includes plans for an expanded food crop, livestock and agro-forestry research program in NTT.

Establishing the Dryland Research Station might seem at variance with the initial PDP mandate to focus on direct and immediate impact. The regional planning board, however, correctly saw that there was little technology available for extension work and that further research was required before successful projects could reach the rural poor. PDP assistance is now used to train an extension service able to disseminate the technologies which have been field tested under the direction of the Dryland Station. This effort has been supported by training technical and extension staff at the National Food Crops Institute and ICRISAT. As a result NTT has put in place the basic elements of an integrated rainfed development program appropriate for parts of eastern Indonesia. It has demonstrated what can be achieved through decentralized management effectively combining appropriate technologies with support and delivery institutions to reach rural people.

PDP financing has also enabled the province of South Kalimantan to create an applied agriculture research program to develop technologies relevant to the needs of the vast areas covered by alang alang grassland, a need not being addressed by the national research facility located within the province.

PDP has also pioneered in introducing Leucaena Leucocephala, a multi-purpose tropical leguminous tree which is productive during long dry seasons and which provides soil erosion control, small ruminant and cattle feed, green manure and firewood. Four of the eight PDP provinces, subject to severe dry seasons and with limited irrigation facilities, have initiated projects to support leucaena-based cropping systems. During the past three years over 1,000 hectares of Leucaena have been established on NTT alone. Initial demonstrations of one of the more promising models developed in NTT generated a 400% increase in net farm income. The PDP experience with the leucaena has now spread beyond the initial four participating provinces. A national seminar sponsored by the Ministry of Home Affairs and the distribution of numerous Indonesian publications and films on the subject have accelerated the diffusion of the leucaena technology on a national scale.

Recognizing that new technologies often remain unutilized if they are not supported by appropriate institutions and policies, provinces have used the financing and technical assistance available under PDP to experiment with institutional arrangements and policies required to establish self-supporting village based credit systems. At present, rural areas of Indonesia are isolated economic units and have few efficient mechanisms for transfer of financial resources. The majority of public rural credit systems are highly subsidized, centralized, and not easily accessible to

the vast majority of potential borrowers. PDP has experimented with several different credit systems. This experience has resulted in the formulation of policy guidance by the Ministry of Home Affairs which must now be adopted by all PDP provinces developing rural financial institutions. As a result, progress in developing viable credit institutions has been significant in the initial phase of PDP. The guidelines include the following operating principles:

- interest rates for loans must be sufficient to cover the cost of funds, administration, inflation, and bad debt;
- all financial transactions must take place at the village level to reduce the transaction costs (direct costs, such as transportation, as well as opportunity costs, such as time lost from productive work) to borrowers;
- no collateral is required, credit being provided on the basis of character references and past repayment performance;
- recognizing the fungibility of credit, no effort is made to tell the borrower to what productive uses he or she must apply the credit;
- loan repayment is staggered and required at intermediate intervals, because evidence indicates that rural villagers are more likely to honor their debts if payment is made as installments rather than as a single lump sum payable upon maturity;
- initial loans to borrowers should be small and short-term with possible future increases in the size of loan and its maturity depending on the borrower's repayment record;
- the institution operating the credit program should be a single purpose (i.e., financial) institution properly linked to the Provincial Development Bank or other appropriate bank for purposes of financial supervision;
- voluntary savings mobilization should be actively promoted with saving rates set above the rate of inflation.

The most successful PDP-supported credit program to date is the BKK (Subdistrict Credit Body) program in Central Java. The program was established by the provincial government in 1972 but encountered a series of problems, including a shortage of experienced personnel and a lack of financial control and support mechanisms. In 1978 PDP initiated a pilot program involving 65 BKK units. Technical assistance was provided by AID along with \$345,000 to assist in the financial restructuring of the BKK. Performance criteria were established for all BKKs, a cadre of inspectors from the Provincial Development Bank (BPD) were trained, and new accounting and control systems were established.

By 1981 significant progress had been achieved and both the financial status and service performance of the majority of the 65 BKKs had improved sharply. In 1982 the provincial government allocated funds from its own budget to BKK units outside the PDP pilot group and launched a three year \$5.0 million program to further strengthen the BKKs. A recent AID evaluation \*/ of the BKK program has found that it is now a viable program which is achieving its basic objectives.

Several other provinces are experimenting with credit interventions under PDP:

- In West Java, Sub-District Credit Units (LPK), established in the early 1970s, had become moribund and were in need of technical assistance, bank support and supervision, and an infusion of capital. PDP has provided all three for the past two years. The LPKs are more heavily capitalized than even the best BKKs. Unlike the BKK program, the demand has been for marketing credits to purchase agricultural commodities (in particular copra) through cooperatives. These marketing credits are utilized by the many small producers who live in isolated areas and who could not otherwise market their crops.
- East Java has added credit units to the local cooperative structure (KUDs). The credit units were initiated in 1980, and since then progress has been slow but steady. By late 1982, 30% of the units were in the top class of a 5-class ranking system based on criteria which include equity growth, number of new borrowers, and the level of bad debt.
- The province of NTB has only recently initiated its credit program, but it has already shown progress. Like East Java, the NTB system operates through the KUD cooperative system at the village level but is supervised by the Provincial Development Bank. A large portion of the credit portfolio supports small industry development, a major theme of the PDP program in NTB.
- In contrast to the above provinces, NTT had no existing institution on which to base a credit program. After experimenting for two years with an "in-kind" credit scheme for grains and livestock, the province has now created a cooperative credit institution (LUB) which works on a cash lending basis in association with the Dryland Research Center and the extension service, both of which were initiated with PDP financing.
- The province of South Kalimantan has only recently completed the formulation of its planned interventions in the credit field. The province of Bengkulu has not been able to formulate a credit program consistent with present policy guidance.

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\* Development Alternative Inc.: Susan G. Goldmark, Jay Rosengard, et al., available through S&T/UD

D. Lessons learned

The first years of PDP II has confirmed the major assumptions which the GOI and USAID made at the outset concerning decentralized planning and management as a productive approach to rural development. The first years of PDP demonstrated that funding and authority for regional development activities can in fact be delegated from the center as part of INPRES programs and effectively handled by provincial and district governments. It is important to emphasize that PDP has provided funding and authority to levels of local government, in particular the district (kabupaten) level, which had never before had access to such funding. PDP is their first opportunity to manage and plan, and this partly explains the strong support which PDP has generated at the district level.

Experience in the first years of PDP has also shown that provinces will undertake activities appropriate to their regions, but which are not necessarily addressed by national programs. Activities in small ruminant distribution and breeding, intercropping with rapid growing trees for soil conservation and secondary crops (corn, mungbeans, etc.) for better nutrition and cash crops, rural credit programs using local banking structures which benefit poor borrowers and mobilize local, private resources, and small industry development using local materials and local products are a few examples. Local planning agencies have shown a willingness to work on designs of monitoring and evaluation systems which begin to meet their needs for management information and to undertake training programs and approaches to community-level planning which involve local people in the assessment of needs for community development. Staff abilities within local government agencies involved in planning and implementation have increased because of PDP, and the local planning boards have been able to take a much more active role in coordinating the work of the sectoral agencies. In summary, PDP has demonstrated that decentralized planning in Indonesia is a valid approach and a productive complement to sectoral programs designed nationally and that local governments and rural people can be made part of the development process. It is expected that the Ministry of Home Affairs will continue to support decentralized development programs because the new Minister is the former Governor of Central Java who has been a strong and vocal supporter of PDP since its inception in 1978.

On the basis of this positive experience, USAID and the GOI are undertaking the PDP II extension for the purpose of refining the approaches begun to date and to continue redelegating funding and authority to increasingly local levels of government. The extension of PDP II also addresses a series of problems which have arisen to date. These problems are discussed below as the lessons which have been learned.

One important lesson is the recognition that an emphasis on direct and immediate impact on the rural poor may lead to projects which produce short-term benefits but which result in no permanent economic development. This bias toward short-term benefits is increased by the present budgeting and planning system which emphasizes short-term planning to the virtual exclusion of longer term planning. The emphasis

on immediate benefits has frequently resulted in projects to be completed in a single cropping season or financial year without planning for complementary inputs or services which would cause those initial inputs to produce a continuing stream of benefits. During the extension PDP will develop appropriate planning and budgeting mechanisms to lengthen the time horizon of most projects.

Another lesson is that decentralized planning and flexible funding does not necessarily imply an articulation and setting of priorities, and that they can lead to a lack of focus of programs and projects and diffusion of potential impact unless there is a sound planning system which guides the process of identifying and implementing projects. This is particularly true as funding and authority are decentralized from the province to the district and possibly to the subdistrict and as more agencies become involved in planning and implementing projects in progressively smaller geographic areas. To date, approximately 1400 projects have been funded by PDP in the eight provinces. Most of these are relatively small-scale projects, and they span a wide variety of activities within a single province even though most fall in the agricultural and small industry sectors. The sheer number and variety of projects, coupled with the restricted institutional capacities of local government agencies and particularly the BAPPEDAs, has limited the potential to learn from the experience of project implementation. The lesson here is the need for broader provincial strategies and longer term planning to prevent numerous projects without a central focus or program goal.

A third lesson is the importance of an effective information system to monitor and evaluate implementation. The AID/W evaluation highlighted the lack of effective monitoring and evaluation in PDP and the need to develop an information system capable of generating timely, accurate, and relevant information of direct use to the agencies involved.

Establishing such a system is closely linked to the need for better planning, both of individual projects and long-term strategies. Without adequate planning it is impossible to determine what activities are to be monitored and how the results of a project are to be evaluated. The experience gained thus far has demonstrated ways in which the planning process and documents might be improved.

The fifth lesson is that the role of central agencies, including donor agencies, needs to be defined carefully and then carried out conscientiously to support decentralized programs. The role of the center, in particular BANGDA, is to state policy goals which the decentralized programs are to meet through strategies developed locally to suit local conditions and needs. The policy guidance from BANGDA to the provinces on PDP for IFY 83/84 contains several policy goals: maximum decentralization of funding and authority within the province; maximum participation of rural people in planning and implementation; and maximum bottom-up planning. The center is responsible for ensuring that its policy goals are being met by local programs and for providing incentives to high performing provinces and, added support to slow learners. At the

same time the center must refrain from issuing orders on how these goals are to be met, that is, determining the content and strategy of local programs. The mechanisms available to the center to demand accountability are annual funding allocations based on information on performance provided by the information system.

The role of the province planning agency is to develop strategies to meet centrally determined policy goals. The province is responsible for ensuring that the districts become the focus of decentralized planning and that the plans of the districts are compatible with provincial strategies and central policy goals. The provinces also use fund allocation and redelegation to districts and subdistricts as a means of providing incentives, and therefore require a good information system on which to base judgments.

A further concern is that USAID's reimbursement system has not always been conducive to achieving program goals. In the past reimbursement considered only individual projects but not the longer term provincial strategies into which those projects should fit. It also encouraged national level staff to become involved in details of technical design and implementation where neither their individual skills nor institutional functions were appropriate to the task. This resulted in a tendency to recentralize authority and to consume undue amounts of central agencies' staff time. The revised reimbursement is intended to address this problem.

Finally, both AID and BANGDA agree that there is a need to consider more carefully ways in which the experience of PDP and the experimentation with decentralization and bottom-up planning can be institutionalized within on-going GOI programs.

Common to all the lessons drawn from the PDP experience thus far is the important role of the provincial and district BAPPEDAs. The BAPPEDAs have direct authority for planning and coordinating development activities in their regions; they have only indirect control over implementation but have ultimate authority for quality control of regional development programs. In many provinces these functions have not yet been effectively fulfilled. Often BAPPEDAs have permitted themselves to become no more than conduits for project plans, without exercising any substantial influence or control over the kinds of projects planned and implemented. The challenge for the future of PDP is to provide the BAPPEDAs with the skills, the policy guidance and support, and the understanding of their mandate in its widest sense so that they can begin to perform their duties as originally intended by the legislation that established the BAPPEDAs.

#### E. Strategy for the next stage of PDP

The next stage of PDP will build upon the knowledge gained through the implementation of the program thus far. The goal of the PDP program remains the same: improving the productivity of rural people. The means of achieving this goal are planning and implementing a series of

relatively small scale and sustainable projects designed to have a relatively quick impact on rural farm families. Rural people are not expected to be passive recipients, however. The guidance from the Ministry of Home Affairs to the provinces on PDP for Indonesian fiscal year (IFY 83/84) includes the policy statement that provinces are expected to strive to include rural people in both the planning and implementation of these small scale projects as a means of maximizing the participation of rural people. The means of achieving the broad goal and the programs of small scale projects is the devolution of funding and authority for designing the programs from central agencies to the planning boards at the provincial and district levels. A necessary condition of this decentralization is that these planning boards, and the technical agencies responsible for technical inputs and implementation under the coordination of the planning boards, must become stronger in terms of the skill level of their officials working in the boards and the policy environment in which these boards operate. In this case policy refers both to technical policies, such as positive interest rates in local credit systems described earlier, as well as policies regarding local government support to village-level institutions such as the LKMD and non-governmental organization. Strengthening these planning boards and technical agencies is the purpose of PDP.

To achieve the goal and purpose of the program, the Mission and the GOI propose to follow a strategy consisting of five elements: institutional development of provincial and district BAPPEDAs and central government agencies in Home Affairs; a revised planning cycle; revised information systems; a revised reimbursement process; and a revised training program.

1. Institutional development of the province and district-level BAPPEDAs. The provincial planning board (BAPPEDA Tingkat I), the staff planners of the Governor of the province, is the key agency in PDP. PDP funds and the majority of the INPRES funds are channeled through the provincial BAPPEDAs. Although INPRES funds represent 15% of the national development budget, the use of most INPRES funds are defined centrally by the nature of the various INPRES program (schools, roads, etc.). BAPPEDA can decide on the location of these activities according to local priorities, but cannot change the nature of the activity itself. PDP funding, however, is the only funds unambiguously under the control of the BAPPEDAs at both the province and district (kabupaten) levels. Consequently PDP represents a major opportunity for BAPPEDAs to become proficient at their mandated tasks of regional planning, monitoring, and evaluating regional development activities. In essence these tasks amount to ensuring coordination of development activities through comprehensive planning and quality control of development activities through monitoring and evaluation. The district (kabupaten) BAPPEDA is understood to be the focus of local level regional planning since the district level of government has both access to national resources and greatest understanding and sensitivity to local needs. The province BAPPEDA is responsible for setting province level policy and strategy in the context of national policy as articulated by BANGDA, for coordinating the programs of the districts, and for ensuring accountability of the districts and technical agencies at both levels in the use of development funds.

The BAPPEDAs, however, face entrenched technical offices with relatively little experience of cooperation or coordination across sectoral lines, although the legislation establishing them calls for this coordination. The strategy for the next stage of PDP will try to address this issue by placing heavier emphasis on the institutional development of the BAPPEDA at both the provincial and the district (kabupaten) level. The planning and information systems proposed for the extension period will be appropriate to the BAPPEDAs' work for PDP and for programs and responsibilities beyond PDP.

The central government agencies, in particular BANGDA, are an important part of the decentralized system of rural development programming. BANGDA is the source of the delegation of authority and articulates the policy which generally guides PDP and decentralized programs in Home Affairs. The local planning agencies are responsible for using the delegated authority to create appropriate development strategies which meet local needs and respond to national goals. Specifically, the center makes annual allocations of funding to provinces; this year (IFY 83/84) and in the future these allocations will be based on the perceived absorptive capacity (i.e., the performance) of the provinces. This is an excellent change in policy because it leads to greater accountability. As the new planning and information systems begin working, these allocations will be based on the information obtained from them. Once the allocations have been received, planning agencies will in turn reallocate funds to provincial level technical agencies and district level planning agencies according to the strategy of each province. This allocation process is the province's opportunity to require accountability by making performance the basis for future allocations. Again, the information systems should provide the basis for making these judgments. The district level planning boards will further allocate these funds among the district level technical agencies, again based on the performance and absorptive capacity of these agencies and the strategy which the district has developed.

In summary, then, the new planning and information systems provide the basis for accountability within the GOI system. The annual allocation process is the mechanism by which accountability is enforced and performance by subordinate agencies rewarded. Furthermore, in making the distinction between the role of the center as policy giver and that of the local planning agencies as strategy formulator, PDP has allowed maximum decision making authority over the content of local development programs at local levels of government. At the same time the allocation process allows the center to ensure and reward the achievement of national level policy goals for development.

2. Revised planning system. As noted earlier, the emphasis on institutional development of the BAPPEDAs takes several forms, including an improved planning capacity. During the PDP II amendment period BANGDA and the provinces will continue to revise the planning system to encourage intersectoral and long-term planning by the BAPPEDAs in cooperation with technical agencies for the purpose of improving the quality of the 8 region's development programs overall. This new system

provides a stable annual planning calendar within which the provinces can be assured of the time necessary to complete their planning and evaluations. This is to overcome problems which arose when the emphasis was on individual projects and their implementation. The calendar for this annual cycle is shown in Annex E. The key documents of this cycle are the following:

The Multi-Year Program Strategy (MPS): The province and district BAPPEDAs are responsible under the legislation establishing them to prepare a five-year development plan for their regions; at present these documents are normally very general and, at best, are only broken down by sector. Under the GOI's budgeting system the only other planning document is the annual budget proposal (DUP) which is usually confined to a single sector. There is no planning document which bridges these two, which might encourage intersectoral planning, show how inter-sectoral implementation could take place, and identify discrete programs of activities phased over a number of years to meet specific development goals of the region. The purpose of the MPS (and AOP) is to encourage the provinces and districts to identify a number of inter-related, inter-sectoral programs to be funded by PDP which will be consistent with the development needs of the regions, in line with national policies and the general regional plan. In other words, the MPS is to be the guiding document for PDP funding over the life of PDP in each region. It is also the precursor to a more specific and useful regional plan; the skills and processes by which a BAPPEDA would prepare an MPS are the same as those required to produce a better regional plan than is now written in each region. This is an important and lasting contribution PDP can make to local BAPPEDAs.

Each district planning board will produce an MPS in collaboration with sectoral and lower level agencies at the sub-district and village level, including the LKMD which is one forum for village people to meet with local government officials and express their concerns and desires. These documents, revised and up-dated as necessary, will include an analysis of local conditions, needs, constraints, resources and potentials. On the basis of this analysis, the district will identify priorities, locations, target population groups and strategies to meet the needs of these groups. Types of recommended activities will be identified with a clear distinction between sectoral and experimental programs, indicating whether the goal of a proposed program is immediate impact on beneficiaries, learning from an experiment, or both. Program objectives and time schedules will also be identified, and the MPS will specify the end-of-project objectives, indicating what the PDP-supported projects are expect to achieve in the long run.

The various district MPSs in a given province will be reviewed by the provincial planning boards, which will have responsibility for ensuring that the MPSs are consistent both with BANGDA's and the province's PDP policies. The provincial planning bodies will also monitor the quality of the district MPS. On the basis of these district strategies, the province will produce a provincial MPS which sets out the overall regional strategy.

Annual Operational Plan (AOP): The second key element of the revised planning cycle will be the Annual Operational Plan (AOP). The AOP is a bridging document between the MPS and the DUPs (which are largely sectoral budget documents for a single year's activity). The AOP will provide the rationale for the mix of projects proposed for the year based on the broad strategy of the MPS. The AOP will include budget estimates for component projects including support activities such as research and training, administration, monitoring and evaluation, and advance planning for future activities. The AOP will also show how the implementation of the activities will be coordinated to ensure timely arrival of all inputs and execution of all activities. The AOP will be the basis for determining each province's indicative budget level for the year. As with the MPS, the AOP will be based on inputs from agencies below the provincial level to the extent feasible in each province.

Component Project Plans (DUPs): Within the GOI the major planning and budgeting document is the project proposal, or DUP. In the past DUPs encompassed relatively narrow activities and contained little supporting information or indication of broader program strategies and goals. The MPS and AOP are intended to meet this need for a broader context for the DUPs. In the future the DUPs themselves will specify target populations, the expected outcomes, and linkages among projects. Improved planning documents will include information on whether or not the activity is experimental, how it will be evaluated, and how it is based on learning from previous experience.

During the extension, USAID and the GOI will explore ways to modify the DUPs still further to ensure more integrated and coordinated implementation. DUPs are almost always sectoral with each sectoral agency preparing its own DUPs; single DUPs rarely combine the activities of more than one technical agency. There is a strong tendency in the GOI not to have more than one agency included in one DUP. This problem exists throughout the government, and the Ministry of Home Affairs has already experimented with intersectoral DUPs, both within and outside PDP, with mixed results. The new planning process, coupled with more focused monitoring and better evaluation of program impact is expected to contribute to resolving the problems encountered so far in implementation.

All three elements of the revised planning cycle -- the MPS, the AOP, and individual project designs -- will in the initial years be reviewed by BANGDA and are subject to USAID approval to ensure quality and consistency. A directive from BANGDA, outlining requirements for the AOP and improved DUPs was issued in March 1983 for implementation in IFY 83/84; a directive on the MPS is in preparation and will be issued by June 1983 for IFY 84/85. The criteria to be used in assessing these documents will be agreed to by BANGDA and USAID through a jointly signed PIL. This review process will be the critical quality control instrument for both BANGDA and USAID, ensuring a sufficient standard of planning and at the same time maximum flexibility for provincial initiatives and responsiveness to local conditions. The expected content of each of these three planning documents and the criteria for assessing their adequacy are specified in Annex L.

3. Revised information system. Without a sound planning system which specifies project and program goals, which clarifies how goals relate to long-term plans, and provides information on how projects are to be assessed, no monitoring and evaluation system can function. At the same time planning by itself is of little value unless there is an information system which allows planners to determine how implementation is proceeding and what lessons can be learned from that experience. At present in PDP the planning system does not yet provide sufficient information on which to base monitoring and evaluation, and systems are not in place to produce information to assist the planning process. Therefore, a revised information system is an important element of the overall strategy for the next stage of PDP. This approach is largely based on the recommendations of the AID/W Evaluation Team (September, 1981) and a four-week consultancy team in April 1982, which produced an analysis of the present system and recommended specific steps. (See Annex K.)

4. Revised PDP project reimbursement system. The fourth element of the strategy for the next stage of PDP is a revised reimbursement system which will support the development of the systems outlined earlier and allow USAID to monitor the progress of PDP toward its goals without imposing a duplicate reporting system on either the GOI or the consultants. Up to now, the reimbursement system, like the planning system, has focused on projects as individual entities independent of a larger strategy or a planning system. Some benefits have been realized from this system in that project implementation has continually improved and benefits have been delivered more systematically and dependably to rural people. This focus on individual projects, however, has not supported the role of the BAPPEDA as a coordinating agency nor assisted in developing adequate information systems. Nor has it ensured that PDP was involved in appropriate technical activities which build on local conditions and responded to local needs.

The proposed new system of reimbursement, therefore, reflects a concern with the quality of project implementation but also assesses the process and the quality of all documents of the program including the planning documents. The details of this system are given in the financial plan of this document.

5. Revised training system. Training is now carried out in all PDP II provinces and in general is technical training for project beneficiaries or advanced technical training for staff of the implementing agencies (dinas). To date, however, training programs have not been prepared in the context of any long-term strategic goals nor with attention to the need for management training. The revised training program will be designed to support the several components of PDP contained in this extension: administration and management, planning and information systems, credit, technical and long-term professional training. This training program will be based on the need to train people to do particular tasks, in particular, planning, management, and decision making. Emphasis will be placed on improving skills so that officials can perform the tasks required under the revised planning cycle

and the revised information system, and to improve implementation and management of resources. USAID-funded technical assistance provides support to officials while on the job to reinforce this training. A second element of this program will focus on providing technical skills for rural people involved in PDP programs, especially those receiving benefits from specific PDP projects. This is an important aspect of decentralization and of achieving sustained development. Training is planned for village leaders, including LKMD (village council) officials and non-governmental leaders. As PDP attempts to devolve increasing planning and implementation responsibilities to lower levels of government, it is important that those at the village level be able to make effective use of these new opportunities and that they be able to mobilize the participation of the village community.

Within the framework of these priorities, both BANGDA and the provincial and district BAPPEDA will require assistance in identifying specific training needs and appropriate institutions, both public and private which can meet those needs.

Under this amendment all training in the provinces will be loan funded and will be programmed through the DUP/DIP process. Each year the six provinces will be expected to prepare an annual training plan as part of the annual planning cycle. The training plan will cover in-country and third country training in management and administration, technical training, and community development training for village people. (For further details on types of training, including credit training, see Annex F.) The requirement that the six provinces prepare an annual training plan is part of the institution building process of PDP to enable the provincial and district agencies to identify needs for training and to undertake or contract for that training as appropriate. In the past, PDP provinces have contracted with private organizations in Solo, Yogyakarta, and Jakarta for such training. Contracting will continue as will greater contacts with public technical institutes, such as the Livestock Institute in Bogor.

The revised training program will be undertaken in collaboration with the USAID-assisted LGT II project, which is training district BAPPEDA officials in regional planning. In Central Java, for example, the LGT II project has trained officials from two districts where PDP will have activities. In the future the LGT II project will conduct a range of core courses for BAPPEDA staff in PDP II provinces to undertake the long-term strategic and annual planning.

The proposed program will give attention to the need to evaluate PDP training activities. To date no comprehensive evaluation of these activities has been carried out. USAID has now begun to evaluate individual training activities. These will continue, and more comprehensive evaluations will be undertaken during the PDP extension.

Finally, this amendment will provide long-term (masters degree) training for up to 20 BANGDA and BAPPEDA officials in regional development planning to ensure a solid professional base for the further

institutional development of these agencies. One official from South Kalimantan has received such training at Syracuse University and has since rejoined the BAPPEDA and has become a valuable asset to PDP and the BAPPEDA's work in general.

F. Proposed Project Inputs

Under this extension the Mission proposes the inputs listed below. The magnitude and timing of these inputs are discussed in the Financial Analysis, Part IV; the rationale for the required levels is discussed in the Technical Analysis, Part III, Section C.

1. Technical assistance for six provinces and the center:
  - 44 person-years of long-term expatriate assistance
  - 4 person-years of short term assistance
  - 6 person-months of Indonesian expertise procured through an Indonesian firm.
2. Training: masters degree training for up to 20 GOI officials.
3. Commodities: 12 vehicles.
4. External evaluations of project outputs and impact.
5. Capital assistance for training and project activities in the six PDP II provinces over four annual cycles of activities: \$4,290,000.

G. Expected Project Outputs:

By the PACD the Mission expects that the following outputs will be in place as a result of the activities of the project:

- a. Completed programs and projects: the six provinces will have completed four annual cycles of projects, a portion of which will have been developed into larger demonstrations and programs funded by agencies outside PDP (sectoral, other donor).
- b. An improved planning system: this system is designed to program PDP funding during the life of the project and will also be compatible with GOI legislation for local government planning and the planning requirements of the INPRES program.
- c. Improved information systems: these systems within the BAPPEDAs and technical agencies will monitor the progress of implementation and provide timely information to planners and managers.
- d. Strengthened provincial and district institutions: it is expected that local government planning agencies will possess the systems and staff skilled in manipulating these systems such that the planning agencies will be able to carry out their mandated functions and to provide coordination and quality control of development programs in their regions.

e. Increased staff capability: this output is linked to the previous two in that it is the skilled staff which will operate the improved systems; this staff and these systems constitute improved institutions of local government.

#### H. Expected Project Achievements

1. Improved planning. The combination of the revised planning, information, and reimbursement systems, as well as the enhanced capacities of the agencies involved, are expected to result in improved planning and management capabilities at both the provincial and district levels. The technical aspects of individual projects will be improved, and these projects will be developed within the context of a long-term strategy for a given locality. Indicators of improved planning include greater specificity of both program and project objectives, greater precision about target populations, evidence of learning from past experiences, and coordination of PDP projects with other GOI programs. Another important indicator will be the extent to which the improved planning process for PDP becomes a model for other programs and is integrated into the broader range of the BAPPEDA's and technical agencies planning activities. The planning system proposed here has been designed to be consistent with and supportive of a standardized planning cycle now being established by the Ministry of Home Affairs. Finally, improved planning should be reflected in an increased willingness on the part of BANGDA to demand greater accountability from the provinces concerning the use of the funding and authority delegated to the provinces under PDP.

2. Improved implementation. The strategy outlined above is expected lay the basis for better implementation of project activities. The PDP extension will focus on improving implementation through better focused projects, improved technical analysis, more local participation, and training programs in management and administration to strengthen the link between planning and delivery of benefits to the target population. One benchmark of improved implementation will be closer adherence to both planning and implementation schedules. Knowledge of other benchmarks (delivery of benefits to target population, etc.) will depend on a functioning information system capable of monitoring field activities. Finally, as with the improved planning system, improved implementation will be reflected in the extent to which provincial and district BAPPEDAS hold technical agencies accountable for the way in which projects are implemented as well as the BAPPEDAs' willingness to reduce funding when performance is poor and to increase support where success can be demonstrated.

3. Development of new approaches and longer-term programs. The flexibility of PDP will allow the development of new projects and programs appropriate to local needs and conditions. The emphasis on decentralized planning, monitoring, evaluation, and improved implementation is expected to result in longer term programs and a productivity capacity for rural people themselves by which they can produce continued benefits; for example, rural credit institutions, livestock from which a family can derive cash income and better

nutrition, and small industry activities for farm families. Experimentation will be of particular importance, and the potential to learn from these efforts will be enhanced through a more effective information system. Under the improved planning system, the provincial and district BAPPEDAs will be asked to indicate which projects are undertaken as experiments. A benchmark of the successful development of new approaches will be the extent to which PDP continues to undertake experiments and then to develop those that work into programs funded from other sources, thereby changing the way in which routine programs are planned and implemented.

4. Increased capacities of provincial and subprovincial agencies. PDP funding and authority for designing and implementing projects provide local government agencies experience in planning and managing which they have not previously had, especially at the district (kabupaten) level, because no other program has ever decentralized funding and authority as PDP has. This experience, supported by training, is expected to increase the capacity of district planning board and technical agencies to plan and manage development activities. In particular, the provincial and district BAPPEDAs will be able to undertake more effective area planning, inter-sectoral coordination, and quality control of implementation. Indicators of increased institutional capacity will be improved quality of planning, increased information about project implementation, more systematic monitoring of project impact, and an ability to use monitoring and evaluation information in planning future projects. Of critical importance will be the ability of the provincial and district BAPPEDA to establish and maintain standards of performance to which technical agencies must adhere. As institutional capacities are developed, the next stage of PDP should see increasingly large allocations of funds being planned by lower levels of government with evidence that project ideas are being generated at the village level.

5. Strengthened policy of decentralization and further decentralization. The institutional development of provincial and subprovincial agencies will be an important contribution to the government's policy of decentralization. The relative weakness of these local governments is now a constraint to devolution. As PDP results in more capable provincial and subprovincial agencies and demonstrates improved project implementation, the GOI will be encouraged to explore further ways in which devolution can be pursued. An indication of the success of PDP in strengthening the trend toward decentralization will be the extent to which the GOI adheres to its present commitment to devolve of responsibilities to lower levels of government. This will be reflected most accurately in the continuing commitment to INPRES programs and control over planning and budgeting which is invested in provincial and subprovincial agencies of sectoral ministries.

6. Sustainable processes.

a. Institutional processes: Under the next stage of PDP there will be a conscious effort to build functioning systems which increasingly rely on their own efforts rather than on AID's or consultants' for planning,

implementation, monitoring and evaluation. In addition, there will be an attempt to use systems and approaches developed under PDP as models for other government programs. BANGDA has already indicated that it would like to use the PDP planning process proposed here for other INPRES programs. A benchmark of the extent to which PDP has helped to establish institutional processes will be the growth in the number of programs which adopt the PDP planning process, information system, and increased emphasis on accountability for implementation. In this context the improved information is of particular importance because PDP's ability to serve as a model worthy of replication depends upon its capacity to demonstrate with valid information that it is effective in reaching the rural poor.

b. Income-generating activities: Greater attention has recently been given to designing projects which will establish processes of economic production increasingly independent of outside assistance either from other donors or the Government of Indonesia. Achieving such long-term and continuing processes is not easy and never will completely free from some routine public funding. Agricultural programs, for example, may continue to require support through the GOI's normal extension services. Nevertheless, such programs can give farm families the basis for increasingly self-generated economic development which is not reliant upon special funding or attention from public agencies.

The rural credit programs are self-financing. These programs have been able to use initial support under PDP to increase the numbers of borrowers, levels of lending and equity, and at the same time to continue expanding their operations. A self-sustaining system of rural credit and banking has been established which is increasingly independent of both AID and Government of Indonesia support, although this successful effort will continue to require supervision and monitoring from the banking sector at the provincial level.

#### I. USAID's Transition Strategy

Because it is anticipated that this amendment represents the final USAID input into PDP, certain actions are being undertaken to ensure that the GOI can meet certain of the costs that USAID now meets, in particular providing technical assistance and training. These actions are as follows:

a. establishing information on technical resources, Provincial planning consultants and BANGDA training consultants will be responsible for assisting their respective counterparts in establishing information on the names and capacities of institutions which can provide particular kinds of technical assistance, training, or other services.

b. mechanisms and administrative skills for contracting. Consultants will also be responsible for ensuring that GOI agencies know the administrative process of contracting with public and private institutions and individuals for technical assistance, training, and other services; how to evaluate the need for these services; and how to manage consultants and evaluate their work.

c. continuing funding for these services. Some of these services will be obtained by the provinces during the PDP II extension using PDP funds. Continued GOI funding after PDP will have to be identified to allow the provinces to continue to obtain these services.

d. long-term training. The masters level training proposed in this extension will provide at least two officials from each BAPPEDA and four from BANGDA with formal education in disciplines appropriate to their agencies' work. These people will be a major resource to their agencies in the period following expatriate involvement.

e. contract with an Indonesian firm for technical assistance. This extension provides for a contract with an Indonesian firm for assistance in technical fields, particularly agriculture. These resources now exist in Indonesia, and the link which this contract can create between this institution and the GOI agencies will be important in ensuring continuing cooperation once AID's resource have been completed.

f. adoption of PDP systems within the BAPPEDA. The MPS to be used in the PDP II extension is compatible with the content of the regional plans which BAPPEDAs are now required to prepare. The skills and processes required to prepare an MPS for PDP, including systems for bottom-up planning, can be used in preparing a better regional plan than now exists. The evaluation systems can be used for projects beyond PDP as can the financial monitoring systems.

g. developing local programs funded from external resources. The planning system already approved by BANGDA, in particular the improved DUP forms, requires the provinces and districts to think in terms of experiments with locally appropriate approaches to rural development and then developing workable technologies into programs which can be funded by sectoral agencies or donors, programs which are too large for PDP funding. This approach to planning can be used after USAID's participation is complete to attract other sources of funding to the BAPPEDAs.

### III. PROJECT ANALYSES

The original project paper analyses are contained in Annex J to this paper.

#### A. Economic Analysis

Annex A presents a sample of selected PDP activities which indicates the kinds of benefits realized by PDP projects and the estimated magnitude of costs and benefits involved.

#### B. Social Analysis

Elaborations on the original analysis:

1. Institutional framework of PDP II: Because one of the primary objectives of PDP is to strengthen local planning and implementing agencies, the strengths and weaknesses of these agencies are central to the success of PDP. Since PDP II began, there have been important changes in the status and capacities of these institutions, as follows:

At the village level, village councils (LKMD) have been established by the GOI as umbrella organizations for all development programs and activities in the village, for example, women's groups, family planning groups, water user associations, and the like. The purpose of the LKMD is to coordinate and support these programs. The village head (kepala desa), often an elected position, is the head of the LKMD. The LKMD is the organization responsible for planning the use of INPRES Desa funding (about \$2,000 per year per village) provided through BANGDA's sister agency, BANGDES. The LKMD is the forum in which local planning officials, in particular the Camat and representatives of the district (the BAPPEDA and the Bupati's office) meet with rural people and where rural people can express their desires and assessment of local needs to the local government planners and implementers. When PDP advocates bottom-up planning, it advocates this contact between local planning officials and rural people in the forum of the LKMD. In any province geographic and administrative obstacles limit the extent of this contact. The administrative obstacles are one of the targets of the PDP II extension to increase the amount and quality of the contact between the LKMD and the district.

At the district level, the GOI formed planning boards (BAPPEDA Tingkat II) in 1980 comparable to the provincial planning boards which have been the major focus of PDP planning activities in the past. These district BAPPEDAs coordinate the activities of sectoral agencies and monitor and evaluate the implementation and impact of projects. They are the most local level agency charged with multi-sectoral planning and which also hold the authority to review projects proposed by sectoral agencies. The guidance on PDP for IFY 83/84 from the Director General of BANGDA specifically identify the district as the focus of planning within PDP because of the district's key position mid-way between the national government at the center and rural people in the villages. The instructions encourage local planners to undertake a variety of activities calculated to give rural people a more active part in the development process. The same Instructions also mandate maximum participation by rural people and maximum efforts at bottom-up planning consistent with the institutional development of each province's local planning agencies. In some PDP provinces district planning boards have already undertaken training activities for the LKMDs in community development so that the LKMDs can undertake their own community needs assessment in preparation for planning discussions with the district on planning the use of PDP and INPRES funds. This is the role of the district in bottom-up planning in creating regional development strategies with decentralized national funding.

At the provincial level, the planning boards (BAPPEDA Tingkat I) have made some progress in coordinating budgets and plans of sectoral agencies

within PDP and in developing staff capacities. They will continue to play an important role in coordinating PDP activities in the future, and work still needs to be done to ensure that they are able to oversee the quality of planning and implementation undertaken at the district (kabupaten) level.

At the central level, the Directorate General for Regional Development has gained a greater appreciation of the ways in which it can intervene to support the concept of bottom-up planning and wider popular participation in the development process. In 1980, the Ministry issued guidelines which specifically formulated bottom-up planning as an official policy of the GOI and enjoined local programs to increase participation at the local level. In March 1983 policy instructions were issued to the provinces directing that PDP planning be decentralized to the maximum feasible extent with a greater emphasis on the role of the district planning boards.

As the local levels of government began carrying out the responsibilities which have been decentralized under PDP, the center began leaving more room for local initiative. Initially decentralization was rather limited. Project proposals were reviewed in Jakarta, and each one was closely questioned. As provincial agencies have gained experience and become more capable, there has been an increased willingness to relinquish control over individual projects and shift to a concern with broader provincial strategies. Last year for the first time, reviews of provincial plans took place in the provinces instead of in Jakarta, thus emphasizing the primary role of the provincial planning bodies in defining the PDP program. As noted, the extension of PDP will continue this trend towards increased decentralization by making a clear distinction between the center's role as a formulator of overall policy and the province's role as formulators of strategies appropriate to each locality but responsive to national policy goals.

(2) Increased participation in planning. Given the clear mandate for provincial and district planning boards, the reconstruction of village councils, with explicit commitment to bottom-up planning, the PDP extension will also emphasize increased popular participation in the development process. Ultimately, participation means access to resources and control over those resources. Both are now more possible because of policies which allow access and which legitimize the institutions which make greater participation administratively possible. Rural people's access to resources and opportunity to participate are greater in PDP than in many sectoral programs. Under PDP, credit institutions have been moved closer to the rural people to ensure access, and non-subsidized interest rates are charged to encourage self-financing. Agriculture credit is often a line of credit which allows farmers to select the inputs appropriate to their regions from private suppliers of their choice, in contrast to the national program which mandates specific inputs without regard to local conditions.

Rural people participate in implementation in varying degrees. They may plant crops that are being used as demonstrations on their own land.

They may be part of a training course or a comparative study tour, although these opportunities are still limited. It is more likely that they are consumers of services, as recipients of animal distribution projects, extension services, or other commodities. Participation in planning is still narrowly circumscribed; the Instructions to the provinces on PDP for IFY 83/84 encourage participation by rural people in both planning and implementation. Beneficiaries are consulted through the LKMD structures. They are able to suggest local needs and to ratify local programs. PDP is working to increase the level of participation of rural people through training for LKMD officials.

PDP is one of the first significant opportunities BAPPEDAs have had to participate in development activities, especially off Java. It is the provincial BAPPEDA that receives the initial allocation from the center and which has the responsibility for developing the province-wide strategy to meet policy goals and guidelines from the center. These goals now include maximum feasible decentralization of authority, maximum discussion with local people under the rubric of bottom-up planning, area focus to development planning, maximum sectoral integration, and a greater amount of experimentation with locally appropriate approaches to development problems.

The technical agencies by contrast are probably greater participants now than they may be in the future. BAPPEDAs at both the provincial and district levels have tended to allow themselves to become conduits for funding rather than managers of funding because they do not yet realize the full extent of their authority and because the demands from the center for performance in achieving policy goals were minimal in the past. As the BAPPEDAs become stronger, they may curtail some of the latitude which many technical agencies now enjoy.

The role of women in PDP continues at an estimated level of about 25% of all beneficiaries. This is an average which varies greatly by project. Many of the industry projects, especially food production and handicrafts, are almost entirely directed by women. This is the case in food processing cooperatives in West Java, weaving and home gardening activities in NTT, and batik production in East Java. Women may account for up to 75% of the recipients of small, short-term credit which they use as petty traders. Agriculture projects, demonstrations, trials, and distributions, study tours, and the like as well as fisheries projects are dominated by men, however. The PDP staff in USAID has enlisted the Mission's WID officer to work with the training consultants for LKMD training and with planning consultants for project planning.

The data on beneficiaries in PDP are as yet minimal and incomplete. One of the outputs of the improved monitoring and evaluation systems will be more precise reporting on such aspects of the PDP as beneficiaries.

C. Technical Analysis

i. Technical Assistance Levels and Scope under the PDP II extension

a. Technical assistance to support the revised Planning and Management System

At present provincial BAPPEDAs are responsible for preparing a macro economic five year plan for the province, the REPELITA Daerah. There is no intermediate and operational plan which bridges this once in five year macro plan and the annual DUPs prepared by technical agencies. There is also no annual process of program formulation by sector and across sectors which enables technical agencies and planning boards to make reasonable judgments regarding the merits of the many individual project proposals (DUPs) that are prepared each year by the technical agencies at the provincial and district levels.

The planning and management systems proposed here arise out of several years of work in different projects, but particularly the GOI's and USAID's experience with PDP. They are compatible with the existing planning process and budgeting cycle followed by the GOI. Concepts which led to the MPS and AOP were first conceived and tested under the AID-financed Northern Sumatra Regional Planning Project. The MPS and AOP have been further refined by drawing on experience with PDP, the AID-financed Rural Works Project, and the Local Government Training Project (LGT II). PDP's role in institutionalizing this planning and management process will be to test further and refine this system. It will enable the eight PDP provincial and thirty-five district BAPPEDAs to prepare both MPSs and AOPs and subsequently implement these plans with the capital financing available under PDP.

To implement the revised planning and management system, the GOI and the Mission have already agreed and financed under the PDP I Amendment the services of a planning advisor to work with BANGDA at the center. Under this amendment five long-term planning advisors (four of whom would be based in participating provinces) and a training advisor would be added to complete the technical assistance which the Mission and the GOI feel is required to establish the improved planning and management system in the eight PDP provinces. (See Technical Assistance Plan, Tables 1 and 2.)

For four provinces (South Kalimantan, NTB, Bengkulu and NTT), where the professional capacity of provincial as well as district BAPPEDAs is relatively limited, four years of planning advisory support are considered necessary to implement the revised planning and management system. In the provinces of East and West Java, where the professional capacity of the BAPPEDAs is relatively greater, planning advisory services have been limited to two and three years respectively. This will cover the initial period when the revised systems are becoming operational. The technical assistance contractor will also provide a Chief of Party (COP). During the initial three years the COP will provide assistance to BANGDA as well as backstop the provincial planning advisors.

Core training courses in planning, management, and evaluation will be required to implement the revised planning system to PDP provincial and district BAPPEDAs. To meet this need a full time training advisor will be retained for the initial two years of this amendment. During the remaining four years of the project the training institute of the Ministry of Home Affairs (Badan Diklat), assisted initially by the AID-financed LGT II technical advisory team and the remaining provincial advisors and the COP, will be responsible for assisting provinces in developing and implementing required training programs for BAPPEDA and technical agency personnel.

b. Specialized Technical Assistance in Agriculture, Credit and Small Scale Industry

(1) Agriculture and Livestock. To continue PDP's work in rainfed agriculture, the GOI and USAID will continue a range of technical support services for participating provinces. First, provinces will continue to be encouraged to develop projects using the technical expertise of national and regional agricultural research and development institutions and universities, such as the Food Crops Research Institute at Bogor. Second, attempts will be made to identify and retain an Indonesian consulting firm with strong agricultural specialization to provide short-term consulting services to provinces. Third, USAID will provide long-term expertise in the field of agriculture (see Technical Assistance Plan, Tables 1 and 2.) Three long-term agricultural experts will be stationed in the provinces of West Java, East Java and Nusa Tenggara Barat with responsibility to assist those provinces as well as other PDP provinces. With respect to the livestock sector, a livestock specialist will be employed for an initial two year period to backstop the PDP portfolio of livestock projects. The Mission will explore the possibility of financing an expanded project outside PDP with the Livestock Research Institute/CRSP to support the continued infusion of knowledge and technology into PDP and other Mission projects with livestock components. Fourth, USAID will provide funding for selected short-term expertise not readily available in Indonesia to provide specialized expertise as required. Finally, USAID will finance extensive in-country, U.S., and third country training in the field of agriculture which is appropriate to the needs of each province.

During the initial phase of PDP technical training was directly financed and arranged by the Mission. Under this amendment PDP provinces will be responsible for financing their own annual training programs through the DUP/DIP process. The Mission believes that the process of developing the capacity of local planning agencies to assess and finance their training requirements will be increased by placing this responsibility in the provinces.

This general technical assistance and training formula has worked well over the initial four years of PDP. It is the Mission's judgment that continuing this assistance formula, with the possible addition of an Indonesian consulting firm specialized in agriculture, is the appropriate mix of expertise, services, and training required to strengthen the capacity of provincial and district agencies.

TABLE 1

## TECHNICAL ASSISTANCE ALLOCATIONS BY PROVINCE - PDP II EXTENSION

PROVINCE	ADVISOR	YEAR 1 P/M	YEAR 2 P/M	YEAR 3 P/M	YEAR 4 P/M	YEAR 5 P/M	YEAR 6 P/M	TOTAL P/M
East Java	Planner	12	12	0	0	0	0	24
S.Kalimantan	Planner	12	12	12	12	0	0	48
N.T.T.	Planner	12	12	12	12	0	0	48
	Agriculture	12	12	12	12	0	0	48
Bengkulu	Short-term							
N.T.B.	Planner	12	12	12	12	0	0	48
	Small Industry	8	12	0	0	0	0	20
West Java	Planner	12	12	12	0	0	0	36
	Agriculture	12	12	0	0	0	0	24
Regional	Credit	12	12	0	0	0	0	24
	Credit	12	12	0	0	0	0	24
	Livestock	12	12	0	0	0	0	24
	Agriculture	12	12	12	12	0	0	48
Jakarta	COP/Trainer	12	12	0	0	0	0	24
	COP/Planner	0	0	12	12	12	0	36
	Training	12	12	0	0	0	0	24
	Credit	12	12	0	0	0	0	24
	Total P/M	176	180	84	72	12	0	524
	Cum. totals	176	356	440	512	524	0	-
	P/M cost factor	\$13,000	14,000	15100	16300	17600	0	
	Cost year	\$2,288,000	2,520,000	1,268,400	1,173,600	211,200	0	

PROVINCE	ADVISOR	YEAR 1 P/M	YEAR 2 P/M	YEAR 3 P/M	YEAR 4 P/M	YEAR 5 P/M	YEAR 6 P/M	TOTAL P/M
	Short-term TA (Total expat.)							
	P/M	10	10	10	10	10	0	50
	P/M Cost Factor	\$13,000	14,000	15,100	16,300	17,600	0	
	Cost S/T TA	\$130,000	140,000	151,000	163,000	176,000	0	760,000
	Short-term TA (Indonesian)							
	P/M	12	12	12	12	12	8	68
	P/M Cost Factor	\$6,500	7,000	7,500	8,100	8,850	9,500	
	Cost S/T TA	\$78,000	84,000	90,000	97,200	106,200	76,000	531,400
	Total P/M							642
	Total Cost TA S&L/T						\$8,752,600	

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TABLE 2

Duration of Technical Assistance Positions

	6/83	6/84	6/85	6/86	6/87	6/88	2/89
Implementation: PDP II-A							
PDP II-B							
<u>East Java:</u>					E		P
Planner					n		R
Agriculture (See regional positions)					d		O
C r e d i t (See regional positions)					o		P
					f		O
							S
					P		E
<u>South Kalimantan:</u>					r		D
Planner					o		P
					p	P	A
					o	A	C
<u>NTT:</u>					s	C	D
Planner (existing funding)/					e	D	
Agriculture					d		D
					E	P	E
<u>Bengkulu:</u> (Short-term only)					x	P	E
					t		M
<u>NTB:</u>					e	I	B
Planner					n		E
Small Industry (existing funding)/(new funding)					s		R
					i		
					o		11,
					n		
<u>West Java:</u>							11
Planner					o		19
Agriculture					f		18
							19
<u>Regional:</u>					p		
Credit (E.Java)					r		
Credit (W.Java) (existing funding)   (new funding)					e		
					s		
Livestock (E.Java)					e		
					n		
					t		
<u>Center:</u>							
COP/Planning and Information Systems (funded by PDP I)   (funded by PDP II)					T		
COP/Training (existing   (new funding) funding)					A		
					C		
Training   (new funding)					o		
Credit (existing funding)   (new funding)					n		
					t		
					r		
					a		
					c		
					t		

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(2) Credit. Only in the province of Central Java has the PDP credit program approached the stage of a self-supporting operation. In other provinces it will take several more years of work to establish self-financing local credit institutions. For this reason this amendment provides three long-term advisors for the initial two years of the second phase program.

(3) Small Scale Development. In response to the need to create off-farm employment opportunities in the densely populated PDP provinces, developing labor intensive, small-scale industries has emerged as a major theme in two PDP provinces, Central Java and West Nusa Tenggara (NTB). In the case of Central Java, the initial phase of PDP I financed the services of a long-term small industries specialist. The background investigations and pilot project work initiated with this PDP assistance led to the Central Java Enterprise Development Project, now in the design stage and scheduled for AID/GOI financing in FY 1984. The same type of pilot work is underway in NTB with technical assistance and financing provided under PDP II. Twenty months of additional technical assistance will be provided to NTB during the initial period of the PDP II extension, with the possible objective of formulating a major Enterprise Development Project for possible AID or other donor financing in FY 1985 or FY 1986.

## 2. External Evaluations

External evaluations are a necessary adjunct to the internal evaluation system to be established during the extension. The use of this funding is described in the Evaluation Plan, Part VII. The level of funding is considered sufficient to allow comprehensive evaluations of the major components of the project by combined expatriate and Indonesian expertise. The use of Indonesian experts is considered essential to identify Indonesian resources on which BANGDA and the provinces can draw for later evaluations of their own as well as for ensuring a broad perspective for these external evaluations.

## 3. Commodities

The vehicles procured under this extension will be used by the long-term consultants, three in Jakarta for the BANGDA consultants and nine for the provincial planners and regional technical consultants. These vehicles are essential to ensure that consultants are able to undertake the field travel required for effective implementation. GOI owned vehicles are available only through motorpools and are not as available as active consultants require.

## 4. Component Project Capital Financing

Funding for component projects is an important part of the strategy proposed in this amendment. PDP is not simply a planning project; it is concerned with improving delivery of goods and services to rural people in ways that will increase their productivity. The major premise on which PDP is based is that these goals can be obtained through decentralized planning and local participation. Providing funds to implement the plans

devised through the revised planning process described above is necessary to test this premise. Without the funding, and authority provided by PDP, provincial and district authorities would have little opportunity to experiment with development planning and new technologies or even to plan and implement projects of any kind. Without project funding, the relatively rigorous and demanding planning process outlined above would become an academic exercise with little prospect either of influencing sectoral programs or becoming institutionalized as a routine GOI procedure.

PDP II has been implemented in stages. The first stage began in 1979 with GOI/AID financing of the four PDP II-A provinces: Bengkulu, East Java, South Kalimantan, and NTT. In 1980 the second stage began with GOI/AID financing of the two PDP IIB provinces: West Java and West Nusa Tenggara (NTB).

For the PDP II provinces the GOI and USAID agreed to provide annual block grants of \$1.2 million to each province over the course of four Indonesian Fiscal Years (April 1 to March 31). AID agreed to reimburse sixty-six percent of each annual provincial program, subject to satisfactory program execution. Thus, as shown in Table 3, PDP IIA was to be implemented in annual cycles beginning in April, 1979 (IFY 1979/80) and ending in March, 1983 (IFY 1982/83). PDP IIB, covering the remaining two provinces, began a year later, in April 1980 covering the IFY 1980/81 to IFY 1983/84 period, ending in March, 1984.

Of the total loan financing of \$18.0 million currently made available by USAID for the annual block grants to the six participating PDP II provinces, \$11.3 million has been committed for projects through IFY 81/82. Additional funds will be committed by June 1983 for the provinces' IFY 82/83 programs and the 83/84 programs in the two PDP IIB provinces. As indicated in Table 8, the remaining \$5.39 million will be carried forward into the extension period to fund provincial programs. The first commitment of these funds will be made in June 1983 for the first year programs IFY 83/84 of the extension period for the PDP IIA provinces.

As of March 31, 1983, accrued expenditures under PDP II were \$9.65 million. Under this amendment AID will make available capital financing totaling \$4.29 million to finance fifty percent of the annual block grant program for an additional four year period, covering IFY 83/84 to IFY 86/87 for PDP IIA provinces and IFY 84/85 to IFY 87/88 for PDP IIB provinces. This reflects two important modifications which distinguish the future program from the initial years of PDP II. First, recognizing that the GOI must assume overall responsibility for financing the program upon termination of AID support, the AID reimbursement percentage has been reduced from 66% to 50% of completed projects over the life of the extended project. Second, allocations to PDP province will no longer be the same for all provinces. They will now be made on the basis of the GOI's determination of the ability of each province to design and carry out its PDP development program effectively. Provinces which demonstrate their capacity to design and implement high quality programs may be eligible for increased financing in subsequent years. Provinces which do not meet quality standards or which cannot execute their programs in a



timely manner will run the risk of having their annual allocation decreased. These program modifications are further discussed in Section IV.

It is the Mission's judgment that this annual level of PDP financing represents the minimum levels necessary to secure the time and manpower commitment which the more demanding planning, management and evaluation systems will require.

#### D. Administrative Analysis

##### Implementing Agencies

Table 4 shows the structure of the GOI, including the line ministries whose representatives are members of the Steering and Technical Committees. These committees represent the formal leadership of PDP:

The Steering Committee. The role of the Steering Committee is to formulate policy and provide guidance to the PDP program as a whole.

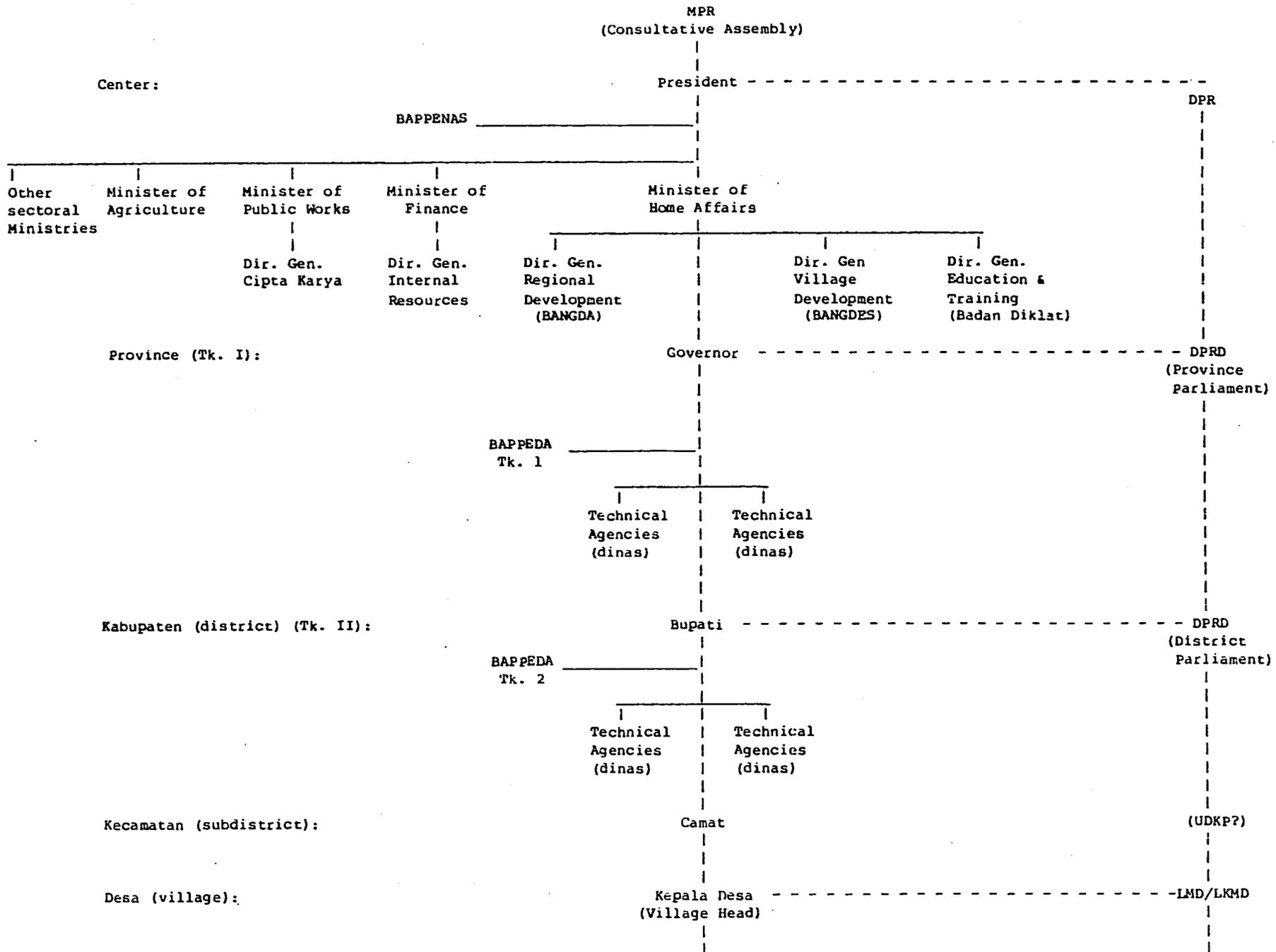
- Director General for Regional Development (BANGDA), (Ministry of Home Affairs), chairman;
- Deputy chairman of BAPPENAS for Regional and Area Development, vice chairman;
- Director General of Internal Resources (Ministry of Finance), member;
- Director General of Cipta Karya, (Ministry of Public Works), member;
- Director General for Rural Village Development (BANGDES) (Ministry of Home Affairs), member;
- Director General for Education and Training (Badan Diklat) (Ministry of Home Affairs), member;
- Director for Provincial Development (Directorate General for Regional Development), secretary.

The Technical Committee. The Technical Committee is charged with the regular program operations such as budget allocations, the review of annual provincial plans, and specific technical concerns.

- Director for Provincial Development (Directorate General for Regional Development), chairman;
- Head of the socio-economic unit, BAPPENAS, vice chairman;
- Director of City and Regional Planning (Directorate General of Cipta Karya), member;

TABLE 4

Structure of the Government of Indonesia as it relates to PDP



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- Director of the Regional Development Bank (Directorate General for General Administration and Regional Autonomy, Ministry of Home Affairs), member;
- Director for Guidance of Regional Development (Directorate General of Regional Development, Ministry of Home Affairs), member;
- Director of Budget Administration (Ministry of Finance), member;
- Director of Guidance of National Resources (Ministry of Finance), member;
- Sub-director for the Provincial Development Program (Directorate for Provincial Development), secretary.

Most of the operational work of the Technical Committee is undertaken by one representative from BAPPENAS and one from the Ministry of Finance who meet with and travel with representatives from BANGDA and USAID. Since the former two representatives are nearly always the same individuals, PDP is benefiting from steady support from knowledgeable individuals. A continuing problem which all sides are working to correct is the need for greater coordination prior to and following a visit to a province, in particular in the case of certain provinces. A recent visit to Bengkulu, for example, was preceded and followed by such meetings, and the center's support to Bengkulu has been proportionally stronger.

#### The Role of the Implementing Agencies

1. The BAPPEDA at the province level receives the policy instructions and budget targets from BANGDA at the start of each year's planning cycle. The BAPPEDA is responsible for developing a strategy to meet these policy goals and developing programs to meet the development needs of their region. Part of this strategy will be a further reallocation of funding among technical agencies at the province level, to BAPPEDAs at the district level, and in some provinces to the subdistrict level. The BAPPEDAs are responsible for coordinating the programs of these various agencies and for maintaining quality control, all in an attempt to meet the policy goals set by the center.

2. The technical agencies (dinas) at both the province and district (kabupaten) levels of government are line agencies under the Governor responsible both for PDP-funded and locally funded activities (of which there are few) as well as nationally funded activities from sectoral ministries.

3. The focus of the planning portion of PDP is the BAPPEDA at the kabupaten level. This BAPPEDA is the most plausible locus for decentralized planning activity and implementation because it is the meeting point of national policy goals (coming from the center), province-wide regional development goals (from the province-level BAPPEDA), and highly localized concerns coming from various village-level organizations.

4. The camat, though important as a project manager in Central Java, has only a limited role elsewhere in PDP and is otherwise in a difficult position within the bureaucracy. He has no planning agency, little technical staff, and little authority over funding. He is more of an administrative extension of the bupati and a link from the people to the district government.

5. The village is headed by a kepala desa (village head). He has a small staff responsible solely for local administration, data collection, coordination of activities, and local tax collection. Within PDP he signs a certification to allow a villager to borrow from a PDP credit unit. This is the only requirement for borrowing.

6. The kepala desa also heads two other village-level organizations, the LKMD and the LMD, which were established by Presidential Decree 28 of 1980. The LKMD is an umbrella organization which groups all government programs within a village and provides coordination among them. The kepala desa is the only individual who is a mandated member of the LKMD. All other representatives are appointed by the people. The representatives are normally leading citizens of the village (who may be civil servants but who hold their position in the LKMD by virtue of their selection by the people, not by their position as civil servants). The LMD is a forum in which representatives of local people meet with local planning officials and discuss the needs of the community in terms of development priorities and the like.

In fact both these institutions are relatively new and have only a tenuous existence. On Madura, for example, only one out of three villages has an LKMD of any description. West Java has a higher proportion and has begun some work through PDP with training for LKMD members. Furthermore, the role of these organizations is not altogether clear. What is clear is that the GOI, which has forbidden organized political activity below the kabupaten, has felt a need to provide a local structure in which democratic activity can take place. Consistent with the GOI's policy overall, that structure has been established nationally.

7. At the national level the primary implementor of PDP is the Directorate General of Regional Development (BANGDA) in the Ministry of Home Affairs. A major lesson of the early years of PDP was the importance of a strong BANGDA to provide policy support and guidance for the provinces. To assist in providing this support, BANGDA now has three expatriate advisors under PDP: one for training, one for credit, and one for planning and information systems. BANGDA initiates the annual planning process with a set of policy instructions for the provinces and a preliminary funding target. BANGDA is responsible for approving the multi-year strategies and annual plans from the provinces; BANGDA also reviews and approves the project proposals, though the emphasis of BANGDA's review process is shifting away from the latter. As noted proposals for IFY 1982/83 were reviewed in the provinces, rather than in Jakarta, a shift which had an important psychological effect on the provinces in that nearly all of them took a much more assertive stance toward the center in defending their programs. This change is especially

dramatic when compared with sectoral programs which must submit their proposals to the National Planning Agency and the Ministry of Finance, both of which revise the proposals as they see fit with no consultation with the proposing ministry.

8. The implementation of PDP is being coordinated with the AID-funded Local Government Training project, implemented through the Agency for Training and Education (Badan Diklat) of the Ministry of Home Affairs. This project is upgrading the training institution, both in Jakarta and in selected provinces, of Badan Diklat as well as providing substantive assistance in developing training courses in particular in regional planning. USAID has recently established a regular monthly coordination meeting for direct hire, FSN, and consultants staffs and has agreed to joint work on certain training courses of interest to both projects. This group is now working on the annual planning cycle used in the provinces within Home Affairs and has assigned the PDP planner in Central Java the task of following up and guiding the on-the-job training for the first district BAPPEDA trainees to be trained under Badan Diklat's regional development course.

During the extension PDP will also begin to work with the Directorate General of Village Development, a parallel Directorate-General in Home Affairs, which is responsible for the INPRES Desa program which provides direct support to the LKMD structure.

9. PDP is also encouraging the use of non-governmental organizations in the development process. Several, such as Organization for a Prosperous Indonesia (YIS), Dian Desa, and Social Organization for Progressive Farmers (YSTM), have been used in PDP for several years and will be used further, though directly at the request of the provinces through the project proposal (DUP) process rather than through USAID grant.

#### E. Environmental Statement

On May 11, 1978, John H. Sullivan, AA/ASIA, approved an Initial Environmental Examination (IEE) which found no basis for further environmental analysis of PDP II. The Mission believes that this determination remains valid for the extension of PDP II proposed in this document. The technologies being tested and introduced under PDP are ones which allow the natural resources of rural areas to be used more productively while at the same time protecting those resources from exploitation and depletion. The use of lamtoro gung (leucaena) as a hedgerow conserves topsoil and allows the cultivation of secondary crops between the rows. This planting of secondary crops in planting patterns that protect the soil is a significant opportunity for rural people who would otherwise practice slash and burn agriculture with consequent degradation of soil. PDP animal distribution projects emphasize proper stabling and feeding of animals, thus avoiding problems of overgrazing, especially by small ruminants. Projects in Aceh have approached problems of range management by establishing enclosed grazing areas, improved grasses, and clean water supplies. Thus, PDP projects are consistent with non-exploitative uses of resources while emphasizing greater productivity for rural people.

#### IV. FINANCIAL PLAN, POLICIES AND ANALYSIS

##### A. Project Budget

###### 1. Cost Summary

Tables 5, 6 and 7 summarize the estimated total costs of the PDP II extension, of which \$3.5 million will be grant and \$12.65 million loan. Four additional annual program cycles will be financed utilizing the revised planning, management and evaluation system described in Part II Section E.

The total cost of the PDP II extension, reflecting both GOI and AID contributions and shown in Table 5, is \$30,000,000. The foreign exchange element of both USAID grant and loan to finance off-shore technical assistance, long-term and short-term training, external evaluations and commodities is \$9,530,000. The \$3,500,000 of grant funding, representing approximately 20% of the total AID contribution, will be used to finance off-shore technical assistance, selected training activities and evaluations.

Included in the AID contribution will be \$4.3 million to finance fifty percent of costs associated with each of the six provincial programs over the six year projected life of the extension. The GOI will finance the remaining 50% of project costs, plus all overhead expenditures of the local government agencies responsible for project design and implementation. Provinces may add local contributions from local resources depending on each province's ability. The means of making these contributions are still under discussion by USAID and the GOI.

The recent devaluation of the rupiah from Rp700 = US\$1.00 to Rp970 = US\$1.00 has resulted in additional dollars available under the existing PDP II loan for project activities because a considerable number of projects, which were approved for implementation on the basis of the earlier exchange rate, are yet to be reimbursed. That reimbursement will take place at the new rate, leaving an additional \$5.39 million in loan funds. The \$4.3 million in loan funds requested in this document represents the new allocation required to fund AID's portion of the cost of project activities during the extension. To this amount will be added the existing \$5.39 million, making a total of \$9.69 million available for project activities. This amount was determined through the calculations in Table 8 which begins with the annual GOI allocation per province based on USAID's and the GOI's understanding of the absorptive capacity of each province. These annual allocations give the total required over four years, of which 50% is the USAID contribution. An inflation factor has been added to take into account annual expected inflation plus the additional inflation expected to follow the devaluation.

An important justification for AID local currency financing stems from the character of PDP. Funding provided under PDP constitutes the only discretionary resource provided by the national government to local planning boards to be used according to the local, rather than the national government's, perception of priority requirements. The 50% AID

contribution for local currency project financing during the extension contrasts with the 66% financed by AID during the initial phase of the PDP program and is one measure of the GOI's continuing commitment to the program and the long-term process of decentralization.

In addition to local currency project financing, AID loan funds will be used to finance training, external evaluations, limited commodities, and technical assistance.

\$1.5 million in grant and \$13,500 million in loan funds would be obligated during FY 1983, and the remaining \$2.0 million in grant is proposed to be obligated in FY 1984.

Table 6 shows the line items of the budget in greater detail. Table 7 shows the breakdown of these line items between grant and loan. Details on the technical assistance components are given in Part III in the Technical Analysis. A portion of grant funds have been reserved for training for officials at the center, funding not previously provided under PDP. This training is a part of PDP II's effort during the extension to increase the center's capacity to support the provinces' programs with guidance, policy goals, and the demand for accountability required to assure quality implementation. Funding for long-term training for masters degrees for about 20 central and local planning officials is being provided to ensure a base of institutional knowledge for future development activities. This training will be mostly US-based.

External evaluations will be undertaken in conjunction with the development of an internal evaluation system within the BAPPEDAs. The person-months provided here are for both expatriate and Indonesian consultants.

The project and program activities to be funded through this amendment are outlined in the reports on the individual provinces in Annex J. Training at the local level has been included under the project line item because training courses and contracts between local governments and private training institutions will be loan funded through the GOI's DUP/DIP process. Moreover, the process of planning these training activities is integral to the annual planning process for the programs themselves and is consequently an important part of the institution building aspect of the project.

## 2. Provincial Cost Summary

National budget allocations from the Ministry of Home Affairs for the PDP II extension are presented in Table 8. These allocations assume 100% prefinancing of direct project costs by the GOI which will be subsequently reimbursed by AID on a percentage of cost basis. These budget allocations are tentative and have been made on the basis of past performance and the GOI's and USAID's assumptions about the future absorptive capacity of each province.

TABLE 5

Total Costs of the PDP II Extension  
(\$000)

	USAID				Total USAID	GOI		Total USAID + GOI
	Grant		Loan			Center	Local Government	
	Fx	Lc	Fx	Lc				
I. Technical Assistance	3,328	-	4,890	534.6	8,752.6	110 <sup>1/</sup>	600 <sup>1/</sup>	9,462.6
II. Training	20	40	1,000	-	1,060.0	-	-	1,060
III. Commodities	-	-	180	-	180.0	-	-	180
IV. External Evaluation	112	-	-	160	272.0	-	-	272
V. Projects and Programs	-	-	300	4,000	4,300.0	10,890 <sup>2/</sup>	1,400 <sup>1/</sup>	16,590
VI. Contingency	-	-	600	1,835.4	2,435.4	-	-	2,435.4
Total	3,460	40	6,970	6,530	17,000	11,000	2,000	30,000

<sup>1/</sup> In-kind contributions

<sup>2/</sup> Includes \$1.2 million in-kind contributions

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TABLE 6

Total Budget for the PDP II Extension

I.	Technical Assistance			
	Long-term:			
	Province Advisors -	296 pm		
	Regional Advisors -	120 pm		
	Central Advisors -	<u>108 pm</u>		
	Total	524 pm	\$7,461,200	
	Short-term:			
	Expatriate -	50 pm	\$760,000	
	Indonesian Firm for Technical Advisors -	68 pm	\$531,400	
	Total	<u>642 pm</u>		
	Total Technical Assistance		\$8,752,600	\$8,752,600
II.	T r a i n i n g			
	Center:		\$60,000	
	Long-term: 20 trainees		<u>\$1,000,000</u>	
			1,060,000	\$1,060,000
III.	Commodities (12 vehicles)			\$180,000
IV.	External Evaluations: Indonesian and expatriate assistance			\$272,000
V.	Project and Program Funding			\$4,300,000
VI.	Contingencies			2,435,400
	Total:			<u>\$17,000,000</u>

TABLE 7

Budget Breakdown by Grant and Loan

	<u>GRANT</u>	<u>LOAN</u>	<u>TOTAL</u>
I. Technical assistance:			
Long-term	\$2,850,000	\$4,611,200	\$7,461,200
Short-term:			
Expatriate	478,000	282,000	760,000
Indonesian firm	-	531,400	531,400
II. Training:			
Center	60,000	-	60,000
Long-term	-	1,000,000	1,000,000
III. Commodities	-	180,000	180,000
IV. External evaluations	112,000	160,000	272,000
V. Project and program funding	-	4,300,000	4,300,000
VII. Contingencies	-	2,435,400	2,435,400
	<hr/>	<hr/>	<hr/>
	\$3,500,000	\$13,500,000	\$17,000,000

As noted in the Technical Analysis, two changes distinguish the provincial allocations proposed for the extension period from those of the initial years of the project. First, preliminary allocations (Table 8) have been based on the GOI's and USAID's understanding of the minimum amount necessary to achieve the purposes and goals of the project. Second, the equal allocations for all provinces has been eliminated.

Annex H summarizes the major program areas that each province is likely to follow during the extension of the PDP program. The major area of resource concentration will probably continue to be rainfed agriculture, livestock, and village-based credit institutions. These summaries are illustrative of the major program areas but are not exhaustive nor meant to exclude possible other locally identified activities which offer good prospects for reaching rural people.

#### B. Financial Systems and Policies under the PDP II extension

An unanticipated consequence of the decision to decentralize decision making with PDP was the proliferation of many very small project proposals (DUPs) that often represented incomplete projects, both in terms of concept and the scope of activities contained in the DUP. This result was partly the result of limited planning capacities of local planning boards and technical agencies and partly the result of the GOI's budgetary and planning process itself which has no planning or budget documents which bridge the longer-term planning documents and annual DUPs. The lack of intermediate planning documents will be met through the planning system outlined in this paper. In addition USAID and the GOI will explore ways to modify the DUP budgetary process to permit the DUPs to serve a wider function as planning and budget documents.

##### 2. Local Resource Mobilization

###### a. Local Government Financial Resource Mobilization

A means of continuing PDP in the provinces after AID's participation is complete is local governments' providing local revenues for PDP activities. The ability of provinces to generate revenue and to provide some funding to PDP varies widely among provinces. In IFY 82/83 Central Java contributed Rp. 300 million (\$3 million) to PDP, one third of the annual program. How this can be accomplished in the other provinces will be a matter of continuing discussion with the GOI over the life of the program.

###### b. Local Private Sector Resource Mobilization

During the initial four years of PDP the Ministry of Home Affairs and several of the participating provinces (most notably Central Java, under PDP I and East and West Java under PDP II) have sponsored self-financing rural credit institutions to meet the credit requirements of the financially disenfranchised rural poor. The most developed of these rural institutions are found in Central Java. The history and performance of

TABLE 8

Province Allocations by the Central Government and AID's Contribution

Province	GOI (Central Gov't) Rupiah Allocation Year	Total Allocation for 4 Years	USAID ALLOCATION <sup>1/</sup>	GOI Program Contributions <sup>1/</sup>	Provincial Program Related
1. East Java	Rp. 900,000,000	Rp. 3.6 billion	\$ 1,855,000	\$ 1,855,000	\$ 357,000
2. Bengkulu	300,000,000	1.2 billion	619,000	619,000	144,000
3. South Kalimantan	700,000,000	2.8 billion	1,443,000	1,443,000	217,000
4. N.T.T.	550,000,000	2.2 billion	1,134,000	1,134,000	217,000
5. West Java	650,000,000	2.6 billion	1,340,000	1,340,000	217,000
6. N.T.B.	650,000,000	2.6 billion	1,340,000	1,340,000	217,000
Inflation at 15% per year	-	3.8 billion	1,959,000	1,959,000	-
		18.8 billion	\$ 9,690,000	\$ 9,690,000	\$ 1,359,000
Less savings from USAID Phase I program funds resulting from devaluation			\$ 5,390,000		
New USAID contribution for provincial programs			\$ 4,300,000		

<sup>1/</sup> 50% x annual GOI allocation (Central Government) @ Rp.970 = \$1 rounded.

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the Central Java District Credit Units (BKK) is documented in the PDP I Amendment and is discussed briefly in Section IIC of this Paper. All eight PDP I and II provinces have embarked with varying degrees of success on developing such institutions. Under the ongoing PDP II project approximately \$3.3 million is expected to be allocated to these credit programs.

C. Analysis of Disbursements to date and Projected Disbursements under the PDP II extension

During CY 82, reimbursements from PDP II were slower than expected, although accruals continued at a normal pace. Accruals have continued normally because annual programs have been designed, approved, and implemented on schedule. Reimbursements, however, are dependent on inspection visits by USAID and BANGDA. Those visits were fewer than necessary during CY 82 for a number of reasons. The Indonesian elections in early CY 82, followed by the fasting month and Lebaran, staff constraints at both BANGDA and USAID, and the increasing number of projects were primary reasons for fewer inspections. In late CY 82 inspection visits were carried out at a higher rate, and reimbursements are expected to increase as a consequence. Furthermore, this extension includes a change in the reimbursement system which should make better use of USAID and Bangda staff time for reimbursement. The revised planning system should make these field visits more productive. It is expected, therefore, that reimbursements will proceed in a more timely manner during the extension.

The revised planning systems will become effective immediately for all provinces. The revised reimbursement system will be in effect for all activities planned in IFY 83/84 and beyond. Those planned prior to that fiscal year will be reimbursed under the earlier system.

A disbursement schedule for the PDP II extensions is given in Table 9.

D. Method of Project Financing and Disbursement

1. AID

Project costs have been divided into three financing categories: traditional direct procurement; percentage of actual cost reimbursement; and local currency direct disbursement.

a. Direct Procurement

Direct AID dollar-funded procurement and disbursement will be utilized to finance technical assistance contracts, long and short-term training, and commodities. Direct procurement will be open to all AID Geographic Code 941 countries plus Indonesia.

This is especially required to provide appropriate sources of training and short-term technical assistance. Training in the planning and management of local development programs is a key element in achieving the purposes

TABLE 9

Disbursement Schedule - PDP II Extension

	<u>6/84</u>	<u>6/85</u>	<u>6/86</u>	<u>6/87</u>	<u>6/88</u>	<u>6/89</u>	<u>Total</u>
Technical Assistance	2,496,000	2,744,000	1,509,400	1,433,800	493,400	76,000	8,752,600
T r a i n i n g	20,000	80,000	210,000	340,000	320,000	90,000	1,060,000
Commodities	180,000	-	-	-	-	-	180,000
External Evaluation	50,000	-	122,000	-	100,000	-	272,000
Subproject Programs	-	-	500,000	1,500,000	2,000,000	300,000	4,300,000
Contingency	-	-	450,000	450,000	785,000	750,000	2,435,400
<b>Total</b>	<b>2,746,000</b>	<b>2,824,000</b>	<b>2,791,400</b>	<b>3,723,800</b>	<b>3,698,800</b>	<b>1,216,000</b>	<b>17,000,000</b>

SP

of the project and some of the most valuable sources of training are located in countries which share similar development experiences. Institutions such as IRRI, the Asian Institute of Management (AIM), and the International Institution of Rural Reconstruction (IIRR) in the Philippines offer training relevant to the needs of PDP, and their use as future sources of training is probable. In the procurement of short-term technical assistant it may also be possible to employ individuals who have experience in the planning and implementation of similar programs either for direct input into a specific technical area or for participation of the project's evaluation.

b. Percentage of Cost Reimbursement

Reimbursement for local currency project costs will be a percentage of actual cost. This is considered more appropriate than the Fixed Amount Reimbursement (FAR) system because of the large number of small projects scattered in various geographic areas where specific design specifications and cost estimates are made during the planning of each project. Using cost reimbursement will also permit inspection on a sample basis and thereby make staff inspection time more productive. The maximum amount which can be reimbursed against any province's program is 50% over the life of the project of the value of the approved DUPs (the project proposals) up to the amount of available loan funds.

The MPS, AOP, and DUPs are subject to review and approval by AID. AID will commit funds annually for each province by a PIL. While improved planning cannot guarantee improved project implementation, approval of the MPS, AOP and DUPs prior to the commitment of funds offers the opportunity to ensure that sufficient planning information is present to allow later monitoring and evaluation and that projects are consistent with PDP goals. AID monitoring will emphasize increasing the GOI's ability to strengthen the planning, internal review, and quality control systems.

The general criteria for AID reimbursement of individual projects are as follows:

1. All planning and monitoring documents are present, complete, and meet specified standards;
2. Implementation is complete and in accordance with approved plans except when implementation is halted or altered for appropriate managerial reasons; and
3. Beneficiaries are appropriate according to standards determined by AID, BANGDA, and the PDP provinces.

The general reimbursement principle is to reimburse a percentage of actual cost for completed projects. No reimbursement will be made for projects which 1) are not implemented; 2) are not implemented according to approved plans with the exception given in (2) above; and 3) experience problems during implementation, but for which appropriate corrective action, follow-up, or termination is not initiated. However, given the

experimental nature of this project and the desire both to experiment with new approaches and to learn from experience, there will be a limited number of exceptions to these general reimbursement criteria. The following are examples of exceptions in which projects may be reimbursed when a USAID review determines that prudent judgment has been exercised by GOI managers and implementers:

1. Projects which are designated as experimental (whether completed, altered or halted) but which do not yield the specified outputs or which produce a negative result;
2. Non-experimental projects (whether completed, altered, or halted) which do not yield the specified outputs, but for which the GOI monitoring system identified the problems and initiated corrective measures.

There will be annual reviews by USAID of a sample of selected programs and projects in the provinces to measure the accuracy of reported accomplishments. These reviews will consider the projects both individually and within the context of the long term goals and planning for that program area as articulated in the MPS and AOP.

The Government of Indonesia will prefinance the costs of the projects based on the approved totals of the DUPs. Upon certification by the province, reimbursement requests will be submitted to USAID via the Ministry of Finance for reimbursement in dollars, as currently provided for in the Project Agreement. In addition to AID reviews, the USAID Project Officer will have the benefit of continuing input from the technical assistance consultants.

To implement this reimbursement system, PDP will go through a period of transition as the revised planning system and improved planning documents are phased in. The consequence of this transition for the reimbursement system is that projects for IFY 83/84 will not involve the preparation of an MPS. Therefore, approval of this document will not be a precondition for the consideration of reimbursement requests, although an AOP and revised DUPs will be required for projects during this year. These two documents are subject to AID review before reimbursement can be considered.

## V. IMPLEMENTATION PLAN

### A. Technical Assistance:

This amendment provides funding for 44 person-years of long-term technical assistance, 4 person-years of short-term assistance, and 6 person-years of assistance to be provided through a contract with an Indonesian institution. This level of effort is now considered to be sufficient to ensure achieving the project purpose by the end of the project.

The first increment of this additional technical assistance will be a three-year contract of 37 person-years of long-term assistance and 3 person-years of short-term assistance. (The duration and location of the individual positions are shown in Table 2). Later phases also provide a

gradually decreasing level of expatriate technical assistance and an increasing level of Indonesian assistance. Accordingly, funding is also provided for a contract with an Indonesian firm for technical assistance as firms with requisite skills can be identified. It is expected that initially this Indonesian assistance will provide agricultural support to the provinces' programs. The need for that firm and its identification will be determined within the first year of the extension. In addition to Indonesian assistance through this firm Indonesian experts will continue to be retained through present contracts with expatriate firms and through the provinces' DUP/DIP system.

The technical assistance provided in the initial period of this extension will consist of a Chief of Party who is also a part-time training advisor, a training advisor and a credit advisor stationed at BANGDA, six provincial planning advisors, three agriculturalists, two regional credit advisors and one small-scale industry advisor. The planning consultants, whose responsibility is planning, information systems, and management, will be responsible for working with their respective BAPPEDAs and technical agencies in implementing the planning cycle described in this amendment and information systems which will be developed during the extension of PDP II. Planners will assist the provinces in preparing multi-year and annual plans as well as DUPs and will participate in the review of these documents. They are generally the team leaders for the consulting team in the province and are responsible for coordinating the team, making contacts with other donor and GOI programs, and being the focus for knowledge of the development of their respective provinces.

The provincial level regional technical consultants (agronomists, small scale industry advisor, livestock specialists, and credit specialists) will work with their respective provincial technical agencies in project planning, monitoring and evaluation in order to transfer their technical knowledge to their counterparts in the technical agencies. They will also work with the planning consultants and the BAPPEDAs to ensure that both broad planning and project-specific planning take into account the conditions of the province. Both planners and technicians are expected to be on call to other provinces, both PDP I and II, as their special skills are required. This kind of sharing of skills and experiences has been productive in the past and will be continued during the extension. This pattern of technical assistance, which will be largely expatriate, gives relatively greater priority to planning positions for several reasons. First, such expertise is less available in Indonesia than agricultural and other technical fields. Planning assistance in the later years of the project may come from Indonesian sources as those sources become available. For this reason there is no commitment to expatriate planning assistance in later years. Second, the work of the planners (planning, information systems, and management) is the basis for long-term programs in agriculture and related fields which might be developed under the PDP II extension. AID's funding for technical assistance, therefore, is most properly directed toward ensuring well planned programs as a first priority.

For technical assistance through the first three years of this extension (June 1983 to June 1986) the Mission intends to request an amendment to the existing technical assistance contracts through a non-competitive procurement waiver submitted to AID/W. The waiver request will be based on the desirability of continuity in technical assistance and the high level of performance of the present firm. A copy of the waiver request is presented as Annex M.

For further discussions of technical assistance, see the Technical Analysis, Part III, Section C.

#### B. Implementation Schedule

The following timetable presents the anticipated dates of the main activities to be completed under the project. Bar charts showing the time phased implementation of the revised systems are included as Annex E to this paper.

IFY 83/84 Instructions to Provinces	March 15, 1983
IFY 83/84 Subproject Plans (DUPs). Approved by GOI Central Office (BANGDA) & AID	June 1, 1983
IFY 84/85 Instructions to Provinces	June 30, 1983
Loan/Grant Agreements Extended	June 30, 1983
Current TA contract (Provinces) extended for three years	July 1, 1983
IFY 83/84 project Implementation begins	September 30, 1983
Conditions Precedent met	September 30, 1983
Multi-year Program Strategy (MPS) and IFY 84/85 Annual Operational Plans (AOP) completed	November 15, 1983
MPS and IFY 84/85 AOPs approved by BANGDA/AID	December 31, 1983
IFY 84/85 DUPs approved by BANGDA/AID	April 15, 1984
IFY 84/85 project Implementation begins	August 1, 1984
IFY 85/86 Instructions to Provinces	August 15, 1984
IFY 83/84 project Inspection by BANGDA/AID begins	October 1, 1984
MPS (revision) and IFY 85/86 AOPs approved by BANGDA/AID	November 15, 1984
Reimbursement IFY 83/84 subprojects	January 15, 1985

Mid-term External Evaluation begins	February 1, 1985
IFY 85/86 DUPs approved by BANGDA/AID	April 15, 1985
IFY 85/86 project Implementation begins	July 1, 1985
IFY 86/87 Instructions to Provinces	August 15, 1985
IFY 84/85 project Inspections by BANGDA/AID begin	September 1, 1985
MPS (revision) and IFY 86/87 AOPs approved by BANGDA/AID	November 15, 1985
TA (provinces & central) Reassessment of needs	January 1, 1986
Reimbursement IFY 84/85 projects	January 15, 1986
IFY 86/87 DUPs approved by BANGDA/AID	April 15, 1986
TA final action (extension or revised made)	June 1, 1986
IFY 86/87 project Implementation begins	July 1, 1986
IFY 87/88 Instructions to Provinces	August 15, 1986
IFY 85/86 project Inspections by BANGDA/AID begin	September 1, 1986
MPS (revision) and IFY 87/88 AOPs approved by BANGDA/AID	November 15, 1986
Reimbursement IFY 85/86 projects	January 15, 1987
IFY 87/88 DUPs approved by BANGDA/AID	April 15, 1987
IFY 87/88 project Implementation begins	July 1, 1987
IFY 86/87 project Inspections by BANGDA/AID	September 1, 1987
Reimbursement IFY 86/87 projects	January 15, 1988
IFY 87/88 project Inspection by BANGDA/AID	September 1, 1988
Final External Evaluation begins	January 1, 1989
Reimbursement IFY 87/88 Subprojects	January 15, 1989
PACD	December 1, 1989

Loan-funded activities: Table 3 shows the fiscal years over which loan-funded project activities will be implemented in the six provinces and for which funding is proposed in this amendment and the two PDP I provinces for which continued funding has already been approved. The

first year of AID-funded activity under this extension will be IFY 83/84 in the PDP II-A provinces (East Java, South Kalimantan, Bengkulu, NTT) and IFY 84/85 in the PDP II-B provinces (West Java, NTB). The concluding year in IIA provinces will be 86/87 and 87/88 in IIB provinces.

IFY 83/84 is necessarily short and incorporates only two new elements, an annual plan to be reviewed before the project proposals (DUPs) and an improved project proposal (DUP) format which asks for more complete planning information that has been required hitherto and will be of eight months duration (January - August, 1983). During this time provincial BAPPEDAs will be asked to prepare an Annual Operational Year Plan (AOP) which will include the following:

- a review of the strengths and weaknesses of past PDP programs and lessons for the future;
- a plan for FY 83/84 which groups PDP programs to show
  - a. program areas for the year, both by region and sector;
  - b. relationship to other development programs;
  - c. priorities, targets, and beneficiaries by program areas; and
  - d. program type (experimental, demonstration, supplemental to sectoral programs, etc.).

The AOP will be reviewed with the individual project proposals (DUPs) which will follow a revised format asking for quantified inputs, outputs, and goals on which to base later monitoring and evaluation. BANGDA has issued instructions to the provinces in March 1983 for this transition cycle.

IFY 84/85 contains all the elements of the regular planning cycle to begin in 85/86, but allows 14 months for its execution. This longer time will be necessary for the provinces to undertake the training and planning called for by the cycle. For IFY 84/85, BAPPEDAs will be asked to make the major transition to the revised cycle. Instructions outlining the requirements for the MPS will be issued by BANGDA in June, 1983.

For IFY 85/86, the revised cycle will enter its first full year of implementation in August, 1984. The cycle will include a review of the MPS which was written and approved in FY 84/85. Revisions of this MPS will be based on insights gained from prior years of implementation, and the revised MPS will be used as a basis for the preparation of the AOP for the coming year.

This transition period will require training for provincial and kabupaten BAPPEDA in preparing the MPS, AOP, and DUPs. This training is discussed in greater detail in Annex F and involves PDP consultants and other training resources currently available to AID including both the Local

Government Training project (directed towards the kabupaten BAPPEDA) and internal AID resources already in place.

#### VI. USAID MONITORING

PDP is a major program of the Mission's Office of Rural Development. A USDH Project Officer and a part time USDH officer supported as necessary by FSN professionals from the Agriculture and Rural Development Offices are responsible for project implementation.

PDP is implemented through a series of annual cycles of planning, implementation, monitoring, evaluation, leading to a new planning cycle. This amendment will fund four such cycles for the PDP II provinces. USAID's participation in certain phases of these annual cycles is one of several means by which the Mission can monitor the progress of the program. The phases of implementation are as follows:

1. The annual cycle is initiated by BANGDA's issuing instructions to the provinces to begin the planning process. In the past these instructions have been literal instructions. Beginning with IFY 83/84 (in April 1983) and thereafter the instructions will place greater emphasis on policy goals, such as bottom up planning, decentralization, and the like, to which province programs should aim, rather than on directions on how the province should implement PDP. This is part of the province's strategy to be contained in the planning documents. USAID routinely collaborates with BANGDA on the contents of these instructions.

2. Under the revised planning cycle the provinces will then issue further guidance to the more local levels of government and begin shaping an annual program. After a process of discussion within the province including discussion within the village councils (LKMD), the provinces will produce a multi-year strategy showing how they intend to meet BANGDA's policy goals, their own programmatic goals, and their strategy. This document is then reviewed and approved by BANGDA and is subject to approval by USAID. This document is a major element of the planning system; the first will be produced by December 1983 for the planning cycle for IFY 84/85.

3. The provinces will then produce an annual plan, showing what general activities will be undertaken in that year to achieve the goals of the multi-year strategy. This document is likewise submitted to BANGDA and is subject to review by AID. The first will be produced in April 1983 for the planning cycle for IFY 83/84.

4. The provinces then produce a series of project proposals (DUPs) for the specific activities to be undertaken that year. At present these proposals are only planning documents (in addition to being budget documents) and are generally so narrow in scope that they can show little broad planning. Under the improved planning system the proposals will provide more information and will also lay out the implementation plan. Again, these documents are reviewed and approved by BANGDA. They are subject to approval by AID. Fifty per cent of the total rupiah value of

these DUPs in each province each year is the maximum amount which USAID can reimburse.

5. Implementation of these activities is carried out by the technical agencies. They report on this implementation to the BAPPEDAs. The quarterly reporting documents are normally the basis for field visits by USAID and BANGDA during implementation and are the basis for the consultants' quarterly reporting to USAID.

6. Evaluation is the last major step in this process. Only recently and only in East Java has a province attempted its own evaluation. These have previously been done only by Indonesian universities with the results rarely recycled into the next planning process. The problem with evaluations in the past seems to be the BAPPEDAs lacked a methodology for evaluations which they felt they could control. Further work on this methodology will continue during the extension period.

7. AID's final action is the review of project activities for reimbursement. Details of this system are given in Part IV Section D.

In addition to participating in these phases of implementation, USAID has a number of sources of information which provide additional means by which USAID can monitor the progress of the project.

a. consultants on the technical assistance contracts report monthly and quarterly to USAID. The format of the quarterly report has recently been changed to bring the reporting more nearly into line with USAID's actual requirements. Consultants report on monthly expenditures of GOI funds as reported by GOI project treasurers, significant developments in experimental projects, and problems and issues which require USAID attention. Consultants are also valuable sources of information on conditions in each province, processes of planning, project identification, and implementation in general.

b. USAID staff visit the field for routine monitoring trips, in particular in the context of reimbursement and the phases of implementation listed earlier, as well as at the invitation of provinces for meetings on PDP.

c. The external evaluations and evaluations undertaken in each province through the revised evaluation system will provide an important source of information on project implementation and impact.

## VII. EVALUATION PLAN

As noted earlier, an important part of the strategy for the next stage of PDP is shifting responsibility for accountability from AID and foreign consultants to the GOI. For this reason major attention will be given to establishing monitoring and evaluation systems which provide timely, accurate, and relevant information on the implementation and impact of PDP projects. All districts and provinces will be required to specify in the AOP their plans for monitoring and evaluating individual projects,

and project proposals will have to show in what ways future activities are based upon learning from past projects. In this way the next stage of PDP will involve continuous monitoring and evaluation, supported by planning requirements and assistance from consultants as well as the revised reimbursement system.

In addition to this built-in system of monitoring and evaluation, two major evaluations are planned during the course of the next stage of PDP. There will be an interim evaluation after two years, and a final evaluation of the entire program at the end of the implementation period. These evaluations will examine three main issues. First, attention will be given to the process by which PDP was planned and implemented, with particular attention to the role of foreign and Indonesian consultants and their contribution to the achievements of PDP. Second, these evaluations will focus on the major PDP objective of building the capacities of local planning and implementing institutions, and the extent to which these agencies have been strengthened and are better able to assume the burdens of decentralized planning and implementation. Finally, the impact of individual projects and broader program areas will be assessed. The evaluations will examine the extent to which PDP activities have resulted in increased productive capacities, the introduction of new technologies, and the formulation of fundable new programs.

Finally, there will be a special evaluation to focus specifically on PDP agricultural programs. The agricultural sector continues to be a major contributor to GNP and to employ the majority of the population. Various activities funded by PDP have concentrated on agricultural programs and the effort to increase agricultural productivity, and these activities constitute the majority of PDP projects. While much has been learned from the experience gained thus far, a more systematic effort is required to determine what approaches have proven to be particularly productive and what lessons can be learned for application elsewhere. This assessment of PDP agricultural programs will take place in the early part of the next stage of PDP, allowing opportunities for PDP provinces to study the results and incorporate them into planning for future PDP projects.

All three evaluations -- the interim, final and agriculture evaluation -- will require teams composed of both foreign and Indonesian professionals. Detailed scopes of work will be developed in cooperation with BANGDA and provincial BAPPEDA staff and will stress the need for results which are of direct relevance to the continuation of decentralized development efforts.

LOGICAL FRAMEWORK MATRIX  
PROVINCIAL DEVELOPMENT PROGRAM

<u>Narrative Summary</u>	<u>Objectively Verifiable Indicators</u>	<u>Means of Verification</u>	<u>Important Assumptions</u>
<b>Goal:</b> To increase the long-term income of rural people	Increased consumption by people directly or indirectly benefiting from PDP	USAID ex post evaluations BANGDA and province evaluations	Increased level of production is sustainable
<b>Purpose:</b> A. To increase the production and productive capacity of rural people	Increased production among subproject beneficiaries skills, equipment, organization which help to increase rural people's productivity	USAID ex post evaluation BANGDA and province evaluations GOI documents Reviews of policy decisions	A. subproject design and implementation lead directly to increased production and productivity. Beneficiary selection process channels assistance to appropriate target group
B. To increase the capacity of local government agencies (BAPPEDAs and technical agencies) in target areas to undertake annual planning and to plan, implement, monitor, and evaluate rural development activities which increase the productive capacity and income of the rural poor	Plans and systems where none existed previously; more comprehensive and refined forms of plans and systems which had existed previously; more accurate beneficiary selection through policy and more refined techniques of identification of beneficiaries		B, C. BANGDA, Steering and Technical Committees, Bader Wikist, and provinces devise program outlines in this regard and will work to bring the changes about
C. To increase the capacity of central govt agencies (BANGDA) to support local government agencies in target areas to undertake the above activities	More timely, accurate, and useful policy and guidance; timely management decisions based on improved information systems. Ex ante leadership rather than ex post reaction or delayed reaction. (These are surrogate indicators showing qualitative changes in outputs. These indicators are not outputs themselves.)		Time phasing of new requirements for plans, reviews, evaluations, etc. can be made to accord with provinces desires and abilities  Staff and budgets are available for new and existing institutions
<b>Outputs:</b> A. Completed projects	Projects and program areas for which planning, monitoring, implementation and evaluation are complete	GOI records USAID financial and data management systems	Technical assistance of high quality and advisors who can gain the respect of the provinces and BANGDA so that they can contribute
B. Support for local government agencies:			
1. Improved planning system and plans (monitoring/evaluation)	1. Guidelines and methodologies for planning, subproject selection and design, monitoring, and evaluation; five-year and annual plans for province and kabupaten; subprojects derived directly from plans		USAID funding is available and sufficient
2. Improved information system	2. Analysis of information needs; a functioning information system; a functioning monitoring and evaluation system and feedback link		
3. Strengthened Tingkat I and II institutions	3. BAPPEDA tingkat II in place and functioning; training, workshop		
4. Increased staff and staff capability	4. Manpower development plan for staff increases and training needs; training		
5. Improved credit program	5. Improved information system, functioning credit programs; implemented policy		
6. Improved beneficiary selection	6. System and criteria for selection in place and functioning		
C. Support for central government (BANGDA)			
1. Improved information and support system	1. Analysis of BANGDA's information needs; annual funding levels from GOI based on GOI policy, not USAID contribution; monitoring and evaluation systems;		
2. Increased staff and staff capability	2. Manpower development plan for staff increases and training needs; training		
3. Improved credit program	3. Policy guidelines from BANGDA; operational link between BANGDA and the banking system; improved information system; implemented policy		
D. Training and planning for new provinces; manpower development plans for all institutions	1. Long-term and annual plans prepared; manpower development plan for staff and training prepared and implemented		
<b>Inputs:</b> A. Technical assistance B. USAID funding C. GOI funding	A. At per budget B. To be decided C. To be decided	Grant agreement Loan agreement GOI Minister's instructions	Grant funding available Loan funding available USAID policy decision to proceed with support to PDP Resolution of all issues between GOI and USAID. No problem with contracting procedures and new
	GOI regulations		

**Best Available Document**

ANNEX B



REPUBLIC OF INDONESIA  
NATIONAL DEVELOPMENT PLANNING AGENCY  
JAKARTA, INDONESIA

No. : 981 /WK/5/1983

2 MAY 1983  
Jakarta, May , 1983

Dr. William P. Fuller  
Director  
USAID Mission to Indonesia  
c/o American Embassy  
Jakarta

Re : Provincial Area Development  
Project ( PDP ) II.  
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Dear Dr. Fuller,

With reference to our recent discussion concerning the Provincial Area Development Project ( PDP ) II, we hereby request that USAID provide a loan of thirteen million five hundred thousand US dollars (US\$ 13,500,000) and a grant of three million five hundred thousand US dollars (US\$ 3,500,000) to finance the implementation and development of the Provincial Area Development ( PDP ) II program. The Government of Indonesia plans to commit up to thirteen million US dollars (US\$ 13,000,000) in support of this program.

The Government places high priority on expeditious implementation of the program. We would therefore appreciate your early approval of this request.

Thank you for your kind cooperation.

Sincerely yours, !



*Saleh Afiff*  
Saleh Afiff

Minister of State/Vice Chairman of  
Bappenas

Cc. :

1. Secretary General  
Ministry of Home Affairs
2. Secretary Cabinet

## 5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects under the FAA and project criteria applicable to individual funding sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Funds.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(D).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project;  
(b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

The Committees in appropriation of Senate and House were notified of the project through the FY83 Congressional Presentation (PSIA Program, page 74) and through a Congressional Notification.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000 will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance? No further legislative action is required.
4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? NA
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? Yes
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No

7. FAA Sec. 601(a).  
Information and ~~conclusions~~ whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

This project should directly encourage (c) and (e).

8. FAA Sec. 601(b).  
Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

NA

9. FAA Sec. 612(b), 636(h);  
FY 1982 Appropriation  
Act Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

Normal project disbursement procedures assure this.

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10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes
12. FY 1982 Appropriation Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? NA
13. FAA 118(c) and (d). Does the project take into account the impact on the environment and natural resources? If the project or program will significantly affect the global commons or the U.S. environment, has an environmental impact statement been prepared? If the project or program will significantly affect the environment of a foreign country, has an environmental assessment been prepared? Does the This project has limited effect on the environment. The project is essentially to strengthen the local government institutions and to increase the productive capacity and income of the rural poor.

project or program take into consideration the problem of the destruction of tropical forests?

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

NA

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

- a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward

This project is designed to benefit the rural poor.

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better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used? Yes

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? Yes

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)? Yes

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e. FAA Sec. 110(b).  
Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"?

NA

f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

This project supports development of local government institutions and increase the productivity capacity and income of the rural poor.

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of

GOI is able to repay the loan.

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the country to repay the loan, at a reasonable rate of interest:

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? NA

c. ISDCA of 1981, Sec. 724 (c) and (d). If for Nicaragua, does the loan agreement require that the funds be used to the maximum extent possible for the private sector? Does the project provide for monitoring under FAA Sec. 624(g)? NA

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102? NA

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? NA

c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance NA

of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives?

- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

NA

C. "Sec.133. Notwithstanding any other provision of this joint resolution, none of the funds appropriated under section 101(b) of this joint resolution may be available for any country during any 3-month period beginning on or after October 1, 1982, immediately following the certification of the President to the Congress that such country is not taking adequate steps to cooperate with the United States to prevent narcotic drugs and other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971 (21 U.S.C. 812) which are produced, processed, or transported in such country from entering the United States unlawfully."

NA

ANNEX D:

COVENANTS AND CONDITIONS PRECEDENT

I. Covenants

1. The GOI agrees that PDP will be implemented with equal emphasis given to institution building and program and subproject activity. PDP kabupaten, therefore, are expected to remain in the program with funding for new and continuing activities until functional planning, monitoring, and evaluation systems have been achieved.

2. The GOI agrees that the membership of the Steering and Technical Committees will be maintained in a way that reflects the current working relationships among agencies involved in PDP.

3. The GOI agrees to explore the most appropriate means of ensuring a working collaboration between Bangda and Badan Diklat so that training activities are coordinated between the projects.

4. The GOI agrees to analyze DUP/DIP process for ways to address the need for integrated, intersectoral implementation as the necessary follow on to the BAPPEDA's integrated, intersectoral planning.

5. The GOI agrees to secure the additional staff necessary for both Bangda and the local governments to permit existing staff to be sent for masters' degree training under the PDP II extension.

6. The GOI and USAID agree that existing criteria for subproject and program selection and approval of planning documents may be elaborated upon or changed during implementation to meet unforeseen requirements. These criteria will be set out in official GOI documents as appropriate (INMEN, Pra-Instruksi) and will be agreed to by the GOI and USAID by means of a Project Implementation Letter (PIL).

II. Conditions Precedent

Prior to the first disbursement of loan funds under this amendment for subproject activities, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made with respect thereto, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D., evidence that the Cooperating Country has issued a series of instructions to the provinces participating in the project which establish a new planning system agreed upon between the Cooperating Country and A.I.D.

ANNEX F:

Training

Funding for training: Under the PDP II extension, as is now true under the PDP I extension, all training will be loan funded. The provinces will receive instructions from the center to begin using loan funds through the DUP/DIP system for comprehensive training, both for the needs of the agencies under the Ministry of Home Affairs, for technical agencies (dinas), and for rural people through the LKMD structure.

Technical assistance for training: The extension will support this new training program with one full time and one part time expatriate consultant, and short term consultants.

Training programs under PDP: The training that will be carried out during the PDP II extension can be divided broadly into two types: First, management and administration training; and second technical training. The former includes both in-house training and training at established training institutions aimed at the staff of BAPPEDAs (Tk. I and Tk. II, especially but not solely second and third echelon officers) and staff from other non-technical agencies such as LKMDs and UDKPs. It will also include some representatives from sectoral technical agencies.

To the extent possible all training will be practical, applied, limited in scope and time, replicable, cost efficient, in-country, and address immediate and identifiable needs. ("Training" refers not only to formal courses and lectures but to workshops, demonstrations, field visits, practicums, and exercises. "Training" includes formal, non-formal, OJT, in-service, and pre-service training.)

Emphasis will be placed on in-house training, that is, training designed, conducted and monitored by the PDP consultants and their counterparts with outside assistance when needed and available. Most training, and especially in-house training, will follow the "master-trainer" model used extensively in the AID-assisted Rural Works project. Under the model a group of better qualified province people is first trained intensively, and they in turn train others at more disperse locations. The PDP consultants will be heavily involved at first in all such training and will become less directly involved during later stages as various training courses are repeated and the master trainers become more adept.

BAPPEDAs and dinas are not assumed to be training institutions, but USAID's experience with Rural Works shows that in-house training is both necessary and desirable. More advanced training will be undertaken at established training institutions.

The following is an outline of probable training activities to be developed and implemented during the PDP II extension. Some activities suggested as in-house might also be done by outside training institutions, if appropriate ones can be identified.

### In-house training

The First priority is a group of core courses to be taught nationwide based on systems and instruments to be developed or revised during the second phase such as the new planning and information systems. Each of these courses would be held for one week, about 40 hours of instruction time. Each course should include only about 15 to 20 participants and involve a minimum of 3 instructors. The following are suggested core courses:

1. A course on the preparation of annual operation plans and multi-year program strategies, initially emphasizing PDP-funded subprojects.
2. A course on the use of the planning and information systems and instruments developed to standardize gathering and assessing project ideas, identifying and prioritizing needs, determining technical feasibility and potential socio-economic benefits (possible baseline data for later evaluation), selecting prioritized project proposals from villages and lower levels of government with those from the dinas in light of area master plan priorities. This course would need to provide training for processing data as it flows through the system; its actual analysis; and feedback down through the system.
3. A course to ensure complete, standardized designs and documentation of project DUPs.
4. For dinas staff, a course on technical material for actual design preparation.
5. A course on the review of DUPs (using new DUP forms). This course would include preparation and review of budgets; statements of purpose, goals and subgoals; statements of beneficiaries and expected benefits, direct and indirect; statements regarding related projects and upstream and downstream implications of any project; the relationship of projects to the annual plan; and quantifiable indicators of success or completion for later monitoring and evaluation purposes.
6. A course using the monitoring systems and forms that are developed on monitoring and reporting project implementation including problems that arise and physical, financial, and qualitative project status report. This course would also contain training on those aspects of the monitoring systems that deal with program matters, the master plan, and experimental projects. Also training would be provided in this course (or in follow-up courses) on evaluation, including routine and special evaluations of, the socio-economic impact in a targeted area or the administrative capabilities and performance of a certain agency.

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7. A number of short core courses to train BAPPEDA staff and the staff of other involved agencies in necessary administrative and managerial topics or processes such as

- bookkeeping;
- financial monitoring and reporting;
- auditing;
- simple computational analysis and basic applied statistical methods, graphic display, etc.;
- information retrieval including filing systems, clearance and circulation of correspondence, etc.;
- simple network planning, scheduling, etc.;
- organizational planning including staffing patterns, job descriptions, etc.; and
- staff performance evaluations.

#### Technical and Project-specific Training

Agriculture training will be oriented to the major ecological-climatic conditions of PDP provinces, a new orientation for technical training in the GOI which will receive major attention during Repelita IV starting April 1984. In general these ecological-climatic conditions are the rainfed hillsides receiving about 1200 mm of rain in about four months of the year and experiencing extreme drought conditions the remaining eight months. The training program will consist of units which are divided into modules which can be taught in one to three days. The units could be taught consecutively as a single module (e.g. two weeks) or taught in individual modules over a longer time period. This training will emphasize applied skills and will follow the master trainer approach described above.

Two training units will be developed for each subject: training for the user (farmer or extension worker) and briefings for the decision maker. The subjects for which training will be developed are grouped by category and are listed below. Each subject will be subdivided into units and modules:

Category : Rainfed Farming Systems  
Subject: Hillside (including *Leucaena leucocephala*)  
Subject: Lowland multiple cropping

Category : Small Ruminants  
Subject: Loan Systems  
Subject: Production and Management  
Subject: Marketing

Category : Polyvalent (multi-purpose) Program and Extension  
Subject: Program development and administration  
Subject: Technical skills

Category : Food Crop Storage  
Subject: Administration and bookkeeping  
Subject: Technical

All technical training for beneficiaries will be practical, applied training and will include plans and funds for necessary follow-up in the field, retraining, or more advanced training. Consistent with the six technical areas specific above, training for beneficiaries will include:

- breeding, feeding, care and marketing of goats and sheep (at the Institute on Research of Livestock at Bogor and at the Center for Research on Animal Production at Ciawi);
- maintenance and repair of motors, pumps, engines;
- vocational training for landless farmers in wood working and other skills (possibly through Subdistrict Credit Units (LKKs);
- training in lamtoro planting, care, etc. (at the Social Research and Development Institute in NTT);
- dryland farming (at the Dryland Crops Research Station in NTT);
- training in integrated farming systems (at the Food Crops Research Institute in Bogor);
- courses on cropping patterns as well as training in agricultural extension (at the Food Crops Research Institute in Bogor);
- courses on agricultural planning (at the Agricultural Institute in Bogor); and
- courses in polyvalent extension (at the Kayu Ambon, West Java, branch of the National Agency for Agricultural Training, Education, and Extension).

A number of PDP projects are actual training centers include the training centers (Balai Karya) in NTB; Sukabitetek Center in Belu, NTT; agricultural field stations as well as the Department of Agriculture's kecamatan-level Agricultural Extension Centers (BPP). These centers can plan formal training and also act as centers for on-the-job training and non-formal training, demonstrations, sites for field visits and referral centers.

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Credit training:

PDP has supported a variety of rural credit programs. With a shift toward village level administration and the usual high staff turnover a regularly scheduled skills upgrading and retraining program will be instituted. These courses will cover bookkeeping, auditing, and financial management. YSTM has been involved in past credit training and will take a greater lead in the future;

This extension also provides for long-term training for masters degrees in regional science for up to twenty officials from Bangda and the BAPPEDAs. One official from the BAPPEDA Tingkat I in South Kalimantan received such training at Syracuse University during phase I and has since rejoined the BAPPEDA. His experience was productive and has enabled him to take on new responsibilities in the BAPPEDA, responsibilities which no other official can fill. The critical element in the proposed training activity is to identify twenty officials who are appropriate for this training and who can be released for the time required.

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ANNEX G:

Sample of PDP Income Generating Project Activities

1. Project: Ocean Fisheries Development

Location: East Java: Kabupaten Bangkalan, Sampang, Sumenep, Pamekasan.

Since June 1980, 65 groups of fishermen (472 total members) have been organized and equipped for near-shore ocean fishing. Loans are given to each seven-or eight-member group for fishing equipment packages, consisting of small motorboats and nets. Training in organization, management, and operation is also provided, as well as follow-up technical assistance from the Fisheries and Cooperatives Agencies (dinas).

The progress of this project has been encouraging. Three of the best performing groups have generated annual savings of US\$1,900 and net cash incomes of US\$8,700 (US\$180) per person. Since these men were formerly hired labor, their income has increased approximately 400% over their previous income levels. This is a conservative estimate of increased incomes since according to tradition some fish are divided among the village poor and another part is distributed to the fishermen before the catch is actually sold. The cost of equipment for these groups totalled US\$14,300. There is a net return on project inputs of 55% per year if a 5-year life equipment depreciation schedule is calculated.

2. Project: Increased Fish Production

Location: Nusa Tenggara Barat, Kabupatens Lombok Tengah and Lombok Timur

This project is part of a four year effort to increase fish production. Two pair of Majalaya carp are given to each recipient at a total project input cost of US\$12 per recipient. The fish are raised in a simple enclosed pond provided by the recipient that is enriched by the fertilizer runoff from the adjacent rice fields. There are no other major input costs. Within a few months the distributed parent fish have produced approximately 50,000 eggs. By the time these fish reach 5 to 7 cm in length mortality has reduced their numbers to 5,000 fish. About 6 months after the eggs have been laid, the fish are ready for harvest. At that time they average 10 fish per kilogram and sell in local markets for US\$2.25 per kilo. From the 5-7 cm stage to harvest, mortality has taken another 20 percent. Total production at harvest is about 4,000 fish or roughly 400 kilos. At \$2.25 per kilo this yields a gross income of US\$900 semi-annually. Annual production can be easily expanded to a total of 800 kilos for a gross income of US\$1,800 annually. The fish are generally marketed close to the village. Labor and other production costs are insignificant, resulting in a net income very close to the gross income figures.

3. Project: Livestock Fattening

Location: East Java, Kabupatens Bangkalan, Sampang, Pamekasan, Sumenep

As of mid-year 1982 approximately 5,500 head of cattle had been distributed in East Java. Each family receives one cow. The cow will be raised for approximately 10 months with supervision from the livestock agency. At the end of this period the cow will be sold with the farmer repaying the original cost and keeping 70 percent of the profits. The other 30 percent reverts to the government and is used to expand the program in the same area. The procedure will then be repeated a second year with the same family. The project also assists in developing livestock feed and better livestock health care.

Gross revenues per head average US\$60 with 70 percent of that amount or US\$42 accruing to the farmer per season. Daily labor wages in this part of East Java range from US\$0.72 to US\$1.45. The additional income from this cattle project is significant since most other rural employment is very seasonal.

4. Project: Duck Production

Location: South Kalimantan, Kabupatens Hulai Sungai Tengah

In this project each participant receives 50 4-month old ducks to raise for egg and meat production. The farmer provides a simple shelter, minimal labor inputs and feed. The Indonesian Government provides extension and health services. Within two years 66 ducks must be returned for redistribution (included 1/3 interest on the original flock granted). About 15 ducks are repaid by the participant every six months.

The ducks start producing eggs at 6 months of age on an 8 month production schedule followed by a 40 day rest cycle. Each duck lays 20 eggs per month which produces a gross income of US\$80 per month for 50 ducks. A 19 month production cycle maximizes returns and gives a net profit of US\$875 recipient/19-month cycle, or \$550/year on the flock, an 146% return less minimal labor costs over the cycle. New stock are produced from the flock kept to start the production cycle again.

5. Project: Goat Production

Location: South Kalimantan, Kabupaten Hulu Sungai Tengah

This project distributes 5 breeding goats (a male and 4 females) to 50 participants. The farmer provides a simple stable, labor and feed. The Government of Indonesia provides technical assistance and

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health care. At the end of two years the farmer will return 5 goats of the same age. No interest is charged for the project's provided inputs as this project attempts to reach the poorest villagers. An actual mortality rate of 4% and a 90 percent birthrate has been experienced in the project to date. The original herd size increased by 102 head by the end of the project. This has produced a return of US\$74 per farmer per year when the additional stock was sold at the end of the production cycle. At the end of that cycle the farmer has a production herd of one male and four females worth US\$362 plus two head that he would probably sell. If he continues the production cycle with these five goats, the farmer can produce 3.5 goats every six months giving revenues of US\$500 per year.

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Assessment of the MPS

The MPS should contain the following:

1. An analysis of area needs and development opportunities derived from reasonable data base which is within the competence and capacity of the BAPPEDA. Whether or not this is done by the BAPPEDA Tk. I or Tk. II will depend on the level of institutional development in each province;

2. A clear statement of program goals and of the program areas (e.g., livestock, fisheries, credit, etc.) in which PDP investments will be made in the context of the analysis of area needs and opportunities and justified by that analysis. This statement should include expected achievements after the program is completed and also how these achievements are to be measured to determine the success or failure of the program;

3. A clear presentation of strategy for achieving program goals for each program area and for the PDP program as a whole in each province or district. This should include the following elements:

- a statement of the decentralization strategy of the province;
- a statement of expected geographic focus;
- an identification of the major program areas and a strategy for undertaking these programs, including the time frame for the activities;
- an identification of institutional development needs for program implementation and a training strategy or other means to meet those needs;
- an identification of implementing agencies and the support required from provincial or other agencies to implement the program;
- an indication of the level of resources required over the life of each program; and
- a specification of the evaluation strategy and criteria for each program area.

Each element of the strategy statement should provide a justification of the judgments made, including the lessons which have been learned from previous experience (both from PDP and other programs) along with relevant supporting data;

4. Evidence that PDP goals and strategies have been developed in coordination with other non-PDP programs;
5. Evidence that goals and strategies systematically incorporate inputs from lower level agencies and efforts to enhance popular participation.

b. Assessment of of the AOP

The AOP should contain the following:

1. A discussion showing how the AOP is derived from and is consistent with the MPS;
2. Evidence that specific planned activities are based on learning from previous experience, showing a link between previous monitoring and evaluation and currently planned activities;
3. An identification of program areas in each district showing
  - the goals and purposes;
  - the component activities proposed;
  - the technical agencies involved and mechanism for coordination and management;
  - the time frame for implementation;
  - the indicative budget; and
  - the identification of target population, by area and by other relevant criteria;
4. Specification coordination with other non-PDP programs;
5. Specification of monitoring and evaluation plan (and criteria) for each program in each district;
6. Evidence of bottom-up planning and participation by rural people in planning and implementation.

c. Criteria for assessment of DUPs

All DUPs should contain the following:

1. A description of the project proposed including
  - a statement of the goal of the broader program of which the DUP is a part;
  - required inputs;
  - budget;

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- timeframe and implementation plan;
  - expected outputs and indicators of achievement;
  - mechanism for coordination and an indication of the points at which this activity rely on or affect other development activities;
  - implementing agencies and responsible individuals;
  - relation to AOP and to other related activities, in the AOP but not included in the DUP.
2. Specification of target population: who; where; how identified; why;
  3. Reference to lessons learned from past experience;
  4. Relationship with other non-PDP programs;
  5. Monitoring and evaluation plan including criteria; and
  6. Nature of project (i.e., experimental, demonstration, filler, add-on, expansion).

In addition, further information will be required depending on whether the project proposed is an experimental project; a demonstration project, an expansion project (spreading a proven PDP approach to a new areas); a filler project (providing resources to fill gaps in existing programs); an additive project (providing resources to expand existing sectoral projects.)

For experimental DUPs (percobaan) the following will be required:

1. Purpose Statement: What is the purpose of the experiment?
2. Clarifying questions:
  - What is the hypothesis being tested?
  - Why is the experiment considered important?
  - What follow-on is expected if the experiment is successful?

For demonstration DUPs (percontohan) the following information will be required:

1. Purpose Statement: What is the purpose of the demonstration project?
2. Clarifying questions:
  - What technology will be the subject of the demonstration?
  - Has the technology already been tested by a research organization or government agency in the province or elsewhere?

Will the demonstration be carried out in conjunction with the research institution or agency that developed or tested the technology?

How will the officials, farmers, or artisans responsible for carrying out the demonstration be trained in the application of the technology to be demonstrated?

For expansion DUPs (penyebaran) the following information will be required:

1. Purpose statement: What is the purpose of the expansion project?
2. Clarifying questions:
  - Has the technology been properly adapted to local conditions through field experiments and demonstrations? What have been the results of the experiments or demonstrations which warrant the use of additional funds for this expansion?

For filler DUPs (perlengkapan) the following information will be required:

1. Purpose statement: What is the purpose of this filler project?
2. Clarifying questions:
  - What gap in the national, provincial, district or village level program is to be filled by this project?
  - Why can't existing programs fill this gap through their own resources (manpower, policy or funding constraints)?
  - Is the agency responsible for the main program prepared to manage the inputs to be provided by PDP? or will management be vested with some other institution?
  - Can the main program or institution assume funding responsibilities for the gap filling activities financed by PDP when those activities are operational? If not, how will those activities be sustained?

For additive DUPs (pertambahan), the following information will be required:

1. Purpose statement: What is the purpose of this additive project?
2. Clarifying questions:
  - What national or regional program is being added on to by this activity?
  - Why does this additive represent a productive strategy for the use of PDP funds?

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MEMORANDUM

Date : June 16, 1983  
 From : Benjamin B. Hawley, RD/IGLE  
 Subject : Request for approval of a non-competitive amendment to contract AID-497-79-100.37 with Pacific Architects and Engineers/Resources Management International, Inc. (PAE/RMI) for PDP IIA  
 To : The Mission Non-Competitive Review Panel  
 Through : Mr. Robert T. Dakan, Chief, RD/IGLE

Problem: The approval of the Mission Non-Competitive Review Panel is required to amend the present contract with PAE/RMI for continued technical assistance to the Government of Indonesia (GOI). The panel has this authority per AID PR 7-3.101-50(c). This waiver is based on AID PR 7-3.101-50(b)(3) and (5), which allows a waiver when: 1) the Contractor has predominant capability or, 2) the contract is a continuation of existing services.

Discussion: The following discussion provides current contract information and objectives, present positions funded by the contract, proposed positions, and a justification for non-competitive selection.

I. Current Contract Data:

Project Title:	Provincial Area Development Program IIA (497-0276)
Present PACD:	December 1, 1989
Present Level of Funding:	\$3,769,512
Source:	Pacific Architects and Engineers/Resources Management International, Inc. (PAE/RMI)
Contract Number:	AID-497-79-100.37
Date Signed:	June 26, 1979
Present Expiration Date:	January 30, 1984
Proposed Expiration Date:	December 31, 1986
Proposed Additional Funding:	Approximately \$2.6 million, composed of grant and loan
New level of Funding:	Approximately \$6.3 million

## II. Procurement History:

The Contracting Officer was requested by the Rural Development Office to procure technical services through the competitive bidding process for PDP II phase A. Eight firms responded to the RFP: TransCentury Foundation, Robert Nathan and Associates, Black and Veatch International, Checchi and Company, Pacific Architects and Engineers/ Resources Management International (PAE/RMI), IRI Research Institute, MASI, and Public Administration Services. The panel for evaluating the proposals submitted by these firms reported their scoring and ranking of the firms in a memo to the Contracting Officer dated May 18, 1979. PAE/RMI was ranked highest with a score of 78%; the second most qualified firm had a substantially lower score of 64%. The panel considered PAE/RMI's understanding of the services to be notably better than that of any other proposal. The quality of their advisors and their capability were also cited by the panel as superior to those of the other firms. The panel recommended that the Contracting Officer enter into negotiations with PAE/RMI. A contract was negotiated and signed on June 26, 1979. (Contract AID-497-79-100.37).

## III. Current Contract Objectives:

"The primary objective of the technical advisory services is to provide advice and assistance to local governments within the provinces of Bengkulu, South Kalimantan, Nusa Tenggara Timur (NTT) and East Java to improve their overall rural development planning and implementation capabilities in general and within their respective provincial area development program frameworks in particular in order to achieve increases in the incomes of the rural poor within the participating provinces. A secondary objective is to advise and assist the central government with the implementation of the overall Provincial Area Development Program which will include providing advice and assistance to other provinces."

## IV. Current Contract Positions and Scopes of Work:

The objectives above are being accomplished through the services of the following consultants. A summary chart of current and proposed positions is included on page 12 of this document.

1. Location: Jakarta  
Position: Chief of Party

Scope of Work: Provides logistical and administrative support for all consultants, including mobilization and demobilization; acts as primary contact between the firm and USAID; provides substantive support to consultants in terms of guidance on job definitions, problems with counterparts, information about and explanations of firm, USAID, and GOI policy.

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2. Location: East Java

a. Position: Planner

Scope of Work: Assists with introduction and implementation of the revised planning system by provincial and lower governments; introduction of improved information and management systems; coordination with other GOI agencies involved in PDP projects; strengthening provincial and sub-provincial government planning, management, research and evaluation capabilities; coordinating with regional technical advisors.

b. Position: Credit/Cooperative Specialist

Scope of Work: Assists local detailed planning and programming of the PDP subprojects focusing on credit and cooperative development; provides technical guidance to the extension service programs; on-the-job training, and organization/implementation of special training activities for project-related staff; assistance in identifying in-country and out-of-country training opportunities; general assistance to other PDP provinces, Planning Boards, and Ministry of Home Affairs as requested.

c. Position: Livestock Specialist

Scope of Work: Assists local governments in Madura and the provincial government of East Java especially the Planning Board and the Livestock/Agricultural Service Agencies in detailed planning and implementation of improved livestock production; conducting appropriate research on cattle feeding, breeding and management; developing integrated cattle improvement programs; detailed planning and implementation of appropriate pilot projects in chicken and duck production; investigate and suggest improvements in sheep and goat production; detailed planning and implementation of appropriate livestock extension activities; training of project-related staff and providing guidance for other training programs and opportunities; serving as a general resource specialist for all livestock projects throughout Madura and, as needed, in the rest of East Java. Approximately 25% of the time will be for short-term assistance to the PDP target areas in South Kalimantan and NTT, as needed.

3. Location: South Kalimantan

a. Position: RD Planning/Management Advisor

Scope of Work: Assists Planning Boards with detailed planning, programming, implementation and management of PDP subprojects such as provision of agricultural inputs, physical infrastructure, credit, coops, processing and marketing analyses; adapting the above, when appropriate to each of the 3 distinct ecological zones of the province; detailed planning, programming, and implementation of rural, non-agricultural enterprise subprojects; provides guidance on

implementation of the agriculture research/extension activities; strengthens provincial and lower-level planning and administrative capabilities; monitors and evaluates all aspects of PDP; relates and integrates the above PDP components into mutually supporting and reinforcing packages, generally building local government capabilities in rural developing planning/management/evaluation.

b. Position: Agroeconomic Research/Extension Specialist

Scope of Work: Assists Planning Board and technical agencies with detailed planning and programming for the formation and administration of PDP extension-adaptive research stations; detailed planning, programming and implementation of appropriate research and extension activities of these stations to develop and disseminate technological packages; provides technical guidance to extension services, working closely with the stations; provides technical guidance on establishing agricultural support facilities and agricultural adaptation for the 3 ecological zones of the PDP target area, technical guidance to agricultural research and training in the province; responds to Planning Board's requests for assistance.

4. Location: Nusa Tenggara Timur (NTT)

a. Position: RD Planning/Management Advisor

Scope of Work: Assists local governments, especially the Planning Boards, with detailed planning, administration and evaluation of all PDP activities; planning and implementation of specific subprojects assigned to the Planning Board; on-the-job training of project-related staff and carrying out training activities for provincial and local government officials regarding planning, management and evaluation of rural development projects; provides overall guidance and coordination of needed technical assistance and training; undertakes other activities within the scope of PDP of the Planning Boards or other government agencies, as requested.

b. Position: Agronomic/Research Extension Specialist

Scope of Work: Assists the Planning Board and technical agencies to establish the adaptive research/extension station; detailed planning and implementation of all research/extension activities of this station; detailed planning and implementation of all PDP subprojects focusing on agriculture; technical guidance to the extension services program at the provincial and lower levels; works closely with the credit/coops specialist in developing and implementing subprojects in credit and cooperative development and the food reserve system to be established in the PDP target areas; on-the-job training and organization of specific training programs for project-related staff; assistance in training

motivators/field workers; general assistance to the Agricultural Services Agencies and the Planning Board as requested within the scope of PDP.

5. Location: Bengkulu

a. Position: RD Planning/Management Advisor

Scope of Work: Assists Provincial Planning Board with planning, implementing, monitoring and evaluating the PDP program in the province, establishes close contact with participating departments at provincial and sub-provincial levels, as well as national level, coordinates inputs within framework of PDP strategy; provides on-the-job and special training of project-assigned staff; detailed input and evaluation of PDP projects such as physical infrastructure, agriculture, credit, coops, fisheries, small industries.

b. Position: Agriculturalist/Extension Specialist

Scope of Work: Works closely with the agriculture and fisheries services and the Planning Boards at all levels; assists agencies in Bengkulu with training, research, extension, planning and administration of subprojects; assists in planning, implementation, monitoring and evaluation of PDP extension stations and other agricultural programs within the scope of PDP; provides technical/guidance in the implementation of pilot agriculture, livestock and fisheries activities in PDP; organizes on-the-job and special training activities for staff of agricultural/technical agencies; identifies long-and short-term training needs and opportunities at different levels of local government; assists the technical/agricultural services and the Planning Boards of Bengkulu and other PDP provinces with work requests related to agricultural planning and administration.

Short-term technical services will continue to assist The Directorate-General of Regional Development (Bangda) and the provinces in various technical areas as required.

V. Proposed positions under extension and scopes of work

Under the PDP II Amendment, the same technical services will be required as are now being provided under the current PAE/RMI contract. Some minor changes have been made. Technical assistance to Bengkulu is being decreased, and there will be fewer technical advisors in each of the participating provinces with a shift in emphasis towards the planners. These modifications in technical assistance do not change the objectives of the PDP IIA project nor the PAE/RMI contract nor alter the scopes of work of the consultants being requested under the amendment. The following are the positions and scope of work for the proposed amendment to the present PAE/RMI contract. A summary of these and current positions is provided on page 12 of this document. It is anticipated

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that all of PAE/RMI's consultants now working under the present contract, as well as the Chief of Party, will remain working on the PDP project if the contract is extended within a reasonable time.

1. Location: Jakarta

Position: Chief of Party

Scope of Work: Provides logistical and administrative support for all consultants, including mobilization and demobilization; acts as primary contact between the firm and USAID; provides substantive support to consultants in terms of guidance on job definitions, problems with counterparts, information about and explanations of firm, USAID, and GOI policy.

2. Location: East Java

Position: RD Planning/Management Advisor

Scope of Work: Will assist with introduction and implementation of the revised planning system to the provincial and lower governments; introduction of improved information and management systems; coordination with other GOI agencies involved in PDP projects; strengthening provincial and sub-provincial government planning, management, research and evaluation capabilities; coordinating with regional technical advisors.

3. Location: Regional (East Java)

a. Position: Agricultural Specialist

Scope of Work: Responsible for providing technical services to all PDP provinces, serving as a general resource specialist for agricultural projects. Will assist and advise in detailed planning and implementation of agricultural programs coordinating with national and regional agricultural research and development institutions and universities such as the Food Crops Research Institute; and in strengthening agricultural extension.

b. Position: Livestock Specialist

Scope of Work: Assists local governments in Madura and the provincial government of East Java especially the Planning Board and the Livestock/Agricultural Service Agencies in detailed planning and implementation of improved livestock production; conducting appropriate research on cattle feeding, breeding and management; developing integrated cattle improvement programs; detailed planning and implementation of appropriate pilot projects in chicken and duck production; investigate and suggest improvements in sheep and goat production; detailed planning and implementation of appropriate livestock extension activities; training of project-related staff and providing guidance for

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other training programs and opportunities; serving as a general resource specialist for all livestock projects throughout Madura and, as needed, in the rest of East Java. Approximately 25% of the time will be for short-term assistance to the PDP target areas in South Kalimantan and NTT, as needed.

4. Location: South Kalimantan

Position: RD Planning/Management Advisor

Scope of Work: Will assist with the introduction and implementation of the revised planning, information, and management systems to provincial and sub-provincial governments; continuation of activities and training to strengthen planning and management capabilities of local governments; continuation of development of research, extension, physical infrastructure, credit systems, cooperatives; coordination of PDP activities with GOI agencies, as well as regional technical advisors.

5. Location: Nusa Tenggara Timur (NTT)

a. Position: RD Planning/Management Advisor

Scope of Work: Will assist with introduction and implementation of the revised planning system to the provincial and lower governments; introduction of improved information and management systems; coordination with other GOI agencies involved in PDP projects; strengthening provincial and sub-provincial government planning, management, research and evaluation capabilities; coordinating with regional technical advisors.

b. Position: Agricultural Specialist

Scope of Work: Will assist planner in introduction and implementation of revised planning, information and management system to local and provincial governments; coordinate with all levels of the Agricultural Services Agencies; continue planning and implementation activities in agricultural research and extension, fisheries, credit, cooperatives.

6. Location: Bengkulu

Position: Short-term assistance as required.

V. Justification:

A non-competitive extension of the PAE/RMI contract for continued technical assistance to PDP IIA provinces is justified on the following grounds:

**Best Available Document**

1. Pursuant to AID PR 7-3.101 50(b)(5) non-competitive procurement of technical services is justified for "amendments to contracts which provide for continuation of activities designed to meet the same goals originally established in the contract."

Using experience gained under the present project as a guide, improved program and project planning processes are being introduced into the current GOI budget and planning system. The additional technical services and the activities to be carried out under the contract amendment will be consistent with the original contract's objectives of providing "advice and assistance to local governments within the PDP IIA provinces to improve their overall rural development planning and implementation capabilities." Although the emphasis on the type of technical services given to PDP shifted toward planners in the proposed amendment, the major purpose of the technical assistance and the types of positions remain the same as in the original contract.

The Mission's authority to waive competition of this amendment was reconfirmed by AID/W in State 128540 dated May 10, 1983.

2. Any disruption in the technical services being provided by the present consultants in planning and management will have a serious negative impact on the program and its implementation.

In March 1983 the GOI issued the first in a series of instructions and policy guidance for PDP I and II which sets the course for the remaining six years of the program. The newly issued instructions on the revised planning system call for a revised annual plan and improved project proposals (DUPs) for PDP to be submitted in June and July 1983. Future instructions will call for a five-year plan for PDP funding, a new element in the planning system to be submitted by December 1983. This five-year plan and the entire planning system will be the basis for all planning and program design for the remainder of PDP. By December 1983 the GOI will also begin work on monitoring and evaluation systems which will be made official in the instructions and policy guidance to be issued in June 1984. These instructions similarly will set the course for monitoring and evaluation for the remainder of PDP and are being introduced to improve the management systems of local governments and to increase the impact of PDP on beneficiaries.

Implementing the revised planning systems has already begun, and the GOI could not consider delaying their development and implementation of these systems since this development is tied to the Indonesian fiscal year and the instructions are already issued. The systems are already being implemented with assistance from a planning and management advisor in the counterparts' office in Jakarta and similar advisors in two PDP I provinces through a firm other than PAE/PME. All planning consultants have been involved in the work of reviewing the goals and purposes of PDP and revising the planning system, an exercise which culminated in the Mission's submitting the PDP II Project Paper Amendment to AID/W in April 1983.

The key consultants provided to PDP II by PAE/RMI are planning and management advisors who have worked in their respective provinces for at least 18 to 24 months, assisting provinces in developing planning systems which take advantage of the decentralized funding and authority provided to local governments under PDP and in designing programs which will have an impact on rural people in the participating provinces and which involve those people in the process of planning and implementation. These consultants are also working on management systems which make local governments more efficient and more responsive to the people of the region. PAE/RMI, therefore, has been part of the process of developing the planning systems being made official in the new instructions and policy guidance; their consultants are ideally suited to carry on this work to operationalize the systems contained in these instructions and designed under the earlier phase of PDP. Any disruption in these services, either a break in services at a time when the process of introducing the revised systems is underway, or new, inexperienced consultants replacing current experienced ones, would jeopardize the quality of the implementation.

3. A change in technical assistance at this time would seriously jeopardize accomplishing the project's purpose by removing key experienced advisors at a crucial point in implementation.

Implementation of these revised systems is dependant on experienced and well qualified support from consultants who are established, working members of the counterpart agencies and who are trusted by their counterparts. Implementing the revised planning systems, as well as management and information systems, is an activity in which quality is unquantifiable and is attainable only by inputs over extended periods of time by experienced individuals who have strong working relationships with their counterparts and intimate knowledge of local government systems. The GOI's systems of local government are complex and vary from province to province. PDP covers a number of sectors in agriculture and small industry as well as rural credit which involve sectoral agencies, the provincial banking system, the cooperative system, and the governor's office, the policy maker for the province. PDP also involves local governments at three levels (provincial, district, and subdistrict), and village level organizations and private sector institutes and agencies. Although formally responsible only to regional Planning Boards, the PDP consultants must know all these agencies, their leaders, operations and policies, and must have working relations with the counterparts involved.

The consultants under the present contract have developed these kinds of relationships during the past years. Under this contract extension, assistance will be provided to Bengkulu province by an individual with eighteen months experience in Bengkulu and twenty years experience in Sumatra. This individual, formerly a plantation manager, has been assisting Bengkulu in planning, management, and agricultural development, particularly, training and extension services. He has succeeded in establishing planning and management systems in one of the weakest provinces in PDP and establishing himself where a predecessor was unable to do so. It is unlikely that another of his experience and temperament

could be found to take the responsibility of providing technical assistance to Bengkulu.

In South Kalimantan, a consultant is advising in both agriculture and planning and management. Through his involvement with his counterparts, he has been able to provide support to new curricula and research work at the only swampland research station in Indonesia and to introduce new management systems where there had hitherto been little. He has been able to help the rural credit system begin operation after an extended series of delays; his knowledge of this system, its management needs, and research needs of the PDP program in South Kalimantan would not be easily replaced.

In NTT the planning consultant has been instrumental in improving a monitoring system which links implementation with the planning system. Initially, the level of planning in NTT was among the best in the PDP provinces; the impact of the programs was considerably weakened, however, by weak implementation and a rudimentary monitoring system which failed to inform planners of the outcome of their planning. These accomplishments plus a remote post and even more remote project sites (12 hours by boat) make NTT a difficult post, and one not easily filled. This consultant's predecessor was evacuated prior to the end of his contract because of the difficult conditions.

The Chief of Party for PAE/RMI is also a training advisor. He has been able to develop relationships within PDP's counterpart agency in Jakarta beyond the directorate responsible for PDP, with particular reference to manpower and training needs in the other directorates. (Support to the entire Directorate General is one purpose of PDP.) This consultant could play an important part in the PDP II extension which provides funds for long-term training for up to 20 GOI officials, some of whom will come from PDP's directorate general. This consultant has continuing contacts with Gadjah Mada University, where he worked formerly as a professor, and with Harvard and MIT among other US universities. He was responsible for the only long-term training done under PDP II to date, a GOI official from South Kalimantan who studied at Syracuse University for two years and who is now in South Kalimantan working on PDP.

These relationships have been and can be built only over a long period of time. If this technical assistance contract were to be changed or these consultants replaced, there would be a delay of six months to a year while new consultants establish these relationships. These consultants are good examples of RMI's ability to attract high-quality consultants and of the great difficulty of another firm's trying to identify and recruit consultants of comparable ability and experience if there were to be a competitive selection for the extension of PDP II technical assistance.

4. Competitive selection for a new contract at this stage would be ineffective. PAE/RMI has developed an intimate knowledge of the complex GOI system of local governments, the planning and budgeting systems, and policies from both the center and local governments on which planning and

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implementation of development programs are based. PAE/RMI's consultants have developed close working relationships with their counterparts and have demonstrated their ability to perform. PAE/RMI has demonstrated an ability to identify and recruit candidates for these positions and then to support them in the field such that they are able to contribute substantially to the PDP program as outlined above. It is unlikely that any other firm could effectively compete against PAE/RMI's accumulated experience in Indonesia on this project and its detailed knowledge of the GCI and the program. Pursuant to AID PR 7-3.101-50(b)(3), non-competitive procurement for technical services required by the PDP II amendment is permitted as "contracts for which one source is considered to have exclusive or predominant capability by reason of experience, specified facilities or technical competence to perform the work within the time required and at reasonable prices."

Recommendation: That the Non-Competitive Review Panel approve this request for non-competitive procurement of continued technical assistance under the existing contract.

Approved: \_\_\_\_\_

*Robert C. Simpson*  
Robert C. Simpson, Chairman  
of the Non-Competitive  
Review Board

Disapproved: \_\_\_\_\_

Date: \_\_\_\_\_

*20 June 1983*

Approved/Disapproved:

RLA: LChiles, *LC*

AGR: WTappan, *W*

FIN: RMcClure, *RM*

PRO: JSperling, *JS*

Clearance: PRO: DZvinakis, draft

Distr.: RLA, CM, AGR, FIN, PRO, A/DD, RD, RD/IGLE, C&R-2

BH:ss

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Summary of Current and Proposed Positions on the PAF/RMI Contract for PDP IIA

Current Contract			Proposed Contract Extension		
<u>Location</u>	<u>Position</u>	<u>Status</u>	<u>Location</u>	<u>Position</u>	<u>Status</u>
Jakarta	Chief of Party	Filled	Jakarta	Chief of Party	Incumbent to be extended
East Java	Planner	Vacant	East Java	Planner	To be recruited
	Credit	Vacant	Regional	Credit	Position to remain vacant
	Agriculture	New position	(East Java)	Agriculture	To be recruited
	Livestock	Vacant		Livestock	To be recruited
S. Kalimantan	Planner	Filled	S. Kalimantan	Planner	Incumbent to be extended
	Agriculture	Vacant		Agriculture	Position to remain vacant
NTT	Planner	Filled	NTT	Planner	Incumbent to be extended
	Agriculture	Vacant		Agriculture	To be recruited
Bengkulu	Planner	Vacant	Bengkulu	Short-term re- cruited as required	Position to remain vacant
	Agriculture	Vacant			Position to remain vacant

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MEMORANDUM

Date : June 16, 1983  
From : Benjamin B. Hawley, RD/IGLE  
Subject : Request for approval of a non-competitive amendment to contract AID-4970276-C-00-1010 with Resources Management International, Inc. (RMI) for PDP IIB  
To : The Mission Non-Competitive Review Panel  
Through : Mr. Robert T. Dakan, Chief, RD/IGLE

Problem: The approval of the Mission Non-Competitive Review Panel is required to amend the present contract with RMI for continued technical assistance to the Government of Indonesia (GOI). The panel has this authority per AID PR 7-3.101-50(c). This waiver is based on AID PR 7-3.101-50(b)(3) and (5), which allows a waiver when: 1) the Contractor has predominant capability or, 2) the contract is a continuation of existing services.

Discussion: The following discussion provides current contract information and objectives, present positions funded by the contract, proposed positions, and a justification for non-competitive selection.

I. Current Contract Data:

Project Title	Provincial Area Development Program II (497-0276)
Present PACD	December 1, 1989
Present Level of Funding	\$2,414,655
Source	Resources Management International, Inc. (RMI)
Contract No.	AID-497-0276-C-00-1010
Date Signed	June 26, 1981
Present Expiration Date	September 30, 1984
Proposed Expiration Date	December 31, 1985
Proposed Additional Funding	Approximately \$3.7 million, composed of grant and loan
New Level of Funding	Approximately \$6.1 million

**Best Available Document**

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## II. Procurement History:

The Contracting Officer was requested by the Rural Development Office to procure technical services through the competitive bidding process for PDP II phase B. Proposals from four firms, Development Alternatives, Inc., Checchi-SGV, C.V. Riama, Jr., and Resources Management International, Inc., were evaluated by a panel. The panel ranked RMI as the most qualified firm of the four which presented proposals. Out of a possible 100 points, RMI scored 79.5, and the second ranked firm was scored substantially lower at 69. It was noted by the panel that RMI's proposal reflected much better understanding and insight into the PDP project. Negotiations were held with RMI, and on December 23, 1980, a contract procuring RMI's services was signed (contract AID-497-0276-C-00-1010).

## III. Current Contract Objectives:

"The primary objective of the technical advisory services is to provide advice and assistance to local governments within the PDP IIB provinces of West Java and Nusa Tenggara Barat (NTB) to improve their overall rural development planning and implementation capabilities in general and within the respective provincial frameworks noted above in particular. A secondary objective is to advise and assist the central government implementing agencies with the Provincial Area Development Program. In providing technical advisory services the contractor will do its utmost to support the achievement of the objective of increasing the incomes of the rural poor within the participating provinces and target areas."

## IV. Current Contract Positions and Scopes of Work:

The objectives above are being accomplished through the services of the following long-term consultants. In addition to their respective areas of local responsibility the long-term advisors provide more general advice and assistance including but not limited to overall program organization, planning and administration; coordination with other GOI implementing agencies at all levels; staff training; and program progress monitoring, review, and control procedures. These long-term advisors also provide short-term assistance to other PDP provinces as needed and requested. A summary of these current and proposed positions is included on page 11 of this document.

1. Location: West Java
  - a. Position: RD Planning/Management Advisor

Scope of Work: Advises and assists in detailed planning, programming, implementation and management of PDP subprojects such as provision of agricultural inputs, physical infrastructure, credit programs, coop development, processing and marketing, and analysis of government policy; detailed planning; programming, implementation and management of rural, non-agricultural enterprise subprojects; implementation of agricultural research and extension; strengthens provincial and lower-level government capabilities in administration and planning; help to set up organizational, administrative and

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financial operational procedures and mechanisms for all governmental levels in coordination with the provincial level Planning Board.

b. Position: Credit Advisor

Scope of Work: Assists PDP provinces in developing rural credit programs and other financial services; provides linkage between PDP programs and other programs which can benefit from PDP experience; advises provincial; and subprovincial agencies on issues and policies relating to credit and financial institutions as well as issues of management, structure and operation of local financial institutions; advises and assists PDP planners in implementation of PDP programs in terms of credit policy and management to ensure coordination and direction for PDP programs.

c. Position: Agronomic Mixed Farming Multiple Cropping/Extension Specialist

Scope of Work: Assists with detailed planning and programming for farming and managing PDP extension research stations and for appropriate research and extension activities of these stations; provides technical guidance to extension service programs in collaboration with stations in the target areas; provides technical guidance on establishment of agricultural support facilities and agricultural adaptation in various ecological zones of the PDP target areas; technical guidance on agricultural research and training in the province, as related to the program; general assistance to the Planning Board, as requested.

d. Position: Participatory Development/Non-Formal Education and Motivation/Training Advisor

Scope of Work: Assists with detailed planning and programming for the design of a coordinated training program for local government officials and for field workers from appropriate government agencies; provides technical guidance in training methodologies and systems for coordinating, monitoring and evaluating the impact of program activities; general assistance to the Planning Board for training, non-formal education, and community motivation, as requested.

2. Location: NTB

a. Position: RD Planning/Management Advisor

Scope of Work: Assists in detailed planning, project design, implementation, management, monitoring and evaluation of PDP subprojects; setting up and operating administrative, financial mechanisms for PDP programs at all levels; identifying constraints in planning and management of program activities and seeking solutions; assisting Planning Boards, as requested.

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b. Position: Agronomic Research/Extension Specialist

Scope of Work: Assists with detailed planning and programming for development of diversified farming systems; strengthening existing extension services and field trials to develop appropriate farming systems; technical guidance to the extension system, in coordination with area stations; general assistance to the Planning Boards, as requested.

c. Position: Rural Industries/Vocational Training Advisor

Scope of Work: Assists local governments in assessments identifying feasible income-generating, off-farm, productive activities and devising implementation plans; assessing opportunities for training leading directly to income-generating employment; strengthening the training program/institutions at appropriate levels to promote PDP activities; improving administration, the quantity and quality of technical services provided to rural level entrepreneurs; identifying, planning, implementing, monitoring and evaluating pilot projects to promote rural industry/employment expansion; improving rural credit systems for rural industry.

Short-term technical services provide consultants with specialties in fisheries, livestock, agriculture, small industries, rural development planning, appropriate technology, rural public works and social science evaluation. Short-term services average 2 to 4 months in duration.

Proposed Contract Positions and Scopes of Work:

The same technical services as are currently being provided by RMI will be required under the PDP II amendment. It is anticipated that the majority of RMI's consultants working under the present contract will remain working on the PDP project if the contract is extended within a reasonable time.

1. Location: Jakarta

a. Position: Chief of Party

Scope of Work: Provides logistical and administrative support for all consultants, including mobilization and demobilization; acts as primary contact between the firm and USAID; provides substantive support to consultants in terms of guidance on job definitions, problems with counterparts, information about and explanations of firm, USAID, and GOI policy.

b. Position: Training Advisor

Scope of Work: Advises all PDP provinces on matters relating to training, training resources and strategies, curricula, materials, teaching, and training techniques; prepares training courses and trains trainers to prepare all levels of government staff for implementing PDP and PDP-type activities; works closely with Chief of Party and all PDP advisors to coordinate effective training programs;

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assists with introducing and implementing the revised planning, information and management systems.

c. Position: Credit and Credit Policy Advisor

Scope of work: Works with central GOI agencies on appropriate credit policies and practices in PDP as well as non-PDP programs which are relevant to PDP; advises provincial and subprovincial level agencies on management structure and operation of local financial institutions so that they can become self-financing operations; assists central level agencies in supporting provincial and sub-provincial level agencies with appropriate policies and guidance; advises and assists USAID and PDP advisors in implementing their respective responsibilities in terms of credit and financial policy for PDP programs; provides guidance to USAID, GOI and PDP consultants on monitoring, reporting and inspection procedures for credit programs.

d. Position: Credit

Scope of Work: Assists PDP provinces in developing credit and financial services; provides linkage between PDP programs and other programs which can benefit from PDP experience; advises provincial and subprovincial level agencies on issues and policies relating to credit and financial institutions as well as issues of management, structure and operation of local financial institutions; advises and assists PDP planners in implementation of PDP programs in terms of credit policy and management to ensure coordination and direction for PDP programs.

2. Location: West Java

a. Position: RD Planning/Management Advisor

Scope of Work: Responsible for introducing and implementing revised planning, information and management systems in provincial and subprovincial level governments; coordinates with other GOI agencies; assists in strengthening government planning, management, research and evaluation capabilities; advises and assists in developing and managing PDP subprojects such as infrastructure, credit programs, coop development, processing marketing, and analysis of government policy; detailed planning and implementation of rural, off-farm enterprises; provides guidance on agricultural research and extension; coordinates with provincial level Planning Board, as well as regional and central PDP advisors.

b. Position: Credit Advisor

Scope of Work: Assists PDP provinces in developing credit and financial services; provides linkage between PDP programs and other programs which can benefit from PDP experience; advises provincial and subprovincial level agencies on issues and policies relating to credit and financial institutions as well as issues of management, structure and operation of local financial institutions; advises and assists PDP planners in implementation of PDP programs in terms of

credit policy and management to ensure coordination and direction for PDP programs.

c. Position            Agriculture Advisor

Scope of Work:    Assists in detailed planning and management of PDP extension research stations and appropriate extension activities of these stations; technical guidance on extension services; technical guidance on establishing agricultural support facilities and adaptations to various ecological zones of the PDP target areas; technical guidance on agricultural research and training in the province, as related to the program; coordinates with regional and central PDP advisors as needed; assists with introduction and implementation of the revised planning, information and management systems.

3. Location:            Nusa Tenggara Barat (NTB)

a. Position:            RD Planning/Management Advisor

Scope of Work:    Responsible for advising on the implementation of the revised planning information and management systems; assists in strengthening the local government's capabilities in integrated planning, project design, management and evaluation; identifies problems and constraints in project management and implementation and seeks solutions; assists provincial Planning Board as requested; encourages support facilities/subprojects in small-scale industries, handicrafts, credit systems, coop development, agricultural production, livestock production, with assistance of other planning advisors.

b. Position:            Small Industry Specialist

Scope of Work:    Assists in introducing and implementing revised planning, information and management systems; assists local governments and helps to train project related staff in identifying feasible employment generating activities; strengthening the training programs and institutions at appropriate levels to promote PDP activities; identifies training opportunities which directly lead to income-generating activities; giving guidance to improve organization and management of technical services provided to rural entrepreneurs; identifying pilot projects to promote rural industry development; coordinating with PDP regional training and planning advisors.

Short-term technical services will continue to assist the Directorate-General of Regional Development (Bangda) and the provinces in various technical areas as required.

Justification:

A non-competitive extension of the RMI contract for continued technical assistance to PDP IIB provinces is justified on the following grounds:

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1. Pursuant to AID PR 7-3.101 50(b)(5), non-competitive procurement of technical services is justified as "amendments to contracts which provide for continuation of activities designed to meet the same goals originally established in the contract."

Using experience gained under the project as a guide, improved program and project planning processes are being introduced into the current GOI budget and planning system. The additional technical services and the activities to be carried out under the contract amendment will continue to carry out the original contract's objectives of providing "advice and assistance to local governments within the PDP IIB provinces to improve their overall rural development planning and implementation capabilities." The major purpose of the technical assistance under the proposed contract extension remains the same as that in the original contract.

2. Any disruption in the technical services being provided by the present consultants in planning and management will have a serious negative impact on the program and its implementation.

In March 1983 the GOI issued the first in a series of instructions and policy guidance for PDP I and II which sets the course for the remaining six years of the program. The newly issued instructions on the revised planning system call for a revised annual plan and improved project proposals for PDP to be submitted in June and July 1983. Further instructions to be issued by July 1983 will call for a multi-year plan for PDP funding, a new element in the planning system to be submitted by December 1983. This multi-year plan and the entire planning system will be the basis for all planning and program design for the remainder of PDP. By December 1983 the GOI will also begin work on monitoring and evaluation systems which will be made official in the instructions and policy guidance to be issued in June 1984. These instructions similarly will set the course for monitoring and evaluation for the remainder of PDP and are being introduced to improve the management systems of local governments and to increase the impact of PDP on beneficiaries.

Implementing the revised planning systems has already begun in the center and the provinces, and the GOI could not consider delaying the development and implementation of these systems since this development is tied to the Indonesian fiscal year, and the instructions are already issued. The systems are already being implemented with assistance from a planning and management advisor in the counterparts' office in Jakarta and similar advisors in two PDP I provinces through a firm other than RMI. All planning consultants have been involved in the work of reviewing the goals and purposes of PDP and revising the planning system, an exercise which culminated in the Mission's submitting the PDP II Project Paper Amendment to AID/W in April 1983.

The key consultants provided to PDP II by RMI are planning/ management and training advisors who have worked in their respective provinces for at least 24 months, assisting provinces in developing planning systems which take advantage of the decentralized funding and authority provided

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to local governments under PDP and in designing programs which will have an impact on rural people in the participating provinces and which involve those people in the process of planning and implementation. These consultants are also working on management systems which make local governments more efficient and more responsive to the people of the region. RMI, therefore, has been part of the process of developing the planning systems being made official in the new instructions and policy guidance; their consultants are ideally suited to carry on this work to operationalize the systems contained in these instructions and designed under the earlier phase of PDP. Any disruption in these services, either a break in services at a time when the process of introducing the revised systems is underway, or new, inexperienced consultants replacing current experienced ones, would jeopardize the quality of the implementation.

3. A change in technical assistance at this time would seriously jeopardize accomplishing the project's purpose by removing key experienced advisors at a crucial point in implementation.

Implementation of these revised systems is dependent on experienced and well qualified support from consultants who are established, working members of the counterpart agencies and who are trusted by their counterparts. Implementing the revised planning systems, as well as management and information systems, is an activity in which quality is unquantifiable and is attainable only by inputs over extended periods of time by experienced individuals who have strong working relationships with their counterparts and intimate knowledge of the local government system. The GOI's systems of local government are complex and vary from province to province. PDP covers a number of sectors in agriculture and small industry as well as rural credit which involves sectoral agencies, the provincial banking system, the cooperative system, and the governor's office, the policy maker for the province. PDP also involves local governments at three levels (provincial, district, and subdistrict), and village level organizations and private sector institutes and agencies. Although formally responsible only to regional Planning Boards, the PDP consultants must know these agencies, their leaders, operations and policies, and must have working relations with the counterparts involved.

Under this contract extension, RMI would continue the services of two consultants assigned to PDP's counterpart agency in Jakarta.

- a. a full-time training consultant who is working on training courses through which to teach the planning and management systems (and later the monitoring and evaluation systems) to central and local government agencies in the eight PDP provinces as well as developing community development training courses which can be used by local governments to organize village-level organizations as part of the bottom-up planning process mandated by the GOI for all regional planning. This consultant worked for two years on PDP at the district level and began a series of village-level training courses of the type he is now to prepare for the eight provinces. His own academic background is in

non-formal education and already has five years experience in Indonesia and eight in Asia. His relationships with counterparts are smooth and productive, and his knowledge of the government and the country extensive. He would be difficult to replace.

- b. a senior credit advisor. This consultant has worked with PDP for four years and with PDP's Ministry of Home Affairs for fourteen years. He helped establish the INPRES program in 1969, the program of which PDP is the most recent elaboration. His contacts with the National Planning Agency and the Ministry of Finance are extensive and effective. He has been able to persuade the GOI to make significant changes in policy regarding rural credit (in particular, interest rates which cover costs of lending and village-level offices to maximize access of rural people to credit) and to provide significant inputs to GOI funding beyond PDP to credit programs developed under PDP (\$3 million to the Central Java credit program).
  
- c. A credit advisor to be assigned to Jakarta who was responsible for PDP credit programs in East Java for more than two years. He established a credit system using the new policies set by the center under PDP and based on the government-mandated cooperative system. Most other credit systems based on cooperatives charge too low interest rates to cover costs and are relatively inaccessible to rural people. The PDP system has demonstrated a workable, self-supporting system which has attracted an additional \$ 3.0 million from outside PDP. This consultant used this experience and has developed financial reporting and monitoring systems which allow highly dispersed village-level credit units to be managed and operated efficiently and which allow province-level banks to provide supervision and banking support to the small units. He is a former colleague of a credit consultant working on the AID funded Citanduy Watershed Development Program; this project's rural credit component is under the supervision of the provincial banks and province Planning Boards which are also responsible for PDP in West Java. This linkage between projects is important to USAID and the GOI in ensuring coordinated implementation.

Also under this contract extension, RMI would continue the services of four other consultants now on contract. Among the four are the following:

- d. an agriculture/planning consultant who has worked on PDP in Bengkulu for 18 months. This consultant has extensive experience in Indonesia, beginning as a plantation manager in northern Sumatra and has done doctoral work in rural sociology at Cornell. He was able to establish some basic administrative routines in the weakest PDP provincial Planning Board where virtually no systems had existed before and has brought about great improvements in the quality of planning and implementation.

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Through his persuasion, the Planning Board undertook the first real redelegation of funding and authority to district level Planning Boards, a specific policy goal of PDP; the district boards are now undertaking village-level community development training as the first exercise in bottom-up planning in the province. Bengkulu is such a difficult province that no long-term consultant will be assigned there during the PDP II extension; even RMI could not find another consultant who would be able to establish himself there. The present consultant will be assigned to another PDP II province on the understanding that part of his time will be spent in Bengkulu providing continuing short-term assistance.

- e. a planning consultant in West Java. He has worked in West Java for two and a half years and, making productive use of a doctorate in management from the Asian Institute of Management in the Philippines, has been able to bring greater coordination and management supervision to the work of the province-level Planning Board than existed previously. The various offices of the Board were not disposed to coordinate, nor was there a means of coordinating the offices other than by the Board chairman himself. The Governor's demands on the Chairman's time were great, and the offices went uncoordinated. Through this consultant's persuasion, the Board has recruited a vice chairman and an administrator to provide the internal coordination needed in the Chairman's absence. Having begun in PDP with no Indonesian experience, this consultant is now fluent in Indonesian and comfortable in his working relationships in the province.
  - f. a small industry consultant. This individual has an impressive academic background (Oxford, Harvard Business School) and an extensive list of publications. He has been approached several times during his year with PDP by the World Bank for work with them on secundment from his present position. He has provided strong support to his province's small industries program, a top priority with the Chairman of the Planning Board. He has led study tours of officials through the Java provinces and assisted those officials in developing contacts with private sector entrepreneurs in these provinces and Bali as part of a marketing network for goods produced in the province. This consultant has also become fluent in Indonesian and is well respected in the province.
4. Competitive selection for a new contract at this stage would be ineffective.

RMI has developed an intimate knowledge of the complex GOI system of local governments, the planning and budgeting systems, and policies from both the center and local governments on which planning and implementation of development programs are based. RMI's consultants have developed close working relationships with their counterparts and have

demonstrated their ability to perform. RMI has demonstrated an ability to identify and recruit candidates for these positions and then to support them in the field such that they are able to contribute substantially to the PDP program as outlined above. It is unlikely that any other firm could effectively compete against RMI's accumulated experience in Indonesia on this project and its detailed knowledge of the GOI and the program. Pursuant to AID PR 7-3.101-50 (b)(3), non-competitive procurement for technical services required by the PDP II amendment is permitted as "contracts for which one source is considered to have exclusive or predominant capability by reason of experience, specified facilities or technical competence to perform the work within the time required and at reasonable prices."

Recommendation: That the Non-Competitive Review Panel approve this request for non-competitive procurement of continued technical assistance under the existing contract.

Approved: Robert C. Simpson  
Robert C. Simpson, Chairman  
of the Non-Competitive  
Review Board

Disapproved: \_\_\_\_\_

Date: 20 June 1983

Approved/Disapproved:

RLA: LChiles, RLC  
AGR: WTappan, 1.1.101  
FIN: RMcClure, Relid Ref 3.7.48 12510  
PRO: JSperling, [Signature]

Clearance: PRO: DZinakis, draft

Distr.: RLA, CM, AGR, FIN, PRO, A/DD, RD, RD/IGLE, C&R-2

BH:ss

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Summary of Current and Proposed Positions on the RMI Contract for PDP IIB

Current Contract			Proposed Contract Extension		
<u>Location</u>	<u>Position</u>	<u>Status</u>	<u>Location</u>	<u>Position</u>	<u>Status</u>
Jakarta	Chief of Party	Filled	Jakarta	Chief of Party	Incumbent to be extended
	Training	Position moved to Jakarta		Training	Incumbent to be extended
	Credit and Credit Policy	Filled		Credit and Credit Policy	Incumbent to be extended
				Credit	Former PDP IIA credit advisor available
West Java	Planner	Filled	West Java	Planner	Incumbent to be extended
	Agriculture	Filled		Agriculture	Incumbent to be extended
	Credit	Filled	(Regional)	Credit	Incumbent to be extended
NTB	Planner	Vacant	NTB	Planner	Former incumbent available
	Small Industry	Filled		Small Industry	Incumbent to be extended

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