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**A Strategic Assessment
of NGO Development
in Indonesia**

**The AID Co - Financing
Project**

1970336

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BASIC PROJECT IDENTIFICATION DATA SHEET

1. Country: Indonesia
2. Project Title: Evaluation of the PVO Co-Financing II Project
3. Project Number: 497-0336 (Grant)
4. Project Dates:
 - a. First Project Agreement: 30 September 1981
 - b. Final Obligation: FY 1990
 - c. Project Assistance Completion Data (PACD): 30 September 1991.
5. Project Funding:
 - a. A.I.D. Bilateral Funding: Grant
 - b. Other Major Donors: N/A
 - c. Host Country Counterpart Funds: 25% minimum of subproject costs should be taken from PVO generated fund.TOTAL: N/A
6. Mode of Implementation: Implemented directly by VHP/USAID Jakarta.
7. Project Design: made by USAID/Jakarta mission.
8. Responsible Mission Officials:
 - a. Mission Director(s):

Thomas C. Niblock	1978 - 1981
Robert C. Simpson	Acting, 1981 - 1982
William P. Fuller	1982 - 1987
David N. Merryll	1987 -
 - b. Project Officer(s):

Bernard Salvo	1976 - 1980
Louis Kuhn	1976 - 1981
Ross Coggins	1981 - 1986
Walter North	1981 - 1984
Robert Polley	1986 - 1987
David Nelson	Acting, November 1986 - January 1987 and August 1987 - September 1987.
William Carter	October 1987 -

9. Previous Evaluation(s):

The only evaluation conducted through all the Co-Fi projects (1974 - 1987) was the Project Evaluation Summary (PES) conducted by VHP/USAID in 1984. A comprehensive evaluation of the overall Co-Fi project has not previously been conducted. There was, however, an audit of the program in 1985, which identified various topical areas for investigation.

10. Cost of Present Evaluation:

	<u>Person days</u>	<u>Dollar costs</u>
a. Direct Hire:		
(1) AID/W TDY :	N/A	
(2) USAID Staff:	N/A	
b. Contract:	150	70,040.00
c. Other:	36	2,700.00

EXECUTIVE SUMMARY:

EVALUATION OF THE PVO CO-FINANCING II PROJECT

BACKGROUND

This evaluation of the Co-Financing II Project (project no. 497-0336) was initiated by the Voluntary and Humanitarian Programs office (VHP) in USAID/Indonesia for the purpose of providing that Mission with a strategic assessment of the Co-Fi Project in order to identify USAID options for future support of non-governmental organizations (NGOs) in Indonesia. To accomplish that goal, the objectives of the evaluation were specified as follows:

- a. To review recent developments and current interests, needs, status, and relationships among Indonesian and American NGOs;
- b. To assess the effectiveness of past and current USAID/Indonesia support for NGOs under the Co-Fi project; and
- c. To identify possible future directions for Co-Fi activities.

The original Co-Fi I project was the first of its kind attempted by AID and was widely used as a model for comparable efforts subsequently undertaken by other USAID Missions, especially in Asia. Inaugurated in 1974 as a three-year pilot project to provide support to US PVOs undertaking development assistance activities in Indonesia, it was subsequently amended and continued. By the time of its conclusion in 1982, Co-Fi I had provided over \$6 million to 18 US PVOs for 79 development projects with an approximate total value of \$15.8 million. Its successor, Co-Fi II, was inaugurated immediately upon the expiry of Co-Fi I. Originally approved as a four-year undertaking designed to provide \$11.25 million in grant funding to U.S. and Indonesian NGOs, it also was subsequently extended, to 1991, and supplemented with an additional \$15 million in grant funds. As of the present time (late 1987), Co-Fi I and Co-Fi II together have supported 146 separate projects involving 18 U.S. NGOs, 10 big Indonesian NGOs (BINGOs) directly, and indirectly through "block grants" administered by U.S. NGOs and BINGOs several hundred small Indonesian organizations. USAID contributions for project activities of these groups total more than US\$18,064,000 in support of activities with an estimated total cost in excess of US\$46,126,000.

The breadth of involvement of the Co-Fi program has been exceptionally wide, ranging across the geographical sweep of Indonesia and approaching development from a wide spectrum of theoretical or operational perspectives. Projects which have been implemented under the program have addressed a multiplicity of substantive issues, involving collaboration with a diverse group of U.S. and Indonesian NGOs, each with their own unique agendas, strengths, and weaknesses.

This current evaluation is the first comprehensive

substantive external examination of the Indonesian Co-Fi program since it was inaugurated 13 years ago. With one minor exception, a cursory in-house final report on Co-Fi I, all evaluation exercises have addressed only internal implementation and management audit issues or have focussed on situation-specific micro matters internal to sub-projects undertaken by Co-Fi grantees.

Thus, neither the context within which Co-Fi activities have taken place over the past 13 years nor the impact Co-Fi has had on general developments within the Indonesian NGO community have been adequately examined or documented. This evaluation was intended to make some small contributions toward rectifying that situation, as the basis for identifying future support options. In addressing this challenge, the evaluation team analyzed the available documentation within USAID; extensively interviewed Indonesian NGO leaders, U.S. NGO representatives, USAID/Indonesia personnel, and officials from other interested donor agencies; and visited field project sites in West, Central, and East Java, Lombok, Flores, and Timur. The evaluation also benefitted from the considerable prior personal experience four of the five team members have had, from markedly different perspectives, with the Co-Fi program over the past 13 years.

FINDINGS AND CONCLUSIONS

1. The Indonesian NGO movement is vibrant, growing and important as an alternative domestic voice on development, and is actively involved in efforts to strengthen democratic principles and decentralization in Indonesia. It serves an increasingly important function on the national scene in terms of legitimizing, and providing the channels for, the involvement of the people of Indonesia in their own development.

2. NGO activities have had a significant, if usually indirect, impact on GOI development policy, especially in those areas where (almost tacitly) NGOs focus in response to the GOI's inability/disinclination to do so. Significant national impact has been made in the area of health policies, especially family planning, potable water, and blindness prevention. Other important contributions have been made in such diverse sectors as rural credit, cooperatives, small-scale enterprise and agrobusiness, appropriate technologies experimentation and dissemination, decentralized development planning, environmental protection, consumer awareness, outer island development, involvement of conservative religious groups in developmental activities, legal aid and human rights, and protection of minority and tribal ethnic group rights.

3. The NGO movement is vulnerable to possible GOI control, and that risk is likely to increase in relationship to the extent that NGO activities come to be seen as representing any political threat to the regime. Avoiding such control is important, as it is only through their independence that the NGOs will retain the flexibility

and the motivation to continue making their special contributions to Indonesian development. Increased efforts need to be made to assure that all responsible authorities within the GOI understand that it is in the national interest to assure the preservation and continuing vitality of a private NGO sector committed to national development.

4. The Indonesian NGO movement is a modern phenomenon, having emerged only within the past 20 years. Although thoroughly Indonesian in its leadership and orientations, it has been largely dependent on external donor assistance for its emergence and growth. There is an increasing need to diversify its funding base to include more substantial domestic financing, especially from Indonesia's private sector.

5. Some Co-Fi activities have succeeded in significantly leveraging other resources (financial or otherwise) in support of Indonesian development. NGO credit programs supported by Co-Fi seem to have a particularly promising potential. American NGOs have shown consistent abilities to stimulate additional contributions from a variety of other donors. American NGOs also have demonstrated the ability to engage in highly cost-effective service delivery programs (e.g., installing water supply systems), but the long-term development impact of such programs is questionable.

6. The Co-Fi program has had a positive impact in involving both American and Indonesian NGOs in development activities. It has facilitated increases in numbers, types, and geographical location of NGO activities, and has encouraged innovative, risk-taking activities as means to enhance learning and to contribute to improved national development mechanisms. The Co-Fi funding pattern indicates coordination with broader USAID/Indonesia strategic objectives, as well as an evolution toward types of interventions with greater possibilities of significantly contributing to effective and sustaining institutional development.

7. Although Co-Fi's contributions have been important, in the absence of (or, perhaps, due to the impossibility of acquiring) appropriate evaluative data, any quantification of the magnitude of this importance or verification of causal linkages between Co-Fi inputs and specific outcomes cannot be accomplished. This is further complicated by the complex linkages between Co-Fi activities and the support for related activities provided through other donor agencies.

8. The Co-Fi program lacks a sense of having strategic purpose, and instead has functioned in a reactive mode to whatever proposals happened to be submitted to it. This has complicated all efforts to define any unique role, either in terms of its contributions to the development of the NGO community or in terms of its relationship with the evolving priorities of USAID/Indonesia. This might be rectified by a clearly defined set of strategic goals and objectives, and also by the establishment and consistent use of a set of selection criteria (flowing from the strategy statement) to be applied to potentially fundable projects. The Co-Fi program

also needs to to develop and apply more rigorous monitoring and especially evaluation systems. Limitations regarding such issues have contributed to the failure of some lsub-projects within Co-Fi.

9. Management systems of all parties involved with Co-Fi are inadequate, but this is likely to remain the situation given the nature of many of the organizations, as well as of the society within which they operate and of their own preoccupations with what they consider to be more important matters. Long term efforts to improve NGO management capabilities and financial stability would have a positive impact on their program/project implementation.

10. Block grants can be an effective mechanism for extending Co-Fi's outreach far beyond the limitations of VHP's own personnel and administrative capabilities. Block grants implemented by organizations with poor administrative or financial management capabilities can also contribute both to ill-conceived support to the little NGOs (LINGOs) and to the diversion of implementation agencies (in particular, most BINGOs) from their own priorities and imperatives.

RECOMMENDATIONS

1. VHP should develop a set of strategic objectives, from which would flow program/project selection criteria, focussing on institutional development and emphasizing the process approach to development and sustainability.

2. VHP should conceptually and operationally divide its activities into three categories: (a) long-term institutional development support, on a program rather than a project basis, to selected BINGOs, (b) indirect provision of project support designed to promote and nurture the spread and strengthening of LINGOs, and (c) systemic support to the NGO movement in general, focussing on networking, improved organizational management capacities, and the development of institutional mechanisms for fund raising.

3. VHP should employ different programming tactics in pursuing its strategic goals in these three categories of activities. LINGO development should be supported indirectly, through the established block grant mechanism but perhaps relying less on the BINGOs than at present. Some of the U.S. NGOs currently working in Indonesia have the experience, capacity, and interest to implement block grants. Additional mechanisms to accomplish this need to be identified and developed, perhaps through activities undertaken by VHP in the other two proposed program categories. Long-term institutional development support to one or more BINGOs (or aspirant BINGOs) could be implemented either through VHP-administered direct grants to the recipient agencies or through technical assistance/support services contracts awarded following competitive bidding. There is no persuasive reason why VHP could not handle such programming itself within the constraints of existing and projected VHP staffing levels and administrative capacity. Whether or not it did, however, the placement of expatriate technical assistance within the

organization(s) receiving such Co-Fi assistance seems desirable. Systemic support to the NGO movement might prove more technically and administratively demanding than VHP would be prepared or able to handle, and contracted services would therefore seem most appropriate. This would require VHP to follow standard AID project development procedures prior to soliciting a contractor through competitive bidding procedures.

4. VHP should establish monitoring and evaluation systems that incorporate consideration of economic, political, and socio-cultural factors, and that enable long-term "process" understanding of the dynamics of NGO activities. The resulting documentation should be categorized in ways that facilitate its dissemination and effective use within USAID/Indonesia and among NGOs requesting assistance. The documentation system should be designed with two objectives: improving VHPs institutional memory and understanding of the long-term dynamics of NGO development, and upgrading the quality of the assistance which VHP makes available.

5. VHP should take the lead within the U.S. Mission in Indonesia in sensitizing all relevant personnel regarding the desirability of the NGO movement in Indonesia retaining its ability to grow and act independent of GOI control.

LESSONS LEARNED

1. Evaluations limited to quantifiable project-specific results obscure accomplishments relating to wider impact through policy modification, sustainability of project benefits through institution building, improved development strategies, and possible community-initiated post-project activities.

2. Purely economic impact is only one of the perspectives from which NGO projects can be considered. Process impact might be more illuminating and useful, although evaluation and quantification is infinitely more difficult. Political, social, and cultural impact also should be included in order to ascertain the full range of possible benefits for such project activities.

3. Contrary to much of the development literature, despite their evolution through the "stages" of NGO growth, Indonesian NGOs may have had more impact on policy than they have had direct impact on grass-roots beneficiaries. If true, does this have anything to do with something unique about Indonesia, or is the literature inadequate? Appropriate research in this area seems appropriate.

CHAPTER ONE

INTRODUCTION

NON-GOVERNMENTAL ORGANIZATIONS IN DEVELOPMENT

The growing appreciation in recent years of the important role to be played by non-governmental organizations in Third World development has been well matched by the numbers, diversity, and effectiveness of groups performing this role. In 1981, for example, the OECD's Development Cooperation Review estimated that as many as 8,000 well-established non-governmental organizations were engaged in relief and development work worldwide, and that these organizations were providing over US\$3.6 billion in annual support to development programs, two thirds of which had been mobilized from private sources. This constituted nearly 10 percent of the overall global development assistance funding. The number of organizations active in this field and the amount of money they are mobilizing and providing for development activities is known to have grown substantially since that time.

Concurrently, considerable recent evidence has surfaced of a world-wide emergence of indigenous self-directed voluntary organizations concerned with more equitable distribution of benefits to those otherwise excluded from the development process. Data from a recent Club of Rome study ("La Revolution aux Pieds Nues", 1985) indicates, for example, that in 1985 alone the lives of more than 100 million peasants in Latin America, Africa, and Asia were directly improved by PVO activities. Such peasants are increasingly aware that as others have escaped the vicious circle of poverty by their own actions, so can they. The result has been an explosion in self-help initiatives, conceived and often implemented by both indigenous and international PVOs, or NGOs. Such activities clearly constitute a decisive and irreplaceable -- and historical -- contribution to development.

PVOs play an especially significant role in North American development assistance, collecting over US\$1.6 billion in private donations for this purpose in 1985. This humanitarianism reflects a traditional emphasis on voluntary action, on government incentives that promote contributions to private non-profit agencies, and on an informed awareness which is deeply rooted in the evolution of American democracy that private initiatives and voluntarism can capture and channel creativity and dedication to the improvement of people's lives in ways which government bureaucracies can seldom, if ever, duplicate. This awareness has been made explicit through U.S. congressional mandates in recent years to channel more public development assistance funds through PVOs.

Legislated mandates in 1973 and 1976 gave particular impetus to this American trend, directing public support for overseas service to private agencies' organizational development as well as

to their operational programs overseas. Current emphasis on the private sector's role in development gives additional standing to this avenue of public support. In 1984, USAID administered resources available to PVOs for overseas programs which exceeded US\$680 million. This sum is likely to grow, even in a context of overall cutbacks in U.S. foreign aid, partly because of the growing sense that private development initiatives give greater promise of having greater and more cost-effective long-term development impact, and partly because of a strong PVO lobby in the American Congress which works hard to assure that this will be so.

Congressional initiatives in support of private sector involvement in development actually dates back to the 1961 Foreign Assistance Act which mandated the need to "involve the poor in development by expanding their access to the economy". More specifically, that legislation stated that "The Congress ... declares that ... programs authorized by this Act should be carried out in accordance with the following principles: First, development is primarily the responsibility of the people of the less developed countries themselves ... Maximum effort shall be made ... to stimulate the involvement of the people in the development process through the encouragement of democratic participation in private ... activities and institution building to the maximum extent possible through the private sector, including those institutions which already have ties in the development areas, such as ...voluntary agencies ..." (emphasis added).

USAID SUPPORT TO NGO ACTIVITIES IN INDONESIA

USAID/Indonesia's "PVO Co-Financing Project": First in the World

It was within this context that USAID/Indonesia became the first AID overseas mission to systematically provide direct support for NGO development utilizing mission-administered funds when, in 1974, it inaugurated a modest 3-year pilot project to test the potential for encouraging local participation in Indonesian community development efforts by supporting the programs of American private and voluntary organizations. This initiative, which became the first model for comparable AID efforts elsewhere, has been extended and expanded to the point that it now encompasses supporting the programs of both American and Indonesian organizations, is currently authorized at an aggregate level of more than US\$32 million, and will continue into 1991. As of the present time (late 1987), Co-Fi I and Co-Fi II together have supported 146 separate projects involving 18 U.S. NGOs, 10 big Indonesian NGOs (BINGOs) directly, and several hundred small Indonesian organizations indirectly (in part through "block grants" administered by U.S. NGOs and a few of the BINGOs and in part through training programs). USAID contributions for project activities of these groups total more than US\$18,064,000 in support of activities with an estimated total cost in excess of US\$46,126,000. Consideration is now being given to the

probability of further work in support of NGO development activities beyond 1991.

Long Time, No Evaluation

Notwithstanding the fact that the Co-Fi program has now been active for 13 years, it has never been submitted to any comprehensive substantive external evaluation designed specifically to measure overall program impact or effectiveness. Although several evaluation exercises have been conducted, none of these have even attempted addressing macro questions concerning, for example, the historical impact of the Co-Fi program on the evolution of the NGO movement in Indonesia or the impact of NGO activities on Indonesian national development. Instead, they have focussed either on implementation issues internal to AID Co-Fi program management or on situation-specific micro matters internal to sub-projects undertaken by Co-Fi grantees.

The program audits which were conducted by the USAID Regional Auditor in 1978, 1986, and 1987, and by the GAO in 1981, for example, were narrowly focussed on mechanics of USAID program implementation and management. Similarly, the evaluations of specified sub-sets of the Co-Fi program which were undertaken in 1977 and 1979 did not address macro issues in any significant way. All other Co-Fi evaluations with the one possible exception cited below have addressed implementation issues of subprojects undertaken by Co-Fi grantees. While sometimes highly informative about situation-specific issues, these documents also do not enlighten with regard to macro-trends or overall Co-Fi project impact.

The only known exception may be the cursory (5 page) summative evaluation of Co-Fi I, which was conducted in-house by VHP staff in 1982. In retrospect, however, the purpose of that document seems to have been either (a) to comply with the requirement that an evaluation be conducted of a terminating and long-running project, or (b) to provide justifications for new directions in programming which the author of that evaluation proposed in the program paper for Co-Fi II, which was being prepared at approximately the same.

Thus, neither the context within which Co-Fi activities have taken place over the past 13 years nor the impact Co-Fi has had on larger developments within the Indonesian NGO community have been adequately documented in relationship to USAID and Co-Fi concerns, resource allocation considerations, goals, or objectives. The current evaluation was intended to make some small contribution toward rectifying that situation, as the basis for identifying future support options.

The scope of this study

This evaluation was initiated by the Voluntary and Humanitarian Programs office (VHP) in USAID/Indonesia for the purpose of

providing that Mission with a strategic assessment of the Co-Fi Project in order to identify USAID options for future support of non-governmental organizations (NGOs) in Indonesia based on current NGO needs and on past Mission experience. More specifically, the objectives of the evaluation were specified as follows:

- a. To review recent developments and current interests, needs, status, and relationships among Indonesian and American NGOs;
- b. To assess the effectiveness of past and current USAID/Indonesia support for NGOs under the Co-Fi project; and
- c. To identify possible future directions for Co-Fi activities.

Within this context, this evaluation has attempted to trace the evolution of the NGO movement in Indonesia, to assess the role which Co-Fi has played in this evolution, to specify the various strategic and tactical issues which should be considered when planning for the provision of assistance, and to recommend how USAID through the Co-Fi program might most productively continue to support NGO involvement in development activities in Indonesia.

The evaluation was conducted over the six-week period from 17 September through 1 November 1987 by a five-person team, four of whom were provided on contract by Development Alternatives, Inc. of Washington, D.C., with the fifth provided directly under a personal services contract by USAID/Indonesia. In addressing the challenges of the evaluation, the team analyzed the available documentation within USAID; extensively interviewed Indonesian NGO leaders, U.S. NGO representatives, and USAID/Indonesia personnel, and interested officials from other donor agencies; and visited field project sites in West, Central, and East Java, Lombok, Flores, and Timur. The evaluation also benefitted from the considerable prior personal experience four of the five team members have had, from markedly different perspectives, with the Co-Fi program over the past 13 years. Concurrently, of course, the evaluation would not have been possible without the support and cooperation which was so generously offered by all NGO leaders, American NGO representatives, USAID personnel, and officials from other donor agencies with whom the evaluation team came in contact.

A NOTE ON NOMENCLATURE

The term Private and Voluntary Organization (PVO) is commonly used in the United States and Canada to refer to a wide range of private, tax-exempt, non-profit organizations engaged in international relief and development work. The PVO universe comprises, among others, cooperatives and credit unions, labor institutes, family planning groups, other non-profit intermediaries, and traditional voluntary organizations (VOLAGS). When the Co-Fi program was first started, the VOLAG terminology was more commonly in use, and therefore that program was

officially titled the Voluntary Agency Co-Financing Project. It subsequently came to be known around the halls of USAID/Indonesia as the PVO Co-Financing program. Concurrently, however, another term came into vogue among the development set, and organizations which formerly had been known as PVOs or VOLAGs began to be known as Non-Governmental Organizations, or NGOs. This is the term by which the private Indonesian organizations with which USAID's Co-Financing program has become involved were known during the several years following the emergence of the movement in the early 1970s. By the early 1980s, however, some sensitivity developed within Indonesia regarding the "anti-governmental" connotations in the NGO terminology, because of its negative implications regarding the relationship between that community and the government. Therefore, a separate set of terms for Indonesian NGOs was coined, and these groups are now known either as Lembaga Pembina Swadaya Masyarakat (Promoter Organization of Community Self-Reliance, or LPSM) if they were engaged primarily in playing intermediation roles, or as Lembaga Swadaya Masyarakat (Community Self-Reliance Organization, or LSM, if they concentrated mostly on project implementation at the grass-roots level. This LPSM/LSM dichotomy closely paralleled another distinction between these two groups which led the former to become known as the Big NGOs (BINGOs), while the latter were called the Little NGOs (LINGOs). Both of these groups are to be distinguished from those organizations which have been formed by the Government of Indonesia (GINGOs) to provide it with an organizational mechanism for its quasi-governmental functions (wives of civil servants, GOI-sanctioned press association, etc.).

All of these terms are used throughout the following text, hopefully in ways which are consistent with the historical evolution described here.

CHAPTER TWO

THE NGO COMMUNITY IN INDONESIA

ORIGINS AND GROWTH OF THE INDONESIAN NGO "MOVEMENT"

In order to come to an understanding of the role of USAID's Co-Financing project in the development of Indonesia's NGO community, it is necessary first to be aware of the roots of that community, the characteristics of its various and diverse elements, and its role in Indonesian national development. It is not possible to comprehensively cover all of the essential ground relating to those points in a report of this nature, as the subject is an extremely large and complex one which deserves more attention than it has yet received. The purpose of this chapter must be restricted to only outlining briefly the more salient points as they have relevance for the Co-Fi program.

Indonesia has long experience with associations established voluntarily to achieve practical purposes. Through this experience, precedents have emerged for working together pragmatically as opportunities and needs arise. An historical overview of these precedents, as well as a detailed accounting of the modern period is located at Appendix I to this report.

Despite this historical tradition of working together ("gotong royong"), the modern NGO -- or LPSM/LSM -- movement in fact a quite recent phenomenon, one which has its origins within the past two decades. Three major domestic trends have influenced its emergence: student activism, the growth of the middle class, and religion.

NGO Roots in Student Activism

During the Sukarno era, student activist groups adopted political education of the rural masses as one of their main objectives. These student groups were closely aligned with or integral components of the many political parties that existed at the time. The links between the emergence of the New Order and the student activists of the Generation of 1966 have been documented extensively. The consolidation of power and political parties under the New Order left these student activists without outlet for their expression within the system, in consequence of which early in the New Order some of them sought legitimate channels for their energies and concerns outside the system, many by playing formative roles in the emergence of contemporary NGOs.

This tradition continues. As the movement expands nationwide, the new leadership for many of the provincial groups also comes from subsequent generations of student activists.

It is interesting to note, for example, the extent to which there was been a marked upsurge in NGO activity following each of the major periods of student unrest since the early 1970s.

The Growth and Influence of the Middle Class

In the early years of the New Order an alliance was formed between government technocrats and urbanized middle class intellectuals to develop mechanisms for bringing the rural masses into the development process. These same middle class urban intellectuals were closely involved with the international donor community which, at that time, was also defining the desirability of greater assistance being directed toward grass-roots development issues. The predominance of this newly-emerging middle class stemmed from an increasing awareness within that class of the plight of the urban and rural poor, in part resulting from specific efforts on the part of the original generation of activists to influence the educated consciousness of people through, for example, the publication of journals such as Prisma.

Thus, the intellectual roots of the NGO movement in Indonesia is a mixture of both international and domestic forces that occurred primarily in Jakarta among middle-class student activists. The overwhelming majority of leadership of all major NGOs in Indonesia even to the present time is essentially middleclass in membership and perspective, and the movement as a whole is essentially a middleclass phenomenon. The history of the NGOs comes from this urban base and not as a result of rural movements.

The Influence of Religion

Religious institutions both within and outside of Indonesia provided support and a base from which many of the indigenous NGOs developed. Both the Christian and Muslim religions have greatly influenced the goals and the nature of the development of the NGOs.

Christian PVOs

The Catholic church at the parish and diocesan level began to develop self-help organizations in the 1960s, largely as a consequence of the Vatican II proclamations that directed Catholics to become more involved in the social and economic problems of the modern world. Most such organizations within Indonesia were led by parish priests, whose presence ensured the trust of American church-based PVOs. These groups were then able to utilize local church-based NGOs to implement development projects, as Catholic Relief Service (CRS) began doing, for example, during the late 1960's.

The Protestant churches began to accept their role as a community development force during the 1970s. In NTT, for example, the Indonesian Evangelical Church (GMIT) has become a major force in community development.

Developments such as these resulted in growing amounts of foreign funding from Christian church organizations in both Europe and the United States being made available for community development activities in Indonesia. While most of this assistance was tied directly to missionary or local church presence and thus was community based and frequently concentrated in some of Indonesia's more remote outer islands where missionary activity and Christianization is more active, a significant portion of it also was utilized for the creation of central, or national, facilities to meet general broader needs in such areas as community development field worker training, production of training or educational materials, etc. Organizations such as YAKKUM, YIS, Bina Desa, and Bina Swadaya were created during this time, and out of this tradition.

Moslem NGOS

Indigenous NGOs which are primarily composed of Moslems came into existence with a much more political agenda for development problems than did their Christian colleagues. While the Christian groups tended to focus their attention on delivery of services to improve the basic needs of the beneficiaries, and thus avoided addressing structural issues associated with poverty, their Moslem colleagues were more likely to concentrate on education of the masses and the development of local religious-based vehicles for local change. Organizations as LP3ES, LSP, and P3M represent this tradition, as does the recent shift by NU from a political to a social development perspective.

The program initiated in 1974 by LP3ES is representative of the types of activities undertaken by the Moslem NGOs. This activity was designed to assist local pesantren to become more directly involved in community development. While humanitarian and charity programs had been a part of the pesantren mission since their establishment, broadening the pesantren's vision to include community development represented new departures designed explicitly to get traditional religious structures to begin addressing the systemic and structural impediments to the alleviation of rural poverty.

CHARACTERISTICS OF LPSM/LSMs

The Indonesian LPSM/LSM community is extremely dynamic, and is rapidly proliferating in numbers, diversity, and geographical dispersion. In the late 1960s and early 1970s, there were only a handful of non-governmental groups actively concerned about, or capable of addressing, problems of development, and as suggested above the overwhelming majority of these were based in Jakarta, where their urban, middle-class ex-student activist leadership resided, and close to the sources of access to funds. Now, less than two decades later, there may easily be in excess of 3,000 such groups, actively working on a broad spectrum of issues and located in remote and well as urban and more accessible rural areas throughout the country. No one knows an exact number, in part because there is no commonly agreed-upon definition regarding who or what constitutes an LPSM/LSM.

Groups interested in and qualified to work on the broad spectrum of development-related issues include, among others, philanthropic foundations, special-interest associations, cooperatives, educational or training institutions, research organizations, credit unions and village savings pools, women's organizations, work brigades, citizens' associations, service-user groups, and multi-functional organizations which primarily intermediate between others in specified functional areas.

Given the resulting diversity, it is difficult to identify the NGOs' common ground. In general, however, in addition to their fundamental interest in development issues, broadly defined, they also share the following characteristics:

- o They are basically a middle class phenomenon, representing an educated consciousness of the problems in recent development strategy and performance;
- o They do not collectively represent any mass movement in disguise, but instead serve as the interface between engaged intellectuals and grassroots activists;
- o They are not anti- or nongovernmental in any agitational or organizational sense, and instead constitute a diverse capacity for constructive involvement, ranging from being prepared to assist and improve government services, to wanting to promote alternative models and kinds of development with minimal government interference;
- o They are fundamentally democratic in philosophical orientation, and share commitments to social justice, principles of self-reliant growth, development, and change. Beyond these, they are essentially pragmatic in their focus on social development, broadly interpreted, as an appropriate and achievable objective; and, above all,
- o they share a concern for equitable and prosperous development of the Indonesian country and its people.

ASSESSMENTS OF LPSM/LSM STRENGTHS AND WEAKNESSES

Most organizations within the Indonesian NGO community also share a number of strengths as well as some decided weaknesses. There is considerable consensus among informed observers regarding what these are. A self-assessment of the community which was undertaken in 1984, with the results published in 1985 by LSP, is illustrative of this consensus. According to that "Mapping of the NGOs" exercise, the strengths of the LPSMs were as follows:

- o "Positive" self-identification;
- o Strong orientation towards the people;
- o A shared perception of the society as a unity;
- o The existence of a fair distance between LPSMs and the society, which facilitates their objectivity and flexibility in dealing with problems and issues;
- o The growth of "professionalism" in their operations; and
- o Communication/networking at the national level is relatively strong.

This self-assessment also identified various noteworthy LPSM weaknesses, such as:

- o LPSMs are not clearly taking sides with the "oppressed", that is, they remain accomodative with the GOI;
- o Structural changes are not clearly defined as LPSM goals;
- o There is too much dependence on foreign funding;
- o There is a communications gap between the national and the regional LPSMs;
- o The same gap exists between the regional and the local LPSMs; and
- o Information is not shared evenly.

As for the LSMs, a recent consultantancy report by John Strand, an American with long and close relationships with the NGO community, suggests the following institutional problems which are especially important. According to Strand, LSMs have:

- o Poorly defined, dysfunctional, or obtrusive organizational structures;
- o Unclear institutional purpose or program focus;

- o Faulty program design or integration into ongoing activities; and
- o Poor program monitoring and internal review/evaluation processes.

Additionally, LSMs generally do not normally have adequate technical competence to undertake complex or multifaceted development activities.

Conversely, it can be noted that LSMs do have various, and sometimes considerable, strengths. These are frequently of the kinds which facilitate their having access and influence in communities which often exceeds that of most other leaders at their levels. These strengths include:

- o High motivation to get communities actively involved in improving their own circumstances;
- o Good knowledge of local circumstances, thus a high capacity for local responsiveness to known problems and perceived needs;
- o High level of community acceptance and trust; and
- o Strong charisma among many LSM leaders.

One of the more interesting discussions to emerge from the 1984 NGO "mapping" exercise noted above concerned the extent to which some of the participants felt that in contrast with their earlier years, the LPSMs had become increasingly rigid bureaucracies that were out of touch with the rural masses. Others were concerned at the prospects of hierarchization among NGOs, especially as the LPSMs began to increase their roles with respect to coordination of strategic networks, representing "the movement" in national-level dialogue with the GOI, or in beginning to disburse funds to LSMs on behalf of foreign donors through block grant mechanisms.

At the base of such concerns was the difference between those who felt higher levels of professionalism among organizations was most important in assuring that development activities be carried out with maximum effectiveness and impact, and those who preferred that the emphasis continue to be placed on encouraging political-economic structural change through conscientization activities, institutional development, and, as necessary, advocacy with the GOI on behalf of the people. This issue remains unresolved, but illustrates the dilemma of identity which the movement faces, and, in its diversity, will continue to face.

DIVERSIFICATION IN OBJECTIVES

The NGO movement has evolved over the past 20 years from a primary emphasis by many of its lead organizations on service delivery activities in the 1970s to conscientization in the early 1980s to a concern with policy dialogue at the present time. As this evolution has been accompanied by a significant expansion in the numbers of people and organizations involved, however, many new organizations have moved in behind older groups as those groups have graduated into new levels of sophistication and complexity, so that there now exists a full spectrum of organizations and activities. Because of this, some of the principle developments within the NGO community during this period have been:

- o Increasing diversification of focus and interest, as groups seek to be responsive to location-specific needs or to the explosion of new thoughts and possibilities for development to which they are being exposed;
- o Concurrent increases in both multi-functional groups and in special interest groups, with the former often aspiring to a generalist role (occasionally because they have not defined specific organizational goals and objectives for themselves), while the latter concentrates in the specific set of issues which brought its membership together;
- o A legitimization of "working for NGOs" as a professional alternative to government service or commercial enterprise for many young people;
- o A LPSM/LSM heirarchicization, with different functions assigned to the different elements, so that the LPSMs (as is appropriate, given the name) are increasingly concerned with the promotion of self-sufficiency concepts and practice, while the LSMs concentrate more on grass-roots projects to make such self-reliance at the community level a reality.

In general, the most positive contributions of larger NGOs in terms of the development of their smaller and newer compatriots have been their sharing of knowledge about trends in development theory and practice, and in assisting the smaller NGOs to receive monies from the donor agencies. They also have provided some assistance in the development of proposals and in assisting smaller NGOs in the culture of dealing with donor agencies. Other instrumental activities which have supported the expansion of the NGOs have included: training, networking, the spread effect of seeing what has worked elsewhere, and research concerning best ways of doing things, and helping through example and policy dialogue in promoting a more receptive and accepting environment throughout the country for NGO-type activities.

THE IMPACT OF NGOs ON INDONESIAN DEVELOPMENT

NGOs have played instrumental roles in Indonesian development in a variety of different ways, with varying impact and effectiveness.

NGOs as Instruments of Service Delivery

While numerous examples of successful NGO service delivery projects can be cited, such activities may have had a lesser role in this arena, comparatively speaking, than perhaps has been assumed by many outsiders. While it is undeniable that much time, effort, and (relative to other NGO activities) money has been devoted to such service delivery activities as building bridges, clinics, schools, or water supply systems, the fact remains that location- or project-specific NGO activities are capable of directly reaching only a small percentage of the Indonesian population in need of such services. Moreover, with the exception of some of the larger indigenous NGOs and several of the international NGOs operating in Indonesia, many of the NGOs simply do not possess the technical or managerial capacities required to effectively undertake such activities, especially when complex logistics or reporting systems are involved. Nonetheless, when those capacities do exist, the NGOs have conclusively demonstrated their ability to deliver food, manage Food for Work programs, build bridges or schools or clinics or water supply systems far more cost-effectively than government programs are able. The importance of this, however, may be more in the realm of its' demonstration effect than it is in terms of its direct beneficiary impact when compared with the overall national need.

NGOs and the Promotion of Community Awareness

One of the more important accomplishment of the NGO experience to date, especially at the LSM level and among the LPSMs during their earlier, formative years has been the legitimizing and sustaining of the concept of individual and community efficacy toward and responsibility for their own development. The growth in the size, diversity, and dynamism of the NGO movement itself is one result of this, as people around the country are taking their own initiatives in attempting to address the issues which concern them.

NGOs and the Promotion of Functional Areas Benefits

Some of the more impressive achievements of the NGOs have occurred when organizations have focussed on functionally-defined problem areas. One frequently cited example is in the health field, where NGOs have made numerous important contributions to national health practice and policy through experimentation and research relating to, among others: community-financed health

schemes, development of educational and motivational materials relating to family planning, MCH, nutrition, and disease prevention; creation of health cadres systems; translation into Indonesian of low-cost medical reference books; etc. Other examples are emerging in fields such as rural credit and, perhaps, small scale enterprise promotion.

NGOs as Instruments for Institution Building

The NGO's primary challenge in this arena continues to be one of institution building to facilitate their own effectiveness, outreach, and impact. For the most part, NGOs have more successfully contributed thus far to the identification and consolidation of processes through which their concerns are addressed than they have been to specific institutions dealing with these issues. Impact of this kind is likely to be far more significant and enduring over the long run.

NGOs as Instruments in Policy Innovation/Change

The NGOs in Indonesia can demonstrate an impressive record of influencing GOI policy innovation and change, especially in areas where GOI, for reasons of focus and concentration of resources, has not chosen to attempt to take full responsibility. LPSM/LSM, or occasional USNGO, initiatives have been either directly or indirectly responsible for GOI policy formation or revision relating a wide array of subjects. The following list is illustrative of the diversity, and significance, of this NGO role:

- a. Participatory approaches in community development;
- b. Community-based social delivery systems;
- c. Handicraft and SSI production and marketing promotion;
- d. Small credit programs for those lacking access to primary or secondary banking systems (such as cooperatives, village banks, etc.);
- e. Development of regional planning boards at provincial and district-level, and multi-level planning processes;
- f. Pre-cooperative groups as the basis of cooperatives development;
- g. Utilization of traditional media for dissemination of development information and consciousness-raising;
- h. Community participation in the Kampung Improvement Program;
- i. Farmers' participation in water management of tertiary and quaternary irrigation systems, including using traditional associations of water users;
- j. Small entrepreneurial development;
- k. Invention, development, and dissemination of location-specific appropriate technologies;
- l. Participation of Pesantran schools in rural development;
- m. Environmental protection and conscientization;
- n. Functional and structural legal aid to the underprivileged;

- o. Consumer protection and conscientization;
- p. Protection and further development of informal sector in formal and informal development;
- q. Development of new training methods participatory approach);
- r. Development of participatory action research;
- s. Development of development printing media (Prisma, Tarik, Trubus, Potensi, Galang, Alternatif, Pesantran, Pesan, etc.);
- t. Text-book writing based on Indonesian and Third World development experience;
- u. Women's participation in development;
- v. Informal leaders' participation in development;
- w. Development of agribusiness systems in the Indonesian context, with the participation of small and middle farmers in agrobusiness;
- x. Safe drinking water programs for low income people; and
- y. Preservation of cultural rights of minority and tribal ethnic groups.

NGOs AND THEIR RELATIONSHIP WITH THE GOVERNMENT OF INDONESIA

There are a number of potentially important implications of the largely political foundations of the LPSM/LSM movement and of its basic orientation toward being an "alternative voice" on development. First, the Suharto government is consistent in its perceived need to direct the course of events within Indonesia, and has developed an indisputable record of coopting all potential sources of opposition to this tendency. Examples include the political parties and the trade unions. Notwithstanding recent GOI declarations that the private sector in Indonesia is urgently needed, and is being welcomed, as a genuine partner with the government in development, the fact remains that important elements within the government continue to express concern about security issues, and especially about "non-governmental" activities over which they have limited, or no, control. The potential for the GOI to attempt to take control of the NGO movement is definitely there, as is its capacity to do so. This capacity derives not only from the recent enactment of the Mass Organizations Law (ORMAS), through which the Government is provided the authority to take over and, if necessary, close down any organization which threatens to upset domestic security, but also from the previously existing (and pervasive) regulations and practices which have long provided government officials at all levels with the tools needed to prevent any assemblages or activities which they found objectionable.

The dilemma on this issue stems from the inherent contradiction between the government's historical need, since Independence, to concentrate on centralization as a tool for nation building, and its more recent realization of the need to move toward effective decentralization as a necessity for national development. The NGOs have an important role to play

with regard to the decentralization side of this delicately balanced equation, and their continuing capacity to do so may hinge, at least in part, on how the government resolves the dilemma in the coming years.

Within this context, it is important to understand that the LPSM/LSM movement overwhelmingly considers itself to be an aware and willing, but independent, collaborator with government in the pursuit of national development objectives. This collaboration involves interaction, as appropriate, at all levels, and assures the maintenance of a healthy partnership between the GOI and the LPSM/LSMs. Such a relationship serves the national purpose in important ways by defining a role for the LPSM/LSMs as innovators, experimentors, providers of the "people's technocracy", and private agents of positive change, especially in sectors or areas where governments, universities, or others are less capable of stimulating and nurturing people-oriented development. LPSM/LSMs fill this role through their capacities to operate flexibly, cost-effectively, and responsively, often in terms of locally-defined developmental needs.

The fact of the matter is that the GOI does not have unlimited capacities, and needs the NGOs, among others, to help it accomplish the nation's development objectives. For a variety of reasons, including the occasional inapplicability of national programs to local circumstances, bureaucratic inertia, and so forth, not all GOI projects effectively reach the people they are intended to benefit. NGOs are willing, and have demonstrated the capacity, to assist in this.

Nonetheless, the LPSM/LSM movement remains vulnerable to GOI cooptation and control in ways which could undermine and ultimately destroy its capacity to meaningfully stimulate and nurture its kinds of development. This would be a great loss to all.

THE ROLE OF FOREIGN FUNDS AND AGENCIES

The Donor Role in NGO Development

Foreign donor support has played an instrumental role in the development of Indonesia's NGO community. This has occurred not only in the timing and magnitude of its financial support, nor primarily in the technical assistance and the international linkages which it has provided, but also in the extent to which its interest and, in many cases, midwifery role has significantly assisted in legitimizing both various NGOs in particular and the movement in general.

Such donor support has, for example, provided core support toward the establishment and consolidation of the majority of today's BINGOs. In the early 1970s, FNS from Germany provided

critical core support to the establishment of groups like LP3ES and Dian Desa. The Asia Foundation did the same thing with YIS, first drawing on its own financial resources and then later obtaining Co-Fi funding from USAID. HIVOS, a Dutch organization, provided key support for organizations off of Java, such as YSM in Lombok. As indicated previously, religious funding sources have played similarly important roles in founding such groups as YAKKUM, Bina Swadaya, and Bina Desa.

These foreign-founded organizations have, in turn, utilized foreign project funds to undertake the pilot projects and research which has enabled them to significantly affect GOI development policy in a large number of important areas. Such support has enabled other indigenous and international NGOs to attempt experimental projects and take risks in seeking new and better approaches to development problems.

Foreign funding also has been instrumental, through training grants and project support, in financing the growth of the LSM community, especially in some of the outer islands (most noticeably in NTT, NTB, Irian Jaya, and other Eastern Islands). Foreign donor interest has helped provide legitimization (and an important degree of protection) for NGOs involved with an assortment of issues which remain central to the NGO perspective, for example, the efforts to create a national legal aid and basic human rights capability under the auspices of the LBH and other like-minded groups. Without foreign donor support, it is difficult to imagine the NGO movement to have grown and matured to its current level of effectiveness in such a short period.

Funding mechanisms have varied, although outright grants have been the main vehicle for support. At other times, funding has been indirect, with organizations being established to implement contracts with the GOI that donor agencies had specified should be directed towards NGOs. Whatever the case, the situation now exists where practically every NGO in Indonesia has at least one foreign connection and source of financial support.

A large part of the reason why Indonesian NGOs continue to be heavily dependent on foreign funding is that they have not yet succeeded in developing significant local sources of funding. American NGOs like CARE and CRS have been much more successful at this, even to the extent of drawing on domestic, mostly GOI, support, for activities where their relative cost-effectiveness has been demonstrated.

While the total amount of donor monies has increased significantly over the last fifteen years, the NGOs themselves are competing for fewer funds relative to their growing requirements. This has occurred because there are significantly more NGOs now than there were even five years ago with the result that more NGOs are now chasing after a pool of monies that is not expanding at the same rate as the need.

The future of NGO activities in Indonesia may well turn out to be determined as much by funding issues as they will be by NGO relationships with the GOI.

The American NGOs

A number of American NGOs have been active in Indonesia throughout the period under consideration, including among others the Ford and Asia Foundations, CARE, Save the Children, Foster Parents Plan, the Cooperative League of the USA, the Asian American Free Labor Institute, Helen Keller International, World Neighbors, and a variety of religion-affiliated organizations such as Catholic Relief Service, Church World Service, the Salvation Army, World Vision, and numerous missionary groups.

These organizations, like their Indonesian counterparts, are highly diverse in composition, orientation, and capabilities. Some of them have developed special expertise in particular types of cost-effective service delivery and infrastructure construction systems and have focussed on such activities throughout the past two decades. In doing so, they have, for the most part, proven themselves capable of mobilizing various sources of domestic and international monies in support of their activities. At the same time, however, they have tended not to forge relationships with Indonesian NGOs except to the extent that those organizations are seen to possess capabilities which can enable the American groups to implement projects which support their own organizational objectives. Such groups have not exhibited much interest in assisting in the institutional development of Indonesian groups.

Other USNGOs such as HKI and to a somewhat lesser degree SCF have chosen to operate almost exclusively through the GOI. Their strategic objectives have been to influence government policy on specific issues and to mobilize funds to implement projects that support their organizational objectives.

Still others, and especially the American foundations (TAF and FORD) have been more focussed on encouraging the development or creation of NGOs that would be capable of meeting their own strategic objectives. This makes these organizations more akin to some of their European colleagues, which have long focussed on institutional development activities of the Indonesian NGOs, than to many of their American colleagues.

CHAPTER THREE

AN ASSESSMENT OF CO-FI PROGRAM'S IMPACT AND EFFECTIVENESS

INTRODUCTION

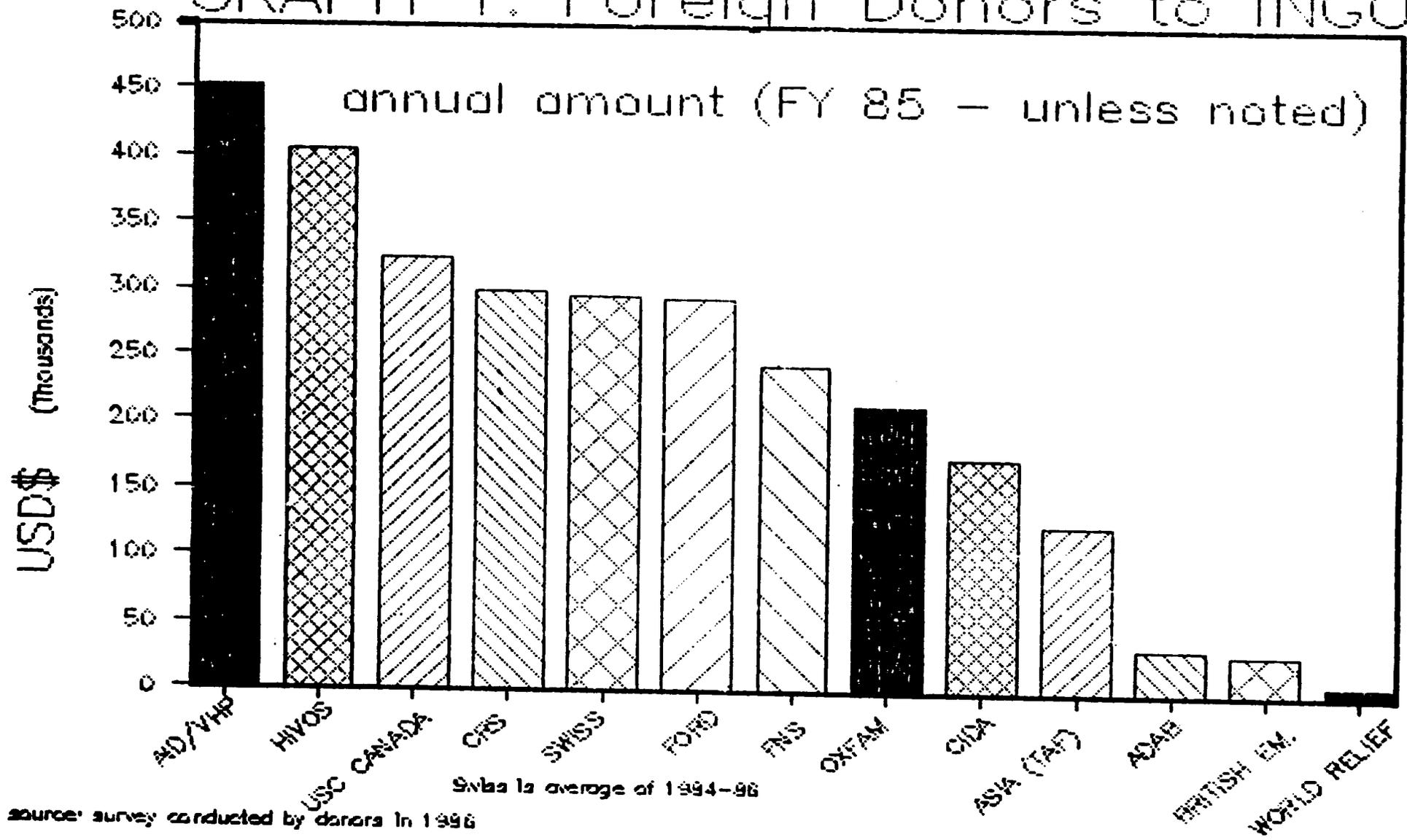
An important aspect of this evaluation is to judge the impact of the Co-Fi program on both the NGO community as targets and implementors and on beneficiaries of projects. By Co-Fi program, we are referring to the overall impact of all the projects funded through Co-Fi I and II. This chapter is not an analysis of discrete projects (see Chapter Four for discrete analysis).

After examining the available data from selected projects and interviewing key AID and NGO staff, the evaluation team arrived at the conclusion that a qualitative evaluation would provide the most useful type of information about the impact of the Co-Fi program. A comprehensive quantitative evaluation was neither possible, due to the lack of key data, nor appropriate as indicators of impact on the process of development which the Co-Fi program has supported. The most appropriate and useful methodology was to determine a set of indicators based on the historical trends which were identified by the team and to gather information about the nature and the quality of the impact of Co-Fi on these trends.

The Co-Fi program interacts as part of a dynamic and changing international donor community and with a historically new and rapidly changing Indonesian NGO community (see Chart 2). The trends which have occurred during this time-frame cannot be attributed specifically to the Co-Fi program, although it is clear that the program has been one of several factors that have positively influenced these trends. Greater specificity at this macro level is not possible, not only due to the inadequacy of the available data from either the Co-Fi files or from the organizations with which it has cooperated but also, perhaps more importantly, because it is impossible to disaggregate the cumulative impact of the different foreign donors and domestic events and funds and to attribute any specific portion of responsibility to Co-Fi for successes, failures, or significant changes in the NGO community. An example of the complexity of the foreign donor community is indicated by data from FY 1985. In 1985, Co-Fi direct funding to Indonesian NGOs was \$451,219. The total FY 85 funding to Indonesian NGOs by the thirteen foreign donors identified in Chart 1 was \$2,898,543, which means that although Co-Fi was the largest single donor during that year, it contributed only 15.5% of the funds to the NGOs.

Although we have analyzed several projects (see case studies in and Chapter Four) in detail to describe Co-Fi's impact on selected sectors, we have determined that a project-by-project analysis would not be the only way to adequately evaluate Co-Fi's impact. In this case, the sum of the parts provided by a project-by-project analysis can not provide the necessary

GRAPH 1: Foreign Donors to INGOs



source: survey conducted by donors in 1996

CHART ONE

ESTIMATED ANNUAL FUNDING TO INDONESIAN NGOS BY FOREIGN DONORS

DONOR	TOTAL NGO FUNDING (ANNUAL)	COMMENTS	MAIN STRATEGY	GEOGRAPHIC FOCUS	CORE SUPPORT
AID/VHP	\$451,219.51	FY 85	AG, HEALTH, EMP, INS. DEV	URBAN, OFF-JAVA, NTT	NO
HIVOS	\$405,132.00	FY 85	R. DEV, WOMEN, HEALTH	JKT, JAVA, BALI, NTB	YES
USC CANADA	\$323,047.94	FY 85	WOMEN, COM. DEV	W. KALI, NTT, JAVA	YES
CRS	\$300,000.00	FY 85	NUTRTION, AG, HEALTH	OUTSIDE JAVA, NTT	NO
SWISS	\$295,942.00	AVG 85-87	PESANTREN, INCOME, COOP	ALL EXCEPT IRIAN	YES
FORD	\$293,324.00	FY 85	WOMEN, FOREST, IRRI	NONE	YES
FNS	\$243,902.44	FY 85	SOCIL JUSTCE, MEDIA	NONE	YES
OXFAM	\$213,414.63	FY 85	DEV. NGOS, COOPS, H2O	C. JAVA, NTT, NTB, S. SUM	YES
CIDA	\$175,000.00	FY 85	GEN COMM DEV, WOM.	NTT, SUMATRA	NO
ASIA (TAF)	\$125,000.00	non-AID	INSTITUTIONAL DEV	ALL	YES
ADAB	\$34,756.10	FY 85	HOUSING, INCOME	NTT	NO
BRITISH EM.	\$30,487.80	FY 85	CHARITY	JKT, JAVA, KALIM, NTB, SULAW	?
WORLD RELIEF	\$7,317.00	FY 85	INCOME, AG, HEALTH	KALIMANTAN, IRIAN	NO
TOTAL	\$2,898,543.43				

TABLE 2: SOURCES OF INITIAL FUNDING FOR IPVOS REGISTERED AT AID

ORGANIZATION	YEAR ESTABLISHED	FUNDING SOURCE	1ST YEAR FROM VHP	COMMENTS	VHP TOTAL FUNDING DIRECT/INDIRECT
LP3ES	1971	FNS	1981		\$913,647.00 INCLUDES LOAN
BINA SWADAYA	1973	K.A.S., MIS., B.S.	1983		\$544,674.00
BINA DESA	1975	K.A.S., MIS.	1982		\$462,802.00
YIS	1974	LOCAL AND TAF	1984	INDIRECT 1976	\$418,670.00
DIAN DESA	1972	FNS	1982		\$396,036.00
LSP	1976	LOCAL	1984	INDIRECT 1978	\$382,000.00 \$325,000 TO PKWJ
WALHI	1980	LOCAL AND MIN.ENV	1985		\$114,100.00
PPA		LOCAL AND DKI	1985		\$103,822.00
MBM	1981	LOCAL CHURCH&IID	1987	INDIRECT 1982	\$71,180.00
YKB	1980	FORD	1985		\$70,000.00
PUSKOWANJATI	1977	POLITICAL PARTY	1987	INDIRECT 1984	\$50,000.00
YAKKUM	1937	LOCAL HOSP&CHURCH	1985		\$50,000.00
LBH	1971	LOCAL AND DKI		INDIRECT 1979	N/A
IPPM	1967	K.A.S. & NOVI			N/A
TOTAL OF FUNDS TO IPVOS					\$3,576,931.00
TOTAL TO TAF FOR NGOS NOT ALREADY INCLUDED					\$2,901,221.00
GRAND TOTAL					\$6,478,152.00

project-by-project analysis can not provide the necessary information about the overall impact of the project on the cumulative process of NGO development in Indonesia.

This evaluation methodology and the associated assumptions, were presented at a meeting of foreign donors, NGO representatives and AID staff on 20 October 1987. The conclusions reached by this group supports the approach utilized in this evaluation. This approach analyzes the following trends and performance indicators in an effort to determine the impact and effectiveness of the Co-Fi program over the years since that program was inaugurated in 1974.

SUMMARY OF TRENDS AND PERFORMANCE INDICATORS

The following trends and performance indicators have been used in conducting this evaluation:

1. Increase in involvement of U.S. and Indonesian NGOs in development activities.
 - a. Changes in strategic thinking and program implementation of Co-Fi I and Co-Fi II by NGOs.
 - b. Nature and frequency of VHP interactions with U.S and Indonesian NGOs.
2. Increase in numbers and geographical coverage of NGO
 - a. Increase in the numbers of development oriented NGOs.
 - b. Expansion of coverage and locations of NGO projects.
3. Increase in impact of NGO development activities
 - a. Changes in approach to development by U.S. and Indonesian NGOs.
 - b. Increase in the numbers of organizations promoting local self-reliance groups.
 - c. Increase in the number of organizations promoting democratic principles.
 - d. Increase in cost-effectiveness and improved administration of projects.
4. Increase in interaction and cooperation with GOI by NGOS.
 - a. The nature and changes in the relationship between the GOI and U.S. and Indonesian NGOs.
 - b. NGO impact on GOI policy.

5. Increase in ability of NGOs to leverage additional resources for development activities.
 - a. Ability to mobilize funds from other donors.
 - b. Ability to mobilize local resources and local contributions for projects.
6. Increase in coordination of NGO activities.
 - a. Networking of the NGO community.
 - b. Networking of the donor community.
7. Improved management capability of VHP.
 - a. Proposal selection and project development with NGOs.
 - b. Block grant selection criteria.
 - c. Internal contracting and financial systems.
 - d. Project monitoring and evaluation.
8. Improved strategic objectives by VHP.
 - a. Changes in funding allocations.
 - b. Coordination with Mission CDSS.
 - c. Dissemination of lessons learned within the Mission, to the NGO community, and to the GOI.

Based on a review of the available files within VHP, discussions with VHP and other USAID personnel, interviews with U.S. NGO representatives and Indonesian NGO leaders, and field site visit to Co-Fi funded activities in Jakarta, Central and East Java, Lombok, Flores, and Timur, our findings are as follows:

CO-FI PROGRAM EVALUATION SUMMARY

Increase in Involvement of NGOs in Development Activities

Changes in strategic thinking and program implementation of Co-Fi I and II by NGOs

During Co-Fi I, when the American NGO community was the primary target and recipient of funds, most of those agencies were primarily oriented towards disaster relief and delivery of goods and services for basic needs. The trend towards a change in orientation towards the development of local self-reliance and sustainability had begun, but was not yet a major theme. Co-Fi cannot claim to have been the sole or even major influence in the process of assisting American NGOs in Indonesia in the development of more effective programming, but it has made a positive contribution. The evidence for this is derived from analyzing the evolution of funding patterns of projects and in the nature of direct interactions of U.S. NGOs with VHP staff.

The gradual shifts in funding allocation is a positive correlation to support Co-Fi as a stimulus to involve American NGOs in more cost-effective service delivery activities. Discussions with CARE, for example, revealed that most of its early projects had very little community contributions, labor was paid and all materials were purchased. CARE built the system and moved on to new projects. A much more sophisticated approach has been utilized in Lombok for the implementation of the latest Co-Fi funded project. Labor is either contributed by the participants or paid for by the community. Water User's Committees and Water User's Groups are established to assist in the planning, implementation and long term maintenance of the projects. The local water systems and groups are monitored by CARE to ensure that the systems are maintained.

However, there is little evidence to indicate that any of the American NGOs utilize community groups or Indonesian NGOs for purposes other than specific project implementation. Both CRS and CARE appear to be grappling with the issues of long term institution building of local self-reliance groups, but neither demonstrated either the capability or strategies to implement such programming.

The second strategic change that is demonstrated by the data was the decision to involve Indonesian NGOs directly in the Co-Fi program. This decision is indicated in funding allocations in 1976, when TAF utilized Co-Fi funding to assist YIS. This trend of funding Indonesian NGOs has continued to present, with approximately 40 percent of the budget being allocated to local Indonesian NGOs (table 2). This decision has been implemented through direct grants to registered LPSMs and also block grants to channel monies to numerous LSMs (see table 3 analyses of project resource analysis)

The gradual nature of shifts in funding allocation is also viewed as a positive correlation of Co-Fi's effectiveness in involving the private sector in Indonesia in development activities.

Over the years, the strategic focus of the NGOs and of the Co-Fi program has evolved from strengthening individual organizations' capacity to implement projects to a combination of strategies for regional development of Indonesian NGOs and for the institutional development of the Indonesian NGOs to act as coordinated groups for policy change. The evidence for this is demonstrated in, among others, the TAF reports about the GA/83-12 block grant and in discussions with WAHLI, YLK, and YDD about block grants which they have received from VHP. Again as with the American NGOs, the evolution of Indonesian NGO development strategy has been a synthesis of inputs, of which Co-Fi was only one. The direction of this evolution has been towards the development of increased self-reliance and self-sufficiency among both Indonesian NGOs and project beneficiaries. This evolutionary trend is viewed as positive by both the general literature and the majority of the leaders of the PVO community.

TABLE 3: ANALYSES OF PROJECT RESOURCE ALLOCATION

	PERCENTAGE OF BUDGET BY NEW PROJECTS					TO
	AGRIC	HEALTH	HRD	ENTRPRISE	OTHER	IPVO
1974	38.6	61.4				
1976	1.2	19.2	33.3	50.3		20.2%-OPG TO TAF
1978	6.9	46.2	27.2	0.1	19.6	FOR YIS
1980	2.4	50.4	47.2			14.9%-TAF TO YIS
1982	7.6	6.9	46.9	38.6		46.7
1984	2.2		49.6	48.2		33.6
1986		61.8	26.4		11.8	42.7
1987		25.3	48.4	20.2	6.1	

Shifts in Co-Fi funding patterns also correlates positively with more effective development programming by Indonsian NGOs. Interviews with recipients about the collaborative nature of project design discussions with VHP generally support VHP's role in affecting the development strategy of NGOs.

Interviews with donors and NGOs support a positive correlation between Co-Fi activities and the strengthening of involvement of the Indonesian private sector in development activities.

Documentation concerning changes in strategic thinking and about evaluation reports were lacking in the Co-Fi files. Improving both of these areas would allow VHP to better engage in dialogue with the NGOs to improve development strategy. Given the lack of available written information we have based our conclusions on:

- 1) funding patterns;
- 2) interviews with members of the NGO community; and
- 3) current development theory in the literature.

Nature and frequency of VHP interactions with US and Indonesian NGOs

Another performance indicator of VHP's impact on PVO thinking is the level and frequency of interaction with the PVOs. U.S. NGOs interviewed felt comfortable with the level of general dialogue with VHP and mentioned that the proposal discussion produces useful ideas. Regular attendance by VHP staff at the donor's meeting has also contributed to a regular exchange of ideas. VHP personnel, and unfortunately most usually primarily only expatriate technical assistant consultants working for VHP on personal services contracts, have interacted well with the NGO community on a regular basis.

The Indonesian NGOs were less satisfied with the level of interaction with VHP. One claimed that the last formal meeting between VHP and the Indonesian NGOs occurred two or three years ago. More frequent general meetings with the Indonesian NGO community would be useful.

Summary

Co-Fi I and and Co-Fi II have both had a positive impact in involving both American and Indonesian NGOs in development activities. VHP has assisted in the evolution of more effective strategies for development, as supported by the current development literature. Their major inputs for influencing this evolution have been through provision of funds for a variety of projects and, to a lesser degree, through the discussions that have occurred with NGOs during design of project proposals.

Increase in Numbers and Geographical Coverage of NGOs

Increase in the numbers of development oriented NGOs

There has been a significant increase in the numbers, types and geographical locations of NGO activities during the last fourteen years and Co-Fi has made an especially interesting contribution to this important trend. It is not possible to accurately quantify the expansion of the number of development oriented NGOs since both the no satisfactory NGO directory exists. The list of four thousand such organizations registered with the Department of Social Affairs is outdated and contains numerous organizations which cannot be defined as having a sincere development orientation. The definition of Private Voluntary Organizations, or Non-Governmental Organizations, engaged in development has been debated in Indonesia without clear resolution. Two criteria which have been commonly used is: 1) to analyze the strategic objectives of the organizations and 2) their methods for implementing their activities.

Despite these limitations, some estimate is possible from information from informed observers. It is estimated that in the early 1970s, there were 20-30 Indonesian NGOs. The community itself in 1983 was able to identify some 2,000 "NGOs" nationwide which at least claimed some legitimate involvement in development. It is widely acknowledged that there has been a significant increase in the number of such organizations in the last five years, so that the present total may be as high as 3,000.

The donor and NGO community were unanimous in their opinion that the NGO community has expanded significantly in overall numbers. We were cautioned that some of the new organizations, while they are development oriented, are basically sources of employment for the members of the organization. Indonesian youth are increasingly viewing NGOs as an attractive employment alternative to government or business sectors. Interviews with donor agencies and the NGO community support the assertion that VHP has consistently directed its support primarily to organizations which are truly development NGOs.

Since Indonesian NGOs seem to depend on most of their funding from foreign donors, Co-Fi's contribution has primarily been to increase the amount of funds that existing groups could draw upon and decrease the dependency of Indonesian NGOs on their original sources. This allowed other donors to assist in the funding of new Indonesian PVOs. The impact of Co-Fi funding on new NGOs is a more recent phenomena, with the exception of YIS. VHP's initial funding was to organizations that were established by European and local sources (see table 2). The trend for assisting new groups with initial funding began in approximately 1976 with the TAF OPG grant for YIS.

Expansion of Coverage and Locations of NGO Projects

The geographical location of NGO activities have spread from their initial base in Java to include nearly all of Indonesia. The American NGOs have dedicated significant amounts of their resources outside of Java since the beginning of their operations in the country. The institutional capacity of Indonesian NGOs to spread or local groups to develop is a more recent phenomena. At present, NGOs have spread or developed locally in NTT, NTB, parts of Sumatera, Irian Jaya and Sulawesi. Co-Fi's most noteworthy contribution to this has been its assistance through TAF to YPMD in Irian Jaya, the TAF block grant to NTT and its funding of networking activities. Co-Fi funds also have been applied to Indonesian NGO institutional development activities in Maha Bhoga Marga recently, in Bali. The equally recent commitment of funds to NTT through Dian Desa has allowed that organization to considerably expand its off-Java activities. The commitment of funds through TAF, under TAF 87 GA70-90, will help strengthen existing organizations and assist in the initial funding of new organizations in NTT.

Co-Fi funding patterns indicate a positive correlation in the growth of the numbers and expansion to off-Java of Indonesian NGOs. VHP impact is limited to about the last four years, which indicates that it has not lent its support for a trend which had been initiated earlier by others.

Expansion of the Types of Organizations Involved in Development Activities

Another key indicator of the expansion of the NGO community is the expansion of the types of organizations involved. Co-Fi has made a significant contribution in assisting in the expansion of the community to include pesantren. As early as 1979, Co-Fi assisted LP3ES's experimental efforts to mobilize pesantren as development organizations. More recently, through TAF GA/83-12 an experimental effort has been initiated with NU to assist the organization to change its strategic focus to development activities. The numbers of people associated with NU indicates the tremendous potential of this organization as a development force.

Co-Fi funding patterns indicate a positive correlation for support of the trend of the expansions of the types of Indonesian NGOs involved in development activities.

Summary

Co-Fi has made a positive contribution to the numbers, types, and geographic locations of NGO activities. It has demonstrated a willingness to take risks by supporting American and Indonesian NGOs in new areas like the ETADEP project in East Timor and YPMD in Irian Jaya. It has encouraged experimentation

with mobilizing new types of organizations, such as the pesantren and NU, to engage in development activities. It is not possible to predict the extent to which these experimental efforts will prove productive, but the historical trends indicate that the types and numbers of organizations involved in development has increased, as has outreach and access to potential beneficiaries. Efforts by Co-Fi to support these trends have been positive, and demonstrate the awareness within VHP of the importance of these trends.

Increase in Impact of NGO Development Activities

Determining impact has been the most difficult part of this evaluation for reasons stated throughout this report. We have determined that the process of evaluation used by Co-Fi does lend itself to impact evaluation for beneficiaries, the institutional development of the implementing NGOs, or on the overall learning process of development strategies. In order to derive some sense of the magnitude of the impact, given the lack of appropriate data, we have chosen an evaluation methodology that assesses the Co-Fi impact on trends. We also examined a representative sample of projects, through field visits and file information, to verify our findings in more situation specific setting. The indicators for impact, described above, are an attempt to assess impact in a systematic way.

Changes in Approach to Development by U.S. and Indonesian NGOs

The data concerning shifts in funding patterns over Co-Fi's life, described in Chapter 5, is relevant for an assessment of impact. Co-Fi has supported a change in strategic orientation by the NGOs. It is impossible, however, to establish causal linkages, or to determine whether Co-Fi was leading or following the strategic evolution of the NGOs. Whatever the case, the current strategic orientation is more likely to produce a positive impact on the beneficiaries because of its focus on developing local groups capable of making significant cost reducing contributions of labor and materials, of providing on-going maintenance, and of engaging in post-project self-initiated activities produce significant benefits. This view is supported by the general development literature and is discussed in considerable detail in the case studies presented in this report. Generally, we view Co-Fi's support of the following general categories as having had a positive impact on the development of local institutional capacities to effectively address the problems of the poor of Indonesia: networking activities by NGOs; human resource development to strengthen NGOs; credit and enterprise development projects; and service delivery and infrastructure development projects as entry points for the formation of self-reliance groups.

We do not mean to imply that Co-Fi supported projects have always produced positive impacts for the participants. In fact, the reporting and documentation available in VHP files more frequently and clearly indicates the failures than it does the successes. This further suggests to us the deficiencies in the available monitoring and evaluation systems for this kind of project than it does anything at all regarding the effective impact on the program. Our field visits indicate that there is a trend towards more effective programming by the NGOs. Yet, the learning process of the NGOs and the local self reliance groups is often disturbed by Co-Fi's concentration on pre-determined time frames of the specific project. Co-Fi has shown sensitivity to the issue of project deadlines by consistently allowing no-cost extensions of projects.

Increase in the Numbers of Organizations Promoting Local Self-reliance Groups

Our field trips produced some data that supports a conclusion of positive impact on beneficiaries with Co-Fi funded projects. These examples are meant as illustrative and cannot be termed as definitive.

YIS Solo has been engaged in training of NGO and GOI staff as community development field workers. The emphasis of the training has been to increase the skills of field staff to engage in a process of community development that facilitates the formation of self-reliant groups engaged in sustainable development activities. The success of this program can be inferred from the numbers and types of agencies that have sent staff to participate in the training. YIS staff claim that the initial activities of the organization were experimental, largely for the purpose of determining the most effective community development methods. These start-up years were funded through Co-Fi.

Field staff from other NGOs have been funded to attend these programs through a variety of other Co-Fi-funded (and many other donor-funded) activities, most noticeably through TAF's Block Grant 83/12. While no records were available to help determine the impact of this training on projects implemented by the trainees, in-depth discussions with YIS trainers and field staff revealed comprehensive knowledge, experience and skills for transferring appropriate skills to trainees. A cautionary note on the limitations of this program was provided by CARE field staff in Lombok, who noted that the program was directed at inexperienced, new field workers and was less useful for experienced practitioners. This may, however, be only a function of the specific courses which CARE people attended: we understand that over the years YIS training programs have been designed and presented for varying levels and experience and sophistication.

Co-Fi support has also provided resources to Bina Swadaya, which contributed to the development of their self-reliance group (UB) formation techniques training program. Co-Fi has regularly supported trainees for UB training programs and the results were observable in many locations. The case study on credit groups goes into detail of how this training has been successfully implemented in the field. The VHP promotion of YIS and Bina Swadaya has assisted in the development of a national trend in that has encouraged shifts in the strategic objectives of numerous NGOs toward the promotion of community development strategies for self-reliance and self-sufficiency.

Increase in the Number of Organizations Promoting Democratic Principles

In Eastern Indonesia Co-Fi has supported a group that helps to illustrate the promotion of democratic principles in Indonesian society and encourages decentralized government planning. Through a TAF block grant, Co-Fi assistance has been provided to Yayasan Alpha Omega in Kupang. The director of the organization described the goal of the training provided by Alpha Omega as being to encourage trainees to become actively involved with village level government institutions like the LKMD. The trainees would attempt to influence these government groups to become advocates of local input for planning and implementation of projects. In the long term, it was hoped that these trainees would become village heads and members of the LKMD, in areas where these groups were unresponsive to the push for local involvement in development, a situation which tends to be prevalent in Indonesia. The effectiveness of this organization's approach and validation was independently verified by the Plan, International Representative in Kupang, who has recently also committed funding to projects with Alpha Omega. A recent evaluation by John Strand does note that Alpha Omega has been inconsistent in follow-up with its training participants, which limits the effectiveness of their intervention.

Additional support for groups that promote democratic principles is indicated by funding of the TAF block grant for legal education.

Increase in Cost-effectiveness and Improved Administration of Projects

Cost effectiveness can be inferred from Co-Fi support to NGOs, whose development strategies are more likely to result in long term self-sustainability, since the development of local institutions that can maintain project activities and initiate activities after the project contribute significant benefits relative to project costs. There was no data available from Co-Fi files that documented long term benefits from self-sustainability of project activities and other factors described below indicate the complexity of collecting comprehensive data, that allow for useful cost-benefit analyses.

Our visit to CARE Lombok provided us with some additional information about the complexity of conducting cost-benefit analysis. The representative showed us cost-benefit analysis comparisons between the different projects implemented by CARE Lombok. When questioned about the significance of highly different ratios between projects, he explained that the best cost-benefit ratios are generated by the richer communities, which have more money for local contribution and are more likely to live in water-rich environments. The worst cost-benefit ratios were produced by projects located in the lowest economic areas which also tended to be water resource poor. Thus, paradoxically, an overreliance on cost-benefit considerations in project selection may have the effect of diverting project activities away from areas of greatest need. Another lesson seems to be that unless expensive and time-consuming base line economic surveys are included in an evaluation process, cost-benefit comparisons can lead to erroneous assumptions about overall effectiveness.

CARE Lombok has focussed considerable efforts on developing community participation in their water projects, building on the improved knowledge for project implementation that has developed in CARE Indonesia. The long-term viability of these groups is highly variable but approximately fifty percent of the groups were functioning according to records in the Lombok office. We met with one of these water user groups, which are responsible for continued maintenance of the system. That the group was active was demonstrated concretely by their self-initiation of a technically acceptable extension of the system to a villagers living 100 meters from the outlet. The 100 meter, Rp. 250,000, extension had been financed, initiated and completed by the villagers. The CARE staff were unaware of this post-project activity, so it was obviously not initiated by them.

This type of unrecorded benefit was also seen in the post-project impact of roads that had initially been developed to allow trucks to deliver materials for water projects. Several cases were observed when local monies have been used to improve these roads for public transport after completion of the water project. How should such activities be factored into standard evaluations? They often occur outside the project framework, yet they frequently constitute the most valuable examples of, and stimuli to, self sustained development that result from such projects. Can Co-Fi institute an evaluation system that can document this kind of benefit? We have included an example of some of the criteria that should be examined for the construction of appropriate cost-benefit analysis mechanisms.

Another factor which limits the reliability of conducting cost-benefit analyses on Co-Fi projects was the general absence of data about the financial value of local community contributions of labor and materials. In general these contributions are undervalued, if included at all.

In NTT, we were able to gather data that gave some indications of the cost-benefit efficiency of NGO projects. Dian Desa constructs rain catchment tanks for an average cost of Rp.150,000. A rain catchment tank of the same dimensions and materials constructed by the Department of Public Works costs Rp.3,000,000. The cost of construction for check and storage dams by Alpha Omega were slightly less than the costs estimated by Australian consultants constructing the same dams in NTT.

The organizations which we interviewed were generally aware of the need for local institution building for self-sustainability though capabilities and commitment for implementation varied considerably among the organizations. Awareness, by Indonesian NGOs of the efficacy of cost-benefit analyses for improving project implementation was very limited.

With respect to improved project administration, the processes within American NGOs appeared to be generally acceptable. According to office managers, improved international communication has led to a significant increase in home office oversight and subsequent improvement of general management systems.

Indonesian PVOs have limited management capabilities, though some improvements in general office management could be observed. The Management training program conducted by the Manitoba Institute of Management, funded by CIDA, was cited by several observers as having improved supervisory skills within several of the NGOs which are registered at AID. Indonesian NGOs still do not have adequate financial management systems. The recent internal audits by USAID/Jakarta's contract office revealed basic mathematical mistakes in the preparation of financial reports. A financial manual is being prepared and relevant training is being considered to improve this situation. Improved financial management systems would also have a positive impact on Indonesian NGO initiatives for fund-raising, since financial accountability would become very important if NGOs were to solicit donations.

VHP efforts have not had a significant impact on the improved management capability of Indonesian NGOs, though current planned activities may begin to change this situation. Nonetheless, this remains a priority for improvement. There would appear to be a correlation between reduced impact of benefits and limited management capability.

Summary

Co-Fi funding has resulted in positive benefits to both the institutional capacities of implementing NGOs and to project beneficiaries, though the complexity of conducting a realistic cost benefit analyses for any representative sample and the lack of appropriate data, forces us to base this conclusion on extremely limited evidence. The primary basis for this conclusion is that there is little evidence of misappropriation

of funds, some projects have left behind physical proof of their existence, and that the emphasis by implementing NGOs, particularly Indonesian NGOs, on building local institutions would help to maintain and increase project benefits.

Project orientation as contrasted with program orientation, as well as single year time frames for projects, have reduced the level of impact. Projects have failed, but especially during the 1982-1987 period when VHP was encouraging experimental efforts by Indonesian NGOs, this was to be expected and can be viewed as positively contributing to a long term learning process. This learning process would be enhanced by documentation of the factors contributing to failure. Management systems by some parties involved have been inadequate but some progress has already been initiated in some areas. Selection criteria, monitoring and evaluation systems are still seriously inadequate. Care should be taken to avoid instituting overly rigid criteria and systems for management and finance, or the actual benefits that are being sought will decline.

Increase in Interaction and Cooperation with GOI by NGOs

The Nature and Changes in the Relationship between the GOI and U.S. and Indonesian NGOs

The significant level of impact of the NGO movement is indicated by both examples of cooperation and examples of repression by the GOI. As one of the few independent outlets for expression of alternate opinions regarding national development and other socio-political issues, the NGO community has come under close scrutiny by the GOI. All of the NGOs that we interviewed, interact with government officials on a regular basis, usually for approval of project activities. While most would agree that VHP should support NGO's ability to impact on policy through improved cooperation and coordination with the GOI, the mechanism for promoting this was not agreed upon by the people we interviewed. The main source of concern is the possible repression of NGOs if they present too high a profile.

The most troubling reaction by the GOI to the NGOs has been the enactment of ORMAS legislation. ORMAS legislation is the issue that most concerns PVOs in Indonesia. Potentially, this legislation could eliminate independent NGOs. In practice, none of the NGOs felt that the GOI intended to implement the restrictions in the near future. Instead, after some initial repression in 1985, the government has determined that NGOs are not mass organizations. This interpretation could change, especially to the extent that NGOs come to be perceived as a potential political threat to the existing regime and prevailing political philosophies.

Positive examples of the relationship between the GOI and NGOs were also found. Before the decline of oil prices, GOI funds were allocated to finance various projects undertaken on contract to selected NGOs. This support has significantly decreased since the decline of oil prices and the subsequent decline of the GOI development budget. Former Jakarta Governor Ali Sadikin was instrumental in the founding of LSP and LBH. The Minister of Environment, Emil Salim, and the Director General of the Department of Home Affairs, Atar Sibero were mentioned frequently as proponents of the NGO community.

VHP has shown a consistent concern in supporting the strengthening of an independent NGO movement. VHP representatives have attended donor meeting sessions that have discussed the ORMAS legislation at length. There does not appear to be a strategy by VHP to promote an independent PVO movement within the GOI. This should be developed and quietly utilized as needed. Advance planning seems to be needed.

NGO Impact on GOI Policy

One of the several NGO groups which has taken a lead in attempting to influence government policy has been the Legal Aid Foundation, LBH. LBH has been in the forefront of trying to establish an Indonesian society that is guided by the rule of law. The majority of the PVOs we interviewed stated that LBH is in many ways the symbol of an independent PVO movement. VHP support to this organization has been very limited, despite the fact it is registered with the Mission. The only funds it has received through Co-Fi has been through block grants and even this was a very small amount according to TAF.

The evaluation team has been able to identify more than twenty government policies which have been significantly influenced to inputs from the NGO experience. These have been included in Chapter Two.

American PVOs generally have established good relations with the GOI. CARE receives a direct cash contribution by the BAPPEDA for the construction of water systems and BAPPEDA officials participate in the selection of sites and the evaluation of project effectiveness. CARE claims to be making slow progress at improving local government site selection and implementation policies. CRS was allowed to begin program activities in the highly politically sensitive area of East Timor with major assistance from Co-Fi. Discussions with SCF indicated that their Aceh activities have allowed them access to the Governor and have influenced local government policy on unemployment. The Helen Keller Foundation has significantly influence Indonesian national health policy about blindness, being the primary stimulus to initiate and implement blindness prevention programs in Indonesia. TAF was able to pioneer U.S. involvement, subsequently funded through Co-Fi, in promoting development activities through the pesantren system.

Support to WALHI and YLK is representative of two VHP efforts to promote organizations that focus on policy change. The grants have been directed at strengthening these organizations' ability to do research, conduct public education activities, and strengthen their networks of associated NGOs. None of these grants have been to specifically strengthen these organizations' abilities to engage in policy research or dialogue, but such activities have increased subsequent to Co-Fi assistance. Causal linkages seem impossible to establish.

A recent attempt to establish a "working group" of NGOs and GOI officials reportedly to promote better and more effective cooperation between the two is an example of the complexity of the relationship between NGOs and the GOI. Some members of the NGO community became extremely concerned that this group could become an umbrella mechanism that would dictate policy to the NGOs. Whether or not this might have been possible remains to be seen, but the intensity of thoughtful and intelligent concern among highly responsible elements within the NGO community does argue for a cautious yet informed and calculated approach by VHP for future activities.

Summary

The impact on GOI policy is truly remarkable. It certainly far exceeds what would be expected from the numbers of organizations, size of their budgets, or the effectiveness of their projects. The most reasonable explanation for their impact is the political orientation of the groups and their efforts to cooperate with the GOI.

Although assisted by Co-Fi projects, there is little evidence either from funding patterns or interviews that the Co-Fi or any foreign donor has made a direct significant impact on the development of the NGO community's ability to engage in policy dialogue, though this is an area which the NGOs see as key. Co-Fi's support to specific projects has helped build the credibility of NGOs in the government's eyes, but there has not yet been any concerted efforts by Co-Fi to systematically assist the NGOs to engage in policy dialogue with the GOI. Appropriate seminars and trainings could prove useful in significantly increasing the NGOs ability to impact on policy, but preliminary research is needed to determine the existing significant skills and patterns utilized by the NGOs to influence the GOI. One commonly agreed on resource that would improve policy impact is academic credentials. NGO leaders said they felt that degree training for staff was critical, since the GOI values degrees much more significantly than experience.

Increase in Ability of NGOs to Leverage Additional Resources for

Development Activities

Ability to Mobilize Funds from other Donors

All of the NGOs interviewed receive their funding from a diverse number of donors. Most of the NGOs interviewed had been dependent on Co-Fi funding for the majority of their direct funding, or for any significant period in their history. The exception to this is YPMD in Irian Jaya, but this is a situation where Co-Fi has been instrumental in funding the establishment of a new organization and a recent reduction in the amount of assistance provided by Co-Fi reportedly has been more than matched by an offsetting increase in donor support from other sources. Unfortunately, the consultancy was unable to visit Irian Jaya to discuss the matter with YPMD personnel.

A positive example of the use of Co-Fi funding for mobilizing additional resources was demonstrated by Helen Keller, Inc. That U.S. NGO demonstrated an ability to utilize Co-Fi funding as seed money, which it then geometrically leveraged through matching project grants from other donors. The initial monies from Co-Fi, according to the HKI representative, provided that organization both with the core support it required to enhance its institutional and fund-raising capabilities and with the credibility and "seed money" leverage potential it required to influence other donors to make available additional monies. One consequence of this was a series of activities which have led to the creation of new nation-wide programs for the prevention of Vitamin A deficiency blindness in the Department of Health. Another was the creation of an institutional potential within HKI to continue its work without needing to be dependent on additional Co-Fi support. It is also worth noting that the substantive aspects of the HKI program have been internationally acclaimed and was recently presented on American television. Such publicity can not help but exert a positive influence on the American "PVO lobby" within the American Congress.

CARE also has enhanced Co-Fi monies with additional funds from the GOI and from CARE's own resources. In addition, CARE has shifted its implementation strategy for water sessions to include significant local contributions of local materials and labor. As indicated earlier, approximately 35 percent of CARE project costs are currently being contributed by GOI sources, especially provincial BAPPEDAs.

Ability to Mobilize Local Resources and Local Contributions for Projects

The financial significance of the local contribution of labor and materials was recognized early by VHP, and became a core concept for the Co-Fi program. The evaluation team was able to determine through site visits and interviews that local contributions of labor and material are real and significant contributions in Co-Fi supported projects. We were not able,

however, to verify that many of the staff and administrative contributions claimed by the Indonesian NGOs were actually significant. Interviews with key informants, tended to substantiate that claims of technical and administrative support generally were significantly exaggerated in order to cover the overhead of the Indonesian NGOs. We were informed that block grant administration is particularly over-represented, and that administration is handled on a very part-time basis. There did not appear to be any pattern of misallocation of funds for personal gain. Rather, the motivation for this misrepresentation appears to be that Indonesian organizations generally have not developed sources of funding to cover core expenses and so are forced to hide these expenses in projects.

Indonesian NGOs have utilized their expertise in publishing and, to a more limited extent, as consultants to generate monies for operating expenses. At best, a few of the older well-established LPSMs cover fifty percent of their operating expenses through local resources. VHP core support and assistance to develop additional funding mechanisms are useful options to be considered, and are recommended later in this report.

Summary

Co-Fi funding has made a positive contribution towards the mobilization of monies for development activities that support general USAID Mission goals. The Co-Fi dollar has more impact because it is often matched by other resources. The general concept of co-financing helps to support community involvement and local contributions. However, provision for core support of NGOs will lead to more realistic evaluations of additional monies mobilized and will assist in the development of more accurate financial management systems in Indonesian NGOs.

Increase in Coordination of NGO Activities

Increased coordination, or at least communication, among NGOs stems from a broad appreciation among them regarding the need to share learning, knowledge, and skills in order to pool benefits for better effectiveness and a larger impact. The value of networking to increase potential impact on policy issues is particularly noteworthy, through public education and direct interaction between NGOs and the GOI at all levels.

Networking of the NGO Community

Warnings have been sounded recently regarding the potential dangers of networks being coopted by the GOI as instruments of control. Indonesian NGO leaders advised, at the meeting sponsored by VHP for this evaluation, to avoid using NGOs for the distribution of block grant funds because this would make them even more vulnerable to government attention. VHP has

demonstrated a high degree of awareness about both the positive and negative aspects of networking.

It was relatively easy in this evaluation to obtain examples of networking by the NGO community. The positive examples of networking were WALHI and the Group of 13, a loose coalition of LPSMs. Other examples of networks which are more difficult to evaluate are the BK3S network in NTT, the recent association of government NGOs and foreign donors sponsored by UNDP, and the "working group" of NGOs and GOI officials which was mentioned earlier in this report.

Co-Fi funding has positively impacted on the trend towards better coordination of NGOs. Direct support of the national environmental coalition networking through WALHI and assistance to YLK to develop its regional consumer association offices are examples of this support. Co-Fi provided timely and useful assistance to BAPPENAS, the National Development Planning Agency, when it was evaluating the Group of 13, a loose coalition of independent NGOs with extensive networks. VHP staff helped influence favorably BAPPENAS's choice of the Group of 13 as the mechanism for selecting NGO staff for overseas training. The selection of the Group of 13 helped validate this network of networks.

Co-Fi's block grant GA/86-7 to Bina Desa for networking to develop local self-sufficiency groups is a key example of the support that Co-Fi has had on improving coordination of NGOs.

Co-Fi has also provided funds to BK3S in NTT which, although potentially a network that could stifle independent action by the NGOs, has to date provided significant benefits to the NGOs in NTT. Continued support of this group is probably warranted though it should be monitored closely for undue intervention in the internal decision-making of LSMs.

Networking of the Donor Community

VHP staff have regularly attended the meetings of the donor agencies which has led to better coordination of activities and the funding of worthwhile projects identified by members of the group. This networking helps avoid unnecessary project duplication and provides some coordination of geographical focus.

Summary

Co-Fi funding, both directly and indirectly through block grants, has significantly contributed to the trend of better networking and improved coordination of NGO activities. Assistance to networking activities should continue because it provides an efficient way to provide technical assistance to LSMs. Networks of NGOs, also provide a useful forum for public education and influence of GOI policy, from local to national

levels.

Improved Management Capability of VHP

Proposal Selection and Project Development with NGOs

The NGOs interviewed generally claim that the proposal selection criteria are vague and appear to be arbitrarily enforced. All of the NGOs interviewed would welcome a clear set of guidelines and priorities for proposals from VHP. Since guidelines are derived from well-developed strategic objectives, recommendations for improved guidelines are located in that section. The most important problem with project selection criteria is that they have imposed a project orientation, rather than a program orientation on the implementing NGOs. One of the most important selection criteria would be the relationship of the project to the overall program goals and on-going activities of the NGO. Lacking this, VHP will encourage the NGOs weaknesses of faulty program design and integration of projects into overall strategic objectives and on-going activities. VHP should encourage a program rather than project focus.

The proposal development process was generally viewed favorably by the NGOs. They asserted that although the process of negotiation and modification of initial project proposals is lengthy, it is generally valuable because of the technical suggestions made by VHP. The major complaint was that there has been a trend in the last few years, to single year funding of projects, with a parallel requirement that project proposals be rewritten every year for multi-year projects. This requirement seems overly burdensome for both the NGOs and VHP and discourages a program focus.

Block Grant Selection Criteria

Analyses of TAF GA/83-12 and WALHI/GA-7110, among others, indicate that actual or proposed expenditures for sub-grants are utilized to further VHP strategic objective of reaching off-Java NGOs, and to allow Co-Fi funds to be committed and disbursed in small amounts for strategic interventions to develop small local private sector involvement in development activities. The amount of funds generally distributed to single sub-grants are too small to be administered cost-effectively by VHP, a reality which further supports the use of block grants as a mechanism for achieving VHP strategic objectives. The block grant appears to be a theoretically effective mechanism to achieve VHP strategic objectives and to administer funds.

In practice, the block grant concept has been criticized by some AID staff after receiving the results of the TAF/GA 83-12 evaluation. However, our review of that block grant does not support the view that the grant was a failure. The GA/83-12 evaluation process closely examined mistakes and problems so that

learning could occur in order to improve the implementation of a new administrative process. By emphasizing the problems of individual sub-grants, successes were minimized and the overall strategic achievements were obscured. If the evaluation had been structured as an internal correction device and more strongly emphasized the learning that had occurred and ways that mistakes might be prevented in the future then the negative impact on the use of the block grant mechanism would have been avoided. Certainly, the block grant has worked to effectively allow VHP to improve networking and coordination of LSMs, assisted in the spread of organizations committed to local self-reliance in development, and democracy and decentralization (see Strand 87 for more details about TAF block grants).

Discussions with WALHI, YLK, and other LPSMs indicated that these organizations do not feel that funds should be distributed by Indonesian NGOs through block grants. They feel that using Indonesian NGOs to distribute funds undermines the impact of networking, since the distributing NGO is placed in a superior position vis a vis the network. Democratic decision making between equal partners is undermined when an Indonesian NGO administers funds. It may also lead to a danger of these NGOs becoming targets of government take-over, since control of funding sources is an effective way to exercise overall control. Similarly, the LPSMs we interviewed suggested that the management of these block grants diverted them from devoting the necessary attention to their own objectives, goals, and programming priorities.

There is still a role in block grants for Indonesian NGOs but it is to provide technical assistance and training instead of funds. These points should be considered in developing selection criteria for block grants.

Although Indonesian NGOs may not be optimal mechanisms for distribution of funds to LSMs, USNGOs such as CARE, CRS, and others, except TAF, show little capacity or interest in the institutional development of Indonesian NGOs except as mechanisms to implement their projects. While TAF has been most effective in managing block grants in support of LSM development of the kinds currently being proposed, we do not feel that TAF is, or should be, the only organization to play this role. Diversity in approach and perspective remains essential to LPSM/LSM development. Further discussion is warranted with other American NGOs to determine their interests and capabilities to implement block grants, since we were unable to discuss this issue in detail with them.

The impact of block grants could be made more effective by developing selection criteria for the following:

- 1) organizational criteria for block grant administration, especially capability to monitor and evaluate sub-grants;
- 2) organizational criteria for sub-grant recipients; and

- 3) project selection criteria for the block grants and for sub-grants.

Recognizing that an emphasis institutional development of selected NGOs, long term program development and the limitations on the use of the block grant could cause VHP short term difficulties in dispersing Co-Fi funds. Creative new alternatives for disbursing funds and developing the institutional capacities of Indonesian entities should also be explored. We have included some suggestions for VHP to accomplish this:

- 1) Place PSCs inside selected NGOs to assist in the development of financial management systems and program planning, design, management, monitoring and evaluation.

- 2) Contract with appropriate organizations to provide a program for management training and developing fund-raising mechanisms for the NGOs.

- 3) Contract with appropriate organizations to conduct on-going, corrective monitoring and evaluation of Co-Fi projects and disseminate the results to the NGO community so that overall program effectiveness will be improved. An information management system could be established to make this material available.

Internal Contracting and Financial Systems

The system for approving contracts has recently been changed. The old system allowed for a very flexible processing of grants and amendments, but also led to concerns regarding financial record-keeping and accountability. Earlier problems, described in audits by the GAO and AID, have been basically rectified. The likely impact of these developments will be a reduction in the number of proposals that will be processed annually. This dictates that larger grants and some form of block grant mechanism will be required in order to support VHP objectives.

The proposal review system has been recently refined to improve the functioning and quality of the review process. Our interviews in the Mission showed that a general lack of interest by other Program offices to participate in this review process. It would appear that VHP has not disseminated information in the Mission about its activities very well, nor attempted vigorously enough to make known to others in the U.S. Mission the significance of NGO developments in Indonesia, or the important role played by VHP in this process.

NGO leaders expressed real interest in presenting information about their activities to the wider Mission. The NGOs feel they can make significant contributions to improved community participation in AID projects. We recommend that seminars or meetings be conducted at the Mission, with NGOs

presenting information about relevant topics.

Project Monitoring and Evaluation

Project monitoring has improved since the GAO and AID evaluation/audits. A field visit reporting format has been established. A data-base management system has been initiated which has the potential of automating monitoring and alerting VHP staff to deadlines for required NGO reporting. During field visits to Solo, our evaluation team encountered a VHP staff member and an AID engineer engaged in a comprehensive and useful monitoring session with an NGO in Solo (LPTP). The VHP staff member was well informed about the on-going progress of the project and had asked the AID engineer to accompany her to provide technical assistance for an implementation problem. While VHP is not in the position to provide extensive technical assistance for implementation, this example seems to indicate that monitoring is improving.

The administration of the Co-Fi program by VHP and of projects (both block grants and institution-specific grants) by Indonesian NGOs has been for the most part weak. Since the recent audits by the GAO and AID and the previously noted internal AID/Jakarta changes in contract management systems, significant positive changes have occurred or are being proposed within VHP. These need to be continued and further improved and strengthened.

Initiatives to improve the financial management systems of the Indonesian NGOs registered with Co-Fi are underway, although these merit close examination to assure their appropriateness to needs and to the capacities and understandings of these groups. "How-to" manuals for setting up accounting systems, for example, could easily end up as shelf items if not fully field tested and then integrated with appropriate training and follow-up activities.

Various initiatives to improve block grant reporting have recently been attempted. One example is TAF's narrative report of October, 1987, although even in that case, given the number of sub-grants being administered, it would appear that effective monitoring and evaluation will continue to be difficult without additional staff being applied to this problem. Staff and financial resource limitations are likely to continue to confound Co-Fi evaluation efforts.

A review of VHP projects since 1974 documents an interesting "split personality" syndrome found across two dimensions: First the contrasting demands between the requirement that more "intensive use" of PL 480 Title II Grant Food be used as an incentive or complement to development projects (the welfare/service delivery approach) versus the demand that VHP projects encourage self-sufficiency, autonomous local organizations based upon democratic participation (the local

institutions capacity building approach). Both approaches have been perceived at different times as crucial to the overall mission of VHP. Few people have seriously considered the conflicting demands these two approaches place on the VHP office, the seeming possibility that both approaches have been working at cross purposes.

The second dimension of this "split-personality" syndrome reflects two very different perspectives in how beneficiaries might be approached: On the one hand, many of the projects are defined as one-time, short-term, immediate impact kinds of projects eg. "construct 3 small bridges and 4 km of village road" (Care Project 79-10), "establish a mother craft center" (SAWS 78-8), "establish 6 functional village technology resource service centers" (TAF 1055). All of them are completely reasonable objectives, yet quite different from the much more amorphous process which seeks to introduce and hopefully make sustainable a whole series of training, extension, community development, and local institution building activities: eg. "Assist the villages of Ujung Gagak in gradually changing their means of living from fishing to farming and animal husbandry" (CRS 77-10) or "improve the economic and social well-being, including income, health and education of rural poor people" (SCF 77-1).

The first category of projects is output oriented and the second is process oriented. The VHP office must come to grips with the fact that project outputs and program processes usually have different time-frames, have quite different implementing strategies, and use very different bases for assessing their impact. Too often in the past both types of activities have required similar administrative and financial control systems and have required the same criteria in the evaluation of both sets of activities.

Some form of evaluation criteria will be established for Co-Fi proposals, the most likely is a PIO/T. We do not feel that the standard PIO/T allows for the necessary qualitative assessments that are appropriate for the development processes that are currently being pursued. An over-emphasis on quantitative output measures is unlikely to result in improved project impact, or in evaluation results, and in fact it may undermine impact. We strongly recommend that an evaluation process be established and that a form of narrative evaluation of both pre-determined and dynamic parameters be given the more significant weight in the evaluation system which it deserves.

It is also important to examine the evaluation systems used currently by American NGOs since the imposition of additional forms of evaluation could discourage organizations from participating in Co-Fi. In general, the Indonesian NGOs had not established effective systems for evaluating impact or financial accountability so additional evaluation will not present the same

type of problem to them. The major concern with Indonesian NGOs is the lack of qualified staff to conduct evaluation. In both of these contexts, care must be exercised not to overburden the administrative fragility of many of the organizations involved in Co-Fi, as excessive evaluation requirements and other paperwork are likely to quickly exceed existing capacities.

Institutional selection criteria, strategic selection criteria and subgrant selection criteria are all lacking. Some suggestions and recommendations for selection criteria are contained in this report.

Summary

Overall management of the Co-Fi program has been one of its weaker elements but, with the exception of the evaluation system and the related need for improved institutional memory, is improving. This is due largely to the various procedural modifications made recently. Whether these improvements will be systemic and thus permanent remains to be seen, and continuing vigilance will be appropriate. Selection criteria in all areas need to be clarified, documented and disseminated. Care should be taken not to impose overly burdensome systems on either VHP or the NGOs.

Improved Strategic Objectives by VHP

Changes in Funding Allocations

Changes in funding allocations demonstrates a noteworthy correlation to the improved strategic thinking by VHP. The correlation indicates that VHP strategic focus has shown a positive shift toward the support of more sustainable activities, through projects utilizing more effective implementation strategies and dealing with substantive areas more conducive to sustainable consequences.

VHP has shifted its funding from service delivery and provision of basic needs types of activities to the development of local capacities for self reliance and self sustainability. Initial funding in 1974 was for agricultural and health related projects, that were designed primarily to meet basic needs. Two years later, VHP had shifted project orientation towards human resource development (33.3 percent of their budget) and enterprise/employment (50.3 percent), while health and agriculture had declined to 19.2 percent and 1.2 percent respectively. This trend has continued to the present, (see table 3) if the ETADEP is excluded from the analysis. We have chosen to exclude the ETADEP project from our analyses because of the unique political elements involved for a project located in East Timor.

The second strategic change that the data reflect is the decision to involve Indonesian NGOs in the Co-Fi program directly

rather than as subgrantees of U.S. NGOs. This trend has continued to the present, with approximately 40 percent of the budget being allocated to local Indonesian PVOs (see table 3). This decision has been implemented through both direct grants to registered BINGOs and block grants, also to these registered BINGOs, to channel monies to numerous small LSMs.

The decision to implement projects with Indonesian NGOs does not seem to include a commitment to the institutional development of these organizations. There is an assumption that these organizations should have the capacity to develop and implement projects effectively. Based on our discussions with AID staff, there appears to be significant differences in views about institutional development of Indonesian NGOs. On the one hand some viewed institutional development as limited to providing NGOs with monies to implement projects, others broadened the view to include support to improve the technical and administrative capabilities of NGOs to implement projects, but very few identified support to a general organizational development for individual NGOs as being the basis for institutional support. An example of the different perspectives was revealed in discussions about the Bina Desa grant GA 86-7. One USAID staff member identified this grant as institutional support to Bina Desa. It is, in the limited sense of building the capacity of Bina Desa to strengthen its networking activities. Yet, there is no provision in this grant for the development of Bina Desa's management systems, training of its staff or stabilization of its precarious financial situation. How can Bina Desa effectively implement forums for networking, when the organization itself is so weak? If VHP wants to effectively use its monies, it needs to start by developing the organizations that implement the projects.

A key contribution that VHP has made has been its support of the independence of non-governmental initiatives in development. The majority of organizations that have been funded through the Co-Fi program demonstrate independent decision-making capabilities. Interviews with other donor agencies confirm this view. Government-sponsored NGOs exclusively implement government policy, with centrally planned implementation schemes. VHP has consistently encouraged Indonesian private NGOs to experiment with creative and locally planned and implemented projects and the activities of most of these organizations reflect, through a variety of action programs, that perspective. This thrust has facilitated the creation of an alternate dynamic voice by NGOs, which in turn have engaged in constructive dialogue with the GOI at all levels.

Coordination with Mission CDSS

A second useful indicator of the VHP's improving strategic focus is coordination with the USAID Mission's wider goals. There is a positive correlation between the numbers of projects undertaken and the percentages of budget allocated and actually

undertaken and the percentages of budget allocated and actually funded under Co-Fi and the general Mission priorities of agriculture, health, human resource development, and enterprise/employment. It can be demonstrated through budget and project category analysis that VHP has been successful in allocating its Co-Fi funding in ways consistent with these Mission priorities. It is less clear that its' record in this regard has been effectively communicated to others in the Mission.

Coordination within the VHP office between PL-480 and Co-Fi has caused some conflicts between widely differing strategic goals and tactical approaches. The PL-480 focus of providing food as an incentive to participate in development projects was criticized by several Indonesian NGOs. One NGO claimed that subsidized food reinforced an unfortunate impression that people needed to be paid to participate in their own development and that such PL-480 activities caused difficulties for this NGO in implementing programs based on self-reliance and self-initiative. A second NGO claimed that it needed to provide the cash for the subsidized food in order to ensure that the poorest members of the community could participate, since these people were only marginally involved in the cash economy. Conflicting strategic goals may be causing difficulty in implementing either program effectively.

Dissemination of Lessons Learned within the Mission,
to the NGO Community, and to the GOI

The kinds of learning that has occurred within the NGO community through Co-Fi has been extremely valuable, yet few efforts have been made in recent years to disseminate this knowledge in systematic ways. This was not the case during the early years of the program (prior to sometime after approximately 1982). VHP is now involved in a modest and highly informal exchange of relevant reports to other donors and to the NGOs. One such example was the exploration of the potential for NGO participation in small enterprise development activities, an area which VHP has explored in a thoughtful and systematic manner, most notably through the work of John Strand during his stint as a personal services contractor to VHP. In general, however, VHP has not documented or disseminated the valuable lessons and contributions which Co-Fi has made.

Efforts to document and disseminate the results of and lessons from Co-Fi would improve the overall Mission's view of the relevance and performance of the program, and could also contribute in meaningful ways to broader on-going efforts within the NGO community to learn from the knowledge and experience of others.

Summary

The lack of documentation about the strategic goals, the lack of selection criteria, and the lack of efforts to disseminate information about Co-Fi achievements all contribute to the overall impression that the program has no definable goals or achievements. This is particularly unfortunate, as the program has, in fact, had a significant overall impact.

An emphasis on institutional development of Indonesian NGOs, program rather than project orientation as a selection criteria, improved monitoring and evaluation, improved block grant administration and implementation will improve the impact of Co-Fi in the future.

CHAPTER FOUR

AN ANALYSIS OF CO-FI PROJECTS

INTRODUCTION

Some of the information and indicators supporting our findings of VHP's contribution to the trends described in Chapter Three were derived from analyses of specific projects in the Co-Fi portfolio. The results of those analyses are presented below.

DEVELOPING CATEGORIES FOR VHP PROJECT ANALYSIS

A review of world-wide donor activities over the past twenty years suggests an evolutionary development of program emphases:

- 1) Famine/Refugee relief;
- 2) Basic Needs Services (water, health, literacy, sanitation, and nutrition);
- 3) Employment/Income Development; and
- 4) Local Institution Building - self-sustaining local organizations committed to providing better quality of life among the disadvantaged of society.

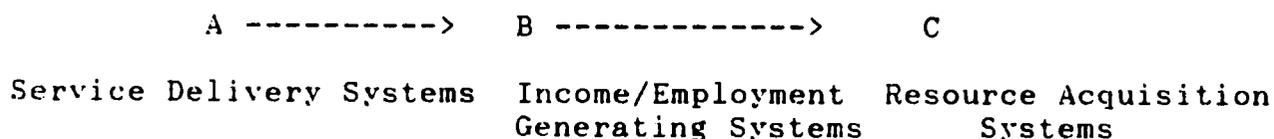
During the 1950s and 1960s, nearly all overseas donor programs emphasized famine relief or basic need services. The 1970s shifted somewhat into the employment/income development areas. In recent years, a much broader and more long-term effort to develop local institutions has become the hallmark of many successful urban/rural development activities. The concern for famine relief and basic needs services remains but donors are now much more sensitive to the need to create self-sustaining local organizations which can provide productive opportunities for meaningful employment and adequate income to allow people to meet their own needs.

Another important development of the past decade is a shift away from "integrated rural development programs", which were based upon government administrative systems of coordination, to a much greater willingness to strengthen private sector and other non-government institutions. The move from public to private sector strategies reflects a fundamentally different way of looking at the beneficiaries of development.

Integrated government sponsored programs perceived the beneficiaries as passive recipients of services. The local institution building approach acknowledges that "real development" requires that people become active participants in a process of organizing themselves (rather than of being organized by others), which provides both internal and external incentives

(including economic, social and cultural motivations). Emphasis on empowering people to take control of their lives with organized support from others in the community, stimulates an environment where people can take responsibility for their own development: for designing and implementing productive activities, taking risks, making mistakes and learning from these mistakes. This is the essence of the development process currently being conceptualized under the rubric of local institution building.

Since local institution building appears to be the most effective strategy to engage in development, we have analyzed Co-Fi projects by categories that reflect their contribution to this process. These categories are a continuum along which the whole gamut of Co-Fi projects can be placed and which cumulatively makes up a sequential set of program activities for local institution building. Although these various systems are not necessarily mutually exclusive nor necessarily sequential by necessity, there is much evidence in the literature to indicate that many successful rural development projects do adhere to the following sequencing of activities:



The systems break down into the following categories of project activities:

Service Delivery Systems

Community Group Building, a series of basic community development/community entry strategies which required highly trained rural development facilitators. Often the emphasis was on consciousness raising, basic literacy, and organizing small groups.

Basic Needs, which provided some external resources to build water catchment tanks, health and sanitation projects, mother and child care, basic infrastructure (roads and bridges for better access to markets) etc. Provision of such services almost inevitably required external resources but was generally seen to be a stimulus to the more difficult task of helping people to take responsibility for their own development.

Income/Employment Generating Systems

Income Enhancement Activities, usually found at the household or small group level, were an important component of any strategy seeking long term self-sustainability. The emphasis here still tended to be a service-delivery

orientation, as outsiders helped individual households and small groups, through various extension procedures to increase their productive capacities, through appropriate technology, through simple credit systems, cooperatives that allowed for the pooling of resources etc. Experience with this type of strategy has been mixed. Thus, while farmers may have developed awareness of new HY varieties of seeds, the utility of fertilizers and insecticides, small credit systems have been developed, and basic cooperatives may have been established - the impact of such changes may still remain minimal, and their long term viability may still require fairly extensive outside support. Nonetheless, this particular focus on income enhancement appeared appropriate to the extent that it lead to the to next phase of small scale enterprise (SSE) development where economies of scale in both production and marketing were possible.

Small Scale Enterprise (SSE) Development was distinguished from the common "income generating" projects often supported. The following table will hopefully distinguish between the two sets of activities.

<u>Income Enhancement</u>	<u>Small Scale Enterprises (SSE)</u>
1) Household/small group oriented	1) Business oriented
2) Marketing issues de-emphasized	2) Marketing issues emphasized
3) Subsistence income is often the goal	3) Significant and real profit is the goal
4) Social welfare/Extension skills are needed	4) Entrepreneurial/Management Skills are needed
5) Activity decisions based on family/individual needs.	5) Activity decisions on enterprise viability
6) Project orientation time bounded by the terms of the project paper	6) Industry/commercial sector oriented beyond project
7) Local emphasis-horizontal in outreach toward only local markets	7) Sector/Trade emphasis vertical in outreach to provincial, national and international markets
8) Dependency relationship in which project provides majority of resources and technology for project success	8) Interdependency relationship in which the business/trade is integrated into a variety of sources & funds
9) Leadership based on group cohesiveness/individual trust	9) Leadership based upon management effectiveness
10) Strategic planning restricted by the external resources available, limited time frame of the project, and the fixed, administrative requirements placed upon the implementors.	10) Strategic planning is greatly emphasized. The enterprises long-term viability is almost completely function of how the enterprise assesses its strengths and weaknesses, scans environment opportunities, and draws on its strengths to reduce its weaknesses.

Resource Acquisition Systems

Local Government Capacity Building were projects that attempted to assist in the decentralization of the decision making and implementation of development activities by directing resources to local government organizations.

Non Government Organization (NGO) Capacity Building, as alternative centers of social/economic activity NGOs provided a new vitality to the process of social renewal and economic development. Such NGO activities helped proliferate countervailing sources of productive and innovative energy throughout all levels in Indonesian society sparking new approaches, strategies, and policy emphases. Thus public and private sector initiatives were joined in a synergistic and complementary way impacting upon Indonesia's commitment to equitable growth and stable pluralism.

Three types of projects are included in this category:

- a) Networking assisted NGOs in building regional and national links to improve their public education, dissemination of information and techniques for better program implementation, and to influence GOI policy.
- b) NGO Management Capacity Building - helped strengthen the management capacities of both large and small NGOs in the specific areas of fund raising, financial management, project design and in traditional and assessment evaluation techniques.
- c) Block Grant Programs - allowing larger foreign and domestic NGOs to distribute funds to NGO projects that emphasized self-sustainable local institutions building activities, democratization, and decentralization.

Using the above six categories of project activities which can be disaggregated among the three different sequentiable types of developmental activities on the basis for our analyses, this evaluation thus far has:

1. Evaluated the impact of Co-Fi projects for contributing to institutional development over the past 10-12 years; and
2. Developed narratives that seek to clarify the impact and longterm viability of two projects funded by VHP: a potable water project and a women's credit group project.

REVIEW AND ANALYSIS OF CO-FI PROJECTS

Below are the six categories developed in the previous section of this report. All Co/Fi projects since 1974 are reviewed and defined in terms of these categories. The number to the left of the sector focus (eg. (10) Agriculture) refers to the project numbering system used by VHP to list its projects in the print outs of its summary list of projects for Co-Fi I and II. The sectoral focus (eg. Health) follow the CDSS categories.

Service Delivery Systems

Community Group Building

1974-76	1977-81	1982-84	1985-87
* (10) Agriculture**	-	(4) HRD	-
(16) Agriculture	-		

Basic Needs

1974-76	1977-81	1982-84	1985-87
(1) Health		71 Agricul	15 Health
3 Agriculture	31 Health	50 Heal 76 Agricul	17 Health
(5) Agriculture	32 Health	51 Hea 77 HRD	21 HRD
(7) Agriculture	33 Health	54 Hea 78 Health (F	22 Health
(8) HRD	34 Agric	56 Hea 80 HRD	23 Health
20 health	35 Health	57 Agri 81 HRD	25 Health
21 Agriculture	37 Agriculture	58 Agri 82 HRD	26 Health
23 Health	38 Enterprise(f)	59 Agri 86 Agricul	27 Health
24 Agriculture	40 Health	60 Heal 89 Health	30 Health
28 Health	41 HRD	62 Heal 94 Enterp	31 HRD
29 Agriculture	42 HRD	64 Agri 95 Health	33 Health
29 Agriculture	43 HRD	66 Agri 96 Agricul	35 HRD
	44 Health	67 Heal <u>9 Health</u>	
	45 Health	68 Heal 6 Health	
	46 Agriculture	69 Heal 7 HRM (B.G)	
	48 Agriculture	72 Heal 8 Agriculture	
	93 HRD	73 Heal 10 HRD	
	98 HRD	74 HRD	
	1 Health (2)	84 HRD	
	2 Health (2)	87 HRD (failed)	
		92 Health	
		93 HRD	

Income/Employment Generating Svstems

Income Enhancement Activities

1974-76	1977-81	1982-84	1985-87
15 HRD		(3) HRD (9) Enterprise (12) Enterprise	(13) Enterprise (14) Enterprise (16) Enterprise

Small Scale Enterprise Development Projects

1974-76	1977-81	1982-84	1985-87
(18) Enterprise (19) Enterprise	52 Enterprise 53 Enterprise 65 Enterprise	79 Enterprise 97 Enterprise 4 Enterprise	20 Enterprise

Resource Acquisition Svstems

Local Government Capacity Building

1974-77	1977-81	1982-84	1985-87
21 HRD 25 HRD 26 Enterprise	30 HRD 49 Enterprise 55 HRD 63 HRD 83 HRM	-	19 Health 34 HRM

NGO Capacity Building

1974-76	1977-81	1982-84	1985-87
	39 (HRM) Failed 41 (HRD) 47 Health 70 HRD 90 HRD 91 HRD	62 HRD 5 HRD (BG) 11 HRD (BG)	18 HRD 24 HRD 29 HRD 32 HRD

Summary

	<u>1974-76</u>	<u>1977-81</u>	<u>1982-84</u>	<u>1985-87</u>
Service Delivery Systems	23 (79.4)	36 (69.2)	18 (66.6)	12 (54.5)
Income Generating SSE Development	6 (20.6)	10 (19.2)	6 (22.2)	6 (27.2)
Local Institution Capacity Building	-	6 (11.5)	3 (11.1)	4 (18.1)
	<u>29</u>	<u>52</u>	<u>27</u>	<u>22</u>

OBSERVATIONS ONCO-FI IMPACT ON INSTITUTION BUILDING

1) There has been a gradual but visible reduction in the number of projects classified as service delivery over the past 12 years of the CoFi program/project mix.

2) An Income Generating/SSE enterprise focus remained very stable until the 1985-87 period.

3) Projects committed to strengthening NGOs have shown a significant jump percentage-wise in the past three years largely through the Block Grants given to US NGOs to stimulate and develop Indonesian NGOs.

DETAILED ANALYSIS OF PROEJCT BY SECTORAL ANALYSIS

I.	1974-76	1977-81	1982-84	1985-87
Agriculture				
1 Animal Husbandry	4	3	1	1
2 Agricul Extension	6	4	2	-
3 Roads/Bridges	2	2	3	-
4 Irrigation	2	-	-	-
	14 (43%)	9 (16%)	6 (21%)	1 (4%)
II.				
Health				
5 Water	2	10	5	3
6 Health Care	2	5	-	2
7 Nutrition	6	2	-	1
8 Family Planning	-	-	-	-
9 Blindness	-	2	1	1
Total	10 (31.1)	20 (36.3)	6 (21.4)	7 (30.4)
III.				
HRD				
10 Education	1	1	1	2
11 Vocational Ed.	3	3	1	-
12 Publications	-	2	2	2
13 NGO Development	-	3	4	4
14 Integrated Rural Development/CD	1	11	3	1
Total	4 (12.6)	20 (36.3)	11 (39.2)	9 (40.0)
IV.				
Enterprise				
15 Cooperatives	1	-	-	-
16 SSE	-	1	2	2
17 SSE (Women)	-	-	2	-
18 Credit	1	-	1	-
19 Appropriate Techno	2	-	-	2
Total	4 (12.6)	1 (1.9)	5 (17.8)	4 (17.4)

V.				
Other (Urban. Housing, Legal Aid)	-	5	-	2

Total	0	5 (9.1)	0	2 (8.6)
Grand Total	32 (100%)	55 (100%)	28 (100%)	23 (100%)

The tables and graphs on the following pages are a comprehensive listing of all projects funded by Co-Fi. On Table 4, is a listing, sorted by year, that provides information about the sector, region, and kind (ie. S=service, H=Health, E=Enterprise, CD=Community Development - note that many service types of projects are Human Resource Development projects. These projects were analyzed in closer detail to determine Co-Fi impact on Institution Building. The graph indicates the changing sectoral focus of Co-Fi funding.

SUMMARY OF VHP ACTIVITY

#	CONTRACT	SECTOR	REGION	USD	YR	KIND		
2	CRS GA73-14	AG	SUMATERA	15000	74	S		
3	CRS GA73-15	AG	NTT/NTB/IR	22000	74	S		
1	CWS GA74-4	CD	NORTH	8793	74	S		
4	CARE GA74-1	NUT	JAVA	50000	74	S		
16	YMCA GA75-12	AG	SUMATERA	12892	75	S		
17	CRS GA75-13	AG	NTT/NTB/IR	2921	75	S		
10	CRS GA75-6	AG	NORTH	10670	75	S		
14	CWS GA75-10	AG	JAVA	1566	75	E		
5	CRS GA75-1	AG	BALI	3125	75	S		
12	CRS GA75-8	AG	JAVA	3761	75	S		
6	CRS GA75-2	AG	SUMATERA	16560	75	CD		
8	CRS GA75-4	CREDIT	JAVA	9565	75	E		
7	CRS GA75-3	ENTER	SUMATERA	7858	75	S		
18	CRS GA75-14	ENTER	JAVA	2413	75	S		
19	CRS GA75-15	ENTER	NORTH	4819	75	S		
13	SAWS GA75-9	HEALTH	NORTH	43077	75	S		
15	YMCA GA75 11	HRD	JAVA	8089	75	S		
22	CRS GA75-18	HRD	NORTH	36054	75	E		
21	CWS GA75-17	INFRA	JAVA	9217	75	S		
11	CRS GA75-7	NUT	NTT/NTB/IR	13985	75	S		
23	CRS GA75-19	NUT	JAVA	11180	75	S		
20	CRS GA75-16	NUT	JAVA	19810	75	E		
9	CRS GA75-5	NUT	JAVA	16573	75	CD		
24	CRS GA76-1	AG	SUMATERA	10230	76	S		
64	CLUSA OPG1180	ENT	JAVA	816234	76	S		
65	TAF OPG1191	HEALTH	JAVA	220350	76	S	NGO	INS
28	CWS GA76-6	INFRA	SUMATERA	10646	76	S		
27	CWS GA76-5	NUT	JAVA	17300	76	E		
26	CWS GA76-3	TECH	JAVA	11875	76	E	FAILED	INS
25	CWS GA76-2	TECH	JAVA	12390	76	H		
58	CRS GA7710	AG	JAVA	67735	77	S		
84	SCF GA77-1	CD	SUMATERA	531494	77	S		
37	IIDI GA77-12	ENT	SUMATERA	20128	77	E		
35	CRS GA77-9	HEALTH	NORTH	98565	77	S		
38	IIDI GA77-13	HRD		52627	77	H		
29	TAF GA77-1	HRD	SUMATERA	8191	77	S		
36	CWS GA77-11	INFRA	SUMATERA	18372	77	S		
41	CARE OPG1232	INFRA	BALI	210220	77	H		
34	CWS GA77-6	INFRA	BALI	18125	77	S		
43	CRS GA77-7	NUT	JAVA	29592	77	S		
32	CRS GA77-4	NUT	JAVA	15725	77	H		
44	CRS GA77-8	NUT	JAVA	29243	77	H		
30	CWS GA77-2	WATER	JAVA	9860	77	S		
33	CWS 77-5	WATER	NORTH	9639	77	S		
31	CWS GA77-3	WATER	JAVA	5235	77	S		
47	PLAN GA 78-9	AG	BALI	44880	78	S		
63	CRS GA78-13	AG	SUMATERA	66763	78	S	NGO	
45	ICA GA78-1	AG	JAVA	132140	78	S		
48	CRS GA78-12	ENT	JAVA	2500	78	H	NGO	INS
73	HKI OPG1299	HEALTH	REG	732741	78	H		
59	CRS GA78-10	HEALTH	JAVA	2200	78	S		
99	ADRA GA78-8	HEALTH	JAVA	336400	78	S		

62	TAF GA78-5	HRD	SUMATERA	444687	78	H	UNIV	INS
40	DAS GA79-3	HRD	REG	23477	78	S		
46	TAF GA78-2	HRD	JAVA	39762	78	H	NGO	
89	TAF GA78-6	HRD	NTT/NTB/IR	501445	78	E		
39	CARE GA78-4	INFRA	BALI	42289	78	S	GOI	INS
42	CARE GA78-3	INFRA	NTT/NTB/IR	157308	78	S		
97	TAF GA78-11	PUB	REG	380676	78	H	NGO	
49	CARE GA79-1	AG	BALI	125272	79	S		
56	ICA GA79-4	AG	SUMATERA	118380	79	H		
57	ICA GA79-5	AG	NORTH	89592	79	E		
51	CLUSA GA79-7	ENT	NORTH	50430	79	S	FAILED	
52	IIDI GA79-14	ENT	JAVA	62123	79	S		
50	CARE GA79-2	HEALTH	JAVA	132952	79	S		
53	CRS GA79-9	HRD	JAVA	20611	79	S		
70	CWS GA79-6	HRD	JAVA	2930	79	S		
83	TAF GA79-15	HRD	REG	699279	79	H		
55	CARE GA79-10	INFRA	NTT/NTB/IR	147996	79	H	NGO	INS
74	OBOR GA79-8	PUB	JAVA	165650	79	S		
61	CARE GA79-11	WATER	BALI	317723	79	E		
67	CARE GA79-12	WATER	JAVA	458417	79	H	NGO/GOI	INS
68	CARE GA79-13	WATER	NTT/NTB/IR	420802	79	S	FAILED	
75	WRC GAB0-1	ENT	JAVA	54210	80	H		
72	HKI GAB0-2	HEALTH	REG	329000	80	S	NGO	INS
91	WRC GAB0-4	HEALTH	NORTH	60000	80	H		
66	TAF AMEND 5	HEALTH	JAVA	245860	80	S	GOI	INS
100	SAWSO GAB0-3	HEALTH	NORTH	457523	80	E		
69	ADC GAB0-5	HRD	JAVA	500000	80	S		
90	TAF GA1055	HRD	REG	291410	81	H	NGO	INS
54	LP3ES 497	HRD	REG	7327	81	H	NGO	INS
86	WEI GRANT1014	HRD	REG	304160	81	H	GIVEN TO B.S.	
92	TAF GA1054	PUB	JAVA	111302	81	H	NGO	INS
101	SCF GAB2-4	CD	JAVA	302978	82	H	NGO	INS
60	BINA DESA	HRD	REG	7890	82	S	NGO	FAILED
71	WRC GAB2-2	INFRA	JAVA	34963	82	S		
87	CWS GAB2-1	INFRA	JAVA	14780	82	S		
78	DIAN GAB3-15	WATER	JAVA	46056	82	S		
95	CARE 83-13	AG	NTT/NTB/IR	124917	83	H	NGO/GOI	INS
102	LP3ES GAB3-8	ENT	JAVA	256075	83	S		
79	BS GA 83-4	ENT	JAVA	42464	83	E	NGO	
104	HKI GAB3-14	HEALTH	REG	728008	83	H	NGO	INS
77	BINA DESA 8311	HRD	REG	40714	83	S		
82	BS GAB3-15	HRD	REG	130485	83	H	NGO	INS
103	TAF GAB3-12	HRD	REG	1252848	83	H	NGO	INS
80	BINA DESA 836	HRD	REG	50093	83	H	NGO	INS
76	WRC GAB3-2	INFRA	NTT/NTB/IR	19000	83	S		
81	DIAN GAB3-7	PUB	JAVA	34658	83	S		
98	CARE GAB3-1	WATER	REG	1278547	83	E	NGO	INS
94	WRC GAB3-3	WATER	NTT/NTB/IR	111429	83	S		
88	PLAN GAB3-16	WATER	BALI	64800	83	S	GOI	INS
85	PLAN GAB4-1	AG	BALI	28894	84	E	NGO	
106	BS GAB4-5	AG	JAVA	371724	84	S		
105	WRC GAB4-3	CD	REG	225020	84	E	NGO	
110	LSP GAB4-12	ENT	JAVA	28600	84	H		
93	DIAN GAB4-10	ENT	JAVA	114628	84	E	NGO	
96	BINA DESA 849	ENT	REG	115000	84	S		
107	LSP GAB4-6	ENT	JAVA	325000	84	H	NGO	INS

109	YIS GAB4-8	HRD	REG	198320	84	E	NGO	
108	OBOR GAB4-7	PUB	REG	130000	84	E	NGO	
114	YAKKUM GAB5-4	AG	JAVA	50000	85	S		
112	CRS GAB5-3	CD	REG	1600000	85	S		
113	CRS GAB5-1	CD	REG	100000	85	H	NGO	INS
118	BINA DESA 85-8	ENT	REG	131650	85	H	NGO/GOI	INS
111	PPA GAB5-2	ENT	NORTH	77789	85	H	NGO	
119	WALHI GAB5-9	HRD	REG	50799	85	E	NGO	
117	YKB GAB5-7	HRD	REG	70000	85	E	NGO	
116	WALHI GAB5-6	HRD	REG	125000	85	E	NGO	
115	WRC GAB5-5	INFRA	NORTH	125000	85	S	NGO?	
121	SCF GAB6-2	CD	JAVA	150583	86	S	NGO	
124	BINA DESA 866	CD	NORTH	70000	86	H	INGO	INS
123	ADRA GAB6-5	HEALTH	NTT/NTB/IR	130100	86	S	INGO	
125	BINA DESA 867	HRD	REG	47445	86	S		
122	DIAN GAB6-4	WATER	REG	204020	86	S		
120	CARE GAB6-1	WATER	REG	391137	86	S		
126	CWS GA7086	HEALTH	NTT/NTB/IR	68015	87	H		
129	HKI GA7092	HEALTH	REG	56643	87	H	INGO	INS
128	TAF GA7090	HRD	NTT/NTB/IR	189895	87	H		
130	WALHI GA7110	HRD	REG	30000	87	H	INGO	INS
127	WRC GA7087	INFRA	NTT/NTB/IR	100000	87	S	GOI	INS
131	OBOR GA	PUB	REG	50000	87	H		

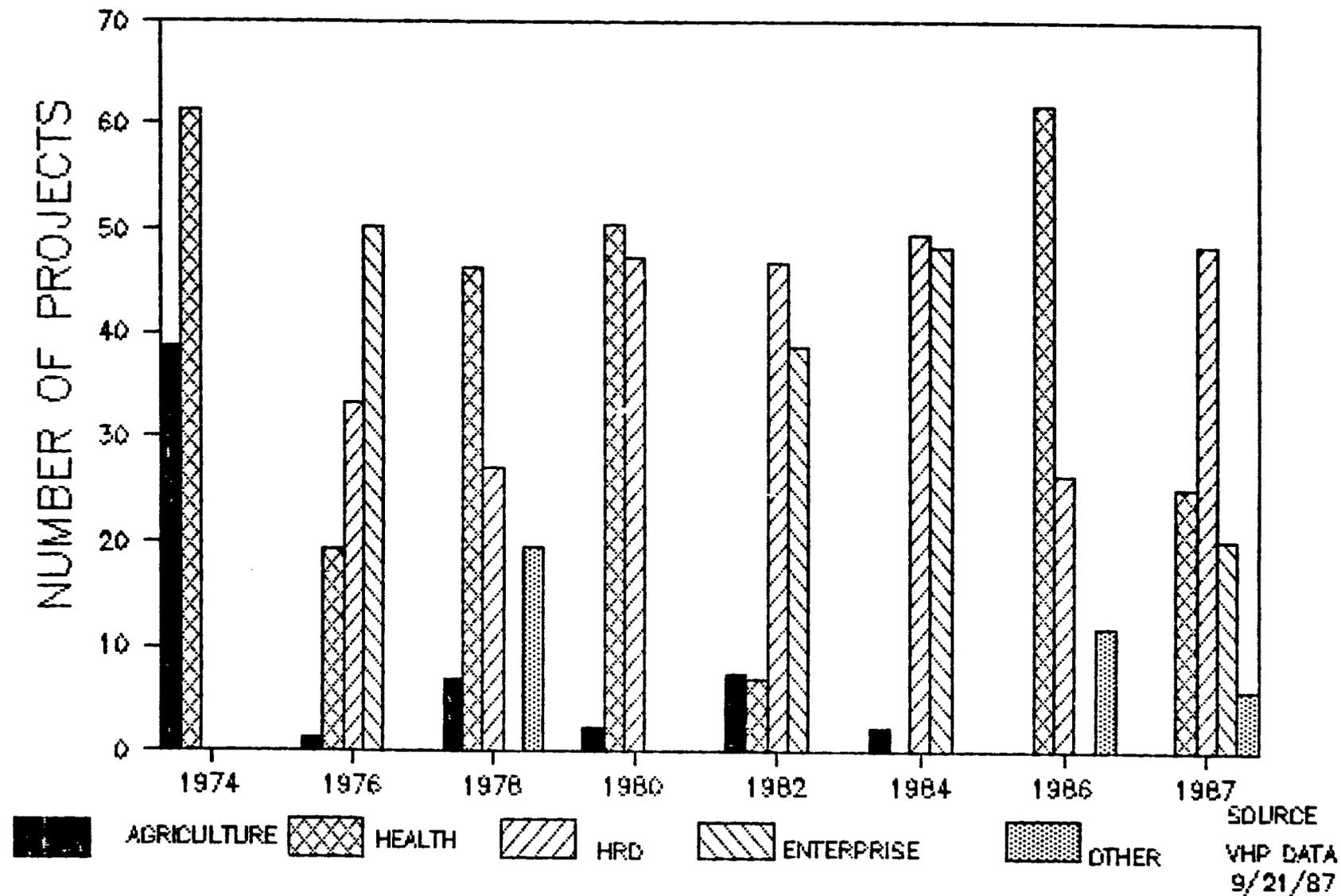
REGION
SUMATERA

USD

YR

74

VHP BUDGET CATEGORIZED BY PROJECT TYPE



This table provides some clues to how significant various categories are perceived to be by the amount of the total Co-Fi budget allocated to new projects in each category during any specific year.

	% <u>Agriculture</u>	% <u>Health</u>	% HRD	% Enterprise	% Other	% Indonesia	% NGO
1974	38.5	61.4	-	-	-	-	-
1976	1.2	15.2	33.3	50.3	-	-	-
1978	6.9	46.2	27.2	.1	19.6	-	-
1980	2.4	50.4	47.2	-	-	-	-
1982	7.6	6.9	46.9	38.6	-	46.7	-
1984	2.2	-	49.6	48.2	-	33.6	-
1986	-	61.8	26.4	-	11.8	42.7	-
1987	-	29.3	48.4	20.2	6.1	-	-

OBSERVATIONS ON CO-FI FUNDING BY SECTOR

1. Agricultural as a project category has remained relatively stable until the last 2 years. During the 1974-76 period Agriculture was clearly the dominant category.
2. Health has consistently been an important part of the CoFi program during the entire period from 1974-87.
3. In the last five years HRD activities have become the dominant category reflecting CoFi's commitment to Human Resources Development.
4. Enterprise Development has great potential for growth and should definitely be emphasized in the future.
5. The shift in VHP programs over the past ten years reflects a movement away from a welfare/service delivery emphasis to an emphasis on income-enhancement/local institution (NGO) building. It is difficult to determine if this shift was based upon a conscious choice from the VHP staff or more as a reaction to project proposals submitted by various NGOs during the past decade. Nevertheless, the shift has taken place and clearly represents a positive concern that programs should be more self-sustaining, and have a more direct impact on the quality of life of the beneficiaries. This shift also represents a move away from supply driven to demand-driven strategies.

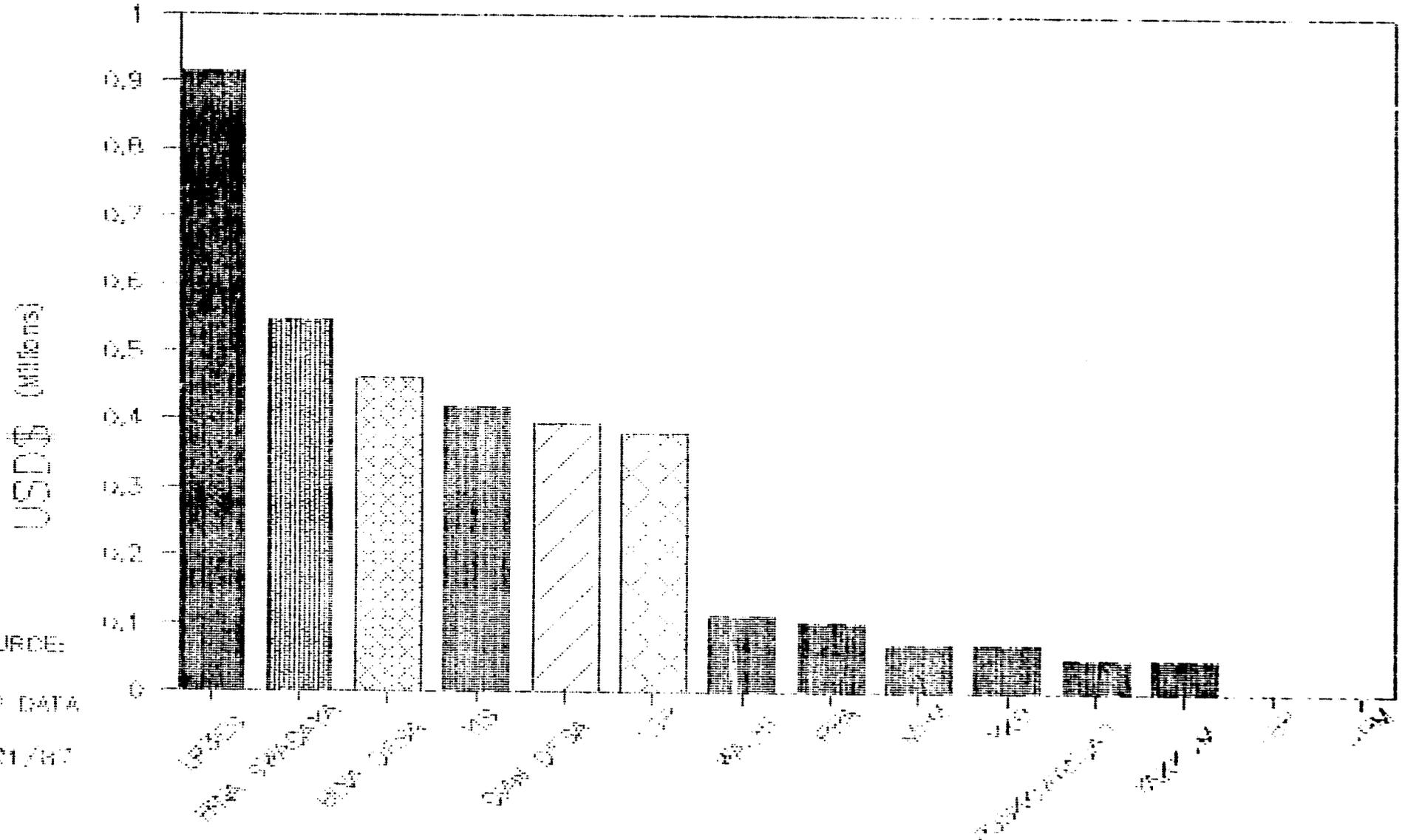
ALLOCATIONS TO DIFFERENT NGOS AS AN INDICATOR OF STRATEGIC FOCUS

Three USNGOs have received the bulk of the Co-Fi monies: CRS (22%), TAF (19%), and CARE (11)% (see attached table). Since the major goal of TAF has been to encourage local institution building, it is clear that a significant portion, even excluding the 13% of the Co-Fi budget contributed directly to Indonesian NGOs, has been directed at local institution building.

OVERVIEW OF GRANT ANNUAL ACTIVITY

	1982		1983		1984		1985		1986		1987		% TOTAL	BTOTAL	ACD
	USD\$	# GRANTS	USD\$	# GRANTS	USD\$	# GRANTS	USD\$	# GRANTS	USD\$	# GRANTS	USD\$	# GRANTS			
CWS	14780	1												22220576	
CRS													1%	232743	
CARE			1278547	1			1700000	2					22%	4992160	
SAMS									391137	1			11%	2454116	
YRCA													2%	500523	
TAF													0%	20981	
IIDI			1252848	1							189895	1	19%	4216055	
DAS													1%	134878	
ICA													0%	23477	
PLAN			93694	2									2%	340112	
CLUSA													1%	138574	
ADC													4%	866664	
WRC	34963	1	130429	1	225020	1	125000	1			100000	1	2%	500000	
ODOR			728008	1	130000	1					50000	1	3%	675412	
KKI											56643	1	5%	1073658	
WEI			304160	1									5%	1118384	
ADRA													3%	586340	
SCF	302978	1							130100	1			2%	466500	
LPJES			256075	1					150583	1			4%	985055	
BINA DESA	7890	1	90807	2	115000	1	131650	1	117455	1			3%	624237	
BINA SWADAYA			172949	2	371725	1							2%	462802	
DIAN DESA			80714	2	114628	1							2%	544674	
LSP					353660	2			204020	1			2%	399362	
YIS					198320	1							2%	353660	
PPA								77789	1				1%	198320	
YAKKUM								50000	1				0%	77789	
MALNI								84100	2				0%	50000	
YKB											30000	1	1%	114100	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	0%	70000	
TOTAL	360611	4	4388231	14	1508353	8	2238539	9	1285930	6	494553	6			
AVG \$/0	90153		313445		188544		248727		214321.6		82425.5				
TOTAL PROJ															
AVG \$pr j/yr															
TOTAL \$															
AVG\$/PROJ															
TOTAL PYD															
\$ PYD YR		4		10		7		7		6		6			

VHP FUNDS TO IPVOS (INCLUDES THROUGH TAF)



SOURCE:
VHP DATA
9/21/87

ALLOCATIONS TO GEOGRAPHICAL REGIONAL AS AN INDICATOR OF STRATEGIC FOCUS

Only 26% of the Co-Fi budget has been devoted to projects on Java. It should be noted that many projects had several geographic areas as their focus, and so in many cases we were forced to exclude projects because we did not have the time to determine the allocations of specific project budgets to different areas. Those projects that were determined to have a regional focus include Java, so the percentage for Java is higher. Even with these limitations, it is safe to conclude that the majority of Co-Fi funding has been used off-Java. (table 4)

Two interesting points are revealed by the data: 1) Projects in Sumatera have declined in recent years, and 2) the northern islands of Sulawesi, Kalimantan and the Malukus have never represented a significant focus of activity by Co-Fi.

CONCLUSIONS

Analysis of Co-Fi projects indicate a positive impact on the trends described in Chapter Three.

PUSKOWANJATI AS A CASE STUDY ON SMALL CREDIT PROGRAMS

Background

Revolving Credit Systems have been established in Indonesia by the GOI for mobilizing savings in the rural, private sector. In diverse places like the Philippines, Nigeria, Sri Lanka, Cameroon, and Peru, local revolving credit systems have been integrated into provincial and national systems of credit union activity. Yet most government sponsored informal credit schemes have shown little sustainability. They were characterized by a lack of adequate capital resources to meet members needs and by mismanagement of funds or inappropriate utilization of scarce financial resources.

Government sponsored programs often have standard fixed collateral, complicated application forms, and are located only in central district or provincial capitals. Thus, both geographical and social distance separates farmers from bank officials - making loans difficult to obtain and to repay.

Government sponsored banks do not address the problems of those with no or very little collateral- the landless or near landless. For these people credit must come from either family or friends (who seldom have any surplus themselves), or resort to a money lender who is quite willing to loan money at 10-15 percent or more a month.

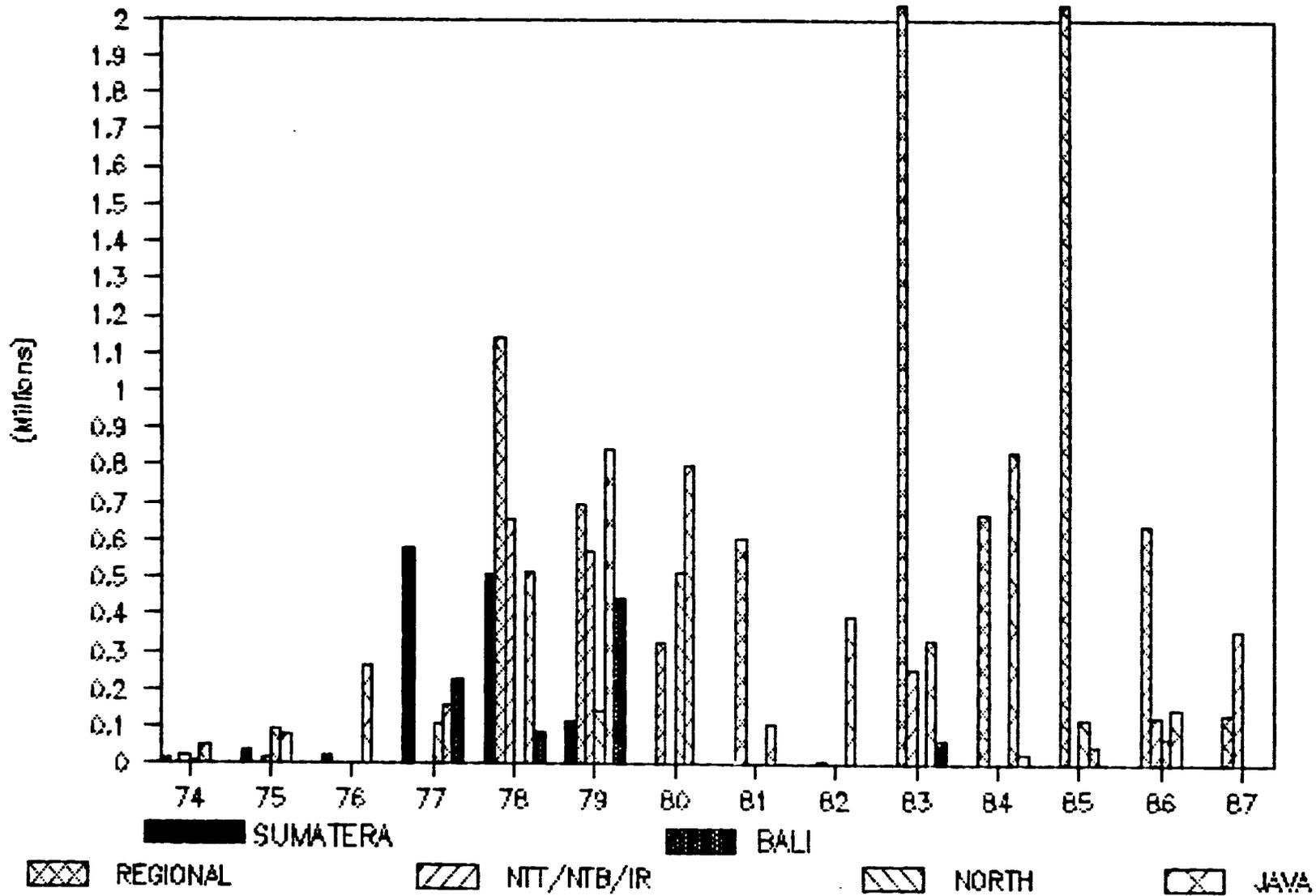
TABLE 4
ANNUAL BREAKDOWN OF CO-FI BUDGET BY REGION

* NOT ALL OF THE GRANTS WERE ABLE TO BE IDENTIFIED
BY INTENDED SCOPE SO MANY WERE EXCLUDED

	SUMATERA	REGIONAL	NTT/NNB/I	NORTH	JAVA	BALI	
74	15000		22000	8793	50000		
75	37310		16906	94620	82174	3125	
76	20876				261915		
77	578185			108204	157390	228345	
78	511450	1136894	658753		513002	87169	
79	118380	699279	568798	140022	842683	442995	
80		329000		517523	800070		
81		602897			111302		
82		7890			398777		
83		3480695	255346		333197	64800	
84		668340			839952	28894	
85		2077449		125000	50000		
86		642602	130100	70000	150583		
87		136643	357910				
TOTAL	1281201	1836173	1266457	351639	1907164	761634	7404268
PERCENTAGE	17%	25%	17%	5%	26%	10%	

NORTH=
KALIMAN,
SULAWESI
AND MALUKU

GRAPH 4
ANNUAL VHP BUDGET BY REGION



An alternative to traditional money lenders or government rural credit banks are NGO sponsored revolving credit schemes such as those which are emerging in rural Indonesia. Such credit systems have been selected as a case study for this report both because Co-Fi funds have been used to support them and because certain basic prerequisites for sustainability have been identified. This information should be useful to the VHP office as it seeks to establish selection criteria for future revolving credit projects.

Puskowanjati

In 1969, the Central Women's Cooperative of East Java (Puskowanjati) was established. In 1979 the management of the Coop was moved to Malang under the leadership of Mrs. Maria Zaafril Ilyas because of her dynamic management of a member coop. The early organizational leadership consisted of middle class women with a social conscience - educated, wives of government civil servants and local entrepreneurs.

Ibu Zaafril has outlined the strategic objective of Puskowanjati to be "to increase the welfare of poor women, through the direct assistance of economically stable middle-class women and indirectly through government policy change by informally educating the husbands of the middle class women.

Puskowanjati has become one of the largest LPSM in Indonesia. Today there are over 16,000 members in some 30 different branches scattered throughout East Java. This tremendous growth created problems which stimulated the group to accept foreign assistance. Co-Fi funding has been provided to Puskowanjati through block grants to TAF and LSP. These funds have been used primarily to supplement the revolving credit fund and to provide monies for training of the member coops. Puskowanjati registered directly with VHP and is now eligible to receive funds directly from VHP.

The effect of Co-Fi funding has been positive for strengthening their administrative skills, and in developing the sustainability of the coops. Although, Co-Fi funding has contributed to overall trends it cannot be attributed as the sole or even major influence. However, members of the coop agreed that the funding has made a significant contribution.

The improved administrative capabilities and prospects for long term sustainability are indicated through the use of loans by member coops. As the following chart suggests - these loanable funds in the 1977-81 period were primarily used for non-productive service types of loans: childrens tuition for education, medical care, and weddings etc.

	1977-81	1982-1985	1985-1987
Service/nonproductive loans	75%	50%	25%
Working capital loans	25%	50%	75%

By 1987, only 25 percent of the loans are used for non-productive activities - with roughly 75 percent now being used for working capital, (equipment for a business, raw materials etc.) for some productive or commercial activity. The majority of Puskowanjati's loan capital of Rp 300 million has come from USAID funding (Rp. 275 million). Recent trends indicate that the organization is moving towards a profitable situation, profits in 1986 equalled Rp. 3.9 million. This trend is very recent because in 1985 the group lost Rp. 6.8 million, partially the result of illegal activities of the accountant. Additional monitoring is required to see if the prospects for the long term sustainability of this group continues.

Member Coops of Puskowanjati

During the evaluation team's visits to East Java four Puskowanjati member women credit groups were visited and the following information was collected which help elucidate credit program needs and general credit program criteria for VHP.

i) Koperasi Setia Budi Wanita (Malang Branch) provides an excellent example of a women's cooperative characterised by early success which were then pushed beyond its level of managerial competency into failure. Starting in 1977, Mrs. Maria Zaafril Ilyas with significant leadership and charismatic appeal convinced the women of Malang to join the women's credit branch, to pool their resources, to help provide credit to the needy women of their community. By 1980 nearly 4,000 women had become members of the Malang branch credit organization. Between the 1 billion capital savings of the members and local bank credit which was negotiated by the organization's Board of Director, there was also nearly 2 billion rupiahs in working capital - a significant achievement for any credit system. Unfortunately, Ibu Zaafril left Malang to take over the management of Puskowanjati in Surabaya.

In 1982, two members of the Board of Director convinced the group to invest a large portion of it's capital into a glass making factory. None of the women had any experience in the glass making industry and were forced to rely on the advice of several unscrupulous promoters in their community. When the glass making project failed, it was discovered that the new manager of Setia-Budi had misappropriated more than Rp. 600 million.

The local newspaper carried a story on the loss and the inevitable run on the womens credit program cash reserve nearly dried up the Malang branch's revolving fund. The coop shrunk to less than 200 members and the branch struggled to stay alive.

A reconstituted Board of Directors faced this challenge with determination and a clear sense of purpose. Utilizing their connections with LSP, an LPSM registered with VHP, they submitted an application for a grant from Co-Fi funds. In the fall of 1984 this women's cooperative received a grant (GA84-86) which was used to replenish the working capital and to establish an effective financial management system, with standardized audit procedures.

Efforts to re-establish their credibility with the public have progressed slowly and membership is presently about 1200 members with a working capital of Rp. 300 million. It appears the assistance by VHP has been successful.

Far more significant from an institution building point of view is the impact the Malang branch failure had on the wider organization of Puskowanjati. A system of improved financial management and audits are being developed throughout the member organizations of Puskowanjati. Based upon the experience of that failure and the willingness of the leadership to turn their past poor judgement into a learning experience, the Women's Cooperatives of East Java is today more stable and viable than before.

ii) South Malang Rural Credit Branch - organized in 1981, they have 650 regular members and 200 candidate members. Regular members pay a Rp. 15,000 membership fee and a compulsory monthly deposit of 1,000 rupiahs. These compulsory deposits receive no interest and cannot be withdrawn unless one wishes to resign from the cooperative. A very popular voluntary deposit program has also been initiated which does pay a 1 1/2 percent monthly interest. Total capital is now over 46 million rupiahs and outstanding loan turnover is roughly 12 million per month - earning 3 percent a month or nearly 360,000 Rp. a month in additional revenue for the cooperative.

This women's credit branch has seven Board Members, all of whom appear to be middle class in background (wives of government civil servants). Within this branch are 25 groups each with 20-30 members scattered over some 18 village communities. The basic steps by which a member obtains a loan includes: (1) application form listing name, husband's occupation family income, purpose of the loan, and letter of recommendation from the Lurah or other government official; (2) the group of 20-30 women discuss the application and make their recommendation; (3) all applications are approved or disapproved by the branch Board of Directors.

Candidate members (those who are still paying off the original membership fee of 15,000 Rp.) are authorized to borrow 25,000 to 50,000 Rps, while regular members can borrow - at a minimum 100,000 Rps. up to a maximum of 500,000 Rps. All borrowers are expected to make weekly payments but some groups have opted to accept monthly payments. There appears to be three types of loans: (1) working capital loans - up to 10 months to repay, (2) ordinary loans for school tuition, medicine - up to 6 months to repay, and (3) special credit loans, covered with some type of collateral - usually some gold jewelery for special short-term (3 month maximum) emergencies. Interest rates are fixed at 3 1/2 percent per month, considered to be 1/3 or 1/4 the rate of many money lenders.

This particular branch has established a cooperative store where members can purchase many household items at a price below the local market price: tea, coffee, sugar, salt, rice, soap, cooking oil, breakable dishes, flour, etc. Of the twenty five groups in the South Malang branch: 10 were judged to be very effective, 12 were judged to be average, while three groups were having problems. The justification for these judgements will be described below. The most common problems mentioned among the groups of branch were slow repayment and lack of motivation.

iii) The Tretes Women's Credit Branch has 32 groups in 7 villages, with over 620 regular members and 30 candidate members. Groups average between 15 - 20 members. This branch was started in 1983 when a local woman and her husband went to the local muslim leadership (Ulama) to seek their support for the creation of a woman's credit branch. Their initial opposition was based upon the Quranic injunction against usury. The young couple argued that the women of their village needed an alternative to the local money lenders and that no interest would be charged (only a "management fee"). Their arguments were accepted by the ulamas.

The group has capital in excess of Rp. 15 million from local members and over Rp. 20 million available from the main credit office in Malang. Monthly loan turnover within these seven villages is Rp 5-6 million. Among the 88 households in the village half, are members of the cooperative. Because nearly 99 percent of the members are Muslim, religion is an integral part of this branch's approach to credit. Members are encouraged to wear traditional Muslim clothing, to say their prayers and read from the Qur'an. Group training sessions appeal to religious sentiments and values in their efforts to build cohesion and commitment. The smaller sized groups (10-12) appear to have the best repayment record.

This group was judged by Ibu Zaafril as having lazy a board which is contributing to it's slow growth.

iv) The Surabaya Womens Credit Branch is located in one of the member's homes. At present there are 1034 members (885 regular members and 149 candidate members) organized into 57

groups. The maximum size is 25 but some have as few as 12 members per group. Most of the members are small traders and laborers who usually require Rp. 200,000 - 300,000 loans for working capital and short term personal needs. While the default rate is less than one percent, delay in payment is common among 5-10 percent of the members - especially those from the newer and larger groups (those with over 20 members).

The head of this branch was extremely proud of the fact that voluntary deposits (earning 1 percent per month) were now almost as much as the compulsory deposits. Equally significant is the fact that income from interest earned and the selling of items in the cooperative store earned Rp. 1.4 million a month while the total cost of operating the branch office was Rp. 600,000 to cover some meager honorarium for the board members and salaries for two coordinators who help facilitate the recruitment and establishment of new groups.

Characteristics of Successful Credit Coops

In reviewing the various credit-related projects supported by VHP, those deemed as successful all appear to have a common set of characteristics or traits. To many readers, this list of traits and their association with good performance may seem obvious. But many NGO credit programs and organizations, including those supported by USAID, have exactly the opposite traits.

All the better performing credit groups appear to have started with a narrow focus, and some continue that way to this day. They often concentrate on a particular task (credit), or on a particular income-earning activity (small traders, retailers and agricultural marketing).

The narrow sectoral focus of these organizations forces them to tailor their interventions to the needs of that particular sector. Equally significant is the fact that single sector credit groups gradually generate a set of skills and experiences related to that sector - which contribute to the support they can offer to members wishing to start small businesses.

The narrow focus of these organizations also give the leaders a sense of fulfillment and accomplishment and in contributing to the development of their country - an opportunity generally denied rural women. With no direct access to the administrative and political channels of influence, they gravitated to the NGO sector - where their involvement in community building was conceptualized in technical and grass-roots terms rather than in political or highly institutionalized structures of decision-making.

This credit-specific approach contrasts sharply with NGOs that seek to work in many sectors. These diversified NGOs are less skilled in any single sector activity, trying as they do to develop income-generating projects in a wide range of sectors.

NGOs should be concerned with all the problems and issues of the communities in which they work, but many NGO interventions fail because they lack the necessary business and management skills to develop sustainable credit programs.

Learning about a specific sector is a process that leads an NGO to engage in small changes in the way existing things work - institutions, market structures, production processes. The successful credit groups seek to identify crucial constraints and bottlenecks, and then work on them one at a time. Nine member groups of Puskowanjati have implemented small entrepreneur development credit programs. This has occurred over the last five years and it is too early to see if the groups have developed enough knowledge to evaluate the viability of the businesses they are supporting.

Many NGOs tend to see the problems of their clients as being tied to the present economic/political structures that need to be eliminated or at least circumvented. Given this assumption, many NGOs want to help liberate them from these structures - introducing new economic activities into communities, having people produce collectively who previously worked individually, providing new sources of credit independently of existing financial institutions. While such efforts to circumvent present constraints are often necessary if the poorer elements in society are to be helped, there is much evidence to suggest that in spite of the good intentions of this strategy, such a strategy often creates non-sustainable activities - activities linked to external donor resources that are incapable of surviving beyond the project time frame. It appears that NGOs must specialize in order to be effective.

Gradually increasing levels of support over an extended time period, structured to reflect the absorptive capacity of NGOs specializing in credit systems for small entrepreneurs, appears to be an important part of the growth of these NGOs. VHPs support of the Malang Women's Credit program reflects this approach. Let us review the key prerequisites for success and failure of such credit groups:

First, many credit groups seek some donor to provide the necessary start-up capital - thus becoming responsible to the donors for the administrations, distribution, and collection of such monies. The Women's Cooperative sought to encourage groups to raise their own money first before seeking external sources of capital. Only after the Women's Cooperative was reasonably comfortable with its ability to function independently, of a lending institution (Bank) or a donor, were supplementary funds accepted.

Second, the Women's Cooperative focussed on small traders needing small size loans with no collateral or justification for the loan required. Nearly 70 percent of all loans were for trading/lending activities - where small traders obtained working capital to purchase needed goods, materials, and other resources.

Third, the more successful credit branches have shifted the loan approval process away from the branch to the credit groups themselves. Each group must establish its own criteria for determining who and for what purpose loans will be given. While in most case the entire group was not collectively liable for the loan, no groups member could obtain an additional loan unless all loan repayment schedules in the group were current. Larger groups of 20-30 members were far less successful in obtaining compliance from their members than smaller groups of 10-12 where interpersonal relationships were stronger and a deeper sense of social cohesion could be established. Size appears to be significant in both religiously based and non-religiously based groups although the credit groups with a moderate religious orientation appear to have a slightly better pay back record than their secular compatriots.

Fourth, is the insistence that a weekly repayment schedule be established both as a way of maintaining close contact with the borrowers but more important as a way of developing the habit of repayment. Usually such repayments are scheduled during the weekly market day.

Fifth, all of the successful credit branches have a strong savings program. To become a member, one must first pay 10,000 Rps with an additional 500 Rp per month to maintain a good standing in the credit group. These compulsory savings receive no interest and are used as an important part of the organization's capital. In addition to these compulsory savings, members are encouraged to contribute to the voluntary savings account which in fact does earn 1 to 1 1/2 per cent interest per month.

Sixth, all of the successful credit branches charge a high market rate of interest - usually 3-4 percent per month which is slightly higher than the BRI rate but significantly lower than the 10-15 percent per month rate often charged by money lenders. Several informants at the small credit group level informed us that some money lenders in their village were now dropping their rates to 5 and 6 percent per month to better compete with the credit branch's program.

Many people might argue that these small scale credit activities are too decentralized and too small to allow for the accumulation of capital needed to have a significant impact on the local economy. Many donors, for example, like to insist that groups of small entrepreneurs and traders should not be given credit without a significant effort to train such potential borrowers in accounting, inventory control and basic marketing techniques. Based upon the Bank-model of credit, small borrowers must be required to demonstrate the financial viability of their projects and must be adequately prepared through some donor supported training program. Such a Banker's approach to credit is obviously quite rational-yet experience in a variety of settings around the Third World suggest that such complicated

lending procedures and support/training activities significantly increase the unit cost of lending and are generally unacceptable to local banking institutions without substantial donor financial support. Successful credit systems must obviously struggle between the two strategies - one the more sophisticated bank model or the other more primitive small group system. Experience suggests that such credit systems which support the simpler model have much greater viability over time, maintain much higher levels of repayment, and actually provide a reasonable service to a much larger clientele.

A significant characteristic for USAID to consider in designing specific support mechanisms to large and small NGOs is the past history of such organizations ie., the type of experience they have had in the activity being supported. Are they reasonably self-sufficient or do they have a history of donor dependency? A common mistake by many donors is to "throw money" at projects in hopes that development will be the outcome. This means that VHP should consider the timing of their grants and absorptive capacity as crucial criteria in any NGO credit development program.

The successful NGO credit programs had some specific characteristics that distinguish them from the less successful programs.

1. **Plans for financial management and audit capabilities.** Such local credit institutions developed slowly and gradually, gained experience in a limited activity, never forced their staff into activities outside their competency, or at least provided a reasonable apprenticeship period for their staff to gradually develop needed expertise. Training and staff exchange were key factors in developing better administrative systems.
2. **Funds are provided to established groups.** Outside support was most effective when it built on already functioning organizations. The crucial problem is providing resources that do not exceed the absorptive capacity - enough to build on existing capacities but not so much that NGOs are encouraged to pursue activities beyond their abilities.
3. **Weekly repayment schedules.** The weekly repayment schedule has proven to be an extremely effective way to measure success and to document the performance of individual credit groups. The smaller NGOs have an immediate system by which VHP can verify the credit systems viability. The records also provide information that can be used to determine the key elements for program replication in other areas.
4. **Decentralized loan decision-making.** Most government sponsored small credit programs have traditionally had high overhead costs, excessive application requirements, and low repayment schedules. Banks usually disqualify small borrowers who generally do not have collateral, and have no way of proving their honesty or integrity. Small credit NGOs have eliminated this problem by

shifting much of the cost of processing loan applications from a formal banking system to the small credit group organized by the NGO. Such groups are made up of friends and neighbors who approve loans not on the basis of financial statements or even on the quality of project proposal - but more on the groups assessment of the borrowers ability to meet an acceptable repayment schedule. The success of such a system is attested by the high level of loan paybacks and the ever increasing number of groups and individuals participating in the project. Studies in all parts of the Third World have documented the appropriateness of this strategy in a variety of different cultural/social settings (Ashe, Kilby, Tendler, Mayfield).

An additional advantage of this system which utilizes group members as loan officers clearly reduces the problem of finding skilled professionals to do such work and of paying them adequately.

5. Group responsibility for loans. Every loan must be approved by all the members of the group. While the group is not liable to repay the loan, they are unable to receive additional funds for the revolving fund from Puskowanjati or the branch until previous loans are paid off.

6. Compulsory and voluntary savings plans. In addition to interest received from member loans, the savings plans of the credit groups appears to be a crucial factor in their sustainability.

7. Plans for surplus capital. The surplus capital collected by the credit NGO through the compulsory weekly savings programs and additional voluntary savings, as well as through the interest collected on loans can be used for other types of development activities. Several community service projects have been funded by such surplus, in addition to the participating women having funds available when they need them - medicine when a child is sick, school tuition for a teenagers, and the purchase of trading goods/materials at wholesale through quantity buying.

8. Self-reliance. New habits of being willing to pay before receiving often breaks the more common welfare approach to development - when credit is given at below market rates, free medicine is distributed, and charity handouts become a way of life.

The impact of this type of system on building self reliance is significant on the women who participate as a group, who raise the 500,000 rupiahs to become a member organization of Puskowanjati, and then who commit to deposit 100,000 rupiahs each month over an extended time. New habits of money management are introduced into the community, consistency and discipline are reinforced through social interactions, and such women develop skills needed to survive in a money economy.

The long term implications of this type of low-level credit scheme are difficult to document, yet the sense of independence and pride observed in the women bringing the weekly payments into the branch staff worker on market day suggest an extremely powerful new mechanism for social change.

Summary

For reasons akin to Herschman's statement that there are no successful projects, only those that have less problems than others, we purposely do not refer to this set of better performing credit programs as total "successes". There are two opposing trends seem to be present (1) diversifying into more difficult activities: (small scale employment generating activities) and (2) expanding the potential for reaching larger numbers of people for revolving credit programs. Whether the successful groups can effectively pursue both objectives is still questionable.

DIAN DESA'S WATER PROJECTS: A CASE STUDY ON INSTITUTION BUILDING

Background

For evaluation purposes we will focus on water supply as an example of how VHP sponsored projects have been and can be instrumental in developing local institution building. Water is a crucial basic need in Indonesian villages. National estimates for Indonesia state that only 10-12 percent of the population has excess to potable water. In many rural areas villagers (mostly women and children) often must carry their water unbelievable distances - thus restricting the time available for other productive activities.

Many local water system found in rural Indonesia can be attributed to central government agencies, often but not always having locally based staff and operations. Despite much criticism and obvious inefficiencies, the Ministry of Public Works contributions to design and construction have been vital even if other institutions tend to take over responsibilities for operation and maintenance. A review of Indonesian rural water supply experience suggests that local administrative personnel are not equipped to operate and maintain these rural water systems due to the large areas to be covered, the lack of transportation to visit these areas, and unreliable supplies of fuel and parts. After the development of these systems it is the responsibilities of the communities to utilize and maintain "these government pumps and tank system". Without the active participations of the people in planning and implementing such systems there will be little locally initiated maintenance.

Several NGOs have developed village water systems which have been rather successful in overcoming the basic problems of the governments approach to water. USAID has been instrumental in supporting such NGO efforts in water resource development.

A review of CoFi projects documents that a significant portion of VHP's budget each year has been devoted to basic water projects. Since 1977, nearly 15-20 percent of all the VHP projects have been related to water and reflects nearly 50 percent of all health related projects funded by VHP.

Dian Desa's Evolving Strategy

Dian Desa's approach to water development requires the active participation of village communities in the planning, construction, utilization, and maintenance of these water systems. Such an approach may appear rather simple and fairly easy to implement. In fact, the process is complex and very difficult, requiring both social/cultural skills and technical/construction skills, and has evolved over a long period of time.

The strategy that Dian Desa uses to develop water user's groups is, a field worker lives with the community for 6-8 months in order to understand the community and to familiarize them with the goals of the project. After this period, a specialized group - the Social Monitoring Committee within Dian Desa, works to develop functioning local groups. These groups are the basis for the community participation in the planning, construction and maintenance of water systems.

As early as 1979 funds from both the World Bank and UNICEF, had been used to hire Dian Desa to provide the field workers with the requisite technical capabilities and community development experience in water systems development.

Based upon its reputation for effective water system construction, USAID granted Dian Desa \$46,056 to complete the Sendangsari Drinking Water System, Wonosobo, Central Java (Ga83-15). From VHP files it is clear that this project was a complete failure. The money was spent but no effective water system was completed. As one reads between the lines, of several evaluation reports completed in early 1984, it is clear that technical competency alone may not always be enough to guarantee success. From the very beginning of the project, conflicts, misunderstandings, delays and in some cases even destruction of equipment plagued the project.

Given Dian Desa's experience with community development, why did this project fail? Initially, very little time was spent in developing trust and a common understanding of how the project would be structured. Villages acceptance was generally assumed, because of the clear need for water in the area. Because the general technical design had been proven in other areas, there appears to have been minimal efforts to obtain villager input for planning and implementing the project. Although the villagers were "involved" in transporting the materials to the construction sites, the actual construction of the water system was left to

previously trained cadre - not the villagers themselves. In order to meet the deadlines of a project, Dian Desa abandoned it's own successful strategy.

Another factor complicated the development of local groups, that could have been identified and rectified if adequate preparation time had been taken. The Wonosobo area has been the location for many government development projects. The people of the area had become accustomed to "hand-outs" and were reluctant to contribute to their own development. Dian Desa's previous experience had been primarily in areas where there had been few, if any, previous projects by the government. Dian Desa's experience was based on working with groups that were relatively easy to motivate, because they had received so little before.

The failure of this project was a bitter pill for Dian Desa to accept. But, in fact, lessons were learned and integrated into an approach to develop rain-water catchment tanks, integrating both the technical and the social/cultural aspects of project implementation. Working with the Department of Health, Dian Desa trained ten staff, formerly associated with the PDP II project, in the technical and community development aspects of rain water catchment tank development. Monies for the project were provided by USC (Canada).

The Bak Berantai system or rain-water tank linkage system involves a type of "Arisan" savings scheme, among the groups that will participate in the project. The Arisan scheme provides fifty percent of the financial requirements, in addition to contributed labor and materials, for the construction of the rain catchments. The group, in effect, establishes their own village - level matching grant system.

Dian Desa works closely with the trained cadres to construct the first system. Construction only begins after the Arisan group has collected and donated whatever local materials are available ie. sand, bamboo, wood, for the first catchment. After the construction of the first system, the cadres are generally capable of constructing the second catchment without technical assistance from Dian Desa. Dian Desa continues to monitor and assist both technically and with group dynamic problems, if it is required.

When the second catchment is completed, Dian Desa returns and delivers the materials for the construction of the third catchment. This alternating responsibility for the construction and finance continues until all the members of the Arisan have a rain catchment tank.

Dian Desa first developed this approach in the Sikka district of Flores in the May - June of 1984. The majority of the systems constructed utilized a bamboo cement technique, instead of the standard ferro-cement approach. Since 1984 some 1900 tanks have been constructed and more than 500 villages now have the construction skills to built these tanks in other villages.

To VHP's credit, despite the earlier failure, VHP accepted Dian Desa's proposal (GA86-40 requesting \$204,020) to build a series of small rain water catchment systems in NTT, with this new strategy. In July 1986, Dian Desa started the preparation phase. Using carefully trained facilitators, villages were identified, potential participating households contacted, and local workers were trained in designing and constructing the catchment tanks. Under the VHP grant, as of August 1987 some 881 tanks have been constructed in 24 villages impacting directly over 1100 households. This exceeds the number specified in the project design.

This water catchment approach has also been a successful entry point strategy, allowing Dian Desa to enter a village, develop the confidence of villagers to help themselves by successfully completing a project. Then, the arisan credit savings groups form the basis for other types of development projects in agricultural extension, health, income enhancement, and small enterprise development.

This does not mean that all aspects of this project are successful. The evaluation team heard the criticism that the bamboo cement technique used in Flores is less durable than those built with standard materials and may reduce the life expectancy of the tanks. In Kupang, all systems have been constructed with the ferro-cement technique, because of the lack of available local bamboo. But here there have been problems developing community groups. The inhabitants of Timor are not primarily sedentary farmers, but engage in seasonal farming and depend on livestock as a major source for subsistence. The extreme poverty and ethnic conflict in isolated areas of Timor, lends itself to developing arisan groups based on kinship rather than geographical location. Dian Desa has had little experience in working with community groups like these and is having difficulty establishing viable community groups, especially in the Kupang area.

Dian Desa staff have acknowledged that moving such "water groups" into other types of projects has not been very successful. For example, when they begin to help such groups with seeds, fertilizers and other agricultural extension support, this often generates jealousy and social conflict in the village that takes much patience and time to work through (usually longer than the typical project). Secondly and equally important is the problem of the "tengkulal" (middle man). Even when extension programs have helped to provide the farmer with a marketable surplus, the farmer still is often at the mercy of a middle man who exploits him. Such problems or challenges faces any rural development scheme and also points to the importance of supporting projects which have less short-term measurable objectives (how many tanks were constructed) to a longer term process oriented programs that seek to focus on the activities needed to build local institutions and the support systems needed to make them sustainable.

Specific Lessons Learned

Some specific lessons learned from this project include:

(1) significant planning and preparation are required to ensure that all the materials have been purchased and delivered before the rainy season starts,

(2) a carefully trained staff is needed to generate trust and commitment among the villagers, and much time must be structured in to project, to clarify and deal with inter-family misinformation and distorted impressions the various participants might have,

(3) village people will have greater ownership and commitment to a project to which they have personally contributed their own resources and when they have received training and skill building needed to maintain it,

(4) community development approaches must be adapted to changing socio-cultural factors if successful local institution building is to occur.

(5) moving from a group which have worked together to build a water catchment tank into other types of projects is not an easy process,

(6) projects with a time frame based upon the time it takes to build the water tanks - will seldom have the necessary follow-up activities needed to institutionalize such groups into income enhancement - or small scale enterprise development.

Conclusion

As one reflects on the impact and effectiveness of the VHP projects/programs, water projects provide an interesting set of contrasts. How does one evaluate the impact of VHP's two projects to Dian Desa? Project GA83-15 (12/1/82 - 2/29/84), from the materials in the file was a complete failure, a total inappropriate use of US funds. Based upon the output measures of the project, no water system was even operationalized for any significant period of time. So was it a failure? In objective project output terms it was. But when this project is defined in program process terms, in which the development of Dian Desa's technical expertise and community development skills, the learning experiences over several years, and improved implementation strategies are included as evaluation criteria, then one might conclude that the Co-Fi investment was worthwhile.

Certainly, the first project contributed to the success of the second. Yet, what if none of the artisan groups prove capable of long term sustainability? Should the second project be judged

as a smashing success, since the appropriate number of catchment tanks will have been built? Obviously not, yet there is no provision for evaluation of this aspect within the Co-Fi program.

The opportunities to make mistakes, and the willingness of several donors to invest in this NGO overtime adds up to long-term process that has significantly contributed to the capability of Dian Desa. This impact would never be captured in the typical documents of a project file.

Another interesting dilemma that requires some reflection concerns the need for many project administrators to insist upon some type of cost/benefit analysis as the standard procedure for evaluation. The CARE Lombok staff described how positive cost/benefit ratios could be generated by focussing projects in resource rich areas demonstrates how cost/benefit analyses has built in equity biases - tending to provide better cost/benefit ratios from water projects implemented in richer villager than in the poorer less advantaged villages.

Any project requiring cost/benefit analyses must accept the inherent contradictions that exist between a set of criteria which emphasizes impact among the less advantaged of a rural area and a set of criteria that requires "the most bang for the buck". Which criteria are more valid, which better determine impact or efficiency? Project outcome criteria tend to reflect greatest efficiency, best input-output ratios etc. A program process approach to evaluation seeks a broader set of criteria that integrates and unifies the demands of equity and efficiency, that insists on a longer time frame, and reject quick solutions and uni-dimensional approaches to change and development. It is for this reason that a broader prospective on program selection beyond the narrow requirements of a typical service delivery activity.

SMALL-SCALE ENTERPRISE DEVELOPMENT

It was the intention of this consultancy to produce a third case study, on selected small-scale enterprise development activities undertaken by NGOs. Unfortunately, time limitations and the inadequacy of the data which it was possible to collect have combined to make this not possible. Nonetheless, the consultant's gave some thought to this issue, and the resulting "Theoretical Case for Small-Scale Enterprise Development among Indonesian NGOs" is included as Appendix _____ to this report.

CHAPTER FIVE

GENERAL NEEDS AND SUPPORT OPTIONS

The rapid expansion in numbers, geographical dispersion, breadth of substantive interest, and general visibility of the Indonesian LPSM/LSM community has been accompanied by the emergence of a diverse set of challenges, not all of which are amenable to direct supportive intervention by donors. Nonetheless, the need for these issues to be effectively addressed will remain central to the future viability and significance of the Indonesian NGOs, and hence must at least be acknowledged here in their macro applications. Their particular relevance to the concerns and capacities of the AID Co-Fi program, and the specific implications they have for the implementation of that program, will be addressed in Chapter Six.

These challenges can be categorized into four distinct groups, relating to: definition, growth, consolidation, and survival.

CHALLENGES ASSOCIATIONS WITH DEFINITION

This challenge has two dimensions: (a) the determination and definition by the NGO community of its macro goals and objectives, and (b) the legitimization of the NGO's role in development vis a vis the government structure.

Determination and Definition of Macro Goals and Objectives

As indicated earlier, the NGO community, being both spontaneous in its genesis and fundamentally heterogenous in its composition, has reached no internal consensus regarding its goals and objectives, make-up, or even membership. This lack of definition extends from questions such as the boundaries for legitimate activities, to whether it should be working within the framework of GOI development activities or outside of that framework. It is in the very nature of any movement of such diversity as the NGO movement in Indonesia that many of these questions can not, and probably should not, be answered. There does not need to be any unanimity regarding, for example, the priority areas where NGO attention should be focussed, nor is consensus required concerning the appropriate NGO relationship with either the GOI or foreign donors. Diversity is one of the essential characteristics of the movement, as this enables the participants in it to focus their attention, energies and skills to explore and create new approaches for development, appropriate to the Indonesian context.

Consensus regarding other matters, on the other hand, may prove essential to the legitimization of the movement as an independent partner of government in national development. It is of critical importance at this stage in the evolution of the

movement, for example, that understandings be reached on how the NGOs can function effectively as an mechanism for bottom-up development without doing so in ways which will constitute an unacceptable political threat to the government.

The challenge for the NGO movement and the donors, who support it, is to assist in a process of definition, that allows for flexibility, yet provides the basis for the NGOs to engage in effective development activities at the micro-level and to broaden the impact of their activities by influencing GOI policy. Without definition, and subsequent improvement in programming, the NGO's credibility with the GOI will be limited.

Legitimization of NGOs Role in Development vis a vis the GOI

The current situation in Indonesia as it affects the role of the NGO movement with the government might be characterized as follows:

- o There is growing potential for increased social pressures, in part stemming from: growing unemployment or underemployment, especially among educated youth; heightened demands for sharing in the "fruits of development"; a growing awareness of human rights issues;
- o As oil revenues decrease and therefore the national development budget decline, the government's capacity to address issues of social development and equity also declines;
- o The possibility for polarization between the rich and the poor rises correspondingly, and in such circumstances the possibilities for civil unrest cannot be discounted, especially in a country where there has long been a tendency for students to protest to show their anger and disappointment; and
- o The government might well respond with increasingly repressive measures, and expression of any voices of dissent or alternate options for distribution of wealth, that will significantly limit the effectiveness of NGOs to operate.

The NGOs are entangled in the middle of this polarized situation. Unless the GOI recognizes the legitimacy of these organizations, as an appropriate "safety valve" for dissent, particularly by Indonesia's increasingly educated youth, there exists the very real possibility that one of the last remaining vehicles for expression will be eliminated. The loss of the dynamic voice of the NGOs would negatively effect overall development efforts in Indonesia and heighten the polarization between the central government and the people.

In addressing this issue, some of the key points which need to be made are:

- o the groundwork prepared by the NGOs frequently becomes the good soil for GOI programs;
- o NGOs are, and wish to remain, supportive partners in development, but in order to be of greatest utility they must be able to operate independently, because only in this fashion can they experiment, test conventions, actively experiment with alternatives to conventional wisdoms, etc. I.e., the NGOs need their freedom to realize their development concepts -- to keep "the people" involved in national development. Freedom to undertake "risky" projects as pilots for inputs to gov't efforts. Examples of past benefit derived from this are abundant, and include Bina Swadaya and BK3P's work with pre-cooperatives, YDD's water supply systems work, YIS's Dana Sehat initiatives; PKBI's effective family planning activities, and WAHLI's environmental promotion, among many others.

CHALLENGES ASSOCIATED WITH GROWTH

Here also, there are two core issues involved: management and resources.

Management

The effective management of the broad range of activities with which NGOs are involved requires skills and experience which are in relatively short supply, especially as the movement continues expanding so rapidly.

Resources

Concurrently, the explosion in NGOs generally means that the existing organizations must compete for a pool of funding resources which have not grown at anywhere near the same rate. How should the pie be divided? Or, given the management capabilities which are available, what might be done to augment capacities to obtain access to additional resources?

These considerations give rise to other questions, such as:

- o Given resource constraints, should NGOs (or donors) move into new functional areas, or seek more effective coverage of existing ones?
- o Should the geographical spread continue to be encouraged or discouraged? To what extent does the formation of new LSMs in outlying areas make demands on existing LPSMs or LSMs?

- o Are there limits to growth in the LPSM/LSM arena, and if so, where are they? Might it be advisable to occasionally step back and consolidate competencies and capabilities already gained?

CHALLENGES ASSOCIATED WITH CONSOLIDATION

As in the case of growth, the major challenges associated with consolidation concern management of learning from previous experience, of effectively integrating the expertise which has been acquired, and of assuring appropriate relationships among individuals and groups with similar concerns and interests.

Management of Diversification

Diversification carries with it the for good communications, and there is a clear need for that among the NGOs currently. Management information systems within NGOs that act as networks, need to be improved. Often the purpose and implementation of management information systems are very weak.

It is necessary for NGOs to work together in a system of networks among the NGO community in order to strengthen one another. But there also exists the possibility for co-option by the government of these networks. The NGOs' networks need to be designed in such a way that power and resources are well divided among NGOs in the network. This will make cooption harder. A networking trend where several NGOs start to dominate could be inadvisable since would be more vulnerable to cooption by the government and used as a mechanism to control the whole NGO movement.

The Need for Increased Professionalization

As indicated earlier, the LPSM/LSMs are, for the most part, weak in terms of administration, management, finance, self-evaluation, record-keeping, and reporting. Such activities are viewed by LPSM/LSM personnel largely as being a burden, and often as extraneous to getting on with their business of "doing good development". In this sense, the LPSM/LSMs are driven more by their sense of developmental idealism than by management professionalism. Paradoxically, the NGOs which are the more successful in raising funds from the donor community often are those which appear to have the better administrative and management skills (usually as evidenced mostly by better proposals and grant reporting) or which have more charismatic and articulate leaders, whether or not their actual development work really is superior to that of other LPSM/LSMs.

The major issue is that improved management capability will significantly increase the effective impact of the programs implemented by NGOs.

Leadership Transition

Leadership is still primarily provided by the founders of the organization. Few organizations seem to have been able to create or implement organizational development plans that will allow them to move beyond family management to professional management of the organizations. This is beginning to give rise to leadership succession issues in some organizations, and a key challenge for many will be to smoothen the transition from charismatic founders to dedicated and capable successors.

CHALLENGES ASSOCIATED WITH SURVIVAL

Here also, there are two dimensions: independence and financial sustainability.

Independence

It is paradoxical that the continued independence of the NGOs looms as a potential problem, in part because of the growth the movement has experienced over the past two decades. With the resulting increased visibility and perceived power, the NGOs must be especially careful not to assume political objectives, as to appear to have political aspirations could easily destroy the movement's capacity to act independently. Assuring their independence from GOI control in ways which will continue to nurture positive and mutually supportive efforts on behalf of Indonesian national development will be a major challenge in the coming years.

Financial Sustainability

The second survival issue confronting the NGO movement generally concerns financial sustainability. Many of the larger organizations may, perhaps, have gotten too large, and as a consequence now face serious problems of having to continually work harder to obtain the resources required to maintain the organization. Some organizations have grown too large on project money and are unable to develop the resources they require to maintain staff that were hired for projects and no longer are required. Any donor strategy for providing core support to groups such as these would have to include an organizational development plan so that excess staff can be identified and either given new functions or let go.

Most NGOs currently face problems associated with financial self-preservation and need diversification and, to the extent possible, domestication of funding sources in support of LPSM/LSM development activities.

OPERATIONAL NEEDS OF INDONESIAN

The intent here is to present the NGOs operational needs in ways which might prove useful in considerations of possible donor support. In approximate descending order of priority (and acknowledging that these priorities will change under the differing circumstances surrounding different organizations facing different challenges), these are indicated below. Note, however, that there is much interdependence among these thoughts, so that many might be addressed simultaneously.

Core, or Institutional Development Support, (for BINGOs)

It is widely accepted within the LPSM/LSM community that core support is normally the most difficult to obtain from donors. This is because such support is not directly linked with quantifiable output indicators that can be pointed to when there is a need to justify the commitment and expenditure of donor funds, or to demonstrate project success. Also, it requires long-term commitments, which is difficult to assure. Nonetheless, such support can be crucial to the creation of the institutional capacities for long-term and high-quality involvement in development work, to help avoid the ever-present risk of an organization becoming "projectized", and, generally, to hone the skills and experience which are required to accomplish larger organizational objectives or, more immediately, to assure the existence of capacities to get jobs done.

Within this context, it should be recalled that the majority of the current BINGO community owe their initial formations to core support provided through long-term institution-building commitments from external sources, principally the European donors. Examples of such BINGOs (and their donor/sponsors) include LP3ES (FNS), PKBI (IPPF), Bina Desa (KAS and Miserior), Bina Swadaya (KAS), YIS (VHP and TAF), and Dian Desa (FNS).

Core support is not equally appropriate for all LPSM/LSMs. There is a broad understanding within the community, for example, that it is especially critical for politically-oriented INGOs, which do not have as large a potential to obtain project funding for location- or issue-specific activities as do the more social-development oriented organizations. Similarly, it can, and has, been persuasively argued that the overwhelming majority of the current LSMs are more likely to benefit, and be able to effectively utilize, project-specific support than general core support.

Core support might come in a variety of guises. The following components have been, and remain, particularly important:

- o Management generally, including long-term planning, general administration, financial management systems and discipline, project design, proposal preparation, project monitoring and evaluation/etc.;
- o Assistance in consolidating networking capabilities and systems for the provision of mutual support;
- o Support for the provision of physical facilities;
- o Enhanced capacities for self-assessment; and
- o Training, both job-specific and generally.

Items of possible core support which are generally acknowledged (by INGO leaders, many of whom know from personal experience) as being less desirable, or sometimes counterproductive, include base salaries for all staff. Such support is likely to create unacceptable levels of dependency and undercut efforts to move toward self-sufficiency.

One caveat in particular regarding core support must be emphasized. Core support provides financial security for long term organizational planning. But care must be taken here, because unless it is designed carefully, core support may in fact only allow unjustified retention of bloated staff levels and therefore overhead obligations.

Support to Initiatives to Develop Financial Self-sufficiency

The LPSM/LSMs need to expand and diversify their funding sources, not only to enhance their prospects for future viability in the event that foreign donor sources decline significantly relative to the needs, but also because to do so helps assure their independence and freedom from influence from any one source.

Political Buttressing

This may be required to assure that LPSM/LSMs retain their independence and vitality. Foreign donor involvement in this arena could be sensitive, and should be approached only with care and expertise. Nonetheless, it is an arena which can not be ignored, and the implications of any concerted GOI attempt to coopt the LPSM/LSM movement into subservience to the government bureaucracy would be sufficiently detrimental to long-term Indonesian national development that the donor community should be prepared to acknowledge, and then act on, their obligations to engage in appropriate policy dialogue with the government to assure that it does not happen.

Project Support

This type of assistance has traditionally been the most readily available, and is likely to continue to be. The question is less one of whether it is needed (it is) or should be provided (it should) than one of determining what kinds of projects, for what purposes, from which sources of support, and with what kinds of conditionalities? Different LPSM/LSMs each have their full portfolio of potential projects which might merit support, and different donors each have their areas of declared or potential interest and funding criteria. The challenge is only to link the different pieces together in as efficient and productive a manner as possible. Comprehensively meeting this challenge is beyond the scope and the capacities of this particular consultancy, so all that will be attempted here is a few comments concerning project areas which may merit especially careful consideration.

- o Support to projects which are directly and explicitly related to institutional development objectives, such as those related to the development and activation of strong networks among like-minded LPSM/LSMs;
- o Projects in which institutional capacity-building components are incorporated, irrespective of the exact nature of the specific needs being addressed as the primary objective of the project;
- o Projects which can assist in spreading the LSM movement off-Java, especially to heretofore neglected areas such as Kalimantan, much of Sumatra, and Sulawesi. The regional development of INGOs remains a major challenge and need;
- o Projects in which the cultural aspects of development are given due consideration and brought to bear on challenges which cannot be effectively addressed through purely economic approaches or incentives;
- o Projects in which the initial entry points give rise to opportunities for follow-up community development work; and
- o Projects which explicitly address the need for sustainability in development activities.

Given that the development of institutional capacities remains a basic building block of any continued growth and effectiveness of the LPSM/LSM movement, to whatever extent possible, any project support would benefit by incorporating, either ~~implicitly or~~ explicitly, institutional capacity-building components.

Cross-cutting Needs

There also are a number of needs which cut across particular areas or types of projects which might productively be addressed. From the perspectives of the LPSM/LSMs themselves, these would include:

- o training (technical, organizational development, general management, and English language training);
- o communication/networking/management information systems; and
- o support services, especially including problem-oriented technical assistance.

POTENTIAL SUPPORT SOURCES: IMPLICATIONS AND CONDITIONALITIES

The Prospects for Future Donor Agency Assistance

Sources of Foreign Assistance

The most recent supplement to the traditional religious and European donors has been the funding provided by the Swiss Development Corporation. Based on their funding since 1984, they will probably be among the top five donors to Indonesian NGOs in the future. There has also recently been loan money, from the IBRD, directed to NGOs in NTB and NTT through the Rappedas. This appears to be an experimental effort and it is difficult to determine if this type of funding will continue.

Conditionalities on Foreign Funds

Most foreign donor assistance is given for project support and this causes a fragmentation of the programmatic focus of the NGOs. Additionally, there is a dependency by the NGOs to specific donors, which can cause the NGOs to lose the ability to develop their own strategic goals and methods for project implementation.

Donor monies create the tendency for NGOs to look for support outside Indonesia, and limits their thinking about developing domestic sources of funding. This is of particular concern because the recent establishment, by UNDP of a forum to coordinate donor assistance, could develop into a mechanism for financial control of the NGOs by the GOI.

The Non-monetary Utility of Foreign Donor Assistance

The assistance of Indonesian NGOs provides two very important non-monetary benefits: legitimization and internationalization. The GOI and Indonesians in general hold foreigners in high regard, and the assistance provided to Indonesian NGOs helps to provide a stamp of approval on their

efforts. The contact with foreign donors has also been a way to share ideas about development to Indonesia and from Indonesia to the rest of the world.

SOURCES OF DOMESTIC FUNDS

The Government of Indonesia

The GOI is likely to reduce the amount of money which it has utilized to implement projects with NGOs because of declining oil revenues. Reduced amounts of funds are still likely to be available, however. Funding from the GOI has two affects: with GOI sponsorship, donations, or commissioned projects, through which the LPSMs can serve as a professional consultant and development partner with the government, there is a possible cost of losing some political independence. Concurrently, however, LPSMs working in this fashion can acquire a degree of political legitimacy in this role.

Income-Generating Activities by the NGOs

For-profit Activities

For-profit activities often require entry into areas substantively different from NGO heartland work, or at least significantly more complex. Examples would include YDD's need to develop a commercial marketing capability when it went into agro-processing, YIS's attempt (unsuccessful) to go into commercial film making, etc. There are real problems of lack of knowledge in such enterprises, exacerbated by the extent to which most of the NGO leaders do not come out of a tradition of, or have the requisite experience or skills for hard commercial competition.

YKB's current attempt to open and run a profit-oriented middle class family planning clinic in Jakarta may prove to be an instructive experiment in taking commercial initiatives in areas where the NGO work has provided relevant skills and experience. If it works, it may demonstrate the importance of careful selectivity of profit-making areas into which a NGO might be able to expand.

LPSM experience with both commercial consulting work and with the creation of for-profit activities have not been altogether positive. Consulting work has had a generally divisive internal impact, as those who succeed in consulting work then tend to demand the higher salaries consultants can command, and this creates problems with other personnel who do not do this. Similarly, subsidiary commercial enterprises either fail because of the lack of business acumen on the part of the LPSM personnel who undertake them or they siphon off the best people, thus leaving the LPSM with a reduce capacity to address its more basic goals and objectives.

Such income-producing activities have not tended to work well in the past, because they either syphon off the best people or they lead to in-house dissension, often based on personal compensation issues or jealousies.

Fund-raising

This is a major challenge which needs to be addressed. Individual LPSMs usually can't afford the time and up-front financial investment which is usually associated with successful fund-raising campaigns, and as with commercial initiatives, LPSM personnel don't have the inclinations, the expertise, or the appropriate vocabulary to accomplish this successfully.

Some modest efforts have been attempted. For example, Dana Mitra Lingkungan, which provides some verification of the possibility of success if this were undertaken carefully and successfully.

One essential component of any long-term attempt to develop any LPSM institutional capacity for fund raising would be the revision of Indonesian tax codes to include a 501.c.3-type provision, to allow tax deductions for qualifying groups or activities. This will require considerable preparatory work, which should start soon.

CONCLUSION

The NGO movement has reached a position, due to political and economic considerations, where they must define and improve the ways in which they operate. The most important needs that face the community at present are the need to remain independent from and yet still integrated with the policies of the GOI; and to improve the professionalism of both the organizations and the activities they implement.

Donors can provide critical assistance to the NGOs with both financial and political support. The most appropriate ways to for VHP to assist are detailed in the following chapters. At a general level, however, donors can provide the most effective aid by assisting in the long term institutional development of the NGOs.

CHAPTER SIX

PROGRAMMING CONSIDERATIONS FOR VHP AND ITS' CO-FI PROGRAM

INTRODUCTION

The implications for VHP and its Co-Fi program were derived from the conclusions reached in the preceding chapter. The reader is referred to Chapter Five for the rationale for the material presented here.

The case for continued substantial involvement by VHP with the NGO community is strong. Co-Fi monies have contributed in the past to a significant development impact and the prospects for the future appears favorable. A major implication that is presented to VHP is the need to share with the leadership within the overall Mission, the political importance of Indonesian NGO activities.

STRATEGIC CONSIDERATIONS: THE NEED FOR STRATEGIC OBJECTIVES

Effective involvement requires that USAID posture itself, with due consideration of the internal and external context within which NGO activities will have to be carried forward. The assessment carried out in this consultancy points strongly to the need for USAID to pay more specific attention, even if only implicitly, to such considerations. More specifically, in order to be optimally relevant and effective, the Co-Fi program must undertake it's future activities with a full awareness of the role of the NGO communities as promoters of democratization, decentralization, social justice, and the equitable distribution of resources.

In order to preserve the benefits contributed by an independent Indonesian NGO community, it may become necessary for USAID to deal with the GOI relating to Co-Fi-type activities. USAID and the Embassy might begin thinking now, as part of its strategic policy building, about how it might wish to do so.

TACTICAL ISSUES IN IMPLEMENTING THE CO-FI ASSISTANCE PROGRAM

In developing and implementing an assistance program for LPSM/LSMs, or more broadly perhaps for any elements of the private section in Indonesia, USAID's Co-Fi program would benefit by establishing it's posture vis a vis a number of tactical dichotomies which are inherent in any endeavor as diffuse as attempting to provide meaningful donor assistance to the Indonesian NGO movement. These tactical dichotomies include the following:

Institutional Development vs. Project Support

This report concludes that the current priorities and needs of the NGOs, and in fact, of the development process in Indonesia with which they are immediately involved, strongly argues the need for more "process" oriented activities which have as their primary objective an increase in capacities of institutions (whether at the individual, organizational, community, or governmental level) to actually do things. This is not to suggest that project-specific activities have no place in this scheme of things. They do. But they also are far easier to attain other support for and much less important.

Core, or operational support, is far less tangible than project support, and is difficult, especially in short time frames, to show any concrete results. Moreover, it normally requires a longer-term commitment of cooperation, something which is difficult given funding cycles, and the pressures of auditors and others in the Mission to show "results".

Reactive vs. Proactive Programming

To what extent should the Co-Fi program aspire to achieve objectives it has set for itself, or to what extent should it be passively responsive to proposals submitted to it by the target community? Up to the present time, Co-Fi has been a fundamentally reactive operation, in which VHP more passively responds to requests which are made to it rather than takes the initiative in helping to determine project concepts, goals, and objectives, to specify implementation means and schedules, or to generally take any lead in seeing that things it wants accomplished get done.

The establishment of a program for long term institutional development would both allow, and in fact require, VHP to become more proactive.

Program Focus vs. Geographic Scatteration

Should assistance be disbursed widely in order to maximize (its perhaps somewhat dissipated) spread effect, or should it concentrate its impact on more narrowly defined targets? This report argues that there are important benefits to both approaches, depending upon the strategic and tactical objectives which are being addressed. Calculated scatteration seems the only reasonable way to impact on the nurturing and expansion of the LSM dimension, while carefully targetted program focus (which has been largely lacking from most Co-Fi programming to date) is likely to prove most relevant in addressing specific issues confronting the LPSMs. It is reasonable as well as possible for Co-Fi to allocate its resources in ways which will enable effective impact along both dimensions.

One implication of the "calculated scatteration" approach is that it can become highly labor intensive, and given VHP's existing and projected personnel constraints it seems unlikely that that office can contemplate becoming directly involved operationally in committing and monitoring such activities. Thus, the question of block grants becomes relevant. This consultancy considers continuation of block grants to be an important principle.

This issue might be phrased differently, to suggest a dichotomy between programming with and/or for BINGOs and programming with and/or for LINGOs. These must go hand in glove, as both types need each other. USAID should use the resources it commits to NGO development, through conceptually different approaches, to deal as effectively as possible with both.

Block grants: USNGOs vs. LPSMs

American PVOs may be better able to act as managers of block grants than the IPVOs can (at least until administrative systems are considerably strengthened -- and it's not yet clear whether or not that kind of administration is what they really want or need). This is partially because the LPSMs are too busy attempting to do their own, more substantive work, to act effectively and professionally as block grant administrators, and also because they perceive their comparative strengths and advantages to be more closely related to the non-financial, e.g., technical, aspects of relationships with LSMs. Thus, it would appear the LPSMs would generally prefer, at least for now, to focus on what they perceive to be the more important aspects of training, networking, providing requested technical assistance, etc.

LSMs also share a similar disquiet regarding the funds-dispersal aspects of LPSM involvement in block grant management. The LSMs view LPSM involvement in such activities as contributing to LPSM imperialism -- a perception which apparently is not transferred to the USNGOs who administer block grants.

In fact, for the most part LPSMs are not particularly excited about managing block grants for LSMs on behalf of USAID. These create tensions between themselves and the LSMs and, frequently, divert the LPSMs from their own substantive work and action agendas. As one consequence, some of the LPSMs will acknowledge that they do not devote adequate attention to the monitoring and management of their block grant activities. Under these circumstances, VHP needs to rethink its current block grant policy. There may be special circumstances under which block grants to LPSMs would achieve mutually defined objectives. In other cases, it would appear that block grants for reprogramming with LSMs might more properly be handled by USNGOs, such as TAF.

American vs. Indonesian NGOs

In this context, we wish to register our original premise, which was that Indonesia should be for the Indonesians, and that the only justifiable job for most USNGOs in this environment should be to work themselves out of a job with all reasonable haste. Our investigations suggest that in fact there are legitimate and needed roles for USNGOs in the current circumstances, especially as a conduit of money to the LSMs and also as the source of badly-needed technical and managerial expertise and knowledge.

There are several especially legitimate roles for USNGOs to play. In some instances, the foreign-ness of the American groups allows them somewhat greater flexibility to propose new ideas, or to work in a more genuinely collaborate relationship than is possibly, paradoxically, with the Jakarta-based big-INGOs. Questions of intra-LPSM power politics does not get invoked.

Also, the USNGOs have more neutrality in political and some other contexts, and they also don't have to pander to the proprietary interests of their domestic constituencies.

But there's also a negative side to all of this. Especially to the extent there's high expatriate staff rotation, the USNGOs are likely to be less culturally sensitive and less well informed regarding local needs and circumstances than an Indonesian group might be. Thus, quality and knowledge of USNGO staff (which in all probability includes a significant proportion of Indonesian local-hire personnel) must be part of the selection criteria for American groups seeking to perform this function, as, of course, must be the capacities of those groups to properly manage, financially administer, and monitor and evaluation the projects they fund.

Sustainability vs. Continuing Dependency

This is less of a dichotomy than it is a reminder of the desirability of generally structuring activities so as to attempt to assist NGO activities in moving toward increased self-sustainability. This should be a pervasive theme in many, but not all, Co-Fi activities. The non-sustainable pilot project cannot justify itself on the basis of sustainability. Still some consideration of the extent to which sustainability can be incorporated into design work can be included even on short-term project activities.

Specialized vs. multifunctional/multidimensional LPSM/LSMs

The complexity of development projects, especially SSE, argues for specialization by the NGOs. At the LPSM level, multidimensionality might be desirable, for certain types of

networking activities. At the LSM level, on the other hand, the available evidence suggests that multifunctionality may be a significant deterrent to effectiveness, and that therefore USAID might do better to focus its LSM money on LSM's who put more focus in their programming of money.

Political vs. Economic Development

USAID is basically, at the present time, an economic animal. This report is not an appropriate forum for considering the relative merits of that position given the nature of Indonesia's developmental challenges. Suffice it to say that because of the fundamentally political issues underlying LPSM/LSM development in Indonesia, VHP and the Co-Fi program must have, at minimum, an informed if implicit understanding of the political dimensions of it's programming work.

Rigorous vs. Accomodative Administrative Procedures

Arguments can be, and have been, made on both sides of this issue. Given the need to move forward, even in the face of demonstrably poor management and financial capacities on the part of most INGOOs, it would better serve Indonesia's development dynamic for Co-Fi to be as accomodative as statuatory provisions will allow. It also argues for significant effort on management training by VHP, as a part of it's institutional development program.

OPERATIONAL ISSUES FOR VHP CONSIDERATION IN MANAGING THE CO-FI PROGRAM

Although somewhat duplicative of recommendations put forward in the Chapter Seven, the following issues will also need to be dealt with as VHP considers its tactical posture with regard to the preceeding points:

- o VHP program goals, objectives, criteria and implementation strategies should be clearly thought out and documented. VHP cannot expect or assist the Indonesian NGOs to develop a more effective focus if VHP has not developed one. A wide dissemination of VHP's goals and policies should assist both other donors and the NGOs.
- o VHP should focus on the long term institutional development of selected NGOs. The starting place is the definition of VHP goals and the subsequent determination of those organizations, which most closely complement VHP program goals. The types of development projects, that these NGOs would develop collaboratively with VHP, would then be part of an overall program.
- o VHP should continue to use the block grant to develop the

capacity of the LSMs and to encourage the development of new LPSMs off-Java.

- o VHP needs to develop monitoring and evaluation systems that are capable of measuring the impact of long term institutional development on the NGOs, the government and the beneficiaries of programs.
- o VHP should create a knowledge base, from it's institutional memory, the systematic collection of monitoring and evaluation of on-going programs, and develop materials that will improve program design and implementation by the NGOs. The dissemination for this information could be done from a specially established information management center.
- o VHP could establish an outreach program to provide a forum for discussion of larger issues, relating to USAID, interacting with NGOs (and GOI) on non-project-specific issues.

CONCLUSION

The short term impact of a VHP strategic focus on institutional development of selected LPSMs and use of the block grant for LSMs may cause difficulties in the dispersion of funds by VHP. Given the need to maintain funding levels certain options listed above will help to fill the gap. Those options include:

- o contracts to develop and implement appropriate monitoring and evaluation methodologies;
- o establishment of a comprehensive information management system for evaluation reports collected under the new system, consolidation of the reports for application for project design and implementation, and subsequent dissemination;
- o contract for a program to development domestic sources of funding for NGOs;
- o contract for a program of management training, especially financial management, for the Indonesian NGOs; and/or
- o contracting of PSCs, who work inside the NGOs to design and implement organizational development plans.

CHAPTER SEVEN

RECOMMENDATIONS

The following recommendations are intended to build on the strong programming and experiential base which has evolved from VHP's experience in Co-Fi programming. They are intended to make that program even more instrumental in contributing substantially to Indonesian national development.

STRATEGIC OBJECTIVES

VHP needs to develop and articulate a set of strategic objectives for its future Co-Fi project activities. Although a set of such strategic objectives is suggested below, ideally the process of finalizing any such strategic plan would be accomplished through a collaborative process involving selected representatives of the USNGO and LPSM/LSM community in Indonesia.

The Co-Financing Project's strategic plan should:

- o Emphasize institutional development within Indonesia's independent sector as a cost-effective means of promoting sustainable Indonesian development with equity and of encouraging democratization and decentralization of the process of that development; and
- o Focus on strengthening the capacities of Indonesia's independent voluntary sector to function as a means for responsibly promoting people-oriented development, especially among those segments of society least likely to benefit from government programs. NGOs should focus in functional areas where the government is less able or inclined to become effectively involved.

Within the context of such macro-objectives, it is recommended that the Co-Fi program adopt the strategic goal of encouraging organizations within the Indonesian independent sector to clearly define and then actively pursue their own strategic objectives in the following areas:

- o engaging in policy dialogue on development issues with all levels of the GOI in order to provide alternative points of view;
- o mobilizing additional public and private resources, especially domestic resources, for development activities;
- o providing cost-effective implementation of development projects;
- o undertaking all appropriate efforts to strengthen their own institutional capacities with respect to management,

finance, administration, planning, development, monitoring, evaluation, and reporting;

- o engaging in the process of encouraging local institutions and groups to participate in self-sustainable and self-directed development activities;
- o assisting new types of private independent organizations to become involved in such activities;
- o coordinating among NGOs to broaden and deepen the impact of their endeavors;
- o nurturing the expansion into new geographical regions and functional areas and strengthening of the NGO movement throughout Indonesia; and
- o exploring new and effective ways to engage in the development process through research and pilot projects.

IMPLEMENTING THE STRATEGIC OBJECTIVES

In order to support activities capable of achieving these strategic objectives, the Co-Fi program should pursue the following program implementation strategies.

- o Make long-term commitments for Co-Fi involvement in defined substantive areas: i.e., develop one or more program foci to complement the diffuse project focus which has characterized the Co-Fi program to date);
- o Emphasize measurable long-term "process" impact (as contrasted to project-specific "output" impact, as well as implement monitoring and evaluation mechanisms designed to enable "process" measurement on a timely basis);
- o Develop (see below) and apply specific project selection criteria when reviewing and making funding decisions on projects. Also, disseminate these criteria widely to potential applicants, along with the other Co-Fi informational materials which have been/are being prepared;
- o Emphasize, especially for discrete project activities, (either funded directly by VHP or through block grant mechanisms) the identification of project "entry points" which provide optimal community development and/or institution building follow-up opportunity while concurrently being consistent with USAID's CDSS objectives (suggested are water projects, rotating credit systems, and small scale enterprise);
- o Continue to employ the block grant mechanisms already developed to extend the outreach capacity of VHP beyond what would be possible through any reliance on the personnel

and support service capacities of VHP itself, but reconsider the appropriateness of having LPSMs administer block grants;

- o **Retain the flexibility to experiment** in other areas as a means to enable USAID involvement in high-risk but potentially high-payoff experimental undertakings; and
- o **Develop a forum of Mission personnel and NGO representatives** to discuss current developments from the NGO view point so to **disseminate within the Mission the activities and capabilities of the NGO community and important issues for NGO involvement.**

CRITERIA FOR CO-FI PROJECT/PROGRAM SELECTION

VHP needs to **develop a set of selection criteria against which all proposals submitted to the Co-Fi project would be evaluated and judged**, and to then make these widely available to interested parties in the LPSM/LSM and USNGO communities. Depending upon the nature of any specific proposal being considered, **these criteria should include:**

- o **Relationship between project goals and USAID program priorities**

The conformance between the goals and objectives of the proposing organization and the stated strategic objectives and goals of USAID/Indonesia;

- o **Relationship of project to the proposing organization's strategic goals**

The clarity of the organizational and strategic goals of the proposing USNGO or the LPSM/LSM, as well as those of the project being proposed, and how close a link there is between the two;

- o **Relationship between project goals and the implementation strategy**

The extent to which the proposed implementation strategy has any realistic relationship with what is proposed to be accomplished;

- o **Relationship of proposing organization and its proposal to the GOI**

The nature of the relationship between the activity and its proposing organization and the relevant components of the GOI, to provide some understanding of what the likely outcome of the activity might be as it relates to government priorities and operations;

o **Institutional learning potential**

The degree to which the activities holds promise of enhancing learning, and the extent to which the proposing organization gives evidence of ability to learn from experience and grow;

o **Potential for leveraging other resources**

Resources in this context could fall anywhere within a spectrum ranging from local monetary and labor inputs into discrete project activities, to application of a range of resources in support of the broad objectives of a set of projects, to possibilities of encouraging GOI policy modification and program implementation. Calculating the leveraging potential also should attempt to account for possible post-project activities;

o **Sustainability potential**

The degree to which the proposed activity has the potential of contributing to the building of sustainable processes (institutional or otherwise) in support of development with equity and of encouraging democratization and decentralization;

o **Beneficiary impact**

The numbers of people who will benefit and the types of benefits which will be derived, both directly in the short-term and, to the extent it might be determined, indirectly in the mid- or long-term;

o **Management capability**

The capability of the organization's management, finance, monitoring and evaluation, and reporting systems to meet not only the project's needs and AID requirements with respect to it, but also the organizations' own larger institutional needs during and after project implementation. This assessment should be based on an analysis of the organization's prior activities and experiences; and

o **Technical capability**

The previous experiences of the organization in the proposed activity or the provisions for utilizing outside technical resources to assist with project implementation.

POTENTIAL PROGRAM CATEGORIES AND PROJECT AREAS

In developing and implementing a portfolio of Co-Fi activities which are responsive to these objectives, goals, and criteria, VHP might find it useful to **distinguish among three conceptually distinct program/project categories** each of which connotes different types of strategic goals and programming mechanisms. The first of these is concerned with **strengthening the institutional capabilities of LPSMs**, including the nurturing of new LPSMs, in order to buttress LPSM support capabilities to LSM groups and to enhance LPSM capacities to involve themselves effectively in policy formulation and dialogue on development issues. The second is concerned with **strengthening the outreach potentials of a wide range of LSMs** in support of grass roots development activities. And the third, **providing strategic support to address specific functional needs**, cuts across some of the organizational foci of the preceding two, and is concerned with addressing some of the broader challenges and opportunities of the LPSM/LSM movement generally.

The following discussion elaborates on these categories and suggests several specific program/project possibilities in order to illustrate types of activities which give promise of most effectively supporting the achievement of each category's goals and objectives.

LPSM Institutional Strengthening

Activities in this category would be designed and implemented to achieve one of two objectives: (i) to **support the improvement of LPSM management capabilities, particularly for program planning and design, monitoring and evaluation, and/or financial administration**, both for the benefit of the concerned LPSM(s) and in order to enable those LPSM(s) to transfer such knowledge and skills to selected LSMs, and (ii) to **support the strengthening of LPSM capabilities in selected technical fields**, in order that LPSMs can be more effective both in providing technical support to LSMs, and in designing and undertaking policy-related projects or research and bringing the results of such undertakings to the attention of all appropriate authorities.

Programs most likely to effectively address these objectives would include:

- o Following extensive design discussions with the LPSM(s) to be involved, **provide multi-year core support to one or more LPSMs designed to provide wide-ranging institutional development assistance**. In most instances, such support should include provision for expatriate technical assistance and/or project management personnel; and
- o **Provide more limited, but comparable, support to selected LSMs or, possibly, consortia of LSMs for the express purpose of assisting their institutional development in order to reach the stage where they could become bona fide LPSMs in**

their own right, also with the inclusion of expatriate assistance.

Strengthening and Expanding LSM Effectiveness and Outreach

While the LPSMs serve crucially important functions as initiators and coordinators of information networks, as technical and motivational resources, and as interest articulators and spokesmen for policy dialogue, VHP should not concentrate exclusively on building the capacity of LPSMs. The LSMs scattered throughout the urban and rural areas of the country serve at least equally important functions in dealing directly with communities and people through conscientization and service delivery programs, pilot projects, and instigators of institutional and process mechanisms for people-oriented development. Both components of the LPSM/LSM movement are essential to the efficacy and effectiveness of the other, and therefore Co-Fi's support to LPSM institutional strengthening should be appropriately matched by a comparable effort on behalf of the LSMs.

However, LSM needs are different than those of the LPSMs, provision of support is more administratively complex and labor intensive, and different assistance mechanisms are more appropriate. The block grant mechanism is an effective way to deal with these concerns.

Within this context, the Co-Fi program should continue its practice of assisting LSMs via provision of project support utilizing the "Block Grant" mechanism. However, VHP should reexamine, and except for special circumstances, discontinue its recent practice of providing block grants to LPSMs for the purpose of supporting LSM activities. These organizations report that such grants place them in an awkward and sometimes counterproductive relationship with the LSMs, and they additionally report that the administrative requirements of the block grants divert them from achieving their own organizational and programmatic goals and objectives. Under such circumstances, VHP needs to establish other LSM block grant mechanisms, working primarily with the USNGOs along the lines of the model which has been developed and well tested over time by TAF, but only after incorporating the monitoring and evaluation recommendations which have been put forward elsewhere in this report.

At the present moment, it would appear that the most likely candidates for block grants to support LSMs would TAF (for NTT, Sumatra, Kalimantan, Sulawesi, the Mollucas, and Irian Jaya, and perhaps focussed on networking and capacity improvement, plus also exploratory work with organizations such as NU), CRS (for their channeling network among church and non-church organizations), CLUSA (for cooperative and small scale enterprise developments), and CARE (community development follow-up to water supply system "entry" projects). VHP might, if it has not already done so, also examine the possibilities of channeling

some block grant monies through Indonesian funding agencies such as Dana Mitra Lingkungan or possibly even Yayasan Prasetya Mulya.

The LPSMs are an appropriate vehicle for the provision of technical assistance and training to LSMs, and the recommendation to discontinue block grants to LPSMs is intended only to free them from the role of a funding channel to enable them to better serv LSM needs in technical capacities. A corrolary of this, however, is that the Co-Fi program, in its program of core institutional support to the LPSMs should, as indicated above, specifically consider ways and means of enhancing relevant LPSM technical capacities.

There continues to be an important role to be played by the USNGOs in the Co-Fi program, although perhaps one which is more limited and focussed than has been the case in the past. VHP should make use of the special capabilities and orientations of the USNGOs in addressing particular aspects of the Co-Fi program which are less easily accommodated by LPSM/LSMs:

- o In areas or for functions where the relative neutrality of a USNGO might enable things to be done which might otherwise prove difficult or impossible for an Indonesian organization. (e.g., as the transfer mechanism of funds to LSMs), or for programs which are too manpower-intensive for VHP to adequately oversee, or which require higher levels of administrative or financial reporting competence than are understood to be available in the otherwise appropriate LPSMs;
- o In activities where direct links to USAID as an agency of the American government might undermine the independence or credibility of the Indonesian organization;
- o In situations where the USNGO can be used as a channel for information about development issues and the Indonesian LPSM/LSM movement to the American public and government; or
- o In circumstances where they can serve as a training venue for U.S. citizens who may become significant actors in U.S. foreign assistance activities, or when they can serve as contracting or placement mechanisms to enable such Americans to work directly with or in the LPSM/LSMs.

It would be possible, and probably desirable, to require a greater focussing of LSM support activities through the block grant mechanism, partly to facilitate better measurement of overall program effectiveness and impact, and partly to help satisfy VHP's need to demonstrate its ability to be responsive to USAID's sense of its own program priorities. In this context, it is recommended that in future LSM block grants, VHP require that sub-grant funds be utilized to enable LSMs to implement local institution-building or process-enhancement strategies at the community level in areas of family income enhancement, revolving credit schemes, and small scale enterprise development. To the

extent that other substantive foci are preferred, there needs to be a requirement that the block grant administrator and/or the sub-grantee demonstrate that these alternative "entry points" are better able, in the specific circumstances of that particular activity, to lead to a sustainable institutional or community development process.

Strategic Support to the LPSM/LSM Movement

Because of the extent to which the preceding two programming categories are essentially institutional or organizational in focus, they do not adequately address several important systemic issues which confront the NGO movement generally. In order to deal effectively with this, the Co-Fi program should develop the capacity to coherently deal with cross-cutting issues such as fund raising, general LPSM/LSM capacity building, and strategic networking. To this end, the Co-Fi program should consider the following project possibilities:

- o Develop and implement, possibly on a contract rather than a grant basis, a long-term program designed to explore and experiment with mechanisms to increase significantly the LPSM/LSM community's capacity to generate financial resources domestically, i.e., to raise funds. Among many other components, this activity should include:
 - a) efforts to have introduced into the Indonesian tax code appropriate provisions for tax exemption for qualified non-for-profit Indonesian organizations which are engaged in legitimate social service, development, or philanthropic work, possibly along the lines of the Section 501.C.3 provisions in the American tax laws;
 - b) development of an inventory of potential sources of donated funds within Indonesia; and
 - c) compilation of worthy project ideas which might attract domestic funding and development of capacities to prepare appropriate proposals.

Dana Mitra Lingkungan, which raises funds on behalf of the environmentally-oriented NGOs, especially the Wahli network, provides an interesting and useful model of how such fund raising might begin to be organized in the contemporary Indonesian context, and might serve as an initial institutional home for any such initiative. At minimum, it would be essential for VHP personnel to explore relevant project dimensions with the people involved with DML.

- o Develop and implement, also possibly on a contract rather than a grant basis, a parallel long-term program designed to nurture improved management, financial, planning, design,

implementation, monitoring, evaluation, and reporting systems for LPSM/LSMs. Such a facility could act as a comprehensive information center to disseminate information from monitoring and reporting of Co-Fi projects. These evaluations could be compiled into sector-specific case studies. The facility could also act as a resource center for the planning and design of projects, utilizing the evaluation records and staff expertise to improve the quality of NGO development projects. Such a facility might include funding mechanisms to enable LPSM/LSMs to draw, on a demand basis, on a technical assistance pool of individuals available to provide consultancy services, technical solutions to specific problems, or training. In exploring the program possibilities for such an undertaking, Co-Fi might find it useful to inaugurate discussions with personnel from one or more of the private management training institutes in Jakarta. IPPM, which already is registered with VHP, would be the obvious place to start.

It would be desirable for any activity of this nature to also include a modest English language training component specifically designed for LPSM/LSM mid-level staff as a way of freeing leaders (especially in provincial LSMs) from the many non-productive hours they currently spend in explaining their programs and activities to outsiders.

- o **Assist in the development or strengthening of strategic networking capabilities of LPSM/LSMs with common policy interests,** through inauguration of the capacity to provide on-going financial support and encouragement of workshops, seminars, networking initiatives, research, and publications programs in those policy areas of most immediate interest to USAID's own goals and sector priorities in Indonesia.

The implementation of programs such as these would require VHP to **adopt a far more proactive posture with regard to program/project development** than has characterized that office up to the present time, as that office would necessarily have to take considerable initiative in defining project goals and objectives and in seeking out and assuring the assistance of those groups and/or individuals who would ultimately be responsible for project implementation. VHP demonstrated its willingness to take the first step in this direction nearly two years ago when it commissioned a consultant to examine the possibilities and then do the preliminary design work on a program to develop institutional mechanisms to raise funds for Indonesian Private Voluntary Organizations (Betts, 1986). VHP did not follow that first step with a second. The need to do so has not lessened, and in fact is likely to have increased, and now would be as good a time as any to act.

Programming Flexibility

Although not incorporated as a program/project category, it

should be emphasized here that the Co-Fi Program should continue to retain a limited capacity to respond flexibly and in timely fashion to new initiatives or opportunities arising from the LPSM/LSM community's changing perception of priority needs and/or opportunities. Thus, for example, if an LSM were to identify an especially important concept which needed testing through a pilot project but which could not be accommodated through other on-going Co-Fi programs or projects, then VHP should have the capacity to directly fund such a project. VHP should continue to allocate a percentage of its budget for experimental projects, directly overseen by VHP.

VHP CO-FI PROGRAM MANAGEMENT

Acceptance of the various recommendations proposed in the preceding paragraphs will inevitably have an impact on the internal management of the VHP office within USAID, if for no other reason than that some of those recommendations will require commitments of staff time in order to develop, introduce, and then implement the systems and/or procedures which have been proposed. Even if none of the programmatic recommendations are implemented, however, there would still be several items internal to VHP which would merit attention. It is therefore further recommended that VHP:

- o Establish in-house systems to preserve and make more effective use of VHP's (and USAID's) institutional memory. This is needed, along with the fuller appreciation of the dynamics of the NGO movement (see below) in order to be able to do better programming. VHP staff must understand the context within which they are working if they want to optimally influence the course of developments;
- o Make better use of the programming experience and expertise of VHP's Indonesian staff, as these individuals represent much of Co-Fi's institutional memory and have functioned as Co-Fi professionals for more effectively in the past than appears to be the case at the present time;
- o Make an increased effort to interact regularly on programmatic matters with representatives of the NGOs, including representatives of organizations with which Co-Fi does not currently have programming relationships. The NGOs report their sense that meaningful dialogue with VHP can and should be improved. VHP needs to be responsive to this;
- o Recognize, and seeks means of dealing with, the fact that VHP is burdened with the somewhat incompatible demands of its PL480 Title Grant Food program and its Co-Fi program. While the former emphasizes food aid as an incentive or complement to development projects (the welfare/service delivery approach), the latter increasingly encourages self-sufficiency and institutional development (the capacity building approach). Both approaches have been perceived at times as being crucial to the overall mission of VHP. Few people have seriously

considered the conflicting demands these two approaches place on the office, or the extent to which they occasionally work at cross purposes;

- o **Simplify VHP's grant selection, award, and management systems to whatever extent remains consistent with minimal requirements, both to enable VHP personnel to spend more of their time and energy on substantive program and project issues and to make dealing with USAID as comprehensible and reasonable as possible for VHP/Co-Fi collaborators;**
- o **Make its project selection criteria widely known to prospective grant applicants, and adhere to those criteria when discussing proposals with applicants and when making grants;**
- o **Develop and implement program/project monitoring and evaluation tools, possibly along the lines of those introduced and employed in earlier chapters of this report, which effectively measure program impact and process issues. Utilize such tools during site visits; and**
- o **Consider the desirability of making more extensive use of contracted services, especially for the implementation of its cross-cutting systemic support to the LPSM/LSM movement, as a means of supplementing the technical assistance and project management capabilities of VHP and the Co-Fi program.**

CONCLUSION: THE LPSM/LSM MOVEMENT IN CONTEXT

In considering its mission, the Co-Fi program should not fail to recognize the important role played by LPSM/LSMs within the Indonesian socio-political system and with respect to the evolution of perspectives on national development. The LPSM/LSM movement's significance does not lie in the exclusively economic nature of the impact (i.e., beneficiary impact) of its developmental activities, but rather in the political and cultural characteristics of its involvement. What is meant by "political" here is the movement's commitment to progressive social change, in the sense that LPSM/LSMs are actively involved in attempting to direct change in the society and government toward democratization processes, development with equity, social justice and the empowerment of the people, and the strengthening of the access capacity of the underprivileged to the resources required for their own development. While these goals are fundamentally compatible with the GOI's priorities and programs, the LPSM/LSM movement has capacities which the government, by its nature, does not to explore their frontiers in the Indonesian context and to experiment with and develop mechanisms for their realization. As such, the LPSM/LSM movement truly provides an essential national service as the channel through which alternative roads to development might be explored.

An understanding of this reality suggests how important it is for Co-Fi personnel to be engaged in close collaboration with NGO personnel in order that they might fully understand the needs and

APPENDIX ONE THE EVOLUTION OF THE INDONESIAN NGO COMMUNITY

THE HISTORICAL BACKGROUND OF VOLUNTEERISM IN INDONESIA

Volunteerism is a modern phenomena in Indonesian history, one that dates back to the last decade of 19th century or the beginning of 20th century. The pioneers were several Dutch-educated Javenese nobles. In 1890, Suryopranoto, a noble from the Court of Paku Alam, Yogyakarta, established "Mardi Karya" and then "Adhi Dharma" in 1896, organizations aimed at helping communities in their social, political and economic affairs by establishing policlinics, or phone houses, as well as houses for the senior citizens and rural banks. He and his group also offered legal aid to illiterates who did not understand what charge they had been accused of. Later, after joining the Sarekat Islam, which had been established by a great moslem nationalist leader, Tjokroaminoto, he became well known as "the King of Straight" because he was an aristocrat who became a top leader of labour movement. Another pioneer is Bei Aria Wiraatmaja who, with the help of Dutch Assistant Regent, E. Sieburg and his successor De Wolff Van Westerrode, established the "Self Help Saving Bank" (Hulp en Sparbank), for lower ranking civil servants, small farmers, traders and craftsmen who were trapped in money lenders' pawns. In 1904 established Sarekat Priyayi to assist indigenous children in gaining access to Dutch education and in 1906 published the first newspaper edited and owned by the indigenous. He was also the founder of local association of moslem entrepreneurs, Sarekat Dadang Islam, in Jakarta and Bogor in 1908.

The voluntary organization which is regarded as the origin of national Indonesian consciousness is Budi Utomo, which was established by students and indigenous doctors, especially of Medical School, Stovia, Jakarta, in 1908. The founder is Sutomo who was inspired and encouraged by a senior doctor, DR. Wahidin Sudirohusodo. The Budi Utomo aimed at promoting culture and education among priyayi or the indigenous colonial administration class. The forming of BU triggered other serious groups in the society to develop other voluntary organizations. Some of these were engaged in social and educational activities, while others were political parties and interest groups. Muhammadiyah, which was established in 1912, is representative of the social organizations, while Sarekat Islam was a political organization which received much support from the people, and from which the socialist element split and established its own party in 1923 to become the Communist Party of Indonesia.

Most of the social organizations were more interested primarily in education, social services and culture. In 1915, Suryopranoto develop an adaption of a Dutch model school system, Adhu Dharma, following which his younger brother, Ki Hajar Dewantoro developed a more recent version of the modern national school system in 1933 within Taman Siswa group which he started in 1923. Unlike Muhammadiyah, which accepted Dutch government financial assistance, Taman Siswa refused it. In 1926, some leaders of pesantren established Nahdhatul Ulama (the Resurgence of Ulama or Muslem Scholars). This organization practically controlled pesantrens both in Java and the Dutch Islands. Pesantren is a boarding school system, usually located in rural areas, adapting Hindu's model. In 1926, Pondok Modern (Modern pondok) "Gontor" was built, combining the modern or urban school system of the Muhammadiyah and the pesantren system. Gontor in fact reflects a modernist version of the pesantren schools.

In the second and third decades of the 20th century, various social organizations, including labor unions and associations of entrepreneurs, youth, women or religious, educational and cultural organizations, evolved toward various kinds of political movements, or at least became coordinated under the influence of different large political organizations, each having their own ideological orientations. In the 1920s, a radicalization process occured which was stimulated by the Communist Party. In 1926-1927, the communist rebellions which occurred in Central Java and West Sumatera ended with severe suppression by colonial government and resulted in the dissolution of the communist party. The leadership and initiative of the movement was then taken over by the leftist nationalist group led by Soekarno and Hatta, the latter having just returned from his education in the Netherlands, where he led the Perhimpunan Indonesia or Indonesian Association, which was being promoted by radical students.

The voluntary movement entered a new phase in the 1930s, when the Dutch education system started contributing to the growth of a larger intellectual class, comprising graduates from universities both in the Netherlands and Indonesia. Those intellectuals, who coalesced around study clubs and political organizations, radicalized the movement in the early part of the decade. This culminated in 1933-1934, when mass gatherings were organized everywhere in East and Central Java. These jeopardized the political stability of the colonial government. This radicalization process ended when the top leadership, including Soekarno and Hatta, were all arrested. This was followed by increased control of the mass organizations, out of which evolved a "beamtensstaat" government which combined a strong administration with welfare programs in ways which resembled the New Order Government after its suppression of the student riots in 1974.

During the "beamtensstaat" colonial administration, a new breed of social organizations began to emerge. The most significant of these was the cultural movement epitomized by the so-called "Cultural Polemics" that went on from 1935 to 1939. During that period, "Pujangga Baru", a new generation of literary groups, emerged. A new Moslem Student Club (Studenten Islam Studieclub) was also created at about this time and it also produced a new intellectual class of moslem scholars who ultimately became leaders of the nation.

As a response to the Great Economic Depression of the early 1930s, the Dutch government allowed, and even supported, the development of small industries and handicraft clusters evenly spread in rural areas and the small towns in Java. Under the repressive government, political movements were constrained, which contributed to their transformation into social and cultural movements. The nationalist movement had also split into camps: those that were "non", or anti, government, and those which were prepared to cooperate with it. The Nationalist groups tended to be categorized among the former, while the Moslem and Christian or Catholic organizations gravitated to the latter.

In 1931, Dr. Sutomo, the founder of the BU, started a new group called "Persatuan Kebangsaan Indonesia" (Indonesian National Unity), in which membership consisted mostly of students and professionals. This group is a prototype of the current NGOs or LPSMs, in that it focussed its activities on the promotion of handicraft and small industries, as well as on trade and agricultural development through cooperatives. By 1933, this group had been able to organize 158 branches of farmers groups ("Rukun Tani", or Farmer Cooperatives). Suryopranoto's, Adhi Dharma and Dr Sutomo's Persatuan Kebangsaan Indonesia probably constitute the roots of the present day LPSM/LSM movement, led by intellectual and professional groups. Both organizations also initiated legal aid programs as one of their important activities, which is also characteristic of the current movement.

After Independence in 1945, and especially during the 1950s, social organizations sprang up under "liberal democracy" politics. Those were in fact the continuation of the movement during the 1930s. Although their objectives were stated to be to fulfill the interests and need of their members, they were in reality more political than economic, social or cultural in their type of activities. They also were fragmented along conventional ideological lines such as nationalism, Islam, Christian, Catholic or Socialism.

Under the "Guided Democracy" government in the early 1960s, most mass organizations sought political protection from the remaining large political parties such as NU, PNI (nationalist), PKI (communist) or others after the PSI ("rightist" socialist) and Masyumi (modernist moslem) parties were banned. On the other hand, the big parties also attempted to gain grass root political support from the mass social organizations. As a reaction to

that, the military also tried to build its own social based organs to support its political movement, especially against the communists. These circumstances caused almost all mass organisations, including labour unions and associations of farmers, women, students, artists and civil servants to become means of political struggle. Even cooperatives became instruments for power seeking activities and for mass mobilization.

During the New Order period beginning in 1966, all mass organisations which had been affiliated, either directly or indirectly, to the Communist party were banned, while those under the Nationalist Party were practically paralyzed. While those former organs of Socialists and the modernist moslem party, Masyumi, (which had been banned by Sukarno) were still alive and became independent social organisations, even they were active in the fight against communist and leftist nationalists. Those organizations that survived during the New Order were divided into those belonging institutionally to political parties and those which allied themselves in the Joint Secretariat of Functional Groups (Sekretariat Golongan Karya), the embryo of the current the governing party, Golongan Karya or GOLKAR.

In the later period of the New Order, a new development occurred when the government took action to unify the most important interest groups, which at that point in time were still fragmented into many organisations following their own political and religious streams. All labour organisations for example were merged into the Federasi Buruh Seluruh Indonesia (FBSI) which subsequently became the Federation of Labor Union of Indonesia and then Persatuan Buruh Seluruh Indonesia (PBSI) or Union of Indonesian Labor. The same policy applied to other groups led directly to the formation of new organisations of farmers (HKTI), fishermen (HSNI), civil servants (KORPRI), and others. However, religious organizations such as Muhammadiyah, Taman Siswa, Al Washliyah, and NU were left as before. Although the government attempted to unify all student organisations under KNPI (Komite Nasional Pemuda Indonesia or National Committee of Indonesian Youth), the traditional organizations such as HMI (modernist moslem oriented), GMNI (nationalist), PMII (NU student), IMM (Muhammadiyah students), GMKI (Christian), MKRI (Catholics), etc, remained as they had been. Even though the government had a hand in their birth, these groups remain basically voluntary organizations which have their roots deep in Indonesian history.

NGOs DURING THE NEW ORDER

In 1967, Indonesia entered a new era of national development in which "liberal" policies, characterized by the opening of Indonesia to the world economy, were adopted. External trade was opened and foreign investment was invited. Within that situation however, the government, with the military providing the top political leadership, placed itself in the role of "change agent" and "agent of modernization", supported by centrally planned

development policies and strategies in which a group of technocrats and social engineers played a dominant role by directly controlling the direction of economic development. Within the technocratic quarter however there were those who were convinced that bureaucracy sometimes could constitute obstacles to innovation, and that therefore there had to be groups outside the bureaucracy which could play a role of critical modernizing agents in sectors or areas where the government was less able to be effective.

A Note on Nomenclature

Some of Indonesia's big NGOs, or BINGOs, such as PKBI, DNIKS, LBH, YLK, Bina Desa, Bina Swadaya, YIS or Dian Desa, existed before 1980. Other well known BINGOs such as LSP and PPA and some LINGOs such as Yayasan Mandiri, Pekerti, LPTP (Solo), Dhworowati (Yogya) or Setia Budi Wanita (Malang), came into existence only in the late 1970s. However, even before the 1978 seminar on NGOs, which was held by Bina Desa, and certainly before 1980, these NGOs were in operation without any label that provided them with a clear identity within the structure of Indonesia's social organization. Very obscurely, a name was assigned to them: "NGO". This was translated into Indonesian as "Organisasi Non-Pemerintah" or in short, "Ornop", which was disagreed by Dr. Sarino Mangupranoto (former Minister of Education & Culture, and subsequently an elder in a Farming High School, the vocational school in Ungaran that uses pesantren as a model within Taman Siswa school organization system). The reason given for this objection was that he felt the name Ornop implied that such groups comprised a rival organization to the government in development process. As a substitute, he proposed the name "Lembaga Pembina Swadaya Masyarakat" (LPSM), or "Promoter Organization of Community Self Reliance".

Since Ornop or NGO bears an "anti-governmental" connotation, at least placing NGO in a dichotomical position vis a vis the government, some officials who are sympathisers of "participatory development" such as State Minister for Population and Environment, Prof. Emil Salim, and the Head of the Institute of State Administration, Prof. Bintoro Tjokroamidjojo, took the initiative in replacing the word NGO with something else. As the terms "LPSM" and "LSM" (community self-reliance organisation) were the only names proposed, they were adopted. In a subsequent seminar organized by the State Minister of Environment for the purpose of discussing the role of people's participation in development, those two names were first widely used, and continue to be used, and thus strengthen the legitimation of LSM/LPSM's presence and role in the government-led development process.

The voice of Emil Salim, reflecting his political attitude, has been much heard since he is one of the most vocal ministers within the technocrat group. Since he became State Minister for Population and Environment, he has made an intensive approach to LPSM/LSMs all over Indonesia to convey his belief that these

organizations can and should be mobilized as partners in environmental movement. Even as a government minister, he can not fully trust government agencies and apparatus, because he is aware that these agencies are inclined to "develop" rather than to control the development and that they therefore always feel uncomfortable when subjected to criticism or to efforts to take control out of their hands for themes such as "anti pollution" or "anti hauling of people" from their lands for the sake of development. Concurrently, Dr. Emil Salim does not wish to see LPSM/LSMs become organizations in opposition to the government, but instead wants them to be partners. Others in government join him in this.

In discussions, newspapers, and journal articles, the terms LPSM and LSM frequently have been used interchangeably and without much regard for any differences between the two. Recently, however, Abdurrahman Wahid, an NU figure, has objected to the use of LSM for NGOs. For him, an NGO is not in any way a self-reliance organization. Although they advocate self-reliance principles, he argues that NGOs are in fact dependent on foreign funds. Those organizations which can be called real LSMs are NU, Muhammadiyah, Taman Siswa and other similar social movement organizations. Some church organizations may be called LSMs but, generally speaking, church-related organizations are not regarded as true LSMs because they are mostly suspected as being organizations supported by foreign funds, especially from international church organizations. To distinguish between those which are genuinely self-reliance and those that are only advocating such principles, it has subsequently been decided within the LPSM/LSM community that genuine social movement organizations should be termed LSMs, while the others are more appropriately LPSMs.

LPSM as referred to above, is this as combination of a "professional" and a "voluntary" organization which determines its own role as a private "agent of change" vis a vis government. As a private development agency, LPSM stands between government and society or the community. An organization such as this is professional since in performing its function LPSM utilizes systematic knowledge, both scientific and technological or applied, such as research, planning, extension services, management or social engineering monitoring, production technology, public health, marketing, and so forth. It is voluntary, because the role it plays is not merely profit seeking or to get material gain for the organization (although such support is necessary for the group's survival). Instead, LPSMs are motivated to help the powerless in the society or to lead social change. In other words, a strong element of idealism is essential to the self-image of such organizations. The function and role of LPSM are strongly associated with development, which, in the Indonesia's historical context, is a relatively new phenomenon which in fact has become visible only since the establishment of the New Order Government in 1967. As indicated above, however, even though the emergence of the LPSMs is as recent as the development policy of the New Order government,

their existence and role in the society is rooted in the tradition of voluntarism which goes back even to before Independence in 1945.

LPSM/LSM in fact is a forum through which ex-student activists channel their aspirations. In the 1930s, after colonial government suppression to nationalist radical movements, the intellectual groups transformed their activities from political actions into social, cultural and intellectual programs through what came to be known as NGO, and later, LPSM/LSM. A similar phenomenon seems to have occurred in the 1970s, especially after the failure of student radical actions in 1974, 1978 and then in 1980. Although lacking any clear ideological stand-point, as Arief Budiman charges it, LPSM/LSMs are generally inclined to sympathize with values such as being against authoritarianism, concentration of power that leads to corruption, top-down technocratic development approaches, and so forth, while on the other hand, advocating "alternative development" concepts which, when asked to precisely define these, more often than not are unable to do so. Thus, LPSM/LSM is an "alternative development"-searching movement, through research and action in community development and public advocacy.

LPSM/LSM activists distinguish themselves from technocrats and bureaucrats in one hand and university lecturer and researcher on the other. The first group comprises those who believe in the power of centrally-formulated policy framework in enabling a national wide impact on socio-economic change through a network of bureaucratic mobilization. The criteria of success is whether programs and projects produce tangible output which can be expressed utilizing statistical indicators. LPSM/LSMs, on the other hand, stress the processual aspects of ensuring that various communities are not only the target groups or objects of development programs, but that they also should be subject of, and actors in, the development process. LPSM/LSMs also are more concerned with the empowerment of the marginalized and the underprivileged, especially to the extent that this state of affairs is caused by the ongoing development strategy. LPSM/LSMs also differ from university circle in that they stress more on action than on theory, on idealism rather than formal knowledge or science. If they are using systematic knowledge (which they tend to do since they are mostly university graduates or drop-outs), LPSM/LSM personnel apply these in informal ways through social experimentation and experience, through which they can then adjust their theoretical knowledge to the real need of the community and sections where they focus their efforts.

LPSM work usually starts with small project with limited numbers of participant groups confined to certain area. They usually also restrict themselves to addressing only a limited number of issues. YIS for example, is well known for its innovative "dana sehat" (health fund) program. This started from the idea of helping a community get easier access to health services. The Government had the same idea of providing health

services to communities under circumstances where building hospital everywhere is prohibitively costly. To address this, government built Pusat Kesehatan Masyarakat (Puskesmas or Community Health Centre) in every sub-district possible both in rural and urban areas. But still, these cannot reach the target population because of locational and cost factors, as well as by the the low level of rural income and public consciousness concerning health matters. As a result, Puskesmas were being visited only by limited numbers of people closest to the Puskesmas. To fill this gap, YIS started to raise the consciousness of community members regarding health problems through a conscientization program. Health fund is a kind of saving activity through which not only community fund are secured for health service, but also the community's consciousness about health could be raised. This simple program, which is practical and applicable for the community, is then extended to other kinds of income generating activities by the people and thus becomes an entry point to community development. This model of community health delivery system was subsequently adapted by the Health Department, which is now attempting to determine whether the model model is replicable for larger scale project.

LPSM/LSM INFLUENCE ON NATIONAL DEVELOPMENT POLICIES

It is difficult to say that any certain model or program now become common within the government's program was exclusively invented or first started by a certain NGO. It is certainly the case that before it was explored and introduced through LPSM/LSM initiatives, the pesantren structure was completely outside the agenda of such government programs as family planning, cooperatives, rural information centres, vocational training for rural community members, transmigration, etc. But it is more difficult to assert that handicraft or SSI promotion, or regional or community development, for example, had not been recognized before specific models or program initiatives had been introduced by LPSM/LSMs. What is more true is that some models of those program were first developed by a certain or several LPSM/LSMs, as well as that such groups improved the old, formerly practised, and often faulty model being pursued by government. Neither the large-scale small credit program of Bank Indonesia nor systematic efforts to develop regional government capacities appeared in the government's agenda until 1974, at least on the paper. And "delapan jalur pemerataan" or "eight avenues of equity" virtually was not explicitly expressed in the GBHN until 1978. LPSM/LSM activities in each of these areas preceded government involvement by several years. Individual concerned intellectual or "NGI"s (Non-Government Individual) associated with certain protest movements or with LPSM/LSMs, together with the LPSM/LSMs themselves, were responsible for many other cases of important policy changes.

The following constitutes a list of areas of micro and macro development modelling where LPSM/LSMs and NGIs have played significant formative roles in the moulding and processing the models which subsequently have become formal government programs:

- a. Participatory approaches in community development;
- b. Community-based social delivery systems;
- c. Handicraft and SSI production and marketing promotion;
- d. Small credit programs for those lacking access to primary or secondary banking systems (such as cooperatives, village banks, etc.);
- e. Development of regional planning boards at provincial and district-level, and multi-level planning processes;
- f. Pre-cooperative groups as the basis of cooperatives development;
- g. Utilization of traditional media for dissemination of development information and consciousness-raising;
- h. Community participation in the Kampung Improvement Program;
- i. Farmers' participation in water management of tertiary and quaternary irrigation systems, including using traditional associations of water users;
- j. Small entrepreneurial development;
- k. Invention, development, and dissemination of location-specific appropriate technologies;
- l. Participation of Pesantran schools in rural development;
- m. Environmental protection and conscientization;
- n. Functional and structural legal aid to the underprivileged;
- o. Consumer protection and conscientization;
- p. Protection and further development of informal sector in formal and informal development;
- q. Development of new training methods (participatory approach);
- r. Development of participatory action research;
- s. Development of development printing media (Prisma, Tarik, Trubus, Potensi, Galang, Alternatif, Pesantran, Pesan, etc.);
- t. Text-book writing based on Indonesian and Third World development experience;
- u. Women's participation in development;
- v. Informal leaders' participation in development;
- w. Development of agrobusiness systems in the Indonesian context, with the participation of small and middle farmers in agrobusiness;
- x. Safe drinking water programs for low income people; and
- y. Preservation of cultural rights of minority and tribal ethnic groups.

In all of these instances, LPSMs have been involved in the innovation process and have provided social legitimation to resulting programs at the national as well as the community levels. In fact, one of the greatest strengths of LPSMs is that they not only have grass-roots support, but commonly also have

political support from some quarters of "enlighten" bureaucrats or technocrats within the central government. Figures such as Emil Salim, Atar Sibero, Ibnu Sudjono, Muslimin Nasution, Sutjipto Wirosardjono are considered patrons of the LPSM/LSMs within the government.

EXTERNAL SUPPORT TO LPSM/LSMs

The relative independence of the LPSM/LSMs is one of strengths of their presence and role. In the context of development systems and strategy in Indonesia wherein the government has positioned itself as almost the "sole agent" of development, the role of LPSM/LSMs is crucial. In the early stages of development when the tax base was still limited, the state and government source of finance depended on oil revenues controlled by state enterprise, Pertamina, and through foreign credit obtained through government-to-government negotiations and agreements. The control of development funds provided the state with the legitimate power to command the management of development. In fact, the former Interior Minister and then Chairman of MPR/DPR once made a statement in one of the leading newspaper, Sinar Harapan, to the effect that "the people have no right to criticize government because they contribute only less than seven percent of the state revenue". The LPSM/LSMs have relative independence, because they obtain their funds not from government but instead largely via the funding assistance supplied by foreign donor agencies with which they manage to have direct relations. In fact most of the big NGOs, except perhaps LSP, PPA, and very few others received their initial institutional support from foreign donors. And now, a larger part of LPSM's operational program costs derive from foreign funding agencies.

In recent years, when more LPSM/LSMs are competing for a decreasing amount of funding from some foreign donors, they have to seek alternative sources of income, mostly by participating in government projects via bidding as professional consultants. Formerly, LPSMs received contracts only to do projects financed by local sources. Later some of them began to be subcontracted by foreign consultants to do a small portions of large projects, but from which many LPSMs learned how to perform a professional services in research, training, or community development. This in turn led some LPSMs to themselves undertake large foreign sponsored projects. Some of the LPSMs now manage to function as professional consultants, although consulting is not their only activity. But this new function has brought them closer to government politically. Other activities of LPSMs include various enterprises such as production of goods, publication of book and magazines, services other than research and training, and even engaging in export (for example, Pekerti, which exports

handicrafts). Although not widely known, some LPSMs are supported by some big companies, as for example is the CSIS (Center for Strategic and International Studies or Yayasan Prasetia Mulya).

There are various alternative sources of income that some LPSMs are considering attempting, but each carries with it its own consequences. For example:

1. Foreign donors, from which LPSMs can maintain their relative independence to do innovating and risk taking activities, but upon whom financial dependency on foreign sources can result;
2. Government sponsorship, donations, or commissioned projects, through which LPSMs can serve as a professional consultant and development partner with the government, but at the possible cost of losing some political independence. Concurrently, however, LPSMs working in this fashion can acquire a degree of political legitimacy in this role;
3. LPSMs earning their own income from commercial or enterprising activities from which they might make profits which could be applied toward their development activities, but this may reduce idealic zeal that motivate LPSMs to do voluntary social service; and
4. Obtaining donations or sponsorship from big companies, which could ensure the LPSM's source of revenue to do social service activities, but here again LPSM may lose their independence if the sponsoring companies attempted to prevent them from doing something that contradicted the company's interest or to support company's interests that contradict the LPSM's professed values.

RECENT DEVELOPMENTS CONCERNING GOI-LPSM/LSM RELATIONSHIPS

Some interesting developments need to be observed with regard to government's recent attitude:

1. Government would like to include LPSM/LSM in its control through implementation of the Ormas Law. This could seriously compromise the political independency and the pluralism of LPSM/LSMs, but on the other hand might also provide legal insurance to their existence and role as partners in development;
2. For the first time, the President in his Independence Speech has recently recognized the presence and legitimate role of LPSM/LSM in development. But he also warned the "observer" to be careful in making comments. This rings the bell for the LSM/LPSMs; and

3. Government, utilizing informal mechanisms, has recently taken action to control one source of foreign funds, i.e. UNDP. This assistance is now to be channelled to LPSM/LSMs, through an approved and government-controlled foundation. This may be interpreted as an attempt to control LPSM/LSM by way of controlling the flow of funds to them from foreign sources.

LP3ES AS ONE INSTITUTIONAL CASE STUDY

LP3ES (Lembaga Penelitian Pendidikan dan Penerangan Ekonomi dan Social, or the Institute for Economic and Social Research, Education, and Information) can provide an illustrative case study of how LPSMs have emerged in recent years and the role which USAID's Co-Fi project have played.

LP3ES is one of the USAID's fund recipient. This organization was established in 1971 as a continuation of a three-year project of the FNS (Friedrich Naumann Stiftung, a foundation affiliated with the Liberal Democratic Party of the Federal Republic of Germany). Among the first activities of this project were entrepreneurship, family planning, regional development of East Kalimantan, wood processing industrialization, handicraft, pesantren and publication of a journal and of university text-books. Those areas were selected as the first projects principally because they addressed issues which had not been attended adequately by the government in its own development program, or because the government had indicated its desire to have some private agency take the lead in the initial modelling of the program. In the early 70's for example, the government gave its priority to big capital owners, domestic or foreign, to pave the way to industrialization. Small scale or home industries were left to survive under severe competitive market conditions in competition against modern big industries that enjoyed every favorable incentive to develop. Centrally-planned economic development was also the focus during the early period of the New Order, and although provincial development had been included in the plan, that field was totally new at that point in time, and could not have been meaningfully addressed by the government. Thus, a situation existed where a private development agency not only could be in a better position to think about developing a new area of development issues, but government also needed the private agency to do the pioneering work.

In the early stages of LP3ES's development, there were serious internal disorientations that led to a split among both German and Indonesian staffs. One group thought that it was appropriate for LP3ES to become a professional consultant, helping government in the planning and formulation of crucial development strategies. This idea was supported by the reputation the Institute had gained, for example in developing the regional planning board concepts which ultimately became the

government's policy basis for establishing the Bappedas (provincial planning bodies). Such concepts emerged from a series of LP3ES activities, including planning workshops and exercises in East Kalimantan, training in planning techniques for several government officials considered to be among the most important regional government staffs, and research into the feasibility of establishing planning boards at provincial levels, as well as through LP3ES's success in providing a base-line information on the feasibility of wood based industrialisation in East Kalimantan and elsewhere. The support of the government agencies such as Bappenas and the departments of Public Works and Interior added support to this idea of a technocratic role of LP3ES. Concurrently, however, this option was strongly opposed by those who wanted to see LP3ES remain outside the technocratic governmental structure, and who instead preferred to go to the grass roots in order to more directly help the marginalized groups in communities and to focus on addressing such critical issues as poverty, unemployment, people's powerlessness, and so forth. When the discussion resulted in favoring the second opinion, the supporters of the technocratic approach felt they had to leave the institute, which they did. However, in later developments, when the Institute was required to deal with the problem of its future self-reliance (at the time FNS core support began to be phased out, the idea of becoming at least partly a consultant once again was revived.

USAID did not become engaged directly in funding LP3ES until 1979, at which time one of its first offers of support involved helping LP3ES's Klaten branch to promote rural industries. Before USAID became involved, FNS had supported the Institute in conducting base line surveys and comprehensive research, followed by some activities of creating group dynamics among entrepreneurs in rural industries. The idea of promoting rural industries came from ILO, which brought a proposal to AID/Jakarta but did not get approval for funding. The idea was taken over by LP3ES through funding provided by FNS, an organization which saw the significance of and the realities surrounding the issue of rural industrialization. When the FNS terminated its funding, AID came in with a new transfusion of funds to realize the program that had been formulated through the earlier FNS-funded work. When the project was started, Indonesian experience with rural industrialisation was still very limited. Now it has become one of the larger projects of the government, even though the budget available for it is comparatively small when compared to that available for large scale industrialisation. The role of rural industries promotion is now recognized as being of increasing importance, especially when it is placed in the context of agricultural development which requires complementary strategies of employment and income generation of the rural population.

LP3ES is one of the earliest promoters of small-scale industry (SSI) and handicraft development in cooperation with Department Industry. This began when SSI and handicraft promotion was still only a small program or project within the Directorate General of Light Industries. SSI gained its status of special

director general only in 1978, before which time the Industry Department's focus was on promotion of large scale industrialisation. Through a series of projects, implemented in part by LP3ES, which addressed development issues relating to selective commodities concentrated in scattered SSI and handicraft clusters (most of which had emerged during the 1930s), this neglected sector finally gained wider attention from the government as part of employment generation and "pemerataan" (equitable distribution of income and wealth) development policy, that was only included in the GBHN (State Basic Policy) in 1978. This development also was a direct governmental response to the protest movement that culminated in the 1973-1974 and 1978 student riots.

APPENDIX TWO
SMALL SCALE ENTERPRISE DEVELOPMENT FOR INDONESIAN NGOS
(A THEORETICAL APPROACH)

Relevant NGO Capacities

How might NGOs stimulate economic processes and political interactions that clearly can have a salutary impact on the long term viability of Indonesia's equitable growth and stable pluralism? How might NGOs contribute to the Mission's recent emphasis on changing the business regulatory environment? The basis for effective intervention by NGOs exists.

First, NGOs are linked to thousands of small grass roots level organizations and traditional groups which have tremendous potential for stimulating autonomous self - sustaining structures for productive enterprise by interdependent groups.

Second, the leadership of the NGOs hold an ideology that is conducive for small enterprise development. That vision of a society characterized by what is now being called "institutional pluralism" represents a wide variety of new political and economic formats including: decentralization and debureaucratization, deregulation and liberalization. While most of the NGOs remain committed to cooperatives as the preferred structured, enterprise initiatives by Dian Desa with prawn hatcheries and wing bean processing indicate that individual private enterprises can also be successfully supported by NGOs.

Third, the NGO's commitment to rural development, offer an alternative to the GOI's traditional emphasis on urban-based, capital intensive, macro strategies of economic intervention. The GOI's traditional strategies ignore the overwhelming majority of rural peasant communities. Successful intervention by the NGOs might stimulate a burst of new energy throughout the economy not only in the urbanized public and private sectors but far more important among the often forgotten traditional informal sector found among the millions of farmers, merchants and small entrepreneurs living in Indonesia's rural areas. It is to this group that our analysis concerning NGO activity may prove to be most relevant.

Relationship to USAID Priorities

VHP can offer a complementary bottom-up strategy to the Mission's emphasis of influencing the the central government to relax the regulatory environment. Increased self-reliance and self-induced productive activity by traditional, local (indigenous, informal) institutions, evolved and supported by rural people to deal with diverse problems - economic, social, cultural, religious, political etc., offer a way to both increase employment and earnings and to lobby at local and provincial

levels for changes in the regulatory environment. In Indonesia, local officials have consistently impeded the implementation of well-conceived macro-economic policies. Unless there is a complementary set of activities at the local level to influence excessive enterprise regulation, is there any reason to believe that currently planned efforts by the Mission will be more successful? Policy must be implemented in order to be effective, and unless local officials are educated as well, it is unlikely that implementation would occur.

The Theoretical Basis of Institution Building as a Process for Developing Local Economies

Historically, formal administrative systems have often ignored such informal organizations - considering them as unimportant in the process of national policy implementation. The tendency is to rely on the central government to change policy and implement new regulations. Yet in recent years more and more international donors and even central government officials are beginning to recognize that the process of development is too complex, too overwhelming for any administrative system to implement by itself. This is the time to seriously consider local NGOs as an important part of the process. Balanced assistance of this sort is essential if excessive central control is not to inhibit private and local initiative.

We are not arguing for a set of entrepreneurial training interventions by the NGOs. The challenge for VHP and the NGOs is to develop a network of local institutions that can provide support to small entrepreneurs operating primarily in local economies. Most NGOs do not have an entrepreneurial orientation and have not proved successful at providing assistance to individual entrepreneurs (see Strand's report, also Betts re LPPM). But their successes in networking, local institution building and policy impact indicate that they may be successful at establishing a network of existing local formal institutions (banks and business associations) and local informal institutions that can provide the necessary support to individual entrepreneurs.

The SSE focus being suggested in this report requires more than merely providing NGOs with the ability to provide credit, training and support to potential small enterprises in rural Indonesia. Such a focus must go beyond simply even providing these supports separately. There is a need to create inter and intra-local economic linkages and to have organizational networks that disseminate and share information. In fact, the most fundamental local institution for any SSE strategy is the local economy. A local economy is not simply established by the local presence of national economic institutions or by integration of the local community into the national economy. Rather a local economy exhibits some degree of independence from external links and a great deal of mutual interdependence among local producers and households. This not only promotes the

generation of value-added but retains a large part of it in the local area for promoting further SSE development.

The objective of introducing new goods and services to expand the depth and scope of the local economy is to increase the capacity of its components for creating employment and additional income for local households. Some of this income can be invested in other areas such as agriculture, education, nutrition and health. Furthermore, the overall local institutional framework is strengthened when individual enterprises themselves become established as "institutions" which can buttress the capacity of local government activities and other local institutions economically and technologically.

The NGOs are in a much more effective position to work effectively with local institutions than the central government. They recognize these organizations are familiar and accepted because they have been meeting some local needs. There is always the danger that such indigenous local institutions might be coopted into the formal local administrative system - yet lessons from other societies suggest that such a strategy generally proves to be counter-productive. In our review of recent literature on NGOs in the Third World, there is clear evidence that it is usually in the national development interest that rural development strategies should seek to encourage local organizations which are based upon locally familiar and accepted patterns of responsibility, communication, resource mobilization, and decision making.

By focussing their efforts on the institutions that support local economies and the interdependent links between them, the NGOs could make a significant contribution to enterprise development. NGOs, like Puskowanjati and Bina Swadaya, have shown their capacity to develop local credit groups, that allow entrepreneurs access to credit that is not available through banks. As the entrepreneur's needs for accounting, marketing and larger amounts of credit increase will these individual NGOs be able to respond effectively?

Strengthening Local Institutions to Support SSE Development

Strengthening local institutional capacity requires not only time and resource but also appropriate strategies and concepts. Building local capacities is likely to depend more on how support is given than on how much - as this is an area where qualitative considerations commonly loom larger than quantitative ones. Support given in ways that create dependency or that alienate people is likely to be worse than giving none at all, this is particularly true when considering assisting enterprises which by definition have to be independent and self-supporting. Establishing a careful balance between too much support and not enough is a frustratingly complex process that can only be appreciated through a careful analysis of several past USAID supported projects in rural Indonesia. The degree and type of

support depends on the problems that need to be addressed and on the extent of existing capabilities of the local economy and individual entrepreneurs. The kind of support given to local institutions by outside agencies can and often should change overtime (awareness, problem solving, resource acquisition).

Assessing modes of support is made more complicated by the fact that they can occur differently at different levels of action. Many local institutional development activities can be furthered by small NGOs at the provincial level but usually this is the role of larger NGOs. Larger NGOs often work with the smaller NGOs providing managerial and resource support to develop small NGO capacities, so the smaller NGOs can impact more effectively with communities and smaller groups. A comprehensive strategy for enterprise development that supports the different roles of LPSMs and LSMs can play. The importance of defining these roles is especially true if the local economies are going to interact with export markets eg, Alpha-Omega trying to assist seaweed export, Dian Desa - prawn hatcheries and rattan.

The modes of support, that the NGOs will provide, needs to be flexibly defined. Recent years have seen an evolution in thinking about planning and implementing development projects. The previously dominant conception was essentially a "blue print" approach. This assumes that all problems and goals can be identified and agreed upon clearly enough for precise interventions to be specified and carried out according to a comprehensive and detailed plan. This approach is sequential with "experts" and highly qualified technical people needed to conceptualize and design the program. Later, administrative staff will be called upon to implement the program reflective of the detailed plans and procedures defined by the designers. Evaluations of such an approach focus on divergence between actual and planned results, require close adherence to predetermined specifications and generally assumes a project environment that is stable and predictable and project costs that well not change. This type of project seems to be an ineffective way to engage in enterprise development, where timely interventions are required to support immediate business needs. The CJEDP experience seems to validate that this approach is not effective.

Unfortunately in the real world of rural development, objectives must often change if the needs of the peasant-farmer are to be considered. In rural Indonesia people and situations change or unexpected social and cultural requirements frustrate any systems of rigid decision making. In a word, the blue print approach of the contractor or the engineer, while appropriate in building a house or constructing a road, appears less then appropriate when "building people".

What has emerged as an alternative to the "blue print" approach is an approach to project implementation which many are calling the "learning process" approach which simply requires a willingness to continually assess an revise one's program or

strategy. The learning process approach assumes a system of people (for the purposes of this report it include the staff of large and small NGOs as well as the actual members of small groups and rural institutions) interacting over time - generating ideas, trying out and implementing such ideas, identifying problems, and correcting errors in a mutually beneficial way. In non-defensive ways (see the section of this report dealing with project assessment workshops) weaknesses, problems, and mistakes are all treated as useful information, discussed openly and candidly. Such errors are to be expected in any process of growth, they are not used to punish people or considered as a sign of weakness or failure. All participants (leaders, followers, administrators, and staff) are encouraged to face the reality of their situation, learn from their mistakes, openly seeks new solutions, neither seeks to place blame or to refer his or her problems to others (outsiders or perceived superiors). Such a process is not common in typical bureaucratic environments nor will it be commonly found in typical groups of rural peasants. For example, initial efforts by small NGOs working with various groups in the villages of many countries in Africa and Asia, seem to confirm that such a learning process approach is not only possible but absolutely critical if such groups are to become autonomous and self sustaining. What are the prerequisites of this process. First, the projects attempted should be small and relevant to a specific group of peasant farmers who have a vested interest in solving their problems or meeting their felt needs; second, such groups must go through several iterative experiences in project planning, implementing and success or failure. By starting small and being careful to select projects that have high potential for success, the sequences of such experiences over time with more success than failures should generate the necessary confidence and commitment to tackle larger projects, more complex activities, even the establishment of self-sustaining institutions independent of outside involvement. Third, it is important that the NGO staff (facilitators) be carefully trained, be people who understand these processes and have the skills to share such processes with the individuals of a rural community with sensitivity and competence. Such NGO personnel must be trained to initiate and eventually institutionalize the learning process approach with its focus on gradually building the awareness and the skills needed to successfully make their projects self-sustaining.

Experiences in a wide variety of Third World situations have documented not only the appropriateness of a learning process approach, but the absolute necessity of such an approach if rural local institution building is to be self-sustaining. Some governments and donor agencies may think that "learning process" is nothing very new, that they operate according to "rolling plans" and undertake mid-project reviews to make corrections in plan activities. Such plans, however, still presume that some formal document controls actions and that its preparation is the task for skilled professionals. Learning process does not organize activities into strictly sequential stages, since plan ning, implementations, and evaluation are

regarded as overlapping. Moreover, in a learning process intended beneficiaries are expected to contribute much to the planning, implementation, and evaluation activities along with professionals, which more "formal" planning approaches do not provide for.

Development professionals acknowledge that projects seldom follow the original plans closely. Reasons for alterations range from admitting that certain assumptions did not prove correct, to changes in the political environment that occurred while waiting for final approval of the project. Yet even the new or altered documents or the unwritten reformulations that serve as "shadow plans" are more likely to represent administrative experience than a self-conscious assessment of experience unless an explicit learning process stance is taken. Introducing, mid-project evaluations and corrections is better than not having any. But they only convert projects from being a rigid highly structured format of rules and deadlines to a more flexible system of administrative requirements and mid-project alterations. Unfortunately many donor agency efforts to improve project performance in recent years have resulted in the adoption of more complex and bureaucratized requirements and procedures for identifying, preparing, appraising, and implementing projects, even as the desirability of more flexibility has become increasingly evident. Ironically the introduction of more frequent and extensive evaluations of projects contributes to more rigidity when it gives implementors more reason to adhere to initial project designs. Deviations from the design may require not only protected bureaucratic hassles but may have to be justified later on to evaluators. If one could be certain that a particular modification would produce better results, these would protect one from criticism. But there are more ways for an innovation to go wrong than to succeed, and making adjustments involves personal risk on the part of implementors. Since bureaucratic systems penalize "failure" much more readily than they reward "success", most incentives in government and donor agencies work against a learning process approach. Incentives for innovation and adaptation are reduced when evaluation will be undertaken with reference to initial project documentation. The learning approach has been indicated in a variety of rural development projects where flexibility and openness to change have been institutionalized. Such flexibility is important not only for arriving at institutional arrangements suited to and sustainable in the circumstance but also ones that local population regard as "theirs" and for which they will take responsibility.

Small scale enterprise (SSE) (commercial activities performed beyond the subsistence requirements of individual families) becomes especially important in Third World Societies where their growing populations are not fully and remuneratively employed in the agricultural sector or are not being absorbed into jobs in urban, large scale industry. Since neither agriculture nor industry are producing sufficient employment for many of the rural areas in Indonesia, large and growing portions of the

population of Indonesia must engage in activities such as artisan manufacturing or petty trading simply to sustain their household. Because these activities are generally not registered, regulated, or recognized by the GOI, and are usually quite precarious financially, they are often classed as "informal" or "marginal" despite the fact that a significant majority of the population may be involved in them. Perhaps as much as 40 percent of the labor force in the rural areas of Indonesia (including rural loans) depends on non-farm activities as an important source of employment and earnings.

Although many donor agencies and NGO groupings see SSE activities in rural Indonesia as a set of economic opportunities primarily for small holders or the landless, such activities also represent employment and earning possibilities for many rural residents, not only for the poorest. Often in fact, SSE activities arises out of rural households' search for supplementary sources of income that can be combined with agriculture. Thus SSE should not be seen only as a full-time alternative of farming.

The GOI and various international donors in Indonesia have long been interested in providing jobs for the rural poor if only to slow the rate of rural-to-urban imigration. These efforts have failed partly because of lack of appropriate institutional development strategies. The focus on increasing the number and viability of nonagricultural enterprises has usually overlooked the importance of institutional networks that can sustain and expand SSE activities through horizontal and vertical linkages. Moverover, "profitability" has too often been regarded as an end in itself rather than as something that can contribute to the "institutionalization" of long term productive enterprises. Many SSE projects supported by international donors and local NGOs tend to reflect short-term project demands (administrative and budgetary) rather than in achieving longer-run pay offs.

The limitations of dealing with SSE development activities in the same way as with large scale commercial operations have become increasingly evident. Many SSE programs throughout the Third World are beginning to work with and through groupings of enterprises where both the enterprises and the groups are quite small. Loans and technical assistance are more commonly provided to the groups which in turn distribute or disseminate the funds and services among members who accept mutual responsibilities for their productive use, even repaying loans of fellow members of those become overdue. Regular payments are decided upon and monitored by the group and handled by its representative. This not only lowers administrative and transaction costs but help assure repayment so that the funds are truly "revolving", making such program of SSE assistance both more effective and efficient. Unfortunately, most programs established to premote SSE tend to focus specifically on the individual groups organized to develop such income generating activities, without considering the horizontal and vertical support systems needed to ensure long-term sustainability. For the GOI, donor agencies and NGOs to

effectively support SSE in rural Indonesia, it will be necessary to work with and through a variety of different intermediary institutions, private businesses, which provide goods and services for a fee or price, various service organizations, which often operate revolving loan fund and a not-for-profit basis, various private voluntary organizations, cooperatives, and small scale enterprise development groups. Various organizational development services such as staff in service training can be provided to such organizations, which in turn can then help develop small-scale enterprises.

Suggestions for Implementation

The VHP office should seek to identify specific NGOs and other support systems (Entrepreneur Training Centers, Local Banks, and other business development agencies) which can be strengthened to provide help in the development of skills in project design and implementation, and with the diffusion of information on activities that support enterprise development. An NGO like LP3ES in the Small Scale Industries - Klaten (GA83-3) for example has arranged technical assistance in micro enterprise program design and evaluation, business management and planning, socio-economic survey work and staff training and development for a variety of smaller groups committed to SSE. Such supports are crucial where smaller NGOs must operate on a severely limited budget. USAID must recognize that enhancing NGOs capacity to encourage local enterprises directly goes beyond strengthening the capacity of individual NGOs. An important aspect of their becoming more stable and productive involves creating some division of labor among these NGOs in order to focus on different aspects of the SSE development process.

This principle can be understood by suggesting how banks would function in credit provision in a coordinated way with the NGOs. In an uncoordinated situation, all NGOs might be giving many different kinds of aid including credit for which some do not have a comparative advantage. GOI policy might be structured to provide incentives to local bank branches to increase their lending for SSE, recognizing that banks (which do not function as charities) have higher repayment rates than other kinds of institutions. At the same time, other NGOs could be encouraged to help identify potential borrowers and back them up with technical assistance, training etc. Different NGOs should be encouraged to specialize in doing what they do best. Such a strategy of course assumes good working relations among borrowers, NGOs and SSE support agencies and that horizontal linkages will be developed between banks and such groups so that a network of SSE support activities becomes institutionalized.

In the long run SSE support is intended to increase the size or improve the stability of enterprises however small or fluctuating they may be. The most appropriate kinds of assistance, types of programs, and mode of intervention will greatly correspond to the levels of enterprise development

represented by differences in size and sustainability. At the very lowest level in the process of SSE development are individual peasant/farmers who have many social and economic disadvantages and who are practically outside the stream of economic production and income. How one deals with them is quite different from how one deals with formal enterprises in an urban environment. Somewhere between those two extremes are what might be called as "pre-entrepreneurs" in the same sense that some governments have set up programs to work with "pre-cooperatives" for some period of time to establish seriousness of purpose and to impart necessary management skills before the enterprise can qualify for registration and assistance as a full-fledged cooperative. The SSE support strategy being recommended in this report assumes that AID-supported NGOs must think in terms of a continuum of orientations and capacities with different kinds of support being appropriate at different levels. Depending on the size and complexity of the enterprise being supported, the kinds of support that are most effective will differ substantially.

Successful SSE programs will depend on the availability of inputs, access to targeted markets, and technical and managerial skills to produce the particular good or provide the service. Obviously SSE projects can include processing of agricultural products such as fish canning, grain milling or leather tanning, manufactured of products such as rattan furniture, bamboo mats, or agricultural implements; trade and marketing, including hawking, retailing, or even wholesaling; and services such as transport and restaurants - to mention just a few of the potential activities.

The strategy for SSE development in this report rests on the assumption that a pluralism of local institutions makes sense to Indonesia's long term efforts to implement economic, social and political development programs. USAID has the opportunity to support foreign and local NGOs efforts to strengthen SSE activities in rural Indonesia. It also assumes that USAID support should not be directly involved in assisting small scale enterprises but rather to support activities which stimulate a proliferation of NGOs committed to nurturing the expansion of local markets for goods and services or for supply of inputs: labor, equipment, raw materials, capital, etc. and perhaps even more important, NGOs committed to strengthening local support systems in the rural areas of Indonesia. Such NGOs may channel financial resources, training, technical information, etc. to various SSEs in ways that create mutual regard and interdependence with local institutions supplying credit, raw materials, and marketing connections thereby building up these support systems for self-sustaining service roles. When such support systems are bypassed, local enterprises will remain dependent on more remote external sources of support. Local institution of credit, marketing and other support activities are in a much better position to assist nonagricultural enterprises and nurture market and related institutional development as they are rooted in the locality or community. It must be understood that USAID support for such NGOs must always be judged with

regard to (1) increasing the size and stability of local small enterprises and (2) making the local institutional environment both more pluralistic (greater diversity of institutional groupings) and more favorable for enterprise expansion.

The strategy being suggested requires USAID to support NGOs who will first focus on enhancing the services that various support institutions (credit, market etc.) are equipped to provide and with encouraging relationships among local support institutions, including cooperations and division of labor among those local institutions which provide support to SSE development. Services must be provided to local enterprises in such a way that a more permanent capacity shared among various local and national institutions will be established to strengthen small scale enterprises throughout the rural areas of Indonesia. One needs to be concerned with how assistance is rendered, since this may be as important as what is done for them.

USAID should strongly encourage the larger NGOs in their efforts to stimulate and work with smaller NGOs. Such smaller NGOs have an excellent opportunity to encourage close linkages between small enterprises to any and all support elements in their local environment. This includes other enterprises, even competitors, who may derive mutual benefit from some degree of cooperation. Too often an outside agency seeks strong vertical linkages only with itself for purpose of guidance and control. These inhibit horizontal linkages with other SSEs, or even vertical linkages with other sources of support. An enterprise's gaining acceptance from others for operating in what they deem appropriate ways substantially enhances its long-term prospects and is the hallmark of "institutionalization".

For USAID to be most effective in providing assistance to SSEs, which are usually diverse and dispersed, it will clearly be more appropriate to work through local NGOs committed to implementing a SSE approach to development in Indonesia. Several NGOs in Indonesia have clearly benefited from VHP fundings. Bina Desa, Bina Surabaya, and LP3ES are all examples of NGOs with a major commitment to SSE development in rural areas, where under employment and poverty plague large numbers within Indonesian rural communities.

APPENDIX THREE SIMPLIFIED COST BENEFIT ANALYSIS

NGOs in Indonesia seldom if ever try to conduct even a rudimentary form of cost-benefit analysis on projects they implement. Such an analysis usually would be more demanding of funding, time, and technical expertise than most NGOs can provide, still the simplified form of cost/benefit analysis being suggested here can provide some preliminary basis for judging the impact of various projects. A fundamental weakness in many NGOs is their inability to judge potential projects which leads them to choose inappropriate and inefficient approaches to meeting needs. It should not be too surprising that NGOs in Indonesia seldom have the ability to compare the relative rates of return of projects, or and in fact may often be unaware of whether projects are capable of returning more benefits than they cost.

Typical food relief/infrastructure construction projects rely on a basic blue-print orientation in which careful pre-planning results in a highly structured plan of distribution and implementation with contingencies accounted for and procedures and basic routines accurately defined. Evaluations of such an approach focus on divergence between actual and planned results, require close adherence to predetermined specifications, and generally assume a project environment that is stable and predictable, one in which project costs will not change.

Far more difficult for the NGO committed to pursuing a new course in development, is the problem of implementing and evaluating community and individual development projects which rely as much on local indigenous resources as external donor resources. Intensified use of local resources creates project time frames that are much less apt to have a simple schedule of activities with a neatly prescribed project completion data.

In the long run, serious self-sustaining development in the Third World in general, and Indonesia in particular, must begin to shift away from a reliance on outside/externally induced project development. Our review of Co-Fi financed NGO projects in Indonesia identified very few projects that had been replicated and/or even able to stand alone without continued funding and support from government and/or NGOs. Yet without some mechanism by which small projects can be replicated and widely distributed throughout rural Indonesia, especially the outer islands, any advantages assumed to rest with NGO projects will remain isolated and limited in their impact.

Also, as one compares the smaller NGOs with larger ones, it becomes clear that smaller organizations simply do not have the resources (personnel and funding) to conduct careful program design work, to conduct the necessary research and comparative review work needed to remain at the cutting edge of development project effectiveness, to maintain close and consistent monitoring systems, and finally to do the kind of indepth

evaluation work needed to learn from successes and failures. Few small NGOs have the leadership and managerial skills to implement any type of strategy relevant to the issues of sustainability and replicability. So what is the solution to this seeming impasse?

First, NGOs operating in Indonesia should be trained in three types of evaluation methodologies: (1) "Simplified Cost/Benefit Analysis" ; (2) Project Assessment Workshops and (3) Process documentation. Such training is recommended more for the increased awareness of what constitutes effective management, which should be a result, than from any insistence that such an approach must always be implemented in all types of projects. Many NGO staff, especially those with less of a "positivist" orientation to social science research will argue that cost-benefit analysis is simply inappropriate both because the "truly significant aspects" of a development project (changes in attitude, experiences in consciousness raising, greater awareness of appropriate technology, and higher levels of expectation) simply cannot be quantifiably documented and perhaps more important, the long term implications of many such projects simply have not "flowered" by the time the cost-benefit analysis needs to be preformed. This argument is probably correct, nonetheless such training will provide significant implementation benefits if provided.

Second, it is strongly recommended that USAID Jakarta support the development of a comprehensive information system which would start collecting case study material, outlining appropriate technology specifications, implementation strategies, prerequisite for community acceptance and long-term sustainability derived from the information collected about projects. Such an information system would categorize various projects into various sector-specific areas of activity. Utilizing such carefully documented materials, appropriate technology and small scale enterprise experts could slowly begin to put together a catalogue of potential project formats appropriate for different NGOs. Such a catalogue properly ought to include: (1) all pertinent research information relevant to the technology and/or related small enterprise; (2) background material on how, when, and why the technology and/or related small enterprise activity was adopted and then adapted to specific locations, (3) a simplified project evaluation system could be established allowing potential NGO users to compute comparative benefit-cost ratios by applying local cost factors, different adaptation levels, assumptions about local cultural factors, etc., and finally (4) develop a set of selection criteria for smaller NGOs with limited technical capabilities to use in their own project design and implementation activities.

Between the demands for carefully documented benefit-cost analysis by experts in evaluation - regardless of cost and the unwillingness of many NGOs to consider any type of evaluation as appropriate rests a middle ground. While it is true that fairly sophisticated evaluation procedures utilizing randomized experimental designs have been used in Third World settings,

still such rigorous methodologies are simply too expensive to be applied broadly by AID or any other major donor agency, especially when hundreds of smaller projects are to be reviewed.

The middle ground between the two mentioned extremes rests on the assumption that some type of long-term learning process needs to be implemented by which NGOs could obtain information about what works and what does not. Anyone familiar with Third World rural areas is very much aware of the numerous simple technologies and small enterprises that appear to spring up almost spontaneously often quite independent of any government program and/or NGO activity. While recognizing that factor prices and operating environments vary widely across Third World countries, still some generalizations may gradually be developed about how and why certain technologies are adapted and how and why certain enterprises succeed in a variety of cultural, social and economic environments.

Attached is an example of this "middle ground" approach to cost-benefit analysis suggests NGOs should use. This methodology is based upon the work of several research associates of D.A.I. who field tested this cost/benefit analysis approach in Kenya and Niger. It was modified by this evaluation team and is presented here as a model that may be appropriate for use by NGOs implementing programs for VHP. The information collected by PVOs from this model can be used as the basis for the proposed information center that is recommended.

The objectives for the analysis would be established with the beneficiaries as part of an on-going process of "action-research and monitoring", that benefits the participants as well as the implementors and the donors.

The forms on the following pages are an example of how such a cost benefit evaluation methodology might be designed. Some examples of benefits in kind are presented, derived from the Dian Desa rain catchment construction project in NTT/NTB.

PROGRAM PROCESS APPROACH TO COST BENEFIT ANALYSIS

DIAN DESA GA86-4 KUPANG WATER CACHMENT DATA - OCTOBER 1987

(1) BENEFITS IN KIND	(2) NUMBER OF BENEFICIARIES TYPICAL GROUP	(3) VERIFI- CATION LEVEL	(4) VALUE (\$) ANNUAL BENEFITS RECURRING PARTICIP COST PER PARTICIP PER YEAR PARTIC	(5) ANNUAL PROJECT COST PER PARTICIP TO DATE	(6) PROJECT COST PER PARTICIP TO DATE	(7) LOCAL COSTS: LABOR MATERIALS CASH	(8) RATIO NET BENEFIT 7 YR LIFE TANK

CONSTRUCTION OF NEW CACHMENTS	10 FAMILY	HIGH		UNKNOWN	\$97.56	\$164.40	
INCREASED INCOME FROM IRRIGATED GARDEN SALE OF SECOND CROP CORN 200 SQ MT		LOW	\$109.76				
CATTLE FATTENING FROM CORN COBS 150 KILOS*RP1000		LOW	\$91.46				
INCREASED INCOME FROM LOWER WATER PURCHASES RP2000/WK*4MO			\$24.00				
BETTER HEALTH 5 WORK DAYS/YR MEDECINE \$10			\$15.00				

TOTAL			\$240.22		\$97.56	\$164.40	\$1,419.58

EVALUATION FORMAT FOR IMPACT ON PROCESS OF DEVELOPMENT ACTIVITY

BENEFIT GROWTH

ADOPTION OF PRACTICES RECOMMENDED BY PROJECT

0=NONE
1=LESS THAN 1/3
2=MORE THAN 1/3
3=MORE THAN 2/3
ADOPTED BY PARTICIPANTS

INDIVIDUAL FARM, HOUSE ENTERPRISE IMPROVEMENT
0=NONE BEYOND PROJECT
1=LABOR
2=MINOR CASH INVESTED
3=MAJOR CASH INVESTED AFTER PROJECT

NEW ACTIVITIES BEYOND PROJECT AT LOCAL LEVEL
0=NO ACTIVITIES
1=TEMP MOBILIZATION
2=LOCAL LEADERS SUPPORT ON-GOING ACTIVITIES
3=FORMAL ORG. OVERSEES ON-GOING ACTIVITY

INFLUENCE ON GOVT POLICY
0=ONLY FORMAL APPROVAL
1=COORDINATION WITH GOVT
2=ACTIVITIES TO INFLUENCE POLICY
3=POLICY CHANGE

INFLUENCE ON
OEP HEALTH POLICY

SELF RELIANCE FOR
MAINTENANCE

SELF RELIANCE FOR
NEW ACTIVITIES

BENEFIT CONTINUATION EVALUATION FORMAT

LOCAL ORGANIZ- ATIONS AND PROJECT DECISIONMAKING	PARTICIPANTS' CONTRIBUTION TO PROJECT	ADEQUACY OF PROJECT MECHANISMS FOR MOBILIZING RESOURCES
0=NO ORGANIZATION EXISTS 1=PEOPLE NEWLY ORGANIZED, VIABLY QUESTIONABLE 2=GROUPS ASSUMED SOME DECISIONS FOR PROJECT 3=PEOPLE FULLY RESPONSIBLE FOR PROJECT SERVICES	SERVICE TYPE INFRASTRUCT. 0=SERVICES FREE 0=PAID LABOR 1=SERVICES 1=LABOR FOR SUBSIDIZED FOOD FOR WORK BY PROJECT 2=PEOPLE COVER 2=CASH/LABOR SOME COSTS ON 1/MORE TIMES 3=PEOPLE COVER 2=CASH/LABOR ALL COSTS CONTRIBUTED REGULARLY	0= EXTERNAL SUBSIDY REQUIRED FOR ONGOING 1=LOCAL RESOURCES ADEQUATE BUT NO LOCAL GROUPS FOR MOBILIZING 2=RESOURCES AVAILBLE GROUPS EXISTS, NOT PROVEN YET 3=LOCAL RESOURCES TAPPED BY LOCAL EXISTING GROUPS

**APPENDIX FOUR
LIST OF PERSONS INTERVIEWED**

Mr. Ambar	YIS/Solo
Ms. Annie	CRS/Jakarta
Mr. Daniel Ayamaseba	Former Director of Anthropology Institute of University of Cendrawasih.
BAPPEDA/NTB	Mataram/Lombok
Dr. Bimo	Director YIS
Ms. Marge Bonner	PPS/USAID
Ms. Margaret Brown	ARD/USAID
Mr. Budi	Trainier YDD/Yogyakarta
Mr. Budiharso	Field Coordinator YDD/Maumere
Ms. Henny Buftheim	Proj. Officer CIDA
Mr. William Carter	Chief VHP/USAID
Mr. Chrisbandono	Trainer YDD
Mr. Christianto	CRS/Jakarta
Mr. William Cole	PPS/USAID
Ms. Andra Corrothers	VHP/USAID
Ms. Frances Costic	Consultant Plan
Mr. Dipo	Hatchery Manager YDD/Jepara
Ms. Bianti Djiwandono	Progr. Officer Ford Foundation
Ms. Cinnamon Dornsife	Associate Representative, TAF
Mr. Larry Fisher	Ford Foundation
Mr. Ismed Hadad	Redekon, Former LP3ES Director
Mr. Sutrisno Hadikusumo	Deputy Director YIS/Solo
Mr. Gordon Hein	Director The Asia Foundation
Mr. Donatus Houre	Director YASPEM

Ms. Maria Zaffril Ilyas	Chief PUSKOWANJATI
Mr. Iskandar	Program Coordinator CARE
Mr. Frans Itja	Director Alfa-Omega
Mr. Jay Jackson	Director CARE
Ms. B. J. Juico	Deputy Contract Manager, USAID
Mr. Damasus Kaut	CRS/Jakarta
Mr. David Korten	Former consultant USAID
Mr. Daniel Kraushaar	Director HKI
Ms. Deria Kusumawati	Alfa Omega
LPTP/Solo	Director and Accountant
Mr. Paul Lundberg	UNDP Repr. in Irian Jaya
Mr. Zainuddin M.	Director LP3ES/Klaten
Mr. Aswab Mahasin	Former Director LP3ES
Mr. Timothy Mahoney	PPS/USAID
Mr. Umar Maskuri	Chief Co-op (prawn)/Jepara
Mr. Mulyanto	Assistant Chief Repr. CARE/Lombok
Mr. Murdjito	YIS/Solo
Mr. Johanis Ndapaloka	Alfa-Omega
Mr. David Nelson	Acting Director VHP/USAID
Mr. Gregorius Gleko Nong	Director LPUT/Yaspem, Maumere
Mr. Victor Pandjaitan	VHP/USAID
Mr. Brian Penniston	Chief Repr. CARE/Lombok
Mr. Marti Poland	Director Save The Children
Mr. Agus Purnomo	Director WALHI
Dr. Rajahaba	Director Ie Rai
Mr. Bernard Salvo	VHP/USAID
Mr. Bambang Samekto	CRS/Jakarta

Mr. Adi Sasono	Director LSP
Mr. Markus Stevenson	Contract Manager/ USAID
Mr. Anton Sujarwo	Director Dian Desa
Ms. Christina Sujarwo	Repr. Director Dian Desa
Mr. Edwin Sujarwo	Hatchery Dian Desa/Jepara
Mr. Herman Sujarwo	Workshop Manager Dian Desa
Mr. Patrick Sweeting	Director OXFAM
Mr. Craig Thorburn	TAF Repr./ Kupang
Mr. Tori	Cadre Coordinator YDD/ Maumere
Mr. Frans Tugimin	YIS/Solo
Mr. Gordon West	EED/USAID
Ms. Emma Wibowo	YIS/Solo
Mr. Michael Wiest	Director CRS
Ms. Erna Witoelar	Director YLK
Mr. Romanus Woga	Director BK3D/Maumere
Ms. Yoce	YASPEM

**APPENDIX FIVE
GLOSSARY**

AID	United States Agency for international Development
BAPPEDA	Badan Perancang Pembangunan Daerah, Regional Planning Board.
BAPPENAS	Badan Perancang Pembangunan Nasional, National Planning Board.
Bina Desa	Also called INDHRRA, the Indonesian Development for Human Resources in the Rural Area.
Bina Swadaya	Also called Yayasan Bina Swadaya, an Indonesian NGO promoting Usaha Bersama (pre-cooperative groups).
BINGO	Big Indonesian Non Governmental Organization.
BK3S	Badan Kerjasama dan Koordinasi untuk Kesejahteraan Sosial, Coordination Bureau for Social Welfare.
CARE	A US private voluntary organization.
CDSS	Country Development Strategy Statement, a long term plan of a USAID mission.
Co-Fi	Co-Financing Project for NGOs of VHP/USAID.
CIDA	Canadian International Development Agency.
CRS	Catholic Relief Services, a catholic based USNGO.
DNIKS	Dewan Nasional untuk Kesejahteraan Sosial or National Council for Social Welfare of the Department of Social Affairs.
Dian Desa	Also called Yayasan Dian Desa, an Indonesian NGO that promotes Appropriate Technologies.
FNS	Friedrich Nauman Stiftung, a foundation affiliated with the Liberal Democratic Party of Federal Republic of Germany.

FES	Friedrich Euman Stiftung, a German funding agency.
GAO	The General Auditor Office.
GOI	The Government of Indonesia.
Group of 13	See Kelompok 13.
HKI	Helen Keller International Incorporated, a USNGO that promotes blindness elimination.
IBRD	Integrated Bureau of Rural Development
INGO	Indonesian Non Governmental Organization.
IPVO	Indigenous private voluntary organization.
KAS	Konrad Adenauer Stiftung, a German funding agency.
Kelompok 13	"Group of 13" a working group and communication forum consist of 13 Indonesian NGOs trying to establish a vertical relation with key government officials. This working group consists of: Bina Swadaya, Bina Desa, Dian Desa, LBH,, LP3ES, LSP, PEKERTI, PKBI, P3M, WALHI, YIS, YLK, and YPMD.
LBH	Lembaga Bantuan Hukum, Legal Aid Institute.
LINGO	Little Indonesian Non Governmental Organization.
LKMD	Lembaga Ketahanan Masyarakat Desa, an Indonesian village development board.
LP3ES	Lembaga Penelitian Pendidikan dan Penerangan Ekonomi dan Sosial or the Institute for Economic and Social Research, Education and Information.
LPSM	Lembaga Pembina Swadaya Masyarakat, Promoter Organization of Community Self Reliance.
LSM	Lembaga Swadaya Masyarakat, community self-reliance organisation.

LSP	Lembaga Studi Pembangunan, Development Study Institute, an Indonesian NGO.
MISERIOR	a catholic based German funding agency.
NGO	Non Governmental Organization
NOVIB	a Dutch humanitarian funding agency.
NTB	Nusa Tenggara Barat, West Lesser Sunda Islands Province.
NTT	Nusa Tenggara Timur, East Lesser Sunda Island Province.
NU	Nahdlatul Ulama, the Resurgence of Ulama or Moslem Scholars.
ORMAS	Mass Organization Law of Republic of Indonesia, passed July 1987.
PIO/T	Project Implementation Order/Technical Services.
PKBI	Perhimpunan Keluarga Berencana Indonesia, an Indonesian NGO that promotes family planning.
Plan .	Parent Foster Plan, a USPVO.
PUSKOWANJATI	Pusat Koperasi Wanita Jawa Timur, Center of women cooperative of East Java.
PPS	Program and Project Support Services of USAID.
PVO	private voluntary organization.
TAF	The Asia Foundation, a USPVO.
UNDP	United Nation Development Agency.
USPVO	United States private voluntary organization.
USNGO	United States non governmental organization.
VHP	Voluntary and Humanitarian Program, a USAID section which deals with voluntary and humanitarian activities.
WALHI	Wahana Lingkungan Hidup, an Indonesian NGO that promotes awareness for good environment.

YASPEM	Yayasan Pembangunan Masyarakat, an Indonesian NGO for community development in Sikka, Flores.
YDD	Yayasan Dian Desa, see Dian Desa.
YEM	Yayasan Essentia Medika, an Indonesian NGO that promotes public health.
YIS	Yayasan Indonesia sejahtera, an Indonesian NGO that promotes public health.
YIH	Yayasan Indonesia Hijau, a government affiliated NGO that promotes reforestation and environment.
YLK	Yayasan Lembaga Konsumen, an Indonesian NGO that promotes consumers' awareness.
YKB	Yayasan Kusuma Buana, an Indonesian NGO that promotes health.
YPMD	Yayasan Pembangunan Masyarakat Desa, an Indonesian NGO assists in research and community development in Irian Jaya.
YTKI	Yayasan Tenaga Kerja Indonesia or Foundation for Human Resources Development.

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