

DEVELOPMENT STUDIES PROJECT

497-0340

PROJECT PAPER AMENDMENT # 1

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AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number One	DOCUMENT CODE 3
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2. COUNTRY/ENTITY Indonesia	3. PROJECT NUMBER 497-0340
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4. BUREAU/OFFICE Asia	5. PROJECT TITLE (maximum 40 characters) Development Studies
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6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 06 30 88	7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY 83 B. Quarter 3 C. Final FY 85
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8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 83			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	1,060	700	1,760	1,800	2,200	4,000
(Grant)	(1,060)	(700)	(1,760)	(1,800)	(2,200)	(4,000)
(Loan)	()	()	()	()	()	()
Other U.S.	1.					
	2.					
Host Country		586	586		1,350	1,350
Other Donor(s)						
TOTALS		1,286	2,346	1,800	3,550	5,350

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SD	701B	980		3,000		1,000		4,000	
(2)									
(3)									
(4)									
TOTALS				3,000		1,000		4,000	

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

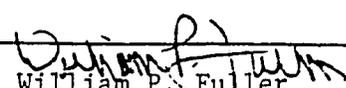
13. PROJECT PURPOSE (maximum 480 characters)

To strengthen the analysis of selected policy and program issues related to Indonesian development, and thereby to strengthen Indonesian policy formulation, program design, and resource use.

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY 04 85 05 88	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

The purpose of this amendment is to secure additional AID funding to support studies and action experiments in areas of national policy concerns, and extend the project for one year.

17. APPROVED BY	Signature  William P. Fuller	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
	Title Director USAID/Indonesia	

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PROJECT AUTHORIZATION AMENDMENT

INDONESIA

DEVELOPMENT STUDIES
PROJECT NO. 497-0340

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, the Development Studies Project for Indonesia, A.I.D. Project No. 497-0340, was authorized on June 8, 1983. That authorization is hereby amended as follows:
 - a. The planned obligations of \$3,000,000 are increased to not to exceed \$4,000,000 in grant funds, with the additional amount authorized to be obligated over a one year period from the date of this authorization amendment, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.
 - b. The authorization as amended cited above remains in force except as hereby amended.

Signature: William P. Fuller
 William P. Fuller
 Director

Date: May 28, 1985

Clearances: DPA:DSeckler: LS PRO:MBonner: MBS
 PRO:JSperling: JS
 & FIN:RMClure: RM
 DD:RClark: RUC

Drafted:LA:LChiles:01/22/85, mai

Rational and Project Description

I. Background and Project Status

The Development Studies Project is the result of several needs identified both by the Government of Indonesia and by AID. The first is the need for a re-examination of assumptions and strategies that have guided Indonesian development programs during the past fifteen years. With the changing global economy and considerable achievements within the country, Indonesia entered the 1980's with a series of new challenges requiring new responses. These include creating employment opportunities in both urban and rural areas; sustaining increases in agricultural productivity; and meeting rising demand for education. Both the GOI and AID felt that there was a need for a review and re-examination of policy options, and experimentation with new approaches to development problems.

These efforts were envisioned as relatively short-term with quick feed-back to policy makers. The traditional AID project approach, involving prolonged project planning, substantial funding, and implementation over a period of years was not appropriate to meet this need. It was recognized that a different approach was required which would allow the Mission to respond at a variety of requests from different agencies, public and private, and to support work in a wide number of sectors.

The Development Studies Project was designed to meet these needs. The Project Agreement signed at the end of July, 1983, provides \$3 million of grant funding over a period of nearly four years (PACD, 6/30/87), with an additional \$1 million counterpart support from the GOI.

Proposals for project funding can be received from any agency or institution, and are reviewed by AID and GOI committees. Within AID, a Development Studies Committee has been established to review proposals and make recommendations to the Director on their suitability.

Proposals are reviewed by the AID DSP Committee and the GOI Working Team, which includes representatives from the National Planning Agency (BAPPENAS), the Department of Finance and the Cabinet Secretariat as well as AID. The Project Working Team makes recommendations to the Project Steering Committee, which includes representatives from the same three GOI agencies. The Steering Committee makes the final decision on funding or rejecting proposals. AID then works with the relevant technical agencies and institutions to process the required funding documents and carry out the activities proposed.

The above procedures for project administration were established at the end of 1983 and since that time over 75 proposals have been submitted for consideration. Of these, 12 have been approved and are now in the process of being implemented, committing approximate \$1.5 million. Another 8 proposals are under active consideration totaling approximately \$1.4 million of which \$600,000-\$800,000 worth are likely to be approved in the near future.

The proposals currently being implemented demonstrate the wide range of policy issues which are being examined with the support of this project. They vary from a high-level seminar on "Man and Society in Indonesia in the Year 2000" to assistance with the formulation of policies for the establishment of an Open University in September, 1984. Government nutrition and health care interventions will draw on project-supported work to assess the status of malnutrition in 12 provinces and to examine socio-cultural influence on food habits and food consumption. Policy options for generating off-farm employment will be examined in a project-supported study of technology and employment in food production.

When the project was first established, it was anticipated that the major benefit would be the policy dialogue generated through research findings, consultancy visits and experimental projects. However, both AID and GOI have found that considerable policy dialogue is stimulated through the process of reviewing proposals for funding. There has been a continuing process of defining priorities, both for AID and the GOI, and determining exactly what are the critical issues in any given sector.

This has not always been an easy process, and has required tact and patience on both sides. There have been occasions when AID regarded a particular proposal as a high priority but government counterparts have not shared this view. Alternatively, GOI officials have sometimes been enthusiastic about proposals that AID has not seen as relevant or useful. This has led to an interesting and valuable process of trying to resolve these different perspectives, and appreciate the reasons for markedly different judgements. AID has gained a clearer understanding of GOI policies and priorities, and has had an opportunity to respond.

While there have been different perceptions about priorities, there has been general agreement on technical standards which must be met. The Steering Committee has shown itself unwilling to accept poorly conceived proposals, and has recognized that many institutions that are able to identify key problems are not able to formulate solid proposals for investigating those problems. It is for this reason that project funds have been used to support short-term technical assistance to review, revise and refine promising but still inadequate proposals.

With the exception of two feasibility and design studies to date, the only major activity, which has been concluded, is support for the development of the Open University. The impact of project support for this endeavor has been considerable. A draft Master Plan has been produced, recommending policies concerning admissions criteria and procedures, curriculum development strategies, resource allocation priorities and mechanisms, and examination and evaluation procedures. The Open University was opened on September 4, 1984, and has enrolled 57,000 students in the first year alone. This high-priority program will offer new opportunities for those who would otherwise have been denied a university education. Flexible, timely and carefully targeted AID support, amounting to less than \$200,000, has provided key assistance for this major educational innovation. All of the other projects that are under implementation are proceeding according to schedule and within their budgets to this point in time.

II. Project Amendment Description

Although the initial obligation of funds occurred in June 1983, the project has effectively been in operation for about 15 months or since February, 1984, at which time the administrative arrangements were in place and the first proposal approved by the Steering Committee. Approximately \$2 million of the \$3 million currently obligated either has been committed or will be committed within the next few months. Assuming an average sub-project length of 15 months, the remaining \$1 million should be committed within the next 10 months of the project to assure sub-activities are completed prior to the PACD.

Based on a recent evaluation of the project done by an independent consultant, it is expected that over the next few months the GOI will be assuming an increasingly active role in developing new projects and in monitoring existing projects. GOI and AID are actively discussing the formation of a small secretariate of 2-3 people under the GOI Steering Committee to manage the DSP project. This development shows that the GOI has found DSP to be a valuable mechanism for policy analysis and implementation. AID strongly supports an increased GOI management role in DSP.

The experience to date suggests that in addition to the two primary DSP objectives of "policy analysis" and "action experiments with important policy consequences", a third objective: "policy implementation and monitoring", should be added. The policy implementation and monitoring objective is to assist ministries in realizing the goals of Repelita through well designed, cost-effective, and empirically tested programs and projects. The inclusion of this objective is in response to the demand by ministries for this type of study. These three objectives support the purpose of the project which is to help strengthen the analysis of issues and problems related to Indonesian development policies and programs and thereby to help improve Indonesian policy formation.

Cost Estimate and Financial Plan

This amendment will provide an additional \$ 1 million in grant funds and extend the project for one year in order to maintain a similar rate of commitments. In addition to new proposals that will be coming up, it is expected that there will be some important follow-up studies from completed project activities.

The use of AID/GOI funds for this amendment will be consistent with the present project--i.e. grant funds will be used to support studies and action experiments in areas of national policy concerns.

The GOI has agreed to provide a minimum 25% of the costs of all projects from its own funds both in the existing project and for the project amendment. Each sub-project is examined to insure the 25% commitment is adhered to. During the course of the project, the financial plan was amended to include a line item for commodities. This was added in recognition of the need for commodity purchases, primarily in activities where a new technology is being tested. This line item will be continued and increased.

Table 1 Summary Cost Estimate and Financial Plan (US \$000)

<u>Grant</u>	<u>AID</u>				<u>GOI</u>		<u>Total</u>
	<u>New Funds</u>		<u>Previous</u>		<u>New Funds</u>	<u>Previous</u>	
	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>			
1. Technical Assistance	100	700	1,000	700	150	460	3,110
2. Seminars, Workshops, and Publications	-	50	310	400	150	470	1,380
3. International training and other	-	-	100	-	50	40	190
4. Commodities	-	50	200	200	-	-	450
5. Evaluation	-	25	20	-	-	-	45
6. Contingency	-	75	70	-	-	30	175
Total	100	900	1,700	1,300	350	1,000	5,350

Implementation Plan

As noted before it is expected that the GOI Steering Committee and Working Team will assume a more active role in project development, processing and monitoring. AID will participate in this process in the Working Team meetings—and, of course, through project approval by the Mission Director. The GOI is actively considering appointing a small secretariate to manage DSP and, especially, to monitor the progress and substance of existing grants. AID strongly supports an increased management role by the GOI.

Revised Implementation Plan

	<u>Date</u>
1. Grant Agreement signed.	July, 1983
2. First sub-project committed	February, 1984
3. First \$ 1 million committed for sub-activities	December, 1984
4. First project evaluation	April, 1985
5. Total \$ 2 million committed for sub-activities	July, 1985
6. Total \$ 3 million committed for sub-activities	March, 1986
7. Total amount of funds committed for sub-activities	June, 1987
8. Final evaluation	May, 1988
9. PACD	June, 1988



SEKRETARIAT NEGARA
SEKRETARIAT KABINET RI

Jakarta, May 29, 1985

No. 2173 /Setkab/LN/F/5/1985

Mr. William P. Fuller
Director, USAID Mission

J A K A R T A

Dear Mr. Fuller,

ADDITIONAL GRANT FOR DEVELOPMENT
STUDY PROJECT (DSP).

With reference to the letter of Steering Committee Development Study Project No.S-079/DSP/V/1985 of May 13,1985 concerning the above mentioned subject,we hereby request for the Development Studies Project No.497-0340 an additional grant of US \$ 1 million and an extension of one year for the project completion date.

This Grant amendment would increase the grant under the Development Study Project to US\$.4 million over the 5 (five) years period of the project. The Government of Indonesia will provide an additional US \$ 0.350 million or total contribution of US \$ 1.350 million in support of this project.

We look forward to your favorable consideration.

Sincerely yours,

CC:

- 1.Sdr.Dirjen Moneter Dalam Negeri
Departemen Keuangan.
- 2.Sdr.Ketua PKTLN,Dep.Keuangan.
- 3.Sdr.Kepala Biro KELN,Bapperas.
- 4.Sdr.Direktur Lembaga Keuangan
selaku Sekretaris Steering Committee DSP.

Moh. Widodo Gondowardojo, SH
NIP.180001398.

Head,
Bureau for Technical Cooperation