

CITANDUY RIVER BASIN
INTEGRATED DEVELOPMENT PROJECT
(Citanduy II)

CIAMIS, WEST JAVA



JUNE 1984

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in association with

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RURAL CREDIT PROGRAM

TERMINAL REPORT

Prepared By

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JUNE 1984

BANDUNG, WEST JAVA

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I. EXECUTIVE SUMMARY

I. EXECUTIVE SUMMARY

A. GENERAL COMMENTS

As of the writing of this terminal report the Citanduy Rural Credit Program has been operational, from a lending perspective, for a period of just two months. Hence the writing of a terminal report at, in essence, the beginning of a program is a bit of a misnomer and is illustrative of an inherent weakness in foreign aid programming.

Thus, this "terminal report" does not treat the subject matter from a terminal perspective. Rather, it attempts to present a chronological accounting of credit program development to the present.

As, to date, less than ten percent of the lending institutions scheduled to participate in lending activities under the program have actually done so, much of the implementation task and most of the lessons to be learned from this rural credit experience remain before us. Yet, when one considers the zero-base from which this program has evolved, it may be concluded that much has been achieved during these past twenty-one months.

The Indonesian government agencies involved in this program, particularly the Bank Pembangunan Daerah Jawa Barat, the Bank Pembangunan Daerah Jawa Tengah, BAPPEDA Jabar and BAPPEDA Jateng, have demonstrated a clear commitment and ability to design and implement a credit program of this size and complexity. Their unyielding determination to pursue the implementation of this credit program in a manner which is consistent with Indonesian culture and

values and at the same time does not compromise the standards of professionalism will, in the end, earn them the type of success to which they endeavor, namely; a lasting success.

B. CREDIT PROGRAM DEVELOPMENT OVERVIEW

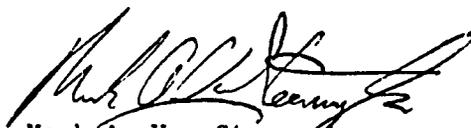
The RMI rural credit advisor arrived in Indonesia on 01 June 1982. His first three months were devoted to orientation and language study. Implementation of the credit component of the Citanduy II Project essentially began in September 1982 and was devoted during the remainder of that year to establishing component objectives, reviewing rural credit programs underway in other parts of Indonesia and selecting primary and secondary lending institutions to administer the project's lending program.

The first quarter of calendar year 1983 was devoted to the design of a credit program implementation plan for West and Central Java. During the second quarter of 1983 rules and regulations governing lending operations were completed and the process of designing operational lending guidelines and procedures initiated. Additionally, a proposal was completed during this period for international credit-related short-term training for selected government and bank officials. This program was, however, cancelled in October of 1983. The third quarter of 1983 focussed on the task of completing operational lending guidelines and procedures and designing accounting procedures and a reporting system for the new lending program. During the fourth quarter of 1983 the West Java implemen-

tation plan was approved, Project Implementation Letter (PIL) No. 28 was issued and the West Java Governor issued policies and procedures governing lending under the new program. Training was also provided during this period for all first-year field staff.

Preparation for initiating lending in West Java was completed during the first quarter of 1984. At the request of the Governor of West Java, the central bank, Bank Indonesia, agreed to transfer the responsibility for the supervision and management of the secondary banks, BKPD, to the Bank Pembangunan Daerah for West Java for purposes of implementing the Citanduy credit program. Initial lending began in West Java on 26 March 1984. During the month of April 1984 four of the five first-year BKPD had extended loans to farmers (see page 10). Also during April, a final draft of the Central Java credit implementation plan was completed after several months of delay. In May 1984 Project Implementation Letter (PIL) No. 39 was issued and the rural credit advisor completed his contract with RMI (29 May 1984).

Respectfully,



Mark A. Van Steenwyk
Rural Credit Advisor
RMI/Citanduy II Project

29 May 1984

II. CREDIT PROGRAM DESCRIPTION AND IMPLEMENTATION SUMMARY

II. CREDIT PROGRAM DESCRIPTION AND IMPLEMENTATION SUMMARY

1. GENERAL OBJECTIVES

- a) To strengthen existing rural institutional credit capacity in project affected areas of West and Central Java through the improvement of lending policies and procedures, the training of personnel and the provision of certain capital inputs; and
- b) To provide project beneficiaries desa-level access to various types of credit and other financial services through a strengthened structure of rural lending institutions in order to meet stated project objectives.

2. KEY DEVELOPMENT STRATEGY

- a) To promote vertical integration within the rural lending structure as a means of improving program management and supervision and introducing uniformity in policy administration, lending and reporting procedures;
- b) To stress the importance of financial integrity in lending through improved borrower education, better loan servicing and increased loan supervision as a means of building borrower confidence in lending institutions, thereby contributing to higher rates of loan repayment, deposits and profitability;
- c) To ensure a sustained and an accelerating rate of equity growth within program-participating rural lending institutions;
- d) To promote rural savings mobilization as a means of improving rural capital utility through forced and voluntary savings schemes which reward depositors according to a fair market value for the use of their money;
- e) To develop a diversified lending portfolio in order to better meet a broad range of credit services required by beneficiaries, to ensure vertical package financing and to reduce loan loss, and therefore costs, by spreading risk over a wider range of lending activity;
- f) To improve management information systems throughout the lending structure; and
- g) To institutionalize within the lending structure the capacity to conduct initial and on-going human resource development and training for lenders, borrowers, government workers and others who may become involved in rural lending activities.

3. PROGRAM SCOPE

The Citanduy Rural Credit Program will support rural lending and rural lending system development in the four project kabupaten of West Java, namely, Ciamis, Tasikmalaya, Kuningan and Majalengka, and in kabupaten Cilacap, representing Central Java. A total of some sixty (60) Bank Karya Produksi Desa (BKPD) in West Java and nine (9) Badan Kredit Kecamatan (BKK) from Central Java are expected to participate in program implementation by end-of-project. Of these institutions, only eight are scheduled to participate in Year I program lending. Supporting the BKPD and BKK development effort is the Bank Pembangunan Daerah (BPD) from each respective province.

4. IMPLEMENTING AGENCIES

Agencies participating in credit program implementation include: Departmen Dalam Negeri, BAPPEDA Tingkat I & II Jabar and Jateng, BPD Jabar and Jateng, BKPD, BKK, Badan Pembinaan BKPD/LPK, P3RPDAS and others.

5. PROGRAM INPUTS

USAID and the GOI have committed some \$ 4.9 million to support the Citanduy rural credit development program. This assistance will seek to address the two-fold purpose of strengthening the existing rural credit structure and providing financial services to project beneficiaries through that structure by meeting certain institutional development and lending needs. Firstly, capital assistance will be directed toward overcoming existing institutional constraints such as the need for manpower development, facilities improvement and supplemental equipment required to augment training and lending activities. Additionally, program resources will be provided for lending purposes including the provision for loan guarantee and the promotion of equity growth within the lending structure. Technical assistance will also be provided to help address such tasks as establishing program lending policies and procedures, devising a uniform accounting system, improving management information and reporting procedures, and developing an on-going training program to meet human-resource development needs.

6. PROGRAM OUTPUTS

The timely, well-managed application of inputs are expected to yield the following measurable end-of-program outputs:

- a) A vertically integrated rural lending structure operating profitably and providing financial services in all project expansion areas;
- b) Real net gain in on and off-farm income and employment generation resulting from the presence of the rural lending system;
- c) A minimum 100 percent equity growth in participating rural lending institutions;
- d) A network of rural lending institutions providing a broad-range of credit services, previously not available through institutional sources, to meet the credit demand of project beneficiaries;
- e) A strong rural savings program, demonstrating accelerating growth, rewarding depositors with a fair market return on investment;
- f) An institutionalized training capacity existing within the BPD meeting on-going human resource development needs; and
- g) The presence of an effective system for managing information operating within the vertically integrated lending structure.

STATUS OF CITANDUY CREDIT PROGRAM IMPLEMENTATION
(as of June 1, 1984)

<u>ACTIVITY</u>	<u>INITIATE</u>	<u>COMPLETE</u>	<u>ON-GOING</u>
1. Identification of primary lending institution		X	
2. Identification of secondary lending institutions		X	
3. Development of program implementation plan		X	
4. Identification of target lending areas for Year I		X	
5. Determine resource requirements for Year I activity		X	
6. Conduct baseline data gathering phase		X	
7. General assessment of institutional strengths & weaknesses		X	
8. Develop rules and regulations governing lending		X	
9. Develop international training program*		X	
10. Develop detailed lending guidelines and procedures		X	
11. Upgrade accounting procedures and reporting systems for Year I secondary level lending institutions		X	
12. Complete development of agriculture and non-agriculture lending schemes for Year I lending		X	
13. Conduct program orientation and training for primary and secondary-level lending institution personnel		X	
14. Finalize Governor's Instruction on Credit for West Java		X	
15. Transfer supervision and management of secondary banks (BKPD) from Bank Rakyat Indonesia to Bank Pembangunan Daerah (BPD)		X	
16. Initiate pilot lending in Year I BKPD areas	MAR 84		X
17. Devise monitoring and evaluation (M&E) program for system	MAR 84		
18. Development and introduction of bank classification system	APR 84		X
19. Activate program auditing procedures	APR 84		X
20. Devise personnel recruitment and development program	MAY 84	JUN 84	
21. Initiate personnel development program at primary and secondary levels within the lending structure	JUN 84		X
22. Based on results from M & E program, modify and/or refine lending policies and procedures as necessary	JUL 84		X
23. Begin planning for Year II lending program expansion	JUL 84	SEP 84	
24. Conduct formal evaluation of Year I lending	SEP 84	OCT 84	
25. Based upon evaluation, reassess program plans, objectives, policies and procedures. Modify as necessary	OCT 84	OCT 84	
26. Continue personnel development program			X
27. Initiate Year II lending activities	NOV 84		X

* Program cancelled in October 1983.

CITANDUY RURAL CREDIT PROGRAM REPORT: LENDING STATUS

(as of 01 May 1984)

<u>KABUPATEN</u>	<u>BKPD</u>	<u>BPD LOAN FUND RELEASES TO BKPD (Rp. Million)</u>	<u>LOANS EXTENDED BY BKPD* (Rp. Million)</u>	<u>NUMBER OF HECTARES</u>	<u>NUMBER OF BORROWERS</u>
CIAMIS					
	Panawangan	12.5	7.50	22.3	39
	Cipaku	12.5	6.25	34.0	30
	Rancah	12.5	7.30	74.5	142
	Kawali	12.5	7.25	24.2	47
TASIKMALAYA					
	Ciawi	12.5	-	-	-

	TOTAL	62.5	28.30	155.0	258

Prior to Citanduy participation these BKPD had outstanding loans amounting to Rp. 22.3 million (31/12/83). Total disbursements to date under Citanduy represents a 135 percent increase in their collective lending volumes.

SOURCE: BPD Jabar and BKPD Inspektorat reports.

CITANDUY RURAL CREDIT PROGRAM REPORT: LENDING CATEGORIES

(as of 01 May 1984)
AMOUNT LENT PER CATEGORY
(Rupiah Million)

<u>BKPD</u>	<u>FOODCROPS</u>	<u>LIVESTOCK</u>	<u>FISHERIES</u>	<u>AGR. TRADE</u>	<u>TOTAL</u>
Panawangan	3.70	.80	-	3.00	7.50
Cipaku	6.25	-	-	-	6.25
Rancah	6.55	.25	.50	-	7.30
Kawali	3.75	-	3.50	-	7.25
Ciawi	-	-	-	-	-

TOTAL	20.25	1.05	4.00	3.00	28.30
Percentage	71%	4%	14%	11%	100%

SOURCE: BPD Jabar and BKPD Inspektorat reports.

III. PROGRAM ACCOMPLISHMENTS

III. A. CITANDUY RURAL CREDIT PROGRAM IMPLEMENTATION PLAN
FOR WEST JAVA

CITANDUY RURAL CREDIT PROGRAM IMPLEMENTATION PLAN
FOR WEST JAVA

Prepared By

BAPPEDA TINGKAT I JABAR.

For

THE DIRECTOR GENERAL FOR REGIONAL DEVELOPMENT
MINISTRY OF HOME AFFAIRS

MAY 1983

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DEFINITION OF TERMS, ABBREVIATIONS AND ACRONYMS

BAPPEDA	- <u>Badan Perencanaan Pembangunan Daerah</u> (Planning Body for Regional Development)
BKK	- <u>Badan Kredit Kecamatan</u> (Secondary Lender)
BKPD	- <u>Bank Karya Produksi Desa</u> (Secondary Lender)
BPD	- <u>Bank Pembangunan Daerah</u> (Reg. Devel. Bank)
<u>Desa</u>	- Village
EF	- Equity Fund
GF	- Guarantee Fund
GOI	- Government of Indonesia
IDF	- Institutional Development Fund
JABAR	- <u>Jawa Barat</u> (West Java)
JATENG	- <u>Jawa Tengah</u> (Central Java)
<u>Kabupaten</u>	- District
<u>Kecamatan</u>	- Sub-District
<u>Kelompok</u>	- Group or association
LF	- Loan Fund
MDF	- Manpower Development Fund
M & E	- Monitoring and evaluation
<u>Nasabah</u>	- Borrower
O & D	- Orientation and development
PPL	- Extension worker
<u>Pos Desa</u>	- Village financial post
Primary Lender-	<u>Bank Pembangunan Daerah</u>
Program	- Citanduy Credit Program
Project	- Project Citanduy II
P3RPDAS	- National Regreening Program
Secondary Lender	- BKPD and BKK
USAID	- United States Agency for International Development

I. CREDIT COMPONENT DESCRIPTION

A. BACKGROUND

After more than ten-years of addressing infrastructural development needs relating to water management within the Citanduy river basin under Project Citanduy I special attention was directed to managing lands on the basin's upper-watershed. A second project, known as Citanduy II, was initiated to introduce a set of agronomic practices in upland areas which would, one, significantly reduce the rate of soil erosion, and two, generate an increase in real income and employment opportunities to those people living in upland areas. As such, Project Citanduy II was to move beyond the infrastructural concerns of Project Citanduy I and begin addressing the task of institutional development. As part of this institution building effort Project Citanduy II will seek to develop the following: a) the capacity for generating socio-economic research to be used as a tool for improving overall watershed management; b) the capacity for generating agronomic and other agricultural related research for the purpose of developing appropriate cropping technology for cultivatable uplands; c) a cadre of skilled trainers and extension agents who can conduct technical training for government and private sector personnel engaged in watershed management activities as well as extend agronomic-related technical practices to upland project beneficiaries; d) a strengthened planning ability within local government and the active participation of local government in the management of the upper-watershed; and e) an institutionalized rural credit system which can

finance upland technology expansion efforts as well as income and employment generation programs for project beneficiaries. It is this last institutional concern to which this paper will address itself in the form of a description of the credit systems development component together with a presentation of component implementation strategy.

B. OBJECTIVES

1. General Credit Program Objective?

The general objective of the credit systems development component of Project Citanduy II is to contribute substantially toward the process of institutionalizing, within the life of the project, a viable, credible and vertically integrated rural banking structure within the geo-political boundaries of the Citanduy river basin and upper watershed which is capable of providing credit and other banking services to project beneficiaries at the desa level under fiscally sound and carefully supervised conditions.

2. Specific Program Objectives

Specific objectives of the Citanduy Credit Program are:

- a) to institutionalize a strong rural banking system within the five kabupatens participating in Project Citanduy II by providing the necessary capital assistance for lending and institutional development to some sixty Bank Karya Produksi Desas (BKPD) in West Java and nine Badan Kredit

Kecamatans (BKK) in Central Java during the life of the project;

- b) to support vertical integration within the rural institutional lending structure by strengthening the linkages between the primary lender, Bank Pembangunan Daerah (BPD), and project supported secondary lending institutions, BKPD and BKK;
- c) to strengthen the institutional capacity of the Bank Pembangunan Daerah to function as the primary lender under the project; and
- d) to provide Citanduy II project beneficiaries access to a broad-range of credit and other financial services as a means of stimulating increased income and employment generation in rural areas as well as attaining other important project objectives.

C. ESSENTIAL FEATURES OF THE CITANDUY CREDIT PROGRAM

The Citanduy Credit Program will seek not only to demonstrate the economics and viability of rural credit delivery through established banking intermediaries as opposed to other less-effective channels, but it will also seek to accelerate the process of building a strong rural banking structure which in turn will serve as an important resource for rural development within the country. This section will discuss a number of program features which are viewed as important

and essential to accomplishing this task. Some of the program features herein discussed will focus on development needs which as yet have not been addressed in other Indonesian rural credit development strategies.

1. Developing a Vertically Integrated Credit Structure Capable of Servicing Desa-Level Needs

The Citanduy Credit Program will seek to promote vertical integration within a rural lending structure utilizing the Bank Pembangunan Daerah in West and Central Java as the primary lending institutions and the Bank Karya Produksi Desa in West Java and the Badan Kredit Kecamatan in Central Java as the secondary level lending intermediaries. As secondary level institutions, the BKPD and BKK will continue to function as autonomous lending entities. They will, however, in project affected areas be increasingly brought under the guidance and general supervision of the BPD in terms of program activity and will become increasingly dependent upon BPD as a stable source for loanable funds. As such the BPD as primary lender will necessarily improve its intercourse with and services to the secondary lending institutions.

This two-tiered vertical structure is viewed as important to improving rural credit program planning, coordination, implementation and overall program management. It will also contribute to more efficient programming and utilization of development resources. Additionally this integration will contribute to the longer-term task of helping to institutionalize a national rural lending system.

In addition to developing a strong linkage between the BPD and the BKPD/BKK, the project will assist the secondary lending institutions in their efforts to expand the number of desa posts as a means of bringing credit and other financial services to clientele at the desa level. This is viewed as an essential element within the project for not only expanding lending volume and reducing financial transaction costs for borrowers but also for providing many rural dwellers who otherwise might not have the opportunity access to institutionalized credit.

2. Building a Lending System With Financial Integrity

Financial integrity will be the cornerstone of the Citanduy rural credit program. As such lending procedures will follow sound and proven conventional lending practices of the international banking industry. Such a conventional approach will, however, recognize and adapt itself to meeting the special needs of a developing rural economy. Through a conventional approach the Citanduy Credit Program will seek to create financial incentives for performance. It will eliminate counterproductive program subsidies. And, it will use competition as a means of improving overall lending and savings operations.

Financial integrity will also be measured by sustained and progressive equity growth within the rural banking structure. As such lending policies will insure profitability within the system. Although it is reasonable to expect slower equity growth during the initial years

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of lending activity due to the fact that lending procedures and programs will be in a process of development and refinement, consistent policy will translate into significant equity growth over time. This will strengthen the lending structure by reducing stress, promoting independence, and generating additional capital for further system expansion.

It goes almost without mentioning that equity growth will be directly proportional to loan repayment. Therefore high loan repayment will be an essential ingredient of all project supported lending activities. Special loan supervisory techniques such as the participation of borrowers in their own loan supervision through the use of kelompok and other such institutional groupings will be employed. Additionally, certain system safeguards such as the provision for bad debts and the introduction of a loan guarantee system to which both borrower and lender contribute will be provided.

3. Ensuring a Diversified Lending Portfolio

In order to service the diverse credit needs of various developing sectors of the economy targeted for assistance under the project (some of which are clearly classified as high risk categories for lending) and at the same time protect the financial integrity and therefore the profitability of the lending system, it will be necessary to ensure that participating lending institutions diversify their lending portfolios. Loan portfolio diversification will reduce lending risk by mixing higher risk lending with lower risk loan

activity thereby spreading the higher risk category over a larger volume of lending. As indicated above, this will allow the lending institution the opportunity to participate in higher risk categories of lending where even though credit demand may be high, without a properly balanced loan portfolio, the bank might not otherwise be able to participate.

The need for a policy supporting diversified lending under the Citanduy Credit Program is significant when we consider that a major thrust of our lending activity will be directed toward agricultural production. Agricultural lending in the LDC context is at best a high risk category of lending. When we add to that the uncertainties and difficulties associated with financing increased agricultural productivity in a marginal upland agricultural environment such as exists in most pilot areas of Project Citanduy II the lending risk is further compounded. Fortunately there are other developing sectors where credit demand is high and lending risk minimal which can help diversify (and therefore help to safeguard) the lending activity of participating financial institutions. Such sectors as agricultural marketing and trading activity, agricultural supply and agriculturally-related small-scale enterprises and cottage industries will require financial assistance and at the same time remain fully complementary to and interrelated with the task of increased upland agricultural productivity. Even within the broad category of agricultural production, the Citanduy Credit Program will diversify its lending portfolio. In this way the lending system will remain maximally

responsive to the geographically changing needs for production credit while at the same time spreading risks within the category over a broader range of production.

It should also be noted that support for a diversified lending portfolio under the Citanduy lending program will allow participating financial institutions to offer their clientele a wider range of short and medium-term credit instruments than has to date been provided to rural borrowers under other institutional credit schemes.

4. Emphasizing Savings

The Citanduy Credit Program will as a matter of policy strongly support the rapid development of a rural savings program. Such a savings program will reward depositors with earnings from interest at a rate significantly attractive enough as to serve as an incentive for expanded savings growth within rural areas. The program will support savings mobilization through a joint forced and voluntary approach. Although an actively expanding voluntary savings program will begin slowly, program policy will encourage accelerating savings through this approach over time.

An active rural savings program is viewed as an asset to the overall project credit program as well as to national rural credit system development in that such efforts will help to retain capital in rural areas which otherwise most probably would either remain idle or flow into urban sectors. Such a savings program will also help to generate additional working capital for the lending system (which might not

otherwise be available) which in turn will help augment expanding rural lending activity. As such savings mobilization will help to recycle idle and/or inefficiently utilized capital into priority rural development sectors.

5. Institutionalizing the Capacity to Meet Human Resource Development Needs

The Citanduy Credit Program will support the institutionalization of a training capacity within the Bank Pembangunan Daerah to meet initial and on-going orientation and development needs of human resources within the scope of the program lending environment. This capacity is viewed as essential to the successful evolutionary development process of the Citanduy Credit Program as well as to meeting the human development needs associated with the task of building and expanding and institutionalized rural lending system. As such this training capacity must address a broad range of orientation and development needs. It should provide specialized training for individuals through such programs as: bank management development (primary and secondary institution levels); bank staff development (primary and secondary institution levels); clientele development; and orientation and development for government workers. In the final analysis, the success of the Citanduy Credit Program (both in terms of long-term and short-term objectives) will rest upon the degree to which the program has been able to effectively train people.

6. Creating an Effective Management Information System

As the lending structure being proposed under this implementation strategy is somewhat complex in nature, representing two primary lending institutions, their five branch banks, and sixty-nine secondary lending institutions operating within five kabupatens and two provinces, it will be essential to be able to generate, collect, coordinate, analyze and manage information in an effective, timely and systematic manner. The credit program will therefore seek to establish a management information system capable of servicing program needs. Such system will be managed by the BPD and will be designed in such a manner as to lend itself readily to eventual automated adaptation.

D. SCOPE OF ACTIVITY

The Citanduy Credit Program will support rural lending and rural lending system development in four kabupatens of West Java; Tasikmalaya, Ciamis, Majalengka and Kunigan and in one kabupaten located in Central Java, Cilacap. Within this geographic area the credit program will focus its support on expansion areas for improved upland agricultural technology* as identified under Project Citanduy II and upon lending activities which support alleviating income and employment pressures on critical uplands within the Citanduy upper-watershed.

* It is anticipated that during the life of the project rural credit will be extended to some 4,500 hectares of upland expansion area.

Rural lending institutions identified for participation in the Citanduy rural credit program include the West Java Bank Karya Produksi Desa (BKPD), a rural banking system started in the late-1960s by the Bank Pembangunan Daerah (BPD) and later supervised by the Bank Rakyat Indonesia (BRI), and Badan Kredit Kecamatan (BKK), a non-bank rural lending structure initiated by the provincial government of Central Java in 1972 and now under the supervision of the Central Java BPD.

The size of the lending system to be supported over the life of the project will include some sixty BKPD and nine BKK secondary lending institutions representing some seventy-three percent (seventy-seven percent for West Java and fifty-three percent for Central Java) of the total number of BKPD and BKK within the five target kabupaten. In addition to the secondary lending structure, two provincial-based BPD, together with their five kabupaten branch banks will serve as primary lenders under the program.

Table 1 shows the projected annual rate of institutional participation of BKPD and BKK under the credit program.

E. DURATION OF ACTIVITY

The rural credit component of Project Citanduy II is an on-going development effort which, as other components of the project, will terminate on the Project Assistance Completion Date (PACD), presently September 30, 1986. Funding for the credit program has been budgeted

TABLE 1

BKPD AND BKK ANNUAL INSTITUTIONAL PARTICIPATION
(Expressed in numbers of institutions)

IMPLEMENTATION : YEAR	<u>NEW PARTICIPATION</u>				%	<u>CUMULATIVE PARTICIPATION</u>			
	West Java BKPD	Central Java BKK	Java Total	Total		West Java BKPD	Central Java BKK	Java Total	Total
I	5	3	8	11.6	:	5	3	8	11.6
II	15	6	21	30.4	:	20	9	29	42.0
III	20	0	20	29.0	:	40	9	49	71.0
IV	20	0	20	29.0	:	60	9	69	100.0
TOTAL	60	9	69	100.0					
PERCENT TOTAL	87%	13%	100%						

over a five-year period from fiscal year 1981/1982 through 1985/1986. It is important to note, however, that credit component implementation lags fiscal year budgeting by one year. Although credit system implementation activities are already underway, technically, implementation will commence upon the formal acceptance of this implementation plan by the Department of Home Affairs and by USAID.

F. PARTICIPATING AGENCIES

Agencies participating in the implementation program of the Citanduy lending system are:

1. The Department of Home Affairs;
2. The United States Agency for International Development (USAID);
3. The Badan Perencanaan Pembangunan Daerah (BAPPEDA), Tingkat I & II, West Java and Central Java;
4. The Bank Pembangunan Daerah (BPD), West Java and Central Java;
5. The Bank Karya Produksi Desa (BKPD); and
6. The Badan Kredit Kecamatan (BKK).
7. The Badan Pembina/Inspektorat BKPD/LPK

In addition to the above listed agencies which are considered the primary implementing institutions there are a host of other agencies which will interact and participate to various degrees in overall implementation activities of the credit component of Citanduy II. Among these institutions are: P3RPDAS, BPP, dinas-dinas, village government and others.

II. IMPLEMENTATION PLANNING

A. ADMINISTRATIVE ARRANGEMENTS

1. Roles and Responsibilities of Participating Agencies

a) Department of Home Affairs

The Department of Home Affairs shall serve as the primary action agency of the Government of Indonesia (GOI) under the Citanduy II Project which is responsible for credit program administration. Although technical management of the component is the responsibility of Bank Pembangunan Daerah the Department of Home Affairs will serve to monitor program performance, coordinate program planning between West and Central Java and assist directly in the process of assuring the timely disbursements of GOI annual budgetary allotments, as per the Citanduy II Loan Agreement, for credit component implementation. The Department of Home Affairs will further be responsible for issuing general guidelines and policies governing the use of credit funds in support of overall implementation objectives of the Citanduy II Project.

b) The United States Agency for International Development (USAID)

USAID shall represent the Government of the United States of America as a donor/lender agency which is supporting the implementation of a credit program as an integral component of the Citanduy II Project. As such USAID shall be responsible for approving credit program implementation planning

as well as monitoring credit program implementation. USAID will be responsible for assuring the timely disbursements of U.S. funded annual budgetary allotments, as per the Citanduy II Loan Agreement, for credit component implementation. Additionally, USAID shall be responsible for providing long-term technical assistance to assist credit component design and implementation.

c) Badan Perencanaan Pembangunan Daerah (BAPPEDA), Tingkat I & II, West Java and Central Java

BAPPEDA Tingkat I, West Java and Central Java, shall represent the Department of Home Affairs at the local government level. They shall also represent the provincial government as the agencies responsible for local government development planning. As such, BAPPEDA Tingkat I shall coordinate credit component implementation with other components of the Citanduy II Project. BAPPEDA Tingkat I will also coordinate with BFD by providing planning input into the design of the credit component as well as assisting in the process of monitoring and evaluating program performance. BAPPEDA Tingkat I shall also help to coordinate the timely disbursements to BFD of project-supported annual budgetary allocations for use in support of Citanduy sponsored credit activities.

BAPPEDA Tingkat II, in the five kabupaten participating in credit component implementation, will coordinate the functions of BAPPEDA Tingkat I with the lending program at the kabupaten- level branch banks of the BFD.

d) Bank Pembangunan Daerah (BPD), West Java and Central Java

The Bank Pembangunan Daerah of West Java and Central Java will serve as the primary lending institutions under the project. They shall serve as the sole depository of all funds provided under the Citanduy II Project Loan Agreement for credit purposes. The BPD, West Java and Central Java, shall serve as the principal technical management agency for the Citanduy Credit Program. As such the BPD shall have overall responsibility and authority for credit program planning and implementation. The BPD shall set lending policy and establish lending (and other financial services) procedures governing the operation of the credit systems development program. BPD branch banks will have to extend the roles and responsibilities of the BPD to the kabupaten level of government. As the primary lending institution the BPD shall oversee all lending, savings and other project credit activities extended to project beneficiaries by the secondary lending institutions, the BKPD and BKK. The BPD shall insure that adequate capital and other development resources along with proper controls are extended to the secondary lending institutions, according to plan, in order to allow them to service the financial needs of rural communities and at the same time protect the financial integrity and growth of the lending structure.

The BPD and their branch banks shall coordinate closely with

BAPPEDA, Tingkat I and II, in order to insure credit component coordination with other components of overall project implementation.

e) Bank Karya Produksi Desa (BKPD)

The Bank Karya Produksi Desa shall serve as the secondary lending institution for West Java in the four kabupaten of Tasikmalaya, Ciamis, Majalengka and Kuningan. As such the BKPD in these areas shall be under the direct supervision and authority of the BPD West Java and shall provide financial services to project beneficiaries in accordance with Citanduy credit system policies and operational procedures as prescribed by the BPD West Java.

f) Badan Kredit Kecamatan (BKK)

The Badan Kredit Kecamatan shall serve as the secondary lending institution for Central Java in the kabupaten of Cilacap. As such the BKK shall be under the direct supervision and authority of the BPD Central Java and shall provide financial services to project beneficiaries in accordance with Citanduy credit system policies and operational procedures as prescribed by the BPD Central Java.

g) Badan Pembina/Inspektorat BKPD/LPK

The Badan Pembina/Inspektorat BKPD/LPK shall continue under the project to provide external auditing and financial reporting services for BKPD in pilot kabupaten located in West Java. As such the Badan Pembina/Inspektorat BKPD/LPK shall work closely with and under the authority and direction of BPD in all matters relating to management information gathering, financial reporting and external auditing of BKPD participating in Project Citanduy II.

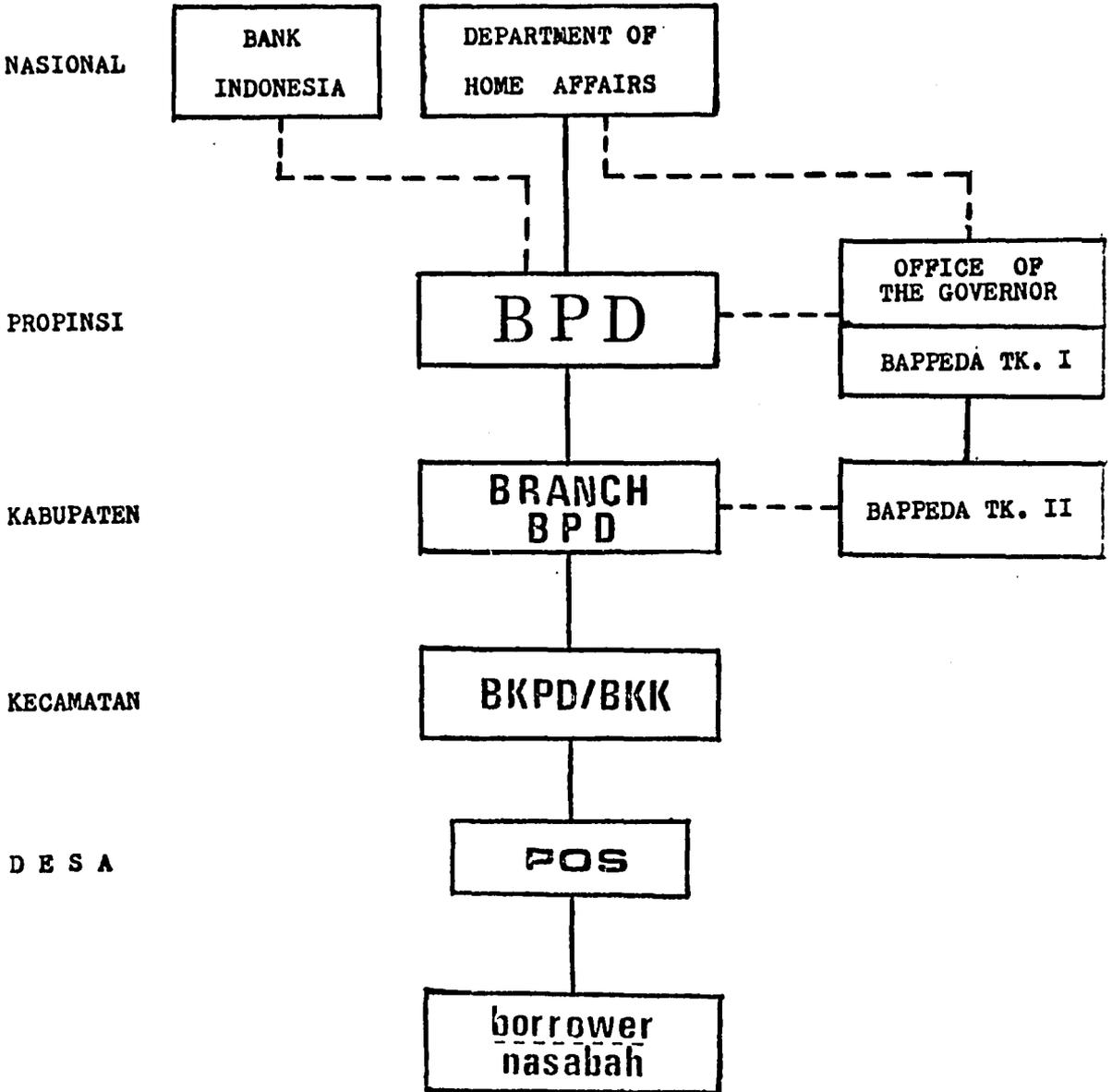
2. Organizational Structure

Chart 1 presents the organizational structure for the Citanduy Credit Program.

CHART 1

ORGANIZATIONAL STRUCTURE

PROJECT CITANDUY CREDIT PROGRAM



----- coordination
 ——— line of operation

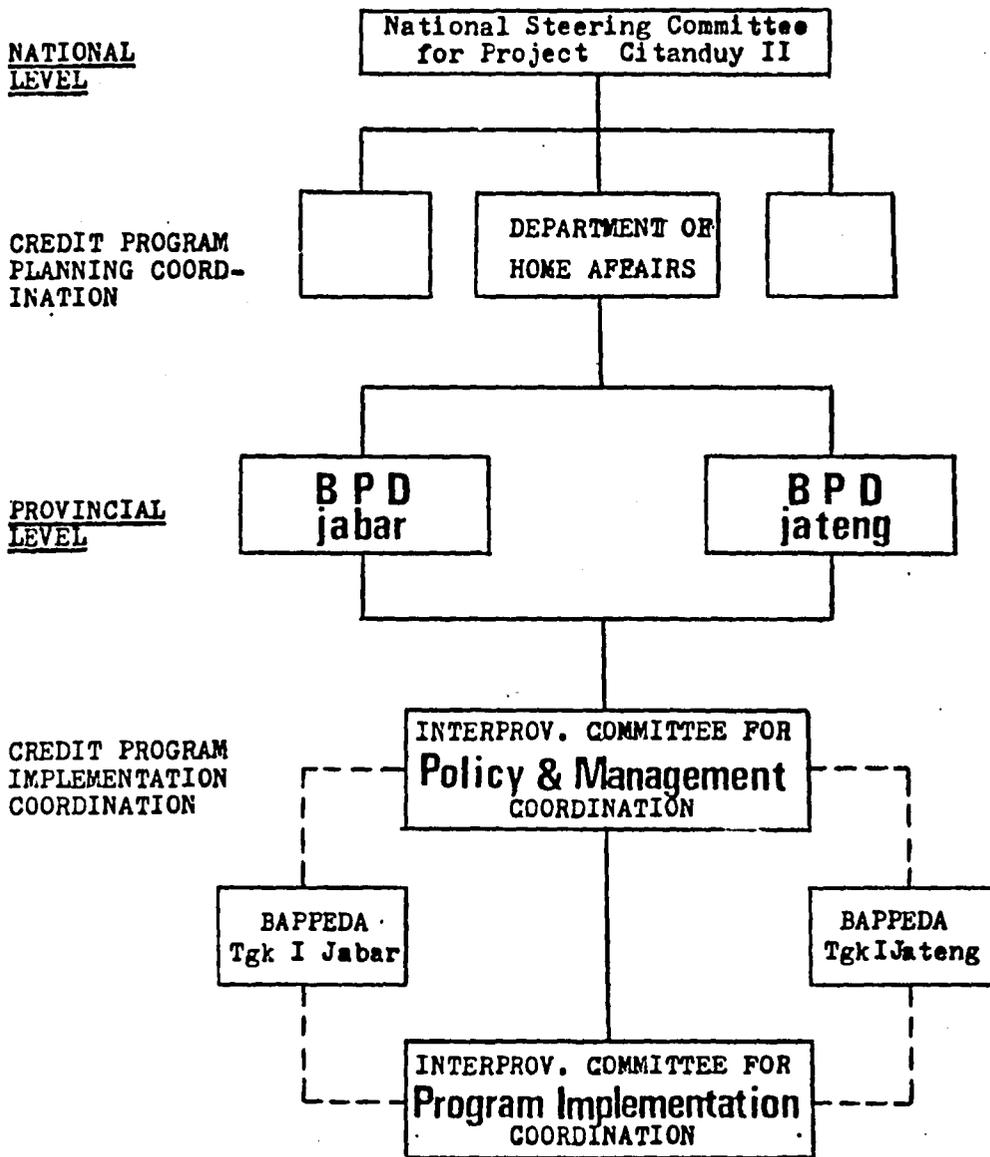
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Chart 2 presents a structure for interprovincial credit program coordination. As mentioned in the preceding section, the Department of Home Affairs shall be responsible for coordinating credit program planning functions between West and Central Java. Credit program implementation coordination between the two provinces at the provincial level will be made possible by the creation of two interprovincial coordinating committees made up of membership from each of the two technical management agencies, the BPD West Java and the BPD Central Java. The first committee will coordinate credit program policy and management between the two provinces. This committee shall meet quarterly and shall be composed of two regular members, one each coming from the directoral level of each BPD, and two ex-officio members, one each from West Java and Central Java, representing BAPPEDA Tingkat I. Each regular member shall alternately preside over regular meetings of the Interprovincial Committee for Policy and Management Coordination.

A second committee will coordinate interprovincial credit program implementation at the working-level. This committee shall also meet regularly on a quarterly basis, or on such a more frequent basis as need dictates. This committee shall be subordinate to the policy and management coordinating committee and shall be composed of seven regular members, five members representing the BPD branch bank management from each of the five kabupaten participating under the project and two members, one each, coming from the bureau management level of the BPD West and Central Java. These two members shall alternately chair all regular meetings of the committee. Additionally, one ex-officio member from West Java shall represent Badan Pembina BKPD and

CHART 2

INTERPROVINCIAL CREDIT PROGRAM COORDINATION STRUCTURE



———— line of operation
 - - - - - line of coordination

two ex-officio members, one each from West and Central Java, will represent BAPPEDA on the Interprovincial Committee for Program Implementation Coordination.*

3. Funding Procedures

Chart 3 presents a funding flow chart for the Citanduy Credit Program.

Annually credit program funding will be provided according to the program budget as contained in the Citanduy II Project Loan Agreement (see Tables, Section II. C.). Fifty-percent (50%) of all credit program funds will come from the GOI through INPRES, and fifty-percent (50%) will come from USAID. The total program funding shall be divided between West Java and Central Java according to a ratio of 60:40 for Year I** and 80:20 for Years II through IV of project implementation. This division is based upon a careful analysis of certain technical factors such as: a) projected credit demand; b) institutional performance; c) new capital absorptive capacity of secondary lenders; d) existing capital resources; e) financial system development requirements; f) magnitude of institutional participation; and g) efficient utilization of project resources.

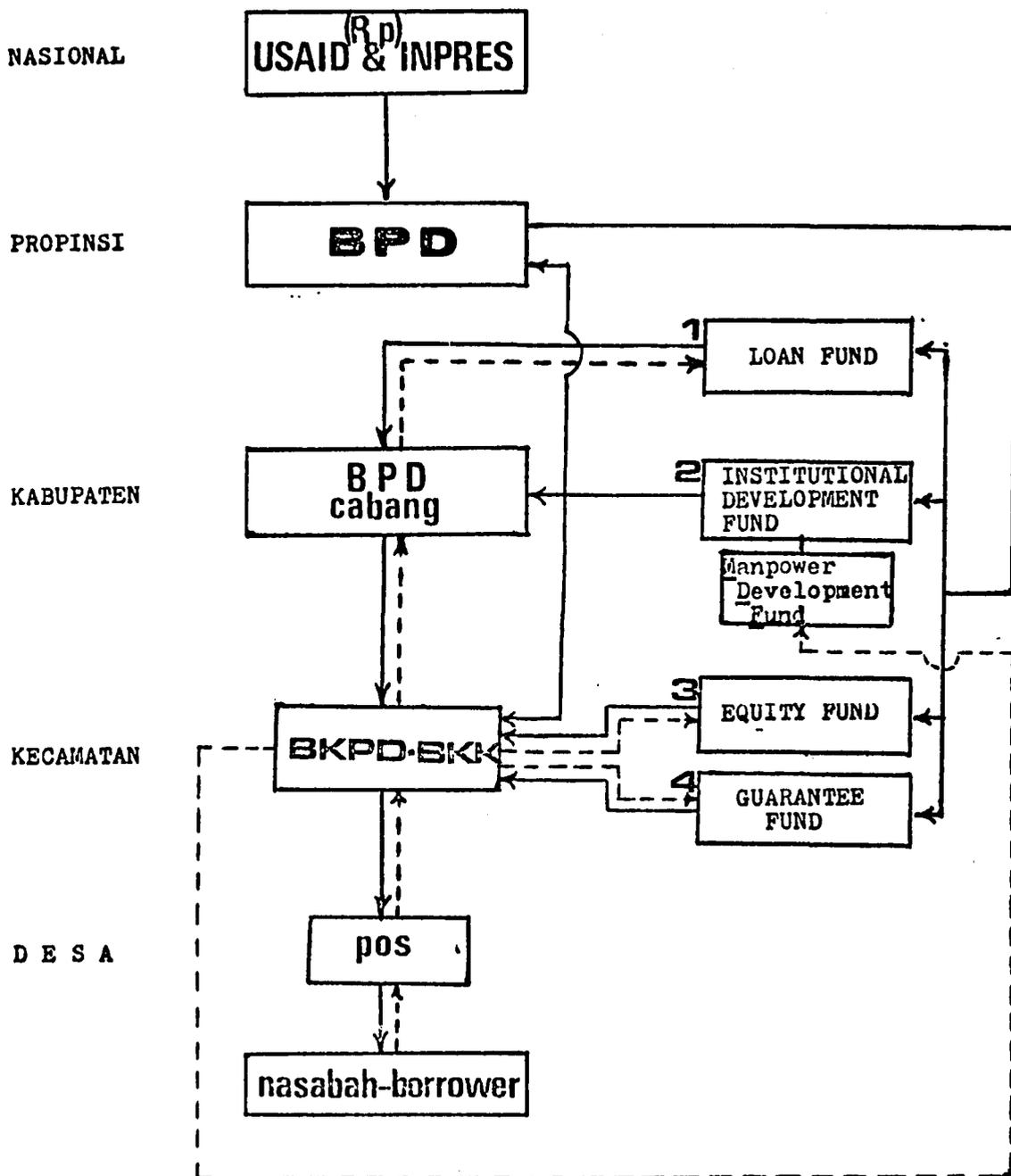
USAID and INPRES source funds are deposited annually, according to budget, in the Bank Pembangunan Daerah Jawa Barat and Jawa Tengah where they are divided into four separate accounts: a) a Loan Fund,

* Funding to cover the cost of administering the operation of the two interprovincial credit program coordination committees shall be drawn from BFD service fees generated from lending activity under the program.

** The Year I division of credit funds between West and Central Java was determined by the Department of Home Affairs prior to the preparation of this implementation plan.

CHART 3

FUNDING FLOW CHART



which is used for the purpose of providing secondary lending institutions access to capital for lending purposes; b) an Equity Fund, which supplements secondary lending institutions' capital structure through term equity investments thereby allowing for expanded lending activity while at the same time encouraging capital growth; c) a Guarantee Fund, which serves as a mechanism to insure system survivability by prorating risk and losses with program participating secondary lending institutions; and d) an Institutional Development Fund, which provides for certain equipment and facilities improvements and manpower development needs within the primary and secondary lending institution structure which are determined essential for program success.

Funds for lending purposes are released from the Loan Fund and transferred to the secondary lender for a specified period of time for on-lending to project beneficiaries according to program lending policies and procedures as prescribed by BPD. If an additional equity investment is determined to be necessary for a particular secondary lender in order to enhance institutional viability and/or expand lending volume, funds are drawn from the Equity Fund and so invested in the secondary lender under an agreement which stipulates that the equity investments are to be retired over a fixed term (ten to fifteen years) and replaced with secondary institution-owned equity. Retired funds then recycle back into the Equity Fund for use again. The Citanduy Credit Program will further provide seed capital for a lending guarantee system. Both borrower and lender will participate in this system. The secondary lender will invest over time

in the Guarantee Fund an amount which is equivalent to at least ten percent (10%) of the operating capital drawn from the BPD Loan Fund at any given time. This will allow the original project-provided seed capital for the Guarantee Fund to be retired over time and recycled into lending activities. Certain institutional development resources will be drawn from the Institutional Development Fund to support the primary and secondary lending structure. Secondary lenders will contribute directly to a manpower development fund to support on-going management and personnel development and expansion needs.

Funding to defray the cost of credit program administration at the primary level will be generated by a service fee paid by secondary lending institutions according to their utilization of Loan Fund resources. Secondary lending institutions are expected to cover all program administrative costs from income generated by lending and savings activity.

4. Reporting Procedures

Secondary lending institutions participating under the program shall be required to submit a credit and savings program status report (together with supplemental operational information as may be requested by the BPD) to the BPD on a monthly basis. The BPD will in turn prepare on a quarterly basis a Citanduy Credit Program status report highlighting program progress, accomplishments, problems and current and future program activity. A copy of this report shall be provided to the following offices: a) Governor; b) BAPPEDA Tingkat I; c) P3RPDAS-Ciamis; d) Department of Home Affairs; and e) USAID.

B. TECHNICAL PLAN

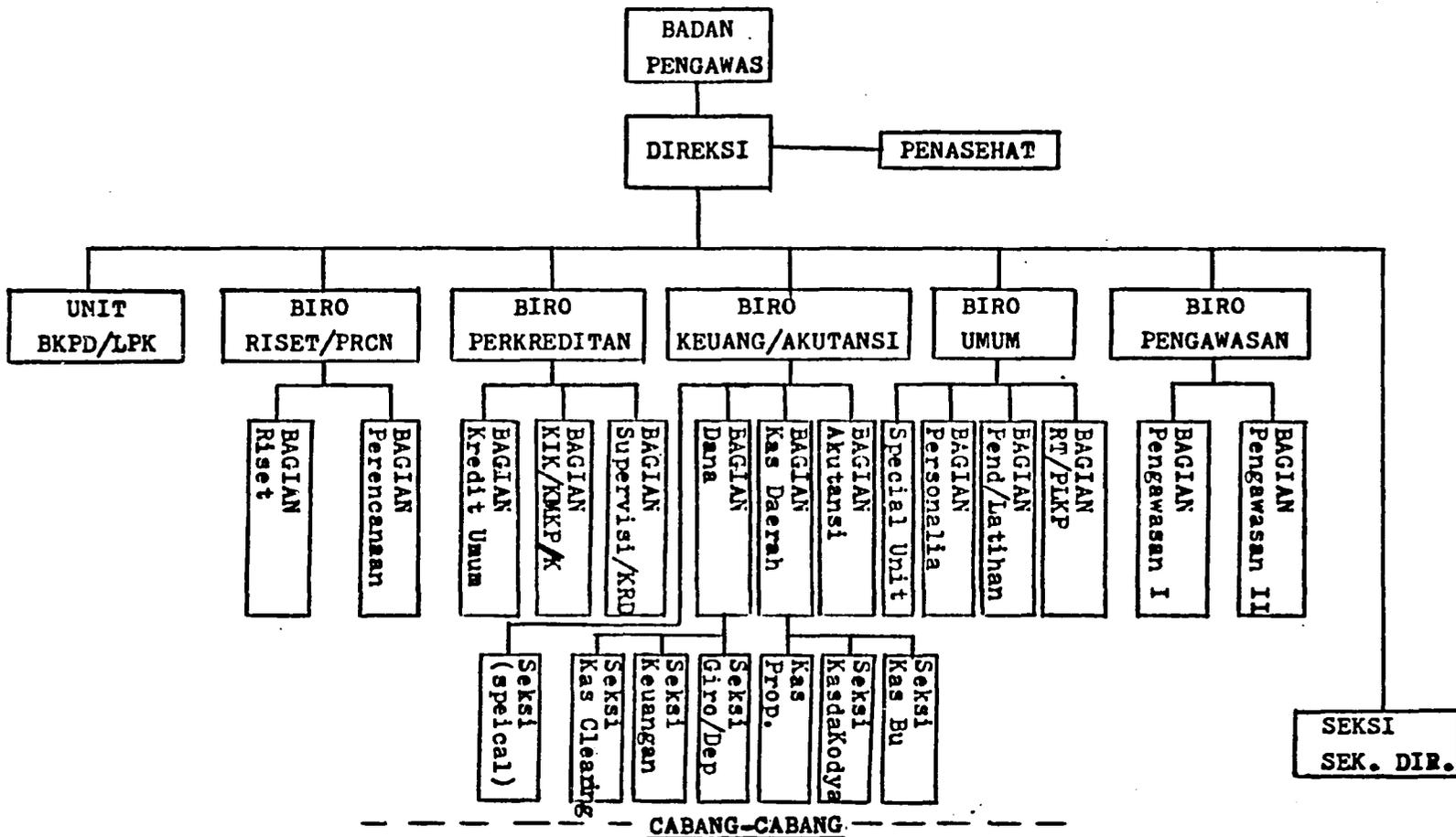
1. Institutional Lending Structure Overview

a) West Java

The primary lending institution under the Citanduy Credit Program for West Java is the Bank Pembangunan Daerah Jawa Barat which was established in 1961. The BPD in West Java has the widest geographic program coverage of any province with nineteen (19) branch banks and one (1) central office servicing the twenty (20) kabupaten within the province. An organizational structure of the West Java BPD is presented in Chart 4. For calendar year 1982 the BPD had a combined credit volume of nearly Rp 30 billion, assets of Rp 54 billion and earnings of Rp 750 million.

In 1966 the Bank Pembangunan Daerah Jawa Barat began organizing one of the first rural banking structures within the country, known as Bank Karya Produksi Desa (BKPD). In 1970 the central government stopped the establishment of BKPD (a total of 217 had been organized between 1966 and 1970) due presumably to the fear that the proliferation of rural banks was outpacing the government's ability to formulate banking law which was adequate to regulate rural banking activities. Three years later, in 1973, the supervision of the BKPD was removed from the BPD and placed under the Badan Pembina BKPD/LPK. Later in 1977 supervision for BKPD was again changed, this time given to the Bank Rakyat Indonesia (BRI), who still supervises the program. Following the 1973 decision Lembaga Perkreditan Kecamatan (LPK), or non-bank rural lending institutions, were allowed to be organized in areas of the province where no BKPD

CHART 4
ORGANIZATIONAL STRUCTURE BPD WEST JAVA



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existed. As of June 1982 a total of 103 LPK had been organized in West Java. The Badan Pembina BKPD/LPK supervised the LPK structure until 1981 at which time all supervisory responsibilities were given to the Bank Pembangunan Daerah Jawa Barat.

Within the four kabupaten of West Java participating in Project Citanduy II implementation only BKPD are found. Some seventy-eight (78) kecamatan-level BKPD exist in these areas representing about thirty-six percent (36%) of the total number of BKPD within the province. BKPD as a rural banking system has not prospered in recent years due in part to the fact that it is dependent upon the BRI for funding. The BRI which also supports its own rural lending network, known as BRI Unit Desa, often has little time, capital and manpower resources to devote to BKPD program expansion. In this regard the Citanduy Credit Program proposes that all supervisory and administrative responsibilities for BKPD in the project supported kabupaten of Tasikmalaya, Ciamis, Majalengka and Kuningan be returned to the Bank Pembangunan Daerah Jawa Barat.

2. Program Inputs

This section will present a technical description of program inputs. A quantitative statement of capital requirements is presented in Section C, Financial Plan. In order to achieve the credit program's

two-fold purpose of strengthening the rural credit structure and providing financial services to project beneficiaries through that structure, the discussion of program inputs is broadly categorized into two groups, institutional development and lending.

a) Institutional Development

Substantial program resources will be designated for lending system development. These resources will be channelled through an Institutional Development Fund (IDF) and utilized for the following purposes:

1) Manpower Development

The Citanduy Credit Program will provide for the establishment of an orientation and development unit within the BPD which will have the capacity to perform recruitment and in-service training for bank personnel at both the primary (BPD) and secondary (BKPD/BKK) levels of the lending structure. This unit once established will be responsible for conducting such training throughout the life of the project. Additionally, this unit will be responsible for initiating a clientele development (borrower education) program for prospective project beneficiaries. The O & D unit will further serve as a resource for educating government workers (project implementors, PPMs, PPLs, etc.) as to their respective roles in the implementation of the Citanduy Credit Program.

In addition to the establishment of an O & D unit and the

conduct of pertinent training, the credit program will further provide a short-term subsidy to assist in the cost of management at the secondary BKPD and BKK levels. This assistance, to be managed by the BPD, will be provided through a special Manpower Development Fund (MDF) and is designed to assist weak secondary institutions during the initial years of their program participation until technical knowhow and increased business volume translate into improved profitability sufficient enough to cover management costs. The Manpower Development Fund (see Table 2) will prorate the cost of management with the participating secondary lending institution over a four-year period with the secondary institution absorbing all management costs beginning the fifth year of program participation.

2) Equipment

The Citanduy Credit Program will provide for the procurement of modest amounts of basic equipment essential to the performance of a sound, adequately supervised and fiscally well-managed lending system. Equipment will be provided on an as needed basis and will supplement useable equipment presently existing within the primary and secondary levels of the lending structure. At the BKPD and BKK level it is anticipated that supplemental office equipment and vehicular support (motorcycles) will be required. The BPD will also require limited vehicular support at the branch and central level together with limited

TABLE 2

MULTI-YEAR SCHEDULE FOR PRORATING MANAGEMENT COSTS
BETWEEN MANPOWER DEVELOPMENT FUND AND BKPD/BKK

(Expressed as a percentage of management costs)

<u>YEAR</u>	<u>M. D. F</u>		<u>BKPD/BKK</u>		<u>TOTAL MGMT. COSTS</u>
I	100	+	0	=	100
II	75	+	25	=	100
III	50	+	50	=	100
IV	25	+	75	=	100
V	0	+	100	=	100

Note: Average annual MDF support equals sixty-two and one-half percent (62.5%) of management costs Years I through IV.

office equipment to be used in support of program monitoring and evaluation, MIS, accounting and orientation and development (training) needs. Additionally, a radio communication (SSB) system will be established between the BPD central and branch offices within project areas.

3) Facilities Improvement

Limited program resources will be provided for the purpose of facilities improvement principally at the BKPD and BKK level. Again, this assistance will be provided on an as needed basis and will be utilized to bring the condition of the secondary lending institutions up to minimum working and security standards. Additionally, this assistance will be utilized in order to expand financial services into new areas utilizing village financial posts, or pos-pos desa.

In addition to the types of institutional development assistance described above, the credit program will also receive technical assistance provided by USAID in the form of one long-term rural credit advisor to assist in program design and implementation. This advisor provided through the Department of Home Affairs support to Project Citanduy II shall work closely with the credit program's two primary technical management and lending institutions, the Bank Pembangunan Daerah Jawa Barat and the Bank Pembangunan Daerah Jawa Tengah. Depending on the availability of funding, other short-term technical assistance may be provided during the life of the Citanduy Credit Program to

assist in the development of: (a) a management information system; (b) a uniform accounting system; and/or (c) an orientation and development unit with corresponding training syllabi.

b) Lending

The Citanduy Credit Program will provide substantial resources to support rural lending. Expanded rural lending activity will be made possible by channelling program resources through three special funds, a Loan Fund (LF), an Equity Fund (EF) and a Guarantee Fund (GF), the nature of which are described below:

1) Rural Lending

The Citanduy Credit Program will provide direct capital assistance to meet rural credit demand within the geo-political parameters of Project Citanduy II. The program will provide a diversified portfolio of small-scale multi-sector financing for project beneficiaries under carefully controlled and supervised conditions. Agricultural lending will be the predominant form of finance extended through the desa-level lending system. This will be characterized by the integrated agricultural production financing of proven* agricultural commodities in upland model farm expansion areas as identified under Project Citanduy II implementation strategy.

* Proven agricultural commodities refer to those agricultural activities which have been determined, through applied research as well as other forms of acceptable analytical measure, to hold significant agronomic, economic and social potential for identified project expansion areas.

In addition to production financing, resources will be provided to support lending for small-scale trading and agricultural marketing activities as well as both agriculturally related and non-agriculturally related small-scale enterprises and cottage industries which hold potential for increasing income and employment opportunities for project beneficiaries.

In order to address the credit demand at the desa (village)-level and minimize credit transaction costs to borrowers, secondary lenders will operate a system of village financial posts (pos-pos desa). Additionally, where feasible, the use of borrower groups, or kelompok nasabah, to assist in loan processing, supervision and collection will be encouraged.

2) Equity Growth

In order to allow for the planned significant expansion of lending activity through the sixty-nine (69) secondary lending institutions participating under the Citanduy Credit Program a sustained program of BKPD and BKK equity growth must occur. Under the Citanduy Credit Program a ^{/maximum} debt-to-equity ratio of 5.0:1.0 will be observed for all participating secondary lending institutions (as of June 1982 BKPD in West Java showed an average debt/equity ratio of 2.9:1.0 while BKK in Central Java as of July 1982 showed a debt/equity ratio of 0.9:1.0).

The credit program will provide direct capital assistance

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through a BFD-managed Equity Fund (EF) for the purpose of supplementing existing capital in secondary institutions in order that lending volumes may expand quickly enough to keep pace with projected project credit demand needs. All equity investments made through the Equity Fund to secondary lenders shall be on an as needed case-to-case basis with the lending institutions sharing in any required equity expansion at a ratio of 1:1 with the Equity Fund. Equity investments originating from the program-supported Equity Fund shall be made in the form of preferred capital investment and shall be retired over a fixed term (ten to fifteen years) and replaced by secondary institution-owned equity. Retired equity investments shall cycle back into the Equity Fund for reuse.

3) Loan Guarantee

Due in part to the high risk nature of small-scale agricultural lending, limited managerial experience, and uncertainties resulting from the experimental nature of Project Citanduy II's credit activities, it will be necessary to guarantee the survivability of the lending system during the formative years. While it is important to provide desa-level financial services and meet local credit demand it is equally important for BKPD and EKK to protect their financial integrity as lending institutions. In an effort to assist in this process the Citanduy Credit Program will provide seed capital for the

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creation of a special Guarantee Fund (GF) which will prorate risk and losses with program participating BKPD and BKK on a percentage ratio of 85%;15%. Additionally, secondary lending institutions will be required to deposit three percent (3%) of the total amount of each operating capital draw down from the BPD-managed Loan Fund in the program Guarantee Fund. These deposits shall continue until the particular secondary lender has accrued an unimpaired investment in the Guarantee Fund of ten percent (10%) of the maximum outstanding Loan Fund draw down for any particular period. Whenever this investment is reduced below the ten percent (10%) of Loan Fund-source operating capital, due to losses charged against the Guarantee Fund or because of expanded volume of operating capital draw downs from the Loan Fund, the guarantee retention program would be resumed and would continue until the proper level is again reached. As BKPD and BKK investment in the Guarantee Fund increases over time the original program provided Guarantee Fund seed capital can be retired and recycled into lending through the Loan Fund.

In addition to the BKPD and BKK investments in the Guarantee Fund borrowers too will be asked to participate directly in loan guarantee. Each borrower will be required to invest an amount equivalent to two percent (2%) of each loan into a separate interest bearing (interest accruing to borrower) guarantee account to be managed by the secondary lender. In the case of loan default, borrower investments in loan guarantee would

be the secondary lending institution's first line of insurance for loan repayment. If such investments were inadequate to cover all of the loss incurred then, as a secondary measure, the Guarantee Fund would be called upon to prorate the remaining loss.

3. Program Outputs

It is expected that the timely, well-managed application of program inputs described in the preceding section, together with an appropriate monitoring system to insure the same, will result in the following measurable end-of-program outputs:

- a) A vertically integrated rural lending structure operating profitably and providing financial services in all project expansion areas as well as in at least seventy percent (70%) of the geographic area of the five project-participating kabupaten;
- b) Real net gain in on and off-farm income and employment generation resulting from the presence of the rural lending system;
- c) An average equity growth of one hundred percent (100%) in rural lending institutions participating in program implementation;
- d) A network of rural lending institutions providing a broad-range of credit services, previously not available through institutional sources, to meet the credit demand of project beneficiaries;

- e) A strong rural savings program, demonstrating accelerating growth, which rewards depositors with a fair market return on investment;
- f) An institutionalized training capacity existing within the Bank Pembangunan Daerah meeting on-going human resource development needs; and
- g) The existence of an effective system for managing information operating within the vertically integrated banking structure.

4. Implementation Strategy

a) Lending System Rules and Regulations

The lending system rules and regulations are the internal banking policies governing the overall operation of the lending system. As two primary lending institutions, the Bank Pembangunan Daerah Jawa Barat and the Bank Pembangunan Daerah Jawa Tengah, representing two different provinces will be involved in the technical management of program implementation, it will be necessary to develop separate lending rules and regulations for West Java and Central Java. While it is expected that rules and regulations governing Citanduy lending will be quite similar between the two provinces, variations in specific policies are anticipated. Additionally, each set of rules and regulations must be approved by the governing board of each BPD prior to initiating lending activity.

TABLE 3

OUTLINE FOR THE PREPARATION OF RULES AND
REGULATIONS GOVERNING CITIZENRY II LENDINGSECTION

1. Preliminary Statement
2. Definition of Terms
3. General Credit Policies
4. Types of Financing
5. Authorized Lenders
6. Eligible Borrowers
7. Credit Requirements
8. Amount of Loan
9. Loan Periods
10. Collateral Security
11. Interest Rates
12. Loan Repayment Schedule
13. Lending Procedures
14. Procedures Regulating Use of Loan Fund
15. Procedures Regulating Use of Equity Fund
16. Procedures Regulating Use of Guarantee Fund
17. Use of Funds Borrowed: Diversion
18. Loan Monitoring and Servicing
19. Default: Foreclosure
20. Amendments
21. Effectivity

Although a number of the basic lending policies governing Citanduy lending are discussed in other sections of this implementation plan, the implementation plan in itself is not a suitable format for a comprehensive discussion of detailed lending rules and regulations. Within thirty (30) days of the acceptance of this implementation plan detailed rules and regulations governing Citanduy II lending shall be prepared by the BPD West Java and the BPD Central Java and copies forwarded to the Department of Home Affairs, USAID and other pertinent participating agencies. An outline of a proposed format for the preparation of lending system rules and regulations is presented in Table 3.

b) Lending Procedures

Specific lending procedures must be developed prior to the initiation of any lending activity. Detailed lending procedures will be incorporated within or annexed to the lending system rules and regulations. Program lending procedures will present pertinent procedures governing loan application, approval, release, supervision and collection. The responsibility for the preparation and revision of program lending procedures shall rest with the Bank Pembangunan Daerah Jawa Barat and the Bank Pembangunan Daerah Jawa Tengah.

c) Institutional Participation

Table 4 presents a schedule for annual participation of BIPD

TABLE 4

BKPD ANNUAL PARTICIPATION

IMPLEMENTATION YEAR	BUDGET YEAR	BKPD/WEST JAVA				
		Add./Cum. # BKPD	Kab. CIAMIS	Kab. TASIKMALAYA	Kab. MAJALENGKA	Kab. KUNINGAN
I	81/82 82/83	5/5	Cipaku Kawali Panawangan Ranoah	Ciawi		
II	83/84	15/20	Pamarican Rajadesa Cisaga Panjalu	Manonjaya Pagerageung Indihiang Cineam Rajapolah	Cikijing Talaga	Kedugede Subang Ciniru Selajambe
III	84/85	20/40	Cimaragas Panumbangan Cihaurbeuti Banjar Kalipucang Cikenong	Cibeureum Cisayong Sukaraja Salopa Cigelontang Tasikmalaya kota	Argapura Bantarujeg Maja Sukahaji Rajagaluh	Cilimus Jalaksana Kuningan
IV	85/86	20/60	Banjarsari Padaherang Lakbok Pataruman Cijeungjing CiamisUtara Ciamis Sel.	Cikatomas Salawu Lewisari Karang- nunggal Cikalong Cibaleng	Dawuan Jatiwangi Luwimunding Kadipaten	Luragung Garawangi Cidahu
TOTAL		60/60	21	18	11	10

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TABLE 5

FINANCIAL CONDITION PROFILE OF YEAR I PARTICIPATING BKPD
 (Expressed in Rupiah Million)

BKPD	TOTAL EQUITY	TOTAL DEBT	TOTAL ASSETS	DEBT/EQUITY RATIO	LOANS OUTSTANDING	GROSS INCOME	OPERATING EXPENSES	NET INCOME
<u>BKPD (as of Nov.82)</u>								
1. Cipaku	2.73	5.68	8.41	2.1:1.0	5.94	2.22	2.22	.00
2. Kawali	2.85	4.13	6.98	1.4:1.0	5.87	2.40	2.35	.05
3. Panawangan	2.69	7.41	10.10	2.8:1.0	8.96	3.44	3.12	.32
4. Rancah ✓	2.64	4.56	7.20	1.7:1.0	5.62	NA	NA	.05
5. Ciawi	3.18	7.94	11.12	2.5:1.0	8.98	2.37	2.14	.23
TOTAL	14.09	29.72	43.81	-	35.37	-	-	.65
AVERAGE	2.82	5.94	8.76	2.1:1.0	7.01	2.61	2.46	.15

✓ - as of February 1983
 NA - figures not available

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in program implementation. Map 1 depicts the location of those BKPD participating in Year I program implementation. Table 5 provides a profile of the present financial condition of Year I participating BKPD.

5. Credit Program Implementation Timetable

Table 6 presents a timetable for Year I credit program implementation activity.

TABLE 6

CITANDUY CREDIT PROGRAM YEAR I IMPLEMENTATION TIMETABLE

<u>ACTIVITY</u>	<u>INITIATE</u>	<u>COMPLETE</u>	<u>ON-GOING</u>
1. Identification of primary lending institution		Oct 82	
2. Identification of secondary lending institutions		Dec 82	
3. Development of program implementation plan	Dec 82	Mar 83	
4. Identification of target lending areas for Year I	Jan 83	Feb 83	
5. Determine resource requirements for Year I activities	Feb 83	Mar 83	
6. Conduct baseline data gathering phase	Mar 83	Mar 83	
7. General assessment of institutional strengths and weaknesses, primary and secondary levels	Mar 83	Apr 83	
8. Develop rules and regulations governing lending	Feb 83	Apr 83	
9. Conduct program orientation for primary and secondary-level lending institution personnel	Apr 83	Apr 83	
10. Develop international training proposal	May 83	Jun 83	
11. Development and introduction of uniform accounting system for secondary level lending institutions	May 83	Jun 83	
12. Develop detailed lending guidelines and procedures for specific lending programs to be initiated during Year I lending activities	Apr 83	May 83	
13. Devise monitoring and evaluation (M&E) program for all lending activities	Jun 83	Jun 83	
14. Development and introduction of lending institution classification system at secondary level	Jul 83	Jul 83	
15. Initiate pilot lending activities	Jul 83		X
16. Activate program auditing procedures	Jul 83		X
17. Devise personnel recruitment and development program	Jul 83	Aug 83	
18. Initiate personnel development program at primary and secondary levels within institutional lending structure	Aug 83		X
19. Based on results from M & E program, modify and/or refine lending policies and procedures where necessary	Sep 83		X
20. Begin planning for Year II lending program expansion	Oct 83	Dec 83	
21. Conduct formal evaluation of Year I lending activities	Dec 83	Jan 84	
22. Based upon evaluation, reassess program plans, objectives, policies and procedures. Modify where necessary	Jan 84	Feb 84	
23. Continue personnel development program			X
24. Initiate Year II lending activities	Mar 84		X

C. FINANCIAL PLAN

The following financial plan is presented in two parts. The first part deals with the program budget while the second part presents relevant financial information on West Java rural lending institutions.

The attached Tables 7-9 present detailed program budgeting for West Java. Allowances have been made for contingency and inflation factors. Inflationary rates have been computed at an annual rate of ten percent (10%).

Tables 10-13 present recent data on the financial condition of BKPD in West Java.

TABLE 7

CITANDUY CREDIT PROGRAM BUDGET FOR WEST JAVA
(Expressed in Rupiah Million)

IMPLEMENTATION/ BUDGET YEAR		LOAN FUND 60%	GUARANTEE FUND 7%	EQUITY FUND 5%	INSTITUTIONAL DEVEL. FUND 28%	GRAND TOTAL 100%
I	FY 81/82 & FY 82/83	66.92	7.81	5.58	31.23	111.54
II	FY 83/84	265.78	31.01	22.15	124.02	442.96
III	FY 84/85	478.32	55.80	39.86	223.22	797.20
IV	FY 85/86	638.69	74.51	53.22	298.06	1,064.48
TOTAL		1,449.71	169.13	120.81	676.53	2,416.18

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TABLE 8

DETAILED LOAN FUND BUDGET FOR WEST JAVA
(Expressed in Rupiah Million)

IMPLEMENTATION YEAR	BUDGET YEAR	CREDIT SECTOR			TOTAL 100%
		AGRICULTURE 50%	TRADE 25%	INDUSTRY 25%	
I	FY 81/82 & FY 82/83	33.46	16.73	16.73	66.92
II	FY 83/84	132.90	66.44	66.44	265.78
III	FY 84/85	239.16	119.58	119.58	478.32
IV	FY 85/86	319.35	159.67	159.67	638.69
TOTAL		724.87	362.42	362.42	1,449.71

TABLE 9

DETAILED INSTITUTIONAL DEVELOPMENT FUND BUDGET FOR WEST JAVA

D A T A N O T Y E T A V A I L A B L E

TABLE 10

BKPD CAPITALIZATION IN TARGET KABUPATEN
(as of 31 December 81)

KABUPATEN	: TOTAL # BKPD	CAPITALIZATION CLASSIFICATION			: TOTAL CAPITALIZATION (capital+reserves) (rupiah)	: AVERAGE CAPITALIZATION per BKPD (rupiah)
		: I-III	: IV-V	: VI-VII		
1. TASIKMALAYA	: 23	: 0	11	12	: 139.481.788	: 6.064.426
2. CIAMIS	: 26	: 0	1	25	: 81.131.273	: 3.120.434
3. MAJALENGKA	: 17	: 0	6	11	: 50.661.218	: 2.980.072
4. KUNINGAN*	: 12	: 2	5	0	: 6.180.893	: 515.074
TOTAL	: 78	: 2	23	48	: 277.455.172	: 3.557.118
TOTAL W.JAVA:	208	: 19	93	91	664.026.852	: 3.192.437
PERCENT	37.5	: 10.5	24.7	52.8	41.8	111.4

* Five BKPD in Kab. Kuningan do not have capital

Capitalization Classification

I-III less than Rp 750.000,
IV-V between Rp 750.000, & Rp. 2.500.000,
VI-VII more than Rp 2.500.000,

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TABLE 11

PROVINCIAL INCOME/LOSS STATEMENT FOR BKPD

DAFTAR PENGHASILAN DAN BIAYA
BKPD PROPINSI DT. I JAWA BARAT
PER. 30 JUNI 1982.

KABUPATEN	PENGHASILAN	BIAYA	RUGI	L A G A
	Rp.	Rp.	Rp.	Rp.
1. Bandung				
2. Subang	57.411.890,85	47.554.379,91	-	9.857.510,94
3. Purwokarta	4.594.245,00	4.488.402,00	-	105.843,00
4. Sumedang	26.424.854,63	23.596.738,00	-	2.828.116,63
5. Garut	28.443.388,46	19.227.095,00	-	9.216.293,46
6. *Tasikmalaya	77.231.534,55	45.537.102,06	-	31.694.432,49
7. *Ciamis	46.037.313,32	41.191.304,35	-	4.846.008,97
8. Indramayu	44.022.947,02	37.013.487,41	-	7.009.459,61
9. Sukabumi	17.514.528,55	15.636.765,42	-	1.877.763,13
10. Kerawang	88.139.335,49	75.168.620,96	-	12.970.714,53
11. *Kuningan	10.053.482,32	8.563.544,00	-	1.489.938,32
12. Cirebon	4.669.558,10	4.312.574,50	-	356.983,60
13. *Majalengka	12.021.018,03	9.438.569,33	-	2.582.448,70
J U M L A H	416.564.096,32	331.728.582,94	-	84.835.513,38

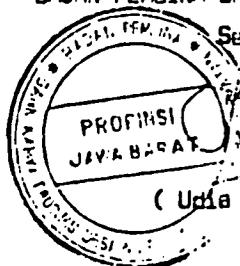
* Kabupaten participating in
Citanduy Credit Program, W. Jawa

Bandung, Oktober 1982.

SOURCE: Badan Pembina BKPD/LPK
Propinsi Daerah Tk. I
Jawa Barat

BADAN PEMBINA BKPD/LPK PROP. DT. I JABAR

Sekretaris,



(Udia Karta Prawito).

TABLE 12
PROVINCIAL BALANCE SHEET FOR BKPD
 GABUNGAN NERACA BKPD PROPINSI DT. I JAWA BARAT
 PER. 30 JUNI 1982.

<u>D E B I T</u>		<u>K R E D I T</u>	
1. K a s a	Rp. 178.740.671,56	1. M o d o l	Rp. 516.757.754,52
2. B A N K	Rp. 90.254.104,02	2. Cadangan Modal	Rp. 177.280.820,33
3. D e b i t u r	Rp. 1.971.815.719,40	3. S i m p a n n n : - Pemerintah	Rp. 144.594.601,37
4. G e d u n g	Rp. 75.585.652,86	- Masyarakat	Rp. 396.269.531,19
5. I n v e n t a r i s ..	Rp. 129.817.734,07	- Lain-lain	Rp. 176.906.737,96
6. R u p a - R u p a	Rp. 239.470.995,55	4. D e p o s i t o	Rp. 247.042.666,60
7.		5. P i n j a m a n	Rp. 802.860.032,30
		6. R u p a - R u p a	Rp. 139.137.219,81
		7. S a l d o l a b a t a h u n b e r j a l a n	Rp. 84.835.513,38
-----		-----	
J U M L A HRp. 2.685.684.877,46		J U M L A H Rp. 2.685.684.877,46	

B a n d u n g , O k t o b e r 1982.

S.E. & O.
 BADAN PEMBINA BKPD/LPK PROP. DT. I JAWA BARAT
 Sekretaris,



(Karta Pruwita).

SOURCE: Badan Pembina BKPD/LPK
 Propinsi Daerah Tk. I
 Jawa Barat

TABLE 13

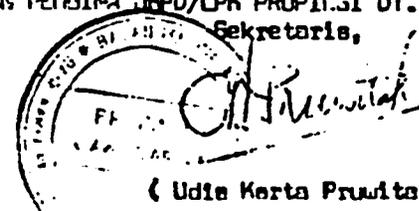
SECTORAL CREDIT VOLUME OF BKPD IN WEST JAVA
(as of 30 June 1982)

KABUPATEN	JML. BKPD	PERTANJIAN		INDUSTRI		PEMASARAN		J U M L A H	
		Rp.	Orang	Rp.	Org.	Rp.	Orang	Rp.	Orang
Bandung									
Suhang	11	71.535.000,-	598	5.210.000,-	28	267.784.000,-	2.980	344.529.000,-	3.606
Purwokarta	4	1.855.000	26	1.940.000,-	19	20.878.540,-	491	24.673.540,-	536
Sumedang	14	72.500.000,-	771	1.615.000,-	31	82.698.500,-	1.606	156.813.500,-	2.408
G o r u t	15	59.950.750,-	482	6.217.400,-	33	171.931.000,-	3.089	238.107.150,-	4.404
* Tasikmalaya	23	124.287.000,-	996	66.065.000,-	421	216.852.000,-	3.132	407.204.000,-	4.549
* Ciampis	26	22.190.000,-	270	-	-	230.144.500,-	5.859	252.334.500,-	6.129
Indramayu	10	-	-	-	-	223.064.550,-	5.454	223.064.550,-	5.454
Sukabumi	8	22.390.400,-	336	14.868.500,-	174	46.444.250,-	1.426	83.703.150,-	1.936
Karawang	14	66.305.000,-	511	18.070.000,-	293	490.173.500,-	12.047	574.548.500,-	12.851
* Kuningan	13	13.847.750,-	524	707.500,-	12	72.672.100,-	3.502	87.227.350,-	4.118
Cirebon	10	515.000,-	20	-	-	26.659.500,-	1.235	27.174.500,-	1.255
* Majalengka	17	3.472.000,-	83	300.000,-	2	74.648.000,-	5.363	83.430.000,-	5.448
J U M L A H	173	463.565.900,-	4.617	114.993.400,-	1.013	1.923.950.440,-	47.064	2.502.809.740,-	52.694

Bandung, Oktober 1982.

* Kabupaten participating in Citanduy Credit Program,
West Java

B-DWI PETUNJUK BKPD/LPK PROPINSI DT. I JAWA BARAT
Sekretaris,



SOURCE: Badan Pembina BKPD/LPK
Propinsi Daerah Tk. I
Jawa Barat

(Udin Karta Prawita).

D. TRAINING PLAN

The following represents an initial attempt to define the parameters of training for the rural credit component of the Citanduy II project.

1. Training Objectives

The basic objectives for a credit training component are:

- a) To institutionalise a training capacity to meet initial and ongoing orientation and development needs of human resources within the scope of the Citanduy II rural lending environment;
- b) To accurately identify and to subsequently satisfactorily address said initial and ongoing orientation and development needs; and
- c) To develop a training approach which is replicable and applicable to other lending environments within Indonesia.

2. Training Methodologies

Although training methodologies for specific training objectives will vary according to need, a general methodology which incorporates a blend of both cognitive and affective development with emphasis upon independent and, at times, experiential learning will be employed. To this end, specific training objectives should be behavioral in nature with corresponding methodologies tailored to fit each need.

3. Training Resources

It is difficult to estimate meaningful capital and physical resource requirements for a training program prior to the development of a training syllabus which addresses orientation and development needs for credit in a comprehensive and detailed manner. However, human resources can be readily identified from a number of sources. As the Department of Home Affairs will play a key role in monitoring the credit delivery system for the Citanduy II project, it can be assumed that personnel as well as capital resources will be drawn from this ministry in support of both training design and implementation activities. It is hoped that BAPPEDA personnel will also participate directly in this process. To the extent that field extension workers will be involved with rural lending activities, personnel as well as limited capital resources can also be expected from the Department of Agriculture. It is anticipated that the most substantial contribution of human resources to the training effort for credit under Citanduy II will come directly from the Banking Sector, which will itself serve as primary lender under the program. Additionally, credit system clientele will also be expected to participate directly in their own learning process. External technical assistance on both a long and short-term basis may also be provided to assist in the planning and conduct of training curricula.

4. Training and Development Needs for a Citanduy Rural Lending System - (Overview)

The establishment of a rural lending system to service the rural credit

needs of project beneficiaries under Citanduy II should be viewed from a long-range development perspective. As such, of paramount importance to the program is the establishment of institutional capacity to recruit, train and provide ongoing development for the personnel who will be required at all levels within the system during the coming years. This institutional capacity should closely align itself to national rural lending development objectives and coordinate its training programs with those of other organizations working toward parallel objectives. The Citanduy rural lending system must work in harmony with national development strategies. It cannot afford to develop in isolation.

An effective credit training program should focus on the development needs of four specific groups, namely: bank management, primary (central) and secondary (field) level; bank staff, primary and secondary level; clientele (small-scale farmers and entrepreneurs); and government workers. Training curricula must be developed for each of these groups which outline a thorough understanding of responsibilities, functions and operations associated with credit program performance. Specialized training for example will be required for credit officers (field technicians) of local lending intermediaries in order to equip them with the knowledge, skills and experience necessary to effectively administer the complexities of supervised lending operations. Educational materials should be prepared for dissemination to clients which cover such topics as financial planning, credit and its utilization, savings, wise borrowing and loan repayment. Emphasis must be given to developing managerial and technical skills within secondary and primary

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lending institutions as well as to defining government's roles and responsibilities in rural lending programs. And, appropriate training curricula should address these areas. Additionally, international training should be incorporated into a personnel development program for key government and bank officials who will be given responsibility for centrally administering the rural lending program. Under the Citanduy Credit Program four (4) short-term training positions will be provided (two (2) for West Java and two (2) for Central Java) for mid and upper-management personnel of the Bank Pembangunan Daerah Jawa Barat and Jawa Tengah. This training will focus on an intensive study of rural lending programs in the Philippines, Korea and the United States. A detailed overseas training proposal shall be prepared by June 1983.

5. Orientation and Development Preliminary Draft Outline for Rural Lending Under Citanduy II

See Table 14.

ORIENTATION AND DEVELOPMENT PRELIMINARY DRAFT OUTLINE
FOR RURAL LENDING UNDER CITANDUY II-

TABLE 14
Page 1 of 3

<u>PROGRAMS</u>	<u>TRAINEES</u>	<u>SUBJECTS</u>	<u>PURPOSES</u>
1. <u>Bank Management Development Program</u>			
a) <u>Basic Course</u>	Bank managers and asst. managers, central & local level	<ul style="list-style-type: none"> - Government policy - Central banking regulations - Countryside banking - Setting objectives - Planning & budgeting - Decision making - Managing information - Accounting & auditing - Legal aspects of rural lending - Rediscounting policies & procedures - Supervised lending, policies & procedures 	<ul style="list-style-type: none"> - To provide bank management with basic knowledge on rural lending - To introduce trainees to management principles pertaining to rural lending - To teach trainees the role of rural credit in development
b) <u>Advanced Course</u>	Bank managers and asst. managers, central & local level	<ul style="list-style-type: none"> - Personnel development - Clientele development - Capital mobilization & Mgmt. - Performance evaluation - Improved supervised lending - Fraud detection - Automation applications - Bank marketing - Related banking services 	<ul style="list-style-type: none"> - To strengthen management skills in order to improve business operations, performance and services to clientele
c) <u>Refresher Course</u>	Senior bank mgmt. staff	<ul style="list-style-type: none"> - Tailored to meet specific training needs of participants 	<ul style="list-style-type: none"> - To further refine managerial skills - To exchange ideas and share experiences

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<u>PROGRAMS</u>	<u>TRAINEES</u>	<u>SUBJECTS</u>	<u>PURPOSES</u>
2. <u>Bank Staff Development Program</u>			
<u>Basic, Advanced & Refresher Courses</u>	Professional bank staff, central & local level	- Tailored to trainee's area of responsibility, including such subjects as:	- To provide participants with a basic understanding of their respective jobs and how each job relates to the work of others and supports the overall operation of the bank as a whole
	i.e.:	- Credit Administration	
	Senior & asst. loan officer	- Rural lending policies & procedures	
	Credit officer	- Farm plan & budget preparation	- To give each participant practical training and experience in his or her respective skill area
	Fiscal officer	- Field loan supervision	
	Cashier	- Accounting systems	
	Accounting staff	- Loan performance evaluation	
	Examiners	- Clientele relations	
	Auditors	- Staff relations	
		- Bank objectives	- To expose bank staff to new and/or improved procedures/programs for servicing clientele
		- Security	
		- Lending criteria	
		- Role of credit & savings in development	- To increase work efficiency, provide a forum for constructive feedback, and improve staff as well as staff/client interpersonal relations
		- Staff roles, functions and responsibilities	
		- Etc.	
			- To provide a program for ongoing staff orientation & development
3. <u>Clientele Development Program</u>			
	Present borrowers, Potential borrowers	- What is the purpose of the local bank & how does it serve its clientele	- To create and promote credit awareness and understanding in rural areas
	i.e.:		
	Farmer leaders, Contact Tani & Kelompok Tani, small-scale farmers, livestock raisers, fisherman & entrepreneurs	- What is credit	
		- How should credit be used	
		- Duties and responsibilities of the borrower	- To provide prospective borrowers with accurate info & answers to their questions concerning the use of institutional credit in rural areas
		- Importance of loan repayment	

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<u>PROGRAMS</u>	<u>TRAINEES</u>	<u>SUBJECTS</u>	<u>PURPOSES</u>
<u>Clientele Dev. Continued</u>		<ul style="list-style-type: none"> - Savings and what they mean to the individual and to the community - Supervised lending procedures - Role of the borrower in loan supervision - Small-scale farm and enterprise management - Integrated financing - Principles and practices of various types of production (tailored to type of activity to be financed by bank) 	<ul style="list-style-type: none"> - To enhance loan supervision, reduce bank overhead, and improve loan recovery by educating the borrower and involving him directly in the process of his own development - To promote savings and capital growth in rural areas as tools for development
4. <u>Orientation and Development for Government Workers</u>	Management, mid-mgmt. & field level government workers participating in Citanduy II implementation	<ul style="list-style-type: none"> - The role of government in rural credit (general) - The goals and objectives of the rural credit component of Citanduy II - Government's credit role under Citanduy II (specific agency roles and responsibilities) - The role of the Banking Sector in providing credit under Citanduy II - Rural credit implementation policies, guidelines and procedures under Citanduy II 	<ul style="list-style-type: none"> - To provide participants with a clear understanding of the goals, purposes and procedures of the Citanduy II rural credit component - To differentiate the roles, functions and responsibilities of the Government and the Banking Sector in credit component implementation - To enhance overall project implementation by promoting complementation and reducing duplication of function.

E. EVALUATION PLAN

The Citanduy Credit Program will receive periodic evaluation following established GOI and USAID procedure. These evaluations will assess the credit component in terms of its ability to attain stated inputs, outputs and objectives. The following shall serve as basic criteria for program performance evaluation:

1. Financial integrity of lending structure
2. Rate of equity growth within lending structure
3. Loan repayment rates
4. Ability of credit system to mobilize savings
5. Ability of credit system to provide desa-level financial services
6. Ability of credit structure to provide a diversified lending portfolio
7. Degree of vertical integration within rural lending structure
8. Presence within lending structure of an effective management information system
9. Institutionalized management and personnel development program within lending structure

In addition to the evaluation mentioned above, primary implementing agencies will conduct a number of surveys, studies and reports which will generate information necessary for evaluating the: a) operational efficiency and relevance of the organization and management of the program; b) ability of program to accomplish scheduled targets; c) socio-economic impact of the program; and d) effect of the program upon the quality of life, attitudes and social awareness of target beneficiaries.

III. B. CITANDUY RURAL CREDIT PROGRAM IMPLEMENTATION PLAN
FOR CENTRAL JAVA (Draft)

CITANDUY RURAL CREDIT PROGRAM IMPLEMENTATION PLAN
FOR CENTRAL JAVA

(D R A F T)

Prepared By

THE BANK PEMBANGUNAN DAERAH JATENG

In Consultation With

BAPPEDA TINGKAT I JATENG

For

THE DIRECTOR GENERAL FOR REGIONAL DEVELOPMENT
MINISTRY OF HOME AFFAIRS

MARCH 1983

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3. - Outline for the Preparation of Rules and Regulations Governing Citanduy II Lending
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5. - Financial Condition Profile of Year I Participating BKK
6. - Citanduy Credit Program Year I Implementation Timetable
7. - Citanduy Credit Program Budget for Central Java
8. - Detailed Loan Fund Budget for Central Java
9. - Detailed Institutional Development Fund Budget for Central Java
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MAPS

1. - Location of Year I Participating BKPD and BKK

DEFINITION OF TERMS, ABBREVIATIONS AND ACRONYMS

BAPPEDA	- <u>Badan Perencanaan Pembangunan Daerah</u> (Planning Body for Regional Development)
BKK	- <u>Badan Kredit Kecamatan</u> (Secondary Lender)
BKPD	- <u>Bank Karva Produksi Desa</u> (Secondary Lender)
BPD	- <u>Bank Pembangunan Daerah</u> (Reg. Devel. Bank)
<u>Desa</u>	- Village
EP	- Equity Fund
GF	- Guarantee Fund
GOI	- Government of Indonesia
IDF	- Institutional Development Fund
JABAR	- <u>Jawa Barat</u> (West Java)
JATENG	- <u>Jawa Tengah</u> (Central Java)
<u>Kabupaten</u>	- District
<u>Kecamatan</u>	- Sub-District
<u>Kelompok</u>	- Group or association
LF	- Loan Fund
MDF	- Manpower Development Fund
M & E	- Monitoring and evaluation
<u>Nasabah</u>	- Borrower
O & D	- Orientation and development
PPL	- Extension worker
<u>Pos Desa</u>	- Village financial post
Primary Lender-	<u>Bank Pembangunan Daerah</u>
Program	- Citanduy Credit Program
Project	- Project Citanduy II
P3RPDAS	- National Regreening Program
Secondary Lender	- BKPD and BKK
USAID	- United States Agency for International Development

I. CREDIT COMPONENT DESCRIPTION

A. BACKGROUND

After more than ten-years of addressing infrastructural development needs relating to water management within the Citanduy river basin under Project Citanduy I special attention was directed to managing lands on the basin's upper-watershed. A second project, known as Citanduy II, was initiated to introduce a set of agronomic practices in upland areas which would, one, significantly reduce the rate of soil erosion, and two, generate an increase in real income and employment opportunities to those people living in upland areas. As such, Project Citanduy II was to move beyond the infrastructural concerns of Project Citanduy I and begin addressing the task of institutional development. As part of this institution building effort Project Citanduy II will seek to develop the following: a) the capacity for generating socio-economic research to be used as a tool for improving overall watershed management; b) the capacity for generating agronomic and other agricultural related research for the purpose of developing appropriate cropping technology for cultivatable uplands; c) a cadre of skilled trainers and extension agents who can conduct technical training for government and private sector personnel engaged in watershed management activities as well as extend agronomic-related technical practices to upland project beneficiaries; d) a strengthened planning ability within local government and the active participation of local government in the management of the upper-watershed; and e) an institutionalized rural credit system which can

finance upland technology expansion efforts as well as income and employment generation programs for project beneficiaries. It is this last institutional concern to which this paper will address itself in the form of a description of the credit systems development component together with a presentation of component implementation strategy.

B. OBJECTIVES

1. General Credit Program Objective

The general objective of the credit systems development component of Project Citanduy II is to contribute substantially toward the process of institutionalizing, within the life of the project, a viable, credible and vertically integrated rural banking structure within the geo-political boundaries of the Citanduy river basin and upper watershed which is capable of providing credit and other banking services to project beneficiaries at the desa level under fiscally sound and carefully supervised conditions.

2. Specific Program Objectives

Specific objectives of the Citanduy Credit Program are:

- a) to institutionalize a strong rural banking system within the five kabupatens participating in Project Citanduy II by providing the necessary capital assistance for lending and institutional development to some sixty Bank Karya Produksi Desas (BKPD) in West Java and nine Badan Kredit

Kecamatans (BKK) in Central Java during the life of the project;

- b) to support vertical integration within the rural institutional lending structure by strengthening the linkages between the primary lender, Bank Pembangunan Daerah (BPD), and project supported secondary lending institutions, BKPD and BKK;
- c) to strengthen the institutional capacity of the Bank Pembangunan Daerah to function as the primary lender under the project; and
- d) to provide Citanduy II project beneficiaries access to a broad-range of credit and other financial services as a means of stimulating increased income and employment generation in rural areas as well as attaining other important project objectives.

C. ESSENTIAL FEATURES OF THE CITANDUY CREDIT PROGRAM

The Citanduy Credit Program will seek not only to demonstrate the economics and viability of rural credit delivery through established banking intermediaries as opposed to other less-effective channels, but it will also seek to accelerate the process of building a strong rural banking structure which in turn will serve as an important resource for rural development within the country. This section will discuss a number of program features which are viewed as important

and essential to accomplishing this task. Some of the program features herein discussed will focus on development needs which as yet have not been addressed in other Indonesian rural credit development strategies.

1. Developing a Vertically Integrated Credit Structure Capable of Servicing Desa-Level Needs

The Citanduy Credit Program will seek to promote vertical integration within a rural lending structure utilizing the Bank Pembangunan Daerah in West and Central Java as the primary lending institutions and the Bank Karya Produksi Desa in West Java and the Badan Kredit Kecamatan in Central Java as the secondary level lending intermediaries. As secondary level institutions, the BKPD and BKK will continue to function as autonomous lending entities. They will, however, in project affected areas be increasingly brought under the guidance and general supervision of the BPD in terms of program activity and will become increasingly dependent upon BPD as a stable source for loanable funds. As such the BPD as primary lender will necessarily improve its intercourse with and services to the secondary lending institutions.

This two-tiered vertical structure is viewed as important to improving rural credit program planning, coordination, implementation and overall program management. It will also contribute to more efficient programming and utilization of development resources. Additionally this integration will contribute to the longer-term task of helping to institutionalize a national rural lending system.

In addition to developing a strong linkage between the BPD and the BKPD/BKK, the project will assist the secondary lending institutions in their efforts to expand the number of desa posts as a means of bringing credit and other financial services to clientele at the desa level. This is viewed as an essential element within the project for not only expanding lending volume and reducing financial transaction costs for borrowers but also for providing many rural dwellers who otherwise might not have the opportunity access to institutionalized credit.

2. Building a Lending System With Financial Integrity

Financial integrity will be the cornerstone of the Citanduy rural credit program. As such lending procedures will follow sound and proven conventional lending practices of the international banking industry. Such a conventional approach will, however, recognize and adapt itself to meeting the special needs of a developing rural economy. Through a conventional approach the Citanduy Credit Program will seek to create financial incentives for performance. It will eliminate counterproductive program subsidies. And, it will use competition as a means of improving overall lending and savings operations.

Financial integrity will also be measured by sustained and progressive equity growth within the rural banking structure. As such lending policies will insure profitability within the system. Although it is reasonable to expect slower equity growth during the initial years

of lending activity due to the fact that lending procedures and programs will be in a process of development and refinement, consistent policy will translate into significant equity growth over time. This will strengthen the lending structure by reducing stress, promoting independence, and generating additional capital for further system expansion.

It goes almost without mentioning that equity growth will be directly proportional to loan repayment. Therefore high loan repayment will be an essential ingredient of all project supported lending activities. Special loan supervisory techniques such as the participation of borrowers in their own loan supervision through the use of kelompok and other such institutional groupings will be employed. Additionally, certain system safeguards such as the provision for bad debts and the introduction of a loan guarantee system to which both borrower and lender contribute will be provided.

3. Ensuring a Diversified Lending Portfolio

In order to service the diverse credit needs of various developing sectors of the economy targeted for assistance under the project (some of which are clearly classified as high risk categories for lending) and at the same time protect the financial integrity and therefore the profitability of the lending system, it will be necessary to ensure that participating lending institutions diversify their lending portfolios. Loan portfolio diversification will reduce lending risk by mixing higher risk lending with lower risk loan

activity thereby spreading the higher risk category over a larger volume of lending. As indicated above, this will allow the lending institution the opportunity to participate in higher risk categories of lending where even though credit demand may be high, without a properly balanced loan portfolio, the bank might not otherwise be able to participate.

The need for a policy supporting diversified lending under the Citanduy Credit Program is significant when we consider that a major thrust of our lending activity will be directed toward agricultural production. Agricultural lending in the IDC context is at best a high risk category of lending. When we add to that the uncertainties and difficulties associated with financing increased agricultural productivity in a marginal upland agricultural environment such as exists in most pilot areas of Project Citanduy II the lending risk is further compounded. Fortunately there are other developing sectors where credit demand is high and lending risk minimal which can help diversify (and therefore help to safeguard) the lending activity of participating financial institutions. Such sectors as agricultural marketing and trading activity, agricultural supply and agriculturally-related small-scale enterprises and cottage industries will require financial assistance and at the same time remain fully complementary to and interrelated with the task of increased upland agricultural productivity. Even within the broad category of agricultural production, the Citanduy Credit Program will diversify its lending portfolio. In this way the lending system will remain maximally

responsive to the geographically changing needs for production credit while at the same time spreading risks within the category over a broader range of production.

It should also be noted that support for a diversified lending portfolio under the Citanduy lending program will allow participating financial institutions to offer their clientele a wider range of short and medium-term credit instruments than has to date been provided to rural borrowers under other institutional credit schemes.

4. Emphasizing Savings

The Citanduy Credit Program will as a matter of policy strongly support the rapid development of a rural savings program. Such a savings program will reward depositors with earnings from interest at a rate significantly attractive enough as to serve as an incentive for expanded savings growth within rural areas. The program will support savings mobilization through a joint forced and voluntary approach. Although an actively expanding voluntary savings program will begin slowly, program policy will encourage accelerating savings through this approach over time.

An active rural savings program is viewed as an asset to the overall project credit program as well as to national rural credit system development in that such efforts will help to retain capital in rural areas which otherwise most probably would either remain idle or flow into urban sectors. Such a savings program will also help to generate additional working capital for the lending system (which might not

otherwise be available) which in turn will help augment expanding rural lending activity. As such savings mobilization will help to recycle idle and/or inefficiently utilized capital into priority rural development sectors.

5. Institutionalizing the Capacity to Meet Human Resource Development Needs

The Citanduy Credit Program will support the institutionalization of a training capacity within the Bank Pembangunan Daerah to meet initial and on-going orientation and development needs of human resources within the scope of the program lending environment. This capacity is viewed as essential to the successful evolutionary development process of the Citanduy Credit Program as well as to meeting the human development needs associated with the task of building and expanding and institutionalized rural lending system. As such this training capacity must address a broad range of orientation and development needs. It should provide specialized training for individuals through such programs as: bank management development (primary and secondary institution levels); bank staff development (primary and secondary institution levels); clientele development; and orientation and development for government workers. In the final analysis, the success of the Citanduy Credit Program (both in terms of long-term and short-term objectives) will rest upon the degree to which the program has been able to effectively train people.

6. Creating an Effective Management Information System

As the lending structure being proposed under this implementation strategy is somewhat complex in nature, representing two primary lending institutions, their five branch banks, and sixty-nine secondary lending institutions operating within five kabupatens and two provinces, it will be essential to be able to generate, collect, coordinate, analyze and manage information in an effective, timely and systematic manner. The credit program will therefore seek to establish a management information system capable of servicing program needs. Such system will be managed by the BPD and will be designed in such a manner as to lend itself readily to eventual automated adaptation.

D. SCOPE OF ACTIVITY

The Citanduy Credit Program will support rural lending and rural lending system development in four kabupatens of West Java; Tasikmalaya, Ciamis, Majalengka and Kunigan and in one kabupaten located in Central Java, Cilacap. Within this geographic area the credit program will focus its support on expansion areas for improved upland agricultural technology* as identified under Project Citanduy II and upon lending activities which support alleviating income and employment pressures on critical uplands within the Citanduy upper-watershed.

* It is anticipated that during the life of the project rural credit will be extended to some 4,500 hectares of upland expansion area.

Rural lending institutions identified for participation in the Citanduy rural credit program include the West Java Bank Karya Produksi Desa (BKPD), a rural banking system started in the late-1960s by the Bank Pembangunan Daerah (BPD) and later supervised by the Bank Rakyat Indonesia (BRI), and Badan Kredit Kecamatan (BKK), a non-bank rural lending structure initiated by the provincial government of Central Java in 1972 and now under the supervision of the Central Java BPD.

The size of the lending system to be supported over the life of the project will include some sixty BKPD and nine BKK secondary lending institutions representing some seventy-three percent (seventy-seven percent for West Java and fifty-three percent for Central Java) of the total number of BKPD and BKK within the five target kabupaten. In addition to the secondary lending structure, two provincial-based BPD, together with their five kabupaten branch banks will serve as primary lenders under the program.

Table 1 shows the projected annual rate of institutional participation of BKPD and BKK under the credit program.

E. DURATION OF ACTIVITY

The rural credit component of Project Citanduy II is an on-going development effort which, as other components of the project, will terminate on the Project Assistance Completion Date (PACD), presently September 30, 1986. Funding for the credit program has been budgeted

TABLE 1

BKPD AND BKK ANNUAL INSTITUTIONAL PARTICIPATION
(Expressed in numbers of institutions)

IMPLEMENTATION YEAR	NEW PARTICIPATION				%	CUMULATIVE PARTICIPATION			
	West Java BKPD	Central Java BKK	Total	Total		West Java BKPD	Central Java BKK	Total	Total
I	5	3	8	11.6	5	3	8	11.6	
II	15	6	21	30.4	20	9	29	42.0	
III	20	0	20	29.0	40	9	49	71.0	
IV	20	0	20	29.0	60	9	69	100.0	
TOTAL	60	9	69	100.0					
PERCENT TOTAL	87%	13%	100%						

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over a five-year period from fiscal year 1981/1982 through 1985/1986. It is important to note, however, that credit component implementation lags fiscal year budgeting by one year. Although credit system implementation activities are already underway, technically, implementation will commence upon the formal acceptance of this implementation plan by the Department of Home Affairs and by USAID.

F. PARTICIPATING AGENCIES

Agencies participating in the implementation program of the Citanduy lending system are:

1. The Department of Home Affairs;
2. The United States Agency for International Development (USAID);
3. The Badan Perencanaan Pembangunan Daerah (BAPPEDA), Tingkat I & II, West Java and Central Java;
4. The Bank Pembangunan Daerah (BPD), West Java and Central Java;
5. The Bank Karya Produksi Desa (BKPD); and
6. The Badan Kredit Kecamatan (BKK).

II. IMPLEMENTATION PLANNING

A. ADMINISTRATIVE ARRANGEMENTS

1. Roles and Responsibilities of Participating Agencies

a) Department of Home Affairs

The Department of Home Affairs shall serve as the primary action agency of the Government of Indonesia (GOI) under the Citanduy II Project which is responsible for credit program administration. Although technical management of the component is the responsibility of Bank Pembangunan Daerah the Department of Home Affairs will serve to monitor program performance, coordinate program planning between West and Central Java and assist directly in the process of assuring the timely disbursements of GOI annual budgetary allotments, as per the Citanduy II Loan Agreement, for credit component implementation. The Department of Home Affairs will further be responsible for issuing general guidelines and policies governing the use of credit funds in support of overall implementation objectives of the Citanduy II Project.

b) The United States Agency for International Development (USAID)

USAID shall represent the Government of the United States of America as a donor/lender agency which is supporting the implementation of a credit program as an integral component of the Citanduy II Project. As such USAID shall be responsible for approving credit program implementation planning

as well as monitoring credit program implementation. USAID will be responsible for assuring the timely disbursements of U.S. funded annual budgetary allotments, as per the Citanduy II Loan Agreement, for credit component implementation.

Additionally, USAID shall be responsible for providing longer term technical assistance to assist credit component design and implementation.

c) Badan Perencanaan Pembangunan Daerah (BAPPEDA), Tingkat I & II, West Java and Central Java

BAPPEDA Tingkat I, West Java and Central Java, shall represent the Department of Home Affairs at the local government level. They shall also represent the provincial government as the agencies responsible for local government development planning. As such, BAPPEDA Tingkat I shall coordinate credit component implementation with other components of the Citanduy II Project. BAPPEDA Tingkat I will also coordinate with BPD by providing planning input into the design of the credit component as well as assisting in the process of monitoring and evaluating program performance. BAPPEDA Tingkat I shall also help to coordinate the timely disbursements to BPD of project-supported annual budgetary allocations for use in support of Citanduy sponsored credit activities.

BAPPEDA Tingkat II, in the five kabupaten participating in credit component implementation, will coordinate the functions of BAPPEDA Tingkat I with the lending program at the kabupaten- level branch banks of the BPD.

d) Bank Pembangunan Daerah (BPD), West Java and Central Java

The Bank Pembangunan Daerah of West Java and Central Java will serve as the primary lending institutions under the project. They shall serve as the sole depository of all funds provided under the Citanduy II Project Loan Agreement for credit purposes. The BPD, West Java and Central Java, shall serve as the principal technical management agency for the Citanduy Credit Program. As such the BPD shall have overall responsibility and authority for credit program planning and implementation. The BPD shall set lending policy and establish lending (and other financial services) procedures governing the operation of the credit systems development program. BPD branch banks will serve to extend the roles and responsibilities of the BPD to the kabupaten level of government. As the primary lending institution the BPD shall oversee all lending, savings and other project credit activities extended to project beneficiaries by the secondary lending institutions, the BKPD and BKK. The BPD shall insure that adequate capital and other development resources along with proper controls are extended to the secondary lending institutions, according to plan, in order to allow them to service the financial needs of rural communities and at the same time protect the financial integrity and growth of the lending structure.

The BPD and their branch banks shall coordinate closely with

BAPPEDA, Tingkat I and II, in order to insure credit component coordination with other components of Project Citanduy II implementation.

e) Bank Karya Produksi Desa (BKPD)

The Bank Karya Produksi Desa shall serve as the secondary leading institution for West Java in the four kabupaten of Tasikmalaya, Cianjur, Majalengka and Kumigan. As such the BKPD in these areas shall be under the direct supervision and authority of the BPD West Java and shall provide financial services to project beneficiaries in accordance with Citanduy credit system policies and operational procedures as prescribed by the BPD West Java.

f) Badan Kredit Kecamatan (BKK)

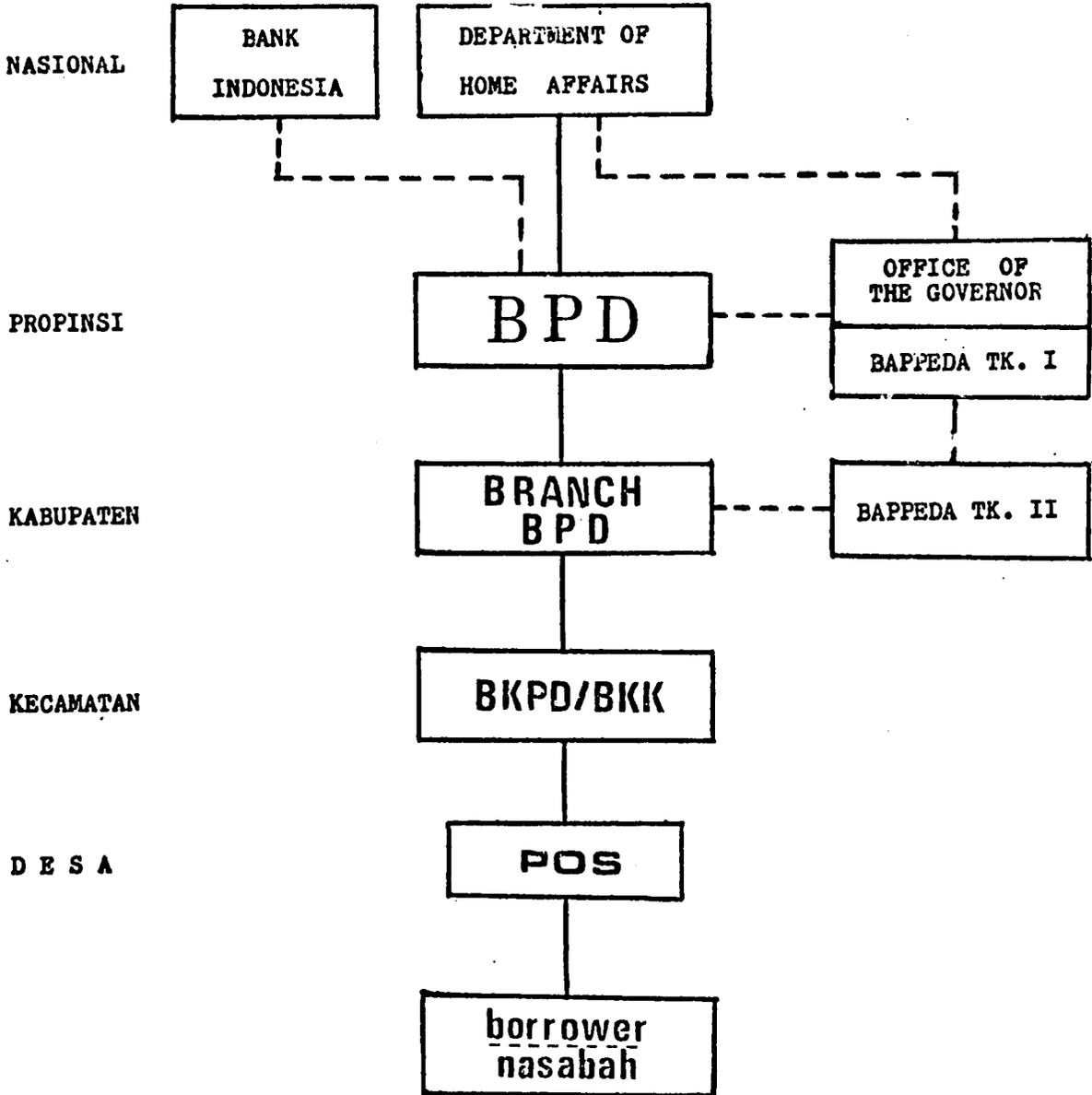
The Badan Kredit Kecamatan shall serve as the secondary lending institution for Central Java in the kabupaten of Cilacap. As such the BKK shall be under the direct supervision and authority of the BPD Central Java and shall provide financial services to project beneficiaries in accordance with Citanduy credit system policies and operational procedures as prescribed by the BPD Central Java.

2. Organizational Structure

Chart 1 presents the organizational structure for the Citanduy Credit Program.

CHART 1 ORGANIZATIONAL STRUCTURE

PROJECT CITANDUY CREDIT PROGRAM



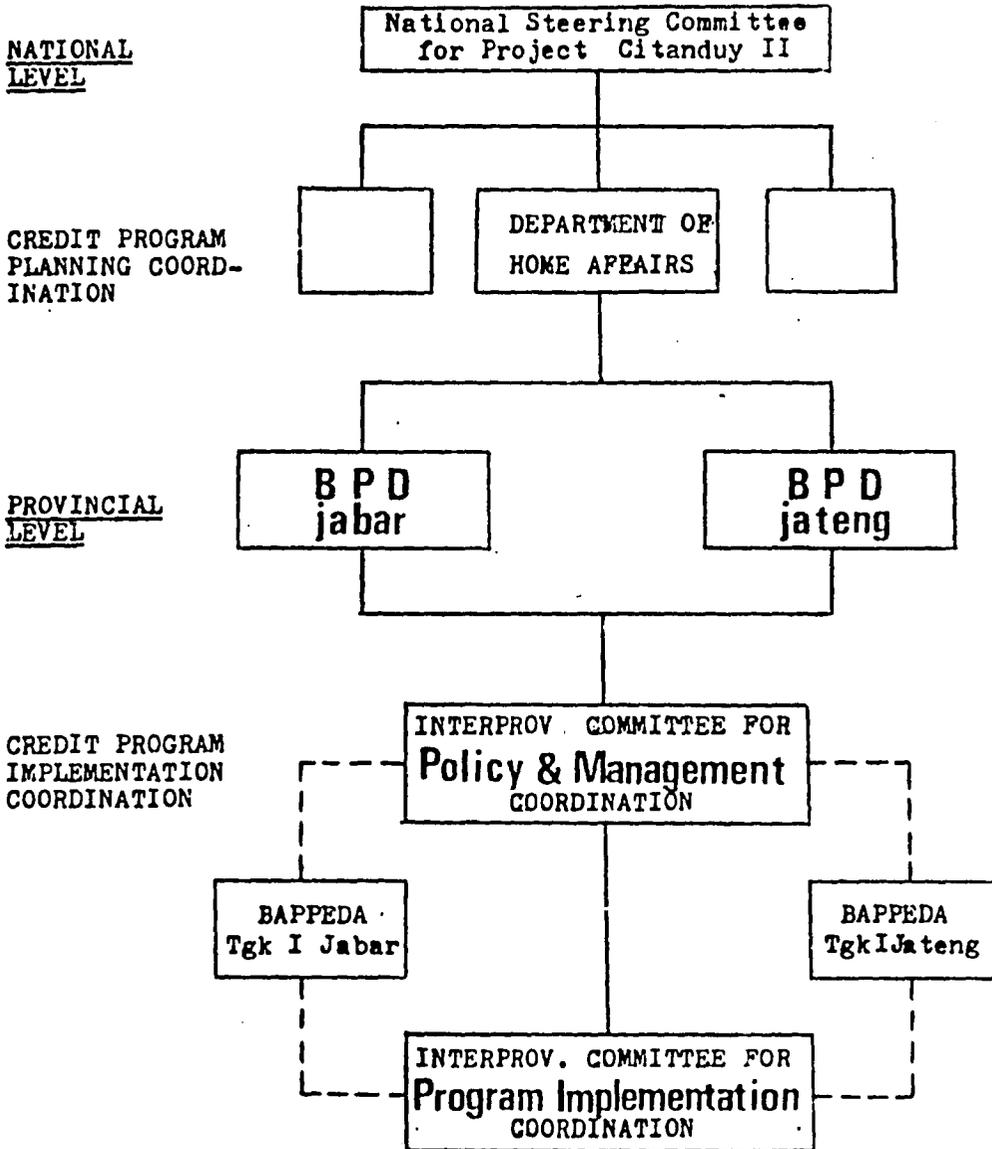
----- coordination
 ——— line of operation

Chart 2 presents a structure for interprovincial credit program coordination. As mentioned in the preceding section, the Department of Home Affairs shall be responsible for coordinating credit program planning functions between West and Central Java. Credit program implementation coordination between the two provinces at the provincial level will be made possible by the creation of two interprovincial coordinating committees made up of membership from each of the two technical management agencies, the BPD West Java and the BPD Central Java. The first committee will coordinate credit program policy and management between the two provinces. This committee shall meet quarterly and shall be composed of two regular members, one each coming from the directoral level of each BPD, and two ex-officio members, one each from West Java and Central Java, representing BAPPEDA Tingkat I. Each regular member shall alternately preside over regular meetings of the Interprovincial Committee for Policy and Management Coordination.

A second committee will coordinate interprovincial credit program implementation at the working-level. This committee shall also meet regularly on a quarterly basis, or on such a more frequent basis as need dictates. This committee shall be subordinate to the policy and management coordinating committee and shall be composed of seven regular members, five members representing the BPD branch bank management from each of the five kecamatan participating under the project and two members, one each, coming from the bureau management level of the BPD West and Central Java. These two members shall alternately chair all regular meetings of the committee. Additionally,

CHART 2

INTERPROVINCIAL CREDIT PROGRAM COORDINATION STRUCTURE



NATIONAL LEVEL

CREDIT PROGRAM PLANNING COORDINATION

PROVINCIAL LEVEL

CREDIT PROGRAM IMPLEMENTATION COORDINATION

———— line of operation
----- line of coordination

two ex-officio members, one each from West and Central Java, will represent BAPPEDA on the Interprovincial Committee for Program Implementation Coordination.

3. Funding Procedures

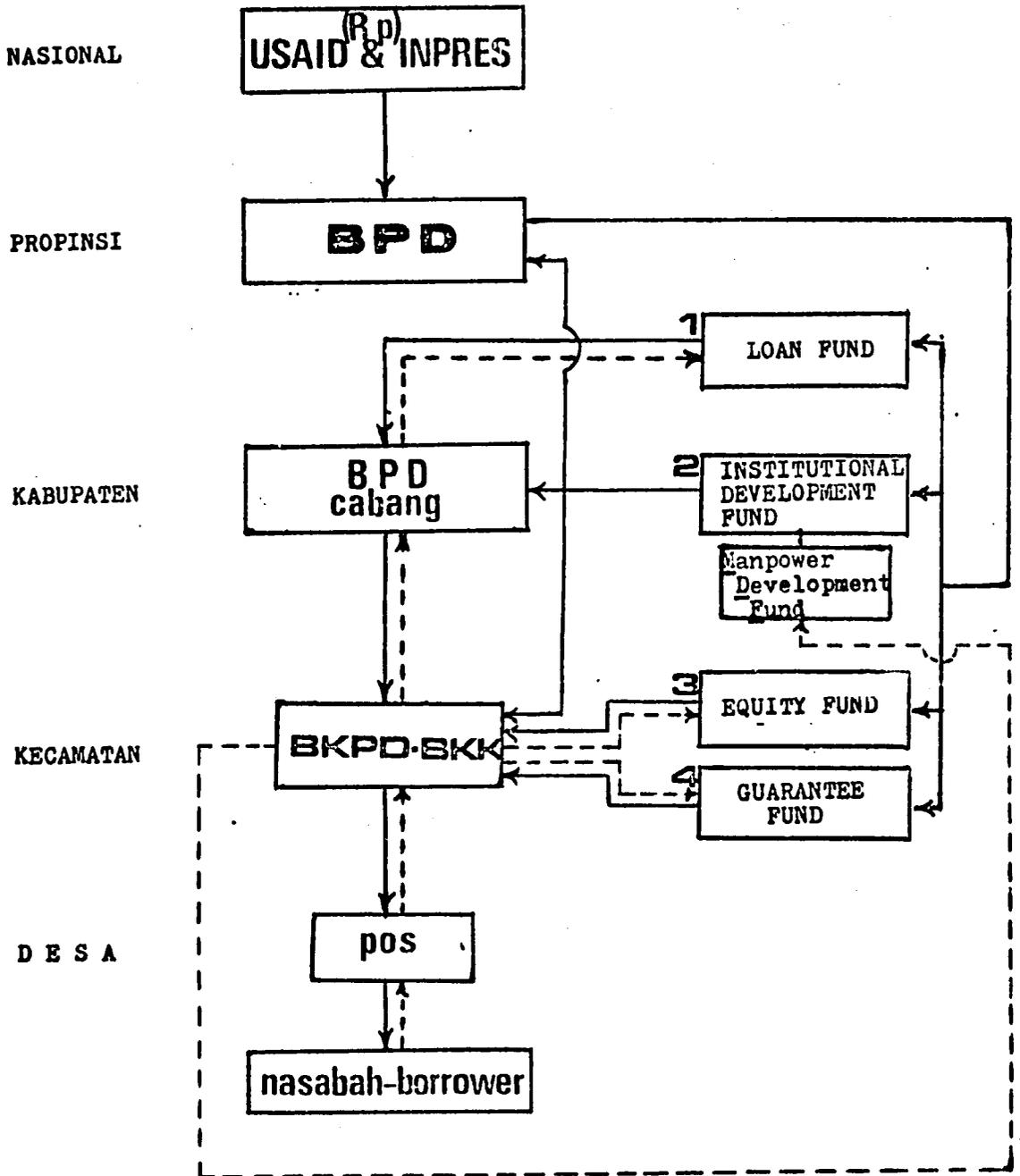
Chart 3 presents a funding flow chart for the Citanduy Credit Program.

Annually credit program funding will be provided according to the program budget as contained in the Citanduy II Project Loan Agreement (see Tables , Section II. C.). Fifty-percent (50%) of all credit program funds will come from the GOI through INPRES, and fifty-percent (50%) will come from USAID. The total program funding shall be divided between West Java and Central Java according to a ratio of 60:40 for Year I^{*} and 80:20 for Years II through IV of project implementation. This division is based upon a careful analysis of certain technical factors such as: a) projected credit demand; b) institutional performance; c) new capital absorptive capacity of secondary lenders; d) existing capital resources; e) financial system development requirements; f) magnitude of institutional participation; and g) efficient utilization of project resources.

USAID and INPRES source funds are deposited annually, according to budget, in the Bank Pembangunan Daerah Jawa Barat and Jawa Tengah where they are divided into four separate accounts: a) a Loan Fund,

* The Year I division of credit funds between West and Central Java was determined by the Department of Home Affairs prior to the preparation of this implementation plan.

FUNDING FLOW CHART



which is used for the purpose of providing secondary lending institutions access to capital for lending purposes; b) an Equity Fund, which supplements secondary lending institutions' capital structure through term equity investments thereby allowing for expanded lending activity while at the same time encouraging capital growth; c) a Guarantee Fund, which serves as a mechanism to insure system survivability by prorating risk and losses with program participating secondary lending institutions; and d) an Institutional Development Fund, which provides for certain equipment and facilities improvements and manpower development needs within the primary and secondary lending institution structure which are determined essential for program success.

Funds for lending purposes are released from the Loan Fund and transferred to the secondary lender for a specified period of time for on-lending to project beneficiaries according to program lending policies and procedures as prescribed by BPD. If an additional equity investment is determined to be necessary for a particular secondary lender in order to enhance institutional viability and/or expand lending volume, funds are drawn from the Equity Fund and so invested in the secondary lender under an agreement which stipulates that the equity investments are to be retired over a fixed term (ten to fifteen years) and replaced with secondary institution-owned equity. Retired funds then recycle back into the Equity Fund for use again. The Citanduy Credit Program will further provide seed capital for a lending guarantee system. Both borrower and lender will participate in this system. The secondary lender will invest over time

in the Guarantee Fund an amount which is equivalent to at least ten percent (10%) of the operating capital drawn from the BPD Loan Fund at any given time. This will allow the original project-provided seed capital for the Guarantee Fund to be retired over time and recycled into lending activities. Certain institutional development resources will be drawn from the Institutional Development Fund to support the primary and secondary lending structure. Secondary lenders will contribute directly to a manpower development fund to support on-going management and personnel development and expansion needs.

Funding to defray the cost of credit program administration at the primary level will be generated by a service fee paid by secondary lending institutions according to their utilization of Loan Fund resources. Secondary lending institutions are expected to cover all program administrative costs from income generated by lending and savings activity.

4. Reporting Procedures

Secondary lending institutions participating under the program shall be required to submit a credit and savings program status report (together with supplemental operational information as may be requested by the BPD) to the BPD on a monthly basis. The BPD will in turn prepare on a quarterly basis a Citanduy Credit Program status report highlighting program progress, accomplishments, problems and current and future program activity. A copy of this report shall be provided to the following offices: a) Governor; b) BAPPEDA Tingkat I; c) P3RPDAS-Ciamis; d) Department of Home Affairs; and e) USAID.

B. TECHNICAL PLAN

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1. Institutional Lending Structure Overviewa) Central Java

~~the primary~~ lending institution under the Citanduy Credit

Program for Central Java is the Bank Pembangunan Daerah Jawa Tengah which was established in 1963. The BPD in Central Java has sixteen (16) branch banks operating in twenty-nine (29) kabupaten within the province. An organizational structure of the Central Java BPD is presented in Chart 4. For fiscal year 1982 the BPD had a combined credit volume of Rp 33 billion, assets of Rp 56 billion and earnings of Rp 3.2 billion.

In 1972 the provincial government of Central Java began establishing a rural lending program patterned somewhat after the BKPD and LPK programs in West Java. Badan Kredit Kecamatan (BKK), or kecamatan-level rural lending bodies were established throughout the province with initial seed capital being provided by the provincial government. Supervision of the program was later transferred to the Bank Pembangunan Daerah Jawa Tengah which began participating actively in BKK program expansion and development with the introduction of the USAID-supported PDP project in 1979. Presently there is a total of 486 BKK operating throughout Central Java.

Within the kabupaten of Cilacap, the only kabupaten within Central Java participating in Project Citanduy II, there are a total of seventeen (17) BKK, nine (9) of which will participate directly in the Citanduy Credit Program representing approximately two percent (2%) of the total number of BKK within the province.

2. Program Inputs

This section will present a technical description of program inputs. A quantitative statement of capital requirements is presented in Section C, Financial Plan. In order to achieve the credit program's

two-fold purpose of strengthening the rural credit structure and providing financial services to project beneficiaries through that structure, the discussion of program inputs is broadly categorized into two groups, institutional development and lending.

a) Institutional Development

Substantial program resources will be designated for lending system development. These resources will be channelled through an Institutional Development Fund (IDF) and utilized for the following purposes:

1) Manpower Development

The Citanduy Credit Program will provide for the establishment of an orientation and development unit within the BPD which will have the capacity to perform recruitment and in-service training for bank personnel at both the primary (BPD) and secondary (BKPD/BKK) levels of the lending structure. This unit once established will be responsible for conducting such training throughout the life of the project. Additionally, this unit will be responsible for initiating a clientele development (borrower education) program for prospective project beneficiaries. The O & D unit will further serve as a resource for educating government workers (project implementors, FPMs, FPLs, etc.) as to their respective roles in the implementation of the Citanduy Credit Program.

In addition to the establishment of an O & D unit and the

conduct of pertinent training, the credit program will further provide a short-term subsidy to assist in the cost of management at the secondary BKPD and BKK levels. This assistance, to be managed by the BFD, will be provided through a special Manpower Development Fund (MDF) and is designed to assist weak secondary institutions during the initial years of their program participation until technical knowhow and increased business volume translate into improved profitability sufficient enough to cover management costs. The Manpower Development Fund (see Table 2) will prorate the cost of management with the participating secondary lending institution over a four-year period with the secondary institution absorbing all management costs beginning the fifth year of program participation.

2) Equipment

The Citanduy Credit Program will provide for the procurement of modest amounts of basic equipment essential to the performance of a sound, adequately supervised and fiscally well-managed lending system. Equipment will be provided on an as needed basis and will supplement useable equipment presently existing within the primary and secondary levels of the lending structure. At the BKPD and BKK level it is anticipated that supplemental office equipment and vehicular support (motorcycles) will be required. The BFD will also require limited vehicular support at the branch and central level together with limited

TABLE 2

MULTI-YEAR SCHEDULE FOR PRORATING MANAGEMENT COSTS
BETWEEN MANPOWER DEVELOPMENT FUND AND BKPD/BKK

(Expressed as a percentage of management costs)

<u>YEAR</u>	<u>M. D. F.</u>		<u>BKPD/BKK</u>		<u>TOTAL MGMT. COSTS</u>
I	100	+	0	=	100
II	75	+	25	=	100
III	50	+	50	=	100
IV	25	+	75	=	100
V	0	+	100	=	100

Note: Average annual MDF support equals sixty-two and one-half percent (62.5%) of management costs Years I through IV.

office equipment to be used in support of program monitoring and evaluation, MIS, accounting and orientation and development (training) needs. Additionally, a radio communication (SSB) system will be established between the BPD central and branch offices within project areas.

3) Facilities Improvement

Limited program resources will be provided for the purpose of facilities improvement principally at the BKPD and BKK level. Again, this assistance will be provided on an as needed basis and will be utilized to bring the condition of the secondary lending institutions up to minimum working and security standards. Additionally, this assistance will be utilized in order to expand financial services into new areas utilizing village financial posts, or pos-pos desa.

In addition to the types of institutional development assistance described above, the credit program will also receive technical assistance provided by USAID in the form of one long-term rural credit advisor to assist in program design and implementation. This advisor provided through the Department of Home Affairs support to Project Citanduy II shall work closely with the credit program's two primary technical management and lending institutions, the Bank Pembangunan Daerah Jawa Barat and the Bank Pembangunan Daerah Jawa Tengah. Depending on the availability of funding, other short-term technical assistance may be provided during the life of the Citanduy Credit Program to

assist in the development of: (a) a management information system; (b) a uniform accounting system; and/or (c) an orientation and development unit with corresponding training syllabi.

b) Lending

The Citanduy Credit Program will provide substantial resources to support rural lending. Expanded rural lending activity will be made possible by channelling program resources through three special funds, a Loan Fund (LF), an Equity Fund (EF) and a Guarantee Fund (GF), the nature of which are described below:

1) Rural Lending

The Citanduy Credit Program will provide direct capital assistance to meet rural credit demand within the geo-political parameters of Project Citanduy II. The program will provide a diversified portfolio of small-scale multi-sector financing for project beneficiaries under carefully controlled and supervised conditions. Agricultural lending will be the predominant form of finance extended through the desa-level lending system. This will be characterized by the integrated agricultural production financing of proven* agricultural commodities in upland model farm expansion areas as identified under Project Citanduy II implementation strategy.

* Proven agricultural commodities refer to those agricultural activities which have been determined, through applied research as well as other forms of acceptable analytical measure, to hold significant agronomic, economic and social potential for identified project expansion areas.

In addition to production financing, resources will be provided to support lending for small-scale trading and agricultural marketing activities as well as both agriculturally related and non-agriculturally related small-scale enterprises and cottage industries which hold potential for increasing income and employment opportunities for project beneficiaries.

In order to address the credit demand at the desa (village)-level and minimize credit transaction costs to borrowers, secondary lenders will operate a system of village financial posts (pos-pos desa). Additionally, where feasible, the use of borrower groups, or kelompok nasabah, to assist in loan processing, supervision and collection will be encouraged.

2) Equity Growth

In order to allow for the planned significant expansion of lending activity through the sixty-nine (69) secondary lending institutions participating under the Citanduy Credit Program a sustained program of BKPD and BKK equity growth must occur. Under the Citanduy Credit Program a ^{/maximum} debt-to-equity ratio of 5.0:1.0 will be observed for all participating secondary lending institutions (as of June 1982 BKPD in West Java showed an average debt/equity ratio of 2.9:1.0 while BKK in Central Java as of July 1982 showed a debt/equity ratio of 0.9:1.0).

The credit program will provide direct capital assistance

through a BPD-managed Equity Fund (EF) for the purpose of supplementing existing capital in secondary institutions in order that lending volumes may expand quickly enough to keep pace with projected project credit demand needs. All equity investments made through the Equity Fund to secondary lenders shall be on an as needed case-to-case basis with the lending institutions sharing in any required equity expansion at a ratio of 1:1 with the Equity Fund. Equity investments originating from the program-supported Equity Fund shall be made in the form of preferred capital investment and shall be retired over a fixed term (ten to fifteen years) and replaced by secondary institution-owned equity. Retired equity investments shall cycle back into the Equity Fund for reuse.

3) Loan Guarantee

Due in part to the high risk nature of small-scale agricultural lending, limited managerial experience, and uncertainties resulting from the experimental nature of Project Citanduy II's credit activities, it will be necessary to guarantee the survivability of the lending system during the formative years. While it is important to provide desa-level financial services and meet local credit demand it is equally important for BKPD and BEK to protect their financial integrity as lending institutions. In an effort to assist in this process the Citanduy Credit Program will provide seed capital for the

creation of a special Guarantee Fund (GF) which will prorate risk and losses with program participating BKPD and BKK on a percentage ratio of 85%:15%. Additionally, secondary lending institutions will be required to deposit three percent (3%) of the total amount of each operating capital draw down from the BFD-managed Loan Fund in the program Guarantee Fund. These deposits shall continue until the particular secondary lender has accrued an unimpaired investment in the Guarantee Fund of ten percent (10%) of the maximum outstanding Loan Fund draw down for any particular period. Whenever this investment is reduced below the ten percent (10%) of Loan Fund-source operating capital, due to losses charged against the Guarantee Fund or because of expanded volume of operating capital draw downs from the Loan Fund, the guarantee retention program would be resumed and would continue until the proper level is again reached. As BKPD and BKK investment in the Guarantee Fund increases over time the original program provided Guarantee Fund seed capital can be retired and recycled into lending through the Loan Fund.

In addition to the BKPD and BKK investments in the Guarantee Fund borrowers too will be asked to participate directly in loan guarantee. Each borrower will be required to invest an amount equivalent to two percent (2%) of each loan into a separate interest bearing (interest accruing to borrower) guarantee account to be managed by the secondary lender. In the case of loan default, borrower investments in loan guarantee would

be the secondary lending institution's first line of insurance for loan repayment. If such investments were inadequate to cover all of the loss incurred then, as a secondary measure, the Guarantee Fund would be called upon to prorate the remaining loss.

3. Program Outputs

It is expected that the timely, well-managed application of program inputs described in the preceding section, together with an appropriate monitoring system to insure the same, will result in the following measurable end-of-program outputs:

- a) A vertically integrated rural lending structure operating profitably and providing financial services in all project expansion areas as well as in at least seventy percent (70%) of the geographic area of the five project-participating kabupaten;
- b) Real net gain in on and off-farm income and employment generation resulting from the presence of the rural lending system;
- c) An average equity growth of one hundred percent (100%) in rural lending institutions participating in program implementation;
- d) A network of rural lending institutions providing a broad-range of credit services, previously not available through institutional sources, to meet the credit demand of project beneficiaries;

- e) A strong rural savings program, demonstrating accelerating growth, which rewards depositors with a fair market return on investment;
- f) An institutionalized training capacity existing within the Bank Pembangunan Daerah meeting on-going human resource development needs; and
- g) The existence of an effective system for managing information operating within the vertically integrated banking structure.

4. Implementation Strategy

a) Lending System Rules and Regulations

The lending system rules and regulations are the internal banking policies governing the overall operation of the lending system. As two primary lending institutions, the Bank Pembangunan Daerah Jawa Barat and the Bank Pembangunan Daerah Jawa Tengah, representing two different provinces will be involved in the technical management of program implementation, it will be necessary to develop separate lending rules and regulations for West Java and Central Java. While it is expected that rules and regulations governing Citanduy lending will be quite similar between the two provinces, variations in specific policies are anticipated. Additionally, each set of rules and regulations must be approved by the governing board of each BPD prior to initiating lending activity.

TABLE 3

OUTLINE FOR THE PREPARATION OF RULES AND
REGULATIONS GOVERNING CITANDUY II LENDING

SECTION

1. Preliminary Statement
2. Definition of Terms
3. General Credit Policies
4. Types of Financing
5. Authorized Lenders
6. Eligible Borrowers
7. Credit Requirements
8. Amount of Loan
9. Loan Periods
10. Collateral Security
11. Interest Rates
12. Loan Repayment Schedule
13. Lending Procedures
14. Procedures Regulating Use of Loan Fund
15. Procedures Regulating Use of Equity Fund
16. Procedures Regulating Use of Guarantee Fund
17. Use of Funds Borrowed: Diversion
18. Loan Monitoring and Servicing
19. Default: Foreclosure
20. Amendments
21. Effectivity

Although a number of the basic lending policies governing Citanduy lending are discussed in other sections of this implementation plan, the implementation plan in itself is not a suitable format for a comprehensive discussion of detailed lending rules and regulations. Within thirty (30) days of the acceptance of this implementation plan detailed rules and regulations governing Citanduy II lending shall be prepared by the BPD West Java and the BPD Central Java and copies forwarded to the Department of Home Affairs, USAID and other pertinent participating agencies. An outline of a proposed format for the preparation of lending system rules and regulations is presented in Table 3.

b) Lending Procedures

Specific lending procedures must be developed prior to the initiation of any lending activity. Detailed lending procedures will be incorporated within or annexed to the lending system rules and regulations. Program lending procedures will present pertinent procedures governing loan application, approval, release, supervision and collection. The responsibility for the preparation and revision of program lending procedures shall rest with the Bank Pembangunan Daerah Jawa Barat and the Bank Pembangunan Daerah Jawa Tengah.

c) Institutional Participation

Table 4 presents a schedule for annual participation of

TABLE 4
BKK ANNUAL PARTICIPATION

IMPLEMENTATION YEAR	BUDGET YEAR	BKK/CENTRAL JAVA	
		Add./Cum. + BKK	Kab. CILACAP
I	81/82 82/83	3/3	Dayeuh Luhur Majcnang Karangpucung
II	83/84	6/9	Wanareja Cimanggu Sidareja Gandrungmanga Kedungreja Kawunganten
III	84/85	0/9	
IV	85/86	0/9	
TOTAL		9/9	9

TABLE 5

FINANCIAL CONDITION: PROFILE OF YEAR I PARTICIPATING BKK
(Expressed in Rupiah Million)

BKK	TOTAL EQUITY	TOTAL DEBT	TOTAL ASSETS	DEBT/EQUITY RATIO	LOANS OUTSTANDING	GROSS INCOME	OPERATING EXPENSES	NET INCOME
<u>BKK (as of Dec.82)</u>								
1. Dayeuh Luhur	1.34	.07	1.41	0.1:1.0	1.39	.08	.07	.01
2. Majenang	(.33) ^{3/}	1.56 ^{4/}	1.23 ^{4/}	-	1.23 ^{2/}	NA	NA	NA
3. Karangpucung	(.52) ^{3/}	.74 ^{4/}	.22 ^{4/}	-	.22 ^{2/}	NA	NA	NA
TOTAL	.49	2.37	2.86	-	2.84	-	-	-
AVERAGE	.16	.79	.95	-	.95	-	-	-

2/ - as of August 1982
 3/ - as of June 1982
 4/ - constructed
 NA - figures not available

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BKK in program implementation. Map 1 depicts the location of those BKK participating in Year I program implementation. Table 5 provides a profile of the present financial condition of Year I participating BKK.

5. Credit Program Implementation Timetable

Table 6 presents a timetable for Year I credit program implementation activity.

TABLE 6

CITANDUY CREDIT PROGRAM YEAR I IMPLEMENTATION TIMESTABLE

<u>ACTIVITY</u>	<u>INITIATE</u>	<u>COMPLETE</u>	<u>ON-GOING</u>
1. Identification of primary lending institution		Oct 82	
2. Identification of secondary lending institutions		Dec 82	
3. Development of program implementation plan	Dec 82	Mar 83	
4. Identification of target lending areas for Year I	Jan 83	Feb 83	
5. Determine resource requirements for Year I activities	Feb 83	Mar 83	
6. Conduct baseline data gathering phase	Mar 83	Mar 83	
7. General assessment of institutional strengths and weaknesses, primary and secondary levels	Mar 83	Apr 83	
8. Develop rules and regulations governing lending	Feb 83	Apr 83	
9. Conduct program orientation for primary and secondary-level lending institution personnel	Apr 83	Apr 83	
10. Develop international training proposal	May 83	Jun 83	
11. Development and introduction of uniform accounting system for secondary level lending institutions	May 83	Jun 83	
12. Develop detailed lending guidelines and procedures for specific lending programs to be initiated during Year I lending activities	Apr 83	May 83	
13. Devise monitoring and evaluation (M&E) program for all lending activities	Jun 83	Jun 83	
14. Development and introduction of lending institution classification system at secondary level	Jul 83	Jul 83	
15. Initiate pilot lending activities	Jul 83		X
16. Activate program auditing procedures	Jul 83		X
17. Devise personnel recruitment and development program	Jul 83	Aug 83	
18. Initiate personnel development program at primary and secondary levels within institutional lending structure	Aug 83		X
19. Based on results from M & E program, modify and/or refine lending policies and procedures where necessary	Sep 83		X
20. Begin planning for Year II lending program expansion	Oct 83	Dec 83	
21. Conduct formal evaluation of Year I lending activities	Dec 83	Jan 84	
22. Based upon evaluation, reassess program plans, objectives, policies and procedures. Modify where necessary	Jan 84	Feb 84	
23. Continue personnel development program			X
24. Initiate Year II lending activities	Mar 84		X

C. FINANCIAL PLAN

The following financial plan is presented in two parts. The first part deals with the program budget while the second part presents relevant financial information on Central Java rural lending institutions.

The attached Tables 7-9 present detailed program budgeting for Central Java. Allowances have been made for contingency and inflation factors. Inflationary rates have been computed at an annual rate of ten percent (10%).

Table 10 presents recent data on the financial condition of BKK in Central Java.

TABLE 7

CITANDUY CREDIT PROGRAM BUDGET FOR CENTRAL JAVA
(Expressed in Rupiah Million)

IMPLEMENTATION/ BUDGET YEAR	LOAN FUND	GUARANTEE FUND	EQUITY FUND	INSTITUTIONAL DEVEL. FUND	GRAND TOTAL
	50%	10%	5%	35%	100%
I FY 81/82 & FY 82/83	37.18	7.44	3.72	26.02	74.36
II FY 83/84	55.37	11.07	5.54	38.76	110.74
III FY 84/85	99.65	19.93	9.97	69.75	199.30
IV FY 85/86	133.06	26.61	13.31	93.14	266.12
TOTAL	325.26	65.05	32.54	227.67	650.52

TABLE 8

DETAILED LOAN FUND BUDGET FOR CENTRAL JAVA
(Expressed in Rupiah Million)

IMPLEMENTATION YEAR	BUDGET YEAR	CREDIT SECTOR			TOTAL 100%
		<u>AGRICULTURE</u> 50%	<u>TRADE</u> 25%	<u>INDUSTRY</u> 25%	
I	FY 81/82 & FY 82/83	18.60	9.29	9.29	37.18
II	FY 83/84	27.69	13.84	13.84	55.37
III	FY 84/85	49.83	24.91	24.91	99.65
IV	FY 85/86	66.54	33.26	33.26	133.06
TOTAL		162.66	81.30	81.30	325.26

TABLE 9

DETAILED INSTITUTIONAL DEVELOPMENT FUND BUDGET FOR CENTRAL JAVA

D A T A N O T Y E T A V A I L A B L E

TABLE 10

PROVINCIAL STATISTICS OF BKK PROGRAM - CENTRAL JAVA
(as of July 1982)

<u>CATEGORY</u>	<u>Rp MILLION</u>	<u>TOTAL</u> <u>NUMBER</u>	<u>PERCENT</u>
1. Number of BKK		486	
2. Current Assets	3,331.60		
3. Borrowings	780.83		
4. Savings	791.55		
5. Equity	1,759.22		
6. Cumulative Lending*	36,861.35		
7. Cumulative Number Loans*		2.7 million	
8. Average Loan Size*		Rp 33,339	
9. Cumulative Past Due*	752.28		
10. Percent Past Due			2.04%

* Note: From 1972 to July 1982

SOURCE: DPatten - USAID/Indonesia
Badan Kredit Kecamatan Statistics, July 1982

D. TRAINING PLAN

The following represents an initial attempt to define the parameters of training for the rural credit component of the Citanduy II project.

1. Training Objectives

The basic objectives for a credit training component are:

- a) To institutionalise a training capacity to meet initial and ongoing orientation and development needs of human resources within the scope of the Citanduy II rural lending environment;
- b) To accurately identify and to subsequently satisfactorily address said initial and ongoing orientation and development needs; and
- c) To develop a training approach which is replicable and applicable to other lending environments within Indonesia.

2. Training Methodologies

Although training methodologies for specific training objectives will vary according to need, a general methodology which incorporates a blend of both cognitive and affective development with emphasis upon independent and, at times, experiential learning will be employed. To this end, specific training objectives should be behavioral in nature with corresponding methodologies tailored to fit each need.

3. Training Resources

It is difficult to estimate meaningful capital and physical resource requirements for a training program prior to the development of a training syllabus which addresses orientation and development needs for credit in a comprehensive and detailed manner. However, human resources can be readily identified from a number of sources. As the Department of Home Affairs will play a key role in monitoring the credit delivery system for the Citanduy II project, it can be assumed that personnel as well as capital resources will be drawn from this ministry in support of both training design and implementation activities. It is hoped that BAPPEDA personnel will also participate directly in this process. To the extent that field extension workers will be involved with rural lending activities, personnel as well as limited capital resources can also be expected from the Department of Agriculture. It is anticipated that the most substantial contribution of human resources to the training effort for credit under Citanduy II will come directly from the Banking Sector, which will itself serve as primary lender under the program. Additionally, credit system clientele will also be expected to participate directly in their own learning process. External technical assistance on both a long and short-term basis may also be provided to assist in the planning and conduct of training curricula.

4. Training and Development Needs for a Citanduy Rural Lending System - (Overview)

The establishment of a rural lending system to service the rural credit

needs of project beneficiaries under Citanduy II should be viewed from a long-range development perspective. As such, of paramount importance to the program is the establishment of institutional capacity to recruit, train and provide ongoing development for the personnel who will be required at all levels within the system during the coming years. This institutional capacity should closely align itself to national rural lending development objectives and coordinate its training programs with those of other organizations working toward parallel objectives. The Citanduy rural lending system must work in harmony with national development strategies. It cannot afford to develop in isolation.

An effective credit training program should focus on the development needs of four specific groups, namely: bank management, primary (central) and secondary (field) level; bank staff, primary and secondary level; clientele (small-scale farmers and entrepreneurs); and government workers. Training curricula must be developed for each of these groups which outline a thorough understanding of responsibilities, functions and operations associated with credit program performance. Specialized training for example will be required for credit officers (field technicians) of local lending intermediaries in order to equip them with the knowledge, skills and experience necessary to effectively administer the complexities of supervised lending operations. Educational materials should be prepared for dissemination to clients which cover such topics as financial planning, credit and its utilization, savings, wise borrowing and loan repayment. Emphasis must be given to developing managerial and technical skills within secondary and primary

lending institutions as well as to defining government's roles and responsibilities in rural lending programs. And, appropriate training curricula should address these areas. Additionally, international training should be incorporated into a personnel development program for key government and bank officials who will be given responsibility for centrally administering the rural lending program. Under the Citanduy Credit Program four (4) short-term training positions will be provided (two (2) for West Java and two (2) for Central Java) for mid and upper-management personnel of the Bank Pembangunan Daerah Jawa Barat and Jawa Tengah. This training will focus on an intensive study of rural lending programs in the Philippines, Korea and the United States. A detailed overseas training proposal shall be prepared by June 1983.

5. Orientation and Development Preliminary Draft Outline for Rural Lending Under Citanduy II

See Table 11.

ORIENTATION AND DEVELOPMENT PRELIMINARY DRAFT OUTLINE
FOR RURAL LENDING UNDER CITANDUY II

TABLE 11
Page 1 of 3

<u>PROGRAMS</u>	<u>TRAINEES</u>	<u>SUBJECTS</u>	<u>PURPOSES</u>
1. <u>Bank Management Development Program</u>			
a) <u>Basic Course</u>	Bank managers and asst. managers, central & local level	<ul style="list-style-type: none"> - Government policy - Central banking regulations - Countryside banking - Setting objectives - Planning & budgeting - Decision making - Managing information - Accounting & auditing - Legal aspects of rural lending - Rediscounting policies & procedures - Supervised lending, policies & procedures 	<ul style="list-style-type: none"> - To provide bank management with basic knowledge on rural lending - To introduce trainees to management principles pertaining to rural lending - To teach trainees the role of rural credit in development
b) <u>Advanced Course</u>	Bank managers and asst. managers, central & local level	<ul style="list-style-type: none"> - Personnel development - Clientele development - Capital mobilization & Mgmt. - Performance evaluation - Improved supervised lending - Fraud detection - Automation applications - Bank marketing - Related banking services 	<ul style="list-style-type: none"> - To strengthen management skills in order to improve business operations, performance and services to clientele
c) <u>Refresher Course</u>	Senior bank mgmt. staff	<ul style="list-style-type: none"> - Tailored to meet specific training needs of participants 	<ul style="list-style-type: none"> - To further refine managerial skills - To exchange ideas and share experiences

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<u>PROGRAMS</u>	<u>TRAINEES</u>	<u>SUBJECTS</u>	<u>PURPOSES</u>
2. <u>Bank Staff Development Program</u>			
	<u>Basic, Advanced & Refresher Courses</u>		
	Professional bank staff, central & local level	- Tailored to trainee's area of responsibility, including such subjects as:	- To provide participants with a basic understanding of their respective jobs and how each job relates to the work of others and supports the overall operation of the bank as a whole
	i.e.:	- Credit Administration	
	Senior & asst. loan officer	- Rural lending policies & procedures	
	Credit officer	- Farm plan & budget preparation	- To give each participant practical training and experience in his or her respective skill area
	Fiscal officer	- Field loan supervision	
	Cashier	- Accounting systems	
	Accounting staff	- Loan performance evaluation	
	Examiners	- Clientele relations	
	Auditors	- Staff relations	
		- Bank objectives	- To expose bank staff to new and/or improved procedures/ programs for servicing clientele
		- Security	
		- Lending criteria	- To increase work efficiency, provide a forum for constructive feedback, and improve staff as well as staff/client interpersonal relations
		- Role of credit & savings in development	
		- Staff roles, functions and responsibilities	
		- Etc.	- To provide a program for ongoing staff orientation & development
3. <u>Clientele Development Program</u>			
	Present borrowers, Potential borrowers	- What is the purpose of the local bank & how does it serve its clientele	- To create and promote credit awareness and understanding in rural areas
	i.e.:		
	Farmer leaders, Contact Tani & Kelompok Tani, small-scale farmers, livestock raisers, fisherman & entrepreneurs	- What is credit	
		- How should credit be used	- To provide prospective borrowers with accurate info & answers to their questions concerning the use of institutional credit in rural areas
		- Duties and responsibilities of the borrower	
		- Importance of loan repayment	

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<u>PROGRAMS</u>	<u>TRAINNEES</u>	<u>SUBJECTS</u>	<u>PURPOSES</u>
<u>Clientele Dev. Continued</u>		<ul style="list-style-type: none"> - Savings and what they mean to the individual and to the community - Supervised lending procedures - Role of the borrower in loan supervision - Small-scale farm and enterprise management - Integrated financing - Principles and practices of various types of production (tailored to type of activity to be financed by bank) 	<ul style="list-style-type: none"> - To enhance loan supervision, reduce bank overhead, and improve loan recovery by educating the borrower and involving him directly in the process of his own development - To promote savings and capital growth in rural areas as tools for development
4. <u>Orientation and Development for Government Workers</u>	Management, mid-mgmt. & field level government workers participating in Citanduy II implementation	<ul style="list-style-type: none"> - The role of government in rural credit (general) - The goals and objectives of the rural credit component of Citanduy II - Government's credit role under Citanduy II (specific agency roles and responsibilities) - The role of the Banking Sector in providing credit under Citanduy II - Rural credit implementation policies, guidelines and procedures under Citanduy II 	<ul style="list-style-type: none"> - To provide participants with a clear understanding of the goals, purposes and procedures of the Citanduy II rural credit component - To differentiate the roles, functions and responsibilities of the Government and the Banking Sector in credit component implementation - To enhance overall project implementation by promoting complementation and reducing duplication of function.

E. EVALUATION PLAN

The Citanduy Credit Program will receive periodic evaluation following established GOI and USAID procedure. These evaluations will assess the credit component in terms of its ability to attain stated inputs, outputs and objectives. The following shall serve as basic criteria for program performance evaluation:

1. Financial integrity of lending structure
2. Rate of equity growth within lending structure
3. Loan repayment rates
4. Ability of credit system to mobilize savings
5. Ability of credit system to provide desa-level financial services
6. Ability of credit structure to provide a diversified lending portfolio
7. Degree of vertical integration within rural lending structure
8. Presence within lending structure of an effective management information system
9. Institutionalized management and personnel development program within lending structure

In addition to the evaluation mentioned above, primary implementing agencies will conduct a number of surveys, studies and reports which will generate information necessary for evaluating the: a) operational efficiency and relevance of the organization and management of the program; b) ability of program to accomplish scheduled targets; c) socio-economic impact of the program; and d) effect of the program upon the quality of life, attitudes and social awareness of target beneficiaries.

III. C. LENDING POLICIES, GUIDELINES AND PROCEDURES FOR
CITANDUY II SUPERVISED BKPD/EKK SUPERVISED
RURAL LENDING (Draft)

LENDING POLICIES, GUIDELINES AND PROCEDURES

FOR CITANDUY II SUPPORTED BKPD/LPK SUPERVISED RURAL LENDING

DRAFT

THE BANK PEMBANGUNAN DAERAH JAWA BARAT

SEPTEMBER 1983

drafted:
M.A. Van Steenwyk
01 September 1983

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ATTACHMENTS:

Attachment A - Loan Application for BKPD/LPK Supervised
Rural Financing

LENDING POLICIES, GUIDELINES AND PROCEDURES
FOR CITANDUY II SUPPORTED BKPD/LPK SUPERVISED RURAL LENDING

The following policies, guidelines and procedures are hereby promulgated by the Bank Pembangunan Daerah Jawa Barat to govern the lending operations of the rural credit program sponsored by the Citanduy II Project.

The Bank Pembangunan Daerah Jawa Barat is charged with the responsibility of managing the Citanduy Rural Credit Program in the province of West Java. As such the BPD West Java will oversee the lending activities of the Bank Karya Produksi Desa (BKPD) and Lembaga Perkreditan Kecamatan (LPK), which serve as secondary lending institutions, in the four kabupaten of West Java participating in the Citanduy II Project; namely, Tasikmalaya, Ciamis, Kuningan and Majalengka.

ARTICLE I. GENERAL PROVISIONS

SECTION 1. Definition of Terms

Unless otherwise specified, the following terms used in these Lending Policies, Guidelines and Procedures shall mean:

- a) Bank Pembangunan Daerah Jawa Barat (BPD) - The primary lending institution under the Citanduy Rural Credit Program for West Java.
- b) Bank Karya Produksi Desa (BKPD) - The secondary lending institution under the Citanduy Rural Credit Program for West Java.
- c) Badan Perencanaan Pembangunan Daerah Jawa Barat (BAPPEDA) - The planning body for regional development in West Java which coordinates credit policy and program planning with the BPD.
- d) Citanduy II Project - A bi-lateral riverbasin development project supported by the Governments of Indonesia and the United States of America.
- e) Citanduy Rural Credit Program (CRCP) - The credit component of the Citanduy II Project which provides financial services to project beneficiaries through the BPD/BKPD/LPK lending structure.

- f) Equity Fund (EF) - A fund managed by the BPD which provides supplemental equity on a loan basis to selected BKPD/LPK participating in Citanduy Rural Credit Program implementation.
- g) Guarantee Fund (GF) - A fund contributed to by participating BKPD/LPK and managed by the BPD which serves as an insurance of last resort to protect the solvency of BKPD/LPK against losses resulting from bad debt, mismanagement or other causes.
- h) Institutional Development Fund (IDF) - A fund created under the Citanduy Rural Credit Program to provide direct capital assistance to upgrade manpower, equipment and facility capabilities of primary and secondary lending institutions participating under the program.
- i) Loan Fund (LF) - A fund, managed by the BPD, which provides source capital for on-lending purposes to program participating BKPD/LPK.
- j) Instruksi Gubernur No. _____ - A special instruction issued by the Governor of West Java which sets forth certain general lending policies and procedures for implementing the Citanduy Rural Credit Program.
- k) Lembaga Perkreditan Kecamatan (LPK) - Secondary lending

institutions operating in certain rural areas of West Java.

- 1) Pos Desa - Village financial posts operated by the BKPD/LPK which serve as vehicles for bringing credit services to rural areas, providing a wider geographic distribution of financial services and assisting to improve credit supervision in rural lending.
- m) United States Agency for International Development (USAID) - The agency of the United States Government which provides project assistance to the Citanduy II Project
- n) Disposable Earnings - Refers to the balance of net income plus non-cash expense items.
- o) Kelompok Tani - An association of farmers for the purpose of enhancing farm production and loan supervision.

SECTION 2. General Credit Policies

- a) The extension of credit to borrowers shall be consistent with sound lending and business principles.
- b) A loan to an eligible borrower shall be based upon sound credit factors. It should be in an amount sufficient to accomplish the purpose for which it is intended and it should provide terms and conditions which reasonably assure

repayment and protect the borrower's credit worthiness.

- c) The BPD shall pursue a policy of encouraging sustained capital growth within participating secondary lending institutions.
- d) A policy of encouraging rural savings mobilization shall be actively pursued.
- e) The BPD shall pursue a policy of diversified lending in order to better meet a broad range of credit services required by borrowers and reduce loan loss by spreading risk over a wider range of lending activity.
- f) A policy of providing total package financing for small-scale enterprise will be pursued provided that:
 - 1) the amortizations of the term loan component must be repaid from disposable earnings of the business activity; and
 - 2) seasonal and/or commodity loans shall be repaid as inventories of financed commodities or products are sold and proceeds collected.
- g) As a matter of policy all lenders and borrowers will be required to make an investment in a loan guarantee system to be managed by the BPD and BKPD/LPK, the mechanics of

which are described under Article I, Section 7, Procedures Governing Loan Guarantee and the Use of the Guarantee Fund.

- h) As a matter of policy all program participating secondary lending institutions will be required to observe a maximum debt-to-equity ratio of 5-to-1.
- 1) General credit Policies as presented in the Instruksi Gubernur No. _____ dated _____, as may be ammended from time-to-time, shall be observed for all program related BKPD/LPK supervised rural lending.

SECTION 3. General Credit Requirements

Credit may be granted on the basis of careful analysis of, but not limited to, the following credit factors:

- a) Management - An individual, family or business enterprise seeking credit should be able to demonstrate the presence of responsible, competent management to oversee activities to be financed.
- b) Loan Purpose and Terms - The purpose shall be for such constructive uses as are defined under Article II, Section 2 and Article III, Section 2. The terms shall be in accordance with those prescribed under Article II, Section 4 and Article III, Section 4.

c) Repayment Ability -

1) Seasonal and Commodity Loans (Working Capital Loans) -

The determination of the repayment ability of seasonal loans requires an analysis of the borrower's ability to properly utilize the loan. A seasonal loan should be related to the value of the current assets of activities being financed and to the adequacy of liquid working capital to margin.

2) Term Loans (Investment Loans) - The determination of repayment ability requires a thorough analysis of the adequacy of historic and projected cash flows resulting from operating margins, or retains out of payment for products, or from scheduled investments that will be available to meet loan repayments and build net worth.

d) Financial Condition and Operation - Sound financial condition and operations implies the ability of the borrower to honor obligations, continue as an effective business entity and protect the lender from undue risk in case of adversity. Financial and operational analysis is an important prerequisite to all lending activity.

e) Economic Environment - A thorough analysis of the economic environment surrounding specific activities to be financed by secondary lending institutions shall be made prior to

initiating lending operations.

SECTION 4. Authorized Lenders

The authorized primary lending institution under the Citanduy Rural Credit Program is the Bank Pembangunan Daerah Jawa Barat (BPD) together with its branch offices operating within project affected areas of West Java.

Authorized secondary lending institutions are Bank Karya Produksi Desa (BKPD) and Lembaga Perkreditan Kecamatan (LPK) operating within the four West Java kabupaten of Ciamis, Tasikmalaya, Kuningan and Majalengka which qualify by virtue of their individual performance as measured against a system of BKPD/LPK classification prescribed by BPD.

SECTION 5. Types of Financing

a) Seasonal and Commodity Loans (Working Capital Loans)

Seasonal operating capital and commodity loans may be extended for agricultural production purposes as well as assisting rural trade and small-scale industry by providing operating funds and by financing increases in inventories and receivables that shall be liquidated within a period of twelve months or less.

b) Term Loans (Investment Loans)

Term loans may be granted for long-term or permanent working capital, for facilities and other non-current assets. Such loans will be made on a priority basis to agri-business or agri-industry which support increased agricultural production, income and employment in expansion areas of the Citanduy II Project. Term loans shall be payable on an amortized basis within a period of one to ten years.

SECTION 6. Procedures Governing the Use of the Loan Fund

Funds for lending purposes will be held in a special account of the BPD known as "Loan Fund." The BPD shall manage this account. Annually, or at such more frequent times as may be approved, the BPD shall extend funds from the Loan Fund to secondary lending institutions, BKPD/LPK, for specified periods of time for use in lending. In order to receive funds from the Loan Fund a BKPD/LPK must be able to plan its annual capital resource needs and it must qualify as a lending institution within the project area which is in good standing according to criteria as measured by a BKPD/LPK classification system prescribed by BPD. Any BKPD/LPK which accumulates a past due loan portfolio in excess of twenty-five percent (25%)

of its total current loans outstanding shall not be permitted to continue receiving funds from the Loan Fund. Such BKPD/LPK may resume using the Loan Fund when the percentage of its past due account is reduced to twenty-five percent (25%) or less of current loans outstanding.

At least fifty percent (50%) of the Loan Fund shall be allocated for agriculture, while for small industry and trade an amount not exceeding twenty-five percent (25%) respectively may be utilized.

BKPD/LPK receiving funds from the Loan Fund shall be charged an administration fee of one percent (1%) per month on the total funds received. Payment of the administration fee shall be made to the BPD branch bank concerned on a monthly basis.

SECTION 07. Procedures Governing Loan Guarantee and the
Use of the Guarantee Fund

The "Guarantee Fund" shall serve as an insurance of last resort to protect the solvency of the BKPD/LPK. It shall be managed by the BPD. Each BKPD/LPK receiving funds from the BPD-managed Loan Fund will be required to deposit annually three percent (3%) of the total amount of its cumulative outstanding receipts from the Loan Fund into the Guarantee Fund. These deposits shall continue until a particular BKPD/LPK has accrued an

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unimpaired investment in the Guarantee Fund of ten percent (10%) of the cumulative outstanding Loan Fund receipts for any given period. If the BKPD/LPK's investment in the Guarantee Fund is reduced below the ten percent (10%) of cumulative outstanding receipts from the Loan Fund, due to losses charged against the Guarantee Fund or because of expanded use of the Loan Fund, the three percent (3%) annual guarantee retention program shall be resumed and shall continue until the ten percent (10%) level is again reached.

In addition to the BKPD/LPK investments in the Guarantee Fund, borrowers shall also participate directly in loan guarantee. Each borrower shall be required to invest an amount equivalent to two percent (2%) of each loan into a separate interest bearing guarantee account to be managed by the BKPD/LPK. The BKPD/LPK shall hold funds so invested in reserve. In the event of loan default, borrower investments in loan guarantee accounts managed by BKPD/LPK shall be the BKPD/LPK's first line of insurance for loan repayment. If such loan guarantee investments are inadequate to cover all of the loss incurred, the BKPD/LPK shall absorb the remaining loss. However, if such remaining loss should threaten the solvency of the BKPD/LPK, then the BKPD/LPK shall be entitled to call upon the Guarantee Fund, managed by the EPD, to prorate that portion of loan loss threatening the solvency of the particular BKPD/LPK. In such

cases the Guarantee Fund shall prorate such remaining loss with the BKPD/LPK on a percentage ratio of 85-to-15.

SECTION 8. Procedures Governing the Use of the Equity Fund

Funds for BKPD/LPK equity expansion shall be held in an "Equity Fund." The BPD-managed Equity Fund shall be used for the purpose of supplementing existing capital in secondary lending institutions whose debt-to-equity ratio is greater than 5-to-1 in order that these institutions, where determined appropriate, may expand their volume of lending quickly enough to address program credit demand needs. All equity investments made through the Equity Fund to BKPD/LPK shall be on an as-needed case-to-case basis. The BPD shall determine if and to what degree equity supplemental support is required by a given BKPD/LPK. This determination shall be made after careful analysis given to the respective lending institution's business operation and financial condition. If a determination is reached that a given BKPD/LPK requires additional capitalization prior to receiving initial or expanded funding from the BPD-managed Loan Fund, the given BKPD/LPK must agree to share in any required capital expansion at a ratio of 1-to-1 with the Equity Fund. Equity investments originating from the Equity Fund shall be treated as an investment loan and shall be made in the form of preferred

capital investment and shall be retired in equal annual installments over a fixed term, not to exceed fifteen (15) years, and replaced with BKPD/LPK-owned equity. BKPD/LPK shall pay an annual administration fee to the BPD of three percent (3%) on the outstanding balance of funds received from the Equity Fund. Retired equity investments shall cycle back into the Equity Fund for reuse.

SECTION 9. Loan Monitoring and Servicing

- a) The BKPD/LPK shall monitor loan performance at regular intervals through Pos Desa and field visits conducted by BKPD/LPK Supervised Credit Officers (SCO). The credit officers shall report any irregularities or non-compliance with loan terms to BKPD/LPK Management upon detection, the later taking whatever appropriate action required for the situation. In the case of gross irregularity or credit agreement non-compliance, the BKPD/LPK Management shall be required to immediately notify the branch representative of the BPD West Java.
- b) Management of the BKPD/LPK shall monitor and supervise all loans made according to current regulations prescribed by the BPD West Java.
- c) The BPD West Java, and its branches, shall be responsible

for overall technical monitoring and supervision of Citanduy supported BKPD/LPK supervised rural lending.

SECTION 10. Reporting

- a) The BKPD/LPK as executive manager of Citanduy supported rural credit shall make monthly reports on the status of program credit activity. No later than the 5th day of each month such reports shall be submitted to the BKPD/LPK Inspector, BPD branch bank, and BAPPEDA at the kabupaten level and to the Sub-District Head (Camat) at the kecamatan level.
- b) Upon receipt of the regular monthly report the Inspector BKPD/LPK, in the name of the BKPD/LPK Supervising Board, shall send by the 15th day of each month a consolidated district level report to the BKPD/LPK Supervising Board at the provincial level, to the provincial BAPPEDA office for West Java, and to the BPD West Java Central Office, with copies furnished to the BAPPEDA district office and to the P3RPDAS office located in Ciamis.
- c) The BPD branch office shall also be required to submit a monthly program status report to the BPD Central Office.
- d) The BPD Central Office shall, by the end of each month, furnish a program status report to the Governor of West

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Java and to the provincial BAPPEDA office.

- e) The BAPPEDA provincial office shall send quarterly program status reports to the Governor and to the Minister of Home Affairs.
- f) The Ministry of Home Affairs shall furnish program status reports to USAID on a quarterly basis.
- g) The format and form of the above mentioned reports at each level shall be prescribed prior to initial lending activity by the BPD West Java.

SECTION 11. Default; Foreclosure

In cases where diligent collection procedures fail and where forbearance is not deemed advisable, the BKPD/LPK shall take immediate action deemed appropriate under the circumstances and shall promptly notify the appropriate BPD branch office of such appropriate action.

The right to foreclosure of real/chattel mortgages, pledged commodities and assigned assets becomes effective from the time the borrower defaults in the payment of loan amortizations, loan service fees or violates any condition of the loan terms.

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SECTION 12. Effectivity; Ammendments

These Policies, Guidelines and Procedures shall take effect upon approval of the Governing Board of the BPD West Java and may be ammended from time-to-time.

ARTICLE II. SHORT-TERM LENDING

SECTION 1. Borrower Eligibility

Within the four kabupaten of Tasikmalaya, Ciamis, Kunignan and Majalengka, all corporations, entities, groups or private individuals engaged in trade/service, agricultural production, processing, storage, marketing or exportation of agricultural products and importation/manufacture/distribution of farm machineries and equipment, fertilizers, etc. used for agricultural production shall be qualified borrowers. However, BKPD/LPK can grant agricultural production loans only to a farmer, group of farmers, or a cooperative owning or cultivating as tenant, lessee, etc. not more than fifty (50) hectares of agricultural land in geographic areas designated "expansion areas" under the Citanduy II Project.

SECTION 2. Loan Purposes

Short-term loans may be granted for the following purposes:

a) Agriculture

- 1) Farm expenses like labor in connection with the preparation, planting and cultivation of the farm and with the harvesting, transportation, storage and marketing of products;

- 2) Purchase of seeds, fertilizers, work animals, implements and equipment necessary for the operation of the farm, or for the hire of such work animals, implements and equipment;
- 3) Purchase of animals such as poultry, ducks or fish for breeding purposes;
- 4) Minor repairs, construction or improvements in the farm or fishpond which are necessary and proper to maintain or increase productivity;
- 5) Payment for current taxes and irrigation fees; and
- 6) During the period between production and marketing of farm products, limited consumption financing for food, clothing and shelter and for basic elementary and vocational education of borrowers and their families.

b) Trade

- 1) Finance credit needs of petty traders, including new business establishment, working capital and petty equipment needs; and
- 2) Finance short-term credit needs of service sector related enterprise.

c) Industry

- 1) Finance short-term working capital, seasonal and commodity loans of small-scale industry for manufacturing, processing, marketing, storage and distribution of agricultural and non-agricultural products.

SECTION 3. Amount of Loans

The amount of loan shall be determined on the basis of the actual needs and viability of the project to be financed, but the loan shall be granted only to the extent of the amount applied for, taking into consideration the applicant's capacity to pay. In the case of trade and agricultural production loans, which are generally unsecured, the amount or size of loans shall be determined in accordance with the following rules;

a) Loans for Petty Trade/Service

Up to Rp 100.000, per eligible borrower.

b) Loans for Agricultural Production

1) Production of Rice and Feedgrains

Fifty percent (50%) of the value of the borrower's established production in the previous year, or if this is not available, nor more than forty percent (40%) of

the estimated market value of the expected harvest from the project to be financed. This amount may be increased to fifty percent (50%) of the market value of the estimated harvest from such project during the month immediately preceding harvest time.

2) Production of Clove, Coconut, Sugar, Coffee, Cacao, and Other Non-Perishable Crops

Forty percent (40%) of the estimated market value of the expected harvest from the project to be financed based on previous production records or in the absence thereof, on production records of similar plantation in the locality.

3) Production of Perishable Crops

Thirty percent (30%) of the production of the previous year, or if this is not available, of the estimated market value of expected harvest from the project to be financed; provided that, in case of loans for fruit production like bananas, mangoes, citrus and others, in the absence of previous production records, a loan shall not be granted until a sufficient number of fruits shall have attained such sizes as to provide a safe basis for reasonable calculation.

4) Livestock, Poultry and Fish Production

Forty percent (40%) of the appraised value of the stock existing at the time the loan is granted. If a new project is being financed, initial stock may be financed in an amount equivalent to seventy percent (70%) of the projected market value of the stock or its marketable progeny or produce maturing within a period not exceeding 360 days.

5) Storage, Transportation and Marketing of Farm Products

To the extent actually necessary for the purpose. Where the BKPD/LPK has taken possession or has effective control of the agricultural products given as security, the amount of loan may be increased to the extent of seventy percent (70%) of the market value in the case of rice, corn and sugar, and sixty percent (60%) of the market value of the stored crop in the case of clove, coconut, coffee and other non-perishable crops.

SECTION 4. Loan Periods

a) Agriculture

Agricultural loans shall be granted for a period not exceeding 360 days. For specific project/crops, the

maximum maturities are as follows:

	<u>Project/Crops</u>	<u>Loan Period (days)</u>
1)	<u>Farm Crops</u>	
	Rice	210
	White Corn	150
	Sorghum, Soybean & Yellow Corn	180
	Citrus and Mango	210
	Cotton	270
	Banana, Cassava, Coconut, Sugar Clove, Coffee, Ginger, Papaya, Pineapple	360
2)	<u>Poultry, Fish & Livestock</u>	
	Poultry (Broiler)	120
	Fish	120
	Ducks and Rabbits	200
	Goats and Sheep	270
	Poultry (egg), carabeef, cattle fattening	360
3)	<u>Vegetables</u>	
	Mustard, Chinese cabbage	90
	Sweet corn	130
	Cabbage, carrot, cauliflower, giant pepper, sweet potato	150
	Beans, cowpea, cucumber, garlic, Irish potato, melon, okra, peanut, peas	180
	Bitter melon, eggplant, tomato	210
	Onion	270
	Winged bean, squash	300
	Lamtoro forage	360

b) Trade

Loans for trade and service shall be granted for a period not exceeding 90 days.

c) Industry

Loans for small-scale industry shall be granted for a period not exceeding 360 days.

SECTION 5. Collateral Requirements

BKPD/LPK may or may not require collateral from borrowers. Where loan security and supervision procedures are judged adequate based on performance or where individual borrowers have demonstrated credit worthiness, collateral requirements may be reduced or waived. Whenever necessary and to insure reasonable safety, agricultural production and petty trade loans may be secured by any or a combination of the following:

- Real estate mortgage if available;
- Chattel mortgage on standing crops, existing poultry or livestock or on the object financed;
- Pledge of warehouse receipts of stored crops in bonded warehouses;
- Signature of two co-makers acceptable to the BKPD/LPK; provided, that in case of a farmer who is a member of a group, the group members may act as co-makers.

Other forms of acceptable collateral include:

a) Unencumbered Real Property

- 1) Private lands with torrens title.
- 2) Unregistered private lands, whose owner can show five years or more of peaceful, continuous and uninterrupted possession.
- 3) Homesteads and free patent land covered by applications which have been approved but issuance of title is still pending.

b) Unencumbered Personal Property

- 1) Bonds and securities issued by the government or by any of its agencies and instrumentalities which are fully guaranteed by the government. Such bonds and securities may be accepted at face value.
- 2) Stocks and other securities issued by reputable commercial, industrial and other private companies or entities engaged in non-speculative business, up to fifty percent (50%) of their market value.
- 3) Expected harvest or production from the project to be financed, or growing crops, up to the extent allowed under Article , Section 3.b), Amount of Loans.

- 4) Warehouse receipts issued by bonded warehouses covering stock deposited in said warehouses to the extent allowed under Article II, Section 3.b), Amount of Loans.
- 5) Any other personal property up to fifty percent (50%) of its fair market value.

SECTION 6. Loan Releases

a) General

Proceeds of the loan are placed in special loan accounts in the name of the borrower from where they are released according to the schedule of loan releases as contained in the approved loan application form. These releases may either be lump sum or staggered according to need. In the case of agricultural loans providing credit lines of up to one year for multiple crops/activities or trader lines of credit financing more than one type of business activity, staggered loan releases will generally occur.

b) Use of Purchase Orders

Where possible loan releases for the provision of inputs in agricultural production lending will be handled through a purchase order arrangement which will follow the procedure outlined below:

- 1) Once a Credit Agreement has been approved and the borrower receives his loan account passbook he will be issued purchase orders by the Supervised Credit Officer, according to his loan needs, for the purchase of certain production inputs such as farm implements, fertilizer, seeds, etc. Each purchase order shall indicate the type, amount, and loan value of each input to be acquired. The name and address of the supplier will also be indicated on the purchase order;
- 2) The farmer-borrower will then proceed to the supplier who through prior arrangement with the BKPD/LPK will release the type and amount of inputs indicated on the particular purchase order to the farmer.
- 3) On a weekly basis the supplier will remit all purchase orders received during that period to the BKPD/LPK for payment.
- 4) In the case where no supplier exists or where transportation may become a problem for the borrower, the BKPD/LPK may arrange for periodic bulk purchases and deliveries of particular inputs required by borrowers within a particular area. The Supervised Credit Officer (SCO) will coordinate with the Kelompok Tani who will

in turn function as "supplier" of the designated inputs according to the procedures outlined in 2) and 3) above.

SECTION 7. Interest Rates

Rates of interest on short-term loans are as follows:

a) Loan terms not exceeding ninety (90) days

Three percent (3%) per month charged against the outstanding credit balance; and

b) Loan terms greater than ninety (90) days but not exceeding one (1) year

Two percent (2%) per month, charged against the outstanding credit balance.

Interest payments shall normally be made together with loan installments according to the installment schedule, whether weekly, monthly or seasonal. However, the BKPD/LPK may, at its option, collect up to eighty percent (80%) of the estimated interest payments on certain types of short-term lending in advance and the adjusted balance upon loan maturity.

SECTION 8. Service Fees and Other Charges

BKPD/LPK may collect charges other than interest on a per-loan

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basis up to a fixed amount equivalent to two percent (2%) of the original loan principal, provided, however, that a minimum charge of Rp 1.000, shall be collected for each loan below Rp 50.000,. Such service fees shall be collectable in advance.

SECTION 9. Savings

Eligible borrowers are required to invest an amount equal to five percent (5%) of all approved loan releases in a savings account, opened in the name of the borrower, to be held by the particular BKPD/LPK extending the loan. Such investments shall be made at the time of loan release and shall bear interest while on deposit according to the following schedule:

<u>Time of Deposit</u>	<u>Rate of Annual Yield</u>
Less than 1 month	0%
1 month	12%
3 months	15%
6 months	16%
12 months	18%

The savings deposits made as a requirement of lending may be withdrawn by the depositor upon final loan repayment or left on deposit to continue drawing interest. At any time during the period when a particular loan is active, or otherwise,

a borrower/depositor may elect to voluntarily add to his or her savings. There are no restrictions governing the withdrawal of these voluntarily invested savings.

Only new borrowers and borrowers who have applied for and received a loan from a particular BKPD/LPK within the past three (3) years are eligible to participate in the EKPD/LPK savings program.

SECTION 10. Marketing Agreement

Whenever practicable, a three-party Marketing Agreement appropriate for the products financed shall be executed between:

- a) The borrower who shall undertake to deliver immediately to the marketing agent an agreed quantity of his produce whose value is at least equivalent to the amount of outstanding loan and the interest thereon;
- b) The marketing agent who shall undertake to purchase the borrower's produce at a specified minimum price and to pay the borrower through the bank within a specified number of days from actual delivery of the produce; and
- c) The BKPD/LPK which shall undertake to provide the borrower's credit requirement and to accept payment thereof from the

marketing agent and apply the same to the borrower's account and release the excess to him or her, or deposit the same in his/her savings account with the lending institution.

SECTION 11. Lending Procedures

a) Agricultural Lending (Individuals or Groups)

- 1) Individual borrowers who can put up the necessary collaterals may be granted loans without co-makers. In the case of borrowers who have no acceptable collaterals, a group of closely-knit farmers within a Kelompok Tani (farmers association) may form themselves into a borrower group with one of them acting as production leader. The number of members to compose the borrower group, or Production Unit, will be left to the discretion of the BKPD/LPK Management and the Supervised Credit Officer but should not be less than two (2) and not more than fifteen (15) farmer-borrowers. The production leader acts on behalf of of the members in transacting with the BKPD/LPK and other parties concerned. The Production Unit members shall sign a Joint Liability Agreement stating their joint and several liability for any loan obtained by any one member from the participating BKPD/LPK;

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- 2) Prospective borrowers sign a loan application and submit it together with other required information, described in 3) below to the local BKPD/LPK;
- 3) Loan applications should be accompanied by :
 - a signed Kelompok Credit Committee Certification which certifies the applicant is a member in good standing of his or her Kelompok Tani;
 - a signed Kepala Desa Recommendation (first time loan applicants only) certifying the prospective borrower is a resident in good standing within his or her desa; and
 - an executed Joint Liability Agreement, where applicable;
- 4) Based on the receipt of the above information the Management of the BKPD/LPK assigns one Supervised Credit Officer (SCO) to make a credit analysis based on the feasibility of the business activity to be financed. Where possible this analysis will be accomplished at a Pos Desa (village financial post) near the residence or place of business of the applicant;
- 5) Upon the completion of the credit analysis the BKPD/LPK Manager/Credit Committee shall review all documents

submitted and either approve or disapprove the loan application;

- 6) Once a loan has been approved a Credit Agreement and Marketing Agreement shall be executed at the Pos Desa level; and
- 7) Upon the completion of all loan documents the BKPD/LPK shall open a "loan account" in the name of each borrower and release loan proceeds from said account according to the manner and schedule presented in the Credit Agreement. The borrower shall be presented a loan account passbook which shall record all debits and credits to the loan account while active.

b) Non-Agricultural Lending

Non-agricultural lending shall follow the same procedures outlined in Section 11.a) above with the following exceptions:

- 1) The provision of Section 11.a).1) shall not apply;
- 2) With respect to Section 11.a).3), only the Kepala Desa Recommendation shall be required; and
- 3) The Marketing Agreement mentioned in Section 11.a).6) may or may not be required (not required for trader/service loans) by the BKPD/LPK.

SECTION 12. Loan Repayments

a) Repayment Schedule

Weekly loan repayments or installments shall be made each week on the day stipulated in the Credit Agreement (SKP). Required savings deposits shall be made at the time of loan release. Loan interest and service charges shall be collected at the close of the first week. Installments on loan principal shall commence on the second week and continue in equal installments over the number of weeks specified in the Credit Agreement.

Monthly credit repayments, together with the payment of interest, shall be made every month on the day and for the duration stipulated in the Credit Agreement.

Seasonal credit repayment shall normally fall due on the approximate period when income is normally available. For agricultural production lending, repayment will coincide with the completion of the production cycle at which time the loan may be paid either in cash or in kind according to the terms of the Credit Agreement. Other types of seasonal lending may allow for normal monthly installments.

b) Delinquent Installments

Borrowers who repay loans on a weekly basis who are delinquent

in paying their installments on time shall be subject to a fine of twenty percent (20%) of the interest due on the scheduled date of payment.

Borrowers whose loans are paid on a monthly or seasonal basis who pay their installments and interest past the installment or payment date shall be subject to a fine of twenty percent (20%) of the interest due on the scheduled date of payment.

c) Repayment In Kind

Where repayment in kind is determined appropriate by the BKPD/LPK for certain types of agricultural lending the following procedures shall generally be observed:

- 1) The farmer-borrower shall deliver to a designated collection center a portion of his farm produce equivalent to his outstanding loan obligation with the BKPD/LPK concerned and valued at the current market price, government support price or such other price as may be agreed to within the Marketing Agreement.
- 2) From the collection centers, the farm produce shall be delivered to a designated warehouse, KUD (cooperative) or other marketing outlet as stipulated in the Marketing

- Agreement. The marketing outlet shall immediately issue a purchase receipt to said farmer-borrower for the produce delivered in payment of the loan.
- 3) The marketing agent shall separately credit the cash value of the marketed produce direct to the EKPD/LPK concerned.
 - 4) Upon presentation to the BKPD/LPK by the farmer-borrower of the purchase receipt, which indicates the cash value of the produce, the BKPD/LPK shall credit the borrower's loan account the cash value of the produce along with any interest and/or service fees still unpaid, thus liquidating the loan account. Any surplus income will be credited to the borrower by means of the EKPD/LPK depositing such surplus in the borrower's savings account.

ARTICLE III. TERM FINANCINGSECTION 1. Borrower Eligibility

Within the four kabupaten of Tasikmalaya, Ciamis, Kuningan and Majalengka the following will be considered eligible borrowers:

- a) A farmer, group of farmers or cooperative owning or cultivating not more than fifty (50) hectares of agricultural or agro-forestry land in geographic areas designated as "expansion areas" under the Citanduy II Project;
- b) Corporations, cooperatives, entities or private individuals engaging or intending to engage in a cottage or agri-industry with a capital investment of not more than Rp 20 million;
- c) A person, group or cooperative engaging or intending to engage in development of poultry, sheep, goat or cattle breeding/fattening; and
- d) A person, group or cooperative engaging or intending to engage in fishpond/fishpen development or in coastal fishing.

SECTION 2. Loan Purposes

Term Financing may be granted for the following purposes:

- a) Purchase of farm land, improved or unimproved, to be devoted to agricultural production.
- b) Improvement of agricultural real estate for the borrower's own use and not for speculation.
- c) Production and harvesting needs of agricultural crops which have production cycles of more than one year.
- d) Acquisition of agricultural or industrial machinery, tools and other equipment needed in the farm or necessary to set up an essential or semi-essential rural industry, or for the improvement or expansion of an industry already in operation.
- e) Acquisition or expansion of facilities, including permanent working capital, needed in the farm or necessary to the establishment or expansion of an essential or semi-essential rural industry.
- f) Purchase of equipment and materials, initial stocks and the financing of facilities and permanent working capital for livestock and poultry raising, fish culture and coastal fishing.

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- g) Other activities relating to agriculture for the production supply needs, manufacturing, processing, marketing, drying, storage and distribution of products produced in "expansion areas" of the Citanduy II Project.

SECTION 3. Amount of Loans

- a) The amount of loan shall depend upon the cost of the agricultural project or development plan to be financed, the actual needs of the borrower, the collaterals offered, the borrower's capacity to pay and other factors bearing on the borrower's credit worthiness. The amount of the loan shall not exceed ninety percent (90%) of the total project cost. A ten percent (10%) participation based on total project cost shall be borne by the borrower.
- b) The amount of the loan shall not exceed seventy percent (70%) of the appraised value of the immovable property offered as security, if titled, and shall not exceed fifty percent (50%) of such value, if the property is untitled.
- c) The amount of loan secured by a chattel mortgage or pledge shall not exceed fifty percent (50%) of the appraised value of the object offered as security and, where such object is new, fifty percent (50%) of the price in the bill of sale.

d) A given BKPD/LPK shall participate in term financing to a limit not to exceed Rp 5 million per project. Loans may be granted to projects requiring financing in excess of this amount provided that the BKPD/LPK enter into a co-financing agreement with the local BPD branch bank. Under such co-financing arrangements the BPD branch bank may participate in a given loan to a limit not to exceed Rp 25 million. Where project lending requirements may exceed the lending limits of both the BKPD/LPK and BPD branch bank combined, the BPD Central Office may share in co-financing arrangement with the BKPD/LPK and BPD branch bank to a total lending limit not to exceed Rp 100 million.

SECTION 4. Maturity of Loans

Term loans shall be granted for periods exceeding 360 days. Loan maturities shall be based on the economic life span of the object to be financed and the projected cash flow to be derived from the project and in each case they shall not normally exceed the following:

<u>Project</u>	<u>Loan Term</u>
a) Farm implements	4 years
b) Light machineries up to 20 HP	4 years
c) Heavy machineries over 20 HP	4 years

<u>Project</u>	<u>Loan Term</u>
d) Light trucks	5 years
e) Irrigation pumps and engines	5 years
f) Complete irrigation system development	10 years
g) Sheep/goat breeding/fattening project	7 years with appropriate grace period
h) Poultry project	7 years with appropriate grace period
i) Cattle breeding/fattening project	7 years with appropriate grace period
j) Complete development of fishpond	10 years with appropriate grace period
k) Fishpen financing	3 years
l) Fishing boats up to 20 gross tons	10 years
m) Fishing gear and equipment	
1) with fishing boat	10 years
2) without fishing boat	7 years
n) Rice mill	10 years with appropriate grace period
o) Manufacturing of farm implements	10 years with appropriate grace period
p) Woodworking	5 years with appropriate grace period
q) Manufacturing of concrete products	5 years with appropriate grace period
r) Handicraft	5 years
s) Permanent working capital	5 years with appropriate grace period
t) Other cottage and agri-industries	10 years with appropriate grace period

<u>Project</u>	<u>Loan Term</u>
u) Purchase of farm land	20 years
v) Improvement of agricultural real estate	10 years
w) Agricultural crops with production cycles of more than one year	18 months

SECTION 5. Collateral Requirements

Loans not exceeding the lending limits of the BKPD/LPK may or may not require collateral from borrowers. On loans exceeding the lending limits of the BKPD/LPK or where the BKPD/LPK determines collateral necessary, loans may be secured by any or a combination of the following:

- a) First mortgage on titled or untitled immovable property and/or chattel mortgage on movable property. In cases of livestock and fisheries development, the production stock may be mortgaged.
- b) Bonds and securities issued by the government or by any of its agencies and instrumentalities which are fully guaranteed by the government.
- c) Any other form of personal property up to fifty percent (50%) of its fair market value.

SECTION 6. Interest Rates

- a) The maximum interest rate, including service fees and

- 41 -

other charges, which may be charged on loans maturing in excess of 360 days shall be twenty-four percent (24%) per annum, computed at a rate of two percent (2%) per month.

- b) Interest payments shall normally be made together with loan installments according to the installment schedule contained in the Loan Agreement. In no case shall interest be collected in advance for periods exceeding twelve (12) months.

SECTION 7. Savings

- a) The terms and conditions governing savings shall be the same as for short-term lending, as described under Article II, Section 9.
- b) Investments in savings under the term lending program shall bear interest while on deposit according to the following schedule:

<u>Time of Deposit</u>	<u>Rate of Annual Yield</u>
1 to 5 years	18.0%
More than 5 years	18.5%

SECTION 8. Required Documents

Loan applicants are required to submit to the BKPD/LPK the following supporting papers and/or documents:

a) General

Titles for all kinds of projects, tax declarations, sketch of property and current tax receipts covering not only collateral offered as security for the loan but also those relevant to the entire project.

If the loan involves the financing of machinery and equipment, a "pro-forma" invoice obtained from authorized dealers should accompany the loan application. In the case of construction and installation works, a contractor's quotation should also be submitted.

b) Particular Project Requirements

- 1) For livestock and poultry projects - a building plan of the project together with its bill of materials and location plan.
- 2) For fishpond development - a plan of the project including gates, dikes and other structures, together with the corresponding bill of materials.
- 3) For irrigation pumps - "Water Rights" permit must

be presented in the event that the water comes from rivers, streams, and other sources forming part of the government domain.

4) Others

- Feasibility study covering the projects to be financed
- Projected cash flows
- Financial statements
- Other documents that may be required by the financing institution

SECTION 9. Lending Procedures

- a) An applicant must file his loan application in the form prescribed by the BPD West Java with a qualified BKPD/LPK in the locality, preferably the one nearest the project to be financed.
- b) After conducting the necessary credit investigation and verification of the project to be financed as well as the corresponding collateral offered, the BKPD/LPK shall submit the appropriate recommendation and endorsement to the BPD branch bank Credit Supervisor detailed in the area.
- c) The BPD branch bank Credit Supervisor then appraises the

credit worthiness of the prospective borrower, verifies the viability of the project to be financed, prepares the credit plan, including a project or feasibility study and submits recommendations on the technical, management, and financial aspects of the project, together with the other loan papers, to the BPD branch bank Loan Team. In cases where the BPD branch bank may be involved in co-financing the proposed loan with a particular BKPD/LPK these documents are submitted to the BPD Central Office Loan Team.

- d) The appropriate BPD Loan Team evaluates and approves the loan application.
- e) Once a loan has been approved a Loan Agreement is executed between all parties concerned.
- f) Following the signing of the loan agreement the lender shall open a "loan account" in the name of the borrower and release loan proceeds from said account according to the manner and schedule presented in the Loan Agreement.

SECTION 10. Loan Repayments

Repayments shall be scheduled in approximately equal installments of principal and interest, annually, semi-annually, or

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of a shorter period, except in cases where deferred payment plans have been granted, so arranged as to fall due on the approximate periods of highest borrower's income or when the principal income of the borrower is normally available. However, financing institutions shall encourage borrowers to make deposits for amortizations for loans on an agreed interval in order to assure repayments as they become due.

C. CASH FARM OPERATING EXPENSES & CREDIT REQUIREMENTS PER PROJECT

1. CROP PRODUCTION:			2. LIVESTOCK/POULTRY/FISH PROD:		
	Borrower's	Credit		Borrower's	Credit
<u>Items</u>	<u>Equity</u>	<u>Needed</u>	<u>Items</u>	<u>Equity</u>	<u>Needed</u>
Seeds.....	Rp _____	Rp _____	Animals...	Rp _____	Rp _____
Land Preparation	_____	_____	Feed.....	_____	_____
Transplanting/ Planting.....	_____	_____	Vet & Drug	_____	_____
Fertilizers....	_____	_____	Supplies..	_____	_____
Pesticides.....	_____	_____	Building..	_____	_____
Weedkiller.....	_____	_____	Labor.....	_____	_____
Labor.....	_____	_____	Equipment.	_____	_____
Equipment.....	_____	_____	Savings...	_____	_____
Savings.....	_____	_____		_____	_____
TOTAL	Rp _____	Rp _____		Rp _____	Rp _____
	Rp _____			Rp _____	

3. AGRIBUSINESS/INDUSTRY

4. TRADE/MARKETING

Land.....	Rp _____	Rp _____	Oper.Cap.	Rp _____	Rp _____
Buildings.....	_____	_____	Savings..	_____	_____
Equipment.....	_____	_____	Other:	_____	_____
Operating Cap..	_____	_____		_____	_____
Savings.....	_____	_____		_____	_____
TOTAL	Rp _____	Rp _____		Rp _____	Rp _____
	Rp _____			Rp _____	

D. SCHEDULE OF LOAN RELEASES AND REPAYMENTS:

<u>DATE</u>	<u>PURPOSES</u>	<u>AMOUNT TO</u>		<u>LOAN BALANCE</u>
		<u>BE RELEASED</u>	<u>REPAYMENTS</u>	
		Rp _____	Rp _____	Rp _____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

FARM/BUSINESS ANALYSIS

1. Income from crops, livestock and business (Item B) Rp _____
2. Cash farm/business operating expenses:
 - 2.1 Borrower's equity (Item C).....Rp _____
 - 2.2 BKPD/LPK loan (Item C).....Rp _____
 - 2.3 Interest payment & other charges..Rp _____
3. Net cash farm/business income (1 minus 2)..... _____
4. Net income from other sources..... _____
5. Total net cash income (3 plus 4)..... _____
6. Family living expenses (based on prior period).Rp _____
7. Other expenditures (land amort'n, debts, etc.).Rp _____
8. Total family expenses and other expenditures (6 plus 7) _____
9. Cash balance for next cropping/business season(5 - 8) _____

I, _____, farmer/borrower under the BKPD/LPK Supervised Rural Financing Program, do hereby promise to follow wholeheartedly the BKPD/LPK Supervised Credit Officer assisting me under this program. I am aware that to use the proceeds of this loan for purposes other than those indicated herein is unlawful.

DATE _____ (Signature of Borrower) _____ (Signature of Spouse)

I, _____, Supervised Credit Officer assisting the BKPD/LPK of _____, shall be primarily responsible in supervising the farm/business activity of the farmer/borrower concerned until his loan is fully paid. Failure on my part to exercise due diligence in the course of my supervision shall be grounds for disciplinary action against me.

DATE _____ (Signature of Sup.Credit Off.)

I. KELOMPOK CREDIT COMMITTEE CERTIFICATION

Applicant is a member in good standing of _____ Kelompok Tani and qualifies to apply for BKPD/LPK sponsored loan.

DATE _____ (Chairman Kelompok Credit Comm)

II. KEPALA DESA RECOMMENDATION

(First time applicants only)

Applicant is a resident in good standing of desa _____ and is hereby recommended to participate in BKPD/LPK supervised rural credit.

DATE _____ (Kepala Desa)

ACTION ON LOAN APPLICATION

BKPD/LPK MANAGEMENT/CREDIT COMMITTEE

Loan approved for Rp _____ (Signature)
Term _____ days/months/years

Remarks _____ (Date)

III. D. WEST JAVA GOVERNOR'S INSTRUCTION ON CITANDUY
CREDIT PROGRAM IMPLEMENTATION

INSTRUCTIONS
GOVERNOR OF WEST JAVA

514/XII/ES/83

Number : 581/Inst.2148-Bappeda/83
Enclosure: 1 (one)

About:

GUIDE TO THE IMPLEMENTATION OF
RURAL CREDIT IN THE COURSE OF CITANDUY WATERSHED AREA DEVELOPMENT
PROGRAM, IN WEST JAVA

THE GOVERNOR OF WEST JAVA

- Considers :
1. That the rural areas where most of the people of Indonesia live, in Repelita III constitutes the primary objective for development and in Palita IV this will be accelerated;
 2. That in general the socio-economic life of the people in rural areas is way behind compared to those living in urban areas, especially in the matter of activities to improve the welfare of the rural population;
 3. That in the course of implementing the Regional Development Program, in the Cintanduy Watershed Area in particular, funds have been made available for use in assisting the people with capital in the form of credit with relatively light terms for the economically weak whose activities cover such sectors as Agriculture, Small Trade/Industry and Commerce;
 4. That the Bank Pembangunan Daerah Jawa Barat and its branches close to the Citanduy Watershed Area, based on experience are considered capable to manage the funds in point 3 (three) above through the Bank Karya Produktif Desa (BKPD) and or the government owned Lembaga Perkreditan Kecamatan in the Kabupaten concerned.

- KEEPING IN MIND:**
1. Law No.5 1974 on Regional Governments;
 2. Law No.5 1979 on Rural Governments;
 3. Instructions of the Minister of Domestic Affairs No.23 1982 about the Guide to Regional Development Implementation in the course of Regional Development Program;
 4. West Java Regional Regulations No. 13/DP.040/Pd/1979 about the Masterplan of West Java Regional Development;
 5. West Java Regional Regulations No.11/PD-DPRD/1972 dated June 27, 1972 about the Establishment of the Legal position of Bank Karya Pembangunan Daerah Jawa Barat, Jo. West Java Regional Regulations No.1/Dp.040/PD/78 dated June 27, 1978, Jo. West Java Regional Regulations No.23 1981 dated December 12, 1981;
 6. Letter of Decision of the Governor of ^{West}Java No.584/SK.87. Binsar/83 dated January 15, 1983 about the Appointment of Bank Pembangunan Daerah Jawa Barat as the Banking Technical Supervisor of the Lembaga Perkreditan Kecamatan in West Java;
 7. Letter of Decision of the Governor of West Java No. 48/B-I/Pem/SK/65 dated December 21, 1965 (improved on March 15, 1966) about the Founding of Village Production Banks and Village Production Storages in Rural Areas;
 8. Letter of Decision of the Governor of West Java No.446/A.III/SK/1973 about the Founding of Credit Institutions in West Java;
 9. Letter of Decision of the Governor of West Java No. 266/A.III/SK/1975 about the Stipulation of the Number of Members of the Supervisory Board of BKPD and LPK in 1975.

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- OBSERVING :**
1. Study results, observations, proposals and suggestions from Program/Project officers including the consultants, in various forums in the course of Citanduy Watershed Area Development Program;
 2. Letter of Explanation of the Minister of Domestic Affairs No.126/1214/Bangda/1982 dated July 19, 1982 about the Explanation of the Implementation of the Citanduy Watershed Area Development Program 1982/1983.

GIVES INSTRUCTIONS

- TO :**
1. The Management of the Bank Pembangunan Daerah Jawa Barat.
 2. Bupati/Supervising Board of BKPD/LPK of Kabupaten Ciamis, Tasikmalaya, Majalengka and Kuningan.
 3. Vertical offices connected with Citanduy Watershed Area Development Program.

TO

- FIRST :**
1. Provide Rural Credit for various activities connected with each step of the implementation of the Citanduy Watershed Area Development Program in accordance with enclosed Instructions.
 2. Make use of the Credit Institutions i.e. the BKPD and the LPK in the areas concerned in keeping with the Instructions of the Minister of Domestic Affairs No.23 1982 dated April 8, 1982.
 3. Maintain cooperation with government apparatus in the regions, including various offices and institutions, in the matter of information/reporting system as well as in connection with the aspects of responsibility.

- SECOND :**
1. These instructions is effective from the date of stipulation with the understanding that in future if any errors are found and or there are new developments in the implementation, changes will be made accordingly.

Stipulated in BANDUNG

On : 10 DEC 1983

GOVERNOR OF WEST JAVA PROVINCE

H.A. KUNAEFI

ENCLOSURE

INSTRUCTIONS OF THE GOVERNOR OF WEST JAVA

Number :

Date :

About:

GUIDE TO THE IMPLEMENTATION OF RURAL CREDIT
IN THE COURSE OF CITANDUY WATERSHED AREA DEVELOPMENT PROGRAM
WEST JAVA

CHAPTER I
GENERAL STIPULATIONS

Article 1

General

- (1) The Citanduy Watershed Area's Rural Credit Project is a credit development activity connected with various efforts of the people related to the objectives and targets of the Program/Project as a whole, covering Kabupaten Ciamis, Tasikmalaya, Majalengka and Kuningan.
- (2) Rural credit is the provision of credit for capital at easy procedure and light terms to individual or group enterprises to encourage and direct the enterprises concerned in keeping with the targets.
business
- (3) Various activities of the people mean individual or group efforts in the field of agriculture as well as non-agriculture in the development area or related to and influence positively the conditions in the development area concerned.
- (4) Designated banking institutions may manage rural credits in the course of Citanduy Watershed Area Development Program; in this case it is the Bank Pembangunan Daerah Jawa Barat, while the distributing institutions are the Bank Karya Produktif Desa (BKPD) and or the Lembaga Perkreditan Kecamatan (LPK) and their apparatus.

Article 2

Strategy of Implementation

- (1) The technical strategy of credit activity is determined by way of priority of credit provision to the economically weak group, to - in turns -

-2-

achieve the targets which are strongly and closely connected with the growth of business, through increased production in the course of increasing and equally distributing the income in keeping with the objective of the program.

- (2) The provision of credits should be based on reducing the burden and creating easy facilities for the clients by determining a relatively low interest, cost of transportation, the working time lost and simplification of credit procedures; this can be done by establishing the service at close proximity to the people i.e. by founding Village Posts; however, the development of such an institution should become stronger and firmer as the result of subsidies as compensation for the charging of the relatively low interest.

Article 3

Objectives and targets

- (1) The general objective of the rural credit is to enable the people, particularly the farmers and farm laborers to buy the necessary technological inputs, to participate, in particular, in the program of upland agricultural technology extension and other activities that could support the growth of public efforts outside agriculture.
- (2) To improve the welfare of the people by increasing and equally distributing the income, in keeping with the improved capability of the management.
- (3) The target area of the rural credit program is the Upper Watershed Area, the borders and scope of which have been determined in the Plan for the Development of the Area, taking into consideration the interaction of activities outside the area (Processing and Marketing Centers).
- (4) The target of credit development and provision is to obtain optimal benefits/optimizing of the following factors:
- Farmland and other lands that require control in their use and processing.
 - Farmers organizations, including connected activities.
 - Integrated farm technology including the technologies of other activities, software as well as hardware having a connection with the efforts to increase and monitor the targets.

-3-

- Farmers cooperative, covering the activities of the people in rural areas which go in the direction of institutionalizing rural economy.
 - Main capital of the farmer which will strengthen and prepare the activities in various sectors through business facilities, awareness and increase of public savings.
- (5) To increase production in rural areas and to facilitate its marketing.
- (6) To increase the role of the Bank Pembangunan Daerah Jawa Barat in keeping with its function as a Development Bank and to strengthen the position of the BKPD and or LPK as the motor of rural economic activities, so that they become the partners and supporters of public efforts in various sectors.

CHAPTER II
ORIGIN AND ALLOCATION OF RURAL CREDIT
FUNDS

Article 14

- (1) The funds for the rural credit project come from the Citanduy Watershed Area Development Program funds which have the status of funds that are distributed by the BPD Jawa Barat.
- (2) Distribution of the funds is as follows:
- Funds for the credit project which comes from the Citanduy Watershed Area Development Program will be received by BPD Jawa Barat.
 - At BPD, part of the funds are managed by the BPD Jawa Barat and the remainder which constitutes the loan fund will be allocated to BKPD/LPK participating in the project through the BPD branches in the areas concerned.
 - From BKPD/LPK, directly or through the Village Posts, the funds are distributed to the people who need a credit.
- (3) The funds consist of:
- a. Loan Fund, 72.4%
 - b. Guarantee Fund, 7%
 - c. Equity Fund, 5%
 - d. Institutional Development Fund, 15.6%

- (4) The funds in points a to c above circulative in nature and should grow; besides this, they also function as business liquidity fund in the program; the funds together with all the ^{1,2} aspects of growth in the end become the possession and responsibility of the West Java Provincial Government, to be developed in time and or determined otherwise according to requirements in the course of regional development as a whole. While the fund in point d constitutes a subsidy for the management and development of the loan.
- (5) The allocation of the loan fund is at least 50% for agriculture, while for small industry and trade, not more than 25% respectively.
- (6) The guarantee fund will be managed by BPD Jawa Barat; the purpose and objective is to distribute the risk of stagnation by way of insuring each loan against this fund.
- (7) The Equity Fund will be managed by the BPD Jawa Barat; the purpose and objective is to assist BKPD/LPK in the form of longterm loan whose Debt Equity Ratio is lower than the determined ratio.
- (8) The Institutional Development Fund constitutes a subsidy for the management and monitoring of the loan and the allocation is made by BPD Jawa Barat upon the approval by Bappeda of West Java, based on the managerial plan and development of rural credit, starting from the Province right down to the BKPD/LPK.
The subsidy for the first year will gradually be made smaller and then abolished by the end of the program when each loan management institution has been able to be self supporting.
- (9) Further rulings on the funds will be made by BPD Jawa Barat.

CHAPTER III

LOAN DISTRIBUTING INSTITUTIONS

Article 5

- (1) The distribution of the funds in Chapter II article 4 above is made through the Bank Pembangunan Daerah Jawa Barat and its branches near the Citanduy Watershed area.
- (2) The distributing institutions directly connected with the public who need loans are the Bank Karya Produkai Desa (BKPD) and or the Lembaga Perkreditan Kecamatan (LPK) by founding the Village Posts, in keeping

with the ability and effectivity of the apparatus and facilities of service located close to the project area.

CHAPTER IV
TYPE, PERIOD AND AMOUNT OF LOAN

Article 6

- (1) The fund transferred to BKPD/LPK by BPD Jawa Barat and its branches constitutes a loan with a loan period of 1 (one) year and extendible so long as there are no other ^{new} regulations by the Governor of West Java.
- (2) The BKPD/LPK obtaining the loan from BPD Jawa Barat is charged with administration cost of 3% (three percent) per year or 0.25% per month of the amount of the loan received and this should be paid to the BPD Branch concerned.
- (3) The funds coming from the administration cost will be used by BPD Jawa Barat to finance the management of banking technicalities and the management of the funds.

Article 7

- (1) The rural credit distributed by the BKPD/LPK to the public needing a loan, consists of capital and investment loans, although during the first years the focus will be on working capital loan.
- (2) Repayment of capital credit for the agricultural sector is made seasonally, for industry, monthly; trade, weekly and or monthly.
- (3) Repayment of investment credit for agriculture is made seasonally, for the industry and trade, monthly.
- (4) The amount and period of credit, working capital as well as investment, are adjusted to needs which are strengthened by results of credit analysis based on propriety.
- (5) Provision of credit which is over the amount for which BKPD/LPK Management is authorized, should first be approved by the BKPD/LPK Supervising Board or the Inspector of BKPD/LPK at kabupaten level, while the limit of authorization for credit provision by the BKPD/LPK Management will be determined by the BPD Jawa Barat.

CHAPTER V
CREDIT TERMS
Article 8

Credits may be provided by BKPD/LPK to clients, individually as well as in group with the following terms:

(1) For individuals:

- a. Possess own business, for agriculture, owners as well as tenants.
- b. Recommended by the Village Chief and the Offices concerned, especially for new clients, while for those for the second time and on, according to the consideration of the Management.
- c. In agriculture, the priority is given to those participating in social farm, while in industry and trade, those that can support the project.

(2) For groups:

- a. Same type of business.
- b. Prepared to take joint liability in accordance with the amount of credit received by each member.
- c. There is a Management as guaranter, selected by members of the group.
- d. The group is recommended by the Village Chief and the Offices concerned.
- e. Possess collateral or is guaranteed by a third party.
- f. Member of the group which is officially in cooperative in the course of Citanduy Watershed Area Development Program.

Article 9

(1) BKPD/LPK as credit distributor who is directly in contact with the public needs funds for the operation etc.; in order to manage the Citanduy Watershed Area Development Program's rural credit as well as possible, each client is charged with the following interests:

- For Agriculture and Industry, 2% (two percent) per month of the credit balance,
- For Trade, 3% (three percent) per month of the credit balance.

(2) Payment of the interests is made together with the installment on the capital/credit, weekly, monthly as well as seasonal.

Payment of the seasonal credit interest for well to do clients may be paid monthly, except for those who are poor, this is paid at once.

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- (3) At times the interests may be reviewed by the BPD Jawa Barat, depending on situations.

Article 10

- (1) Every client is also obligated to make a savings of about 5% (five percent) of the amount of credit he receives; payment of the savings is made at the same time as the realization of the credit.
- (2) The depositor will be given savings interest and the time limit of the deposit that gets an interest and the amount of the deposit will be determined later by the BPD Jawa Barat.
- (3) The deposit may be taken out when the credit is already repaid.

Article 11

- (1) The weekly repayments or installments are made each week on the day stipulated in the Credit Agreement (SPK) with the following rules:
Deposit is made at the time of credit realization.
Payment of credit interest within the first week, while the main credit is repaid in the second week and so on.
- (2) Monthly credit repayments together with the payment of interest is made every month on the day stipulated in the Credit Agreement.
- (3) Seasonal credit repayment is made at once, a month after harvest time, except for debtors/clients who do certain types as stipulated in the Credit Agreement, so making it possible for monthly payment of interest or other periods of time within the period of the credit concerned.

Article 12

- (1) The weekly credit debtor who pays the installment on the credit and its interest past the period of time (one week) when he should pay (the day and date already determined in the Credit Agreement) is fined in the amount of 20% (twenty percent) of the interest he should pay on the day already determined in the SPK.
- (2) The monthly and seasonal credit debtors who pay the installment and interest past the period of one installment (for credits whose repayments are determined installment wise) and more than 15 (fifteen) days for debtors whose repayment, at once, is due, are fined 20% (twenty percent) of the interest he should pay on the day determined in the SPK.

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**CHAPTER VI
PROCEDURE OF CREDIT PROVISION**

Article 13

- (1) Each credit applicant should make an application letter directly to the Management of BKPD/LPK as well as through the Village Posts by filling out the form made available by local BKPD/LPK.
- (2) The request should be accompanied by the recommendation from the Village Chief and or the Offices concerned.
- (3) Based on this the BKPD/LPK Management makes a credit analysis based on feasibility of business.
- (4) For applications considered feasible, the signing of the credit agreement and the cashing of the credit should be carried out, if possible, at locations closest to the debtors (Village Posts).
- (5) Monitoring of clients receiving credits and during the period of credit is carried out continuously by:
 - The Offices concerned in the matter of production and marketing.
 - BKPD/LPK in the matter of business technics and banking/credit.

**CHAPTER VII
ADMINISTRATION AND BOOKKEEPING**

Article 14

rural

The administration and accounting of the/credits are carried out according to the procedures usually applied by BKPD/LPK on the basis of banking technics and other guidelines from the BPD Jawa Barat in the course of the Citanduy Watershed Area Development Program.

**CHAPTER VIII
MONITORING AND SUPERVISION**

- (1) The technical monitoring and supervision for the rural credit in particular are carried out by the Bank Pembangunan Daerah Jawa Barat and its branches in the areas concerned.
- (2) The general monitoring and supervision is carried out according to current regulations.
- (3) General monitoring in various fields is carried out by the BKPD/LPK Supervising Board.

CHAPTER IX
REPORT MAKING

Article 16

- (1) The BKPD/LPK as the executive manager of the Citanduy Watershed Area rural credit is obligated to make monthly reports on the development of the credit activity; within the 5th day of each month at the latest, the report should be sent to the BKPD/LPK Inspector at kabupaten level and the Branch of BPD Jawa Barat at kabupaten level, the Kabupaten government through Bappeda at kabupaten level and to the District Head (Camat) of the local area.
- (2) Then the Inspector of BKPD/LPK in the name of BKPD/LPK Supervising Board at kabupaten level sends a consolidation report to the BKPD/LPK Supervising Board at Provincial level, Bappeda of West Java, BPD Jawa Barat Central Office with copies to Bappeda at kabupaten level and the local Watershed Area Development Program Plan (P3RPDAS), on the 15th of the month at the latest.
- (3) BPD Jawa Barat Kabupaten Branch makes a report to the Provincial BPD, on the 15th at the latest.
- (4) The Provincial BPD sends a report to the Governor and the Provincial Bappeda, by the end of the month at the latest. The report is made quarterly.
- (5) Bappeda of West Java sends quarterly reports to the Governor and the Minister of Domestic Affairs and those considered important, by the end of the month at the latest.
- (6) The format and forms of the reports from the Kecamatan, Kabupaten and Province will be arranged later on by the Bank Pembangunan Daerah Jawa Barat.

CHAPTER X

CLOSURE

Article 17

Items not yet covered in this Guide will be dealt with separately.

GOVERNOR OF WEST JAVA

10 DEC 1983

H. A. KUNAEFI

III. E. SUPPORTING PROGRAM DOCUMENTATION

- Implementation Plan for West Java Transmittal Letter BANGDA/USAID, August 29, 1983
- Project Implementation Letter (PIL) No. 28, October 12, 1983
- BANGDA/W.J.Governor Implementation Plan Approval Cable, November 1, 1983
- W.J. Governor/Bank Indonesia Governor Letter of December 6, 1983, requesting concurrence of BI in granting authority to BPD Jabar to supervise and manage Citanduy-supported Bank Karya Produksi Desa (BKPD)
- Central Bank/Governor of West Java concurrence with the BPD/BKPD supervision and management structure, March 9, 1984
- Project Implementation Letter (PIL) No. 39, May 16, 1984



DEPARTEMEN DALAM NEGERI
REPUBLIC INDONESIA



No. 611/1562/Bangda
Mr. Michael Hauben,
Project Officer Citanduy II
U S A I D
J A K A R T A.

Jakarta, 29 -8- 1983

WORKING COPY

Dear Mr. Hauben,

We are herewith forwarding for USAID the implementation plan of the rural credit component of Citanduy II and the Instructions of the Governor of West Java to be issued pursuant to the plan.

These documents represent the initial submission forwarded to you in compliance with Section 5.2 of the Loan Agreement. Similar documents for Central Java will follow separately.

We recognize that full compliance with Section 5.2 in regard to the credit component will also require submission of detailed lending guidelines and procedures and would like to advise you that such guidelines are being developed at this time and will be forwarded to you separately.

Thank you very much for your kind attention and cooperation.

USAID ROUTING		
To	Act	Info
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A		<input checked="" type="checkbox"/>
ECOR		
EST		
M		
IN		<input checked="" type="checkbox"/>
FIN/B		
FIN/FA	<input checked="" type="checkbox"/>	<i>w/ut</i>
ED		
POP		
FR		
EHR		
EHR/T		
STE		
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IHP		
PTE		
AGR		
PSDD		
IN/EC		
JAG/ADM		
PER		
CSG		
C&R		

GENERAL OF REGIONAL DEVELOPMENT,



[Signature]
S. ATAR SIELLO.-



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
AMERICAN EMBASSY
JAKARTA, INDONESIA

October 12, 1983

Drs. Atar Sibero
Director General for Regional Development
Ministry of Home Affairs
Jl. Merdeka Utara 7
Jakarta

Subject: AID Project No. 497-0291
Loan Number 497-T-063
Citanduy II
Fulfilment of Conditions Precedent -- Credit Program
Project Implementation Letter No. 28

Reference: DG BANGDA Letter No. 611/1562/Bangda, dated 29 August 1983,
and attachments

Dear Drs. Atar:

We wish to acknowledge with thanks your transmittal to us with the referenced letter, of the Citanduy II Rural Credit Program Implementation Plan for West Java and Instructions of the Governor of West Java issued pursuant to the plan.

While sharing your recognition that further detailed lending guidelines are needed, we hope that it will be possible for initial, focused and carefully supervised lending to proceed without further delay. To move forward now with limited first year's credit activities could provide valuable experience pertinent to the refinement of procedures and the program in general and would maintain the momentum of the activity. Experience with the first year's activity would also contribute to the development of BPD and BKPD procedures in regard to the major portion of the Citanduy credit program which will commence in the period immediately afterwards, and would thus directly feed into the formulation of the detailed lending procedures which you are now working on. First year's performance therefore will need to be closely monitored, and, by April 1984, BANGDA, BPD and USAID should informally examine the program's status for the purpose of deciding upon the second year's program. Most importantly, moving forward with agricultural lending now would respond to the recognized and urgent needs of Citanduy Upper Watershed expansion area farmers.

- 2 -

We are therefore pleased to advise you that the referenced submission fulfills Section 5.2 of the Loan Agreement, Conditions Precedent to Additional Disbursement, for the purpose of implementing the first year's activities of the credit program in West Java. In view of AID regulations, implementation of the second year's program will require a submission of proposed lending activities in form and substance which our offices have agreed on, and AID written acceptance of the lending guidelines and procedures.

As we understand it, first year lending will be implemented by BKPD in five kecamatans - Ciawi, Cipaku, Kawali, Panawangan and Rancah - in accordance with the submitted West Java implementation plan. While recognizing the possibility of formalizing other elements of credit activity such as the savings, guarantee schemes, institutional development, etc., we would suggest an initial approach for cultivators that finances inputs. Thus we are prepared to support year one activities focusing exclusively on lending and essential related activities directed at expansion area farmers. Credit should enable these farmers to obtain agricultural inputs such as fertilizer which would contribute to increasing productivity. Expansion area farmers who have complied with promoted conservation practices and have sufficient grass for fodder (at least 60% of ground cover on risers if land is terraced) would be eligible to use credit to obtain livestock. This should be an incentive to the farmers to plant and maintain ecologically stabilizing grasses. We understand that PPLs would certify the farmers' eligibility in terms of compliance with project technical standards. It is our understanding that the BPD Cabangs - Ciamis and Tasikmalaya - will coordinate closely with dinas pertanian as well as P3RPDAS-Citanduy to insure that PPLs work closely with farmer groups (kelompok tani) who are now eligible for credit and serve as the linkage between the kelompok tani and the BKPD.

Under the phased approach described, small-scale industrial lending, new rural savings programs, establishment of an equity fund, and the upgrading of management information and accounting systems outside of the context of overall BPD and BKPD development would be deferred in the first year. In this manner, we believe that the lending institutions may proceed to the all important servicing of farmers in the expansion areas without undue complications. Furthermore, this initial experience should provide a sound basis for further refinements, needs identification, and expected expansion. We understand procedures already in use within the existing credit agencies will be employed by BPD and BKPD.

In connection with the Governor's instructions submitted with the referenced letter, we agree with the need for incentives for field staff but also would suggest that these be extended to technical field staff, particularly to PPLs, PPMs, etc., who play an important role in implementing the lending program. It is proposed that incentives be directly linked to identified performance criteria rather than granting fixed honoraria at the initiation of the project.

- 3 -

As Central Java's credit implementation plan has not yet been submitted, farmers in expansion areas in kabupaten Cilacap would not be able to receive credit in time to enable them to purchase agricultural inputs for the upcoming planting season. We therefore urge that those farmers in Cilacap who received inputs under your Upland Package Expansion program last year, and who would therefore be eligible for credit at this time, should receive in the form of direct subsidy inputs under the Upland Package Expansion program for a second year. If GOI prefinancing is a problem, we would be able to provide an AID funding advance for this pursuant to submission to AID of a request including a budget breakdown.

We understand that Rp. 108,150,000, has already been allocated for the first year's program by the GOI and that this fund is currently held by the lending institution. AID therefore is hereby committing Rp. 108,150,000 or US\$110,357.15, whichever is less, under the Upper Watershed Development element, a sum which constitutes the equivalent of funds made available by the GOI. Future years' disbursements will be equivalent to the GOI annual allocation within the limitations of the project budget and mutual agreement on project expansion. As our contribution will be placed in the same account as the GOI contribution, we would appreciate being notified of the details of that account: date established, domicile, etc.

We would also appreciate receiving a copy of all financial reports from BPD regarding status of the funds.

We are grateful for your attention to this essential project component and look forward to working with you in developing and expanding the credit component in the coming months.

With kind regards.

Sincerely,


William P. Fuller
Director

- 4 -

cc:

DEPLU - 10
BAPPENAS - 5
Ministry of Finance - 2
Ministry of Public Works, Directorate of Rivers - 2
Ministry of Agriculture, Bureau of Planning - 2
Directorate for Soil Conservation - 2
Sub-Director, Environment and Settlement Systems - 5
BAPPEDA, Bandung - 5
BPD, Bandung - 5
BPD Cabang Ciamis - 5
BPD Cabang Tasikmalaya - 5
BAPPEDA, Semarang - 1
BPD, Semarang - 1
BAPPEDA II Ciamis - 1
BAPPEDA II, Tasikmalaya - 1
BAPPEDA II, Cilacap -, 1
Mr. Rachlan - 1
Dinas Pertanian Ciamis - 3
P3RPDAS Ciamis - 5
Dinas Pertanian Tasikmalaya - 3
Manager, Proyek Citanduy Banjar - 1
Mr. Catmur, RMI/Ciamis - 1
Mr. Swisher, RMI/Ciamis - 1
Mr. Van Steenwyck, RMI, Bandung - 2
BKPD, Ciawi, Tasikmalaya - 2
BKPD Panawangan, Ciamis - 2
BKPD Cipaku, Ciamis - 2
BKPD Kawali, Ciamis - 2
BKPD Rancah, Ciamis - 2

Tel. COM BOARD OF HOME AFFAIRS DEPARTMENT

FROM : THE MINISTER OF HOME AFFAIRS

TO : THE GOVERNOR OF 1ST PROVINCE OF WEST JAVA &
THE CHAIRMAN OF THE 1ST PROVINCE DEPARTMENT OF DEVELOPMENT
IN BANDUNG

NO. : 611/2035/SANGKA

NOVEMBER THE 15TH 1983

REFERRING TO YOUR LETTER NO. 619/PE. iii/BAPP/1983 CONCERNING THE REQUEST FOR AN AGREEMENT ON THE CREDIT PLAN OPERATION FOR THE CITANDUY PROJECT, BASICALLY HAS BEEN GRANTED WITH THE FOLLOWING REMARKS :

- A. MORE EMPHASIS NEED TO BE GIVEN TO THE ACTIVITY'S PRIORITIES AND GOALS TO BE ACHIEVED .
- B. NEED TO BE CONSIDERED THE SYSTEM OF CALCULATING ARREARS WHEN A GUARANTEED CREDIT FUND OF SEVEN PERCENT IS GIVEN TO COVER THE ARREARS.
- C. THE SYSTEM OF DELIVERING THE WEEKLY/MONTHLY REPORTS FROM [BKPD] TO THE BRANCH OF BAD TINGKAT II ALSO TO THE BAPPEDA TINGKAT II AND A COPY SEND TO THE GOVERNOR KDH TINGKAT I ACTING AS THE BKPD'S GUARDIAN, AND THE DIRECTOR'S QUARTERLY REPORTS OF THE PRE CREDIT DEPARTMENT MUST HAVE THE GOVERNOR'S INITIALS BEFORE THEY ARE SENT TO THE HOME AFFAIRS DEPARTMENT, FINANCE DEPARTMENT, BAPPENAS AND THE U.S.AID.
- D. INTEREST RATES IN THE FIELDS OF AGRICULTURES AND INDUSTRIES IS SUGGESTED AN AMOUNT OF 2 PERCENT FROM THE CAPITAL LOAN NOT FROM THE CREDIT BALANCE PER MONTH.
ALSO IN THE FIELDS OF TRADES IS SUGGESTED AN AMOUNT OF 3 PERCENT FROM THE CAPITAL LOAN.
- E. BEFORE CARRYING IT OUT IT IS NECESSARY TO DISCUSS AND GET THE AGREEMENT TOGETHER WITH THE AREA AUTHORITIES [DEMUDA] TINGKAT I OF CENTRAL JAVA.

THE MINISTER OF HOME AFFAIRS.



PEMERINTAH PROPINSI DAERAH TINGKAT I JAWA – BARAT

JALAN BRAGA NO. 137 TILPON 59078, 50450, 51214 – BANDUNG
 JALAN DIPONEGORO NO. 22 TILPON 59031 S/D 59036 – BANDUNG

SIFAT : BANDUNG, 6 Desember 1983
 DERAJAT :
 NOMOR : 581/15854/Bapp/1983
 LAMPIRAN :
 PERIHAL : Bank Pembangunan Daerah Jawa Barat sebagai pengelola Kredit Utama dan BKPD sebagai pengelola Kredit sekunder PPW DAS Citanduy. Kepada Yth. Bapak Gubernur Bank Indonesia di J A K A R T A

1. Dengan ini dilaporkan dengan hormat bahwa sejak tahun 1982/1983 Pemerintah Daerah Propinsi DT.I Jawa Barat melaksanakan Proyek Pengembangan Wilayah DAS Citanduy atas dasar Perjanjian Kerjasama antara Pemerintah Republik Indonesia dan Pemerintah Amerika Serikat tanggal 29 September 1980 Nomor AID Loan 497-T-063 yang dalam pelaksanaannya berdasarkan Instruksi Menteri Dalam Negeri No. 23 tahun 1982 tentang pelaksanaan Pembangunan Daerah dalam rangka Program Pengembangan Wilayah. Dalam Instruksi Menteri Dalam Negeri tersebut antara lain disebutkan bahwa dalam melaksanakan Bagian Proyek Kredit Usaha Tani, Gubernur Kepala Daerah Tingkat I dibantu oleh "Badan/Lembaga Perbankan" yang telah ditunjuk oleh Menteri Keuangan yang dapat menyalurkan kredit untuk masyarakat khususnya petani adalah Bank Pembangunan Daerah melalui Lembaga Perkreditan Kecamatan untuk Propinsi Daerah Tingkat I Jawa Barat yang meliputi Kabupaten-kabupaten Ciamis, Tasikmalaya, Kuningan dan Majalengka serta melalui BKK untuk Propinsi Daerah Tingkat I Jawa Tengah yakni Kabupaten Daerah Tingkat II Cilacap.

No surat: 1275	Parap
Ditert. 11/2	12
Dib. l. s. dg	

- 2 -

2. Hal tersebut telah mendapat petunjuk lebih lanjut dari Bapak Direktur Jenderal Pembangunan Daerah Departemen Dalam Negeri kepada BAPPEDA Tingkat I Jawa Barat dan BPD Jawa Barat yang menyatakan bahwa untuk pelaksanaan Proyek Kredit Usaha Tani PPW DAS Citanduy tidak perlu membentuk institusi baru bahkan harus memperkuat dan memfungsikan Lembaga Kredit yang sudah ada.

Atas dasar itu maka kami telah menunjuk BPD Jawa Barat sebagai pengelola utama Kredit Usaha Tani PPW DAS Citanduy dan Bank Karya Produksi Desa (BKPD) milik Daerah Tingkat II yang bersangkutan yang ada di Kecamatan-Kecamatan sebagai Lembaga Kredit Sekunder yang langsung berhubungan dengan nasabah di Pedesaan.

3. Hubungan antara BPD Jawa Barat dengan BKPD dalam rangka pelaksanaan Kredit Usaha Tani PPW DAS Citanduy sangat kami perlukan dalam rangka optimalisasi Pengembangan Wilayah DAS. Untuk lebih tertibnya penanganan masalah Kredit Usaha Tani ini, kiranya Bapak berkenan untuk memberi petunjuk lebih lanjut mengenai hal ini, mengingat sejak tahun 1972 BKPD milik Pemerintah Daerah Tingkat II yang pembinaannya dilakukan BRI.

Atas perhatian dan petunjuk Bapak, kami haturkan terima kasih.

GUBERNUR KEPALA DAERAH TINGKAT I
JAWA BARAT,

H. A. K U N A E F I.

TEMBUSAN, disampaikan kepada :

1. Yth. Bapak Menteri Dalam Negeri
u.p. Direktur Jenderal Bangda di Jakarta.
2. Yth. Bapak Menteri Keuangan
u.p. Direktur Jenderal Moneter di Jakarta.
3. Yth. Pimpinan Bank Indonesia
Cabang Bandung di Bandung.
4. Yth. Ketua BAPPEDA Tingkat I Jawa Barat di Bandung.
5. Yth. Direktur Utama Bank Pembangunan Daerah
Jawa Barat di Bandung.

BANK INDONESIA

No.16/57/UPPB/PTPR/DA
Lampiran : 1 (satu) set

Bandung, 20 Maret 1984

Kepada

Sdr. Gubernur Kepala Daerah Tingkat I Jawa Barat
Jl. Diponegoro
BANDUNG

Perihal : Bank Pembangunan Daerah Jawa Barat sebagai pengelola
kredit usaha tani Program Pengembangan Wilayah (PPW)
Daerah Aliran Sungai (DAS) Citarum

./.
Bersama ini disampaikan surat Kantor Pusat kami No.16/215/Dir/
UPPB tanggal 9 Maret 1984 perihal tersebut di atas.
Demikian agar menjadi maklum dan Saudara menyetujuinya dengan
baik.

ESMERLIN CARANG
BANK INDONESIA

[Handwritten signature]

Tom Martono

cc.- Bank Pembangunan Daerah
Jawa Barat, Bandung

No surat: 16/57	Piraa
Ditandatangani:
Dibuat tanggal:

No. 16/213/Dir/UPPB

9 Maret 1984

K e p a d a

Sdr. Gubernur Kepala Daerah
Tingkat I Jawa Barat

. di

B A N D U N G

Perihal : Bank Pembangunan Daerah (BPD) Jawa Barat sebagai pengelola kredit usaha tani Program Pengembangan Wilayah (PPW) Daerah Aliran Sungai (DAS) Citanduy.

Merujuk surat Saudara No. 581/15854/Bapp/1983 tanggal 6 Desember 1983 dan surat instruksi Saudara No. 581/Inst. 2142-Sappoda/83 tanggal 10 Desember 1983 perihal yang sama sebagaimana tersebut di atas, maka dengan ini kami kemukakan kepada Saudara hal-hal sebagai berikut :

1. Dalam rangka pelaksanaan PPW DAS Citanduy Saudara telah merujuk BPD Jawa Barat untuk mengelola kredit usaha tani melalui Bank Karya Produksi Desa (BKPD). Selanjutnya agar penyaluran kredit melalui BKPD termaksud dapat mencapai sasareannya secara optimal, khususnya dapat meningkatkan hasil produksi di pedesaan dan memudahkan pemasa-rannya, maka pembinaan dan pengawasan teknis perbankan akan dilakukan oleh BPD Jawa Barat.
2. Sebagaimana telah dikemukakan dalam surat Saudara tersebut di atas bahwa pembinaan dan pengawasan teknis perbankan terhadap BKPD dilakukan oleh Bank Rakyat Indonesia (BRI). Hal ini sesuai dengan ketentuan dalam Undang-Undang No. 21 tahun 1960 tentang BRI pasal 7 ayat (5) yang berbunyi "Pembinaan dan pengawasan bank desa, lumbung desa, bank pasar dan bank-bank sejenis lainnya berdasarkan petunjuk dan pimpinan Bank Indonesia (BI)".

3. Sohubungan ...

3. Sehubungan dengan hal-hal tersebut di atas ini agar pembinaan dan pengawasan teknis perbankan terhadap BKPD dalam rangka pelaksanaan kredit usaha tani dapat mencapai sasaran yang optimal bagi pengembangan wilayah DAS Citanduy, maka perlu kiranya diperhatikan hal-hal sebagai berikut :
- a. BPD Jawa Barat hanya diperkenankan untuk melakukan pembinaan dan pengawasan teknis perbankan terhadap BKPD sepanjang ada kaitannya dengan pelaksanaan kredit usaha tani PFW DAS Citanduy, sedangkan untuk pembinaan dan pengawasan teknis perbankan secara umum hanya boleh dilakukan oleh BRI.
 - b. Setiap kali BPD Jawa Barat melakukan kunjungan kepada BKPD dalam rangka pengawasan termaksud pada huruf a di atas, maka terlebih dahulu harus memberitahukan kepada BRI.
 - c. Agar tercipta saling pengertian mengenai batas wewenang pembinaan dan pengawasan teknis perbankan terhadap BKPD dalam rangka pelaksanaan kredit usaha tani PFW DAS Citanduy, maka dalam waktu dekat ini kami bermaksud akan mengadakan pertemuan antara BPD Jawa Barat, BRI dan BI.

Demikianlah agar Saudara maklum.

DIREKSI
BANK INDONESIA

I. M. Zuhriyah

Marjanto Danoesanontro

I.M. Zuhriyah

Marjanto Danoesanontro

cc : - Bank Rakyat Indonesia
- BPD Jawa Barat.

SS/-ry-



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
AMERICAN EMBASSY
JAKARTA, INDONESIA

RECEIVED
19 MAY 1984

May 16, 1984

Drs. Atar Sibero
Director General for Regional
Development
Ministry of Home Affairs
Jl. Kramat Raya 132
Jakarta

Subject : AID Project No. 497-0281
Loan Number 497-T-063 (L)
Citanduy II
Revision of Credit Reimbursement Procedures
Project Implementation Letter No. 39

Reference : Project Implementation Letter No. 28, dated
October 12, 1983.

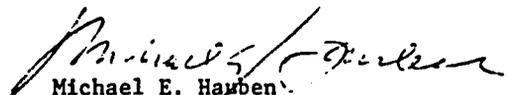
Dear Drs. Atar:

The purpose of this PIL is to further clarify reimbursement procedures relating to the prior commitment of credit funds for West Java in PIL No. 28 of October 12, 1983. Per our recent discussions, credit funds will be prefinanced by the GOI, and AID will reimburse the GOI up to Rp. 108,150,000 the amount committed in PIL No. 28 upon submission of a certified financial report certifying that funds have been transferred from the BPD to the various BKPD lending offices for lending to project beneficiaries. Such a transfer of funds constitutes an expenditure.

Attached is the suggested certified invoice format. Reimbursement requests should be submitted to the USAID via the Ministry of Finance, with payment to Bank of Indonesia's account with the Federal Reserve Bank of New York. The USAID Office of Finance will conduct periodic reviews of books and records at the project site.

Thank you for your kind attention.

Sincerely,


Michael E. Hayden
Citanduy II Project Officer

Attachment: a/s

CC:

DEPLU - 5
BAPPENAS - 3
Min. of Finance - 2
DG Bangda - 2
BAPPEDA Tk. I, Bandung - 2
BPD, Bandung - 2
BPD Cabang, Ciamis - 2
BPD Cabang, Tasikmalaya - 2
BAPPEDA Tk. I, Semarang
BPD, Semarang
Ir. Syahmardan, DG Bangda
Mr. Van Steenwyk, RMI, Bandung
RMI/Citanduy, Ciamis - 2
Directorate of Rivers
Directorate of Soil Conservation
Planning Bureau, Min. of Agriculture
Proyek Citanduy, Banjar
P3RPDAS, Ciamis - 2

I N V O I C E

Date: _____

Project No: AID 497-0281
Loan No: AID 497-T-063
Activity: Credit/West Java
PIL No: 28

<u>BKPD Location</u>	<u>Expenditures This Period</u>	<u>Prior Period Expenditures</u>	<u>Total Expenditures</u>
1.			
2.			
3.			
4.			
5.			

This Request for Reimbursement _____

The undersigned hereby certifies: (A) that payment of the sum claimed under the cited PIL is proper and due and that appropriate refund to AID will be made promptly upon request in the event of disallowance of costs not reimbursable under the terms of the agreement, (B) that information in the fiscal report is correct and such detailed supporting information as AID may reasonably require will be furnished promptly to AID on request and (C) that all requirements called for by the PIL to date of this certification have been met.

By _____

Title _____

Date _____

III. F. PROPOSED AGRICULTURAL LENDING SCHEMES

CITANDUY RURAL CREDIT PROGRAM

PROPOSED AGRICULTURAL LENDING SCHEMES

(YEAR I LENDING)

1. Food Crops (Corn/Ground Nut)
2. Tree Crops (Cashew, Clove, Coconut, Melinjo
T. Kedong., Cacao, Coffee, Citrus)
3. Legume (Lamtoro)
4. Livestock (Goat, Sheep)

Mark A. Van Steenwyk
Rural Credit Advisor

JANUARY 1984

F O O D C R O P S

FOOD CROPS

INPUTS

	<u># Kilos</u>	<u>Cost/Kilo (Rp)</u>
1. Lamtoro Seed	15	4,000
2. Corn Seed	10	400
3. Ground Nuts	20	800
4. Urea	150	100
5. TSP	50	100
6. Land Preparation	-	-

OUTPUTS

	<u># Kilos</u>	<u>Cost/Kilo (Rp)</u>
1. Lamtoro Seed	50	4,480
2. Corn*	-	-
3. Ground Nuts**	100	1,000

LOAN TERMS

1. Term : 12 months
2. Loan Amount : Rp 150,000
3. Rate of Interest: 2% per month
4. Schedule of Loan Releases and Repayments:

<u>Month</u>	<u>Releases</u>	<u>Repayments</u>
1		
12	Rp 150,000	
		Rp 150,000

* Home consumption

** Marketable surplus assumed to equal 25% of crop, or 100 kilos @ Rp 1,000/kilo

PROFORMA INCOME STATEMENT

LENDING SCHEME: FOOD CROPS (Corn/Ground Nut)

(Per Hectare)
(Expressed in Rupiah)

GROSS INCOME

Sale of Lamtoro Seed	224,000
Sale of Corn*	-
Sale of Ground Nuts**	<u>100,000</u>
<u>Total Gross Income</u>	324,000

OPERATING EXPENSES

Fixed Costs

Interest on Production Loan	36,000
-----------------------------	--------

Variable Costs

Lamtoro Seed	60,000
Corn Seed	4,000
Ground Nut Seed	16,000
Urea	15,000
TSP	5,000
Land Preparation	<u>50,000</u>
<u>Total Operating Expenses</u>	186,000

<u>NET INCOME</u>	138,000
-------------------	---------

* Home consumption

** Marketable surplus assumed to equal 25% of crop, or 100 kilos @ Rp1,000/kilo

T R E E C R O P S

- 6 -

TREE CROPSINPUTS

	<u># Kilos</u>	<u>Cost/Kilo (Rp)</u>
1. Lamtoro Seed	15	4,000
2. Fertilizer	150	100
3. Tree Crop Seedlings	<u># Seedlings/Ha.</u>	<u>Cost/Seedling (Rp)</u>
- Cashew	150	800
- Clove	150	1,000
- Coconut	200	200
- Melinjo	200	250
- T. Kedondong	150	400
- Cacao	150	800
- Coffee	150	800
- Citrus	150	800
4. Land Preparation	-	-

OUTPUTS

	<u># Kilos</u>	<u>Cost/Kilo (Rp)</u>
1. <u>Lamtoro Seed from:</u>		
-Cashew, Clove, Cacao		
Coffee Citrus	100	4,480
-Coconut, Melinjo,		
T. Kedondong	75	4,480

LOAN TERMS

- Term : 18 months
- Loan Amount : -Cashew, Cacao, Coffee, Citrus = Rp 245,000
 -Clove = Rp 275,000
 -Coconut = Rp 165,000
 -Melinjo = Rp 175,000
 -T. Kedondong = Rp 185,000
- Rate of Interest: 2% per month
- Schedule of Loan Releases and Repayments:

<u>Month</u>	<u>Releases</u>	<u>Repayments</u>
1	Loan Principal	
12		$\frac{1}{2}$ Loan Principal
18		$\frac{1}{2}$ Loan Principal

PROFORMA INCOME STATEMENT

LENDING SCHEME: TREE CROPS

(Per Hectare)
(Expressed in Rupiah)

<u>TYPE OF PRODUCTION</u>	<u>CASHEW</u>	<u>CLOVE</u>	<u>COCONUT</u>	<u>MELINJO</u>	<u>TANAMAN KEDONGDONG</u>	<u>CACAO/COFFEE/CITRUS</u>
<u>GROSS INCOME</u>						
Sale of Lamtoro Seed	<u>448,000</u>	<u>448,000</u>	<u>336,000</u>	<u>336,000</u>	<u>336,000</u>	<u>448,000</u>
<u>Total Gross Income</u>	448,000	448,000	336,000	336,000	336,000	448,000
<u>OPERATING EXPENSES</u>						
<u>Fixed Costs</u>						
Interest on Loan	88,200	97,100	59,400	63,000	66,600	88,200
<u>Variable Costs</u>						
Lamtoro Seed	60,000	60,000	60,000	60,000	60,000	60,000
Tree Crop Seedlings	120,000	150,000	40,000	50,000	60,000	120,000
Fertilizer	15,000	15,000	15,000	15,000	15,000	15,000
Land Preparation	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
<u>Total Operating Expenses</u>	333,200	372,100	224,400	238,000	251,600	333,200
<u>NET INCOME</u>	114,800	75,900	111,600	98,000	84,400	114,800

L E G U M E

- 9 -

LEGUMEINPUTS

	<u># Kilos</u>	<u>Cost/Kilo (Rp)</u>
1. Lamtoro Seed	15	4,000
2. Fertilizer	100	100
3. Land Preparation	-	-

OUTPUTS

	<u># Kilos</u>	<u>Cost/Kilo (Rp)</u>
1. Lamtoro Seed	50	4,480

LOAN TERMS

1. Term : 12 months
2. Loan Amount : Rp 100,000
3. Rate of Interest: 2% per month
4. Schedule of Loan Releases and Repayments:

<u>Month</u>	<u>Releases</u>	<u>Repayments</u>
1		
12	Rp 100,000	Rp 100,000

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PROFORMA INCOME STATEMENT
LENDING SCHEME: LEGUME (Lamtoro)
(Per Hectare)
(Expressed in Rupiah)

GROSS INCOME

Sale of Lamtoro Seed	<u>224,000</u>
<u>Total Gross Income</u>	224,000

OPERATING EXPENSESFixed Costs

Interest on Production Loan	24,000
-----------------------------	--------

Variable Costs

Lamtoro Seed	60,000
Fertilizer	10,000
Land Preparation	<u>30,000</u>
<u>Total Operating Expenses</u>	124,000

NET INCOME

100,000

L I V E S T O C K

LIVESTOCK*INPUTS

1. One (1) breeding/fattening building (36 sq. mtr.)
2. One (1) buck/ram, age: one (1) year
3. Ten (10) does/ewes, age: one (1) year
4. Thirty (30) kilos legume (Lamtoro) seed
5. Sufficient grass (Brachiana) to cover two (2) hectares of terrace risers
6. Basic animal production equipment

OUTPUTS1. Marketable Livestock

<u>Production Period</u>	<u># Livestock</u>	<u>Market Price/Animal (Rp)</u>	<u>Market Month</u>
I	12	48,832	21
II	13	53,187	30
II	12	57,883	39
III	13	62,941	48
III	12	68,605	57

2. Legume Seeds

<u>Production Period</u>	<u># Kilos</u>	<u>Market Price/Kilo (Rp)</u>
I	80	3,000
II	60	3,583
III	40	4,250

LOAN TERMS

1. Term : 57 months (5 years)
2. Loan Amount : Rp 826,500 Term Investment
Rp 1,581,440 Short-Term Working Capital
Rp 2,407,940 Total
3. Rate of Interest: 2% per month
4. Schedule of Loan Releases and Repayments: (see next page)

* Reference: "Upland Goat/Sheep Production: 5-Year Feasibility Study on an Intermediate-Scale Production Model;" BPD Jabar; October 1983

SCHEDULE OF LOAN RELEASES, LOAN REPAYMENTS AND INTEREST COMPUTATIONS
(Monetary figures expressed in Indonesian Rupiah)

TYPE OF LOAN/ACTIVITY	ITEMS FINANCED	PRODUCTION PERIOD I (0-21 months)			PRODUCTION PERIOD II (22-39 months)			PRODUCTION PERIOD III (40-57 months)		
		Mon.	Principal	Interest	Mon.	Principal	Interest	Mon.	Principal	Interest
1. TERM FINANCING										
RELEASES	livestock, seed, bldg. & equipment	1	675,500	-	22	88,000	-	40	63,000	-
REPAYMENTS	" "	21	-	348,074	30	400,000	219,889	48	426,500	83,207
2. SHORT-TERM LOANS										
RELEASES	feed supp.	1	8,250	-	22	9,900	-	40	11,880	-
	health care	1	24,750	-	22	29,200	-	40	34,460	-
	<u>Feed</u>									
	-Breeders	1	20,000	-	(P2)23	234,000	-	(P4)41	280,800	-
	-P1	13	180,000	-	(P3)32	216,000	-	(P5)50	259,200	-
	-D1	9	37,500	-	(D3)27	45,000	-	(D5)45	54,000	-
	-D2	18	37,500	-	(D4)36	45,000	-	(D6)54	54,000	-
REPAYMENTS	" "	21	308,000	-	39	579,100	-	57	694,340	-
	feed supp.	21	-	4,254	39	-	4,240	57	-	5,088
	health care	21	-	12,763	39	-	12,505	57	-	14,757
	<u>Feed</u>									
	-Breeders	21	-	10,313	(P2)39	-	93,656	(P4)57	-	12,388
	-P1	21	-	35,117	(P3)39	-	37,078	(P5)57	-	44,494
	-D1	21	-	11,010	(D3)39	-	13,212	(D5)57	-	15,855
	-D2	21	-	3,091	(D4)39	-	3,709	(D6)57	-	4,451

P = Production cycle

D = Time of Delivery or end of gestation period

5-YEAR PROFORMA INCOME STATEMENT

LENDING SCHEME: LIVESTOCK (Goat/Sheep)

(Per Production Model)

(Expressed in Rupiah)

	<u>PRODUCTION PERIOD I</u> (0-21 months)	<u>PRODUCTION PERIOD II</u> (22-39 months)	<u>PRODUCTION PERIOD III</u> (40-57 months)
<u>GROSS INCOME</u>			
Sale of Stock Produced	585,984	1,386,027	1,641,493
Sale of Cull Stock	-	40,000	-
Sale of Legume Seed	240,000	215,000	170,000
Sale of Manure	-	-	-
TOTAL GROSS INCOME	825,984	1,641,027	1,811,493
<u>OPERATING EXPENSES</u>			
<u>Fixed Costs</u>			
Interest on Term Loan	348,074	219,889	83,207
Interest on Working Cap.	76,548	164,400	197,033
Depreciation	93,000	102,000	102,000
Sub-Total	<u>517,622</u>	<u>486,289</u>	<u>382,240</u>
<u>Variable Costs</u>			
Feed	275,000	540,000	648,000
Feed Supplement	8,250	9,900	11,880
Health Care	24,750	29,200	34,460
Light & Water	-	-	-
Repairs & Maintenance	-	-	-
Labor	-	-	-
Opportunity Costs	-	-	-
Sub-Total	<u>308,000</u>	<u>579,100</u>	<u>694,340</u>
TOTAL OPERATING EXPENSES	825,622	1,065,389	1,076,580
NET INCOME (Per Prod. Period)	362	575,638	734,913
(Cumulative)	362	576,000	1,310,913

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UPLAND GOAT/SHEEP PRODUCTION

5-YEAR FEASIBILITY STUDY OF AN
INTERMEDIATE-SCALE PRODUCTION MODEL

Planning and Research Bureau
The Bank Pembangunan Daerah Jawa Barat

drafted:
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Bandung
October 1983

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A. INTRODUCTION

This study examines the feasibility of financing the production of goats and sheep in an upland environment. Specifically it addresses itself to the conditions present in upland expansion areas of the Citanduy II Project in West and Central Java. The study attempts to define a package of production technology which can be managed by small-scale producers on a scale which offers a potential for project viability.

Management assumptions within this study have been necessarily adjusted, based upon sound production principles and experiences gained within Java as well as other countries, to reflect the stress factors and ability of management existing within the production ecosystem.

B. DEFINITION OF THE PRODUCTION MODEL

Each Production Model would be managed, owned and operated by a farmer group (kelompok tani) composed of not more than three producers. The members of the farmer group would elect from among themselves one person to manage the Production Model. All members would contribute time and labor to the project. Members of the farmer group would share equally in the ownership and profits of the production model. Each Production Model would include the following package:

ONE (1) PRODUCTION MODELINPUTS

- One (1) breeding/fattening building (36 sq. mtr.)
- One (1) buck/ram, age: one (1) year
- Ten (10) does/ewes, age: one (1) year
- Thirty (30) kilos legume (Lamtoro) seed
- Sufficient grass (Brachiana) to cover two (2) hectares of terrace risers
- Basic animal production equipment

CREDIT

- Sufficient short-term credit to finance all operating costs of production through three distinct production periods of 21 months, 18 months, and 18 months, respectively.
- Sufficient term financing to cover all of the costs of inputs above (with the exception of Brachiana grass which will be provided on a grant basis) over a five-year loan term.

C. FEASIBILITY SUMMARY

The results of this study indicate that marginal profitability does exist for financing upland goat/sheep production where:

- 1) a sustained medium-term financing commitment is assured;
- 2) the livestock production component is integrated into a broader technology package wherein other income producing activities exist;
- 3) production economies of scale can be achieved;
- and 4) the value of labor and opportunity costs are discounted for the purposes of economic and financial analysis.

The study indicates that the production model would achieve a break-even point after about two years and that a cumulative net income of Rp 1.3 million* would be realized by the end of the fifth year of operation, showing an Internal Rate of Return of about 22.3 percent, where labor and opportunity costs are not calculated. However, where the cost of labor is valued and where supplemental income from the sale of legume seed is subtracted, the production model yields a consistently negative return.

The results of this examination would further tend to suggest that project success would rely heavily upon a sustained extension support system and upon upgrading the farm management capabilities of farmers who would be called upon to produce

* Average annual net income equals Rp 262,183. Divided among three farmer-producers, one production model would yield an average monthly net income of Rp 7,283 per person.

forage and raise livestock. Without significant human resource development and capital investment in the uplands, the economic viability of the project under study, together with its long-term sustainability, is brought into question. Assuming such a support commitment can be attained, replicability and expansion of the production model would be limited to the availability of sufficient credit, technical support, breeding stock, animal feeds, and markets. As the availability of feed must necessarily precede animal production, pilot financing would initially be limited to areas where grasses and legumes are in adequate supply.

Finally, the study would suggest that additional economies of scale might be achieved by a larger scale of production (i.e. a larger production model), however, in promoting such an approach in an upland setting composed largely of small-scale farmers new socio-economic concerns relating to such areas as farm management, ownership and division of profits may arise. Whereas, a smaller scale of production than the model herein examined would most surely yield substandard technical and economic performance.

D. PROFITABILITY

5-YEAR CASH FLOW PROJECTIONS
(Expressed in Indonesian Rupiah)

	<u>PRODUCTION PERIOD I</u> (0-21 months)	<u>PRODUCTION PERIOD II</u> (22-39 months)	<u>PRODUCTION PERIOD III</u> (40-57 months)
CASH INFLOW			
<u>Gross Income</u>			
Sale of Stock Produced	585,984	1,386,027	1,641,493
Sale of Cull Stock	-	40,000	-
Sale of Legume Seed	240,000	215,000	170,000
Sale of Manure	-	-	-
Sub-Total	<u>825,984</u>	<u>1,641,027</u>	<u>1,811,493</u>
<u>Loan</u>			
Term Investment Costs	675,500	88,000	63,000
Short-Term Working Cap.	308,000	579,100	694,340
Sub-Total	<u>983,500</u>	<u>667,100</u>	<u>757,340</u>
TOTAL INFLOW	1,809,484	2,308,127	2,568,833
CASH OUTFLOW			
<u>Investment Costs</u>			
Legume Seed	90,000	-	-
Purchase of Breeder Stock	480,000	-	-
Breeder Replacement	45,000	55,000	63,000
Building	44,000	22,000	-
Equipment	16,500	11,000	-
Debt Service (Principal)	-	400,000	426,500
(Interest)	348,074	219,889	83,207
Sub-Total	<u>1,023,574</u>	<u>707,889</u>	<u>572,707</u>
<u>Operating Costs</u>			
Feed	275,000	540,000	648,000
Feed Supplement	8,250	9,900	11,880
Health Care	24,750	29,200	34,460
Light & Water	-	-	-
Repairs & Maintenance	-	-	-
Labor	-	-	-
Opportunity Costs	-	-	-
Debt Service (Principal)	308,000	579,100	694,340
(Interest)	76,548	164,400	197,033
Sub-Total	<u>692,548</u>	<u>1,322,600</u>	<u>1,585,713</u>
TOTAL OUTFLOW	<u>1,716,122</u>	<u>2,030,489</u>	<u>2,158,420</u>
NET CASH FLOW (Per Prod. Period)	93,362	277,638	410,413
(Cumulative)	93,362	371,000	781,413
ESTIMATED IRR = 22.3 %			

5-YEAR CASH FLOW PROJECTIONS (Continued)
(Expressed in Indonesian Rupiah)

	<u>PRODUCTION PERIOD I</u> (0-21 months)	<u>PRODUCTION PERIOD II</u> (22-39 months)	<u>PRODUCTION PERIOD III</u> (40-57 months)
<u>Add Labor Cost</u>			
NET CASH FLOW (Per Prod. Period)	(711,280)	(510,878)	(520,659)
(Cumulative)	(711,280)	(1,222,158)	(1,742,817)
<u>Add Labor Cost Less Income Legume Seed</u>			
NET CASH FLOW (Per Prod. Period)	(951,280)	(725,878)	(690,659)
(Cumulative)	(951,280)	(1,677,158)	(2,367,817)

DEPRECIATION SCHEDULE
(Expressed in Indonesian Rupiah)

<u>ITEM</u>	<u>LIFE</u>	<u>PRODUCTION PERIOD I</u> (0-21 months)	<u>PRODUCTION PERIOD II</u> (22-39 months)	<u>PRODUCTION PERIOD III</u> (40-57 months)
BREEDER STOCK	10 Year*	80,000	80,000	80,000
BUILDING	10 Year	7,500	11,000	11,000
EQUIPMENT	5 Year	5,500	11,000	11,000

* Breeder stock has a production life of up to five years, however their marketable value has only depreciated 50% after this period.

AHC

COMPUTATION NOTES FOR ESTIMATING INTERNAL RATE OF RETURN*

- STEP 1. Average annual cash flow = Rp781,413 ÷ 3 = 260,471
- STEP 2. $\frac{\text{Average Annual Benefits (net cash flow)}}{\text{Total Initial Investment Cost}} = \frac{260,471}{675,500} = .386$
- STEP 3. Adjustment for duration of Benefit Stream
.386 - .130 = .256
- STEP 4. Adjustment for number of years in investment period
 $\frac{.256 \times .256}{2} = .0328; .256 - .033 = .223$
- STEP 5. No adjustment due to no lapse between end of investment period and beginning of benefit period.
- STEP 6. No adjustment due to uniform benefit stream.
- STEP 7. $.223 \times 100\% = \underline{\underline{22.3 \% \text{ IRR}}}$

* EDI Model for Estimating IRR; Developed by Dr. F.H. Lamson-Scribner. Taken from: J.P. Gittinger: "Economic Analysis of Agricultural Projects"; EDI/IBRD; 1972; pp.76-78

E. PRODUCTION

FARM MANAGEMENT ASSUMPTIONS

1. Average Litter Size = 1.8 kids/lambs
(does/ewes under 18 months of age = 1.5)
(does/ewes over 18 months of age = 2.1)
2. Reproduction Cycle = 9 months
(Gestation is 150 days, however, under semi-commercially managed production in West Java reproduction cycles average 6-8 months. Small-scale production under poorly managed farms often reaches 11 month reproduction cycles)
3. Kid/Lamb Mortality = 30% per cycle
4. Breeder Stock Mortality = 4% per year
5. Reproduction Cycles per Production Period = 2
6. Culling Rate = 1 doe/ewe during Prod. Per. II
7. Age at 1st Mating, Female = 12 months
8. Age at 1st Mating, Male = 12 months.
9. Culling Age, Female = 4½ years
10. Culling Age, Male = 5 years
11. Weaning Period = 3-4 months
12. Mating = hand method
13. Type of Production = confined (zero grazing)
14. Housing = 3.2 square meters per Breeder Unit, or 36 sq. mtr. per Production Model constructed out of local materials with farmer donated labor
15. Extension Visits = 4 visits per month by livestock and forage crop extension agents (PPL)
16. Marketing Age = 12 months

FINANCIAL ASSUMPTIONS1. Purchase of Breeder Stock:

<u>Type</u>	<u>Age (mon)</u>	<u>Market Price (Rp)</u>	<u>Source</u>
Buck/Ram	12	80,000	Commercial Farm
Doe/Ewe	12	40,000	Open Market

2. Legume Seed Purchase/Market Price: Rp 3,000 per kilo + inflation3. Market Price, Livestock:

<u>Market Month</u>	<u>Production Cycle</u>	<u>Market Price (Rp)</u>
21	P1	48,832
30	P2	53,187
39	P3	57,883
48	P4	62,941
57	P5	68,605

(Market price per 12 month age animals with inflation factored @ 12% per annum and base price established at Rp 40,000 at beginning of production)

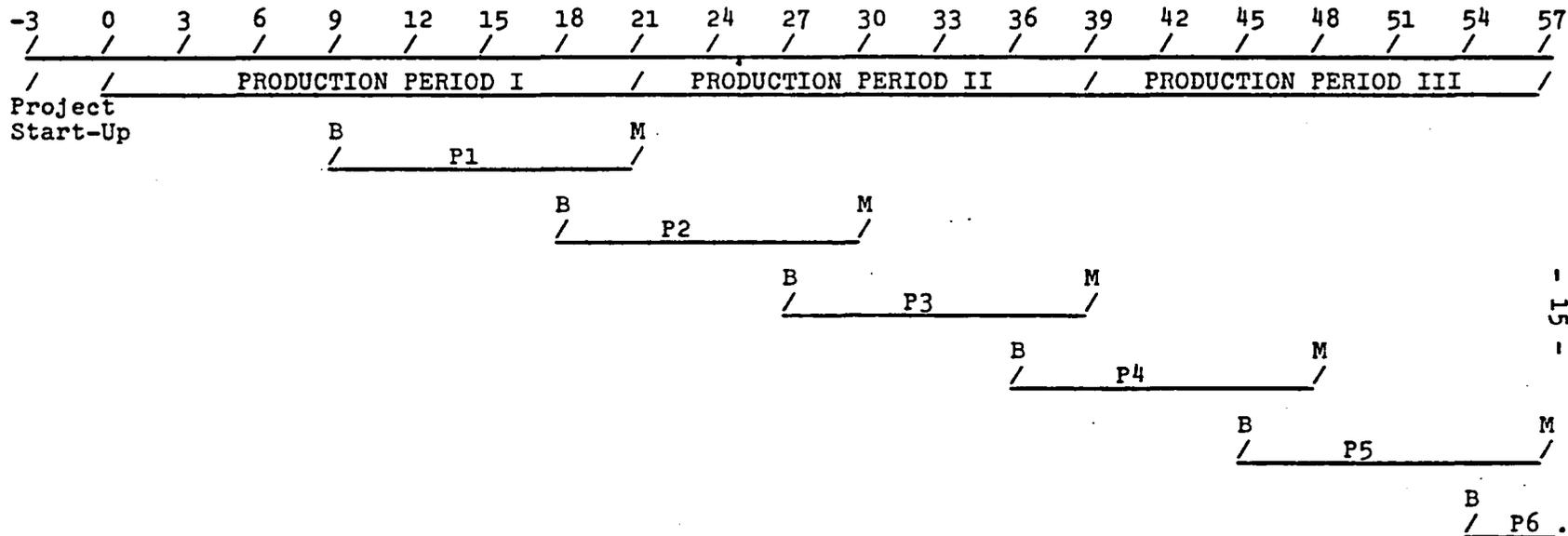
4. Building: Rp 4,000 per Breeding Unit
5. Equipment: Rp 1,500 per Breeding Unit
6. Feeding: Feed Supplement = Rp 500 per Breeding Unit/year
Feed Concentrate = Rp 250 per kilo*
7. Health Care: Rp 1,500 per Breeding Unit per year + inflation
8. Value of Labor: Rp 30,000 per month per Production Model + inflation
9. Opportunity Costs: Not computed
10. Credit: Follows policies, guidelines and procedures of BPD Jabar for Citanduy II supported BKPD/LPK supervised rural lending. (ROI = 2% per month)
11. Rate of Inflation: 12% per annum, unless otherwise stated.
12. Figures presented herein are reflective of prices and assumptions as of October 1983.

* Commercial concentrate FOB Bandung = Rp 250 per kilo

If whole grain corn is used:

1. 7 ears = 1 kilo whole grain corn; cost/ear = Rp 36 (wholesale); cost/kilo = Rp 252
2. Whole grain corn cost would equal 80% of FOB Bandung cost/kilo of commercially mixed concentrate, or Rp 200. With inflation factor, price whole grain corn assumed to be Rp 250 by Jan.1984.

5-YEAR PRODUCTION SCHEDULE



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B = Birth
M = Market Age
P = Production Cycle

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VOLUME AND VALUE OF LIVESTOCK SALES

<u>MARKET MONTH</u>	<u>PRODUCTION PERIOD</u>	<u>PRODUCTION CYCLE</u>	<u># MARKETABLE ANIMALS</u>	<u>MARKET PRICE PER ANIMAL (Rp)</u>	<u>TOTAL MARKET PRICE (Rp)</u>
21	I	P1	12	48,832	585,984
30	II	P2	13	53,187	691,431
39	II	P3	12	57,883	694,596
48	III	P4	13	62,941	818,233
57	III	P5	12	68,605	823,260

VOLUME AND VALUE OF LEGUME SEED SALES

<u>PRODUCTION PERIOD</u>	<u>VOLUME SEED PRODUCED (kilos)</u>	<u>MARKET PRICE PER KILO (Rp)</u>	<u>TOTAL MARKET PRICE (Rp)</u>
I	80	3,000	240,000
II	60	3,583	215,000
III	40	4,250	170,000

GROSS INCOME SCHEDULE

<u>INCOME SOURCE</u>	<u>PRODUCTION PERIOD I</u> <u>(0-21 months)</u>		<u>PRODUCTION PERIOD II</u> <u>(22-39 months)</u>		<u>PRODUCTION PERIOD III</u> <u>(40-57 months)</u>	
	<u>Month</u>	<u>Amount (Rp)</u>	<u>Month</u>	<u>Amount (Rp)</u>	<u>Month</u>	<u>Amount (Rp)</u>
Lamtoro Seed	21	240,000	39	215,000	57	170,000
Cull Stock	-	-	30	40,000	-	-
P1	21	585,984	-	-	-	-
P2	-	-	30	691,431	-	-
P3	-	-	39	694,596	-	-
P4	-	-	-	-	48	818,233
P5	-	-	-	-	57	823,260
TOTAL		825,984		1,641,027		1,811,493

P = Production Cycle

F. FEEDING

1. INTRODUCTION

At least 400 square meters of legume will be required along with a comparable area of non-legume (grass) to meet the nutrient requirements of one (1) Production Model. According to the Sloping Agriculture Land Technology (SALT)* technique of planting Lamtoro legume, two (2) hectares would be sufficient land area to sustain both the legume and grass feeding requirements of one (1) Production Model.

In addition to legume and grass feeds, concentrates (energy and protein) will be required for flushing breeder stock after purchase and at the culmination of each gestation cycle. Also, kids and lambs will require supplemental concentrates for a maturation period of approximately four months following weaning until their digestive systems are mature enough to convert the total digestive nutrient of a legume/grass full-feed. Whole corn or sorghum serve as excellent energy concentrates, whereas soybeans and/or their by-products (such as ampas tahu) and mung beans are ideal protein supplements.

* SALT is an upland soil conservation technology which practices contour planting of leguminous soil erosion barriers as an alternative to, or in combination with, the practice of land terracing.

2. FEED MANAGEMENT ASSUMPTIONSa) Legumes and Grasses1) Lamtoro as a Full-Feed Legume

- Crude Protein (wet) = 8%
(dry) = 21%
- No. square meters of production to sustain one (1) breeder animal + offspring (breeder unit) = 40 sq.mtr.
- Planting:
 - System I (blanket cover) = 70cm rows with 20cm plant spacing within rows
 - System II (SALT) = 200 square meters per hectare
 - No. of Breeder Units sustained per hectare:
 - Planting System I = 250
 - Planting System II = 5
 - Rotation: 40 days
- Under planting system II, two (2) hectares would be required to sustain one (1) Production Model. Thirty (30) kilos of seed would be required assuming a 30% plant back

2) Brachiana as a Supplemental Non-Legume Grass Feed

- Crude Protein (wet) = <2% (for goat/sheep)
(dry) = <4% " " "
- Planting: On terrace risers according to spacing required under soil erosion control techniques practiced in Citanduy II model farms.

b) Concentrates

<u>Type of Animal</u>	<u>Period of Feeding</u>	<u>Daily Feeding Rate</u>
doe/ewe	2 weeks following purchase	.5 kilo/day
	2 weeks prior to birthing	.5 kilo/day
	2 weeks following birthing	.5 kilo/day
buck/ram	3 weeks following purchase	.5 kilo/day
kid/lamb	4 months following weaning	.5 kilo/day

c) Daily Intake Requirements

<u>Type of Animal</u>	<u>Ration</u>	<u>Kilos/Day Feed Intake</u>
kid/lamb	1. legume	.8
	grain	.8
	2. legume	.8
	grain	.8
	protein supplement	.09
	3. legume	.8
	corn/sorghum silage	2.0
	protein supplement	.09

		A	B	C
		<u>Ist 100 days</u> <u>gestation</u>	<u>Last 6 wks</u> <u>gestation</u>	<u>During</u> <u>Lactation</u>
doe/ewe	1. legume hay	1.4-2.3	1.6-2.6	1.9-3.2
	2. legume	.7-1.1	.8-1.3	1.0-1.6
	grass (non-leg.)	.7-1.1	.8-1.3	1.0-1.6
	3. grass hay (non-L)	.9-1.1	1.0-1.2	1.2-1.5
	corn/sorg. silg.	1.4-1.8	1.5-2.0	1.7-2.3
	protein supp.	.1- .2	.1- .2	.2- .3
	4. corn/sorg (grain)	3.6-5.0	3.8-5.3	4.2-6.0
	protein supp.	.1- .2	.1- .2	.2- .3
buck/ram	Same as A above plus 10%			

CONCENTRATE FEEDING SCHEDULE

	<u># Days</u>	<u>Feeding Rate (kilos/day)</u>	<u>Total Kilcs per Animal</u>	<u># Animals</u>	<u>Total Kilos</u>	<u>Price/K (Rp)</u>	<u>Total Cost Concentrate</u>
<u>PRODUCTION PERIOD I</u>							
P1	120	.5	60	12 kids/lambs	720	250	180,000
Initial Flushing	14	.5	7	10 does/ewes	70	250	17,500
Initial Flushing	20	.5	10	1 buck/ram	10	250	2,500
D1 Flushing	30	.5	15	10 does/ewes	150	250	37,500
D2 Flushing	30	.5	15	10 " "	150	250	<u>37,500</u>
						Sub-Total	275,000
<u>PRODUCTION PERIOD II</u>							
P2	120	.5	60	13 kids/lambs	780	300	234,000
P3	120	.5	60	12 " "	720	300	216,000
D3 Flushing	30	.5	15	10 does/ewes	150	300	45,000
D4 Flushing	30	.5	15	10 " "	150	300	<u>45,000</u>
						Sub-Total	540,000
<u>PRODUCTION PERIOD III</u>							
P4	120	.5	60	13 kids/lambs	780	360	280,800
P5	120	.5	60	12 " "	720	360	259,200
D5 Flushing	30	.5	15	10 does/ewes	150	360	54,000
D6 Flushing	30	.5	15	10 " "	150	360	<u>54,000</u>
						Sub-Total	648,000

P = Production Cycle

D = Time of Delivery or end of gestation period.

Cost of feeds assumed to increase at inflation rate of 20% between production periods.

G. MARKETING

It is assumed that local market demand (Tasikmalaya, Ciamis, Garut) is strong enough to support up to twenty-five (25) Production Models (PM) within the project area with little difficulty. Production in excess of twenty-five (25) PM would additionally rely on regional markets (Bandung, Cirebon) and possibly the central market of Jakarta. Prior to expanding production beyond twenty-five (25) PM a comprehensive marketing feasibility study should be conducted.

Within the start-up period of the first 3-4 years the credit system would, as a matter of policy, insure livestock and legume seed markets by financing the marketing of fixed percentages of production as part of an expansion effort to replicate the technology package in a wider geographic area of Project Citanduy II. As such, all breeder quality animals produced would be used for expansion efforts. Marginal or non-breeder quality livestock would be marketed on the open market. Similarly, a total of 180 kilos of legume seed per Production Model would be contract purchased over a five-year period for use in other project expansion areas.

H. REFERENCES

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III. G. TRAINING

- Proposed International Training Program
- Year I Program Orientation and Training Agenda

PROPOSAL FOR INTERNATIONAL TRAINING
(Latihan di Luar Negara Usul)

CITANDUY II RURAL CREDIT PROGRAM
(Program Kredit Pedesaan Froyek Das Citanduy II)

1. DATE OF TRAINING (Tanggal Latihan)

Group A - 11 September to 26 November 1983 - 11 weeks

Group B - 28 October to 26 November 1983 - 4 weeks

2. OBJECTIVE (Obyectif)

The objective of the Citanduy II rural credit international training program is to expose banking system participants to a comparative study of rural credit programs in other countries in order that they might learn new techniques for improving credit program administration and lending procedures essential to the successful implementation of the Citanduy credit program.

3. PROGRAM DESCRIPTION (Sifat Program)

The training program proposed would expose participants to rural credit programs in the Philippines, Korea and the United States. Participants would be divided into two groups, A and B. Group A would study abroad for ten (10) weeks while Group B's study program would last for four (4) weeks. Both Group A and B would have the same training program for the Philippines and Korea. The U.S. training program would be divided into two parts. It would include a two-week field training on the U.S. farm credit system and a six-week course sponsored by the U.S. Department of Agriculture, entitled: "Small Farmer Credit Policy and Administration." Group A would participate in both parts of the U.S. training program while Group B would participate only in the field training portion.

All participants would have an opportunity to study various Asian and American rural lending programs, including their policies, administration, regulations and specific lending, accounting, training, management reporting and evaluation procedures.

The specific description of the training program in each country would be as follows:

A. THE UNITED STATES

Group A

Group A participants will travel first to Washington, D.C. where they will enter a six-week training program sponsored by the U.S. Department of Agriculture, entitled: "Small Farmer Credit Policy and Administration." A description of the objectives and content of this training program is attached to this proposal. Following this special course, Group A will be joined by Group B for the second portion of the U.S. training program.

Group A & B

While in the United States participants would be given a comprehensive exposure to the U.S. Farm Credit System (which began in the early 1930's). Participants would first be given a 1-2 day orientation to the U.S. system and would then visit the Farm Credit Administration, the national regulatory agency for farm credit, and other government and private agencies in Washington, D.C. which support both U.S. and international credit programs. Following this, participants would visit two (2) Farm Credit District Banks (regional banks) in St. Paul, Minnesota and in Omaha, Nebraska for an intensive study of how the District Banks are organized and how they operate. In St. Paul participants would study each of the three banks which compose the District Bank; the Bank for Cooperatives (BC), the Federal Intermediate Credit Bank (FICB), and the Federal Land Bank (FLB). In Omaha participants would study more closely the operation of the FICB, which is the bank primarily engaged in farmer financing, and would have an opportunity to visit at least one (1) Production Credit Association (PCA), which provide credit at the field level. Group A & B would complete their U.S. training with a trip to Denver, Colorado for a visit to the U.S. Central Bank for Cooperatives (CBC) which supports the twelve (12) district Banks for Cooperatives throughout the country. A visit is also proposed to the Farm Bank Services (FBS) which provides a variety of computer, communication and training services to all of the thirty-seven (37) banks represented throughout the Farm Credit System.

B. KOREA (Group A and B)

The Korea training program would include a visit to the National Agricultural Cooperative Federation (NACF), established in 1961 as the primary rural credit lending institution, and to the Korean Agricultural Bank. In addition to providing credit, the NACF performs marketing and purchasing services through a national cooperative structure. Participants would have an opportunity to study the role that cooperatives have played in Korea in terms of providing credit services in rural areas. Also participants would have a chance to study Korea's highly successful rural savings program.

C. THE PHILIPPINES (Group A and B)

While in the Philippines participants would study the Philippine Rural Credit Program which is administered and supervised by the Central Bank of the Philippines (CBP) through its Department of Rural Banks and Savings and Loan Associations (DRBSLA). Participants would be given a thorough orientation by the DRBSLA and would have an opportunity to study credit program policies, lending, training and supervision procedures. Additionally, participants would visit the Technical Board on Agricultural Credit, an institution which initiates research and provides policy direction on credit related matters, for an orientation and briefing.

A two-day field trip would be scheduled in order that participants might travel to Nueva Ecija Province (Central Luzon) to observe the actual operation of each of the two types of rural banks operating within the Philippines; privately-owned and cooperatively-owned rural banks. Visits would be made to the Cabanatuan City Rural Bank and to the Cooperative Rural Bank for Nueva Ecija.

4. PARTICIPANTS (Peserta)

This international training program has been designed to provide additional credit-related skills to individuals responsible for managing the technical implementation of the Citanduy II Rural Credit Program. As the Bank Pembangunan Daerah (BPD) is the primary technical management agency, representing the office of the governor, which is responsible for implementing Citanduy credit activities, it is proposed that two participants from the BPD Jawa Barat and two participants from the BPD Jawa Tengah join this training program. Individuals from the BPD's should be from both senior level as well as from upper-middle level management. One participant from each bank should be designated to attend the itinerary of Group A, and one participant from each bank should join the itinerary of Group B. Pending the availability of travel and training funds under the international training budget, 2-3 additional participants might be nominated from other agencies such as Departmen Dalam Negeri and/or BAPPEDA to join the BPD participants. Additional participants, if any, should have direct project credit-related responsibilities and would join the program itinerary of Group B.

Participants nominated to attend this training are:

<u>NAME</u>	<u>AGENCY</u>	<u>TITLE</u>
1. _____	BPD JABAR	_____
2. _____	BPD JABAR	_____
3. _____	BPD JATENG	_____
4. _____	BPD JATENG	_____
(5) _____	_____	_____
(6) _____	_____	_____
(7) _____	_____	_____

5. ATTACHMENTS (Lampiran)

- A. Proposed International Program Itinerary
- B. Overseas Travel Itinerary - Group A
- C. Overseas Travel Itinerary - Group B
- D. International Training Program Budget
- E. Description of U.S.D.A. Course entitled, "Small Farmer Credit Policy and Administration"
- F. Overview of U.S. Farm Credit System
- G. Brief History of USAID credit program support in the Philippines and Korea
- H. Participant Biodata Sheet

PREPARED BY:

Mark A. Van Steenwyk
 Rural Credit Advisor
 Citanduy. II Project

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PROPOSED INTERNATIONAL TRAINING PROGRAM ITINERARY

<u>COUNTRY</u>	<u>GROUP</u>	<u>DATES</u>	<u>ACTIVITY</u>	<u>PROGRAM</u>	<u>RESPONSIBLE AGENCY / PERSON</u>
U.S. Washington, D.C.	A A	13-17 SEP 19 SEP/28OCT	Preparation for USDA Course Attend USDA Course TC140-8	Course orientation & administration Small Farmer Credit Policy & Admin.	USDA / USDA
"	A & B	31 OCT/2 NOV	Orientation to U.S. Farm Credit System and visitation to various credit and cooperative institu- tions	U.S. Field Travel Orientation Visit Farm Credit Administration Visit Farm Cooperative Service Visit various private, non-profit & government institutions providing technical assistance, training and other support to int'l. credit programs	ACDI /D. Thomas FCA FCS USDA VDC ACDI & CUNA
St. Paul, Minnesota	A & B	04 NOV	Visit Farm Credit Banks of St. Paul	Introduction to the three credit banks: Bank for Coops, FICB and Land Bank	FCB /B. Andahl
Omaha, Nebraska	A & B	07-08 NOV	Visit Farm Credit Banks of Omaha	Intensive look at FICB & field visit to local Production Credit Association	FCB /D. Hevendick
Denver, Colorado	A & B	09-10 NOV	Visit Central Bank for Cooperatives Visit Farm Bank Services (FBS)	Orientation as to roles, functions & responsibilities of CBC Observe credit support services of the U.S. Farm Credit System (computer, training, etc.)	CBC /J. Greeniesen FBS
KOREA	A & B	16-18 NOV	Visit National Agricultural Cooperative Federation and Korean Agricultural Bank	Observe and study rural lending and savings programs in Korea and study role of cooperatives in lending	NACF /Poo Yung Lee KAB /
PHILIPPINES	A & B	21-22 NOV	Visit Central Bank of the Phil- ippines & TBAC	Receive orientation to the Philippine Small-Farmer Credit Program	DRBSLA/C. Odra TBAC /M. Agabin
		23-24 NOV	Field trip to Nueva Ecija Prov.	Visitation & orientation to the lending program of the Cabanatuan City Rural Bank Visitation & orientation to the lending program of the Cooperative Rural Bank for Nueva Ecija	CCRB /S. Liwag CRENE/L. Chavez

Attachment A

INTERNATIONAL TRAINING PROGRAM BUDGETGROUP A BUDGET (per Participant)

<u>ITEM</u>	<u>COST (\$)</u>			
International Travel	2,400			
U.S. Travel	(Incd. above)			
USDA Course TC 140-8	5,379			
Per Diem, 30 days @ \$50/d	1,500			
Miscellaneous	<u>300</u>			
TOTAL	\$ 9,579	X 2	=	\$ 19,158

GROUP B BUDGET (per Participant)

<u>ITEM</u>	<u>COST (\$)</u>			
International Travel	2,400			
U.S. Travel	(Incd. above)			
Per Diem, 30 days @ \$50/d	1,500			
Miscellaneous	<u>300</u>			
TOTAL	\$ 4,200	X 2	=	\$ 8,400

GRAND TOTAL (Four (4) Participants) = \$ 27,558

DATES AND DURATION

6 weeks: September 19-October 28, 1983. Participants should arrive in Washington, D.C., on September 12 for course orientation and administrative procedures.

TARGET AUDIENCE

National or regional agricultural credit officials who supervise loans to small farmers and who are expected to play influential roles in the agricultural credit agencies of their government.

OBJECTIVES

Participants will develop the knowledge and skills to: (1) understand the role of credit programs for small farmers in economic development; (2) implement lending and borrowing principles; (3) evaluate mechanisms which can be used to reduce risks and the heavy administrative costs associated with small farmer credit programs; and (4) weigh alternative policies and the trade-offs that exist among them.

CONTENT

Topics include the role of small farmer credit programs in the development of the agricultural sector; the formulation of agricultural policy; discussion of major credit policy issues including supervision, interest rates, distribution channels, savings and the attraction of funds; review of borrowing and lending principles; review of production economics; examination of small farmer production, financial structure, and credit behavior; financial institutions and markets; and administrative techniques for serving small farmers. Field trips include visits to major U.S. agricultural credit institutions to observe and practice administrative techniques used in making loans. Participants exchange ideas on the overall agricultural credit systems in their home countries and learn how small farmer credit fits into their systems.

OTHER INFORMATION

Conducted in English by USDA, university faculty, and consultants. Simultaneous interpretation is available in French and Spanish at additional cost.

COST

AID participants: Total \$5,379 includes \$3,129 for training fee and associated costs and \$2,250 for maintenance allowance.
UN/FAO participants: Total \$5,119 includes \$2,869 for training fee and associated costs and \$2,250 for maintenance allowance.
All other participants: Total \$5,379 includes \$3,019 for training fee and associated costs payable to USDA, and \$2,360 for maintenance allowance, books, and book shipment payable directly to the participant.

TRAVEL

Participants should be provided round trip air tickets from their home countries to Washington, D.C.

OVERSEAS AVAILABILITY

Available for overseas presentation upon request by AID, the World Bank, FAO, developing country governments, foundations, and private organizations. The Small Farmer Credit Policy course and the Small Farmer Credit Distribution and Administration course will continue to be available separately in English, French, and Spanish.

YEAR I PROGRAM ORIENTATION AND TRAINING AGENDA

(26-29 December 1983)

Participants: Year I EKPD Managers
Project Kabupaten Inspectors
BPD Branch Managers
BPD Central Office Staff

AGENDA

DAY I - PROJECT ORIENTATION

- A. The Citanduy II Project
 - Description
- B. The Citanduy Rural Credit Program
 - Objectives
 - Development strategy
 - Program scope
 - Implementing agencies
 - Program inputs
 - Program outputs
 - Accomplishments
 - Future activities

DAY II - LENDING POLICIES, GUIDELINES AND PROCEDURES

- A. Implementation Plan
- B. Governor's Instruction on Program Implementation
- C. General Provisions

DAY III - LENDING POLICIES, GUIDELINES AND PROCEDURES (Continued)

- D. Short-term Lending
- E. Term Financing
- F. Accounting System Procedures

DAY IV - INITIAL LENDING ACTIVITIES AND TIMETABLE

- A. Agricultural Loans
- B. Trader Credit
- C. Size and Scope of Year I Lending Program
- D. Other Topics

III. H. ACCOUNTING PROCEDURES IMPLEMENTATION DIRECTIVE

(Forms Not Included)

PETUNJUK PELAKSANAAN
PROSEDUR ADMINISTRASI/PEMBUKUAN
KREDIT DAS CITANDUY



BANK PEMBANGUNAN DAERAH JAWA BARAT
PROYEK PENGEMBANGAN WILAYAH DAS CITANDUY

PETUNJUK PELAKSANAAN
PROSEDUR ADMINISTRASI/PEMBUKUAN KREDIT DAS CITANDUY

Penyelenggaraan administrasi/pembukuan Kredit Usaha Tani DAS Citanduy dilakukan menurut tata kerja yang biasa dilakukan di BKPD dan LPK berdasarkan teknis perbankan.

Agar penyelenggaraan administrasi Kredit Usaha Tani DAS Citanduy tersebut dilaksanakan dengan baik, maka perlu ada personil yang jumlahnya cukup memadai artinya dalam Struktur Organisasi BKPD/LPK terdapat pembagian kerja/Job discription yang memenuhi syarat internal control dengan adanya pemisahan fungsi, diperkirakan untuk BKPD/LPK yang area daerah operasionalnya cukup luas, dibutuhkan jumlah personil sebanyak 5 Orang dan untuk BKPD/LPK lainnya minimal 3 Orang, yaitu untuk :

- Pimpinan LPK
- Bagian Kas
- Bagian Dana
- Bagian Kredit
- Bagian Administrasi.

Kredit Usaha Tani Proyek DAS Citanduy merupakan kegiatan penyediaan fasilitas kredit untuk masyarakat yang membutuhkan kredit khusus di daerah yang telah ditentukan, adapun kredit yang telah berjalan sekarang ini ialah :

- Kredit Umum,
- Kredit MPBG.

Untuk membedakan dengan kredit-kredit yang telah ada, maka penyelenggaraan administrasi Kredit Usaha Tani DAS Citanduy (yang mempunyai persyaratan dan obyek yang tertentu) perlu adanya pemisahan/pengkhususan tersendiri dengan tujuan untuk memudahkan mengetahui data perkembangan kredit tersebut sewaktu-waktu dan memudahkan dalam pembuatan laporan yang harus disampaikan.

Selubungan dengan hal-hal tersebut di atas, maka untuk menjaga kesimpang siuran pembukuan perlu diatur sebagai berikut :

1. Di dalam Pedoman Tata Kerja Administrasi BKPD/LPK ditentukan instrumen administrasi dan laporan, yang terdiri dari :

- Model A : untuk kelompok Buku-buku.
- Model B : untuk kelompok Kartu-kartu.
- Model C : untuk kelompok Formulir-formulir.
- Model D : untuk kelompok Laporan-laporan.

2. Model.....

2. Model Buku-buku.

Model buku-buku yang harus digunakan dalam penyelenggaraan Kredit Usaha Tani DAS Citanduy yaitu :

Model A. 1 : "Buku Catatan Kas"

Yang merupakan pegangan bagian kas/Kasir, untuk mencatat semua transaksi yang menyangkut penerimaan uang dan pengeluaran uang serta saldo uang kas yang tersedia setiap saat pada lembaga (BKPD/LPK) khusus yang bersangkutan dengan proyek perkreditan DAS Citanduy.

Pada setiap akhir periode pembukuan perlu diketahui saldo kas yang tersedia, sebagai bahan laporan bulanan.

Model A. 2 : "Buku Harian Kas"

Yang merupakan pegangan bagi Bagian administrasi, untuk mencatat semua transaksi mengenai penerimaan dan pengeluaran uang.

Model A. 3 : "Buku Harian Bank"

Untuk mencatat penyeteroran dan pengambilan uang di Bank Lain dan untuk mengetahui saldo uang di Bank setiap akhir periode pembukuan.

Pencatatan uang di Bank khusus dana kredit DAS Citanduy, disatukan dengan pembukuan yang telah ada yaitu dana BKPD/LPK yang disimpan di Bank lain, namun harus dipisahkan antara kolom dana BKPD dengan kolom dana kredit DAS Citanduy.

Model A. 4 : "Buku Harian Kredit"

Fungsinya sebagai pencatatan transaksi pemberian kredit dan penerimaan angsuran pokok serta saldo kredit setiap saat yang diperinci menurut sektor kredit.

Model A. 5 : "Buku Pinjaman/Kredit yang diberikan"

Fungsinya untuk mencatat semua pemberian kredit/realisasi kredit secara kumulatif atau sering disebut Omzet kredit/Volume kredit yang diperinci menurut sektor kredit.

Model A. 6 : "Buku Nominatif Debitur"

Fungsinya untuk mencatat semua daftar debitur yang telah diberi kredit dan saldo kredit pada setiap periode pembukuan.

Buku ini dibuat setiap tiga bulan sekali.

Model A. 7.....

Model A.7 : "Buku Penghasilan"

Fungsinya untuk mencatat semua penghasilan BKPD/LPK selama periode pembukuan.

Untuk mengetahui jumlah penghasilan dari kredit DAS Citanduy, maka perlu adanya pemisahan kolom penghasilan antara Penghasilan kredit DAS Citanduy dengan penghasilan dari Kredit lainnya. Sedangkan buku yang digunakan cukup satu saja.

Model A.12 : "Buku Harian Simpanan"

Fungsinya untuk mencatat semua mutasi penerimaan dan pengambilan simpanan dan saldonya setiap saat, sedangkan pemakaian bukunya cukup disatukan dengan yang telah ada yaitu Buku Harian simpanan BKPD/LPK, namun perlu adanya pemisahan kolom antara Simpanan BKPD/LPK dengan simpanan dari Debitur Kredit DAS Citanduy.

Model A.18 : " Buku Pinjaman"

Fungsinya untuk mencatat semua transaksi pinjaman yang diterima oleh lembaga (BKPD/LPK) sebagai dana untuk disalurkan sebagai kredit atau untuk keperluan lain sesuai dengan perjanjian atau akad kredit.

Posisi pinjaman akan berkurang apabila terdapat pengembalian/pelunasan dan angsuran pokok pinjaman.

Untuk Dana Kredit DAS Citanduy perlu dibuat kolom tersendiri, apabila pinjaman ini banyak ragamnya maka perlu diperinci berdasarkan sumbernya.

Model A.20 : " Buku Biaya "

Yaitu untuk mencatat semua transaksi pengeluaran yang merupakan biaya yang berhubungan dengan pengelolaan kredit DAS Citanduy.

5. Model Kartu-kartu.

Yang digunakan dalam rangka penyelenggaraan kredit DAS Citanduy pada prinsipnya sama seperti untuk kredit lainnya, hanya untuk memudahkan petugas BKPD/LPK diadakan pengkhususan dalam warna yang berbeda dengan warna kartu-kartu yang dipergunakan untuk kredit umum dan kredit MPBG (Non Kredit DAS Citanduy).

Begitu pula.....

begitu pula halnya dengan simpanan perlu adanya pengkhususan warna untuk simpanan dari para nasabah kredit DAS Citanduy.

adapun kartu-kartu yang dipergunakan yaitu :

- model B. 1 : Kartu Pinjaman.
- model B. 2 : Kartu Simpanan.

4. Model Formulir.

Formulir-formulir yang digunakan pada prinsipnya sama dengan yang dilaksanakan di BKPD/LPK, hanya untuk kredit DAS Citanduy dilengkapi dengan formulir Surat Rekomendasi dari Kepala Desa dan dari Dinas/Instansi Instansi yang berhubungan dengan Proyek DAS Citanduy.

5. Model Laporan.

Laporan-laporan yang harus dibuat oleh masing-masing BKPD/LPK di tingkat kecamatan adalah laporan bulanan dan laporan-laporan lainnya yang sudah ditentukan, disamping membuat laporan-laporan tersebut juga harus membuat laporan Rekapitulasi Perkembangan Kredit dalam Program Pengembangan Wilayah DAS Citanduy secara tersendiri.

Laporan-laporan yang harus dibuat di tingkat kabupaten merupakan laporan gabungan dari tingkat kecamatan untuk disampaikan ke tingkat Propinsi.

Dengan diterima laporan gabungan dari tingkat kabupaten, maka di tingkat Propinsi dibuat laporan gabungan se Propinsi Jawa Barat yang kemudian disampaikan kepada yang berkepentingan. (contoh formulir laporan terlampir).

- II. Dari semua bentuk/model buku, kartu dan formulir yang dipergunakan dalam BKPD/LPK untuk kegiatan kredit umum dan kredit MPBG serta kredit lainnya, tidak semuanya dipergunakan dalam penyelenggaraan kredit DAS Citanduy. Maka perlu membandingkan antara model buku, kartu dan formulir yang dipergunakan secara umum di BKPD/LPK dengan model buku, kartu dan formulir yang khusus dipergunakan untuk kredit DAS Citanduy, yang diperinci sebagai berikut :

MODEL BUKU, KARTU DAN FORMULIR YANG DIPAKAI
DALAM KREDIT USAHA TANI DAS CITANDUY

YANG DIPAKAI SECARA UMUM
DI BRPD

YANG DIPAKAI KHUSUS UNTUK
KREDIT DAS CITANDUY

1. MODEL BUKU-BUKU :

Model A. 1 : Buku Catatan Kas

A. 2 : Buku Harian Kas

A. 3 : Buku Harian Bank

A. 4 : Buku Harian Kredit

A. 5 : Buku Pinjaman yang diberikan

A. 6 : Buku Nominatif Debitur

A. 7 : Buku Penghasilan

A. 8 : Buku Investasi dan Aktiva Tetap

A. 9 : Buku Harian Rupa-rupa Debet

A.10 : Buku Penyertaan Modal

A.11 : Buku Cadangan Modal

A.12 : Buku Harian Simpanan

A.13 : Buku Nominatif Saldo Simpanan

A.14 : Buku Harian Simpanan Deposito

A.15 : Buku Roya (Pengembalian Deposito).

A.16 : Buku Jatuh Tempo Simpanan Deposito .

A.17 : Buku Nominatif Perhitungan Bunga Deposito

A.18 : Buku Pinjaman

A.19. : Buku Harian Rupa-rupa Kredit

A.20 : Buku Biaya

A. 21, 22, 23 : Buku Memorial, Jurnal dan Buku Besar

Buku Catatan Kas.

Buku Harian Kas.

Memakai yang telah ada, dengan membuka kolom khusus untuk Kredit DAS Citanduy.

Buku Harian Kredit.

Buku Pinjaman yang diberikan.

Buku Nominatif Debitur.

Memakai yang sudah ada, dengan membuka kolom khusus untuk penghasilan dari kredit DAS Citanduy.

Tidak dipakai.

Tidak dipakai.

Tidak dipakai.

Tidak dipakai.

Memakai yang telah ada, dengan membuka kolom khusus untuk simpanan Debitur Kredit DAS Citanduy.

Tidak dipakai.

Tidak dipakai.

Tidak dipakai.

Tidak dipakai.

Tidak dipakai.

Penerimaan Dana dari DAS Citanduy, untuk sementara dicatat dalam buku ini.

Tidak dipakai.

Buku biaya khusus biaya yang berkaitan dengan pengelolaan kredit DAS Citanduy.

Tidak dipakai.

YANG DIPAKAI SECARA UMUM
DI BKPD

YANG DIPAKAI KHUSUS UNTUK
KREDIT DAS CITANDUY

II. MODEL KARTU-KARTU :

- Model B. 1 : Kartu Pinjaman
B. 2 : Kartu Simpanan
B. 3 : Kartu Contoh Tanda Tangan
B. 4 : Kartu Pembayaran Deposito
B. 5 : Kartu Piagam Deposito

- Kartu Pinjaman, dengan warna lain.
Kartu Simpanan, dengan warna lain.
Tidak dipakai
Tidak dipakai
Tidak dipakai

III. MODEL FORMULIR-FORMULIR :

- Model C. 1 : Surat Perintah Pengeluaran
Uang (SPPU)
C. 2 : Kwitansi
C. 3 : Nota Pengeluaran Bank
C. 4 : Tanda Penerimaan
C. 5 : Nota Pemindah Bukuan
C. 6 : Tanda Penerimaan Angsuran
kredit.
C. 7 : Surat Permohonan Kredit /
Pinjaman.
C. 8 : Surat Keterangan Kelakuan
Baik.
C. 9 : Surat Keterangan Barang-barang
Jaminan bergerak.
C.10 : Surat Kuasa menggunakan jamin-
an orang lain.
C.11 : Surat Tanda penyerahan barang-
barang bergerak.
C.12 : Surat Tanda Penerimaan/Penye-
rahan surat-surat jaminan.
C.13 : Surat Perjanjian Kredit
C.14 : Surat Kuasa Menjual Barang
Jaminan.
C.15 : Surat Persetujuan Suami/Istri
C.16 : Surat Persetujuan Perpanjang-
an Kredit
C.17 : Surat Pemberitahuan Pembayar-
an Angsuran

Dipergunakan.

Dipergunakan dengan perubahan kemungkin-
an untuk perorangan dan kelompok.

Tidak dipergunakan.

Dipergunakan.

Tidak dipakai.

Dipergunakan.

Dipergunakan

Dipergunakan, dengan penyempurnaan.

Dipergunakan.

Tidak dipakai.

Dipergunakan.

Dipergunakan.

YANG DIPAKAI SECARA UMUM DI BKPD	YANG DIPAKAI KHUSUS UNTUK KREDIT DAS CITANDUY
<p>Model C.18 : Surat angkeran (Peringatan) untuk debitur penunggak.</p> <p>C.19 : Berita Acara Pemeriksaan On the Spot (ditempat)</p> <p>C.20 : Surat Permohonan Membuka Rekening.</p> <p>C.21 : Syarat-syarat Umum Penyimpan.</p> <p>C.22 : Surat Perjanjian.</p> <p>C.23 : Buku Penyetoran/Pengambilan Simpanan untuk Nasabah.</p> <p>C.24 : Surat Pendaftaran Deposito.</p>	<p>Dipergunakan.</p> <p>Tidak dipakai.</p> <p>Dipergunakan.</p> <p>Tidak dipakai.</p> <p>Surat Rekomendasi dari Kepala Desa dan atau Dinas/Instansi ybs.</p>

Keterangan :

Untuk Buku, Kartu dan Formulir yang dipergunakan Kredit DAS Citanduy diberi keterangan khusus dengan mencantumkan nama " DAS CITANDUY " atau dengan warna yang berbeda dari yang sudah ada/berlaku.

III. Prosedur Perkreditan DAS Citanduy.

3.1. Penerimaan Dana Kredit DAS Citanduy :

Yang menjadi landasan kerja dalam penerimaan pinjaman/Dana kredit DAS Citanduy yang merupakan kredit ialah "Persetujuan Kredit " antara pemberi kredit yaitu BPD Jawa Barat dengan BKPD atau LPK. Pada tiap-tiap terjadi penerimaan, maka kepada BKPD/LPK akan disodorkan Surat tanda penerimaan uang/kwitansi yang harus ditandatangani oleh Pimpinan BKPD/LPK yang bersangkutan.

Salah satu kwitansi berikut uangnya oleh Pemberi kredit/BPD Jawa Barat diberikan kepada Pemimpin BKPD/LPK yang kemudian akan menyerahkannya lagi kepada Bagian Kas.

Bagian Kas.

- Menghitung uang yang diterima dan mencocokkannya dengan kwitansi.
- Kemudian mencatat dalam Buku Catatan Kas (Model A. 1).
- Selesai pencatatan kwitansi yang bersangkutan di cap dengan cap "TELAH DITERIMA" serta kemudian diparaf.
- Selanjutnya kwitansi dikirim ke Bagian Administrasi.

Bagian Administrasi.

- Terima kwitansi dari Bagian Kas, kwitansi tersebut diperiksa kebenarannya.
- Kemudian dibukukan ke dalam Buku Harian Kas sebelah Debet (Model A. 2).
- Kemudian dibukukan ke dalam Buku Pinjaman sebelah Kredit pada kolom "DAS CITANDUY" (Model A. 18).
- Setelah selesai dibukukan dalam kedua Buku tersebut, maka kwitansi di cap dengan cap " DIBUKUKAN dst."
- Kwitansi tersebut kemudian disimpan sebagai arsip.

3.2. Pemberian pinjaman/kredit kepada nasabah :

Apabila Perorangan/Kelompok hendak meminjam uang dari BKPD/LPK, maka calon debitur harus mengisi/menyerahkan :

- Surat Permohonan Pinjaman (C. 7)
- Surat Kolakuan Baik (C. 8)
- Surat Keterangan Jaminan (C. 9)

- Surat.....

- Surat Kuasa Untuk Menjual barang-barang yang dijadikan jaminan (C. 14).
 - Surat Rekomendasi dari Kepala Desa/ Dinas, Instansi yang berhubungan dengan Proyek DAS Citanduy.
 - Dan surat-surat lainnya sesuai dengan ketentuan yang berlaku,
- Setelah syarat-syarat umum pemberian kredit tersebut di atas dipenuhi, maka dilakukan analisa kredit/appraisal kredit oleh petugas Bagian Kredit BKPD/LPK.

Setelah permohonan tersebut disetujui, maka dibuat "Surat Persetujuan Kredit" (model C. 13) yang harus ditanda tangani oleh kedua belah pihak (Pengambil kredit dan Pemimpin BKPD/LPK yang bersangkutan).

Surat Perjanjian Kredit (SPK) ini dibuat dalam rangkap dua, yaitu :

- Asli untuk Bagian Dana (Kredit),
- Tembusan untuk Pengambil kredit (Debitur).

Berdasarkan surat tersebut Pemimpin membuat Surat Perintah Penge-luaran Uang (SPPU) model C. 1 dalam rangkap dua, yakni :

- Asli untuk Bagian Kas.
- Tembusan untuk Bagian Administrasi.

Bagian Kas.

- Terima SPPU Asli dari Pemimpin.
- Berdasarkan SPPU itu Kas membayar uang kepada Pengambil Kredit / Debitur dan setelah itu SPPU di cap "TELAH DIBAYAR".
- Mengusahakan penanda tangan kwitansi dalam rangkap 3, oleh pengambil kredit.

Kwitansi ini dipergunakan :

- Asli untuk Bagian Kas dan diteruskan ke Bagian Dana.
- Tembusan pertama untuk Bagian Administrasi.
- Tembusan kedua untuk Pengambil Kredit/Debitur.

Oleh bagian Kas kemudian dibukukan ke dalam Catatan Kas (model A.1) kolom pengeluaran Dana DAS Citanduy, setelah itu kwitansi asli diserahkan ke bagian Dana.

Bagian Dana.....

Bagian Dana.

- Menerima Surat persetujuan Kredit yang asli dari Pimpinan BKPD/LPK.
- Berdasarkan kwitansi asli yang diterima dari Bagian Kas, Bagian Dana mencatat dalam Daftar Pinjaman (model A. 5) dan mengisi Kartu Pinjaman (model B. 1).
- Surat Persetujuan Kredit beserta kwitansi yang asli ini disimpan di - Bagian Dana sebagai arsip.

Bagian Administrasi.

- Menerima SPPU tembusan pertama dari Pimpinan.
- Menerima kwitansi tembusan pertama dari Bagian Kas.
- Berdasarkan kwitansi ini Bagian Administrasi mengisi Buku Harian Kredit (model A. 4) dan Buku Harian Kas sebelah kredit (model A.2).
- SPPU dan kwitansi disimpan sebagai arsip setelah dicap "TELAH DIBUKUKAN"

3.3. Penerimaan Angsuran Pokok, Bunga dan lain-lain.

Apabila terjadi penerimaan pembayaran angsuran pokok, bunga dan den da, Bagian Dana/Kredit mengisi Kartu Pinjaman (model B.1) dan Tanda Penerimaan Angsuran Kredit (model C.6) dalam rangkap dua untuk diteruskan ke Bagian Kas.

Bagian Kas.

- Menerima Tanda Penerimaan model C.6 dalam rangkap dua.
- Yang berkepentingan/Debitur datang ke Bagian Kas untuk membayar angsuran Kredit.
- Bagian Kas menerima uang pembayarannya.
- Dibukukan dalam Catatan Ka model A.1 dalam kolom penerimaan.
- Selesai pencatatan Tanda Penerimaan (model C.6) rangkap kesatu dan ke - dua di cap dengan cap "TELAH DITERIMA" kemudian diparaf.
- Kemudian Tanda Penerimaan (model C.6) disampaikan kepada Bagian Kredit dan Pimpinan untuk ditanda-tangani.
- Tanda penerimaan aslinya diberikan kepada yang berkepentingan/Debitur, duplikat diteruskan ke Bagian Dana.

Bagian Dana (Kredit/Simpanan).

- Menerima kembali duplikat Tanda Penerimaan Angsuran Kredit dari Bagian Kas.

- Membukukan.....

- Membukukan ke dalam Buku Penghasilan untuk penerimaan bunga dan denda (model A.7).
- Kemudian Tanda Penerimaan (model C.6) diparaf tanda pembukuan telah selesai.
- Duplikat Tanda Penerimaan (model C.6) dan Kartu Pinjaman (model B.1) diteruskan ke Bagian Administrasi.

Bagian Administrasi.

- Menerima duplikat Tanda Penerimaan (model C.6)
- Membukukan ke dalam Buku Harian Kas (model A.2) sebelah Debet.
- Membukukan ke dalam Buku Harian Kredit (model A.4)
- Selesai dibukukan duplikat Tanda Penerimaan tersebut di simpan dalam arsip.

3.4. Penyetoran dan Pengambilan Simpanan.

Apabila terjadi pengambilan atau penyetoran uang tunai yang berupa simpanan nasabah kredit DAS Citanduy pada BKPD/LPK, maka si Penyetor / Pengambil Simpanan terlebih dahulu harus mengisi Buku Penyetoran/Pengambilan Simpanan (model C.23)

Kemudian Penyetor/Pengambil tersebut datang pada Bagian Dana (Bagian Kredit/Simpanan) BKPD/LPK serta menyerahkan Buku Setoran yang telah diisi.

Bagian Dana (Kredit/Simpanan).

- Memeriksa atau meneliti Buku Setoran/Pengambilan tersebut, mengenai kebenaran pengisiannya, tanda tangan dan saldo simpanan yang ada.
- Kemudian segi Penyetoran/Pengambilan yang ada di sebelah kanan Buku Setoran itu di sobek dan diteruskan ke Bagian Kas sedangkan Buku Setoran termaksud untuk sementara di tahan.

Perlu diperhatikan bahwa tiap-tiap dilakukan penyetoran segi (strok) sebelah kiri yang menunjukkan posisi, dicebelah bawahnya harus dibubuhi meterai tempel, sedangkan segi (strok) pengambilan (sebelah kanan buku) di coret dengan tanda silang.

Sebaliknya apabila diadakan pengambilan segi penyetoran (yang ada di sebelah kanan atas buku) diberi tanda silang, sedangkan segi (strok) pengambilan harus dibubuhi meterai tempel.

Bagian Kas.

Bagian Kas.

Setelah menerima segi penyeteroran/pengambilan dari Bagian Dana (Kredit/simpanan) maka petugas Bagian Kas :

- menghitung uang yang diterima apabila ada yang setor, atau menghitung uang yang akan dibayarkan bila mengenai pengambilan.
- Segi cetoran/pengambilan dicocokkan dengan jumlah uangnya, selanjutnya di paraf.
- kemudian dibukukan ke dalam Buku Catatan Kas (model A.1)
- apabila pencatatan selesai segi tersebut dicap dengan cap "TELAH DIBAYAR" atau "TELAH DITERIMA".
- kemudian diteruskan ke Bagian Dana.

Bagian Dana (Kredit/Simpanan).

- Menerima kembali segi penyeteroran/pengambilan dari Bagian Kas.
- Meneliti kebenaran pengisian, paraf dan cap.
- kemudian mengisi Kartu Simpanan (model B.2) dan diteruskan ke Bagian Administrasi atas nama Pimpinan.
- segi sobekan di paraf oleh Bagian Dana sebagai tanda telah selesai dibukukan di Bagian tersebut dan kemudian meneruskannya ke Bagian Administrasi.

Bagian Administrasi.

- menerima segi setoran/pengambilan dari Bagian Dana (Kredit/Simpanan).
- menerima dan mengembalikan Buku Penyeteroran/Pengambilan ke Bagian Dana setelah ditanda tangani segi penyeterorannya atas nama Pimpinan.
- menerima dan mengembalikan Kartu Simpanan ke Bagian Dana setelah di paraf.
- kemudian membukukan ke dalam Buku Kas (model A.2), bila mengenai setoran sebelah Debet dan bila mengenai pengambilan sebelah Kredit.
- membukukan ke dalam buku Harian Simpanan (model A.12) dan setelah selesai pembukuan ke dalam Buku Kas tersebut segi setoran di simpan sebagai arsip.

3.5. Pengeluaran untuk keperluan biaya.

Apabila akan melakukan pengeluaran uang untuk membayar biaya, misalnya untuk biaya pegawai, biaya kantor, biaya umum db., maka Pimpinan memberi perintah mengeluarkan uang dengan menggunakan Surat Perintah

Pengeluaran.....

Pengeluaran Uang (model C.1) yang dibuatnya dalam rangkap dua, kemudian dikirim ke Bagian Kas yang aslinya dan tembusannya ke Bagian Administrasi.

Bagian Kas.

- menerima SPPU dari Pimpinan kemudian mengeluarkan uang.
- mencatat dalam Catatan Kas (model A.1) dalam kolom pengeluaran.
- selesai pencatatan SPPU tersebut dicap dengan cap "TELAH DIBAYAR" kemudian diparaf.
- selanjutnya SPPU lembar asli disimpan sebagai arsip.
- mengusahakan penanda tangan kwitansi oleh yang menerima sebagai lampiran SPPU untuk diteruskan ke Bagian Administrasi.

Bagian Administrasi.

- menerima tembusan SPPU dari Pimpinan dan kwitansi dari Bagian Kas.
- membukukan dalam buku Harian Kas (model A.2) berdasarkan kwitansi.
- membukukan dalam buku biaya (model A.20) berdasarkan kwitansi.
- selesai pembukuan SPPU dan kwitansi kemudian disimpan sebagai arsip.

3.6. Penyimpanan/pengembalian uang di Bank Lain.

Apabila BKPD/LPK akan menyimpan atau mengambil uangnya di Bank Pembina/BPD Jawa Barat, maka untuk penyimpanan uang, Pimpinan memerintahkan ke Bagian Kas untuk mengeluarkan uang dengan menggunakan SPPU (model C.1) dalam rangkap dua.

Apabila BKPD/LPK akan mengambil uang di Bank Pembina/BPD, maka Pimpinan BKPD/LPK mengeluarkan/menggunakan cek bank ybs. untuk dicairkan kepada Bank Pembina/BPD Jawa Barat.

Kemudian baik SPPU maupun Cek yang akan dicairkan diserahkan ke Bagian Kas.

Bagian Kas.

Untuk Penyetoran simpanan di Bank lain :

- menerima SPPU, setelah diteliti kemudian mengeluarkan uang.
- mencatat dalam Catatan Kas (model A.1) dalam kolom pengeluaran.
- SPPU kemudian dicap "TELAH DIBAYAR" dan diparaf.
- teruskan SPPU lembar kedua tersebut ke Bagian Administrasi.
- SPPU lembar asli disimpan sebagai arsip.
- mengusahakan tanda setoran ke bank lain.

Untuk.....

Untuk Pengambilan uang :

- menerima cek yang sudah diisi dan ditanda tangani untuk di cairkan.
- mencairkan cek kepada bank ybs. dan menghitung uang yang diterima.
- membukukan dalam Catatan Kas (model A.1) dalam kolom penerimaan.

Bagian Administrasi.

- menerima SPPU lembar kedua dan tanda setoran dari Bagian Kas.
- membukukan dalam buku Kas (model A.2) sebelah Debet untuk penerimaan dan sebelah Kredit untuk pengeluaran/penyetoran ke bank lain.
- membukukan dalam Buku Bank (model A.3) sebelah Debet untuk penyimpanan / penyetoran dan sebelah Kredit untuk pengambilan.
- SPPU dan Tanda Setoran tersebut setelah selesai dibukukan disimpan sebagai arsip.
