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Loan and Grant Agreements
 FM/LMD (if Loan)
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GRANT PROJECT AGREEMENT

Between the United States of America, acting through
 the Agency for International Development (AID)

AND
 The Government of Indonesia, Acting
 through
 The Ministry of Health

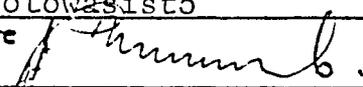
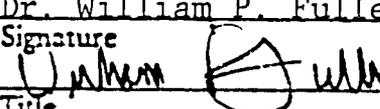
(Grantee)

1. Project Title Project Development and Support	2. AID Project Number 398-0249
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The above-named parties hereby mutually agree to carry out the Project described in this Agreement in accordance with (1) the terms of this Agreement, including any annexes attached hereto, and (2) any general agreement between the two governments regarding economic or technical cooperation.

3. Amount of AID Grant \$ 50,000	4. Grantee Contribution to the Project \$ 20,268	5. Project Assistance Completion Date September 30, 1987
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6. This Agreement consists of this title page and
 Annex A - Project Description
 Attachment A - Scope of Work
 Attachment B - Budget
 Attachment C - PROAG Standard Provision Annex

7. For the Grantee Typed Name Dr. Brotowasisto Signature 	8. For the Agency for International Development Typed Name Dr. William P. Fuller Signature 
Title Chief, Bureau of Planning, MOH	Title Director, USAID/Indonesia
Date February 19, 1987	Date February 19, 1987

AID 1330-17 (5-79) - Cover Page

PROJECT AGREEMENT

Annex A

PROJECT DESCRIPTION

1. Project Title Project Development and Support	2. AID Project Number 398-0249
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3. This Project consists of:

Conduct of studies and organizational tasks necessary to develop the Project Paper for the Health Sector Financing Project.

These are pre-implementation activities to the Private Sector Health Financing Project No.497-0354.

A detailed Scope of Work is given in Attachment A.

Dr. Paramita Sudharto, USAID consultant serving as liaison to the Ministry of Health will be responsible for the activities described in Attachment A. All contracts for sub-studies and arrangements for project related workshops or travel will be coordinated through her. She will work with Dr. Tom D'Agnes (USAID consultant) on a daily basis. Dr. Brotowasisto, Chief, Planning Bureau will have ultimate responsibility for providing guidance and oversight on the activities undertaken through this grant.

Joy Riggs-Perla, Population/Health Development Officer, will serve as USAID Project Officer for this activity.

4. Special Provisions

A. Grant Provisions (see page 7 of Scope of Work)

B. PROAG Standard Provisions Annex (Attachment C of this agreement)

Scope Work

A. Background and rationale

Within the past year, there have been a number of studies conducted to collect information on areas related to health care financing in Indonesia in preparation for developing a new project to be obligated early in FY 88. The Project Identification Document (PID) for the new project is scheduled to be completed and approved by March or April of 1987 and the Project Paper (PP) developed soon after that. OPH/USAID is working closely with colleagues in the Planning Division of MOH to collect and analyze the material necessary to work on the PP. In connection with that effort, there are two areas in which additional funds are needed: (1) funding to complete a number of studies which relate to private sector health care financing and (2) funds for the administrative costs necessary to hold meetings, hire local consultants for short term tasks and travel expenses which will be incurred in the process of developing the full Project Paper. The following is a description of the studies which needs to be completed and the organization and production tasks which must be undertaken.

B. Private Sector Health Financing Study

The purpose of the proposed study is to provide a quantitative picture of private health expenditures in Indonesia including as much detail as possible on the sources and recipients of these expenditures.

The results of the proposed study, when pooled with a parallel study of public sector expenditures, will form an essential prerequisite for an understanding the scope, equity and efficiency of the current health financing system. This information is essential background for developing the detailed plans for several elements of the Health Sector Financing Project. The project envisions testing private sector health care financing schemes through a variety of urban and rural

organizations. Project activity will also involve trying to improve the efficiency of the public hospital sector and in altering drug use and distribution systems. Realistic planning requires estimates on the magnitude of resources which are being spent by a range of private sector providers. Precise figures are not as important as getting an accurate idea of the range of expenditures. These expenditures will be examined from the demand side as well as the supply side to try to improve validity of the results.

The specific goals of the study are to provide estimates of the following classes of expenditures classified by demand and supply:

A. Demand side

1. Consumer out-of-pocket expenditures for goods and services.
 - a. Public hospitals, health centers
 - b. Private hospitals and clinics
 - c. Doctors, paramedics, midwives, etc. in private practice.
 - d. Pharmaceuticals and jamu.

2. Premiums or dues paid by individuals for health insurance or prepaid health services. (For convenience, some quasi-public insurance schemes are included here).
 - a. Perum Husada Bhakti (alias BDPK or ASKES)
 - b. DUKM
 - c. Jasa Raharja (traffic accident insurance)
 - d. ASTEK (job-related accidents)
 - e. Private insurance companies (e.g., Aetna Life/Timur Jauh)
 - f. Dana Sehat

3. Employer expenditures for in-house health services (e.g., health services provided by Unilever to its employees, using company-owned facilities and company-employed health personnel).

4. Employer expenditures for health services provided to employees, outside the company.

5. Student tuition payments for education and training.

a. Medical school

b. Nursing school

c. Lab technicians, pharmacists, and others.

B. Supply side

1. Public Hospitals: receipts from the collection of tariffs from individuals or from insurance payments.

2. Private hospitals and clinics.

3. Corporate in-house health facilities and employees. (This is the supply-side counterpart of A.3 above).

4. Pharmacies and pharmaceutical manufacturers (and manufacturers/sellers of jamu).

5. Private medical, paramedical, and pharmacy schools (the supply-side counterpart of A.5 above).

6. Private practice by individual providers

a. Physicians

b. Nurses

c. Midwives, traditional birth attendants

d. Dukuns, traditional healers

7. Insurance carriers -- receipts for insurance services (that is, the insurance companies operational costs and profits; most of the insurance companies receipts are passed along to health providers and would therefore be recorded in the above categories).

The attached proposal provides a brief summary on each of the areas listed above with an indication of how (and from where) the data will be collected. As indicated in the proposal, some of the information will come from secondary sources and needs only to be gathered and analyzed. Other information will need to be collected by primary data collection efforts.

C. Studies Management

The management of the studies will be as follows:

(1) For the studies listed above which are secondary data collection and analysis tasks, the staff of the Planning Bureau of MOH will gather the relevant documents which will be analyzed and reports resulting from the analysis will be prepared by a team consisting of Planning Bureau staff, Dr. Tom D'Agnes (USAID consultant) and a consultant from the World Bank.

(2) For the studies involving original data collection and analysis, the staff of the Planning Bureau, with assistance from USAID and World Bank consultants, will prepare the detailed scopes of work including the methodologies for each study. Contractors or appropriate institutions will be asked to perform the study on behalf of the MOH. Because each study is less than the equivalent of \$10,000, an informal canvass will be made to select the technically most qualified institution or individual to undertake each study. MOH Planning Bureau staff will monitor the studies and provide guidance to the contractors as necessary.

(3) The overall coordinator and manager for the activities which fall into this grant agreement will be Dr. Paramita who is USAID's chief liaison person with the MOH at the working level on Project development activities.

(4) Because the study protocols have not been fully developed, the costs represented in the budget are estimates and considerable flexibility is required in shifting among line items. Some studies may cost more and others will cost less. USAID has agreed to maintain this flexibility as long as (a) the total cost of the grant agreement is not exceeded and, (b) each study protocol, with an attached specific budget, can be improved by the USAID Project Officer in writing before the study is initiated.

D. Project Paper Development costs

A number of minor costs will be incurred in the process of preparing the project paper which USAID will need to fund in order to prevent any delays or shortfalls which might occur if such costs were born entirely by the MOH. These costs involve hiring a secretary who will provide all of the clerical and administrative support needed during project paper design. Travel must be arranged, invitations to meetings and workshops must be prepared and distributed, drafts and reports must be typed and distributed promptly for comment. Project preparatory work will require additional travel for MOH staff, workshops and meetings, and the occasional hiring of a consultant to provide specific advice in relation to specific project elements. These items are included in the budget and will be used exclusively for activities related directly to project development work.

E. Grant Provisions

The following are other conditions which must be included in the grant agreement:

(1) The period of the grant is from December 1, 1986 to September 30, 1987.

(2) Dr. Paramita will keep the USAID Project Officer informed on progress and problems in undertaking all activities included in the grant through weekly meetings.

(3) The Ministry of Health will be reimbursed by USAID upon submission of a detailed Certified Invoice and SF 1034 voucher for each monthly period. The Certificate should read as follows:

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

By _____

Title _____

Date _____

(4) Upon written request, USAID may provide an initial advance of up to 90 days future cash needed. The advance can be replenished simultaneously with submission of a certified invoice, see (3) above, and an updated 90 day cash needs budget.

Attachment B

Budget

I.	<u>Private Sector Health Financing</u>		Rp. 49,000,000
	1. Private Hospital Survey	Rp. 12,000,000	
	2. Survey of Doctors other providers	" 12,000,000	
	3. Employers Survey	" 8,000,000	
	4. Pharmacy Survey	" 5,000,000	
	5. All Secondary Data Tasks plus Project Management and Final Report	" 12,000,000	
II.	<u>Bureau of Planning Budget</u>		Rp. 31,000,000
	1. Secretary for preparation new project 12 months x Rp.500,000	Rp. 6,000,000	
	2. Local Consultant	" 9,000,000	
	3. Travel expenses for MOH Staf	" 7,000,000	
	4. Indirect Costs, Meeting	" 9,000,000	
		<hr/>	<hr/>
	Total:		Rp. 80,000,000
III.	<u>GOI Contribution</u>		
	1. 4 person/months of Bureau of Planning staff time	Rp. 16,400,000	
	2. Additional Secretarial support and office supplies	" 6,000,000	
	3. 2 person/months World Bank Consultant	" 9,840,000	
		<hr/>	<hr/>
			Rp. 32,240,000

Note: As specified on Page 6, this budget is an estimate. The exact cost of each study may be more or less but the USAID total contribution is not to exceed Rp.80,000,000 or \$50,000 whichever is less.

PROJECT AGREEMENT

PROAG STANDARD PROVISIONS ANNEX

A. Reference to 'this Agreement' means the original Project Agreement as modified by any revisions which have entered into effect. Reference to 'cooperating country' means the country or territory of the Grantee.

B. (1) AID will make available the amount specified in Block 3 of this Agreement, as necessary for the Project, as may be further described in Annex A.

(2) The Grantee will make available the amount specified in Block 4 of this Agreement, as necessary for the Project, as may further be described in Annex A. The Grantee will also make, or arrange to have made, additional contributions of property, services, facilities and funds required for carrying out the Project as specified in Annex A.

C. AID and the Grantee may obtain the assistance of other public and private agencies in carrying out their respective obligations under this Agreement. The two parties may agree to accept contributions of property, services, facilities and funds for purposes of this Agreement from other public and private agencies, and may agree upon the participation of any such third party in carrying out activities under this Agreement.

D. Except as otherwise specified herein or subsequently agreed by the parties, all contributions of the parties pursuant to this Agreement shall be made on or before the Project Assistance Completion Date, or amended date. A contribution of goods or services shall be considered to have been made when the services have been performed and the goods furnished as contemplated in this Agreement. Disbursement of funds may take place after final contributions have been made, but AID shall not be required to disburse funds hereunder after the expiration of nine months following the estimated Project Assistance Completion Date (Block 5 of this Agreement) or any amended Project Assistance Completion Date specified.

E. The procurement of commodities and services to be financed in whole or in part by AID may (where so required by AID procedures) be undertaken only pursuant to Project Implementation Orders (PIOs) issued by AID.

F. Unless otherwise specified in the applicable PIO or Project Implementation Letter (PIL), the procurement of commodities imported specifically for the Project and financed with the AID contribution referred to in Block 3 of this Agreement shall be subject to the provisions of AID Regulation 1.

G. Unless otherwise agreed by the parties or otherwise specified in the applicable PIO, title to all property procured through financing by AID pursuant to Block 3 of this Agreement shall be in the Grantee, or such public or private agency as it may authorize.

H. (1) Any property furnished to either party through financing by the other party pursuant to this Agreement shall, unless otherwise agreed by the party which financed the procurement, be used effectively for the purposes of the Project in accordance with this Agreement, and upon completion of the Project, will be used so as to further the objectives sought in carrying out the Project. Either party shall offer to return to the other, or to reimburse the other for, any property which it obtains through

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financing by the other party pursuant to this Agreement which is not used in accordance with the preceding sentence.

(2) Any funds provided to either party pursuant to this Agreement which are not used in accordance with this Agreement, shall be refunded to the party providing the funds.

(3) Any interest or other earnings on funds provided by AID to the Grantee under this Agreement will be returned to AID by the Grantee.

I. (1) If AID and any public or private organization furnishing commodities through AID financing for operations hereunder in the cooperating country, is, under the laws, regulations or administrative procedures of the cooperating country, liable for customs, duties and import taxes on commodities imported into the cooperating country for purposes of carrying out this Agreement, the Grantee will pay such duties and taxes unless exemption is otherwise provided by any applicable international agreement.

(2) If any personnel (other than citizens and residents of the cooperating country), whether United States Government employees, or employees of public or private organizations under contract with AID, the Grantee or any agency authorized by the Grantee, who are present in the cooperating country to provide services which AID has agreed to furnish or finance under this Agreement, are under the laws, regulations or administrative procedures of the cooperating country, liable for income and social security taxes with respect to income which they are obligated to pay income or social security taxes to the Government of the United States of America, for property taxes on personal property intended for their own use, or for the payment of any tariff or duty upon personal or household goods brought into the cooperating country for the personal use of themselves and members of their families (not including such personal or household goods as may be sold by any such personnel in the cooperating country) or if any firm, not normally resident in the cooperating country, is liable for income, receipts, or other taxes on work financed by AID hereunder, the grantee will pay such taxes, tariff, or duty unless exemption is otherwise provided by any applicable international agreement.

J. If funds provided by AID are introduced into the cooperating country by AID or any public or private agency for purposes of carrying out obligations of AID hereunder, the Grantee will make such arrangements as may be necessary so that such funds shall be convertible into currency of the cooperating country at the highest rate which, at the time the conversion is made, is not unlawful in the cooperating country.

K. AID shall expend funds and carry on operations pursuant to this Agreement only in accordance with the applicable laws and regulations of the United States Government.

L. The two parties shall have the right at any time to observe operations carried out under this Agreement. Either party during the term of the Project and for three years after the completion of the Project shall further have the right (1) to examine any property procured through financing by that party under this Agreement, wherever such property is located, and (2) to inspect and audit any records and accounts with respect to funds provided by, or any properties and contract services procured through financing by, that party under this Agreement, wherever such records may be located and maintained. Each party, in arranging for any disposition of any property procured through financing by the other party under this Agreement, shall assure that the rights of examination, inspection and audit described in the preceding sentence are reserved to the party which did the financing.

M. AID and the Grantee shall each furnish the other with such information as may be needed to determine the nature and scope of operations under this Agreement and to evaluate the effectiveness of such operations.

N. The present Agreement shall enter into force when signed. Either party may terminate this Agreement by giving the other party thirty (30) days written notice of intention to terminate it. Termination of this Agreement shall terminate any obligations of the two parties to make contributions pursuant to Blocks 3 and 4 of this Agreement, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of the Agreement. It is expressly understood that the obligations under paragraph H relating to the use of property or funds shall remain in force after such termination. In addition, upon such termination AID may, at AID's expense, direct that title to goods financed under the Grant be transferred to AID if the goods are from a source outside the Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of the Grantee's country.

O. To assist in the implementation of the Project, AID, from time to time, may issue PILs that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon PILs to confirm and record their mutual understanding on aspects of the implementation of this Agreement.

P. The Grantee agrees, upon request, to execute an assignment to AID of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with AID financed in whole or in part out of funds granted by AID under this Agreement.