

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D.C. 20523

PROGRAM ASSISTANCE APPROVAL
DOCUMENT

AMENDMENT NUMBER 3

INDONESIA
Agriculture and Rural Sector
Support (497-0357)

Dated: June 21, 1991

This is a draft form. The revised form will be issued when available.

CLASSIFICATION: Att 1 to App 3B, Ch 3, HB 4 (TM 4:11)

AID 1120-1 PAAD	AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT	1. PAAD NO. AMENDMENT NO. 3 (ARSSP No. 497-0357)	
		2. COUNTRY INDONESIA	
		3. CATEGORY BUDGET SUPPORT AND RELATED TECHNICAL ASSISTANCE	
		4. DATE	
5. TO DIRECTOR USAID, JAKARTA/INDONESIA		8. OYB CHANGE NO.	
7. FROM LEE ANN ROSS CHIEF, ECONOMIC POLICY SUPPORT OFFICE		9. OYB INCREASE	
6. APPROVAL REQUESTED FOR COMMITMENT OF: \$ 7,000,000		10. APPROPRIATION - Approp.: 72-1111021 RPCs: PDNA-91-27497-KG13; PDSA-91-27497-KG13	
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT	12. LOCAL CURRENCY ARRANGEMENT <input type="checkbox"/> INFORMAL <input type="checkbox"/> FORMAL <input checked="" type="checkbox"/> NONE	13. ESTIMATED DELIVERY PERIOD N/A	14. TRANSACTION ELIGIBILITY DATE N/A
15. COMMODITIES FINANCED N/A			

16. PERMITTED SOURCE U.S. 7,000,000 Limited F.W.: Free World: Cash: INDONESIA : \$250,000	17. ESTIMATED SOURCE U.S.: \$6,750,000 (TA) Industrialized Countries: Local: \$250,000 Other:
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18. SUMMARY DESCRIPTION

The Agriculture and Rural Sector Support Program (ARSSP) is designed to support policy changes targeted at increasing rural employment and incomes during a critical period in Indonesia's development. Under the ARSSP program to date, through which \$66.0 million has already been obligated, the Government of Indonesia has shown a commitment to policy reform beyond the expectation when ARSSP began. While most of the financial resources available through the ARSSP grant were for budget support purposes, it became clear that the technical assistance component served the Mission and GOI very well in responding to critical needs of the GOI's policy deregulation program. This amendment authorizes \$7.0 million of additional financing for technical assistance, to be obligated during the period FY 91-93.

These funds will supplement the current allocation of \$6.0 million for technical assistance to design, implement, and evaluate the policy changes supported by the program assistance component of ARSSP.

19. CLEARANCES	DATE	20. ACTION
ARD: MWINTER <i>MW</i>	6/16/91	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
PPS: LEWIS <i>SL</i>	6/20/91	<i>[Signature]</i>
LA: PSCOTT <i>PS</i>	6/21/91	6/21/91
ETN: CHRISTENSEN <i>CC</i>	6/21/91	<i>[Signature]</i>
		AUTHORIZED SIGNATURE
		<i>Mission Director USAID/Jakarta</i>
		TITLE

CLASSIFICATION: - - - - -



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

ACTION MEMORANDUM FOR THE DIRECTOR, USAID/INDONESIA

FROM : Lee Ann Ross, Director, EPSO *LR*
SUBJECT : Approval of Amendment No. 3 to the Agriculture and
Rural Sector Support Program (497-0357)

ACTION: You are requested to authorize an amendment to the Agriculture and Rural Sector Support Program (ARSSP) to provide additional grant funding in the amount of \$7.0 million for technical assistance, raising the Program's total grant funding to \$73.0 million, and to extend the program assistance completion date by three years to December 31, 1995. Subject to availability, the additional \$7.0 million will be obligated through FY 1993.

DISCUSSION: When the ARSSP was originally designed the major focus of the Program was budget support to assist the Government of Indonesia (GOI) to overcome a serious fiscal crisis brought on by low oil prices of the mid-1980s. While most of the financial resources available through the ARSSP grant were for budget support purposes, it became clear as the Program matured that the technical assistance component served the Mission and the GOI very well in responding to critical needs of the GOI's policy deregulation program. The need for additional technical assistance resources was recognized as the Mission became more involved in in-depth policy dialogue with the GOI. The availability of budget support provided the initial impetus to generate an effective policy dialogue between USAID and the GOI, but over time the availability of technical assistance resources allowed USAID to provide critical assistance to key implementation needs of the GOI's economic reform program. Projected continued need for technical assistance resources motivated PAAD Amendment Number Two, wherein \$3.0 million was added to the technical assistance component of the ARSSP.

ARSSP technical assistance plays an important role in the design, implementation, and analysis of economic policy in Indonesia. The \$6.0 million that is currently available has been earmarked for activities that support the policy agenda. Additional funds and an extension of the PACD for this Program are needed to enable USAID to continue these worthwhile activities. This amendment will add \$7.0 million to the technical assistance budget and extend the PACD to December 31, 1995.

The PAAD Amendment No. 3 facesheet and the Program Recommendation and Executive Summary in Section I of the PAAD Supplement summarize the scope of the

Program and define the fundamental terms, conditions, and budget level of this amendment for purposes of approval and authorization.

RECOMMENDATION: That you approve Amendment No. 3 to the ARSSP PAAD to raise the total authorized level of assistance under the program to \$73.0 million and authorize the obligation of up to \$2.7 million for this purpose in FY91 and the remaining of \$4.3 million in FY 92 and FY 93, by signing the attached PAAD facesheet.

AUTHORITY: By State 004976, dated January 7, 1991, the AA/APRE has delegated you the authority to approve an amendment to the program authorization to add up to \$7.0 million in funding to the program for technical assistance.

Approved

:

W. P. Heade

Disapproved

:

Date

:

6/25/91

Action Memorandum for the Director, USAID/Indonesia

Subject: Approval of Amendment No. 3 to the Agriculture and Rural Sector Support Program (497-0357)

Clearance:

1. EPSO: LARoss
2. PPS : GLewis
3. LA : PScott
4. ARD : MWinter
5. ~~PSD : JWatson~~
6. FIN : CChristensen
7. CM : MStevenson

LAR
GL - Subject to change
PS with changes indicated
MW
JK
MS

NOTE: PAAD NEEDS TO BE CLEARED BY PPS

Drafted:EPSO:MH:cp:1/11/91
#WP51:ARSSP:b:\amendmen\action.am3

I. PROGRAM RECOMMENDATION AND EXECUTIVE SUMMARY

A. Recommendation

This PAAD Supplement was developed with APRE Bureau concurrence for Mission approval for amending the Agriculture and Rural Sector Support Program (ARSSP) Authorization. This Supplement builds on the framework described in the PAAD Amendment Number Two, August 7, 1990, and authorizes additional grant financing for the program of \$7.0 million to increase the total U.S. contribution to the Agriculture and Rural Sector Support Program (ARSSP) to \$73.0 million, and to extend the Program Assistance Completion Date (PACD) by three years to December 31, 1995.

B. Program Summary

1. Program Title

Agriculture and Rural Sector Support Program

2. Summary of Current and Proposed Assistance

	<u>Funding Summary</u>		
	<u>A.I.D</u>	<u>GOI</u>	<u>Total</u>
Current funding	66.0	27.8	93.8
Budget Support	60.0	27.8	87.8
Technical Assistance	6.0	--	6.0
Funded by this amendment	7.0	--	7.0
Budget Support	--	--	--
Technical Assistance	7.0	--	7.0
Total funding	<u>73.0</u>	<u>27.8</u>	<u>100.8</u>

The U.S. contribution to total Program costs, with the \$7.0 million added through this amendment, is 72 percent. The GOI contribution of 28 percent accounts for agreed GOI budgetary allocations only. This percentage understates the actual contribution because many in-kind contributions are made to assist technical assistance activities. For example, substantial GOI contributions are received from the Ministry of Trade in the form of office space, computers, furniture, etc., to support consultants with the Nathan Associates contract.

Similar contributions are received to support Peter Jezek at the Ministry of Mines and Energy and John Forgive at the Ministry of Science and Technology. In-kind contributions were not calculated in the past because the GOT contribution exceeded the 25 percent mandatory lower limit. In the future, a system to account for GOI contributions will be established.

C. Summary Program Description

The additional funding provided by this Program amendment will finance technical assistance to support the design, implementation, and/or analysis of development policies primarily in the areas of agricultural diversification and trade, domestic resource mobilization, investment deregulation, and environment and natural resource management. This assistance will assist the GOI in achieving reforms in these areas, thus supporting the ARSSP's overall aim of growth in rural incomes and employment.

D. Statutory Checklist

The Statutory Checklist is provided in ANNEX B.

II. PROGRAM BACKGROUND

Since the mid-1980s the Indonesian government has adopted a macroeconomic policy based on diversifying the economy and expanding the non-oil exports sector. This policy has been implemented in a series of major reform steps through announcements of deregulation packages. USAID supports this general economic policy, as it is consistent with the USAID goals of increasing incomes and employment opportunities for Indonesian citizens.

The ARSSP was developed as a mechanism for support of the GOI deregulation efforts. When the oil price fell to very low levels in the mid-1980s, the GOI development budget suffered serious setbacks. Key agencies of the GOI which supported the deregulation efforts were faced with a lack of resources to carry out their programs. ARSSP was designed to provide interim budgetary support to bridge the period of the GOI's fiscal crisis, and to maintain adequate levels of activities in selected agencies which would otherwise run short of funds for development endeavors.

Budget support was originally provided with a view, from A.I.D, to keep agencies operating. By Indonesian Fiscal Year (IFY) 1989/90 the budget crisis was no longer an overriding factor, and the focus of budget support was shifted to greater targeting of the use of these funds to areas of the budget which most directly support the objectives of the policy reform agenda.

Following a favorable evaluation in April 1989, the ARSSP was amended to add budget support and technical assistance funds to carry the Program through calendar year 1992. This amendment was designed to phase out the budget support component over that time period and by IFY 1991/92, only \$3.0 million were to be available for budget support activities.

Policy dialogue with top GOI officials is a fundamental facet of the USAID role in the implementation of the ARSSP. The technical assistance component of the ARSSP has provided USAID officials a means to respond to GOI needs for assistance to support deregulation efforts. It became clear by IFY 1989/90 that, though the need for broad-based budget support was waning, the usefulness of the technical assistance available through ARSSP was clearly on the rise. The Program was amended a second time in August 1990 to increase the budget for technical assistance by \$3.0 million.

Technical assistance funds have been used to support many aspects of the economic policy picture in Indonesia. Technical Assistance has been provided to support top-level advisors to key ministries. Studies of deregulation implications have been completed. Implementation of deregulation has been assisted through technical assistance available through ARSSP. Because of the flexibility and the quick-turnaround ability of technical assistance resources, both the GOI and USAID have found this part of the Program to be of growing significance.

III. PROGRAMMATIC CONSIDERATIONS

The ARSSP technical assistance resources are used to support the broad USAID CDSS goals of increased employment and incomes for Indonesian citizens and the GOI economic policy objectives of an increasingly diversified economy and growth of non-oil exports as described in Repelita V. However, ARSSP resources are focused on the policies and programs described under the ARSSP policy agenda. These policies and programs are consistent with the broader goals of USAID and the GOI, while they focus on objectives for growth specifically in the agriculture and rural sectors.

Technical assistance is intended to support the achievement of objectives as listed in the policy agenda of ARSSP Amendment II. That policy agenda has been carefully reviewed and deemed current and appropriate. It, along with the implementation objectives, will continue to be the centerpiece of the Program. Nevertheless, experience has shown that the policy agenda is a dynamic and evolving entity. As economic deregulation in Indonesia continues, the policy agenda will be reviewed on a periodic basis to verify its continued validity. As new issues emerge and as more information becomes available about current issues, the policy agenda may be modified to ensure appropriate application of technical assistance.

ARSSP technical assistance funds will not be used to fund equipment or commodity purchases nor will they be used to fund seminars and workshops, except to provide foreign consultants to speak or participate in some other way. In the past, such activities and equipment have proven difficult to fund under ARSSP because they are labor intensive with regard to project management, and differences in USAID and GOI regulations for payment of honoraria to participants make seminars and workshops especially difficult to fund. Similarly, minor expenditures for invitational travel will be carefully considered to determine if benefits outweigh costs of management.

ARSSP technical assistance funds will not be used to augment existing USAID projects. Thus, ARSSP technical assistance funds will not be used to replace funds from other projects and ARSSP funds will not be added to existing project budgets. However, USAID has found that these ARSSP resources can be very useful in assisting with bridging activities to help get new projects underway. If the new project fits under the ARSSP policy umbrella, then use of ARSSP technical assistance to initiate activities that will later be folded into the project is acceptable. Similarly, if through project activities (but not as part of the project) special needs are identified where ARSSP funds could fulfill a key need, then use of ARSSP funds would be legitimate.

The financial plan for this program amendment and for the balance of uncommitted funds authorized under Amendment II is presented in Table 1. The principal expenditures required for program implementation include long- and short-term technical assistance and short-term local consultants. As indicated in the table, anticipated future needs already put the budget for Amendment III at \$7,000,000, leaving only \$238,000 for contingency short-term technical assistance.

The mission has found the advisory services of long-term technical advisors to be extremely valuable in moving the policy reform process along. The mission expects a continued need for the services of technical advisors to MOT, BPPT and BPPM, a Mission Natural Resource Economist and an ARSSP Manager. In addition, anticipated new activities requiring long-term technical assistance include a Regional Economist for EPSO, an advisor to Bank Indonesia, partial funding for a 2.5 year World Bank study on the impact of infrastructure deficiencies on industrial productivity, and a new trade advisory program to run for 2.5 years after the current contract with Nathan Associates expires in June 1992.

Because ARSSP finances technical assistance to support the policy reform process in response to needs as they emerge, it is important that sufficient funds be available for short-term technical assistance. Numerous short-term activities are planned, with \$1,262,000 coming from Amendment III funding and \$516,000 coming from uncommitted Amendment II funds.

Past experience suggests that some activities that address the ARSSP policy agenda, such as translation services or economic analyses requiring detailed knowledge of Indonesia, can be better handled by management consultancies or individuals who speak fluent Bahasa

**Table 1. Anticipated ARSSP Technical Assistance Expenditure
through December 31, 1995 from Uncommitted Funds (\$8,785) as of April 1991**

I T E M	From Amendment II Balance (\$1,785) (\$000)	From Amendment III Balance (\$7,000) (\$000)
LONG-TERM TECHNICAL ASSISTANCE:		
Continuation of current activities:		
ARSSP project management		555
Natural Resource economist	360	0
Advisor to MOT (Nathan Assoc.)	441	
Advisor to BPPT on Technology (Forgrieve replacement)		190
Advisor to BPPM private power expert (Jezek replacement)		350
Current Activities Sub-total	801	1,095
New activities:		
Advisor for Bank Indonesia	180	550
EPSO regional economist	180	420
World Bank infrastructure deficiencies impact study	108	132
New trade after Nathan Assoc.		3,000
New Activities Sub-total	468	4,102
Total Long-term technical assistance	1,269	5,197
SHORT-TERM TECHNICAL ASSISTANCE:		
Strategic plan for urban/regional development	375	
Urban environmental management study	80	
ARSSP evaluation June 1991	61	
Advisor to GOI on cost of environmental degradation		80
Consultant for restructuring of MOA		100
Short-term advisors for Alirahman		175
Short-term advisors for Bank Indonesia		225
Irrigation investment study for BAPPENAS		300
Agribusiness start-up		80
Other short-term technical assistance (already planned)		150
TA for Danc Iskandar, MOF		200
Contingency short-term TA		243
Total Short-term technical assistance	516	1,553
SHORT-TERM LOCAL CONSULTANTS:		
Total Short-term local consultants		250
T O T A L	1,785	7,000

9'

Indonesia and who know the geographical and cultural intricacies of Indonesia. Thus, to increase program flexibility, Table 1 lists short-term local consultants for an anticipated total of \$250,000.

IV. PROGRAM IMPLEMENTATION

Implementation of this amendment will continue as described in PAAD Amendment Number Two. Management of the technical assistance resources is primarily the responsibility of the Economic Policy Support Office (EPSO), in close collaboration with the Program and Project Support Office (PPS), the Contracts Management Office (CM), the Legal Advisor (LA), the Office of Finance (FIN), and the relevant technical offices, most often the Agriculture and Rural Development Office (ARD) and the Private Sector Development Office (PSD). Relationships and responsibilities among these offices is described in the previous amendment.

Experience has shown that one of the advantages offered by the PSC and JCC professional staff, as well as the A.I.D direct hire staff of EPSO, is that high-level consultants are easily identified for the key policy advisor positions requested by GOI officials. An umbrella contractor who is removed from these discussions would not be as adequately prepared to execute a proper search and selection procedure.

Approval of expenditures of ARSSP technical assistance funds will follow the framework described in the previous amendment. However, Director approval will only be required in special cases. These special cases will be determined on an individual basis as expenditure plans are made. If EPSO, or one of the other USAID offices involved in the activity, feels that the Director should be brought into the approval process, then that will be done.

V. CONDITIONS, COVENANTS, AND NEGOTIATING STATUS

The proposed activities have been reviewed with BAPPENAS and no issues have been identified that would prevent moving forward to obligation as planned.

Covenants and conditions precedent to disbursement remain unchanged.

ANNEXES

- A. APRE Approval Cable
- B. Statutory Checklist
- C. Draft Program Agreement Amendment
- D. Initial Environmental Examination

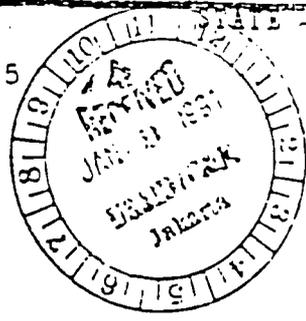
ANNEX A
APRE APPROVAL CABLE

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TAGS:
SUBJECT: INDONESIA - AGRICULTURE AND RURAL SECTOR
SUPPORT PROGRAM (ARSSP), 497-0357

1. THE ASSISTANT ADMINISTRATOR FOR THE BUREAU FOR ASIA AND PRIVATE ENTERPRISE (AA/PRE) DELEGATES AUTHORITY TO THE USAID/INDONESIA MISSION DIRECTOR TO AMEND THE PROJECT AUTHORIZATION FOR THE AGRICULTURE AND RURAL SECTOR SUPPORT PROGRAM (ARSSP) TO ADD DOLS 7 MILLION TO THE TECHNICAL ASSISTANCE COMPONENT.
2. THE BUREAU RECOGNIZES THE IMPORTANT CONTRIBUTION ARSSP IS MAKING TO POLICY REFORM IN INDONESIA AND ENCOURAGES THE CONTINUED STRATEGIC USE OF PROGRAM RESOURCES. BUREAU SUGGESTS MISSION INCORPORATE LESSONS LEARNED FROM NEXT EVALUATION PLANNED FOR APRIL 1991; THE PERFORMANCE OF THE PROGRAM WILL BE JUDGED IN PART ON HOW IT RESPONDS TO EVALUATION RECOMMENDATIONS. BUREAU LOOKS FORWARD TO RECEIVING ANNUAL REPORTING OF RESULTS. EAGLEBURGER
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TAGS:

SUBJECT: INDONESIA - AGRICULTURE AND RURAL SECTOR
SUPPORT PROGRAM (ARSSP), 497-2357: PACD EXTENSION

REF: A) JAKARTA 02480, B) JAKARTA 16847, C) STATE
392373

IN RESPONSE TO REF A, USAID/INDONESIA NOW HAS THE
AUTHORITY TO EXTEND PROJECT ASSISTANCE COMPLETION DATES
(PACDS), PROVIDED THAT SUCH EXTENSIONS DO NOT EXTEND THE
LIFE OF THE PROJECT TO MORE THAN TEN YEARS. THIS
AUTHORITY WAS GRANTED BY THE AA/APRE TO APRE MISSION
DIRECTORS AND A.I.D. REPRESENTATIVES ON NOVEMBER 19,
1990 AND COMMUNICATED TO THE FIELD THROUGH REF C.
THEREFORE, MISSION CAN EXTEND SUBJECT PROJECT TO
12/31/95, AS REQUESTED IN REF B, SINCE THIS ACTION WILL
NOT EXTEND THE LIFE OF THE PROJECT TO MORE THAN TEN
YEARS. BAKER

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ANNEX B
STATUTORY CHECKLIST

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

Yes

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

ARSSP is designed to encourage the growth of trade and the private sector through support to the GOI's efforts to deregulate the economy and remove constraints to business and trade growth.

2. U.S. Private Trade and Investment (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Assistance under ARSSP will directly support removal of barriers to increased trade and investment by U.S. companies and the program will make extensive use of technical assistance services provided by U.S. businesses and individuals.

3. Congressional Notification

- a. General requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?
- A CN was submitted to Congress on April 29, 1991 and expired on May 14, 1991 without objection.
- b. Notice of new account obligation (FY 1991 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?
- N/A
- c. Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec. 575(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?
- No cash transfers or other non-project sector assistance is being provided under ARSSP PAAD Amendment No. 3.
4. Engineering and Financial Plans (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?
- Yes
5. Legislative Action (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?
- No legislative action is required.

6. **Water Resources** (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance** (FY 1991 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

N/A

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

See item A.1. above.

10. **U.S. Private Trade** (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

See item A.2. above.

11. Local Currencies

- a. Recipient Contributions (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. The GOI will contribute \$27.8 million or 27.6% of the total cost of the program.
- b. U.S.-Owned Currency (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? The U.S. does not own excess Indonesian Rupiah.
- c. Separate Account (FY 1991 Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:
- (1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account? N/A
- (2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government? N/A
- (3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes? N/A

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

N/A

12. Trade Restrictions

a. Surplus Commodities (FY 1991 Appropriations Act Sec. 521(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

No assistance will be provided for commodity production.

b. Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec. 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

No

13. Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No

14. Sahel Accounting (FAA Sec. 121(d)): If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)?

N/A

15. PVO Assistance

a. Auditing and registration (FY 1991 Appropriations Act Sec. 537): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

There are no plans to provide any assistance to PVOs under the program.

b. Funding sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

See item 15.a.

16. Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

This requirement does not apply to this agreement amendment.

17. Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the

Yes.

extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

18. Women in Development (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

The program addresses economic policies at the macroeconomic level and, as such, is not directly addressed to women. Some TA and training under the program may directly benefit women participants.

19. Regional and Multilateral Assistance (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

The program focuses exclusively on Indonesian economic development policies and cannot be carried out as a regional activity.

20. Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

No.

b. Will any funds be used to lobby for abortion?

No.

21. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

Changes in macroeconomic policies supported by the program will result in benefits to urban and rural poor.

22. U.S.-Owned Foreign Currencies

a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

The GOI is contributing 27.6% of the total costs of the program.

b. Release of currencies (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No.

23. Procurement

a. Small business (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

Yes.

b. U.S. procurement (FAA Sec. 604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him?

Yes.

c. Marine insurance (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

Yes.

d. Non-U.S. agricultural procurement (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

No non-U.S. procurement of agricultural commodities or products thereof will be financed.

e. Construction or engineering services (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible

Yes.

under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

- f. Cargo preference shipping (FAA Sec. 603): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? No.
- g. Technical assistance (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes.
- h. U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes.
- i. Termination for convenience of U.S. Government (FY 1991 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Yes.

j. Consulting services (FY 1991 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

Yes.

k. Metric conversion (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes.

l. Competitive Selection Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

24. Construction

a. Capital project (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

N/A

b. Construction contract (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

N/A

c. Large projects,
Congressional approval (FAA Sec. 620(k)):
If for construction of productive
enterprise, will aggregate value of
assistance to be furnished by the U.S. not
exceed \$100 million (except for productive
enterprises in Egypt that were described
in the Congressional Presentation), or
does assistance have the express approval
of Congress?

N/A

25. U.S. Audit Rights (FAA Sec.
301(d)): If fund is established solely by
U.S. contributions and administered by an
international organization, does
Comptroller General have audit rights?

N/A

26. Communist Assistance (FAA Sec.
620(h). Do arrangements exist to insure
that United States foreign aid is not used
in a manner which, contrary to the best
interests of the United States, promotes
or assists the foreign aid projects or
activities of the Communist-bloc
countries?

Yes.

27. Narcotics

a. Cash reimbursements (FAA
Sec. 483): Will arrangements preclude use
of financing to make reimbursements, in
the form of cash payments, to persons
whose illicit drug crops are eradicated?

Yes.

b. Assistance to narcotics
traffickers (FAA Sec. 487): Will
arrangements take "all reasonable steps"
to preclude use of financing to or through
individuals or entities which we know or
have reason to believe have either: (1)
been convicted of a violation of any law
or regulation of the United States or a
foreign country relating to narcotics (or
other controlled substances); or (2) been
an illicit trafficker in, or otherwise
involved in the illicit trafficking of,
any such controlled substance?

Yes.

28. Expropriation and Land Reform (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes.
29. Police and Prisons (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes.
30. CIA Activities (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? Yes.
31. Motor Vehicles (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes.
32. Military Personnel (FY 1991 Appropriations Act Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes.
33. Payment of U.N. Assessments (FY 1991 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? Yes.
34. Multilateral Organization Lending (FY 1991 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes.
35. Export of Nuclear Resources (FY 1991 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? Yes.

36. Repression of Population (FY 1991 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

Yes.

37. Publicity or Propoganda (FY 1991 Appropriations Act Sec. 516): Will assistance be used for publicity or propoganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propoganda purposes not authorized by Congress?

No.

38. Marine Insurance (FY 1991 Appropriations Act Sec. 563): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

Yes.

39. Exchange for Prohibited Act (FY 1991 Appropriations Act Sec. 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

No.

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

- | | |
|---|---|
| 1. Agricultural Exports (Bumpers Amendment) (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers? | 1. No.
2. No. |
| 2. Tied Aid Credits (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits? | No. |
| 3. Appropriate Technology (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? | N/A |
| 4. Indigenous Needs and Resources (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government. | The program will make use of local expertise where appropriate. |

5. Economic Development (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

The policy changes supported by the program will directly promote economic expansion.

6. Special Development Emphases (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

Policy and regulatory changes resulting from the program will broaden access to the economy at all levels.

7. Recipient Country Contribution (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Yes.

8. Benefit to Poor Majority (FAA Sec. 128(b)): If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

N/A

9. Abortions (FAA Sec. 104(f); FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 535):

- a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? No.
- b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? No.
- c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? No.
- d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? No funds will be made available for family planning activities.
- e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? N/A
- f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No.
- g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? No.

10. **Contract Awards** (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

11. **Disadvantaged Enterprises** (FY 1991 Appropriations Act Sec. 567): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

The participation of HBCUs and other socially disadvantaged organizations will be encouraged to the maximum extent possible. Since the specific activities to be financed under the TA component of the program are not known at this time, the portion of funds to be used for disadvantaged enterprises cannot be stated at this time.

12. **Biological Diversity** (FAA Sec. 119(g)): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

Some assistance under the natural resources policy component of the program may be used in this area.

13. **Tropical Forests** (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):

a. **A.I.D. Regulation 16**: Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Yes

b. **Conservation**: Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent

Technical Assistance provided under this program will reflect conservation and sustainable management of natural resources to be extent appropriate.

feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

No.

d. Sustainable forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

Yes.

e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

Yes.

14. Energy (FY 1991 Appropriations Act Sec. 533(c)): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

Yes.

15. Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)): If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) being provided in accordance with the policies contained in FAA section 102; (d) being provided in close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (e) being used to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (f) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks,

N/A

to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

16. **Debt-for-Nature Exchange (FAA Sec. 463):** If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

17. **Deobligation/Reobligation (FY 1991 Appropriations Act Sec. 515):** If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

18. **Loans**

a. **Repayment capacity (FAA Sec. 122(b)):** Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

N/A

25

b. Long-range plans (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

Yes.

c. Interest rate (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

N/A

d. Exports to United States (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

N/A

19. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

Policy changes resulting from the program are expected to result in economic growth leading to increases in employment and incomes at all levels.

20. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

Technical assistance will be provided to change policies affecting agricultural production which should increase productivity and profitability of agriculture for farmers.

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

The program will not directly support policy work in the nutrition area.

c. Food security: Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

The program will work on assisting the GOI to change agricultural policies which will directly impact on food security.

21. Population and Health (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of

Assistance will not be provided directly for population and health activities.

mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

22. **Education and Human Resources Development (FAA Sec. 105):** If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

Training assistance will be provided to officials who are key to development and implementation of development policies and activities.

23. **Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106):** If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

N/A

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

24. Sahel Development (FAA Secs. 120-21). If assistance is being made available for the Sahelian region, describe: (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multidonor development plan which calls for equitable burden-sharing with other donors; (b) whether a determination has been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom).

N/A .

79

ANNEX C
DRAFT GRANT AGREEMENT AMENDMENT

ANNEX D
INITIAL ENVIRONMENTAL EXAMINATION

INITIAL ENVIRONMENTAL EXAMINATION

- (A) PROJECT COUNTRY : INDONESIA
- (B) ACTIVITY: Agriculture and Rural Sector Support Program (497-0357)
Amendment 5
- (C) FUNDING: \$7.0 million
- (D) PERIOD OF FUNDING: FY 1991
- (E) STATEMENT PREPARED BY: ^{Adrian H. Roberts} Roland K. Roberts, EPSO, USAID/Indonesia
- (F) ENVIRONMENTAL ACTION RECOMMENDED: Categorical exclusion under
A.I.D. Regulation 16, Section 216.2 (c)
- (G) ACTION REQUESTED BY: ^{Lee Ann Ross} Lee Ann Ross, EPSO, USAID/Indonesia
- (H) LEGAL ADVISOR CLEARANCE: ^{PMS} Paul Scott, LA, USAID/Indonesia
- (I) ENVIRONMENTAL OFFICER CLEARANCE: ^{Jerry Bisson} Jerry Bisson, ARD/RRM
- (J) DECISION OF USAID/INDONESIA DIRECTOR:

APPROVED: *[Signature]*

DISAPPROVED:

DATE: 6/28/91

- (K) DECISION OF APRE ENVIRONMENTAL OFFICER:

APPROVED: *M. Kar, APRE/DR/TK*

DISAPPROVED:

DATE: 4-17-91

REFERENCE:

EXAMINATION OF THE NATURE, SCOPE, AND MAGNITUDE OF THE ENVIRONMENTAL IMPACT

A. DESCRIPTION OF THE PROGRAM:

This amendment to the ARSSP program will add \$7.0 million to the technical assistance component of the Program. This technical assistance will consist primarily of short- and long-term advisors to key ministries of the Government of Indonesia having significant impact on the progress of policy reform. These advisors will assist the Government of Indonesia to define, implement, and evaluate policy reforms to promote more rapid growth of income and employment, particularly in the rural sector. In addition, technical assistance funds will be used to finance overall program management needs within the USAID/Indonesia Mission.

This amendment will ensure that the Mission maintains the capability to provide quick response resources to target emerging needs during the process of economic policy reform which is currently unfolding in Indonesia. Experience to date with ARSSP technical assistance has demonstrated that having the means to quickly access the expertise needed to target key areas of concern to the GOI, and the Mission, gives the Mission the ability to be a key actor in the policy reform process.

(B) RECOMMENDED ENVIRONMENTAL ACTION:

The activities to be funded by this grant consist in their entirety of technical assistance and therefore, in accordance with A.I.D. Regulation 16, Section 216.2 (c), are categorically excluded from further environmental review. No further environmental action is recommended.

43