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

PROJECT PAPER

INDONESIA

PRIVATE SECTOR MANAGEMENT DEVELOPMENT

(497-0345)

JUNE 1984

USAID/JAKARTA

PD-AAP-449

PRIVATE SECTOR MANAGEMENT DEVELOPMENT PROJECT PAPER
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PART I. SUMMARY AND RECOMMENDATIONS

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number: ____

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Indonesia

3. PROJECT NUMBER: 497-0345

4. BUREAU/OFFICE: ASIA — 04

5. PROJECT TITLE (maximum 40 characters): Private Sector Management Development

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 06 DD 01 YY 90

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 84 B. Quarter 3 C. Final FY 87

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 84 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(901)	(99)	(1,000)	(3,144)	(856)	(4,000)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country YPPM (PVO)		600	600		2,407	2,407
Other Donor(s)						
TOTALS	901	699	1,600	3,144	3,263	6,407

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) EH	660B	840				4,000		4,000	
(2)									
(3)									
(4)									
TOTALS						4,000		4,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	PVON						
B. Amount	4,000						

13. PROJECT PURPOSE (maximum 480 characters)

To support the development/expansion of the Institute Management Education and Development (LPPM) in order to assist it to address internal institutional weaknesses so that it can spread its expertise to a greater private and institutional audience.

14. SCHEDULED EVALUATIONS
Interim MM 06 YY 86 MM YY Final MM 04 YY 90

15. SOURCE/ORIGIN OF GOODS AND SERVICES
[X] 000 [X] 941 [X] Local [ ] Other (Specify) ____

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

17. APPROVED BY
Signature: Robert K. Clark — Robert K. Clark
Title: Acting Director USAID/Indonesia
Date Signed: MM 06 DD 07 YY 84

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

AID 1330-4 (8-79)

PRIVATE SECTOR MANAGEMENT DEVELOPMENT PROJECT SUMMARY AND AUTHORIZATION RECOMMENDATION MEMO

Date: 5-30-84
Fr : J. Tarter, Project Officer
To : W. Fuller, Director
Sub: Private Sector Management Development Project Summary and Recommendation for Authorization

Part I

A. Summary

1. Grantee: Yayasan Pendidikan dan Pembinaan Manajemen (YPPM) or the Foundation for Management Education and Development. The Foundation is a GOI-recognized non-profit foundation, and the Lembaga Pendidikan dan Pembinaan Manajemen (LPPM) is its operational entity.

2. Implementing Entity: LPPM Private Sector Management Development Project Steering Committee composed of seven LPPM members, one from each of the five areas of project implementation, the LPPM project coordinator, and the LPPM managing director; and one AID member, the project officer.

3. Grant Amount: $4.0 million
The USAID contribution is divided as follows:

1) Overseas and domestic training	2530	(63%)
2) Overseas and domestic technical assistance	925	(23%)
3) Commodities, evaluations and contingency	545	(14%)
	4000	(100%)

4. Purpose: To support the development/expansion of LPPM to assist it to address internal institutional weaknesses and to spread its strengths to a greater individual and institutional audience.

5. Project Description:

The project is composed of five major elements:

a) Strategic Planning Assistance
The project will provide LPPM with 10 person months of strategic planning assistance that will be used to produce both a revised institution plan and a revised planning process. The assistance will be heavily weighted in the first two project years (six of the ten months will be scheduled during this period) and will be specifically concentrated on planning reviews/ revisions in the MBA outreach, consulting and research programs of the Institute, and the creation of a management information system to track inputs and outputs of the project in the five areas of project activity. In addition to this product, the assistance will provide recommendations for revising the planning process itself.

b) Training
The project will provide MA training for 32 and PhD training for 10 (18 MA and 6 PhD participants funded by AID, 14 MA and 4 PhD participants funded by LPPM) members of LPPM's professional staff. Forty-five person months of short term training will be given in such areas as case writing, market analysis and small business curriculum development. In addition, five person months of technical assistance will be provided to offer two one week seminars per year in LPPM to staff members remaining in the Institute. These seminars will present current topics and techniques in management development. In support of project outreach activities, 495 person months of training will be given by LPPM to individuals from other management development institutes and Indonesian PVOs involved in small business development activities.

c) Research Assistance
The project will provide ten person months of technical assistance to LPPM's research department. The product of this activity will be a revised research program that focuses its attention on a longer range product and strategy. The department will be re-planned and targetted on the search for Indonesian styles of management, case materials that support the discovered styles and information on small business enterprises in Indonesia. Long and short term training will also be provided.

d) Outreach Assistance
The project will assist LPPM in a tri-segment outreach program. The first segment, or Outreach I, will provide training and technical assistance to up to three management training institutions in order for them to replicate some of LPPM's short management training courses. Biennial surveys will be conducted to determine interest and ability to participate in this program--the first has already been conducted, to be followed by ones in 1986 and 1988. The second segment, or Outreach II, will provide training at LPPM for potential trainers of small business consultants. The training will be offered for up to ten persons per year, five from each of two selected institutions involved in assistance to small and medium sized enterprises. LPPM will conduct biennial surveys to determine interest and ability of institutions to participate in this program. The first has already been conducted; it will be followed by one every other project year, thereby resulting in a possible total of 6 institutions. The third segment, or Outreach III, will provide scholarship support for up to ten persons per year from Indonesian PVO organizations who wish to attend LPPM's three month small business consultant development course.

e) Consulting Services Assistance
Ten person months of technical assistance will be provided to LPPM's consulting services division. The object of the assistance is to help the department re-define its objectives and strategies so as to integrate its activities with the overall direction of the Institute. The assistance will be heavily concentrated during the first two project years (5 PM during the first two years). Short term training and study tours of other consulting services agencies will also be included.

6. Total Project Costs: $6.4 million, of which AID will contribute $4.0 million.

7. Source of Funds: FY 84, 85, 86 and 87; FAA Section 105

8. Application: LPPM's request for assistance is appended in Annex A.

9. Statutory Checklist: All criteria have been met (Annex C).

10. Environmental Assessment: The project meets the requirements for a categorical exemption from environmental examination/assessment.

11. Project Committee: The Project Committee has recommended that the project be authorized.

12. Included in Annex G is a GOI letter from the Tax Department of the Ministry of Finance that certifies YPPM as a tax exempt organization. LPPM has been approved by USAID as an indigenous Indonesian private voluntary organization (See Annex H).

    LPPM's financial plan, as found in its yearly report, indicates that it has sufficient budget to support the first project year, and we expect this to continue to be the case in successive years. (See Financial Analysis in Annex F.)

B. Recommendations

1. The Operational Program Grant

It is recommended that you authorize an Operational Program Grant to the Foundation for Management Education and Development (YPPM) to finance the foreign exchange and local currency costs for the Private Sector Management Development Project as described below. The proposed grant will not exceed $4.0 million, 1.0 million of which will be obligated in FY 84. The Project Assistance Completion Date (PACD) will be six years from the date of the signing of the Operational Program Grant Agreement.

2. YPPM's Contribution

The total YPPM direct contribution is estimated to be $2.4 million (equivalent in local currency) which is 37% of total project costs. YPPM will budget these costs over the life of the project.

PART II. BACKGROUND AND DETAILED PROJECT DESCRIPTION

BACKGROUND AND DESCRIPTION

A. Background

A major constraint on the ability of the private sector to contribute to Indonesia's development through increased productivity and creation of employment opportunities is a lack of trained managers. This is apparent in the ratio of managers and supervisors to total workforce population. In developed countries such as the United States, the ratio is 15 percent; in countries like South Africa, still undergoing industrialization, it is six percent. In Indonesia, less than one percent of the workforce--some 450,000 of 67 million workers--are in management or supervisory positions, and about two-thirds of these workers are government employees.

Most Indonesians in management positions in the public and private sector have had little opportunity for formal training. Pre-service training is rare and in-service training is limited. A recent multi-donor study*(hereafter referred to as the MDS) done under World Bank auspices estimated that five percent of Indonesians in management and supervisory positions have access to in-service training compared with 25 percent of workers in similar positions in the United States and Japan.

The problem will grow more severe in the future. The demand for additional managers in the private sector alone is growing at an estimated five percent per year requiring some 7,500 new managers annually. Indonesia does not yet have the capacity to train that number, and the demand for pre and in-service training, where it is available, is extremely high. Four examples from the MDS study illustrate this point:

1) two thousand applications were submitted for 20 places in a management training program at one large Indonesian company;

2) thirty times the number of candidates that could be accommodated applied for a degree program in management at one university;

3) large companies because of a lack of adequate management training facilities can train only half of those who need it;

4) ten times the number of applicants applied for a ten month management training course at a private management institute as there were places available in 1982.

The study concludes: "...there is significant imbalance between the country's potential requirements of management education and training and the existing supply of this service from diverse domestic resources."

* The multi-donor study of management needs in Indonesia was sponsored by the World Bank, USAID, the Ford Foundation, the British Council, UNDP, ILO and French Aid. A final document is scheduled for June 1984.

The causes of Indonesia's lack of management skills are rooted in Indonesian history. During an extended period of Dutch colonial rule, Indonesian workers provided agricultural labor and unskilled urban labor while most positions requiring technical skills, even at relatively low levels, were filled by Dutch nationals or Chinese immigrants. Trading, including the rice trade and some middle management positions, were the province of Chinese entrepreneurs. Education was denied to most Indonesians; in fact, the literacy rate on Java is said to have declined from 1800 to 1945. Elementary schools were only introduced around the end of the 19th century, and by 1940 only 145 persons had graduated from the Technische Hoge School Bandung, the country's only institute of higher education at that time. The University of Indonesia, the nation's first university, was not founded until 1952. Thirty years later less than 1500 students in business and economics graduated yearly from all state universities in the country.

Despite a bleak educational history, Indonesia has seen major gains in education since independence, particularly since the establishment of the Suharto government in 1966. The number of children entering school has grown from 68 percent of the eligible population in 1970 to 90 percent today. Almost double the number from the eligible age group reach university level today compared with 1970, although the percentage remains small--about 3.7 percent. Most gains, however, have been confined to the elementary and secondary school levels and are only now beginning to be felt in the work place. Only 12 percent of the industrial workforce has been educated above the elementary school level. Fewer than five percent of the civil service have a university degree and only 15 percent of state university faculty have graduate degrees.

Against this lack of skilled manpower, the oil boom and growing opportunities in the manufacturing and industrial sectors have stimulated an interest in business and management study. The number of students applying for business courses at universities has increased dramatically over the past ten years as has the number of state and private universities offering business courses.

Thus there is clearly a growing demand by increasingly qualified individuals in the private sector for management training, and a growing institutional gap in the country's ability to provide it. This demand is not limited to the Jakarta area; it is rapidly spreading to the provinces, and the ability of management training institutions to address the magnitude of the problem is quickly diminishing.

Three sources exist for management training in Indonesia: universities, both public and private, private sector companies and private institutes. Together they are unable to approach the need for high quality pre and in-service management training. Undergraduate business education is offered at 22 state universities, but the quality is poor, and the ratios of both applications to admissions and entrants

to graduates are high. For example, out of the 6000 candidates who applied for admission to business and accounting programs at the University of Indonesia in 1981, only 250 qualified. Out of the 8000 candidates for the Faculty of Arts and Sciences at Hasanuddin University, only 250 qualified for the economics program. Of the estimated 3000 potential business education graduates in the 22 state universities offering these programs in 1980, only 1288 actually graduated. The intense pressure for admission reflects an awareness of the market demand for graduates while the low input/output ratios reflect the extent of educational problems. The reasons for these low admission and graduation rates are primarily educational. Poor preparatory work, especially in quantitative methods and mathematics, is reputed to be the prime cause of high non-acceptance rates, extended periods of study during degree training, and frequent drop-outs.

Management development for the private sector has been largely left in the hands of private business. Some of the largest companies in Indonesia offer management training in their own training departments, and may even send top managers overseas for executive development and degree programs, but most Indonesian companies limit internal training to product or process knowledge. In general, learning on-the-job (OJT) is the rule. The MDS investigated in-company management training and concluded that OJT was not an adequate substitute for management education. Several training managers for Indonesian companies confided to writers of the MDS that although management training is badly needed, it is not cost effective to set up in-house management training departments. These companies are forced to turn to outside training organizations to perform this service but cannot find organizations capable of providing the type and quantity of training needed.

Three non-profit, private management development institutes offer quality training in Jakarta. Two of the three, the Prasetya Mulya Management Institute (founded 1981) and the Indonesian Management Development Institute (to begin 1984) are very new institutions with no proven track records. The third, the Institute for Management Education and Development (or LPPM), is the highest quality private sector management training institution in Indonesia and has a proven record of 17 successful years in management training in Indonesia. (See various reports by William Schaffer in the project files.)

LPPM was founded in 1967 with initial funding from European philanthropies. LPPM is Indonesia's oldest private management development institution. Its orientation differs from both private and public alternatives in that it provides a broad range of educational, consulting and other services to businesses and views its institutional mandate to be national development in general and management development in particular. Its professional staff of 62 are all full-time, a growing number of whom have or are in process of acquiring overseas degrees.

It is legally recognized by Indonesian law as the operational entity of a non-profit foundation, the Foundation for Management Education Development. Non-profit foundations and institutes in Indonesia are tax exempt and operate under legal parameters similar to those for U.S. non-profit organizations. The Foundation is governed by a board of trustees composed of prominent members of the business and academic communities who are drawn from different ethnic and religious backgrounds. The board is advised by two councils, each composed of four members. The Supervisory Council advises on finance and the Advisory Council advises on professional development such as course curriculum and methods of teaching.

Major activities of LPPM range from long term management training to consultant services and publishing. The graduate level ten-month management training program is open to candidates possessing a bachelor's degree in any area. The demand for this program is substantial: there were 1700 applicants for 83 openings in 1983. The program is composed of eight modules that combine financial skills with management case studies, an orientation period, intensive English language training and a three month supervised internship in an Indonesian business.

LPPM currently offers approximately 40 short (mostly two-week) training courses in the functional management areas of personnel, production, contract, office, supervisory, financial and material management. Most are given at LPPM, with the balance designed for presentation in client facilities. These courses are immensely popular and account for about 80% of the Institute's total revenues. In 1982 approximately 6400 persons attended with 52% and 44% respectively coming from the ranks of Indonesian junior and middle managers, while 86% of the total were from private sector organizations.

LPPM's management consulting and advisory program established in 1975 currently has a staff of 15. Consulting and advisory services totalled 1688 person days in 1982 and generated approximately ten percent of LPPM's revenue. The Institute's correspondence program currently enrolls 1900 students and offers a series of ten, six month courses costing approximately $45.00 each. Courses include Basic Management, Basic Financial Management, Management of New Companies, Basic Accounting I and II and Supervising a Work Force. LPPM also publishes Indonesian translations of English language management books. To date it has translated over 100 books on various management topics and has published 22 original works by Indonesian authors. Its magazine, Manajemen, has a paid monthly circulation of approximately 3,000 with 3,500 additional copies distributed free of charge to prior participants of LPPM's courses and various government offices.

In 1980 LPPM launched a program of assistance to small enterprises. The program offers a 50 week course to train consultants for small enterprise development. Forty percent of the training is done at small businesses. LPPM also offers an abbreviated 13 week version of this

course with approximately 30 students currently enrolled. The Institute plans to double this in the next two years and to place graduates with various non-profit foundations that deal with small business development and with banks that offer credit to small enterprises. In this program, LPPM hopes to develop a prototype approach to small business development in Indonesia that can be used by other institutions. LPPM also offers a range of English language training programs, including courses in report writing and business English. In 1982 some 1628 persons attended the English language courses.

LPPM's record in all of these efforts has been good in comparison to other public and private institutions. Its energetic and motivated staff is the only full time one in the country. Previous assessments have confirmed its outstanding reputation with both the public and private sectors, particularly with respect to its long and short term management education programs. It has displayed imagination in devising innovative approaches to management training. But perhaps most important LPPM has established high standards for itself and as a result has remained competitive as a private sector institute by having the flexibility to respond to market needs.

Despite these strong points, LPPM has weaknesses. It needs technical assistance in strategic planning. It remains heavily dependent for income on its short courses, too many of which are patterned on less than optimally relevant Western models. Research at LPPM is virtually non-existent, limiting both staff professional development and the development of appropriate business case studies. Overseas training in operations research, project analysis and quantitative analysis is needed to complement the Institute's expansion plans in the consulting area. Both the MA and PhD training needed is expensive, and expenditures on such training has severely limited equally important expenditures on maintenance, library materials and management information system development.

A major element of LPPM's strategic planning during the coming years will be the expansion of its ten month management training program into a fifteen month MBA program. The Institute intends to begin the program in 1985 and to be graduating approximately 150 students per year by 1989. To accomplish this goal, while at the same time expanding its ability to produce high quality services in other areas, LPPM needs to train ten of its staff to the PhD level and 32 to the MBA level. It also intends to involve this staff in an expanded research department which will provide raw data to undertake its various objectives. The Institute has sufficient budget to provide for the training of 18 of the required 42; however, funding for the remaining 24 would place severe financial strains on the institution and force either a reduction in services or imprudent fiscal policies.

The research, which LPPM staff will be trained to perform, will benefit LPPM's short management courses as well as the MBA program.

Currently the courses are heavily dependent on a Western orientation to management problems, but there is increasing (and appropriate) pressure to Indonesianize the teaching of management. LPPM recognizes this need and has tried to address it by making research a basic part of its institutional plans. Regrettably, the research output has thus far been very disappointing because of lack of staff training and weak institutional support. The enhanced research capacity at LPPM will also be important for the development of curriculum material at management institutions throughout Indonesia.

LPPM's recent focus on small business development has resulted in a commitment of considerable institutional resources to the development of this program. LPPM staff have drawn up an approach to training small businesses that provides direct assistance to entrepreneurs, but they have not been able to find a solid market for graduates of the program and are in the midst of reassessing approaches.

There are few donor-assisted programs in management, although there is a growing awareness of its importance to Indonesian development. Apart from USAID, the British Council is the most active donor agency in management development. The new director expects that recurrent funds, presently programmed until 1985 in public administration activities, will be reviewed and considered for use in other areas of management development. As coordinator of the multi-donor study, the World Bank has become supportive of management development and is now considering new initiatives in the field. Japanese aid officials are examining options but have no active programs. French aid has no program but is investigating possible state university involvement. Both the Ford and Asia Foundations are interested in supporting small business development in Indonesia and are offering scholarship and technical assistance support to LPPM's Small Business Consultant Development program. However, the assistance is small and currently planned no further than 1986. The Konrad Adenauer Foundation has a modest institutional development program for two management training institutes in Palembang and Ujung Pandang. The UNDP is funding a training program for small business trainers in the Ministry of Industry. Dutch aid has minimal involvement in management development programs in Indonesia. In sum, none of these programs will be responsive in terms of directness or timeliness to the practical needs of the Indonesian private sector.

Thus a problem clearly exist in connection with a rapidly growing central and regional demand for private sector management training and the scarcity of institutions capable of meeting it. Government and company education and training efforts are not meeting the demand, and only one private sector organization (LPPM) has the capability to address the problem.

In view of this, the project presented here will offer a six year institutional development package to LPPM as a beginning effort to narrow the gap between private sector management training demand and supply.

B. AID and GOI Strategies and Priorities

The project proposed in this document is a key element of the Mission's strategy for its private sector initiative and is specifically mentioned in the CDSS. The Mission CDSS for FY 1985 emphasized two areas this project addresses: increasing off-farm employment and accelerating human resources development by building the capacity of selected Indonesian organizations to provide management training for small and medium sized enterprises. The project is also compatible with overall AID initiatives. It assists a private sector institute in specific programs that will help small business development, and it transfers much needed technical skills to the Indonesian private sector. In so doing the project directly addresses two elements of AID strategy - private sector development and technology transfer.

The policies of the Government of Indonesia fully support this project both in the development of the private sector in general and management improvement in particular. Indonesia's third five year development plan (REPELITA III) takes a very strong position with respect to government support for increasing business opportunities in the private sector in Indonesia through sound fiscal policies and the simplification of licensing procedures, as well as government participation in the promotion of business management skills. President Suharto's State of the Union address of 16 August 1983 reiterated the government commitment to private sector development.

With some notable exceptions in Latin America, AID has had relatively little experience with institutional development projects in the private sector. Effective Institution Building, (USAID, March 1982), notes that only 18 percent of AID's institution building projects during the last ten years have been with private sector institutions. Taking into consideration that AID experience with institutional development projects in the private sector is limited and the demonstrated (see Effective Institution Building) lack of an accepted model for institutional development in AID projects in general, this project will concentrate its development resources on the obvious ingredients necessary for any institution to grow and prosper: people (training), institutional programs (consulting, outreach and aid to other institutions) and materials (library items and computers).

The very strong demand for management training plus the evidence that only one private sector institution (LPPM) is willing and capable of attempting to address this demand in ways that support AID's development policies have resulted in the project that is defined here. The Private Sector Management Development Project is a six year, four million dollar Operational Program Grant funded project that will offer institutional assistance to LPPM in order the strengthen the organization's ability to produce private sector/business managers.

C. PROJECT DESCRIPTION AND DISCUSSION

1. Project Goal

The goal of the Private Sector Management Development Project is to expand the capacity to produce private sector/business managers in Indonesia. The basic assumption leading to this goal is that increased capacity will result in increased production of managers which will in turn result in increased management effectiveness in the private sector because of the more efficient ratio of managers to workers. This greater effectiveness, it is assumed, will in the long term result in greater employment generation through more efficient resource utilization. A second assumption is that the demand/supply disparity will continue to provide a market for trained managers.

As cited earlier, the need for increased manager to worker ratios in the workforce and the need to offer better training to those managers currently in the ranks have resulted in immense pressures for increasing management training opportunities. The goal of this project is to expand the capacity to meet this growing demand. However, it is fully recognized that the institution being assisted by the project cannot produce outputs that will fully rectify the management shortfall in the private sector. What it can do is provide training to increasing numbers of managers in the private sector, particularly in small and medium sized business enterprises, through its short courses and its MBA program and develop a foundation from which other management institutes can draw material and organizational support through its outreach and research programs. The opportunity to do this is built-in to the project through the increased production that will result from the MBA program, the outreach and research components. These elements will be described in a later section.

2. Project Purpose

The purpose of the Private Sector Management Development Project is to support the development/expansion of the Institute for Management Education and Development (LPPM) in order to assist it to address internal institutional weaknesses and to spread its strengths to a greater individual and institutional audience. Specific activities to achieve this purpose will include strengthening of LPPM's strategic planning process, overseas and in-country training of its staff, strengthening of its consulting services, creation of an outreach capacity and the strengthening of its research program.

LPPM has built its strength on slightly adjusted Western management theories and practices. The Indonesian management environment now is maturing and beginning to look for "Indonesian styles of management." The demand for this "product" is incipient but will no doubt grow in the next five to ten years. Recognizing the importance of this, LPPM has decided to restructure and revitalize its research activities in order to

address the basic issue of determining the parameters and content of an Indonesian style of management.

In addition, LPPM recognizes that it must broaden its mandate to include a feed-back mechanism for the continuous transfer of management information to the private sector. A consulting mechanism has been chosen to fulfill this role, but the activity has floundered, and the Institute is looking for ways to revitalize it.

Not only does LPPM want to address its weaknesses, it also wants to create new strengths. One way it will do this is by creating and refining a new MBA program over the life of the project. This program will replace its current "long management training course" and should result in an even stronger product than the currently well received ten-month management training course. The Institute will also create a new outreach program that will assist a management training institute in northern Sumatra (and perhaps two more, to be determined in 1986 and 1988 evaluations) to offer short management training courses modeled after LPPM's short courses. The project will also offer assistance in small business development to up to six institutions engaged in these activities in areas outside Jakarta.

In order to coordinate both the strengthening and expansion activities, LPPM will seek assistance in restructuring its planning process and product. Its current process has served it well to this point, but it is recognized that the challenges that the Institute now faces require a reconsideration of the ability of the current planning process to meet these challenges.

3. Project Approaches

a. Strategic Planning

LPPM established an institutional planning process with the appointment of a planning team and the production of the first five-year plan in 1977 (1977 through 1981). It is now operating under the second five-year plan (1982 through 1986). The plan identifies eight major institutional activities: workshops, publications, the long course, correspondence, consulting, research, specialized English and periodicals.

The current plan has achieved relatively high quality publication activities and workshops. Two other activities, the long course and consulting, while in favorable competitive positions in the Indonesian market, will require further development for commercial viability. English language training as an adjunct to other training is no longer seen as commercially competitive, while research and correspondence courses are embryonic activities in relatively weak market positions. The plan calls for dropping the English language program; maintaining the short-courses; strengthening research, correpondence and consulting; eliminating in a phased process the long course and replacing it with a

new MBA program; and increasing distribution of management information through publication activities.

Although the plan outlines broad market areas in which the Institute wants to marshal its resources, specific market analyses and considerations of competitive advantage are not carefully developed. There is a lack of identification and analysis of past mistakes and recommendations for avoiding them in the future. That is to say, the planning process at LPPM is in need of revisions which will result in a product that is more carefully thought out in terms of the strategic realities of the market.

LPPM suffers from several internal management problems, all traceable to the Institute's rapid growth and the problems of planning an integrated series of changes to accommodate for this. First the Institute has been unable to adequately plan for the absences of large numbers of senior and mid level staff who need advanced training. Secondly, LPPM has been unable to complete physical, financial and personnel plans for its envisioned MBA program. Thirdly, the Institute, along with the expansion of staff and general activity, is faced with a potential loss of institutional cohesion and direction. This can be prevented by carefully assessing market potential for institutional thrusts and then planning and integrating the selected activities into an overall, strategic plan. Finally, LPPM's current program of assistance to small entrepreneurs is experiencing difficulties in the marketing of its graduates, and more detailed market analyses are needed.

As a method of focusing on the planning process itself, this segment of the project will employ a strategy of analyzing the Institute's current market position and potential implementation strategies and financial projections. LPPM's major new institutional thrusts--the MBA program, the restructuring of its consulting activities, the refocusing of its outreach program, including its small business development program, and the creation of a revitalized and redirected research department-- will be carefully analyzed in terms of market position and competitive advantage, and implementation strategies that incorporate the results of the analyses will be devised.

A management information system for the five project areas will be one of the major outputs of the first strategic planning consultancy. The consultant will not only assist LPPM department heads to plan market penetration and implementation strategies but also to design a management information system for the five project areas. The system will identify methods for gathering information in three major areas of concern: 1) status of activity before project input; 2) level and duration of input; and 3) immediate, interim and long range outputs.

b. Participant Training

LPPM's current professional staff of 62 possesses the following academic qualifications:*

1.	Indonesian MAs (Sarjana Lengkap)	25
2.	Indonesian Engineering Degrees	28
3.	Indonesian Law Degrees	2
4.	Overseas MAs	7
		62

* Listed by highest degree achieved

During the period of the current and next five year plan (until 1991), LPPM plans to add 40 professional staff members (to be primarily recruited from graduates of its ten month and later its MBA training courses). These new staff members will be institutionally divided as follows: short management training 22, consulting ten, outreach six, and research two. It projects a yearly staff attition rate of two, thus resulting in a total loss of 14 during the years 1984-1990 for a total professional staff of 88 in 1990. At the end of the next five year plan, it plans for the staff of 88 to have 41 MAs and 11 PhDs. This translates into a training need of 32 new masters and ten new PhDs, because seven staff members already have MAs, two are completing them this year and one is completing a PhD this year. This training is crucial to LPPM's future success as an institution that is capable of covering a broader market in the dynamic and quickly changing Indonesian management development scene. LPPM has built its current success on its popular series of short management training courses. These courses remain popular, but the demand for more Indonesia specific curriculum material, as well as growing demand for a more comprehensive pre-service management training course (MBA), has led LPPM to the need to upgrade its current staff. In order to respond to these challenges, LPPM plans to train 40 new staff members primarily to work in its series of short management training courses and its consulting and outreach activities, while its senior staff is gradually (approximately ten per year for four years) upgraded in order to take on new roles in research, curriculum development, consulting and the new MBA program.

In addition to the long term training needs, other staff members need opportunities to sharpen skills and to be introduced to new approaches and perspectives in management development. For this need, short term courses will be identified or designed in order to provide training in such areas as case writing, marketing strategy development and survey research methodologies. This training will be offered both overseas, for those who can be away from LPPM for the time required, and in-house for those who can't. The specific needs will be identified during project implementation.

c. LPPM'S Consulting Program

LPPM recognizes that a strong consultancy program is necessary as a contributor to the Institute's financial self-sufficiency, as an important link to current developments in the private business sector and as a feed-back mechanism for the support and transfer of management information. The effort to date, however, has had relatively little success, only providing approximately ten percent of total gross revenues and reaching a small number of clients. Being primarily a training institution, LPPM has had little relevant experience upon which to base the design and implementation of a consultancy operation. Since the consulting department's inception in 1975, it has focused most of its efforts on short-term activities (reports and surveys) with little attempt to identify a market and develop client bonds.

The consulting program, as it now operates, is essentially a non-integrated program that provides LPPM with an institutional mechanism for responding to market requests. It is not an institutional activity with a mandate around which it can define a market and then implement an action strategy that creates and fosters clients.

This project will provide LPPM with models of consultancy programs that have well defined market penetration and development strategies. This will be accomplished by sending a study team, during the first six months of project implementation, to tour selected US and other consulting firms in order to observe different strategies and approaches. After returning, the team will request short term assistance in order to implement the approach(es) it has identified as most promising.

d. Establishment of an Outreach Program

LPPM is the only Indonesian private sector management training institution that states in its charter that one of its essential purposes is "to contribute to Indonesia's development through education and training." Both the Foundation and the Institute (Foundation for Management Education and Development and the Institute for Management Education and Development) are non-profit and were founded by an Indonesian (originally a Dutch national who later became an Indonesian citizen) Jesuit priest whose development vision still permeates the organization. It is this sense of mission that has prompted LPPM to search for methods of spreading its accumulated knowledge and expertise. Its first attempt to do this has centered on a correspondence program. The program is not meeting with great success. In 1982 enrollments were 1904, less than ten percent of what LPPM estimates the market to be. The program has been in operation for almost five years, and it is obvious that it is not fulfilling the purpose for which it was intended. LPPM, in its search for activities that will fulfill this purpose, has designed an outreach program to assist two different types of institutions in the Indonesian private sector, those working with management development in general and those advising small businesses and working particularly in management development for small business.

The new outreach program is centered on three activities: 1) institutional development of private management institutes outside Jakarta (hereafter referred to as Outreach I), 2) expansion of LPPM's expertise in small business consulting to other interested organizations (hereafter referred to as Outreach II), and 3) support to the Indonesia PVO community that is involved in small business support activities in the form of scholarships for members of these organizations to attend LPPM's small business consultant development course (hereafter referred to as Outreach III).

1) Outreach I

The first outreach activity or Outreach I involves the transfer of capability to deliver selected LPPM short management training courses to management training institutions outside Jakarta. LPPM will provide training to chosen institutions outside Jakarta for up to five of the institution's trainers per year, development of curriculum materials for one course per year and yearly evaluation and feed-back of the trainers' presentations of courses. This activity will center on replicating LPPM's own successful development through the model of offering the quick, in-service management training seminars for which LPPM has become famous. The curriculum material will remain focused at medium and small business. Choice of the institution to be assisted will be conducted biennially (1984, 86 and 88) for a total of up to three. The criteria by which the choice will be made as well as the choice of institutions for the 1986 and 88 reviews will be the decision of the project steering committee and will be subject to AID approval. The LPPM staff has conducted the first survey and has chosen the first institution: the Lembaga Pembinaan Manajemen Sumatra, which is located in Medan. (For more information see project files.) LPMS is a new institution that was founded this year with the backing of companies in Medan. LPMS has requested LPPM assistance in designing courses, training trainers and installing the courses in the institute.

The program will be structured in four phases:

1) LPPM will conduct biennial surveys to determine institutional interest in participating in the program. This will require approximately two person weeks per survey of LPPM technical assistance.

2) LPPM will provide the selected institution with one person week per year of technical assistance in order to conduct a needs assessment of the unique needs of the institution in terms of the precise courses its market demands.

3) LPPM will design one course per year and train up to five trainers per year from the institution to give it. This will require approximately one and one-half person months of training at LPPM per trainer per year and one person week per year of LPPM technical assistance.

4) LPPM will provide two person weeks per year (one at the beginning and one at the end of the course) in order to provide evaluation and feed-back to the trainers.

2) Outreach II

The LPPM Small Business Consultant Development Course is designed to teach individuals the fundamentals of small business operations. It focuses on simple bookkeeping (cash entry only), and inventory control systems. The consultants are taught specific interview and data analysis technics that are designed to solicit information necessary to the analyses and recommendations required to improve business practices in the small to medium private sector. This program has given the LPPM staff the experience and capability to diagnose problems and prescribe remedies for a generally recognized set of problems that afflict small to medium-sized businesses. It has also learned how to train others to do the same. This skill places LPPM in the position of offering this valuable expertise to others, and with the support of this project, it will do that.

Outreach II is intended to provide yearly training for up to ten trainers (five from each of two selected institutions), development of specialized curriculum materials for one course per year and yearly evaluation and feed-back of the trainers' presentations of courses in each of two chosen institutions. Choice of the two assisted institutions will be conducted biennially (1984, 86 and 88) for a total of up to six. The criteria by which the choice will be made as well as the choice of institutions for the 1986 and 88 reviews will be the decision of the project steering committee and will be subject to AID approval. The initial choice was made by the LPPM project coordinator and was based on information gathered from a survey of eight potential candidates. At the ends of project years two and four, additional surveys will be conducted and new institutions will be considered for assistance.

The program will be structured in the following way:

1) LPPM will conduct biennial surveys to determine the interest of other small business assistance oriented institutions in participating in the program. The survey will require two person weeks of LPPM technical assistance.

2) LPPM will provide the institutions with one person week each per year of technical assistance in order to conduct a survey of the institution's unique needs for the small business development course to be offered.

3) LPPM will design the course and train up to five trainers per year in each institution to teach the course. This will require approximately four person-months per trainer per year (three months for the course, one month for the training of trainers) and one person week per institution per year of LPPM technical assistance.

4) LPPM will provide two person weeks of technical assistance per year to each institution in order to provide evaluation and feed-back to the trainers (one week at the beginning and one at the end) as they give the course.

LPPM personnel have conducted the first survey for the Outreach II project segment. A questionnaire (see project files) was developed and administered to staff members of eight institutions outside Jakarta that are involved in small business affairs. The candidates were analyzed in terms of their staff size, adequacy of facilities, degree to which service is provided to small enterprises and interest in participating in the proposed program. From this survey two institutions, Yayasan Dian Desa of Jogjakarta and Pusat Pengembangan Manajemen Sriwijaya of Palembang were chosen as the initial institutional candidates for this segment of the outreach program.

3) Outreach III

LPPM currently offers the three month version of its Small Business Consultant Development Course to approximately 25 participants twice a year. The course is designed to teach one how to gather information from businessses, analyze it and assist the businesses in diagnosing and correcting their major operational problems. This project segment would make available to Indonesian private and voluntary organizations (PVOs), involved in assistance to small businesses and not otherwise asisted by this project, ten scholarships per year (for a total of 70 over the life of the project) to the course.

These three activities will be funded by three separate line item budgets. Outreach I funding will finance the salaries and travel costs for approximately eight person months of LPPM staff time to provide assistance in market surveys, needs analysis and curriculum development; and 30 person months for the training of trainers to teach short management courses to be offered in other management development institutes. Outreach II funding will finance the salaries and travel costs for approximately 12 person months of LPPM technical assistance in market surveys, needs analysis and curriculum development; and 180 person months for the training of trainers to teach small business development courses to be given at institutions involved in trying to assist small and medium sized enterprises. Outreach III funding will finance up to ten scholarships per year (a total of 70 or 210 person months) for members of Indonesian PVOs other than the ones that are at the time of implementation being assisted by the project to attend LPPM's three month small business consultant development program.

e. Restructuring of Research Program

LPPM's research department was begun in 1978 with two staff members and limited budget resources. The staff size has not increased, and the work output is limited, both in its scope and quantity. In 1982, the

total output was five reports, all surveys that were responses to client requests. The department suffers from the absence of an institutionally coherent definition. There is no institutional research strategy; rather, the research department, much like the consulting department, responds to client requests.

The Institute is in need of curriculum materials, especially cases, which reflect the current Indonesian (Asian) management situation. The rapid influx of Western run companies and Western management consultants has heightened the Indonesian sense of difference between the Western and the, at least perceived, uniquely Indonesian management styles. There is growing pressure not to mimic Western management approaches, and LPPM, recognizes the need to respond to this pressure. LPPM is also committed to gathering more information on the operational realities and problems of small business enterprises in Indonesia.

The department will be restructured after study visits, during the first nine months of project implementation, to management research facilities in Asia, most probably the Asian Institute of Management in Manila and the Indian Institute of Management in Ahmedabad. Following these visits, LPPM's research department will request technical assistance to aid it in establishing a research agenda and implementation plan for future research activities. The project will fund approximately ten person/months of short term consultancy support in research planning, design and execution. To support research activities, funds also will be made available to increase LPPM library holdings and equipment. LPPM's professional librarian, in consultation with the research department, has completed a library procurement plan, and it has been incorporated in the procurement plan of this project.

4. End of Project Status

At project termination, five measurable outcomes are anticipated: 1) LPPM will have a revised, sustainable and relevant institutional plan that identifies strengths and weaknesses and specifies long range implementation strategies and a management information system that measures achievements against this plan; 2) trained staff of both LPPM and assisted institutions will be conducting management programs and research, as well as consulting on a regular basis; 3) LPPM will have a new consulting program with a revised marketing strategy and a staff of at least 25 professionals; 4) up to three private sector management institutes outside Jakarta will have received LPPM technical assistance and training in short course management training and each will offer at least one of LPPM's functional management presentation courses per year; and up to six other institutions outside Jakarta that are involved in small business development will have received LPPM assistance and will offer at least one small business development course each per year; 5) LPPM's research department staff will be increased by at least three new members and its published output will be increased by at least 200 percent over that produced in 1983.

5. Project Outputs

a. Revised Institutional Plan

Technical assistance will be used throughout the life of the project for aiding in periodic revisions to the institutional plan. The final output of this project activity will be a strengthened institutional plan and a strengthened planning process. A portion of the planning assistance will help in the pre-implementation analysis, design and final implemention planning of the extension of LPPM's ten month management training course into a 15 month MBA program. In addition to the MBA planning, strategic plans will also be produced to revise, if necessary, the Institute's implementation plans and financial projections for its research, consulting and outreach activities. The planning consultancies activities will be weighted toward the beginning months of project implementation and will be coordinated with technical asssistance activities in the specific technical areas.

b. Trained Staff

The project will produce 32 staff members with overseas MAs and ten with overseas PhDs. Eighteen of the MAs and six of the PhDs will be financed with AID funds. The remaining will be financed by LPPM. Biannual management seminars will update LPPM in-house, professional staff. Approximately thirty people will participate twice yearly for five of the six project years to permit those not sent overseas to receive updated information on management. The project also will train approximately 45 persons for an average training period of four weeks each in state-side courses in such areas as research methodology, marketing of consulting services, curriculum design, and executive development.

c. Expanded Consulting Program

By the end of the project, LPPM will have a consulting department with an integrated institutional strategy that directs LPPM's consulting activities to complement and integrate other institutional functions. By complementing its present expertise in marketing and feasibility studies with an expanded staff of 25 professionals, LPPM's consulting division will be significantly strengthened. During the project, LPPM will explore new markets for consulting services, with the goal of increasing by 300% the output of the consulting department.

d. Established Outreach Program

LPPM will have established a small business consultant development course in up to six institutions, and up to sixty people will have been trained to provide this training in the selected institutions. Assuming the offering of a small business development course in two institutions every year during the life of the project, and further assuming they are

capable of training 20 small business consultants per year, small business consulting courses will have been given to to following numbers by project termination in 1990: 1) first two institutions 240; 2) second two institutions 160; 3) third two institutions 80. Four hundred and eighty people will have been trained. In addition, LPPM will have established at least two short management training courses in one, and assuming continued interest, three private management training institutions. Seventy persons from Indonesian PVOs will have completed LPPM's three month small businesss consultant development course.

e. Restructured Research Program

LPPM's expanded research program will create a planned approach that will result in a research agenda and an increase in its capability to design and conduct research, as well as an increase of at least 200% in its published research fundings. The research will focus on basic Indonesian styles of management, operational realities and problems of small business enterprises in Indonesia, and the construction of Indonesian case studies related to this information. LPPM will increase its library holdings and equipment in order to stimulate its development as a research center.

6. Project Inputs

a. Strategic Planning Assistance

The project will provide ten person months of consultancy in strategic planning at an approximate cost of 215,000. This assistance is scheduled to be used in the following sequence for the number of person months indicated below:

FY85	FY86	FY87	FY88	FY89	FY90
3	3	1	1	1	1

Preceding each consultancy, the LPPM planning team will construct terms of reference for the next consultancy.

b. Training Assistance

The project will finance the training of 32 master's and ten doctoral participants. The training will be in the following general areas of specialization:

PhDs

1	Organizational Behavior (Cultural Aspects)
1	Cooperatives Management
1	Marketing (Franchising of Small Businesses)
1	Entrepreneurial Development
1	Business Management Education
1	Business Strategy Development/Corporate Planning
1	Environmental Analysis (Micro Economics)
1	Finance
1	Industrial Marketing
1	Computer Services
10	

MAs

6	General Management
3	Operations Management
4	Marketing
4	Finance
4	Personnel
1	Cooperatives Management
2	Quantitative Analysis
1	International Business Management
2	Small Business Development
2	Operations Research
1	Computer Science
1	Real Estate & Construction Management
1	Business Law
32	

AID financing will be provided for 18 MAs and six PhDs; LPPM will provide financing for 14 MAs and four PhDs. The estimated time necessary for completion is 24 months for master's training and 36 months for PhD training. Thus the total number of person months of long term training to be financed by the project is 24x32=768 and 36x10=360, for a grand total of 1128 person months. The average cost per participant year of long term training according to AID/Washington averages for the 1983/84 academic year is $22,000. It is 5,700 per participant month for short term training. When these figures are inflation factored by six percent per year over the life of the participant training portion of the project, they are as follows:

TABLE A
INFLATION FACTORED COSTS FOR LONG AND SHORT TERM PARTICIPANTS

	84/85	85/86	86/87	87/88	88/89	89/90
Long Term	23,320	24,719	26,202	27,774	29,440	31,206
Short Term	6,042	6,404	6,788	7,467	8,214	9,035

The approximate cost of this training is as follows:

	AID FX	LPPM FX	LPPM LC	
MAs	(18) 945,000	(14) 735,000	213,000	Eng. lang. trg. for AID participants
PhDs=	(6) 472,000	(4) 316,000		
45 PM= short term trg	317,500	-0-	72,000	Eng. lang. trg. for LPPM participants
Backstopping	199,000	121,000		
		1,172,000	285,000	
			940,000	Salaries of trainees
	1,933,000	1,172,000	1,225,000	
		2,397,000		

All long term trainees will sign five year post training employment contracts before going overseas. Approximately 45 months of short term overseas training opportunities will be provided, as specific needs are identified. Training will be coordinated with staff recruitment to avoid any reduction in the Institute's capacity to provide services. In order to insure that adequate trained staff is in place and capable of providing services that will maintain or increase LPPM's current level of income, a special covenant to the grant agreement will require LPPM to submit to AID, prior to the sending of each group of project financed long term participants, a detailed staffing plan that demonstrates how the jobs (and resultant income to the Institute) performed by those nominated for training will be performed during their anticipated absences.

The five year development plan calls for the recruitment of 40 new staff members and projects an annual staff attrition rate of two per year; seven have already been recruited this year and will be followed by seven more, 14 next year and 12 the following year. The new staff members will be recruited primarily from graduates of LPPM's ten month (and later its MBA) program. The following table presents staff inflow and outflow:

TABLE B
LPPM STAFF INFLOW AND OUTFLOW DURING PROJECT LIFE

	1984	85	86	87	88	89	90
Total available	59	64	57	68	75	84	90
Leave for Trg	-10(6MA) (4PhD)	-19(13MA) (6PhD)	- 5(5MA)	-8(8MA)	-0-	-0-	-0-
Attrition	-2	-2	-2	-2	-2	-2	-2
	47	43	50	58	73	82	88
New	14	14	12	-0-	-0-	-0-	
Returned trainees	3	-0-	6(MA)	17(13MA) (4PhD)	11(5MA) (6PhD)	8(8MA)	
	64	57	68	75	84	90	

The training of 10 PhD and 32 MA participants will be structured according to the following criteria and timing:

1) Criteria

a) All participants will be full time employees of LPPM who will have been employed for at least three years by LPPM prior to departure for training.

b) All participants will be in academic programs that support the institutional objectives of LPPM as found in the current five year plan.

c) All participants will have a minimum TOFEL score of 500.

d) All participants will be either conditionally or unconditionally accepted by the universities they plan to attend before departure from Indonesia.

e) All participants will sign five year post training contracts with LPPM prior to their departures.

2) The four LPPM financed PhD participants will depart in 1984 and the six AID financed participants in August 1985. Their programs are estimated to require three years. Six LPPM MA participants will depart in August 1984. Eight LPPM

MA participants and five AID MA pariticipants will depart in August 1985 followed by five AID MA participants in August 1986 and eight AID MA participants in August 1987. All MA programs are estimated to require two years. The last participant will therefore return in August 1989.

Forty-five person months of short term training is available for use in the project. The specific program objectives for this training activity will be determined by the project steering committee. All such training, however, will be specifically tied to project objectives.

In addition to long and short term overseas training, five person months of technical assistance will support biannual, one week training during the six year life of the project for the majority of LPPM's in-house staff. This is intended to keep them current on management issues and approaches. This will be offered in seminar format during slack periods such as the Christmas and Idul Fitri breaks.

c. Consulting Assistance

The project will provide ten person months of technical assistance in evaluation, redesign and marketing of LPPM's consultant services program. The approximate costs of this assistance is $216,000. The technical assistance will begin in early 1985 following a study tour to the US by the LPPM consulting division director. The ten person months are scheduled to be used as follows:

FY85	FY86	FY87	FY88	FY 89	FY 90
3	2	2	1	1	1

d. Outreach Assistance

The project will provide assistance in three areas for the outreach activities: 1) assistance to up to three management development institutes outside Jakarta so that they can offer short management training courses; 2) assistance to up to six institutions involved in small business development outside Jakarta so that they can offer small business development courses; and 3) scholarship assisstance to Indonesian PVOs involved in small business development so that their members can attend LPPM's small business consultant development course. The first activity will involve inputs of approximately 8 person months of technical assistance in installing the courses in the selected institutions and 45 person months of training at LPPM . The second activity will involve inputs of approximately 12 person months of technical assistance and 240 person months of training at LPPM. The third will provide financing for 70 fellowships to LPPM's three month small business consultant development course.

TABLE C
COST OF PROJECT INPUTS FOR OUTREACH ACTIVITIES

Outreach I			
A. Technical Assistance	8PM		66,500
B. Training	45PM		57,865
		124,365	
Outreach II			
A. Technical Assistance	12PM		101,500
B. Training	240PM		308,624
		410,124	
Outreach III			
A. Training	210PM		231,000
Total	495PM	765,489	

The following table presents a graphic display of the quantity and timing of inputs in this project area:

TABLE D
DESCRIPTION OF OUTREACH PROGRAM INPUTS

	85	86	87	88	89	90	TA	TRG
	TA / TRG	TA / TRG	TA / TRG	TA / TRG	TA / TRG	TA / TRG		
Outreach I								
1. Survey		.50PM		.50PM			1.0	
2. Needs Anal	.25PM	.25PM	.25PM	.25PM	.25PM		1.25	
3. a. Design	.50PM	.50PM	.50PM	.50PM	.50PM	.50PM	3.0	
b. Trg	7.5PM	7.5PM	7.5PM	7.5PM	7.5PM	7.5PM		45
4. Follow-up	.50PM	.50PM	.50PM	.50PM	.50PM	.50PM	3.0	
Sub Totals								
TA	1.25	1.75	1.25	1.75	1.25	1.0	8.25	
TRG	7.5	7.5	7.5	7.5	7.5	7.5		45
Outreach II								
1. Survey		.50PM		.50PM			1.0	
2. Needs Anal	.50PM	.50PM	.50PM	.50PM	.50PM		2.5	
3. a. Design	.50PM	.50PM	.50PM	.50PM	.50PM	.50PM	3.0	
b. Trg	40PM	40PM	40PM	40PM	40PM	40PM		240
4. Follow-up	1.0PM	1.0PM	1.0PM	1.0PM	1.0PM	1.0PM	6.0	
Sub Totals								
TA	2.0	2.50	2.0	2.50	2.0	1.5	12.5	
TRG	40	40	40	40	40	40		240
Outreach III								
Scholar-ships	30PM	30PM	30PM	30PM	30PM	30PM	30	210
Sub Totals	30	30	30	30	30	30	30	210
Totals								
TA	3.25	4.25	3.25	4.25	3.25	2.50	20.75	
TRG	30 77.5	77.5	77.5	77.5	77.5	77.5		495

e. Research Assistance

The project will provide ten person months of technical assistance at an approximate cost of $216,000. The assistance will begin following a trip to selected Asian management institutes. This trip will provide LPPM's director of research with information necessary to make choices as to different approaches that can be taken to the structuring and strategic targetting of its research activities.

The ten person months will be used according to the following schedule:

FY85	FY86	FY87	FY 88	FY 89	FY 90
3	2	2	1	1	1

In addition to the technical assistance input for the research segment of the project, research materials and library equipment will be provided. These will be in the following categories and quantities:

	USAID
1) 4,000 books and other published items	80,000
2) 50 subscriptions to technical journals	20,000
3) 100 subscriptions to various Indonesian publications related to management	15,000
4)Library equipment	
a) 2 micro fiche readers	
b) 16 book shelves	
c) 1 display rack for periodicals	15,000
	130,000

LPPM has an internal computer capacity through its IBM System 34 computer. This is used for research and training activities. The project will provide eight (four funded by AID funds and four funded by LPPM) compatabile small business computers or terminals as follows:

	USAID	LPPM	
4 computers	40,000		
4 terminals		10,000	
	40,000	10,000	50,000

7. Beneficiaries

LPPM's potential to influence large numbers of Indonesian private sector managers is well demonstrated. It has yearly contact with approximately 6500 managers through its short management courses. Long term courses reach 50-75 managers. The consulting division, through 1688 person/days of consulting in 1982, reached 3000 managers. Its small business consultant development program provides services to

approximately 1000 managers per year, while the LPPM correspondence courses enrolled 1900 people in 1982. Thus the Institute has direct contact with approximately 12,000 Indonesian managers yearly and has the potential to influence the economic and social behavior of a large portion of Indonesia's private sector managers.

The project will benefit medium and small Indonesian business enterprises through direct assistance in consulting and outreach, and indirectly through project training, research activities and LPPM's general institutional development. LPPM as an institution has long been primarily focused on this sector as its seventeen year records indicate. Eighty percent of LPPM's business is from its series of short-management training courses. The Institute's figures indicate the following percentages for total participants in its 1982 series of short courses: small (49%), medium (25%), and large (28%). (Small defined as 0-100 employees, medium as 100-500 and large as 500 and above.) Of the Institute's 1688 person/days of consulting in 1982, 75% were for medium and small enterprises while the Small Business Consultant Development Program is directed exclusively at the small business sector. The project will also benefit other private management institutions outside of Jakarta that are dedicated to the development of small and medium sized business enterprises. The outreach segment of the project will provide 495 person months of training to organizations that primarily serve the small and medium enterprise market. Project sponsored training (and the addition of staff that this training will allow) will more than double (from 19 to 41) the staff of the short management course training division. It is expected that this will permit the doubled staff to increase by a factor of .15 the number of yearly contacts (see input/output summary) and it is further expected that these contacts will remain split at roughly 75%-25% between small/ medium enterprises' participants and large enterprises' participants.

It is anticipated that at least 50% of project sponsored research will be directed at small to medium sized enterprise research. Much of that research will revolve around Indonesian styles of management and will of necessity be directed at the small to medium sector. Specific research on problem of the sector will also be a focus of this project segment.

The restructured consulting department is expected to increase its output by a project total of 300% and the focus of that output is expected to remain approximately 75% on the small to medium sized private sector.

Thus, the primary project beneficiaries are expected to be an increased number of contacts with LPPM's already historically demonstrated target client: the small to medium sized Indonesian private sector.

PART III. FINANCIAL PLAN

FINANCIAL PLAN

A. Source of Funds

The total project costs are estimated to be $ 6,407,000 of which the AID contribution of $ 4,000,000 will be 63%. LPPM will contribute up to $1,172,000 in foreign exchange funds and $1,235,000 in local currency for a total of $2,407,000 for 37% of total project costs.

The USAID contribution is distributed as follows:

1)	Overseas and domestic training	2530	(63%)
2)	Overseas and domestic technical assistance	925	(23%)
3)	Commodities, evaluations and contingency	545	(14%)
		4000	(100%)

Assuming the availability of funds, it is anticipated that USAID's contribution will be made in four tranches during four consecutive fiscal year beginning with FY 84. The first two will be $1,000,000 each; the next one will be $1,500,000; and the final will be $500,000.

Inflation factors have been calculated into the project line item budgets. A contingency fund of $313,000 dollars has been provided and is designed to be used for unanticipated inflationary costs and unexpected expenses such as overhead cost higher than those calculated and possible additional technical assistance needs not identified at the time of project design.

TABLE F

PROJECT FINANCIAL PLAN

	USAID FUNDS FX	USAID FUNDS LC	Total
I. Technical Assistance			
35 person months(US)	$ 756,000		
21 person months(Ind)		$ 169,000	
			$ 925,000
II. Training			
A. Long Term: 18 masters	$ 945,000		
6 PhD	$ 472,000		
B. Short Term: US and Third Country	$ 317,000		
C. Placement Backstopping	$ 199,000		
			$1,933,000
III. Outreach Training		$	597,000
IV. Commodities:			
Micro computers		$ [illegible]	
Library equipment		$ 15,000	
Books	$ 80,000		$ 170,000
Journal (US)		$ 20,000	
Journal (Indonesian)		$ 15,000	
V. Evaluations			
Two evaluations-each two weeks in duration			
a. 1986 ($27,000)	$ 27,000		
b. 1990 ($35,000)	$ 35,000		
			$ 62,000
VI. Contingency			
Yearly contingency of 52,500	$ 313,000		
			$ 313,000
	$3,144,000	$ 856,000	
		Total	$4,000,000

LPPM FUNDS	FX	LC
Training		
A. MA 14 x avg 52,500 =	$ 735,000	
PhD 4 x avg 79,000 =	$ 316,000	
	$1,051,000	
Back stopping x 11,5% =	$ 121,000	
English Lang Trg.	$1,172,000	
if needed for AID participants =		213,000
For LPPM part =		72,000
		285,000
B. Salaries of Trainees		
1. 32 MAs yearly avg 10,000x2		640,000
2. 10 PhDs yearly avg 10,000x3		300,000
		940,000
III. Commodities:		
Computer Terminal Acquisition		10,000
	$1,172,000	1,235,000
		$2,407,000
Total Project		$6,407,000

TABLE G

PROJECT ACTIVITY BUDGET

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90	
1. Strategic Planning	3 PM 58,000	3 PM 62,000	1 PM 22,000	1 PM 23,000	1 PM 24,000	1 PM 26,000	215,000
2. Training							
a. Long Term		272,000	419,000	528,000	198,000	0	1,417,000
b. Short Term	73,000	64,000	41,000	45,000	49,000	45,000	317,000
							1,734,000
c. Placement and backstopping costs (11.5% training costs)	8,000	39,000	53,000	66,000	28,000	5,000	199,000
In-House	1 PM 19,000	1 PM 21,000	1 PM 22,000	1 PM 23,000	1 PM 24,000		109,000
	100,000	396,000	535,000	662,000	299,000	50,000	2,042,000
3. Consulting Program	3 PM 58,000	2 PM 41,000	2 PM 44,000	1 PM 23,000	1 PM 24,000	1 PM 26,000	216,000
4. Research Program	3 PM 58,000	2 PM 41,000	2 PM 44,000	1 PM 23,000	1 PM 24,000	1 PM 26,000	216,000
		Equip					
		Books 80,000					
		Journal 35,000					
		Lib Equip 15,000					
		Comp. Terminals 40,000					
	sub total	170,000					170,000
	58,000	211,000	44,000	23,000	24,000	26,000	386,000

TABLE G

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90	
5. Outreach Program							
A. Outreach I							
1. TA	1.25PM	1.75PM	1.25PM	1.75PM	1.25PM	1.0PM	8.25PM
	8,125	12,250	10,000	14,875	11,250	10,000	66,500
2. Trg	7.5PM	7.5PM	7.5PM	7.5PM	7.5PM	7.5PM	45PM
	7,500	8,250	9,075	9,982	10,980	12,078	57,865
	(15,625)	(20,500)	(19,075)	(24,857)	(22,230)	(22,078)	(124,365)
	16,000	21,000	19,000	25,000	22,000	22,000	125,000
B. Outreach II							
1. TA	2.0PM	2.50PM	2.0PM	2.50PM	2.0PM	1.5PM	12.5PM
	13,000	17,500	16,000	21,250	18,000	15,750	101,500
2. Trg	40PM	40PM	40PM	40PM	40PM	40PM	240PM
	40,000	44,000	48,400	53,240	58,564	64,420	308,624
	(53,000)	(61,500)	(64,400)	(74,490)	(76,564)	(80,170)	(410,124)
	53,000	62,000	64,000	74,000	77,000	80,000	410,000
C. Outreach III							
1. Trg	30PM	30PM	30PM	30PM	30PM	30PM	180PM
	30,000	33,000	36,000	40,000	44,000	48,000	231,000
Totals	(98,625)	(115,000)	(119,475)	(139,347)	(142,794)	(150,248)	(765,489)
	99,000	116,000	119,000	139,000	143,000	150,000	766,000

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TABLE G

6. Evaluations A. 2 evaluations- each 2 weeks in duration a. 1986 1) 2 people salary 282 per day x 12 x 2= 6768 2) 100% overhead 6768 3) Per Diem x 135x 2x30=8100 Travel 2900 x 2= 5800 27,436 or 27,000 and in 1990 35,000		27,000				35,000	62,000
7. General Contingency	52,000	52,000	52,000	52,000	52,000	53,000	313,000
Totals	425,000	905,000	816,000	922,000	566,000	366,000	4,000,000

PM = Person Months

TABLE H
PARTICIPANT TRAINING BUDGET (USAID FUNDS)

Academic Year	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	
Short Term	12 PM x b 72,504	10 PM x c 64,040	6 PM x d 40,728	6 PM x e 44,802	6 PM x f 49,284	5 PM x g 45,175	45 PM 316,533
Long Term		5 MA x c 123,595 6 PhD x c 148,314 271,909	10 MA x d 262,020 6 PhD x d 157,212 419,232	13 MA x e 361,062 6 PhD x e 166,644 527,706	8 MA X f 197,752 0 197,752		18 MA 944,429 6 PDH 472,170 1,416,599
LT + ST =	72,504	335,949	459,960	572,508	247,036	45,175	1,733,132

Short Term Costs
Per person month
a. 1983/84 = 5700
b. 84/85 = 6042
c. 85/86 = 6404
d. 86/87 = 6788
e. 87/88 = 7467
f. 88/89 = 8214
g. 89/90 = 9035

English Language Training, if needed, @ avg cost of FY 85 = 2,000x12; FY 86 = 2200x10; FY 87 = 2420x6; FY 88 = 2262x6; FY 89 = 2928x6; FY 90 = 3221x5 will be paid by LPPM for a total of $108,000

Long Term Costs
Per Person Year
a. 1983/84 = 22,000
b. 84/85 = 23,320
c. 85/86 = 24,719
d. 86/87 = 26,202
e. 87/88 = 27,774
f. 88/89 = 24,719
g. 89/90 = 26,202

English Language Training, if needed, @ avg cost of FY 1985 = 4,000x11; FY 86 = 4,400x5; FY 87 = 4,840x8 will be paid by LPPM for a total of $105,000

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TABLE I

ESTIMATED MONTHLY COSTS FOR CONSULTANT SERVICES

US Consultants

FY 85	FY86	FY87	FY88	FY89	FY 90
1.Max daily rate$266x24=6385					
2.PerDiem 123x30 =3696					
3.RT Air Fare =2900					
4.OH 100% of Salary =6385					
19,366					
x 6%	20,527	21,759	23,065	24,449	25,916

LPPM Consultants

FY85	FY86	FY87	FY88	FY89	FY 90
1.Max Daily Rate $200x24= 4,800					
2.Per Diem $50x30= 1,500					
3.RT Air Fare 200					
6,500					
x 10%	7,150	7,865	8,651	9,516	10,468

PART IV. IMPLEMENTATION PLAN

Implementation Plan

A. Institutional Arrangement

LPPM has appointed one person to manage each of the five project elements and a project coordinator. These five, plus the LPPM coordinator and the LPPM managing director, will constitute the project steering committee. The committee will be responsible for project direction and will make quarterly reports on project progress to AID.

B. Contracting

The contracting for both participant backstopping and technical assistance will be provided for in a contract(s) between LPPM and the selected contractor(s). The contract(s) will be competitively bid and will be governed by the rules and regulations found in AID Handbook 13.

The anticipated scope of work for the contract(s) is as follows:

The contractor will be required to provide services to the project in two general areas, participant placement and backstopping and the provision of short term consultant services.

1) Scope of Services for Participant Placement and Backstopping

a) Long Term
The contractor will be required to place and backstop 18 MA and 6 PhD participants for a total of approximately 648 person months of total long term training. The contractor will be required to assist the LPPM director of project training in locating appropriate long term programs and institutions, to assist the participants with testing and placement formalities, to arrange English language training, if necessary; to provide logistical pre-departure formalities; and to provide follow-up assistance to participants while in training in the US.

b) Short Term
The contractor will be required to place and backstop approximately 45 participants for a total of approximately 45 person months. The contractor will be required to assist the LPPM director of training to locate appropriate short term programs and institutions; to assist participants with testing and placement formalities; to arrange English language training, if necessary; to provide logistical pre-departure formalities; and to provide follow-up assistance to participants while in training in the US.

2) Scope of Services for Short Term Consultant Services

The contractor will be required to respond to LPPM request for consultant services (and in some cases for specific consultants) in the following areas with the following durations:

1. Strategic Planning	10 Person Months during life of project
2. Institutional Consulting Development	10 Person Months during life of project
3. Institutional Research Development	10 Person Months during life of project
4. Training Assistance Development	5 Person Months during life of project

The contractor will be required to provide at least two candidates for each of the four consulting areas listed above. The consultants will be required according to the following schedule:

	FY 85	FY86	FY87	FY88	FY89	FY90
Strategic Planning	3PM	3PM	1PM	1PM	1PM	1PM
Consulting Services	3PM	2PM	2PM	1PM	1PM	1PM
Research	3PM	2PM	2PM	1PM	1PM	1PM
Training	1PM	1PM	1PM	1PM	1PM	

The specific terms of reference for each consultancy will be prepared approximately three months prior to the time the consultancy is scheduled. Due to the need for the section heads to assess needs in relation to the project, the specific scopes of work will be constructed with the LPPM project coordinator and project section heads after implementation is begun. However for purposes of analyzing contractor proposals, the following illustrative (to be agreed to by both LPPM and USAID before requests for proposals are issued by LPPM) evaluation criteria are suggested:

1) Strategic planning consultancies
The proposer will offer as candidates for this activity the names of at least two individuals who will be available throughout the life of the project or the names at least two

individuals for each six consultancies. These individuals will have advanced degrees in institutional planning or related fields and at least ten years of experience, with a minimum of three years in international work in the area of institutional planning. For purposes of proposal evaluation, the following will be the general areas of work expected of the planning consultancies.

a) Assist the LPPM planning team to prepare market analyses of areas proposed in the Five Year Development Plan with recommendations for alternative actions and predicted consequences.

b) Assist the team to produce periodic reviews (during each consultancy) of LPPM's implementation plans for its current Five Year Development Plan with recommendations for alternative actions and predicted consequences.

c) Assist the team to produce financial projections in conjunction with revisions to the implementation plans for its current Five Year Development Plan.

d) Assist the team to create an LPPM management information system. The system will cover institutional activities in the following divisions:

1) training and development
2) consultancy division
3) MBA division
4) small enterprise development division
5) language training division
6) multi-media division
7) research division
8) operations and management division
9) other activities that may be added at time of TOR preparation.

The design of the system will be completed during the first three month consultancy. Periodic refinements will be produced during later consultancies.

e) Provide and/or recommend other sources of training to selected LPPM staff members in skills related to the development and analysis of institutional plans.

2) Consulting services

The proposer will offer as candidates for this activity the names of at least two individuals who will be available throughout the life of the project, or the names of at least two individuals for each of the six consultancies. These individuals will have at least ten years of work experience in consulting or related fields, with a minimum of three years in

international consulting. The general areas of work expected of the consulting services division consultancies are as follows:

a) Assist the LPPM consulting services division staff to assess differing institutional and professional approaches to consulting services and make recommendations as to choices.

b) Assist the division staff to design and implement market penetration plans for the agreed upon approach.

c) Assist the division staff to design and implement a skills inventory and manpower development plan.

d) Provide and/or recommend other sources of training for selected staff.

e) Assist the division staff in making periodic changes and adjustments to its plans and activities.

3) Research
The proposer will offer as candidates for this activity the names of at least two individuals who will be available throughout the life of the project, or the names of at least two individuals for each of the six consultancies. These individuals will have at least an advanced degree with special emphasis in business related research methodologies, a minimum of ten years experience in business research, with a minimum of three years in international business research. The general areas of work expected of the research consultancies are as follows:

a) Assist the LPPM research division staff to construct and periodically review and amend if necessary, implementation strategies for its strategic mandate.

b) Assist the division to prepare and periodically adjust a skills inventory and manpower development plan.

c) Assist the division to design and implement research capabilities in the general areas of small enterprise development and Indonesian styles of management.

d) Provide and or recommend other sources of training to selected staff.

4) Training
The proposer will offer as candidates for this activity the names of at least two individuals who will be available throughout the life of the project, or the names at least two

individuals for the ten consultancies. These individuals will have advanced degrees in business and/or related fields, at least five years of teaching experience at the university level, and a minimum of one year of overseas work in teaching and/or other business related activities. The general areas of work expected of the training consultancies are as follows:

a) To design and offer to up to 30 LPPM staff per occasion two seminars per year for five of the six project years. The seminars will be on selected management and education topics that will be identified by the LPPM project coordinator three months prior to their being offered.

3) Illustrative Evaluation Criteria for Competitive Procurement

a) Demonstrated experience and proven competence in placing foreign students in both long and short term training programs in US education and training institutions.

b) Demonstrated experience in testing, preparing, providing logistical pre-departure formalities and follow-up backstopping for foreign students in US educational and training institutions.

c) Demonstrated capacity to either provide from its own resources or to sub-contract personnel identified by LPPM for short term consultancies in areas identified above.

d) Contractor's understanding of services to be rendered as demonstrated by its plan to execute the services, its comments in response to the RFTP, and by the experience and qualifications of individuals designated to implement the contract.

C. Implementation Schedule

06-01-84	1.	Project authorized by USAID/Jakarta
06-15-84	2.	Project Agreement signed
07-15-84	3.	First disbursement
07-15-84	4.	LPPM solicitation of proposals
08-01-84	5.	First LPPM participants (six MAs & four PhDs) depart
09-01-84	6.	Proposals received
10-01-84	7.	Contractor selected
11-01-84	8.	Contract negotiated and signed

01-07-85	9.	Contractor begins work
02-15-85	10.	Three month planning consultancy begins
04-15-85	11.	Three month consulting services consultancy begins
05-01-85	12.	Three month research consultancy begins
06-01-85	13.	PIL for reimbursement procedures for local purchases prepared
08-01-85	14.	First USAID sponsored participants (five MA & six PhD) and remaining LPPM (eight MAs) participants depart
10-01-85	15.	PIO/C for books
12-30-85	16.	Purchase of equipment on local market completed
03-01-86	17.	Three month planning consultancy begins
05-01-86	18.	Two month consulting services consultancy begins
06-01-86	19.	Two month research consultancy begins
07-01-86	20.	Mid term project evaluation
08-01-86	21.	Five MA participants depart
09-01-86	22.	Six MA participants return
08-01-87	23.	Eight MA participants depart
03-01-87	24.	One month planning consultancy begins
05-01-87	25.	Two month consulting services consultancy begins
06-01-87	26.	Two month research consultancy begins
09-01-87	27.	Thirteen MA and four PhD participants return
03-01-88	28.	One month planning consultancy begins
05-01-88	29.	One month consulting services consultancy begins
06-01-88	30.	One month research consultancy begins
08-01-88	31.	Five MA and six PhD participants return
03-01-89	32.	One month planning consultancy begins

05-01-89	33.	One month consulting services consultancy begins
06-01-89	34.	One month research consultancy begins
08-01-89	35.	Eight MA participants return
03-01-90	36.	One month planning consultancy begins
05-01-90	37.	One month consulting services consultancy begins
06-01-90	38.	One month research consultancy begins
06-01-90	39.	Final evaluation

D. Commodity Procurement Procedure

All commodities, except books, will be procured locally. The books will be ordered through a separate PIO/C that will be prepared by 10-01-85 and that will fund periodic (estimated to be completed over a period of 24 months) book orders. The locally procured equipment will be composed of the following:

1) Four micro computers	40,000
2) Library shelves, display cases and readers	15,000
3) Professional journal-subscriptions	35,000
The US procured books are budgeted to cost approximately	80,000
	170,000

All AID financed commodities will be procured in accordance with the rules and regulations of AID Handbook 13. The LPPM procurement of commodities financed with project funds will be reviewed according to the procedures outlined in the above referenced handbook. Further details of this process will be the subject of periodic Project Implementation Letters (PILs).

E. Financial Procedures

Specification of financial commitment procedures will be detailed in periodic Project Implementation Letters (PILs).

PART V. SPECIAL PROVISIONS

Special Provisions

(a) Source and Origin of Goods and Services
Goods and services, except for ocean shipping, financed by A.I.D. under the Project with grant funds shall have their source and origin in the United States and Indonesia, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

(b) Financial Statement
The Grantee shall provide an audited financial statement executed by a local auditing firm acceptable to A.I.D. on an annual basis.

(c) Evaluations of Candidates
The Grantee shall provide evaluations and recommendations of proposed recipients of project assistance in the Outreach I and II portion of the Project to AID.

(d) Training
Prior to the initiation of training the Grantee shall agree to provide:

(d.1) A training plan and selection criteria which relate each participant's training to that of the institution's goals and and objectives as found in the LPPM Five Year Plan.

(d.2) The Grantee shall require of each participant the signing of a five year post training employment contract with LPPM.

(e) Prior to the sending of long-term participants, the Grantee shall submit to AID for its approval a detailed staffing plan that demonstrates how the jobs performed by those nominated for training will be performed during their anticipated absences.

(f) Project Evaluation
Except as otherwise agreed to by A.I.D., the Grantee shall agree that a mid-term and final evaluation will be financed by project funds and will occur at the end of Project years two and six.

(g) Progress Reports
During the life of the project, the steering committee will make quarterly progress reports to A.I.D.

PART VI. EVALUATION PLAN

Evaluation Plan

The critical measure of project success is the extent to which LPPM develops and expands as an institution. In order to measure and assess this development, a management information system will be established by the end of the first consultancy of the strategic planning advisor. This system will be designed to produce base line data and periodic indicators of advancement in the five areas of project involvement: strategic planning, consulting, research, outreach and training. Information gathering, after the system is in place, will be the function of the research department and will be provided quarterly to the project steering committee and AID. These quarterly reports will form the basic project monitoring information system. This information will be used for both project monitoring and decision making and periodic (1986 and 88) project evaluations. The larger evaluation exercises will also require the compilation and analysis of additional information, the nature and scope of which will be determine at the time of the evaluation.

A mid and final project evaluation (funds provided in project budget) will be conducted in order to measure progress in the five project activities. Each evaluation is budgeted for two weeks.

Although a more detailed management information system will result from the first planning consultancy, and this system will form the basis of the information system that will be used to provide monitoring and evaluation information, the basic measures against which project success or failure will be judged are outlined below. It is expected that at project termination the outputs listed will have been produced

1) Training
   a) 10 PhDs
   b) 32 MAs
   c) 45 person months of short term training
   d) 300 participants in professional development seminars
   e) 465 person months of training for small business consulting. (Each long term trainee will work for LPPM for at least five years after training is completed.)

2) Technical Assistance
   a) Strategic Planning
      10 person months of technical assistance will have been produced, the result of which will be a revised, sustainable and relevant institutional plan that identifies strengths and weaknesses of LPPM, specifies implementation strategies and provides a management information system that identifies measures of institutional achievements.

b) Consulting Program
10 person months of technical assistance will have been produced, the result of which will be a consulting department that is institutionally integrated and complementary to LPPM's other activities and is producing a project total increase in income of at least 300%.

c) Research Program
10 person months of technical assistance will have been provided, the result of which will be a planned and institutionally integrated research department concentrating on small enterprise development and identification of Indonesian styles of management and producing a project total increase in output of at least 200%.

d) Outreach

d.1 Outreach I
Up to three management institutes will have received up to eight person months of LPPM technical assistance and up to 45 person months of LPPM training in the design and implementation of short management training courses. Each insitution will offer at least one of these courses per year.

d.2 Outreach II
Up to six institutions assisting small business development will have received up to 13 person months of LPPM technical assistance and up to 240 person months of LPPM training in the design and implementation of small business development courses. Each institution will offer at least one of these courses per year.

d.3 Outreach III
Up to 210 person months of training in LPPM's Small Business Consultant Development Course will have been provided to Indonesian private and voluntary organizations.

3) Commodities
Up to the following will have been placed in LPPM's library and other appropriate institutional departments.

a)	Books	4,000
b)	Journal subscriptions	150
c)	Equipment	
	c.1 Micro fiche readers	2
	c.2 Book shelves	16
	c.3 Display rack	1

An economic analysis of this project has not been done because of the lack of relevant data. However, the setting up of the management information system will produce the type of data necessary to do post project start up analyses of the economic returns of project activities. In particular, the returns to investment in human capital will be traced and analyzed.

The task of designing and organizing the management information system will be the responsibility of the strategic planning consultant. Essential parts of the system will involve questionnaires from the trainers and students that identify the perceived value of the courses to them, interviews with students' employers and tracer studies (which will be continued by LPPM after project termination). The tracer studies will follow the courses and earnings of present and past graduates of LPPM in relation to a control group.

The management information system will be in place by the end of project month nine. It is expected that by the end of project month twenty-four, sufficient data of the type described above will have been produced to produce an economic analysis of returns to investment in human capital.

(Doc. 3045A)

PART VII. ANNEXES

A. LPPM Request for Assistance

LEMBAGA PENDIDIKAN DAN PEMBINAAN MANAJEMEN
(INSTITUTE FOR MANAGEMENT EDUCATION AND DEVELOPMENT)
GEDUNG "BINA MANAGEMENT" · TELEPON 375309
JALAN MENTENG RAYA 9 · TROMOL POS 3027, JAKARTA PUSAT
TELEX: 44627 PEPEEM IA CABLE ADDRESS: BINAMANAGEMENT

No. : 080/DU/IV/84

24 April 1984

William P. Fuller - Director
USAID
Jl. Medan Merdeka Selatan 4
Jakarta Pusat

Dear Mr. Fuller,

Following our discussions, may I formally request US/AID financial and technical assistance to implement a new LPPM project. The objective of the project is to develop and expand LPPM's capacity in the area of management education, so that our Institute will be able to contribute more effectively to Indonesia's growing demand for properly educated and trained managers.

The activities that will be financed under this project are:

a. Strategic Planning

This will involve the design and scheduling of a 15 month MBA course, embracing twelve month's classroom instruction and three month's business internship; the review and analysis of strategic considerations in our research, consulting and outreach programs; and the planning of the use of available professional manpower, to ensure that LPPM's current activities continue, whilst selected staff are sent overseas for long periods for post graduate studies. This, in turn will engender the need to establish some clearly defined priorities.

b. Staff Development:

42 professional staff will be sent for long term study overseas. Thirty-two of these will study in master's programs and ten in Ph.D programs. AID financing is requested to provide finance for 18 master's participants and 6 Ph.D participants. LPPM will provide funding for 14 master's and 4 Ph.D's. Bi-annual seminars will be held at LPPM with the objective of up-grading approximately 60 professionals per year by their continual participation in these seminars over about five years. Some 45 LPPM staff will be sent overseas for approximately four weeks each to study a variety of subjects such as research methodology, curriculum design, executive development programs, and the marketing of consulting services.

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c. Expansion of Consulting Services:

As a result of the above overseas training, within the six year life of the project, LPPM will increase its consulting staff to twenty-five professionals, the majority of whom will be skilled in handling marketing and feasibility studies, as well as other management consultancy disciplines; the objective is to considerably increase LPPM's capacity and ability to win consulting assignment bids to approximately three times the current level of activity.

d. Regional Institutional Development

LPPM's outreach program embraces two aspects: the long term development of two carefully selected regional institutes; and the stimulation of other regional institutes, specifically by up-grading their ability to assist small business.

- Long Term Development

This program has two segments:

Segment a) the design and scheduling of one three month institutional development course at LPPM Jakarta. Five fellowships will be awarded to each of the two selected institutes to enable their staff to participate in this course;

Segment b) LPPM will assign senior staff members as consultants to these two regional institutes. These consultants will visit the institutes as and when considered necessary for up-grading institutional ability.

- Institution Stimulation

LPPM will establish a fellowship program permitting sixty representatives of regional private institutions to attend the 18 weeks small business appreciation course. This course has three segments:

Segment a) a 13 week introduction to small business loan economics, surveying, accounting, auditing, and small business economics; followed by

Segment b) 3 weeks of teacher-training to assist participants mature as successful instructors capable of imparting their knowledge to others; followed by

Segment c) a 2 week course covering the basic factors for successful institutional development.

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e. Research Development

Research will be carried out to provide information on Indonesian management styles, and case studies will be drafted. LPPM's publication department will determine methods to increase its output by 200% during the lifetime of the project. LPPM's library will be expanded; and the computer hardware and software facilities will be increased.

The funds required to carry out these activities amount to approximately US$ 6,400,000. LPPM is able contribute US$ 2,4 million towards the expense of the project's activities to cover staff salaries, research, computer and library purchase costs, and local training, and it is hoped that US/AID will be able to provide the remaining financial support of US$ 4,0 million. Without US/AID support, LPPM will not be able to carry out this nationally important yet private sector program.

I look forward to hearing from you on this matter, and if any points require clarification please do not hesitate to ask.

Kind regards.

Yours sincerely,

Ir. J. Sadiman
President Director

JS/ve

B. Draft Project Authorization

PROJECT AUTHORIZATION

INDONESIA

PRIVATE SECTOR MANAGEMENT
DEVELOPMENT PROJECT
PROJECT 497-0345

1. Pursuant to Section 105 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Private Sector Management Development Project (the "Project") for the Republic of Indonesia, through a grant to the Yayasan for Management Education and Development (the "Grantee") involving planned obligations of not to exceed $4,000,000 in grant funds over a five year period from the date of signing of the grant agreement, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the project is six years from the date of initial obligation.

2. The Project will assist the Grantee to expand its capacity to produce private sector business managers in Indonesia by assisting the Grantee to strengthen its institutional development. This will be accomplished by strengthening the Grantee's strategic planning process and products, providing overseas and in-country training for its staff, restructuring and strengthening its consulting services division, strengthening its outreach division, and strengthening its research division.

3. The Project Agreement (Operational Program Grant), which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and delegations of authority, shall be subject to the following special provisions together with such other terms and conditions as A.I.D. may deem appropriate:

   (a) Source and Origin of Goods and Services

   Goods and services, except for ocean shipping, financed by A.I.D. under the Project with grant funds shall have their source and origin in the United States, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

   (b) Financial Statement

   The Grantee shall provide an audited financial statement executed by a local auditing firm acceptable to A.I.D. on an annual basis.

   (c) Evaluations of Candidates

   The Grantee shall provide evaluations and recommendations of proposed recipients of project assistance in the Outreach I and II portion of the Project to A.I.D.

(d) Training

(1) Prior to the initiation of training the Grantee shall agree to provide a training plan and selection criteria which relate each participant's training to that of the institutions's goals and objectives as found in the Grantee's Five Year Plan, and to require each participant to sign a five year post-training employment contract with the Grantee.

(2) Prior to the sending of long-term participants, the Grantee shall submit to A.I.D. for its approval a detailed staffing plan that demonstrates how the jobs performed by those nominated for training will be performed during their anticipated absences.

(3) Project Evaluation

Except as otherwise agreed to by A.I.D., the Grantee shall agree that a mid-term and final evaluation will be financed by project funds and will occur at the end of Project years two and six.

(4) Progress Reports

During the life of the project, the steering committee will make quarterly progress reports to A.I.D.

Signature: Robert K. Clark
Robert K. Clark
Acting Director

Date : 6/7/84

Clearances: PRO:MBONNER: (in draft)
EED:TMYERS: (in draft)
FIN:RMcCLURE: (in draft)

LC
Drafted:LA:LChiles:mai, 06/01/84

C. Statutory 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.

GENERAL CRITERIA FOR PROJECT

1. FY 1984 Appropriation Act; Sec. 523; FAA Sec. 634A; Sec. 653(b).	
(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 project appeared in the FY 84 CP (Asia Volume, Annex II, p.79) and FY 85 CP (Asia Volume, Annex II p.87)
2. FAA Sec. 611(a)(1). Prior to obligation in excess of $100,000, will there be (a) engineering, financial 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 Continuing Resolution Sec. 501. If for water or water related land resource construction, has project	N.A.

	met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973?	
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 takeninto consideration the country's capability effectively to maintain and utilize the project?	N.A.
6.	FAA Sec. 209. Is project susceptible of 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	The project will encourage (b), (d) and (e)

	commerce; and (f) strengthen free labor unions.	
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.)	The project will encourage U.S. participation in the U.S. foreign assistance program.
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.
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	N.A.

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. procedures of the same, similar or competing commodity?	
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 project or program take into consideration the problem of the destruction of tropical forests?	Yes. The project fulfills each of the three criteria for categorial exemption to Section 216 analyses. Because of this, no Initial Environment Examination, Environmental Assessment or Environmental Impact Assessment is required.
14. FAA 121(d). If a Sahel project, has a determination been made that the government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated thereom)?	N.A.

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 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.	The project is designed to spread private sector management training to the provinces in order to stimulate more effective use of resources and greater employment generation.
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 business, 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)?	The indigenous PVO that is the project counterpart will provide at least 25% of project costs.
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"?	Yes. Justification has been made in terms of the non-profit nature of the institution being assisted.
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 the country's intellectual	The project is designed to assist in the institutional development of the recipient organization. It also provides training in management skills to large numbers of Indonesians.

resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and capacity of the country to repay the loan, at a reasonable rate of interest. N.A.

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? N.A.

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)? N.A.

3. Project Criteria Soley 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? N.A.

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?	N.A.
c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for a nuclear facility? If so, has the President certified that such use of funds is indispensable to non-proliferation objectives?	N.A.
d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counter-part) arrangements been made?	N.A.

D. PID Approval Message

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E.O. 12356: N/A
TAGS: ABLD
SUBJECT: PRIVATE SECTOR MANAGEMENT DEVELOPMENT (497-0345) APAC PID REVIEW

1. SUMMARY: APAC REVIEWED THE SUBJECT PID ON FEB 1. IN ACCORDANCE WITH GUIDELINES FOR THE ASIA BUREAU "EXPERIMENT," THIS CABLE LISTS: "A" ISSUES DECIDED BY THE APAC; "B" ISSUES ON WHICH THE BUREAU WISHES TO HAVE A DIALOGUE WITH THE MISSION; AND "C" ISSUES LEFT TO THE MISSION TO RESOLVE DURING PROJECT DESIGN.

"A" APAC DECISION:

THE APAC APPROVED THE PID. THE MISSION MAY AUTHORIZE THE PROJECT PROVIDED (1) THE PROJECT IS DESIGNED TO TARGET AS BENEFICIARIES PRIMARILY SMALL AND MEDIUM SIZE FIRMS, AND (2) A FINANCIAL PLAN IS DEVELOPED FOR LPPM TO MEET ITS RECURRENT COSTS WITHOUT DEPENDING ON AID AFTER PROJECT COMPLETION. (SEE DESIGN ISSUES C.1 AND C.2, BELOW).

"B" ISSUE FOR DIALOGUE

SMALL BUSINESS, 8(A), AND SOCIALLY DISADVANTAGED FIRMS: THE APAC RECOGNIZED THAT THE PROJECT MAY LEND ITSELF TO THE PARTICIPATION OF THESE FIRMS DURING PROJECT DESIGN AND IMPLEMENTATION. AS DISCUSSED AT THE MISSION DIRECTORS' CONFERENCE, THE RECENTLY ENACTED GRAY AMENDMENT REQUIRES THE AGENCY TO DOUBLE ITS EFFORTS TO IDENTIFY CONTRACTING OPPORTUNITIES FOR MINORITY AND WOMEN-OWNED FIRMS, PVOS AND HISTORICALLY BLACK COLLEGES AND UNIVERSITIES (HBCUS). THE MISSION IS REQUESTED TO EXPLORE THE POSSIBILITIES AND TO ADVISE THE BUREAU OF YOUR CONCLUSIONS. WE WILL THEN IDENTIFY INSTITUTIONS, FIRMS OR INDIVIDUALS CAPABLE OF CONTRIBUTING TO THE PROJECT.

"C" DESIGN ISSUES

C1. APAC'S PRINCIPAL CONCERN WAS THAT THE PROJECT, IF DESIGNED AS REQUESTED IN THE PID, MAY LEAD LPPM

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GRADUALLY TO SHIFT ITS PRIMARY FOCUS FROM THE NEEDS OF SMALL/MEDIUM BUSINESSES TO THOSE OF THE LARGER FIRMS. THIS COULD BE THE UNINTENDED RESULT OF THE MBA PROGRAM BECAUSE MBA GRADUATES TEND TO SERVE THE LARGER FIRMS. THE PRESTIGOUS MBA PROGRAM MIGHT ALSO DRAW STAFF RESOURCES AWAY FROM EXISTING LPPM PROGRAMS AND/OR CREATE THE NEED TO RAISE RESOURCES FROM (AND CATER TO) LARGER FIRMS. WE REALIZE THE MBA PROGRAM IS NOT THE MAIN FOCUS OF THE PROJECT, BUT WE ENCOURAGE THE MISSION TO DESIGN THE PROJECT SO AS TO PRESERVE LPPM'S FOCUS OF MEETING THE TRAINING AND MANAGEMENT NEEDS OF THE SMALL/MEDIUM FIRMS IN RURAL AS WELL AS URBAN AREAS.

C2. FINANCIAL PLAN: PP SHOULD INCLUDE A FINANCIAL ANALYSIS SHOWING THAT THE PROPOSED GRANT IS CLEARLY A ONE-TIME INFUSION OF RESOURCES, AND THAT LPPM WILL NOT DEPEND ON AID FOR ADDITIONAL FUNDING. IN OTHER WORDS, LPPM SHOULD CONTINUE TO MEET ITS RECURRENT COSTS FROM ITS OWN REVENUES.

C3 GOI ROLE AND SUPPORT: PP SHOULD CLARIFY THAT AID GRANT SUPPORT IN THE PROPOSED AMOUNT TO LPPM HAS THE FULL SUPPORT, BUT NOT INTERVENTION OF, THE GOI. PP SHOULD ALSO CLARIFY WHETHER MBA DEGREES TO BE AWARDED BY LPPM WILL RECEIVE MINISTRY OF EDUCATION ACCREDITATION.

C4: AID TAX POLICY: THE MISSION SHOULD EXECUTE AN AGREEMENT WITH THE GOI PRIOR TO PP AUTHORIZATION TO PROVIDE THIS PROJECT WITH PRIVILEGES SIMILAR TO THOSE INCLUDED IN NORMAL BILATERAL AGREEMENTS. AID FINANCED GOODS AND SERVICES MUST BE FREE FROM IDENTIFIABLE TAXES AND CUSTOM DUTIES, OR THE GOI (OR ANOTHER ENTITY) MUST PAY THEM FROM SOURCES OTHER THAN AID FUNDS. IN INDONESIA, THIS POLICY GENERALLY IS IMPLEMENTED BY MEANS OF AN APPROPRIATE PROVISION IN AID'S PROJECT AGREEMENT WITH THE GOI. SINCE THIS PROJECT WILL NOT BE IMPLEMENTED THROUGH A BILATERAL AGREEMENT WITH THE GOI, USAID MUST DEVELOP SOME OTHER MECHANISM TO IMPLEMENT AID TAX POLICY.

WE SUGGEST THAT YOU CONSIDER THE FOLLOWING OPTIONS: (1) OBTAIN AN AGREEMENT FOR THIS PROJECT WITH GOI REGARDING TAXES/CUSTOMS DUTIES PRIOR TO EXECUTING GRANT AGREEMENT WITH LPPM; (2) REQUIRE LPPM TO AGREE TO PAY TAXES AND DUTIES FROM SOURCES OTHER THAN THE AID GRANT AS A COVENANT ON THE GRANT AGREEMENT WITH LPPM; OR (3) REQUIRE LPPM TO OBTAIN FROM GOI APPROPRIATE TAX EXEMPTIONS FOR GOODS AND SERVICES FINANCED UNDER THE AID GRANT AS A CONDITION PRECEDENT TO ANY DISBURSEMENT BY AID UNDER THE LPPM GRANT. (THESE ARE ONLY SUGGESTIONS. YOU MAY DEVELOP SOME OTHER MECHANISM AS LONG AS IT IS EFFECTIVE IN IMPLEMENTING AID TAX POLICY, AND IT IS IN PLACE BEFORE AID STARTS TO DISBURSE FUNDS UNDER THE

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GRANT.)

C5. WID: AS THE MISSION IS AWARE, WOMEN IN DEVELOPMENT CONCERNS SHOULD BE INTEGRATED INTO PROJECTS, ESPECIALLY THOSE DEALING WITH EDUCATION. YET THE PID DOES NOT ADDRESS THE ISSUE OF THE ROLE OF WOMEN IN THE PROJECT, EITHER AS PARTICIPANTS OR BENEFICIARIES. PP SHOULD IDENTIFY SUCH OPPORTUNITIES IN THE TRAINING, OUTREACH AND CONSULTING ACTIVITIES, AND EXPLAIN HOW WOMEN WILL BE INTEGRATED INTO THE PROJECT SO AS TO CONTRIBUTE SUBSTANTIVELY TO ITS OBJECTIVES.

C6. PRE CONCERNS: TO CLARIFY AND ALLOW MEASUREMENT OF THE PROJECT OBJECTIVES, PP SHOULD IDENTIFY THOSE PRIVATE SMALL BUSINESS ASSOCIATIONS AND DEVELOPMENT INSTITUTES IT PROPOSES TO WORK WITH IN ITS TRAINING, OUTREACH AND CONSULTING ACTIVITIES, I.E., NAME; GEOGRAPHIC COVERAGE; AND NUMBER, SIZE AND INDUSTRY TYPE OF CLIENT MEMBERS. IT IS ALSO ESSENTIAL THAT LPPM STAFF (ESPECIALLY MBAS AND PHDS) BE TRAINED IN INSTITUTIONS WHICH EMPHASIZE OPERATIONAL BUSINESS AS OPPOSED TO THEORETICAL SKILLS.

C7. TRAINING: THE QUESTION WAS RAISED WHETHER THERE IS SUFFICIENT TIME ALLOTED FOR THE OVERSEAS TRAINING OF MBAS AND PHDS. CONSIDERING THE TIME NEEDED FOR ENGLISH LANGUAGE PROFICIENCY, THREE AND FOUR YEAR TRAINING PERIODS MAY BE MORE APPROPRIATE THAN THOSE PROPOSED FOR TWO AND THREE YEARS. IF THE MISSION AGREES THAT ADDITIONAL TIME IS REQUIRED, IT MAY ADD APPROXIMATELY $600,000 TO THE PROJECT BUDGET OR REDUCE THE NUMBER OF PARTICIPANTS TO BE TRAINED.

C8. EVALUATIONS: SPECIFIC FUNDS SHOULD BE IDENTIFIED FOR THE TWO EVALUATIONS.

C9. BUDGET: THE BUDGET IN THE PP SHOULD SHOW AID COSTS FOR EACH OF THE MAJOR ACTIVITIES OF THE PROJECT - CONSULTING, OUTREACH, RESEARCH, STRATEGIC PLANNING.

C10. EFFECT ON EXISTING INSTITUTIONS: SINCE THE PROJECT ENTAILS A SUBSTANTIAL GRANT TO ONE EDUCATIONAL INSTITUTION, PP SHOULD INCLUDE ANALYSIS OF EFFECTS, IF ANY, ON COMPETING INSTITUTIONS AS WELL AS PRIVATE FIRMS OFFERING SIMILAR CONSULTING SERVICES. SHULTZ
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E. Logical Framework

PROJECT LOGICAL FRAMEWORK

Project Title: Private Sector Management Development Project

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	IMPORTANT ASSUMPTIONS	MEANS OF VERIFICATION
Program or Sector Goal: To expand the capacity to produce private sector/business managers in Indonesia	Measures of Goal Achievement: An increase in LPPM's institutional capacity to produce private sector/ business managers indicated by increases in production	- That LPPM can continue to maintain its high standards of output with newly recruited staff during absence of older staff sent for training - That LPPM can provide 42 qualified staff to receive planned training - That outreach recipients are interested in and will participate in offered program	- Records of LPPM and quarterly project reports - Mid-term and final project evaluation
Project Purpose: To support the development/expansion of the Institute for Management Education and Development (LPPM) in order to address internal institutional weaknesses and to spread its strengths to a greater individual and institutional audience	Conditions Expected at End of Project: 1) A revised, sustainable and relevant plan 2) Trained staff 3) New consulting program 4) Other institutions offering management courses through LPPM assistance 5) Restructured LPPM research department	- Mid-term and final project evaluation - LPPM quarterly project reports	- Quarterly project reports - Mid-term and final evaluation

Outputs: 1) Revised institutional plan and information management system 2) Trained professional staff 3) Expand consulting program 4) Established outreach program 5) Restructed research program	Magnitude of Outputs: 1) One revised five year plan 2) Trained staff: a. 32 MAs b. 10 PhDs c. 300 participations by LPPM in-house staff in on premises seminars d. short term training for approx. 45 people for approx. 45 p/ms. 3) Consulting department with staff of at least 25 and an increase in awarded bids by 300% 4) Research department with staff of five and a 200% increase in outputs 5) Outreach program in at least 1 and perhaps 3 institutions outside Jakarta producing at least one functional management training seminar per year. One small business consulting course per year being offered in at least 2 and perhaps 6 small business development institutions. Attendance of 70 participants from Indonesian PVO's in LPPM's Small Bys Consultant Dev Course	- That funding from both LPPM and USAID will be provide as agreed upon - That LPPM can provide viable candidates for training - That other management institutes and organizations involved in small business development will participate in the outreach program	- Quarterly project report - Mid-term and final evaluation
Inputs: 1) 35 PM of US Technical Assistance 2) 21 PM of LPPM Technical Assistance 3) 1128 PM of overseaslong term training 4) 45 PM of overseas short term training 5) 495 PM of LPPM short term training 6) 300 participations in in-house Management Training 7) 3000 Library books 150 Tech Journals 20 Pieces of Lib. equip. 8 Micro computers		- AID and LPPM will continue to support the project with timely budget assistance	- Quarterly project reports - Mid-term and final evaluations
	Implementation Schedule (Target Dates): 6-01-84 Proj Authorized by USAID 6-15-84 Proj Agreement signed 7-15-84 Conditions Precedent met 7-15-84 Advertisement sent to CBD 8-01-84 First LPPM participants (6 MAs & 4 PhDs) depart 8-01-84 RFTP issued 10-01-84 Proposals received 11-01-84 Contractor selected 12-01-85 Contract negotiated and signed 1-07-85 Contractor begins work 2-15-85 Three month planning consultancy begins		

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4-15-85	Three month consulting services consultancy begins	
5-01-85	Three month research consultancy begins	
5-01-85	PIO/C books	
6-01-85	PIL for reimbursement procedures for local purchases prepared	
6-01-85	Source waiver prepared	
8-01-85	First USAID sponsored participants (5 MA & 6 PhD) and remaining LPPM (8 MAs) participants depart	
12-30-85	Equipment purchased	
3-01-86	Three month planning consultancy begins	
5-01-86	Two month consulting services consultancy begins	
6-01-86	Two month research consultancy begins	
7-01-86	Mid term project evaluation	
8-01-86	5 MA participants depart	
9-01-86	6 MA participants return	
8-01-87	8 MA participants depart	
3-01-87	1 Month planning consultancy begins	
5-01-87	2 Month consulting services consultancy begins	
6-01-87	2 Month research consultancy begins	
9-01-87	13 MA and 4 PhD participants return	
3-01-88	1 Month planning consultancy begins	
5-01-88	1 Month consulting services consultancy begins	
6-01-88	1 Month research consultancy begins	
8-01-88	5 MA and 6 PhD participants return	
3-01-89	1 Month planning consultancy services begins	

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5-01-89 1 Month consulting services consultancy begins 6-01-89 1 Month research consultancy begins 8-01-89 8 MA participants return 3-01-90 1 Month planning consultancy begins 5-01-90 1 Month consulting services consultancy begins 6-01-90 1 Month research consultancy begins 6-01-90 Final evaluation		

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F. Project Analyses

Project Analyses

1. Financial Analysis

The total project costs are estimated to be $6,407,000 of which the AID contribution of $4,000,000 represents 63% and the LPPM contribution of $2,407,000 represents 37%.

Summary Budget

Items	AID	LPPM	Total
Technical Assistance	925,000		925,000
Training	1,933,000	2,397	4,330,000
Commodities	170	10	180
Small Business Course	597,000		597,000
Evaluation	62		62
Contingency	313,000		313,000
Totals	4,000	2,407	6,407

Foreign exchange costs have an inflation factor of 6% per year, and local currency costs have an inflation factor of 10% per year. (See Project Financial Plan and Project Activity Budget in the body of the PP for a detailed description of the planned use of AID funds.)

a. Financial Overview

YPPM/LPPM is legally incorporated via Public Notary Deeds as an independent, non-government/non-profit organization. A review of the 1982 audited financial statements, which are unqualified, indicates the organization is in a strong financial position and accounts for its funds in accordance with generally accepted accounting principles. Net profit is 15.2% of income, of which a substantial portion is planned to be use to fund international training costs. Total Equity of $924,655 represents 60% of total assets. In addition, a 1982 reserve under liabilities of $223,700 has been established for international training, with yearly additions planned. See Table A for the financial statements for the period ending 12/31/82. The 1983 unaudited and unconsolidated financial statements reveal a similar rate of profitability and continued financial strength.

Based on YPPM/LPPM's current profitability and equity/reserve position, we anticipate they will be able to fund their portion of the project costs over a six year period. Increased revenues from

the MBA program, consulting services, and short-courses will be adequate to pay salaries or recurrent costs incident to increased staff. Other project elements do not represent recurrent costs.

b. Methods of AID Financing

A contract between LPPM and the selected contractor(s) will be used for technical assistance and training portions of the project. Our review of YPPM/LPPM financial records and procedures indicate that the organization has the full capability to enter into a contract(s) for this project. Commodities, except books, will be procured by LPPM and will be financed by procedures that will be specified in later Project Implementation Letters. Funds for scholarship support for the small business course represent local currency costs and will be committed via a PIL. YPPM/LPPM will continue to be audited annually by a Registered Public Accountant and a copy of each report will be provided to the USAID. YPPM/LPPM will be the implementing agent for $836,000 during the LOP, and existing administrative/financial staff are adequate to handle this.

Table A

YPPM/LPPM
Consolidated Profit a Loss
For period ending (Rp. 000)

Description	12/31/82
INCOME	
Workshops	1,184,298
Guidance & Mgt	249,413
Language Courses	188,615
Publications	133,614
Wijawiyata Training	76,985
Salary survey	15,312
Total	1,848,237
EXPENSES	
Direct Project	871,987
Indirect Project	720,127
Depreciation	27,100
Total Expenses	1,619,216
Operating Profit	229,021
Other Income/Expenses	52,720
Net Profit	281,741
Net Operating Profit	12.4%
Net Profit	15.2%
Return on Assets	18.0%
Return on Equity	30.5%

YPPM/LPPM
Consolidated Balance Sheet
as of 12/3/83 (Rp. 000)

Description	12/31/82
ASSETS	
Cash	290,800
Account Receivable	561,100
Supplies	46,700
Other	12,221
Current Assets	910,821
Land	123,600
Building	496,300
Vehicles	224,100
Equipment	210,386
Depreciation	-560,300
Fixed Assets	494,086
Pre-paid Expenses	47,700
Other Assets	109,535
Total Expenses	1,562,142
LIABILITIES	
Account Payable	186,247
Prepaid Income	39,100
Current Liabilities	225,347
Long Term Debt	188,440
Reserve (Staff Dev.)	223,700
Total LT Liabilities	412,140
EQUITY	
Capital	445,200
Reserve (General)	150,855
Earned Surplus	328,600
Total Equity	924,655
Total	1,562,142
Net Working Capital	685,474
Current Ratio	4.0
Tangible Net Worth	924,655

2. Administrative Analysis

The project will be administered by a special steering committee in LPPM. The members will be the LPPM designated heads of each project section (strategic planning, training, outreach, research and consulting), the LPPM project coordinator, the LPPM managing director, and the AID project officer. This committee will have the power to make project decisions, subject to appropriate adherence to AID and LPPM rules and regulations, pertaining to general project direction and implementation.

The project committee will function in three primary areas of project impementation. It will review and recommend action on all implementation plans that result from the various consult recommendations for changes in the structure and mandate of various assisted sections of LPPM. The committee will also review and recommend actions on all applications for long and short term training. Additionally, it will review requests for all commodities to be procured through project assistance.

In order to have information upon which to base its review and recommendations, the committee will receive quarterly project reports that will be generated from the management information system that is designed during the first strategic planning consultancy.

This administrative arrangement is designed to continue the participatory management style that has been LPPM's style since its beginning.

3. Social Analysis

A. General

The project goal of expanding the capacity to produce private sector business managers is built on the assumption that this will lead to greater management efficiency because of the more efficient ratio of managers to workers and that employment generation through this efficiency will in the long term result in more efficient resource utilization. The project is designed as an institution building project, but the social consequences of the capacity that is being developed go far beyond the institution. LPPM currently has professional contact with approximately 12,000 people per year. This project will increase that to approximately 18,000 through expanded consultancy, outreach, and long term training contacts. Thus the expertise housed in the institution will be offered to approximately an additional 6000 people to whom it might not otherwise have been offered.

Forty-two people will receive the benefit of overseas degree training, approximately 45 the benefit of short term overseas training and approximately 300 participations (60 people per year x 5) the benefit of in-house training. Additionally, up to 30 persons from outside LPPM will receive training of trainers instruction in its short management courses, and up to 130 in its small business development courses. The social benefit of the increased knowledge and skills that will be developed through this project is vast. Ten PhDs, 32 MAs, 45 short terms, 300 in-house participations, and up to 160 non-LPPMers trained in house. Total project budget devoted to these training activities is 4,937,000 or 77% of total project costs.

B. Women in Develoment (WID)

LPPM's current professional staff includes ten women out of a total of 62. Nineteen percent of its professionals are women. These women are spread throughout the organization from teaching in the short management courses to the small business consulting section to the research and library sections. This is unique in Indonesian training organizations in both the public and private sectors. No other training organization can demonstrate such a commitment. Its recruitment plan for the project identifies 20% of the 40 new positions or eight positions to be filled by women. It also plans to offer opportunities for upgrading to its female staff through project sponsored training. Thus the Institute plans indicate that it will maintain its strong commitment to the role of women in the organization.

G. GOI Support Letter

DEPARTEMEN KEUANGAN REPUBLIK INDONESIA
DIREKTORAT JENDERAL PAJAK
INSPEKSI PAJAK JAKARTA PUSAT EMPAT
Jl. Sam Ratulangi No. 17 Telp: 41490
J A K A R T A

SURAT KEPUTUSAN KEPALA INSPEKSI PAJAK JAKARTA PUSAT EMPAT
Nomor : 040/Pangh/218.814/IPE/77 ..... 11 Oktober 19..77.

KEPALA INSPEKSI PAJAK JAKARTA PUSAT EMPAT

MEMPERHATIKAN : 1. Surat permohonan wajib-pajak, tertanggal .....-.....
No. : .....-.....
Perihal : .....-.....

2. Laporan Pemeriksaan/Penelitian yang dilakukan oleh :
Seksi : Dinas Luar.
Tanggal : 22 Agustus 1977.
Nomor : 108/KPDL..11b/D.L.I/JPE/77.

3. .....i/p..bukan obyek P.pa.

MENGINGAT :
1. Ordonansi Pajak Pendapatan 1944,
2. Ordonansi Pajak Perseroan 1925,
3. Ordonansi Pajak Kekayaan 1932,
4. Undang-Undang Pajak Penjualan 1951,
5. Aturan bea Meterai 1921,
6. Undang-Undang No. 8 Tahun 1967,
7. P.P. No. 11 Tahun 1967,
8. Undang-Undang No. 9 Tahun 1970,
9. Surat Edaran Direktur Jenderal Pajak tanggal 1 Mei 1970, No. D. 15. 4. 1. 0. 182 - 5 - 70/MPS. MPO.
10. Peraturan Menteri Keuangan Republik Indonesia tentang Penetapan Batas Pendapatan Minimum Kena Pajak.
11. Surat Keputusan Menteri Keuangan Republik Indonesia tanggal 11 Desember 1973 No. KEP. 1287/MK/II/12/1973.

M E M U T U S K A N

MENETAPKAN :
Nama : Yayasan Pendidikan dan Pembinaan Management.
Alamat : Jl. Mentang Raya no.9.
No. Pokok : 218.814.
Terhitung mulai tanggal 1 Januari 1977 DIHAPUSKAN
sebagai wajib-pajak Perseroan.
dari Tata-Usaha Inspeksi Pajak Jakarta Pusat Empat.

Bilamana dikemudian hari ternyata terdapat kekeliruan/kesalahan dalam memberikan keputusan ini, maka Surat Keputusan ini akan dirubah/ditinjau kembali sebagaimana mestinya.

SALINAN surat keputusan ini diberikan kepada yang bersangkutan untuk diketahui.

Jakarta, 11 Oktober 19..77.
KEPALA INSPEKSI PAJAK
JAKARTA PUSAT EMPAT

(SOEMANTRI)
NIP: 060056285

1 OCT 1983

83

H. AID Certification of LPPM's Indigenous Private Voluntary Organization Status

ACTION MEMORANDUM TO THE ACTING DIRECTOR DATE: 6/7/84

THRU : Ms. Margaret Bonner, A/DD

FROM : Victor Pandjaitan, VHP

SUBJECT: Registration of two Indonesian PVOs

Problem: To approve the registration of two more indigenous Private and Voluntary Organization (IPVOs) with USAID.

Background: Annex A of the Project Paper (copy attached) from PVO Co-Fi II (Project No. 497-0336) sets criteria for the registration of IPVOs with AID. The Mission Director approved an action memorandum, dated May 26, 1982 (copy attached) which established procedures for the Mission to certify eligibility of IPVOs for registration. During the month of November 1983 a survey team comprised of staff from FIN/FA and VHP reviewed the application of the following two IPVOs.

1. Yayasan Bantuan Hukum Indonesia (YBHI)
2. Yayasan Pendidikan dan Pembinaan Manajemen (LPPM)

The report of our surveys with recommendations is attached. We have found that both organizations namely: 1. Yayasan Bantuan Hukum Indonesia (YBHI); 2. Yayasan Pendidikan dan Pembinaan Manajemen (LPPM) meet the criteria the Mission has established for registration. These two organizations have proven themselves to be well managed, private legal entities which follow standard accounting practices and have independent boards of directors.

Discussion: Currently there are more than 4,000 IPVOs scattered throughout Indonesia. Many of them have expressed an interest in becoming registered with USAID. Current staff level limits VHP's ability to deal with an increasing number of PVO clients directly. Therefore VHP continues to prefer to deal with the better established and experienced local groups particularly those which can act as brokers to smaller organizations. It is likely that other organizations eventually will be registered. It is VHP intention to gradually increase the number of IPVOs participating in the Co-Fi program. VHP believes that with more competent IPVOs registered with USAID there will be more chances for the Mission to select good projects to support, assuming sufficient funds are available. Prior to this action the Mission Director has approved the registration of eight Indonesian PVOs.

In undertaking the survey it was found that Yayasan Bantuan Hukum Indonesia (YBHI) had not obtained a certificate of tax exemption. We were told that this institute has submitted its application for such exemption but the government is reluctant to act. However, the non-profit character of this institute has been established by the team. Therefore while this organization does not exactly meet this one criteria, this organization is in substantial compliance with all of the criteria for eligibility.

The approval of these registrations would bring the total number of Indonesian PVOs registered with USAID to ten.

Recommendation: That you approve the recommendation of the survey team to register these two Indonesian PVOs by approving this memorandum and signing the attached certification of registration, a copy of which will be forwarded to FVA/PVC in Washington and to the GOI Secretariat Cabinet.

Approved: Robert K. Clark

Disapproved: _____

Date: 6/7/84

Clearance:
VHP:WNorth (draft)
EED:JTarter JT
RD:RDakan
LA:LChiles

VHP:as

VHP-2, C&R-3

Annex I Project Issues

Project Issues

1. Issues Revised in PID Approval Cable

The PID approval cable (State 043978) gave the Mission the authority to authorize the project provided that the primary beneficiaries are small and medium sized firms and that a financial plan is developed for LPPM to meet its recurrent costs without depending on AID funding after project completion. For analysis and discussion of the latter, see Part VIII, Financial Analysis. That analysis fully demonstrates that LPPM is now and will be at project completion meeting its recurrent costs without AID assistance. For a discussion of the beneficiary impact on small to medium sized businesses, see Part II, section C.7., Beneficiaries. That section demonstrates that over 75% of the Institute's teaching and consulting time is directed at medium to small enterprises. The project will increase the number of contacts with small and medium enterprises through expanded consulting and outreach activities, and it is expected that the overall institutional percentage of small to medium sized enterprise recipients will increase.

The PID approval cable identified two areas of concern:
1) the possibility of use of small business, 8(A) and socially disadvantaged firms as project design or implementation contractors, and
2) various design issues that the Mission was to resolve during project paper preparation.

With respect to the first area, the Mission has conducted a through review of this project and has determined that it would be inappropriate to contract it through the use of 8(a) firms. This finding is based on the diverse and highly technical skills needed for the short term consultancies planned for the project, as well as the need to coordinate the long and short term participant training activities with the institutional and professional directions that result from these consultancies.

Ten design issues were left to the Mission to address during project preparation. The first issue identified Washington's concern that the new MBA program will shift LPPM's primary target clientele from small and medium to large business concerns. Two facts resulted from project preparation analyses that indicate that LPPM's creation of an MBA program will not shift its focus. First, it already has a ten month, management preparation course that enrolls approximately 50 students per year. The MBA course will triple this level to approximately 150 per year out of an approximate total customer contact of 12,000. Of this yearly 12,000, approximately 9,000 are from small to medium sized enterprises. Thus, assuming no other intervening factors, an increase of 100 students per year will not substantially skew the number of small and medium sized business recipients of LPPM's services. Secondly, only ten of the 42 participants trained in the project will be assigned to the MBA

program. This repesents approximately 25% of total training for a cost of approximately $500,000 from a total of $6,407,000 or eight percent. The remainder of the training, 32 long term and 45 short term participants and approximately 495 person months at LPPM are all focused primarily on non- MBA related activities.

The second design issue is identified as the extent to which LPPM will be able to meet its recurrent costs after project completion. The financial analysis indicates that LPPM is currently in sound financial condition with current net profit of 15.2% of income and total equity at 60% of total assets.

The third issue is identified as the extent to which the GOI pledges supports to the project. Included in the section entitled "AID Certification of LPPM's Indigenous Private Voluntary Organization Status" is the original GOI Ministry of finance letter (dated 11 October 1977) certifying recognition of LPPM by the GOI as a tax exempt organization. A second letter from the Ministry of Finance (found in the section entitled "GOI Support Letter") states that the GOI recognizes this project as a legitimate undertaking and that the tax exempt status of LPPM will be applied to all goods and services procured through project finances.

A subsidiary issue under this heading is whether or not the LPPM MBA degree will be recognized by the GOI Ministry of Education. It most probably will not, but we are confident that non-recognition will not diminish its value. The current ten month course offers no recognized degree but consistently has 20 times the number of applicants that it can accept. It is the Mission's opinion that the LPPM MBA graduate will have no trouble being placed in the Indonesian management ranks.

A fourth issue in the approval cable is the extent to which AID financed goods and services are free from identifiable taxes. The Ministry of Finance letter referred to earlier guarantees that all project financed goods and services will be free from taxes.

A fifth concern centers on how women are integrated into the project. The social analysis section of the project paper indicates that LPPM has demonstrated a strong commitment to WID concerns in its past employment practices with 19% (or ten out of 62) of its professional staff being women. Its recruitment plans call for 20% of the planned new positions to be filled by women and its training plan calls for the sending of four women (out of a total of 42) for advanced degree training.

Issue six identified PRE concerns as to the name, types of activities, location and sizes of recipient clients of LPPM's training, outreach and consulting activities. The training and outreach section is designed so that the organizations to be assisted in Outreach I and II are identified for the first two project years. The names, types, facilities, locations and sizes are found in the project files in the questionnaires developed for the organizations assisted in Outreach II. Separate information for the assisted institution in Outreach I is also located in the project files.

A subsidiary concern is expressed as to the need to insure that LPPM MBA and PhD participants are trained in institutions that emphasize operational business as opposed to theoretical skills. The proposed areas of training for both PhD and MBA participants are identified on Page 19 of the project paper. The majority are focused on operational business skills because this is primarily what LPPM's market demands of it as an educational institution.

Issue seven expressed concern that the two and three year training periods planned for MA and PhD candidates is not long enough. Two factors have produced these. First LPPM plans approximately 15 of the 32 MAs to be twelve month Master of Science in Business degrees and the remaining 17 to be MBAs. MBA participants could train as long as 36 months without raising the average length of training above the 24 months now planned for MA participants. The 36 months allocated for PhD participants is variable, but the Mission prefers to leave the planning figure at this level and make adjustments later if necessary.

The English language level of participants is not anticipated to be an impediment to timely departure for the following reasons: 1) the planned first ten departing participants (LPPM financed in 1984) already have the necessary English levels to be accepted for training, 2) LPPM has its own successful in-house English language training program and is now training planned 1985 participants who are in need of English language training. It will do the same for future participants.

Issue eight identified the need to set aside specific funds for evaluations. This has been done. See the Project Financial Plan and the Project Activity Budget.

Issue nine identified the need to show AID costs for each major project activity. This has been done. See the Project Activity Budget.

Issue ten identified a concern for the effect AID assistance to LPPM might have on competing institutions.

Pre-PID analyses of competing institutions (see reports by William Schaffer in project files) identified only two institutions that are potential LPPM competitors: the Institut Manajemen Prasetiya Mulia and the Indonesian Management Institute. These analyses concluded that

the Indonesian Management Institute, which plans to begin an MBA program in 1984 that will be conducted exclusively in English and carry an approximate eight to ten thousand dollar tuition, is aimed at a target clientele that is not in competition with LPPM. Schaffer's analysis of the Institut Manajemen Prasetiya and subsequent corroboration indicated that the institution is 1) serving a narrower ethnic audience than LPPM and 2) is institutionally unstable and therefore not likely to be a legitimate competitor throughout project life.

The issue of determining the likely effect of project assistance to LPPM consulting activities in terms of its effect on competing institutions offering similar services has not been addressed because the nature of the assistance and the final structure of the consulting services is left open in project design. This fact makes it impossible to perform the sort of analysis suggested; however, an analysis of the competitive effect of project assistance to LPPM's consulting activities is suggested as one of the questions to be addressed in the mid term and final project evaluations.

2. Project Risks

The major risks this project faces are those associated with training 42 staff members and identifying 40 new ones. The project is designed with a covenant to the release of training funds. The covenant requires LPPM to demonstrate conclusively that the institution can afford to release each batch of proposed participants. This plan will identify new recruits, their job assignments and the impact of this on the Institute's work and income. Even with these controls on project disbursements, a risk remains that LPPM will not be able to recruit suitable replacements and therefore project implementation may be delayed.

The identification, by name and proposed general training program, of the 42 participants has been produced. They meet most of the established criteria, with the exception of acceptance to academic programs and demonstrated English levels. Thus there appears to be little risk that the candidates for training cannot be found.

A second important area of risk is in finding recipients of the assistance offered through the outreach program. This project segment is designed for biennial searching and restructuring, but the existence of qualified and interested recipient institutions is not guaranteed.

(Doc. 4231A)