

PD-AAX-401

INDONESIA
Action Plan FY 1985

BEST AVAILABLE

INDONESIA

MISSION ACTION PLAN - PROGRAM WEEK FY 1985

This Action Plan builds on the plan submitted in the FY 86 ABS that was reviewed during Program Week in June 1984.

Strategy Recap

The FY 85 CDSS, approved in 1983, analyzes development problems and prospects in Indonesia and describes the Mission's program strategy for the remainder of the 1980s. The strategy focuses on three major development goals: 1) expanding productive off-farm employment; 2) increasing and diversifying food production and strengthening related resource management; and 3) improving primary health care and developing further the family planning program with more emphasis on integration. The strategy also outlines the Mission's plans to support human resource development in fields related to the three areas of focus noted above.

To work toward these goals, the Mission's top priority remains institution building, particularly the development of management and technical skills. Other priorities are improving policy analysis through support for research and experimental projects, and expanded policy dialogue with Government; introduction and adaptation of technology through training, technical assistance, and field trials; and, in a modest way, the development of the Indonesian private sector. The Mission's target group continues to be the rural poor--small farm owners and entrepreneurs, with consideration for women's roles. In the late 1980s, however, the Mission anticipates the possibility of a gradual shift of focus to town and urban centers, areas which are expected to grow rapidly during the decade and which must become a location for substantial off-farm employment. The Mission began to assess possibilities in FY 84 and will continue to do so in FY 85/86. During the CDSS period, although a substantial part of the Mission's program will continue to be found on Java, a larger portion of activities will be focused on selected outer island provinces. This increased presence is evident in the FY 85 - FY 87 programs which respond to renewed GOI emphasis on outer island provinces.

The Achievement of Benchmarks Established in FY 1986 ABS Action Plan

A. Strengthening Food Production and Related Resources Management

<u>FY 85/86 PLAN</u>	<u>STATUS</u>
1. Synthesize findings of HPSIS experiment/ Sederhana project assessment and use in design of new irrigation project. Design and obligate Small-Scale Irrigation project by 6/85.	Conclusions from Sederhana assessment presented to Ministry of Public Works on February 28. HPSIS analysis not yet complete and final results expected in late 1985. Findings from both studies used in designing new project. Project Paper to be completed in 4/85 with obligation in 7/85.
2. Continue follow-up of AARP project, extend for 1 year and derive lessons learned for new Ag. Sector project. Design and obligate Ag. Sector Research project by 7/85 for FY 85 obligation.	Extension of AARP activities beyond current PACD of 9/30/85, as well as new project components, will be incorporated into an amendment of AARP (instead of a new project) targetted for 3rd quarter of FY 85. PID-like cable submitted to AID/W.
3. Complete contracting of Ag. Planning project.	Contract advertised 1/26 in CBD. RFP issued 2/11/85. Proposals to be received by 4/11/85. Contract planned to be executed by end of 3rd or middle of 4th quarter.
4. Evaluation Small-Scale Fisheries project for effectiveness, lessons learned for Aquaculture project, and possible PACD extension for melding elements with new project. Assess needs of Fisheries Faculty at Pattimura University for possible assistance under Aquaculture project for FY 86 and produce PID for same.	Based on completed FY 85 comprehensive sector feasibility study and planned in-house evaluation of selected activities under Small-Scale Fisheries (to take place in March), recommendation for termination or PACD extension will be made. Concept paper for new project, which includes Pattimura University, completed and PID to be drafted by end of FY 1985 for FY86 obligation.

5. Evaluate East Timor CRS Project. Possible follow-on activities in FY 86 or FY 87.

Evaluation completed 12/84 with generally favorable findings. CRS/Jakarta has proposed 22-month extension of ETADEP for approximately \$1 million, but CRS/NY has not yet approved. Current grant ends September 1985, but funding available to carry into early FY 86. Mission awaiting formal proposal from CRS New York, and anticipates early FY 86 action.
6. Initiate field activities under Upland Agriculture Project.

CPs for activities to be implemented prior to April 1, 1985 were met February 24, 1985.

Socio-economic studies are underway and some completed by AARD and two USAID contracts with universities. These have focussed on characteristics of sites, including land ownership, seasonal migration, and farming systems.

Organizational meetings with all field elements and cooperating ministries have been held.

Sites for Farming Systems Research activities, expansion areas, and roads have been located.

Offices for Project Coordination Office, Project Management Unit, and consultants have been assigned. The field organization has been assigned and is in place.
7. Undertake 2-3 policy analyses targetted at this element of strategy.

RFPs for TA drafted and under review by GOI. Ag. research, aquacultural resources and irrigation policy analyses have been undertaken and new project designs reflect USAID policy and program proposals. Secondary Food Crops policy issues to be addressed via BULOG/Stanford study. Several other studies in this sector reported in policy paper attached.

8. Evaluate effectiveness of decentralized planning procedures under PDP I and II.

Assessment scheduled to start May 1985, results by late 1985. The assessment will measure three major project objectives:

- strengthen and develop local government institutions, including effectiveness of new planning systems;
- provide direct benefits to poorer rural families, including effectiveness sub-projects planned and implemented locally;
- strengthen the central government agencies responsible for providing guidance and support to local government.

9. Complete PID (mid FY 85) and undertake design of new Outer Islands Development project.

Draft concept paper completed February 20 for project that will concentrate on land transport systems and maintenance on outer islands. Expect PID to be completed by late FY 85 and obligation in FY 86.

B. Increasing Off-Farm Employment

FY 85/86 PLAN

STATUS

1. Implement revised Title II FFW project to maximize off-farm employment.

CRS, with the assistance of a consultant, has started to implement the revised FFW program. Mission obtained \$1.5 million grant funding to strengthen CRS TA and training capacity.

2. Complete contracting for Private Sector Management Development project targetted for early FY 85 start-up.

Contract activities have been split between short-term training and long-term TA for training, consulting, outreach and research. Contractor for short-term training has been selected; contract being negotiated and should be signed in March 1985.

Prequalification statements are being reviewed for long-term TA. LPPM (Institute for Management Education and Development) plans to interview shortlisted firms and award contract by end of FY 85.

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| 3. Amend Private Sector project to include feasible elements of CJED project by 06/84. | Amendment completed as scheduled; RFP issued 02/19/85; proposals due 04/22/85; selection by 06/01/85. Contract 07/01/85 and start-up 08/01/85. |
| 4. Complete analysis of employment sector and strategy by early FY 85. | Final draft of report completed and under review by Mission. Draft available during Program week. |
| 5. Evaluate Private Sector project late FY 85. Prepare FY 86 project amendment to incorporate findings and add additional \$5 million in FY 86. | Evaluation postponed because start-up delayed by lengthy contract negotiation. Now scheduled for mid FY 86. Decision to add funds in FY 86 being reviewed. Further assistance to implement tax reform requested by GOI and may be main feature of amendment. |
| 6. Start up of FID October 1984. | RFP for consultant issued 02/08/85, some activities proceeding but full-scale project start-up likely 08/85. Delay of 6 months. |
| 7. Collaboration with PRE on JACC, YPO and other AID/W initiatives. | On-going, on schedule. Local JACC formed late 1984; PRE loan and grant to Path made; PRE exploring financing local banks which lend to small entrepreneurs; January visit by YPO completed. |
| 8. Complete PID (mid FY 85) and undertake design of new accelerated Rural Roads project (early FY 86). | Data to justify this effort considered insufficient in FY 84 Program Week. Program being resubmitted with better justification under Outer Islands project. |

C. Improving Primary Health Care including Family Planning

FY 85/86 PLAN

STATUS

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| 1. Based on evaluation of VFP/MCW progress in combined activity with MOH, redesign, extend and amend this project to widen/ deepen activities in FY 85 for FY 86 funding. | Contractors in place, evaluation-research is underway. Concept paper for extension prepared for Program Week. FY 86 funding planned. Experimental integrated FP/Health scheme with ORS, immunization, mother nutrition and baby weighing-- introduced last year already being adopted as national model. |
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2. Meet conditions precedent on FP II and undertake activities. Evaluate performance under new system. First year CPs met and discussions started on year 2.
3. Evaluate HTR&D project mid FY 85. Evaluation of Training and health manpower component planned for 10/85. Research component evaluated in 1983, and ORS component will be reviewed as noted below, in FY 86 prior to HTR&D amendment for diarrheal disease and ORS activity.
4. Complete PP for Faculties of Public Health project mid FY 85. Utilize PD&S funds for pre-implementation activities under Faculty of Public Health project. PID drafted. PP team designated. PP on schedule. PD&S funds for pre-implementation activities programmed.
5. Phase-out Oral Contraceptives project 1/85. Done.
6. Evaluate progress on CHIPPS project 6/85. Evaluation set for April 1985 to look at progress now that consultants in place, and research and training activities underway.
7. Phase-out Timor Malaria project 12/85. Extension for 2 years being considered.
8. Evaluate Diarrheal Disease component of HTR&D project, 4/85. Delay to 4/86 as result of slow start.
9. Design and complete PP for Diarrheal Disease M&M project by 1/86. Now planned as amendment to HTR&D, concept paper available for Program week.
10. Undertake 2-3 policy related studies in this area. Three policy analyses completed or underway: 1) Bappenas study of nutrition assessment and monitoring using primary school children as sample underway to test measurement methods and extent malnutrition; 2) socio-cultural influences on food habits study is nearing completion; 3) village study in NTT using women's groups to examine nutritional status, funded by CHIPPS, completed.

D. Accelerating Human Resource Development

FY 85/86 PLAN

STATUS

1. Regularize dispatch of participants under GPT II--amend to add funding in FY 85.

Contractors in place. The process has started for systematic solicitation, programming and processing of GPT II participants --it will be institutionalized as the Overseas Training Unit becomes fully staffed and operational, an output expected to be achieved in 1987. GPT II project amendment to add funding accomplished.
2. Have contracts in place for Education Policy/Planning project with activity underway by mid FY 85.

EPP project activities have started, with initial activities including a short-term consultancy in organizational development and planning for off-shore and in-country training activities. The contract to provide the additional TA is expected to be executed by 5/85 in cooperation with S&T.
3. Review Western Universities project for possible second phase or extension.

WUAE project review conducted. Approval received from AID/W to develop 4 year extension. PP amendment scheduled for completion by 7/85. Obligation advanced to FY 85.
4. Analyze English language training capacity for possible add on to GPT II project.

English language training needs and capacities are currently being analyzed. A PP amendment to support ELT improvements and possibly to incorporate other participant programming changes is being considered, but final decision pending.
5. Conclude construction for Graduate Ag. project by 12/84.

Completion of construction by 12/84 was not an appropriate target. Contract to begin scheduled 600 day construction activity was signed only in 5/84. By 2/85, 30% of construction was completed. Anticipate completion by end 1985.
6. Complete PRD I and PRD II projects folding continuing training elements into GPT II targetted at 9/84.

PRD I and PRD II projects terminated 9/84, with participants transferred to GPT II.

7. Evaluate In-Country Management and LGT II projects for beneficiary impact.
Evaluation conducted for one part of ICMD project (Departments of Manpower and Transmigration); second part of evaluation (Department of Public Works) scheduled for 3rd quarter of FY 85. LGT II review completed within Mission and results used as basis of plan to accelerate project completion.
8. Undertake assessment of PVO training components, early FY 85.
Presently being carried out by contractor and nearing completion.
9. Coordinate studies with GOI/other donors on private universities and efficiency/productivity of public university systems.
TA supplied to assist with initiation of the two year-long higher education studies; S/T follow-on assistance may be required in mid 1985.
10. Complete 2 DSP projects aimed at accelerating human resource development.
Assistance for the planning of the Open University provided under DSP (5/84-9/84) completed and used in plan for Open University which began operation 9/84. Proposal from Ministry of Education to study variations in achievement levels of Indonesian primary school students under review by DSP committee.

E. Other Benchmarks

FY 85/86 PLAN

STATUS

1. Continue analyses of decentralization efforts and community management.
PDP assessments, planned a major analysis of effectiveness of decentralization, planned for May-June 1985. In addition, case study of analysis of decentralized management of irrigation system and FP programs completed. Mission participated in Community Management session in Bangkok. Review of flow of central funds to provinces completed, discussions with GOI on possibilities for providing more funds to provincial authorities carried out, and policy change effected by GOI. Continuing review of decentralization in other projects including CHIPPS, Upland Agriculture, new irrigation project.

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| 2. Contractors in place for PUSPIPTEK, and project in full implementation. | Contract executed January 1985; contractors in Jakarta late March 1985. |
| 3. Design and fund collaboration arrangement between BPPT and NAS/NAE which addresses adaptive research on CDSS goal related matters. | NAS-GOI agreement reached on terms of work. Amendment will be completed in March 1985 with activities planned to start June/July 1985. |
| 4. Phase-out Energy Planning for Dev. II project by 12/85. | On track. |
| 5. Phase-out Rural Electrification project FY 85. | Done 12/31/84. |
| 6. Assess PVO Co-Fi project in FY 85 for FY 86 amendment. | In depth review of each PVO grant carried out in November 1984. Audit due to begin March 1985. FY 86 amendment on schedule and will build on above assessments. |
| 7. Continue to improve mechanisms for programming PL-480 Title I proceeds for development purposes. | Composition of Team PL 480 adjusted to include BAPPENAS. Team working well, excellent self-help measures approved including ag. research, rural electrification, and S&T. |
| 8. Seek approval to monetize Title II commodities for use in PVO activities, CRS and CLUSA. | Funding for CRS provided bilaterally rather than through monetization, though Mission and AID/W valiantly pushed for monetization. Monetization for CLUSA proposal sought, decision pending in AID/W. |
| 9. Increase percentage of PVO activities in outer islands. | Grants made to PVOs this last year with focus on outer islands. Joint investigation of project possibilities now being carried out by Mission/GOI/PVOs. |

F. Management Benchmarks

- | <u>FY 85/86 PLAN</u> | <u>STATUS</u> |
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| 1. Combine Rural Development and Agriculture Office into one division 7/84. | Done. |
| 2. Train at least 16 USDH and FSN professionals in project implementation and an additional 20-30 in other appropriate courses in FY85. | 15 trained in project implementation course. 1 more to go in FY 85. 20 attended management workshop organized by Mission in February 1985, 12 in other miscellaneous courses thru FY 85. |

3. Maintain pipeline between \$240-270 million during ABS period. Done. Pipeline 1/15/85 \$251 million. Disbursements last FY around \$70 million.
4. Maintain Mission portfolio at 35 projects during FY 85 and FY 86. Will be 32 on 9/30/85. 28 on 9/30/86.
5. Conduct regular portfolio reviews with BAPPENAS. Started.
6. Maintain outyear mortgage at approximately the same level as at present. Reduced because of higher grant elements/deob-raob.
7. Expand use of Mission computer system and add microcomputer systems for enhancing project design, implementation and Mission economic and program analyses. Under way. Nine new PCs added early 1985 and in use.
8. Complete installation of Mission Automated Accounting and Control System. Done.
9. Other management activities. Completed review of centrally funded projects.

Introduced an improved workplan format for offices that covers offices program goals and strategy, new project design, implementation steps, evaluation, policy analysis, use of PL 480 Title I, and management improvement plans.

Organized USAID system to directly manage house leases, maintain office premises, warehousing for household furniture and supplies.

Revised and strengthened in-house Indonesian language program, and programs for computer training.

OPERATIONAL PLAN FOR FY 85-87

The Mission's strategy and objectives thru FY 87 are expected to remain the same as cited in the CDSS. This section, as in last year's Action Plan, focuses on operational planning.

Strengthen Food Production and Related Resource Management

1. Project Design

Complete design of the Small-Scale Irrigation Management project for obligation in FY 85, and begin implementation in FY 86.

Amend the Applied Agriculture Research project, extending construction, commodity procurement, training and TA and incorporating new activities. Design and obligation should be completed by July 1985.

Using analysis from the Fisheries Sector feasibility study, complete a PID (by late 1985) and PP design (by third quarter FY 1986) for the Aquatic Resources Development Project, and determine possible actions needed to meld appropriate elements of ongoing fisheries project with the new project, including a possible limited PACD extension.

Complete feasibility work and PID for Ag Extension Support project by second quarter FY 86 and PP by first quarter FY 87.

2. Implementation

Based on a recently completed review of performance of the Citanduy II project, determine whether a portion of the project should be extended, reevaluate goals/purposes of original project, and complete a restructuring of major project elements where appropriate. Decisions should be taken in mid 1985.

Complete contracting and begin implementation of the Agricultural Planning project.

Using methodologies and data from the Sederhana work, analyze the impact of 11 HPSIS and 10 Citanduy II irrigation sites.

Accelerate field implementation of the Upland Agriculture project activities and complete major contracting.

3. Policy and Program Analysis

Initiate a series of policy studies over a two year period, focused on agricultural diversification, managed by the GOI Food Policy Committee, and carried out by the Stanford Research Institute. The study will examine production, demand and marketing of secondary food crops.

Complete, by end of year, a strategy review of the USAID Agriculture and Rural Development program portfolio as a guide for allocation of financial and personnel resources, and development of FY 88 projects.

4. Evaluation

Conduct a joint GOI/USAID impact assessment of PDP I and II--its impact on decentralized planning/management and sub-projects--with a view to improving effectiveness of provincial and sub-provincial planning and project implementation. Results by end of year.

5. Project Close-outs

Phase out the Local Government Training II project by March 31, 1986 and develop a scenario for possible further support in this area.

Phase out Sederhana/HPSIS in 12/85.

Increasing Off-Farm Employment

1. Project Design

Amendment of FID to include Bank Rakyat Indonesia activities by 1st quarter FY 86 for FY 86 obligation.

Complete design of Outer Island Development project by mid FY 86.

Complete design of Rural Enterprise Development project by mid-FY 87.

2. Implementation

Pre-implementation activities in Central Java under Central Java Enterprise Development component of Private Sector Development (shrimp, garments, furniture) continue until 9/85, at which time full contract team will be in place for two years of implementation to assist shrimp production, improving design and quality control and market for garments and quality export.

Pre-implementation activities for Financial Institutions Development: 4th quarter FY 85 contract for major technical assistance signed.

Short-term contract for training under the Private Sector Management Development project executed by end of 3rd quarter FY 85. Long-term T.A. contract executed 1st quarter FY 86.

Contract for Management Training Loan Fund Component of Private Sector Development executed by end of 3rd quarter FY 85.

Evaluation of consultant activities related to investment promotion under the Private Sector project in 2nd quarter FY 86.

Improving Primary Health Care including Family Planning

1. Project Design

Complete PP for Faculties of Public Health project--3rd quarter FY 85.

Based on evaluation of VFP/MCW project (497-0305) and progress in combined activity with MOH, redesign and amend this project.

Prepare Amendment for Diarrheal Disease Mortality/Morbidity Reduction and ORT component of HTR&D project (497-0273) by 6/86.

Prepare Amendment for CHIPPS project by 3/85.

2. Implementation

Meet second year annual plan conditions precedent on FPD&S II project by 4/85 and undertake activities. Evaluate performance under new system.

Consider 2 year extension Timor Malaria project 12/85 - 12/87 with no added funding to be provided.

3. Policy and Program Analysis

Continue implementing nutrition related policy studies under DSP and CHIPPS.

Review and amend, if necessary, Mission's population and health strategy by end of 1985.

4. Evaluation

Evaluate progress on CHIPPS project 4/85 - 5/85.

Evaluate Diarrheal Disease component of HTR&D project 4/86. Formative evaluation HTR&D training and manpower development component 6/85.

Final evaluation of FPDS project (497-0270) and Oral Contraceptive project (497-0271) to be completed by 7/85.

Implement comprehensive evaluation research component for VFP/MCW project (497-0305). Preliminary results 2/86, final results 4/86.

Accelerating Human Resources Development

1. Project Design

Extension phase of Western Universities Agricultural Education project developed and approved by 7/85.

General Participant Training II PP amendment completed in FY 86 incorporating programming innovations and incentives designed to facilitate participation in overseas programs.

2. Implementation

Contract actions for TA under Education Policy & Planning to be completed by 5/85. Education sector review/assessment completed, paving way for start of Phase II by 9/86. Data processing equipment specifications developed and hardware in place by 6/87.

Technical assistance contract for Graduate Agriculture School project completed in 6/85. Environmental Studies Center and Information Resources Center constructed and completely equipped by 2/86. Project brought to completion by 7/86.

OTU established within GOI and MUCIA-HIID contract concluded 6/87 under GPT II.

3. Policy and Program Analysis

Two experimental studies in education policy issues conducted by 9/87 under Education Policy/Planning project.

4. Evaluation

Review of In-Country Management Development activities at Department of Public Works conducted during 4/85 - 5/85.

GPT II Evaluation - 12/86.

5. Project Close-outs

In-Country Management Development project brought to completion in 8/86.

Graduate Ag School completed 7/86.

Other Benchmarks

1. Project Design

Amend Development Studies Project - 3/85.

2. Implementation

Review effectiveness of NAS/NAE, addition to PUSPIPTEK project in mid FY 87.

Initiate redesigned CRS program Title II using \$1.5 million grant provided in FY 85 for this purpose.

Implement CLUSA Cooperative Development project using monetized Title II or Section 416 resources (assuming that monetization possible).

Redesign, amend, and extend East Timor Agricultural Development project, in late FY 85 with likely obligation in FY 86.

3. Policy and Program Analysis

Reconsider negative decision regarding involvement in housing sector resulting for assessment prior to next Program Week, and prepare general overview of conditions, problems and possibilities in urban sector as indicated in CDSS.

4. Project Close-outs

- Phase out Energy Planning II project - 12/85.

Management

Continue to provide management training opportunities, primarily by hosting AID supported management training course in Jakarta in 1986.

Review staff requirements, among other reasons, in view of OE levels, and prepare for large staff turnover in mid FY 86.

Clarify roles of project development office and technical offices in project design.

Strengthen analysis, monitoring and evaluation by introducing new evaluation strategy, committing more USAID staff time, and using local institutions.

Undertake efforts to improve Mission's Indonesian language training program.

The plans noted above are the main elements of the Mission's Workplan. Each office in the Mission prepares annual workplans that provide further details. Those plans cover program strategy and objectives, project implementation, new project design and amendment, plans for policy analysis, PL 480, and proposals to improve office management.

POLICY DIALOGUE: USAID/INDONESIA'S PERSPECTIVE AND EXPERIENCE

I. DEMYSTIFYING POLICY DIALOGUE

There is a tendency to view policy dialogue as being necessarily a high-level enterprise, involving a relatively small number of senior officials who are concerned with comparatively macro and long-term issues. Policy dialogue at this level is assumed by some to have little in common with the more mundane concerns of those who are responsible for the design and implementation of development projects. There is a perceived dichotomy between those who identify, debate, and resolve policy issues and those who implement specific project-related activities. The result is sometimes that policy dialogue is seen as remote from the pressing concerns of Mission staff. At best it is the privilege of a handful of high-ranking Mission and host government officials. At worst it is an academic past-time, abstract, theoretical, and a distraction to USAID staff who face many more practical problems with clearly discernible consequences.

In contrast to this perception of policy dialogue, USAID/Indonesia has made a concerted effort to move policy dialogue from the remote and inaccessible summits of power to the more open and immediate arena of program development and project implementation. The most important reason for this is that if policy dialogue is to have any applicability in USAID strategies it cannot remain either remote or inaccessible. It must be an integral part of the work of Mission offices and directly related to the Mission's program and project concerns.

With some exceptions the USAID Mission in Jakarta is not concerning itself directly with major macro policy questions, for example, questions related to fiscal or monetary policy, debt management, or budget subsidies. This decision was taken for several reasons. The Government of Indonesia (GOI) has demonstrated capacity, with support from the IMF, World Bank and private financial advisers, for policy analysis and decision. In the wake of the oil glut, resulting in significantly declining government revenues in the early 1980s, the GOI moved swiftly to reverse long-standing major policies governing banking and credit, tax structures and instruments, and investment strategies. Admittedly there has been more progress in some fields than others, and much remains to be done. Nonetheless, it is clear that the GOI has sufficient support and the will to identify critical macro policy issues, analyze them, and reach decisions that have generally been judged by the donor community to be both timely and appropriate.

Where AID enjoys a comparative advantage, however, is in the application or refinement of macro policies once they have been determined and in the development of policies for specific development sectors. It is common in Indonesia to find that government policy decisions are couched initially in very broad terms. The general direction may be clear, but the specific components of the policy or the

ways it is to be implemented remain unclear. A good example is the tax reform and the limited attention to implementation, now assisted by USAID. At the sectoral level, AID, with its field experience and technical expertise, is in a position to contribute substantially to policy dialogue with government. The knowledge and experience of AID project officers and host country colleagues in technical agencies, gained through the planning, implementation and evaluation of projects, plus support for specific studies, provide an empirical basis for testing new approaches, determining what will work and what won't, and throwing light on the ways in which broadly stated policies might be elaborated and implemented in specific sectors.

USAID/Indonesia has sought opportunities to exploit its comparative advantage in the middle range of sectoral policy development, using field experience and technical expertise of staff as well as research and evaluative data to engage in policy dialogue. AID staff enjoy both access and credibility in this area. They have recognized experience, which is appreciated, and through the resources of AID projects (both technical and physical) are able to assist with studies, analysis, and the testing of new approaches.

In summary, for USAID/Indonesia policy dialogue has meant encouraging and supporting the participation of Mission staff in discussions with counterpart agencies and directly supporting analyses of problems, trials of alternatives and evaluations. It is limited in scope, directly related to the Mission's program and project interests, and practical in orientation. Finally, it aims primarily at mid-level sectoral policy formulation, where AID has experience and staff expertise.

II. ESTABLISHING PRIORITIES AND OPERATIONALIZING POLICY DIALOGUE

The Mission, in collaboration with Indonesian counterparts, has attempted to establish priorities for policy dialogue consistent with the major elements of USAID's work in Indonesia. As specified in the FY85 CDSS and the FY86 update of that document, the Mission is concentrating its work in three major areas. These are, first, expanding off-farm employment opportunities; second, increasing and diversifying food production; and third, improving primary health care and assisting with strengthening the nation's family planning program. Within each of these three major areas of concentration, the Mission pursues specific strategies. However, each gives emphasis to institution building and human resources development, decentralization and increased participation in development planning and implementation, and experimentation with new approaches.

In general, the policy dialogue efforts of the Mission are conducted within this framework. Individual project planning and implementation efforts are guided by the overall priorities and directions established by the CDSS. It is through this, as well as the project development and implementation process, that policy issues are identified, articulated and examined. These policy issues are included in the work plans of the technical offices. In FY85 the Mission

introduced a new kind of work plan, aimed at relating diverse projects to a broader programmatic strategy and, within this context, highlighting policy issues. Technical offices are expected to address these policy issues during the coming year by devoting staff time and attention to them.

Because many of the Mission's projects represent experimental efforts, testing policy options and exploring policy alternatives, implementation in itself is a major element of the office's work on policy. Under the Provincial Development Project, for example, a major implementation activity is the production of long-term strategic plans for a province. This is a new activity for provincial planning bodies, and in attempting to accomplish this task they must confront the question of inter-sectoral coordination and their role relative to the role of various technical agencies in the province.

Policy issues are also commonly raised with counterpart agencies during the course of project design work. The design process, therefore, is an important part of policy dialogue, linked to specific and practical problems of project implementation. For example, the Mission's current work on the forthcoming Small-Scale Irrigation Project has led to continuing discussions with counterpart agencies about the desirability and constraints in shifting from irrigation systems designed to assist only with the development of wet rice production to different kinds of systems, requiring different kinds of management techniques to support more diverse cropping systems. There have also been discussions about roles and responsibilities of different levels of government in planning and implementing irrigation development projects. For the first time the Mission is negotiating plans for irrigation projects with provincial officials, especially the provincial planning boards, before holding detailed discussions with central government agencies.

Monitoring and evaluation activities also constitute an important aspect of the policy dialogue process. Getting continuous and reliable feed-back on project implementation, and then taking the time to learn from that, has not been a strong aspect of the Mission's work in the past. Increasing attention, however, is now being given to this work and it will play a vital part in reviewing with counterpart agencies the ways program interventions can be made more efficient and effective. For example, the mid-1984 evaluation of the Village Family Planning/Mother-Child Health Program led to a better appreciation on the part of the government of the need for integrating the family planning program (with its strong village organizations and field workers) with other health interventions (oral rehydration, immunization and maternal nutrition, for example) and income generating schemes for the poorer members of rural communities. The Mission's evaluation strategy is beginning to focus on program areas and is attempting to relate evaluations to broader strategic and policy issues.

At the same time that the Mission is pursuing with counterparts policy issues which arise out of project development, implementation, monitoring and evaluation, the Mission's work tries to be responsive to other concerns and priorities which are within the framework of the CDSS

but not immediately connected with specific projects or which may require a quick response that would be impossible in developing a regular Mission project. The Development Studies Project is an important Mission resource in meeting this need. Administered through a process of discussion between AID and the GOI Steering Committee, the Development Studies Project is specifically designed to support investigation of policy issues that are not tied to any on-going AID project, but which are felt by the government and USAID to be of importance. While a number of activities supported by DSP can be classified as research (an analysis of the annual agricultural survey, for example), others represent experiments whose outcome are related to broad government policies (testing the operational feasibility in actual village conditions of wood-burning gasifiers as a cheap and practical source of rural energy, for example). These activities are not intended to necessarily lead to the development of a USAID project. The study of the government's infrastructure pricing policy, for example, may produce changes in national policy but is unlikely to suggest any larger follow-on from USAID. Other activities, however, may well emerge as the first step in the identification and development of a project, such as current investigations into the prevalence and socio-cultural determinants of malnutrition.

The important characteristic of the Development Studies Project is that it allows USAID to work with the Government of Indonesia in the identification and development of a policy research agenda and then to respond rapidly with funding. Within the broad framework of the CDSS, USAID can be responsive to requests from counterpart agencies, and can assist with the development of policy research in areas they have identified.

Finally, in operationalizing policy dialogue, the Mission has sought to create a more open and accessible forum, both within the Mission and between Mission staff and others concerned with Indonesia's development. A series of seminars has been organized, some entirely off-the-record and some open to wider audiences. Topics have included changing cultural values, traditions of civil service as they relate to corruption, the role of farmers and their organizations in the design and development of irrigation systems, the impact of government financial policies on rural savings and credit opportunities, and the relationship between the government's macroeconomic policies and agricultural development. These have involved in-house discussions, presentations by visiting experts, and dialogue with Indonesian scholars and government officials. Wherever possible these discussions have been linked to USAID project considerations, but the objective has been to open channels of communication with a more diverse group of participants on a broader range of development issues.

III. ACHIEVEMENTS AND WEAKNESSES

There are many different examples of policy dialogue within the Mission, and achievements take diverse forms. Several general

characteristics, however, emerge from the distinct and varied work of Mission staff.

First, Mission staff have been encouraged to look beyond immediate demands of project administration to examine more critically the broader significance of the problems they face. As a result there is a wider range of formal and informal discussion of policy issues within the Mission. Reviews of project implementation experience have become more open and analytic, with greater effort to share this thinking across technical office boundaries. The current assessment of PDP is an example.

Second, as its interest in policy dialogue has developed and monitoring and evaluation activities have been strengthened, the Mission has produced an increasing number of studies of its project implementation experience that shed light on a variety of policy issues. Questions that were formerly a matter of speculation are more and more a matter of evidence and analysis. The recently completed assessment of the Mission's small-scale irrigation program (Sederhana Irrigation) is one example.

Third, as a result of increased Mission interest in policy analysis and increased empirical knowledge of various sectors, Mission staff have been better placed to raise policy issues with counterparts. As these discussions take place, a better understanding has emerged of the environment within which our counterparts operate and the constraints they face. This, in turn, leads to more realistic project planning and more sensitive and effective implementation.

The following table presents a brief account of the various policy dialogue activities that have been recently carried out by the Mission or which are still underway.

<u>POLICY ISSUE</u>	<u>ACTIVITY</u>
<u>Agriculture and Rural Development</u>	
1. How and when to encourage farmer participation in irrigation development.	1. Support for pilot project to strengthen farmer organizations and their involvement in design, construction and management of small-scale systems (HPSIS). Results expected by end of year.
2. How effective are small-scale irrigation programs.	2. Assessment of achievements and constraints of past USAID small-scale irrigation programs (Sederhana Assessment) completed.
3. What technical and institutional alternatives exist for the conservation and development of upland areas.	3. Support for pilot projects in selected watersheds (Citanduy II and Upland Agriculture and Conservation). Just starting policy decisions taken on interministerial land use planning at sub-provincial level.

4. How to diversify food crop production.

5. How to improve agricultural planning and production.

6. How to decentralize regional development planning and development of region-specific development plans.

7. How to determine effectiveness of GOI programs aimed at rural poor.

4. Support for analysis and development of secondary food production in outer islands (Secondary Food Crops). Marketing study processed.

5. Support for improved information system, policy research and analysis (Agriculture Planning). New project just beginning.

6. Support for institutional development of provincial and kabupaten planning bodies, and for sub-projects (Provincial Development and Local Government Training).

Systems introduced by GOI, assessment underway. Discussion with National Planning Body to alter pattern of budget allocations to the provinces to support more provincial autonomy in decision-making. Policy decision taken.

7. Support for improved GOI monitoring and evaluation systems (Provincial Development). Trials underway in Central Java.

Employment and Enterprise Development

1. How to mobilize domestic revenue through improved tax policies.

2. How to expand employment opportunities.

3. How to mobilize rural savings and provide credit.

4. Constraints to small-scale enterprise development.

1. Support for technical assistance for implementation of tax reforms (Private Sector Development)

2. Study of dimension of problem and formulation of AID strategy to address it (Employment Study by Mission Economist). Draft analyses completed, policy/program implications being developed.

3. Expansion of pilot PDP effort to assist with savings and credit programs in rural areas (Financial Institutions Development). Minister of Finance has agreed to policy change enabling non-banking rural financial institutions to accept voluntary savings.

4. Support for development of small-scale industry in Central Java (Private Sector Development). Investigations of shrimp farming underway.

Research into rural enterprises and cooperative structures (PDS).

5. Feasibility of special industrial development enclaves.

6. How to develop capital markets and pension funds.

7. Manpower constraints and private sector development.

5. Research into Lhoksemauwe development region (Private Sector Development) Study completed, under review by National Planning Body.

6. Technical assistance to advise government on procedures and regulations concerning capital markets and pension fund administration (Private Sector Development) Terms of reference completed.

7. Research on incentive and constraints for private sector contributions to human resource development (Private Sector Development). Questionnaire completed, and study underway.

Population and Health

1. How to extend family planning to urban areas at reasonable cost.

2. How to link family planning programs with other health interventions.

3. How to decentralize planning and implementation of health interventions.

4. How to identify and develop policies to deal with malnutrition.

1. Support for pilot efforts with self-financing family planning programs (Family Planning Development and Services).

2. Support for pilot effort to integrate family planning in 3 provinces (Village Family Planning/Mother-Child Health), now being expanded to a national program by GOI. Evaluation also underway.

3. Support for provincial epidemiological studies and planning (CHIPPS). A few epidemiological studies completed, consultants in place.

4. Research into prevalence and socio-cultural determinants of malnutrition (DSP)

Education and Human Resources

1. How to formulate more effective and efficient policies and long-term plans.

2. How to expand opportunities for higher education through an Open University.

3. What should the role of private universities be.

1. Support for improved information system and better analysis (Education Policy and Planning). Project just starting.

2. Technical assistance for planning initial phase of the Open University (DSP). Consultants report reviewed; most suggestions accepted; University opened September, 1984.

3. Research into role and potential of private universities (DSP).

4. How to increase the productivity of state universities.

4. Research into constraints to the achievement of higher productivity.

Support for innovations in academic administration, teaching and research (Western Universities).

Support for experimentation with distance learning technologies in weaker universities (Rural Satellite).

5. How to achieve greater self-reliance and control over overseas training programs.

5. Support for the establishment of a new Overseas Training Unit (General Participant Training II).

6. Voluntary and Humanitarian Programs

1. How to improve the performance of the cooperative sector.

1. Support for pilot efforts in selected kabupaten (Luwu and CLUSA) which are self-financing. Projects underway.

Despite progress in their policy areas, however, there are weaknesses that need to receive the attention of the Mission in the future. One weakness is that part of the Mission's portfolio is still cast in the form of discrete projects, apart from a broader programmatic strategy. The result is that policy issues are sometimes seen in isolation, and there is little opportunity to undertake a series of complementary and mutually supportive activities to illuminate policy options. The FY85 office work plans and recent proposals for an evaluation and monitoring strategy attempt to address this weakness, but the immediate future will be a time of continuing transition as programmatic goals and strategies are progressively articulated and elaborated.

Another weakness is the need to improve the Mission's performance in disseminating its insights and findings, both among Mission staff and with counterpart agencies and others concerned with the nation's development. There are still occasional barriers to a free flow and exchange of information and ideas among different technical offices, and between AID and other agencies. This will become increasingly important as the Mission's effort to improve on its monitoring and evaluation work bear fruit and more data and analysis becomes available.

In addition, the Mission needs to give more time and attention to the ways in which it (and others) can make use of this information in planning future projects, refocussing and implementing on-going ones, or understanding past ones more clearly. The Mission still encounters difficulty in planning monitoring, evaluation and other research and analysis activities sufficiently far ahead to allow the results to feed into the decision-making process. In consequence, there are times when insights arrive too late to make good use of them, and implementation activities suffer.

On occasion the Mission has also found that despite its best efforts, research and analysis activities do not always yield the kind of results required for policy purposes. Although there are highly experienced and qualified Indonesian consultants, there is a great demand for their time and attention, with a resulting temptation to spread themselves too thinly. Research results often suffer in consequence. Foreign consultants can provide excellent assistance to Mission policy work, but here too there has been a mixed record of success and failure.

IV. CONTINUING AND FUTURE WORK

During the coming year the Mission will continue its policy dialogue activities in several broad areas central to its CDSS priorities. An analysis of the dimensions of Indonesia's employment problem, recently completed by the Mission Economist, will be the basis for continuing efforts to develop a Mission strategy to address this problem. That strategy is expected to raise policy issues concerning the government's industrial development strategy and trade regulations. With regard to increased food production and diversification, the Mission anticipates supporting a major study of the government's pricing and trade policies governing secondary food crops. This is expected to be undertaken with assistance from the Stanford Food Research Institute with support from the Development Studies Project. Finally, decentralization of development planning and implementation will be a common theme of many of the Mission's activities. An assessment of the success of Mission programs to strengthen the capacities of local government planning agencies is planned under the Provincial Development Project.

Across its entire portfolio, the Mission is engaged in discussions with the GOI about government policies affecting the implementation of all projects. The Program Office will continue to pursue discussions to identify constraints to more rapid disbursement of project funds, ways to increase the capacities and opportunities of domestic consultants, and more effective coordination of AID project funding and the GOI budgetary cycle.

Finally, the Mission will be engaged in policy dialogue during the course of the development of four specific projects. The Small-Scale Irrigation Project will raise issues concerning the role of farmers' groups in the design and construction of irrigation systems. The use of irrigation systems for palawija crops, rather than wet rice cultivation, will also be a major issue. The project design process thus far has also pursued a strategy of decentralized planning and negotiation, thereby raising the question of the role of different levels of government in the project development process.

The Faculties of Public Health Project and Western Universities Amendment will both address the problem of linking the capacities of higher education institutions with regional planning needs and the need for research into region-specific health problems.

· Finally, the Project Paper Amendment for the Agricultural Research Project will examine ways to achieve a closer integration of university research activities and the needs of the Ministry of Agriculture. The objective will be to increase the policy relevance and impact of agricultural research.

Attached: DSP Status Report

CENTRAL AND REGIONAL ACTIVITIES IN INDONESIA: AN OVERVIEW

At last year's program review, USAID/Jakarta expressed concern over the high number of centrally and regionally funded activities involving Indonesia. Mission concerns included the added administrative burden from USAID's support of central/regional activities and utilization of Mission staff resources in areas not directly linked to core programs of the Mission's portfolio.

In October/November of 1984, the Mission, with the support of Vikka Mollidrem (ASIA/ISPA), conducted an assessment of 1984 central and regional funded activities in Indonesia. The main purposes of the assessment were to examine both the benefits and costs to the Mission of central and regional activities and to gain a better understanding of their effectiveness and how that effectiveness could be improved. The main overall finding is that the majority of the activities were considered beneficial by the Mission, while a small number of activities, 10% to 15%, were considered to be questionable.

Outlined below are other findings of the assessment and recommendations for more effective use of these activities in the future.

Findings

1. Benefits:

A major benefit to the Mission resulting from centrally and regionally financed activities is the significant amount of additional grant funds they contribute to Indonesia. In FY 1984, roughly \$10.8 million grant funds were provided through central and regional activities compared with \$18.5 million provided through the Mission's bilateral program. The benefits to the Mission from these additional resources are greatly enhanced by the fact, as noted in the assessment, that the majority of the activities directly support the furtherance of overall Mission objectives in the CDSS.

Among those activities considered most beneficial are those which include quick access to technical consultants to support project design, implementation and evaluation. For example, Water Management Synthesis II and PRITECH projects have provided high quality technical assistance needed for the design of the Small-Scale Irrigation Management project and the Diarrhea Morbidity/Mortality Reduction component of HTR&D. Similarly, the Asia Regional Non-Farm Enterprise project played an instrumental role in the design of the Central Java Enterprise component of the Private Sector Exploratory project.

Longer term centrally funded undertakings, when closely linked to specific program interests, are of benefit to the Mission as well, particularly when they provide support for activities that for various reasons cannot be funded through the bilateral program. Examples include projects that support activities such as contraceptive social marketing, fees for primary health care and family planning services, and voluntary sterilization.

2. Costs:

The major cost to the Mission is staff time. In FY 1984, 47 centrally and regionally financed activities were being implemented in Indonesia. A conservative estimate of staff time devoted to supporting these activities during FY 84 is 15 person months. The high costs associated with staff support for these activities can only be justified when they directly relate to on-going concerns of the technical office. One positive finding is that staff inputs are greatest for those activities most relevant to the project officer's main responsibilities. On the other hand, the assessment also indicated that significant amounts of staff time are required for a number of activities with little relevance to the Mission's program. This is especially true for many of the centrally funded PVOs.

3. Effectiveness:

Mission efforts to examine the effectiveness of the central and regional activities were constrained by the lack of such basic data as implementation schedules and financial status. The material that was available indicates that in many instances efforts have produced important results. The annual number of voluntary sterilization cases has increased from 9,500 in 1974 to over 100,000 in 1984 as a direct result of a central project. Curriculum improvements at medical faculties to increase awareness of the importance of breastfeeding is a major benefit of a separate activity. Plans for a mass media campaign on diarrheal diseases have also been developed.

When technical officers were asked to provide their perceptions of the overall performance of the activities, 53% reported that they were satisfied with the performance of the project and stated that activities did produce significant benefits. There are a number that fall within that grey area of "doing no harm".

A comparison of the main characteristics of the projects that were rated favorably shows that, in general, the better performers are those that were initiated by the Mission or that substantially involved the Mission in the design process. Conversely, poor performers did not involve the Mission in the design phase and have sought little involvement by the Mission in substantive issues associated with the effort.

4. Recommendations:

The findings of the survey have resulted in several recommendations on how to improve the effectiveness of central and regional funded activities. These recommendations affect both the Mission and AID/W and are outlined below. A more general point frequently stressed in the follow-up meetings with technical officers concerns the comparative advantage of the Mission as opposed to AID/W in the management and funding of many of these activities. Due to the distance factor most officers concluded that these funds could be more effectively utilized and programmed by the Mission. Important exceptions are the projects that provide technical assistance for design or implementation efforts through a blanket contract and those that focus on areas difficult to support in the bilateral program, e.g., voluntary sterilization. Specific recommendations are as follows:

A. USAID/Jakarta:

The Mission should establish a more precise set of criteria for determining the appropriateness of approval and support for centrally and regionally funded activities in Indonesia. The criteria should include:

- the relevance of the activity to the Mission's ODSS strategy and to the core program areas of Mission support;
- the role of the Mission in the design of the activity with a higher priority given to those activities that have involved Mission participation;
- the potential impact of the activity on staff workloads and a conscious decision that the activity will not detract from the officer's primary responsibilities; and
- in cases of obvious significant demands on Mission staff time, e.g., a large number of short-term T.A., a higher priority will be given to activities that intend to have an in-country manager or some alternative mechanism to reduce Mission administrative support.
- Mission to review further projects of questionable value and determine if they can be improved or should be terminated. (The Mission has decided to discontinue the Pond Dynamics ORSP and has notified GOI accordingly).

B. AID/W:

A major complaint of all Mission offices is that they are informed of new central activities one at a time and, as a consequence, cannot determine in advance which of these activities should take priority for its staff during the coming year. The Mission recommends that:

- AID/W offices provide information to the Mission on an annual basis related to current and planned areas of program concentration.

In addition it is recommended that:

- AID/W develop a specific set of procedures that cuts across Bureaus for involving the Missions in the design of centrally/regionally funded projects. Mission comments need to be solicited at the PID and PP stages. ASIA/TR should ensure that Missions have the opportunity to make inputs and that these are considered in the project reviews.
- AID/W fully inform Missions, in advance, of planned in-country activities and include the Missions on the distribution lists for routine reports and other documents reporting on the status of in-country activities.

MONITORING AND EVALUATION STRATEGY--A DRAFT PROPOSAL

Statement of Purpose

This paper outlines a Mission strategy for strengthening the role of monitoring and evaluation activities in support of improved program development and policy analysis. It is divided into three sections. The first briefly describes the current stage of Indonesian development and the main thrusts of the Mission's portfolio as outlined in the CDSS. The second reviews Mission experience with monitoring and evaluation, outlines a basic framework for future endeavors in this area and recommends specific actions to be undertaken in the next eighteen to twenty-four months. The final section provides a brief discussion of existing capacities within the Mission to follow through with the recommended actions. It is important to note that the paper is a first draft that will be later reviewed and refined by Mission staff.

Core components of the proposed strategy include:

- concentration of monitoring and evaluation efforts in support of program development within the GOI, not merely by project development;
- development of monitoring and evaluation systems that support planning implementation processes;
- closer links between monitoring systems and evaluation activities;
- increased focus on routine generation of output data as part of monitoring activities; and
- identification of a small number of program indicators that will enable senior management to track program development in the formative stages, not merely during full-scale implementation.

Many of the key terms in the proposed strategy are of common usage in AID. To avoid confusion over the meanings of these terms, definitions of their usage in the present paper are provided below.

- Monitoring refers to the systematic collection of information related to the operations and performance of select activities. Within AID, monitoring systems typically focus on information related to the administration of project inputs, with special attention given to the disbursement of project funds in accordance with statutory requirements. In the present paper, the focus of monitoring shifts from input flows to output achievements. The main objective of the system is to record what is happening as a consequence of select interventions.
- Evaluation refers to periodic assessments of performance variables to determine why certain changes are or are not occurring and/or how successful innovations are (or are not)

incorporated into broader program activities. In the past, AID evaluations tended to focus on the comparison of actual project performance with what was originally planned. In the proposed strategy, evaluations are viewed as an essential tool of program management to carry out on-going planning exercises.

- Program in this paper specifically refers to on-going or planned efforts within the GOI to provide support for specific sectors of the economy/society. Most USAID projects support the development of host-country national programs. In the proposed strategy, the focus of support within monitoring and evaluation broadens to include GOI programs, not just AID projects. This shift reflects the high priority the Mission places on institutional development and policy dialogue and the importance of strengthening monitoring and evaluation as part of these efforts.

Part I: INTRODUCTION

A. Indonesian Development Context

The development agenda during the early years of the New Order Government was generally confined to the rehabilitation of Indonesia's decaying infrastructure and primary production services. This era of "first generation" development programs is coming to a close in Indonesia, forcing the government to embark upon a "second generation" agenda that involves few immediate returns and entails complex responses to a more diverse range of institutional, social, and technological problems.

Effective government response to the "second generation" agenda is constrained by the highly centralized framework for managing development, which continues to reflect the organizational and procedural biases of the "first generation" development tasks. As a consequence, the extreme diversity of agro-economic and socio-cultural conditions that characterizes Indonesia is generally ignored as most national programs blanket regions with uniform package approaches.

Effective responses to current development priorities will require a significant re-orientation in existing management mechanisms. Efforts will require close cooperation between local producers and sources of technical assistance in designing approaches that effectively address existing production constraints and opportunities. The new programs must be more participatory in character, with public and private institutions working in concert with local producers in formulating growth-inducing changes at the micro-level as well as generating demands for supportive changes in the macro policy environment.

Significant groups within the government have recognized that the existing institutional framework for planning and administering Indonesia's development efforts needs to be modified in order to support the development agenda of the 1980s. Preliminary efforts have been

instituted to allow for a greater degree of local level decision-making in devising and adapting programs and technologies that address variable resource endowments throughout the archipelago. More limited initiatives are underway to support program development within the national line ministries to increase responsiveness to local needs. USAID supports both types of initiatives. These efforts provide a basis for the emergence of an improved policy and institutional framework that encourages local initiative to mobilize local resources and to shape local development.

The above efforts are still in a very early stage of institutionalization and continue to be constrained by the "first generation" management systems prevalent throughout much of the bureaucracy. Other constraints include the lack of experienced and qualified staff at local levels to assume the new responsibilities and the absence of effective management mechanisms that support iterative planning-implementation processes (i.e., those which incorporate lessons learned from on-going program implementation). This latter problem, i.e., the absence of effective management mechanisms to support iterative planning-implementation processes, is of major concern in the proposed monitoring and evaluation strategy which follows.

B. Mission Portfolio

1. General Overview

The current and planned portfolio of the Mission, as expressed in the CDSS, addresses Indonesia's "second generation" development problems. A central theme in all technical offices and integral to the majority of project activities is support for the establishment of a policy and institutional framework responsive to "second generation" development priorities. Benefits resulting from USAID assisted programs are planned and measured not solely in terms of their immediate impact on intended beneficiaries but also in terms of their contribution to an improved policy environment and strengthened institutional capacity, both of which are viewed as essential to sustain the flow of benefits beyond project completion.

Much like the situation with the GOI, USAID efforts to address "second generation" development problems require a reorientation of existing management mechanisms. Current USAID projects are smaller in scale, more innovative in nature, and more participatory in approach than those of a decade ago. They are more staff intensive, address a more complex set of constraints, and assume higher degrees of risk.

Certain changes in USAID management are already apparent, particularly in terms of project design. A decade ago design efforts attempted to resolve all critical issues prior to the initiation of an activity. Emphasis in design has now shifted from a process of advanced (pre-implementation) decision-making to creating a suitable setting for problem-solving and on-going planning during project implementation.

This shift in design processes places a much heavier burden on project monitoring and evaluation activities, which must provide the necessary feedback on project performance to support on-going planning.

A second shift in USAID management is reflected in the increased emphasis on national government programs in the development of the Missions project portfolio. A decade ago, many of the USAID projects assisted the GOI in implementation of discrete, easily delimited, activities, e.g., construction of major new highways. In recent years, USAID assistance has been provided for a wide range of activities, most of which will continue long beyond USAID's support--e.g., cost-effective means for constructing rural access roads.

This shift in emphasis has resulted in the need for a much more careful and possibly complex analysis of government programs and institutions responsible for implementing them. The capabilities of these institutions vary greatly, and the effectiveness and sustainability of USAID's support of programs they implement often depends on a mix of projects and project assistance, e.g., training, equipment, and technical resources. Monitoring and evaluation activities, therefore, must cover a wide range of USAID interventions to determine, among other things, if USAID support is making a difference.

2. Policy Analysis/Institutional Development

The establishment of close links among planning, implementation, monitoring and evaluation systems is essential, not only to support "rolling project designs", but also for the achievement of the broader Mission goals of institutional development and improved policy analysis. USAID supported projects are structured in part to test broad policies or approaches to development problems. In turn, analysis of these policies and approaches is intended to guide project design and implementation as well as program development. Without a reliable monitoring and evaluation system, providing accurate, complete, and timely information, it is extremely difficult to make the links with policy, design, implementation, and program development.

Close links among planning, implementation, monitoring and evaluation systems are equally important in the attainment of the Mission's institutional development objectives. There are no firm blueprints for addressing "second generation" problems. Identification of appropriate institutional responses to current development priorities requires an iterative process that encourages learning by doing. Achievement of the institutional objectives of the Mission depends to a great extent on the degree to which projects leave in place the institutional capacity to measure, understand, and react in a programmatic way to performance deficiencies and new opportunities.

The remainder of this paper is devoted to an outline of a Mission monitoring and evaluation strategy that will support these broad objectives.

Part II: Mission Monitoring and Evaluation Strategy

A. Background

The FY 85 CDSS established three broad goals as focal points of the Mission's portfolio: 1) strengthening and diversifying food production; 2) improving primary health care, including family planning; and 3) increasing off-farm employment. Office work plans for FY 85 identified a small number of priority program areas for each of these four focal concerns. Further articulation of a strategy in each of these program areas is a major objective of the technical offices in the coming year.

The increased emphasis within the Mission on a program orientation (that is, designing a cluster of related project interventions aimed at an overall policy and institutional objectives, i.e., diversifying food productions) provides an excellent framework for further definition of a Mission monitoring and evaluation strategy aimed at supporting overall institution building and policy analysis objectives. USAID experience with monitoring and evaluation activities to support program development is limited but, in relative terms, very successful. For example, the two recent principal efforts that involved Mission support of program oriented monitoring and evaluation systems are Family Planning and Development Services and Rural Works. The monitoring and evaluation systems supported in these projects have evolved into central elements of the government management information systems associated with these two programs. The systems are directly linked to planning processes and routinely generate current data on key aspects of program performance.

Mission monitoring and evaluation activities associated with these two programs and supported through the projects have many features in common which suggest a basis for future endeavors of this kind, including:

- initial focus on routine generation of simple output data and incorporation of this data into field level planning procedures;
- use of the above output data as major variables to assess program performance and recommend program improvements;
- open-ended design of monitoring and evaluation systems to incorporate the experience gained in identifying specific information needs of all levels of program management and to reflect the capacities of the organization to meet those needs.

Outlined below is a monitoring and evaluation strategy that builds upon lessons learned from past endeavors, such as those described above, and is structured to support the development of program strategies that reflect the institution building and policy analysis objectives of the Mission.

B. Strategy

1. Statement of Purpose

As noted, the USAID portfolio reflects the transition to a "second generation" development agenda in Indonesia. Mission support of this agenda primarily revolves around testing new approaches to development while simultaneously building institutional capacity to apply these approaches on a larger scale. An element essential to this strategy is the availability of accurate, relevant, and timely information on the outcomes achieved by the new approaches and the capacity of participating organizations and supporting institutions to apply these approaches on a broader scale. The principal aim of the proposed strategy is to support the development of monitoring and evaluation systems that focus on programs rather than strictly on projects and that enhance the capacity of policy-makers and field-operators to measure, understand, and react to performance deficiencies and new opportunities.

2. Core Components

Core components of the proposed strategy include the following:

- **Monitoring Systems:** The proposed strategy primarily emphasizes the development of a monitoring system that routinely tracks outcomes resulting from program interventions. In developing the system, determination of what data need to be collected is a main but not a sole concern. Other key issues to be addressed include questions related to how the data are to be collected and processed.
- **Evaluation Systems:** As the reliability of the monitoring system improves, the data on what is happening as a consequence of program intervention can serve as a basis for periodic analysis of how (process evaluation) and why (impact evaluation) specific changes are (or are not) occurring. In the formative stage of program development, however, the monitoring data will in most cases not be sufficient for assessment of these questions, and special efforts will need to be initiated to enable senior level management to gain some understanding of the hows and whys of program development.

Few examples exist to provide a model for the development of an evaluation strategy that tracks program development in its formative stages. The lack of experience in this area in great part stems from the fact that many of the intended changes are of an institutional nature and the difficulties with attempting to identify measurable indicators of change in this area. Other factors, such as defining "impact" only in terms of physical outputs, also have contributed to the lack of serious attention to this issue.

The high priority which the CDSS places on institutional development and the importance of institutional capacity in the expansion of successful program innovations requires much greater Mission attention to

this issue. On-going efforts within Provincial Area Development Program to develop a program strategy framework provide an example within the Mission of one way to proceed in this area. Six broad key indices of program development have been tentatively identified, including:

- Implementing Orders from Higher Authority ----- Initiating Plans and Projects ----- Enabling Initiative of Subordinate Units
- Investment in Training & Facilities ----- Direct Support of Target Groups
- Compartmentalized Departmental Activities ----- Horizontal Integration & Line-Staff Collaboration
- Standardized Project Activities Duplicating National programs ----- Innovative and Experimental Projects Testing New Ideas
- Commodity Production ----- Needs and Potentials of Area and Population
- Providing All Inputs for Project Action ----- Providing Supplemental Inputs while Encouraging Local Resource Mobilization

Efforts are now underway in PDP to identify "program indicators" that will make it possible to measure change within these key areas. Similar efforts need to be initiated in other programs.

C. Other Activities

Effective implementation of monitoring and evaluation efforts is often directly dependent upon other actions. Two such actions that must be initiated prior to the implementation of the proposed monitoring and evaluation strategy are:

1. Program Strategies

A key objective of technical offices in the coming year is the development of program strategies in their main areas of involvement. Detailed planning of monitoring and evaluation efforts to support these program strategies must necessarily follow a clear articulation of the main objectives of the program and USAID's strategy for achieving those objectives.

2. Socio-Economic/Institutional Profiles

Development of monitoring and evaluation systems must be based on a clear understanding of the socio-economic environment in which the program is operating and of the capacities of the organization(s) implementing the program. Thus, in some instances, implementation of the proposed strategy will need to be preceded by the further analysis of socio-economic conditions and institutional capacities associated with the program.

D. Work Plan

Implementation of the Mission's monitoring and evaluation strategy is a long-term commitment and should be carried out in phases, with Mission resources initially focused on a small number of program areas. Concentration on a small number of initiatives in the early stages is necessary due in part to the limited resources available to the Mission in this area but also to the experimental nature of this undertaking and the need to gain additional experience with key issues associated with the strategy.

Four program areas suggest themselves for possible involvement, a few of which might be selected for the initial phase of this effort.* These four programs and the projects which support them are:

- Local Government Development - POP I, POP II, and LGT II.
- Upland Agriculture - Citanduy II and UACD
- Rural Financial Institutions - FID
- Rural Health Program - CHIPPS, HTRD, EPI, and VFP/MCW.

Selection of these four program areas was based on a variety of criteria, two of the more important being the easily defined program focus of the four and the significant commitment within the projects supporting these programs to monitoring and evaluation activities.

Implementation of this strategy will require the close cooperation of the participating technical offices, the program office and other resource persons available to the Mission, with the technical offices assuming the lead role. Technical offices will be expected to place priority attention on the development of program strategies for these four areas and to supplement existing socio-economic and institutional profiles as required.

Note: * Other areas of consideration included irrigation, higher education, and management training. The irrigation sector would be a likely candidate for a fifth program area based on these criteria. Current focus on the design of the new project, however, argues against inclusion of it in this initial phase. Uncertainty over future thrust of USAID support for the remaining two areas rule them out for initial inclusion in the program.

Part III: Mission Resources

Effective implementation of the proposed strategy will require a considerable investment of Mission resources. Implementation of the strategy in specific program areas is not a short-term undertaking. Technical offices supporting program areas will need to carry the major burden. Support staff within the Mission will also have to devote significant time to this effort. Recognition of the staff intensity of the approach and agreement by all offices concerned to provide the necessary resources is a first step to proceed with this strategy. Because of the Mission's staff limitations and the need to strengthen Indonesian institutions, an effort would be made to identify in-country resource institutions capable of supporting program development on an on-going basis. Three of the four program areas already have significant contacts with in-country institutions. An explicit effort needs to be made to involve these institutions to the extent possible in the development of program specific monitoring and evaluation and identifying ways to strengthen the capabilities of these institutions so they may eventually assume a lead role in supporting counterpart agencies in this area.

Part IV : Next Steps

The proposed strategy is in draft and will be reviewed and refined by Mission staff in the coming weeks. Specific steps will include:

- Discussion of proposed strategy and, as appropriate, refinement of its major tenets; seeking concurrence with its basic emphases;
- Selection of program areas to be involved in the initial phase of the implementation of the strategy;
- Organization of Mission resources and selection of outside institutions to support implementation of the strategy.

Update: The 2nd, February 22, 1985

C. Active Sub-Projects

A. Sub-Projects Being Implemented

Inv. Code	TITLE & PROPOSAL	USAID Amount \$	STATUS: date of		PIL Issued	ACTION AND REMARKS
			Proposal received in Princ.	USAID Approval In Princ.		
101	Seminar: "Man and Society in the Year 2100", Office of State Minis-ter for Population and Environment	89,866	01/09/84	01/19/84	No. 4 10/30/84	Foreign and domestic experts are working on Parameter Papers. The seminar will be conducted o/a August 1985
103	Research: "Socio-Cultural Influences on Food Habits and Food Consumption Patterns in the Family with Preschool Children", MHI	200,000	04/02/84	04/13/84	No. 6 10/18/84	Implementation is underway, June 1984 - December 1985.
105	Research: Technology and Employ-ment Opportunities in Food Production, Gaujah Nads University	82,140	01/19/84	03/23/84	No. 8 10/12/84	Implementation is underway June 1984 - December 1985.
1045	Technical Assistance in Developing DSP Sub-Project proposals and determining the acceptability of Sub-Project outputs (reports), MHI	75,000	03/31/84	05/01/84	No. 10 10/18/84	Need Scope of Work and PIL for every TA.
1039	National Seminar on Job and Business opportunity in rural areas Gaujah Nads University,	25,000	04/27/84	06/22/84	No. 9 10/09/84	Mail for seminar's final report to be published o/a January, 1985.
1042	Cooperative Rural Perishable Commodity Marketing Systems Study, UC of Cooperative Business Affairs	37,340	05/29/84	06/22/84	No. 12 11/02/84	Implementation is underway Oct. 1984 - Feb. 1986.
1040	Analysis of External Resource Utilization, Happersas	139,200	05/11/84	06/22/84	No. 14 10/25/84	Implementation is underway Nov. 1984 - Dec. 1985.
1041	Development of nutrition assessment and monitoring activities for the food and nutrition surveillance system, MHI	200,000	01/19/84	06/25/84	No. 17 11/03/85	Implementation is underway Dec. '84 - May '86.

Inv. Code	TITLE & DIVISION	USAID Account \$	STATUS: DATE OF				PII Issued	ACTION AND REMARKS
			Proposal Received	USAID App. in Prin.	USAID Approval	SC App. Approval		
1063	Policy Analysis and dissemination of info from the National Panel of Farmers Research Program, CIER, MIA	150,545	10/18/84	11/23/84	10/19/84	12/27/84	No. 16 12/12/86	Implementation is underway Dec. '86 - January '86.
1029	Study for the development of Infrastructure Pricing Policy, Supplements	164,415	07/11/84	08/16/84	08/16/84	08/16/84	No. 19 01/07/85	Implementation is underway January '85 - Feb. '86.
	Total A	1,163,504						

B. Sub-Projects Approved and Being Processed

1057	Studies and Development of Registration in rural development, Ministry of Cooperative Development, Ministry of Cooperatives	165,000	01/01/84	08/16/84	08/16/84	08/16/84		Final GOI counterpart budget is being processed.
	Total B	165,000						

C. Sub-Projects Under Active Consideration

1052	Joint Government - Private Sector Industrial Pollution Control, Ministry of MIM	38,000	11/06/84					Wf to ask for using DSP proposal forms - refer to Knowland.
1053	Study tour for organ - Industrial waste management of Leptoca and Pate oil factories, Ministry of MIM	84,500	11/06/84					Refer to Seckler, L. Chiles, Knowland and Morfit.
1055	Study for establishment of the Bolivian discount institution, DN for Int. Affairs, MIF	38,790	07/19/84					Withdrawn and will be funded through other USAID project.
1059	Study on the increase of Productivity of MIO Personnel, Min. of Coop.	200,000	09/07/84					Pending for the issuance of World Bank report on Cooperatives. USAID will support one strategic policy study on Unops. USAID is rat in favor.

Proj. Title	USAD Amount \$	Proposed In Pctm.	STATUS: date of		PIL Issued	ACTION AND REMARKS
			USAD App. In Pctm.	USAD Approval		
1066	199,752	11/16/84				Pending for the issuance of world bank report on Cooperatives. USAID will support one strategic policy study on Coops. USAID is not in favor.
1067	13,500	11/16/84				Idea
1073	120,000	11/16/84				Idea
1065	200,000	11/27/84				MF will discuss ASPP. USAID considers that it required some revisions and need to meet with proposer.
1068	12,500	11/27/84				Idea to bring FA first for 3-4 weeks to develop proposal. Muratty to write Scope of Work.
1069	200,000*	11/29/84				Needs GII counterpart and clear support (pending for Bappeus response).
1070	27,827	01/22/85				Pending for more clarification on the substance of the study by the proposer - Mr. Tengku Rudianto and the GII grantee.
1071	192,000	01/22/85				USAID is in favor.
1071	250,000	01/28/85				USAID is not in favor.

* No budget, it is rough estimate

Inv. Code	Title & Number	USAD Amount \$	STATUS: date of		PII Issued	Action Noted Remarks
			Approval Received In Print	SC Appc. In Print		
0172	Agricultural Productivity Measure- ment and Analysis in Indonesia (Pellita I - III), Bureau of Planning, MIA	141,000				
0174	Regional Workshop of the Int'l Council of Women on "Challenges for the Family in a Rapidly Changing Society", Koblenz	50,000				USAD is not in favor. will be discussed soon by both USAID & DOI committee
	total C	1,767,869				