

PD-ABZ-888

U N C L A S S I F I E D 79831

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D.C. 20523

PAAD
AMENDMENT 4

AGRICULTURE & RURAL SECTOR SUPPORT PROGRAM
JAKARTA 497-0357
SEPTEMBER, 1992

U N C L A S S I F I E D



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

JAKARTA

ACTION MEMORANDUM FOR THE DIRECTOR, USAID/INDONESIA

FROM : Malcolm Purvis, Director, EPSO *[Signature]*
THRU : Philip-Michael Gary, DD *[Signature]*
SUBJECT : Approval of Program Assistance Approval Document (PAAD)
Amendment No. 4 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 \$27.0 million for technical assistance, raising the Program's total grant funding to \$100.0 million, and to extend the program assistance completion date (PACD) by twenty months to August 26, 1997. Subject to availability, the additional \$27.0 million will be incrementally obligated in FY 1992 and FYs 1993 through 1996.

DISCUSSION: When the ARSSP was originally authorized in August, 1987, it focused primarily on budget support to assist the Government of Indonesia (GOI) in overcoming a serious fiscal crisis brought on by low oil prices of the mid-1980s. Only \$1.5 million of the \$43.0 million authorization was programmed for technical assistance. This small 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 soon recognized as the Mission was drawn further into policy dialogue with the GOI. Following a favorable program evaluation in April, 1989, the ARSSP Grant was amended in August, 1990 to add technical assistance funds and to phase down the budget support component over time. Of the \$20.0 million authorized under Grant Amendment No. 2 an additional \$1.5 million was slated for technical assistance.

Over the past three years ARSSP has responded to an ever larger range of requests for policy-oriented technical assistance. ARSSP Grant Amendment No. 4 signed in August, 1990, authorized \$3.0 million which was fully dedicated to technical assistance. The ARSSP evaluation of 1991 concluded that technical assistance was extremely effective in achieving deregulation of the economy to further promote private sector investment and should be continued. Consequently, Grant Amendment No. 5 of August 5, 1991 authorized an additional \$2.7 million in technical assistance. Just eight months later in March, 1992, Grant Amendment No. 6 authorized \$4.3 million exclusively for technical assistance. The availability of high quality U.S. technical advisors has allowed USAID to provide critical assistance to key decision-makers within Indonesia's economic reform program. Clearly the GOI's demand for U.S. policy advice has grown exponentially. It has invariably exceeded our expectations.

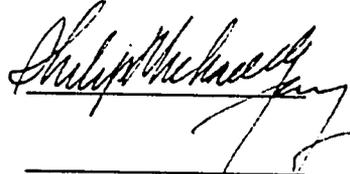
Recently the Mission and the GOI refined the ARSSP policy agenda to allow these worthwhile activities to continue in a more coherent fashion. Additional funding of \$27.0 million and a twenty-month extension of the PACD are needed to expand and deepen our role as pre-eminent policy advisor to the GOI. The attached PAAD Amendment No. 4 will authorize funding for the design, implementation, and/or analysis of development policies primarily in the areas of economic management and deregulation of the economy. The growth of competitive free markets and private sector investments through improved management of the economy will be the primary focus of the Program. The Program will assist the GOI in designing and implementing economic reforms in these areas, thus supporting ARSSP's overall aim of growth in incomes and employment.

The refined policy agenda will focus on the following areas: international trade expansion, agriculture diversification, freeing-up internal and external trade, improving fiscal and monetary tools to promote free markets, training of economic managers, tax efficiency, extension of integrated pest management technology into crops other than rice, and the promotion of private trade associations. ARSSP will be evaluated in October, 1993 to assess the effectiveness of the technical assistance in meeting the Program objectives as outlined in the policy agenda.

The facesheet for Program Assistance Approval Document (PAAD) Amendment No. 4 plus the Program Recommendation and Executive Summary in Section I of the PAAD Amendment 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 PAAD Amendment No. 4 to the ARSSP to raise the total authorized level of assistance under the Program to \$100.0 million and to extend the program's PACD to August 26, 1997, by signing this Action Memo, the attached PAAD facesheet, and the IEE Determination (Annex E) to the PAAD.

AUTHORITY: By STATE 306428, dated September 19, 1992, the A-AA/ASIA has delegated you the authority to approve an amendment to the PAAD authorization to add up to \$27.0 million in funding to the Program for technical assistance and to extend the PACD to August 26, 1997.

Approved : 
Disapproved : _____
Date : 9/30/92

Amendment:

- PAAD Amendment No. 4

ARSSP PAAD Amendment No. 4

Clearances:

- R. Roberts, EPSO ⁸⁴ RR	Date	<u>9/22/92</u>
- N. Greeley, PPS <u>Ng</u>	Date	<u>9/22/92</u>
- P. Scott, LA <u>ANS</u>	Date	<u>9/24</u>
- C. Christensen, FIN <u>cvr</u>	Date	<u>9/25/92</u>
- P. Gary, DD	Date	
- R. Edler, CM <u>RL</u>	Date	<u>9/25/92</u>

CLASSIFICATION: UNCLASSIFIED

AID 1120-1	AGENCY FOR INTERNATIONAL DEVELOPMENT	1. PAAD NO. AMENDMENT NO. 4 (ARSSP NO. 497-0357)	
		2. COUNTRY INDONESIA	
		3. CATEGORY TECHNICAL ASSISTANCE	
		4. DATE	
PAAD	PROGRAM ASSISTANCE APPROVAL DOCUMENT	5. TO: MISSION DIRECTOR USAID, JAKARTA, INDONESIA	
6. DYS CHANGE NO.		7. FROM: MALCOLM J. PURVIE DIRECTOR, ECONOMIC POLICY SUPPORT OFF.	
8. DYS INCREASE		9. APPROVAL REQUESTED FOR COMMITMENT OF: \$ 27,000,000	
10. APPROPRIATION -		11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT <input type="checkbox"/> INFORMAL <input type="checkbox"/> FORMAL <input checked="" type="checkbox"/> NONE	
12. LOCAL CURRENCY ARRANGEMENT		13. ESTIMATED DELIVERY PERIOD N/A	14. TRANSACTION ELIGIBILITY DATE N/A
15. COMMODITIES FINANCED N/A			

16. PERMITTED SOURCE	17. ESTIMATED SOURCE
U.S. \$27,000,000	U.S.: \$18,500,000
Limited F.W.:	Industrialized Countries: \$ 2,500,000
Free World:	Local: \$ 6,000,000
Cash:	Other:
Local: In accordance with A.I.D. Hand- book 1B, Chapter 18A.	Presuming 80/20 split US/Local except IPM Rice Grant to the World Bank.

The Agriculture and Rural Sector Support Program (ARSSP) is designed to support policy changes targeted at increasing employment and incomes during a critical period in Indonesia. This PAAD Amendment builds on the framework described in both the PAAD Amendment Number II, August 7, 1990, and the PAAD Amendment Number III, June 21, 1991, and authorizes additional grant financing for the Program of \$27 million to increase the total U.S. contribution to the Program to \$100 million, and to extend the Program Assistance Completion Date (PACD) by twenty months to August 26, 1997.

The additional funding will finance the design, implementation, and/or analysis of development policies primarily in the areas of economic management and deregulation of the economy. The Program will assist the GOI in designing and implementing economic reforms in these areas, thus supporting ARSSP's overall aim of growth in incomes and employment.

19. CLEARANCES	DATE	20. ACTION
PPS: EGREELEY <i>ES</i>	9/23/92	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED <i>Philip Michael Long</i> 9/29/92 AUTHORIZED SIGNATURE DATE TITLE
LA: PSCOTT <i>PS</i>	9/24	
CM: REDLER <i>Ren</i>	9/25/92	
FIN: CCHRISTENSEN <i>CC</i>	9/25/92	
DD: PMGARY <i>MG</i>	9/28/92	

CLASSIFICATION:

TABLE OF CONTENTS

I.	PROGRAM RECOMMENDATION AND EXECUTIVE SUMMARY	1
A.	Recommendation	1
B.	Program Summary	1
1.	Program Title	1
2.	Summary of Current and Proposed Assistance	1
C.	Summary Program Description	1
D.	Statutory Checklist	2
II.	PROGRAM BACKGROUND AND PROGRESS TO DATE	2
A.	Overview	2
B.	Relationship Between the 1991 ARSSP Evaluation and This Amendment	3
III.	PROGRAM AMENDMENT DESCRIPTION AND ANALYSES	4
A.	Background	4
B.	Program Goal	4
C.	Program Amendment Activities	5
D.	Program Inputs and Management Structure	5
IV.	FINANCIAL PLAN	6
V.	PROGRAM AMENDMENT IMPLEMENTATION PLAN	12
A.	Implementation Responsibilities	12
B.	Procedure for Selection of Activities	13
1.	Criteria for Activity Selection	13
2.	Procedure for Review of Proposed Activities	14
VI.	PROGRAM AMENDMENT ADMINISTRATION	16
VII.	THE POLICY FRAMEWORK	17
Policy Objective 1	18	
Policy Objective 2	18	
Policy Objective 3	18	
Policy Objective 4	19	
VIII.	MONITORING AND EVALUATION	19
IX.	GOVERNMENT CONTRIBUTION	20
X.	CONDITIONS, COVENANTS, AND NEGOTIATING STATUS	21

TABLES:		Page
1.	ARSSP Funding Summary	1
2.	Illustrative Budget for ARSSP Amendment No. 4	7
3.	Implementation Schedule for ARSSP Activities Funded under Amendment No. 4	11

ANNEXES:

- A. Description/List of Activities Funded under ARSSP Amendment No. 4
- B. ASIA Bureau Cable Delegating Approval Authorization to the Field
- C. Statutory Checklist
- D. Draft Program Agreement Amendment
- E. Initial Environmental Examination Determination
- F. Procurement Plan and Methods of Financing

6

GLOSSARY

A.I.D.	Agency for International Development
ARSSP	Agriculture and Rural Sector Support Program
BAPPENAS	National Development Planning Agency
CDSS	Country Development Strategy Statement
CM	Contract Management & Service Office
DIP	Daftar Isian Proyek (GOI Annual Development Budget)
EPSO	Economic Policy Support Office
EXO	Executive Office
FIN	Finance Office
FY	U.S. Fiscal Year (October 1 - September 30)
GOI	Government of Indonesia
IEE	Initial Environmental Examination
IFY	Indonesian Fiscal Year (April 1 - March 30)
IPM	Integrated Pest Management
IQC	Indefinite Quantity Contract
JCC	Joint Career Corps
LA	Legal Advisor
LT	Long-Term
NGO	Non Governmental Organization
PAAD	Program Assistance Approval Document
PACD	Program Assistance Completion Date
PASA	Participating Agency Services Agreement
PIO/T	Project Implementation Order/Technical Services
PPS	Program and Project Support Office
PSC	Personal Services Contract
PVO	Private Voluntary Organization
Repelita	5-year Development Plan
RFP	Request for Proposal
RLA	Regional Legal Advisor
ST	Short-Term
TA	Technical Assistance
USAID	United States Agency for International Development/Indonesia
WHO	World Health Organization

I. PROGRAM RECOMMENDATION AND EXECUTIVE SUMMARY

A. Recommendation

This PAAD Amendment was developed with ASIA Bureau concurrence for Mission approval to amend the Agriculture and Rural Sector Support Program (ARSSP) Authorization. This Amendment builds on the framework described in both the PAAD Amendment Number II, August 7, 1990, and the PAAD Amendment Number III, June 21, 1991, and authorizes additional grant financing for the Program of \$27 million to increase the total U.S. contribution to the Program to \$100 million, and to extend the Program Assistance Completion Date (PACD) by twenty months to August 26, 1997.

B. Program Summary

1. Program Title

Agriculture and Rural Support Program

2. Summary of Current and Proposed Assistance

TABLE 1

ARSSP Funding Summary

	<u>A.I.D</u>	<u>GOI</u>	<u>Total</u>
Current funding	73.0	33.0	106.0
Budget Support	60.0	33.0	93.0
Technical Assistance	13.0	--	13.0
Funded by this Amendment	27.0	2.7	29.7
Budget Support	0	0	0
Technical Assistance	27.0	2.7	29.7
Total funding	<u>100.0</u>	<u>35.7</u>	<u>135.7</u>

C. Summary Program Description

The additional funding provided by this Program Amendment will principally finance technical assistance for the design, implementation, and/or analysis of development policies primarily in the areas of economic management and deregulation of the economy. The growth of competitive free markets and

private sector investments through improved management of the economy will be the primary focus of the program. This Program will assist the GOI in designing and implementing economic reforms in these areas, thus supporting ARSSP's overall aim of growth in incomes and employment. A Description/List of Activities Funded under ARSSP Amendment No. 4 appears as Annex A. Annex B provides the Asia Bureau cable redelegating approval authority to the field.

D. Statutory Checklist

The Statutory Checklist is provided in Annex C.

II. PROGRAM BACKGROUND AND PROGRESS TO DATE

A. Overview

ARSSP has been the cornerstone of the Mission's success in the policy arena. Even though the United States contributes less than 3 percent of total donor assistance each year, our development impact is disproportionate to our size as a donor and the flexibility of ARSSP is the key to that achievement.

Since the mid-1980s the Indonesian government has adopted a macroeconomic policy targeted toward diversifying the economy and expanding the non-oil export sector. This policy has been implemented in a series of major reform steps through announcements of "deregulation packages". The GOI's general economic policy program is consistent with the USAID goals of increasing incomes and employment opportunities for Indonesian citizens through the growth of the private sector.

ARSSP was developed as a mechanism to support 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 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 these funds to areas of the budget which most directly supported the objectives of the policy reform agenda.

Following a favorable evaluation in April 1989, ARSSP was amended to add budget support and technical assistance funds to carry the Program through calendar year 1992. That Amendment was designed to phase down the budget support component over that time period. The current remaining \$3.0 million of budget support funds will be disbursed in IFY 92/93.

Policy dialogue with top GOI officials is a fundamental facet of the USAID role in the implementation of the ARSSP. ARSSP technical assistance has provided USAID with a means to respond to GOI requests 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 and a third time in June 1991 to increase the technical assistance budget by another \$7.0 million.

These increases in the technical assistance component of the Program have shown significant results in assisting the GOI in policy formulation and implementation; demand for technical assistance is growing fast, across a broad front.

B. Relationship Between the 1991 ARSSP Evaluation and This Amendment

The ARSSP evaluation of August 1991 concluded that broad-based budget support should be phased out and that technical assistance was extremely effective in achieving deregulation of the economy to further promote private sector investment, and should be continued. The flexibility and the quick-turnaround features of ARSSP were recognized as invaluable for both the GOI and USAID. The evaluation also recommended that a screening procedure be developed to provide a basis for refusing or accepting requests for ARSSP funding.

This Amendment includes specific ARSSP activities which are directly tied to a Policy Framework. If the objectives of those activities are achieved, then the Policy Framework should be satisfied. The Policy Framework elaborates and expands upon the existing Policy Agenda found in the ARSSP Grant Agreement.

A screening procedure is included in this Amendment to assure that each technical assistance activity is consistent with the ARSSP Policy Agenda and Framework and that the activity is independent of other USAID projects and funding sources.

III. PROGRAM AMENDMENT DESCRIPTION AND ANALYSES

A. Background

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 the most recent five-year development plan, Repelita V. ARSSP will fully support the Mission Vision Statement of Indonesia reaching Newly Industrialized Country status in this generation.

This proposed Amendment provides the Mission with the flexibility to undertake new initiatives in the field of economic policy and to support the implementation of the policy changes over the longer term. A major focus for all new technical assistance activities is to support the growth of a competitive free market and private sector investment. The Amendment continues broad support to the main ministries responsible for economic management while also providing funding for new and innovative initiatives so that ARSSP can continue to be the incubator of new ideas for the Mission.

B. Program Goal

The goal of this Program remains the same - to support the Government of Indonesia's efforts to increase employment opportunities and incomes in Indonesia. Achievement of this goal has been through a focus on the policy agendas developed in the previous amendments to ARSSP which include agricultural diversification, agricultural trade, domestic resource mobilization, financial deregulation, through improved overall economic management including environmental and natural resource management.

Those policy agendas address the policy objectives of the Government of Indonesia (GOI) which include: (1) to create the conditions conducive to expansion and diversification of the agricultural sector, including improvements of the environment for agricultural processing and trade; (2) to plan for and initiate the steps to expand and improve the efficiency of domestic financial markets; (3) to increase total investment in Indonesia, particularly off-Java, through accelerated implementation of financial deregulation; and (4) to sustain the economic productivity of the natural resource base through the development and implementation of sound environmental and natural resource management policies. The purpose of the Program is to provide assistance for design, implementation and evaluation of policies in these areas of program focus.

The August 1991 evaluation of ARSSP suggested that ARSSP technical assistance be tied more directly to future policy areas of concern. This Amendment has accommodated this recommendation by further developing the policy objectives of Amendment I in the areas of: extension of Integrated Pest Management into crops other than rice, international trade, macroeconomic policy, and tax efficiency.

Technical assistance financed under the Amendment will be focused on continuing areas of policy concern. These include: agriculture diversification, freeing-up internal and external trade, improving fiscal and monetary tools to promote free markets, and training of economic managers. It is also anticipated that funding will be provided for work in the areas of small business development, promotion of private trade associations, as well as further work on poverty alleviation. (See Table II Illustrative Budget for ARSSP Amendment No. 4.)

C. Program Amendment Activities

To achieve the purpose stated above, this Amendment reinforces the analytic and technical resources available to the GOI and local private sector institutions such as trade associations involved in policy reforms and program initiatives, helping them to consolidate market deregulation and sustainable economic growth in Indonesia. This assistance will be mobilized in coordination with expertise from Indonesian counterpart resources drawn from both public and private sector institutions for analysis, program development, and implementation. Technical assistance advisers will assist in identifying and comparing policy options, developing implementation plans for policy changes, and implementing the reform measures.

Advisory services will be provided in response to requests for assistance from the GOI and Indonesian private sector institutions or to needs identified by USAID Mission personnel working with these institutions. Particular attention will be given during implementation to identifying opportunities to support private sector institutions which are involved in policy formulation and implementation.

To ensure that program resources are available to respond to priorities as they arise, it is critical to develop a selection system for technical assistance activities that will screen requests and ensure that requests meet clearly established criteria.

D. Program Inputs and Management Structure

Activities under the program will continue to be implemented in cooperation

with BAPPENAS, which will serve as the point of coordination for both GOI institutions and the private sector. BAPPENAS involvement will ensure that ARSSP resources do not duplicate other donor activities in support of reform and will help to mobilize GOI resource inputs needed for reform implementation. The Mission has worked closely with BAPPENAS in the implementation of ARSSP and the Development Studies Program, paving the way for continued cooperation and collaboration under the activities supported by this Amendment.

A.I.D.-funded inputs will be primarily both long- and short-term technical assistance services and will be mobilized for the following:

- Technical assistance for reform design and implementation, including analysis of the impact of reforms in place or under consideration; development and implementation of regulatory or administrative changes necessitated by the reform process; and training for personnel in analytic techniques or other skills needed to support the reform; and
- Bridging support assistance, short-term start-up where technical assistance is required prior to the authorization of an upcoming A.I.D. project or program which will address the area. Such support will be limited to technical assistance. The personnel fielded and the program supported will have a strong policy focus.
- ARSSP program management and advice to the GOI on policy aspects of future program development, particularly in areas related to ARSSP-supported policies, including trade, agriculture, agribusiness, macroeconomic policy and the environment;

To maximize flexibility and responsiveness to a wide range of requests for assistance, assistance will be mobilized through a number of contracting mechanisms, as described in the procurement plan, Annex F. Decisions on which mechanism to use will be made on a case-by-case basis. Resources needed to support technical assistance may also be provided under the Program.

IV. FINANCIAL PLAN

An illustrative budget for this Amendment is found in Table 2. The elements indicated in the budget represent the proposed focus of the Amendment, with estimates of indicative funding through 1997.

TABLE 2 ILLUSTRATIVE BUDGET FOR ARSSP AMENDMENT NO. 4

I. CURRENT WELL-DEFINED ACTIVITIES			
1.	BAPPENAS		
	- IPM for Non-Rice Crops	FY 94-96	1.5
	- Ag Policy Advisor (BAPPENAS/LT)	FY 93-97 @200/yr	1.0
	- Ag Policy Advice, ST	FY 93-97 @100/yr	.5
2.	MINISTRY OF TRADE		
	- Trade Implementation & Policy	FY 94-97	3.0
	- Trade Policy Advice, ST	FY 95-97 @200/yr	0.6
3.	BANK INDONESIA		
	- Research and Development	FY 94-97	2.1
	- Monetary Policy Advice, ST	FY 93-97 @120/yr	.6
4.	MINISTRY OF FINANCE		
	- Fiscal/mon Policy Advisor, LT	FY 93-97 @200/yr	1.0
	- Fiscal/mon Policy Advice, ST	FY 93-97 @120/yr	.6
	- Tax Advisers	FY 93	.8
5.	CENTRAL BUREAU OF STATISTICS		
	- Flow of Funds/Inv Data Base, ST	FY 93-97 @120/yr	.6
		SUBTOTAL	12.3
II. ADMINISTRATION			
	- ARSSP Prog Mgr/Money & Banking	*FY 95-97 @200/yr	.4
	- Trade/Macro Advisor	*FY 95-97 @200/yr	.4
	- Contract Specialist	FY 93-97 @ 60/yr	.3
	- Evaluation and Audit	FY 93/95/97	.2
		SUBTOTAL	1.3
III. NEW INITIATIVES			
	- IPM for Rice	FY 93-97	7.0
	- Bank Indonesia Reorganization	FY 94	1.0
	- Promotion of Trade Associations	FY 93	1.0
	- Business Development (mfg)	FY 94-97	.5
	- Poverty Alleviation Analysis	FY 93	.7
	- Unspecified	FY 93-97	3.2
		SUBTOTAL	<u>13.4</u>
IV. TOTAL (\$ millions)			
			27.0
	* Partial FYs in FY 95 and FY 97		

The strength of ARSSP has been its flexibility and the Program's ability to both respond to emerging needs in new areas quickly and to be able to follow up policy change with implementation assistance, like monetary policy implementation at Bank Indonesia and shifts in the policy orientation of the Ministry of Trade toward trade promotion and away from trade restriction. This flexibility to balance quick response and implementation is retained and strengthened in this Amendment.

It is impossible to determine at this time with precision, all of the exact types and levels of assistance that will be required. To maintain a nimble, flexible and pragmatic approach to ARSSP, the Mission will use a variety of contracting and funding modes, such as Purchase Orders, IQC's, Host Country Contracts, Grants to International Organizations, Grants to NGO's or PVO's, University Cooperative Agreements, Cost Reimbursable Technical Assistance, and so on.

For line items shown in Table 2 as "Current Counterparts" the nature of future assistance is largely fully designed and based on past experience with current counterparts: BAPPENAS, the Ministry of Trade, Bank Indonesia, the Ministry of Finance and the Central Bureau of Statistics. In addition, we will allocate funds for administration. Items which are not yet fully designed are identified in the budget as New Initiatives. While the full \$27 million for the Amendment will be authorized, obligation of funds for the New Initiatives will depend upon completion of design of these sub-activities and approval by the Mission Director.

Summary information on the activities to be funded by the Amendment is provided below. (Annex A describes these activities in more detail.)

I. CURRENT WELL-DEFINED ACTIVITIES:

BAPPENAS: ARSSP technical assistance funds will expand the highly successful Integrated Pest Management Program (IPM) to non-rice crops. The latter activity, to be carried out under a contract already concluded with Clemson University, has an estimated cost of \$1 million. It will run for two years and started in September 1992. A three-year follow-on activity is planned under Amendment No. 4 at the same funding level for a total of \$1.5 million. The Amendment would also fund a long-term advisor to the Head of the Bureau for Agriculture and Irrigation beginning in FY 92 to deal with policy issues in the development of the next long-range agriculture development plan for Indonesia.

MINISTRY OF TRADE: Our highly successful Young Professionals Activity at the Ministry of Trade will be continued. Under this activity, USAID is assisting in reorienting the Ministry's policy from an emphasis on trade restriction to one of trade promotion. Technical services for the follow-on to the Young Professional Program, the Trade Implementation and Policy Program, are currently being

procured, with an anticipated starting date of August 1992. This activity will cost \$3 million and will last for two years. The current solicitation includes a provision for a three-year extension. Funding will be provided under this Amendment to fund that three-year extension at a rate of \$1 million per year.

BANK INDONESIA: Rapid financial deregulation over the past three years supported by the ARSSP Program has resulted in a very rapid growth of the banking sector and financial markets. Inadequate controls over and supervision of the banking sector, (both public and private) now pose a major threat to the economy. Many banks and other financial institutions face a near term insolvency which could precipitate a major financial crisis, negatively impacting on both the private and public sectors.

Under ARSSP, we are currently funding a two-year technical assistance activity for \$1.3 million with the Research and Development Division of Bank Indonesia. The activity is designed to increase the quality and timeliness of macroeconomic data used by the Bank for decision making. Under this Amendment to ARSSP, provision has been made to continue this assistance for an additional three years, starting in May 1994 at the current rate of about \$700,000 per year.

MINISTRY OF FINANCE: Critical policy choices are surfacing in monetary management. The current account deficit has remained high as have interest rates. The development of long-term money markets is a key challenge facing the GOI. The Amendment will fund a long-term fiscal and monetary advisor for a period of five years. This long-term advisor will be attached directly to the Minister's office and work closely with the Monetary Board. This Amendment also continues funding for senior U. S. Internal Revenue Service advisors who assist the Tax Department in its successful efforts to mobilize domestic resources.

II. ADMINISTRATION:

Funds are provided to continue the services of a Joint Career Corps or PSC program manager and a trade/macro economist to continue to work in EPSO. A small amount of funds is set aside to support a locally hired contract monitor to assist the technical offices in monitoring performance of contracts and close out of those activities when complete.

In sum, the focus of support to the GOI under this Amendment is to accelerate movement toward greater private sector participation in the growth of the economy, leading to the program goal of increasing employment and incomes. The support will concentrate on improving economic and financial management in monetary, fiscal, trade and agricultural policy to facilitate a more rapid growth of private investment.

III. NEW INITIATIVES:

The Amendment includes \$13.4 million in finding for New Initiatives related to future policy issues.

A major component of the New Initiatives will in fact be a continuation of highly successful support to the Government of Indonesia in Integrated Pest Management. This success was fully documented in the August 1991 ARSSP evaluation. Because of this success the World Bank is now proposing to provide \$32 million for expanding Rice IPM to 890,000 farmers. This project has been designed and will be appraised by the World Bank in September/October 1992. USAID proposes to co-fund this activity with \$7.0 million from this Amendment through a grant to the World Bank. Although this activity is in an advance stage of design the mechanism for co-funding has not been fully negotiated with the Bank. Consequently this activity is shown as a "New Initiative" and is subject to the final clearance and approval process discussed in Section V below.

Another focus of new activities is expected to be the exploration of small business and trade association development issues which will provide support to develop policies to promote private sector development. We may also explore policy issues related to skill areas needed to attract major foreign investment, a follow-up to the recent seminar on toy production in Indonesia.

We also plan to fund an analysis, which may begin in FY 92, that would aid in understanding the effectiveness of poverty alleviation programs. Of special interest in understanding these programs are effective policies related to fostering the private provision of public goods and services within a new enabling environment. Key program areas include those in which the Mission is active, including private provision of health, family planning, primary education and urban services. A priority policy activity is assessment of the relative effectiveness, efficiency, cost, impact and degree of equitable distribution of selected social services provided to families from private and/or public sources.

Bank Indonesia has recently approached USAID with a request to assist in reorganizing the Central Bank as a means of increasing the efficiency of monetary policy reform and implementation. This activity may be pursued as a new initiative under this Amendment.

An amount of \$3.2 million of the New Initiatives money is budgeted for short-term technical assistance in emerging policy areas that have not yet been identified or for reallocation, if required, to other activities requiring additional funding.

The following Table 3 entitled "Implementation Schedule for ARSSP Activities

TABLE NO. 3

IMPLEMENTATION SCHEDULE FOR ARSSP ACTIVITIES FUNDED UNDER PAAD AMENDMENT NO. 4

	CY92	CY 1993				CY 1994				CY 1995				CY 1996				CY 1997			
	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
WELL-DEFINED ACTIVITIES																					
1. IPM Non-Rice					■	■	■	■	■	■	■	■	■	■	■	■	■				
2. Ag. Policy Advisor	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
3. Ag. Policy Advisor (ST)	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
4. Trade Implementation & Policy					■	■	■	■	■	■	■	■	■	■	■	■	■				
5. Trade Policy Advisor (ST)									■	■	■	■	■	■	■	■	■	■	■	■	■
6. Bank Indonesia R&D									■	■	■	■	■	■	■	■	■	■	■	■	■
7. B.I. Monetary Policy (ST)	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
8. MOF F/M Policy Advisor	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
9. MOF F/M Policy Advisor (ST)	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
10. MOF Tax Advisors	■	■	■	■	■																
11. Statistics Bureau Advisors (ST)	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
ADMINISTRATION																					
12. ARSSP Prog. Mgr. (M&B)																					
13. Trade/Macro Advisor																					
14. Contract Specialist	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
15. Evaluation/Audit					■																■
NEW INITIATIVES																					
16. IPM for Rice					■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
17. BI Reorganizations					■	■	■	■	■												
18. Prom. of Trade Assistance	■	■	■	■	■																
19. Business Development (Mfg.)					■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
20. Poverty Alleviation Analysis	■	■	■	■	■																
21. Unspecified	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

3

Funded under Amendment No. 4" depicts when Amendment No. 4 funding will be provided for the Well-Defined Activities and New Initiatives.

V. PROGRAM AMENDMENT NO. 4 IMPLEMENTATION PLAN

A. Implementation Responsibilities

The Economic Policy Support Office (EPSO) will continue to take the lead in coordinating activities under ARSSP, assisted by several other Mission offices which will participate actively in planning and implementing specific activities as appropriate. Given the sectoral emphases of ARSSP activities, it is anticipated that the Offices of Agro-Enterprise and Environment; Private Enterprise Development; and the Human, Institutional and Resource Development Office will have the most direct involvement in ARSSP activities, but other Mission offices will also be kept informed and may become directly involved on a case-by-case basis.

The degree of involvement by technical and staff offices other than EPSO will vary, depending on the nature of the activity funded. Where the activity is an initiative supporting the Mission's economic policy dialogue in areas specified by this amendment or not covered by other offices, EPSO will take the lead, coordinating technical issues with the appropriate technical office or offices. Where the activity will provide policy or program development support focussed on a technical area within the purview of another office, that office will play a more active role in planning and managing the activity, and may be assigned responsibility for technical support to contracting and for management of the technical assistance personnel required. The Legal (LA), Contract Management (CM) and Finance (FIN) Offices will be involved as described in Section B below.

The same principle will apply to assignment of program management responsibilities within the GOI. BAPPENAS is the coordinator between A.I.D. and the other technical agencies of the GOI. In most cases, however, the primary responsibility for management of ARSSP-supported activities within the GOI will rest with the agency requesting the assistance.

The specific procedures developed for selection and approval of ARSSP activities is discussed in Section C below. Once an activity is approved for ARSSP funding, the technical office responsible for that activity (EPSO or another office) will have the responsibility to work with the Mission Contract Management Office to contract for technical services.

Within EPSO, lead responsibility will continue to be assigned to the

ARSSP Program Manager funded under the Program. It is anticipated that this position will be filled by a JCC, PASA or PSC economist.

B. Procedure for Selection of Activities

The procedure for selection of activities to be funded by this expansion of ARSSP's technical assistance component has been developed to meet four conditions: the procedure must 1) ensure that ARSSP resources are directed towards activities of high priority for the GOI and the Mission; 2) prevent the use of ARSSP resources where another source would be more appropriate; 3) provide for adequate review of all activities to ensure coordination and support during implementation; and 4) be consistent with the often rapid and flexible response to GOI needs.

The procedure developed has two components: a set of criteria for the screening of activities proposed and a procedure for review of each activity. The program monitoring system described in Section VIII below is designed to ensure that this procedure is used effectively to continue to direct program resources to their best use.

1. Criteria for Activity Selection

Selection of activities under ARSSP's expanded technical assistance component will have tighter controls than under the current practice. The primary criterion for selection will be the degree to which the planned activity has a high probability of contributing to policy development and implementation of reform. In addition, each activity proposed for ARSSP funding will be reviewed according to the following programming criteria:

- a. Consistency with ARSSP policy framework: i) the activity directly supports one of the policy areas on the ARSSP Policy Agenda or the Policy Framework (Section VII) included in this Amendment; ii) it strengthens the free market system; and iii) the activity is consistent with the Mission's strategy as stated in the CDSS, the strategic objectives, and other Mission policy statements.
- b. Support to market-oriented policy reform and program development: the proposed activity directly supports enhancement of a market-based economy conducive to private sector investment and growth.

20

- c. Need for ARSSP funding: the activity cannot be funded from another source, including other A.I.D. project funds, PD&S funds, or another donor project.
- d. Separability from other projects: the activity does not constitute simply an augmentation of a planned or ongoing A.I.D.-supported project.
- e. Availability of complementary inputs: either i) the activity does not require any inputs other than technical assistance and logistic support directly connected to that assistance or ii) additional inputs required will be provided by the Government of Indonesia, the private sector, or another source. Use of ARSSP funds for activities other than technical assistance (including commodities or services for seminars or other activities) will require the Director's approval based on an action memo justifying such expenditures.

The PIO/T for each activity approved for ARSSP funding will include an attachment confirming that the activity meets the above criteria or the Director's approval for activities that do not meet these criteria.

2. Procedure for Review of Proposed Activities

The procedure developed for review and approval of proposed activities balances the competing needs to ensure adequate review by A.I.D. and the GOI and to streamline the response consistent with the nature of the requests. The procedure therefore includes two basic steps:

- a. Programming plan. The ARSSP program manager will maintain an up-to-date budget plan including separate listing of commitments and associated expenditures; planned expenditures; and future contingencies. This budget plan will be continuously revised as program activities evolve. PPS and the technical offices will be provided reports on this budget plan on a quarterly basis, or more often as planning needs warrant. Each technical office will keep the EPSO program manager informed of its best estimates of life-of-program needs, so pressing immediate needs can be properly weighed against projected future needs for prioritization and funding decision-making.

- b. **Procurement.** Each proposed activity will be reviewed and approved, depending on its size, complexity and duration on the basis of a PIO/T, grant agreement, purchase order or other procurement document. Procurement documents will be formally approved by BAPPENAS.

The formal review and approval of each activity will take place during review of the relevant procurement document, or the completion of a concept paper or activity description. Development and issuance of each procurement document will follow standard A.I.D. practice, but will vary with the nature of the activity and how it is to be implemented. Each activity will follow procedures as further described below:

ARSSP funded activities fall into three broad categories: a) single person advisors to key government decision makers; b) short-term activities of 120 days or less; and c) longer term efforts. A different approval mechanism will be followed for each of these three categories.

- a) For short-term activities, EPSO will approve the activity. Purchase orders will be approved by EPSO, FIN and CM. PIO/T's for larger short-term activities will be cleared by PPS as well. Legal will clear in cases involving unique or unusual implementation methods and in any cases involving waivers of any A.I.D. requirements, such as competition, nationality or salary level.
- b) For single policy advisors to government decision makers, a PIO/T will be prepared with a full scope of work and budget. A one-to-two page concept paper will also be included. The concept paper will i) state the nature of the activity and identify the GOI counterpart agency; ii) explain its relationship to the ARSSP objectives and CDSS priorities, the Mission Vision Statement and its relationship, if any, to other Mission activities; iii) estimate the funding requirements; iv) indicate how the activity will be implemented (the technical office responsible and the contracting mechanism); and v) provide any additional justification needed. Preparation of the concept paper will be the responsibility of the technical office initiating the request.

The concept paper will be circulated along with the PIO/T. Both will be cleared on a no objection basis by PPS, Legal, FIN, CM and EXO (as necessary). A copy of the PIO/T will be circulated to all technical offices and the Director on an information basis. The

Director or another office may request EPSO to call a review meeting to discuss technical or programming issues related to the activity. EPSO will approve each activity.

- c) When the essential nature of an activity is long-term, a more formal review and clearance procedure is required. Such activities will require: i) an activity description with proposed inputs/outputs from all parties, ii) expected end-of-activity accomplishments, iii) projected development impact, iv) proposed implementation arrangements (not just A.I.D.'s but also GOI's), and the basic development rationale for the activity. The program committee, made up of representatives from EPSO, PPS, FIN, RLA, CM and the technical office concerned will determine what specific documentation is required for each sub-activity. Among the documents required will be a statement regarding the validity of the IEE's categorical exclusion. If it is believed inappropriate, a revision to the current IEE will be proposed. The program committee will approve each sub-activity.

All activities falling under the New Initiatives category will be approved based on one of the procedures described above. The only change in the procedure is that the Mission Director will review all uses of funds falling in the New Initiatives category, based upon the documentation required above and the recommendations of the program committee. Obligation of funds will be made after a determination by the A.I.D. Director that the proposed activity falls under the ARSSP Program scope and is otherwise soundly designed and fully costed out.

VI. PROGRAM AMENDMENT ADMINISTRATION

Unlike pre-designed, long-term technical assistance efforts, ARSSP provides technical assistance inputs in the context of changing needs over time. Problems in policy implementation are often unanticipated and require close monitoring and quick reaction time to help solve. This requires the continuation of a strong in-house EPSO staff. The EPSO program managers must be technical experts in the field they manage and work closely and continuously with their GOI counterparts on policy development and implementation issues. To a large extent, the requests for technical assistance inputs result from EPSO and other A.I.D. staff working collaboratively with the GOI to jointly identify requirements.

Given that issues such as health insurance financing, education financing and private provision of public services are emerging in policy reform discussions, EPSO will need a staff member with strong credentials in public finance. It is

anticipated that when the current JCC program manager leaves in 1993, EPSO will recruit a replacement with public finance policy expertise.

The quick response nature and the flexibility of ARSSP results in substantial Mission effort in contract preparation and execution. This is an integral feature of ARSSP and one which cannot be eliminated without jeopardizing the very success of the Program. A good portion of ARSSP's success is USAID's ability to deliver the right technical assistance at the right time. The Contract Management Office is critical to that success.

However, there are ways to reduce the management load. With activities funded under this Amendment, EPSO will endeavor to a) use IQCs when available, similar to the two current IQCs with Winrock to provide agricultural expertise to BAPPENAS; b) contract more work out in larger units, similar to the recent \$3 million RFP for work at the Ministry of Trade and the \$1.0 million research effort for Integrated Pest Management on non-rice crops; c) use 8A contracting sources to the maximum extent possible, similar to the recent \$1.2 million contract for work with the Central Bank; d) build short-term technical assistance into our larger bid packages, as was done with the Central Bank and Ministry of Trade RFPs; e) design into the original RFPs extension options so that a new RFP does not necessarily have to be issued in the future; and f) provide funds for a local-hire procurement technician to interface with the Contract Management Office to help facilitate ARSSP.

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 the appropriate high-level consultants can be reliably 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 an efficient and effective search and selection procedure. Thus, an umbrella IQC will again not be developed for ARSSP.

VII. THE POLICY FRAMEWORK

Since the policy environment in Indonesia is dynamic, it is necessary to periodically refine the Policy Framework associated with the Program. This Amendment redefines the Policy Framework and links it more closely to the technical assistance to be delivered under this Amendment, as recommended in the ARSSP evaluation of August 1991. The detailed policy items specified under this Amendment are based on the anticipated accomplishments over the next two years resulting from major ongoing and planned technical assistance activities. The practice of using the policy agenda as a screen for selecting areas for technical assistance will continue as it has in past Program implementation (see

Section V.B.1.).

The following is the Policy Framework to be pursued under this Amendment. The Policy Framework is a further elaboration of particular Policy Objectives already agreed to in the Policy Agenda under Amendment No. 1 to ARSSP.

Policy Objective 1: Extend the Integrated Pest Management (IPM) Program to crops other than rice.

- 1.1 Concentrate IPM research efforts on identifying and demonstrating the value of appropriate IPM technologies for major non-rice crops and incorporate this new technology into ongoing IPM training.
- 1.2 Where supported by scientific research, expand the current ban of 57 broad-spectrum pesticides for use on rice to include crops other than rice. This will depend heavily on the scientific research performed under sub-objective 1.1 and on whether narrow-spectrum pest-specific pesticides can be made available.
- 1.3 Scrutinize all World Health Organization (WHO) Category I pesticides, and, if found meritorious, consider banning all of them from use in Indonesia. This process will depend heavily on research performed in sub-objective 1.1.
- 1.4 Establish a more comprehensive system for regulating pesticide use to protect the environment, the health of farmers and laborers in the pesticide industry, and consumers of agricultural products.

Policy Objective 2: Increase the efficiency and competitiveness of Indonesian international trade.

- 2.1 Reduce tariff and non-tariff barriers to trade.
- 2.2 Improve trade policy implementation and policy formation procedures.
- 2.3 Upgrade the GOI's capacity to participate actively in international agreements and negotiations.

Policy Objective 3: Work to reform and implement existing macroeconomic policy.

- 3.1 Encourage the elimination of SWAP arrangements which have subsidized the inflow of short-term, speculative financial capital into Indonesia and encourage the development of a private sector forward market for foreign

exchange.

- 3.2 Work for implementation of a new banking law that will provide the basis for a well-regulated, modern financial sector.
- 3.3 Work to reduce reporting lags for the monthly bank survey, providing a comprehensive and current representation of conditions in the banking sector that will assist both monetary policy and bank supervision.
- 3.4 Upgrade the research and information processing capability of Bank Indonesia so that appropriate information and research can be provided to allow policy makers to conduct a sound monetary policy.

Policy Objective 4: Mobilize public resources through improved implementation of VAT, income and withholding tax laws.

- 4.1 Improve the efficiency with which taxes are collected through improved information, forms, audits and other procedures.
- 4.2 Organize the Tax Department for better implementation of tax policy.

VIII. MONITORING AND EVALUATION

Most major ongoing and planned activities will begin in the summer of 1992 and operate for a period of two years. ARSSP will be evaluated in October 1993 to assess the effectiveness of the technical assistance in meeting Program objectives as outlined in the Policy Agenda. (The last evaluation was August 1991.) The new activities will be evaluated particularly for their fit within the Policy Agenda and Framework.

The evaluation will assess the success of the Program in meeting the specific policy targets outlined in the Policy Framework and thereby serve as the main instrument for monitoring the Policy Agenda and Framework. Monitoring will also occur through quarterly, mid-term and final reports prepared by major technical assistance activities and through evaluation reports internal to those activities. As suggested in the August 1991 evaluation, ARSSP management will also monitor broad policy trends associated with the Policy Agenda.

The ARSSP evaluation will also assess the continued relevance of the Policy Agenda. Results of the evaluation will be used to revise the Policy Agenda in an evolutionary process by dropping objectives already accomplished and adding new objectives during program implementation.

The evaluation will, among others, address the following:

1. Was the activity implemented effectively? What were the technical assistance inputs? If not implemented effectively, why?
2. Were the objectives targeted by the activity in the Policy Framework met or not met and why.
3. Were the New Activities consistent with the Policy Agenda and Framework?
4. What new policy instruments were put in place? Were they implemented? Why? Why not?
5. What was the impact on private sector investment and employment?

IX. GOVERNMENT CONTRIBUTION

With this Amendment, the GOI contribution now amounts to \$35.7 million or 26 percent of the total Program cost of \$135.7 million (Table 1). This GOI contribution includes \$22.8 million of PL480 proceeds used by the GOI to support Government budgets that were targeted for ARSSP budget support during early periods of the program.

The GOI contribution also includes \$10.2 million of non-PL480 GOI funds that were used to promote progress toward achieving the objectives of the ARSSP Policy Agenda. For example, \$7 million were used by the GOI to purchase computer equipment and to increase audit staff in the Tax Department of the Ministry of Finance in support of ARSSP Policy Objective 3, "mobilize public resources and effectively apply them at regional and local levels." These funds were used by the GOI because ARSSP budget support allowed the GOI to undertake a tax enhancement program that required additional GOI resources to be effective.

As another example, ARSSP budget support to the Central Bureau of Statistics was augmented by \$3.2 million in GOI funds to carry out activities that supported ARSSP Policy Objective 4, "increase total investment in Indonesia, particularly off-Java, through accelerated implementation of financial deregulations to meet Repelita V targets, generate income growth and employment." The Central Bureau of Statistics provided \$3.1 million in cash from its own GOI annual development budget ("DIP") to conduct the 7 statistical activities co-funded by ARSSP and \$0.1 million in in-kind contribution (office space and staff support).

This Amendment also includes \$2.7 million in GOI funds that have been or will be provided to directly support two technical assistance activities. A total of \$2 million in GOI funds will be used by Bank Indonesia, the Central Bank, to purchase computer equipment in support of ARSSP's Bank Indonesia Research and Development activity. This activity is designed to provide Bank Indonesia with the necessary resources and expertise to develop and utilize information in a manner which will enable accurate and prompt monetary policy formulation. The remaining \$.7 million constitutes GOI contribution to the Young Professionals Program at the Ministry of Trade which consists of costs for office space, computer, furniture, counterpart and support staff, training preparation and materials, participants' time, and seminars. This technical assistance activity is intended to assist the Ministry of Trade in its transition from being a regulator of trade to being a facilitator of trade as Indonesia continues along its path toward a deregulated economy.

The GOI contribution shown in Table 1 does not fully reflect total GOI support to ARSSP because many in-kind contributions made in the past to assist technical assistance activities have not been counted. For example, substantial GOI contributions are received from the Ministry of Mines and Energy and from the Agency for the Assessment and Application of Technology to support ARSSP-funded advisors.

X. 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 authorization as planned.

Covenants and conditions precedent to disbursement remain unchanged.

ANNEXES:

- A. Description/List of Activities Funded under ARSSP Amendment No. 4
- B. ASIA Bureau Cable Delegating Approval Authorization to the Field
- C. Statutory Checklist
- D. Draft Program Agreement Amendment
- E. Initial Environmental Examination Determination
- F. Procurement Plan and Methods of Financing

ANNEX A

Description/List of Activities Funded under ARSSP Amendment No. 4

Title: Integrated Pest Management Research, Development, and Training Activities for Palawija Crops in Indonesia (follow-on Activity)

Duration: August 1994 through July 1997 (current activity - August 1992 through July 1992)

Counterpart: The National IPM Program Working Group and BAPPENAS

Justification: The GOI has established an extensive National Program for IPM in rice. The key focus of the program is to provide farmers with cost effective, environmentally sound IPM methods that employ control measures that do not adversely impact natural enemies of insect pests. Most of these farmers, and others, are involved in palawija production. Palawija has severe and costly pest problems on which chemical insecticides are used indiscriminately, ineffectively, and with devastating effects on natural enemies, human health, and the environment. For this reason, the GOI has expanded the National IPM Program to include important palawija crops. Unfortunately, the knowledge base necessary to feed into and sustain sound IPM for palawija crops is very limited. Extensive efforts are needed to fully develop and sustain IPM in palawija in Indonesia.

The current palawija IPM activity with the above title will begin in August 1992 and end in July 1994. Over that period, the activity will establish a palawija IPM research program under the direction of the National IPM Program. Some of the unanswered questions about IPM in palawija crops in Indonesia will be answered. Under this amendment, that activity will be extended for an additional three years to July 1997 to allow close collaboration with the National IPM Program during its next phase when emphasis will be on massive farmer training.

This activity supports ARSSP Policy Objective 1.2, "Implement the Integrated Pest Management Program for rice and extend it to include other crops." It is also directly tied to technical assistance under this Amendment through ARSSP Policy Framework Item 1, "Extend the Integrated Pest Management (IPM) Program to crops other than rice."

Scope of Work: This activity will provide research that supports and enhances the National IPM Program for the development of adapted IPM systems for major insect pest groups of major palawija crops. It will: 1) carry out surveys on palawija pests to determine levels of crop loss due to pests and existing levels of biological control, especially pathogens and parasitoids, 2) engage in research focusing on the use of beneficial organisms, especially pathogens and parasitoids, to control key palawija pests not being covered by other researchers, 3) through field and lab activities, strengthen the ability of national researchers to carry out field research using entomopathogens and parasitoids, 4) develop field methods and training activities that can be used by the National IPM Program to improve training

on entomopathogens and parasitoids at its Field Training Facilities, and 5) prepare materials on methodologies and results of research and training, and make them available to the National IPM Program.

IPM TA for Non-Rice Crops
Detailed Budget Summary
ARSSP Amendment

No.	Description	First Year FY 94	Second Year FY 95	Third Year FY 96	Total 36 mos
1	Salaries				
	a. Senior Scientist	80,000	84,000	88,200	252,200
	b. Short-term const.: 4-6-4 p/m at \$307/day, 26 days/mo	31,928	50,287	35,201	117,416
	c. Indo Research Collaborators: 12 persns mos/yr at \$50/day	5,200	5,460	5,720	16,380
2	Overhead, 80%x#1a+1b.	89,542	107,430	97,720	294,692
3	Post Differentials, 20%x#1a	16,000	16,800	17,640	50,440
4	Indirect Contract Cost				
	a. FICA and Medical, 6.2% x #1a	4,960	5,208	5,468	15,636
	1.45% of #1a	1,160	1,218	1,279	3,657
	b. DBA Insurance, 3.09% of #1a+1	3,459	4,149	3,813	11,421
5	Int. Travel/Per diem for #1a	10,000	10,500	11,000	31,500
6	In-country Trvl/Per diem #1a,	21,000	22,050	23,153	66,203
7	Int. Travel: Short-term Advisors and dependents; 14 pers.x\$3,500	17,500	14,700	18,375	50,575
8	In-country Trvl/Per diem for #1b	17,500	14,700	18,375	50,575
9	In-contry travel/per diem for 1c	10,500	14,700	11,550	36,750
10	In-country/Regional Travel & Per diem: 20 daysx\$1,000	6,000	7,350	7,700	21,050
11	Unaccomp.Bagg. - \$5/lbx700 lbs	3,500	0	3,850	7,350
12	Shipment & Storage HHE 7200lbsx\$1.70/lb	15,740	0	17,314	33,054
13	Education Allowance, 2 children:	26,000	20,000	20,000	66,000
	CLC- 2 child.x\$2,000x 2 yrs	8,000	8,000	8,000	24,000
14	Emergency Trvl./R&R 2x\$800/2 adult/2 childx\$1300	6,400	2,600	2,600	11,600
15	Housing Rent, \$2,000/mo	24,000	25,200	26,460	75,660
16	Utilities, \$300/mo	3,600	3,780	3,969	11,349
17	Temporary Lodging Allowance	7,200	0	7,920	15,120
18	Furnishing, Upholstery	26,500	12,000	12,650	51,150
19	Langurage Training (#1a adult)	1,000	1,000	1,000	3,000
20	Other Direct Costs				
	a. Health & Life Insurance	2,052	2,052	2,052	6,156
	b. Physical Exam for 1a (\$300x4)	1,200	1,200	1,200	3,600
	c. Physical Exam for 1b	1,500	1,500	1,500	4,500
	FAAS charges (administered by AID)	1,000	1,000	1,000	3,000
21	Miscellaneous/Contingency	23,153	21,456	23,266	67,875
22	Fee on above, 7% of total	32,441	32,192	33,458	98,091
	Total Estimated Contract Cost	498,035	490,532	511,433	1,500,000

Doc:ARSSPAMD:AHS/EPSO:5/18/92

Title: Long-Term Advisor to the Head of the Bureau for Agriculture and Irrigation, BAPPENAS

Duration: September 1992 through August 1997

Counterpart: Head of the Bureau for Agriculture and Irrigation, BAPPENAS

Justification: The Bureau for Agriculture and Irrigation (BAI) in the National Development Planning Agency (BAPPENAS) is charged with overall strategic planning for the development of the Indonesian agricultural sector. These plans are formalized in the country's five-year plans (Repelitas) and 25-year long-range development plans. Repelita VI is scheduled to begin in April 1993. Also, with the end of Repelita V comes the need to develop the second 25-year long-range development plan. The Head of BAI occupies an influential position in the policy arena because of his position in BAPPENAS. He is constantly called upon to recommend policy options for the agricultural sector in response to the rapidly changing economic environment in Indonesia and around the world. As one source of input into the planning process and in formulating policy options, the Head of BAI has requested that USAID provide him with a long-term agricultural policy advisor to be stationed in BAPPENAS. This activity falls directly under ARSSP Policy Objective 1.1, "Align agricultural policy instruments so that farmers receive appropriate market signals to capitalize on natural comparative advantage." Much of the work that will be performed by this long-term advisor will be directed at analyzing the effects of policies that promote appropriate market signals.

Scope of Work: This advisor will develop recommendations for agriculture's role in Indonesia's five-year and long-range development plans, provide appropriate rationales for those recommendations, and describe the impact those recommendations might have on the agricultural sector and the rest of the economy. The advisor will review reports produced within BAPPENAS and other agencies, provide analyses of the possible impact on the agricultural sector of the recommendations contained therein, and make recommendations on how BAI might respond to those reports. The advisor will develop a monitoring system that can be used to track the impacts on agriculture of events that occur within Indonesia or in the rest of the world. For example, this system could help track the effects on Indonesian agriculture of a severe drought, a change in sugar production policy, or a variety of trade deregulations that might affect livestock and poultry production. To the extent possible, this monitoring system would build upon the existing BAPPENAS Agricultural Planning Model. The advisor will not totally displace the need for short-term technical assistance, but he/she will help the Head of BAI prioritize policy issues and coordinate his/her efforts with the short-term advisors to optimize the productivity of all advisors in addressing those issue by minimizing conflicting policy advise and by preventing

duplication of efforts. The advisor will train BAPPENAS staff, and staff from other ministries when appropriate, in monitoring system use, policy analysis, economic theory, data management and other areas of interest to the Head of BAI and his staff. Finally, the advisor will organize seminars and present findings to GOI and USAID officials as requested by the Head of BAI.

Detailed Budget Summary
AGRICULTURAL POLICY ADVISOR – BAPPENAS
ARSSP Amendment

No.	Description	First Year FY 93	Second Year FY 94	Third Year FY 95	Fourth Year FY 96	Fifth Year FY 97	Total 60 mos
1	Personal Compensation						
	a. Basic Pay (7% incr. subsequent yr)	61,143	65,423	70,003	74,903	80,146	351,618
	b. Post Differentials, 15%x#1a	9,172	9,814	10,500	11,235	12,022	52,743
2	Personal Benefit						
	a. FICA (Employer) 6.2% x 1st \$53,400	3,791	4,056	4,340	4,643	4,969	21,799
	b. Medicare, 1.45% x 1st \$125,000	1,020	1,091	1,167	1,249	1,336	5,863
	c. Educ. Allow. – 2 Children	34,000	14,000	34,700	15,435	16,207	114,342
3	Travel and Transportation						
	a. Int. Travel 2 adult/2 childr.	5,200	5,460	5,733	6,020	6,321	28,734
	b. In-country Trvl (\$250x12 trips)	3,000	3,150	3,308	3,473	3,647	16,578
	c. Subsistence/Per diem \$133x3daysx12 trips	4,788	5,027	5,279	5,543	5,820	26,457
	d. Unaccompanied Baggage\$2.5/lb)	1,750	1,838	1,929	2,026	2,127	9,670
	e. HHE (7200 lbsx\$1.50/lb)	9,000	9,450	9,923	10,419	10,940	49,732
	f. Storage	1,800	1,890	1,985	2,084	2,188	9,947
	g. R&R to US 1 adult/1 child.	0	3,938	0	4,341	0	8,279
	h. Emergency Med. Trvl, 2 tripsx\$800	1,600	1,680	1,764	1,852	1,945	8,841
4	Rent Utilities Furnitures						
	a. Residential Rent	25,000	26,250	27,563	28,941	30,388	138,142
	b. Utilities	9,600	10,080	10,584	11,113	11,669	53,046
	c. Furnishing/Upholstry	20,000	5,000	20,250	5,513	5,788	56,551
	d. Temporary Lodging	2,700	0	2,970	0	3,105	8,775
5	Other Direct Costs						
	a. Health/Life Insurance – Max.	3,771	3,960	4,158	4,366	4,584	20,839
	b. Physical Examination	300	315	331	347	365	1,658
	c. Language Training, 100 hrsx\$10	1,000	1,050	1,103	1,158	1,216	5,527
	c. Contingencies	2,086	2,422	2,535	2,336	1,480	10,859
Total Estimated Contract Cost		200,721	175,894	220,125	196,997	206,263	1,000,000

Doc:ARSSPAMD:AHS/EP50/2092

35

TITLE: Trade Implementation and Policy Program (Follow-On Activity)

DURATION: September 1994 through August 1997

COUNTERPART: The Ministry of Trade

JUSTIFICATION: The initial Trade and Implementation and Policy Program (TIPP) is a two-year program designed to facilitate the Ministry of Trade (MOT) in creating and enabling a pro-trade business environment that will be conducive for stimulating sustained increases in both domestic and foreign trade. The Program activities include efforts for improving the MOT's capabilities in advancing trade policy reforms as well as developing institutional and human resource capacity to implement trade deregulations on an effective and sustained basis over time. Given the rapidly progressing GOI trade deregulation efforts and the extensive capable human resource force necessary to effectively implement and manage these efforts over time, we anticipate that the current TIPP activities will be extended. This extension will provide MOT with the time and additional technical assistance for fully developing and establishing the necessary infrastructure which will allow for sustainable Program objectives.

Similar to the initial TIPP Program, the follow-on program addresses various issues which deal with the agricultural trade sector. The follow-on program's sub-objectives, therefore, are closely related to ARSSP Policy Objective Number 2, "Increase the Efficiency and Competitiveness of Indonesian International Agricultural Trade" and with Policy Framework Item 2, "Increase the efficiency and competitiveness of Indonesian international trade."

SCOPE OF WORK: This activity will provide the MOT with the necessary human and institutional infrastructure to promote the development of a pro-trade environment. Specifically, the Program is geared towards providing the MOT staff and key personnel with the necessary skills, knowledge, abilities and resources to formulate and implement policies which will effectively foster an environment that will increase the productivity and thus the competitiveness of producers and traders operating in Indonesia. The Program content will include technical advice, training support and information resources building to enhance the staff policy formulation, reporting, research and monitoring activities, which would be required to effectively manage a free market economy. The Program will emphasize on-the-job training so that MOT staff will be able to maintain program activities on a sustainable basis once USAID funding has ceased.

Detailed Budget Summary
 TRADE IMPLEMENTATION POLICY PROGRAM (TIPP)
 ARSSP Amendment

No.	Description	First Year FY 94	Second Year FY 95	Third Year FY 96	Total 36 mos
1	Salaries				
	a. 3 Full-time Advisors \$71,500/yr x 3 advisors, 5% 2nd yr	214,500	225,225	235,950	675,675
	b. 1 Full-time Local Hire, 3 yrs	50,000	52,500	55,125	157,625
	c. Short-term TA, 26p/m, \$308/day	72,072	75,676	70,470	218,218
	d. Secretary, 3 years	10,000	10,500	11,000	31,500
2	Fringe Benefits, 25% of #1a	53,625	56,306	58,988	168,919
3	Overhead, 80%x#1a, 1b &1d	219,600	230,580	241,660	691,840
4	Post Differentials, 15%x#1a	32,175	33,784	35,393	101,352
5	Indirect Contract Cost				
	a. FICA and Medical, 6.2% x #1a	13,299	13,964	14,629	41,892
	1.45% of #1a	3,110	3,266	3,421	9,797
	b. DBA Insurance, 3.09% of #1a+1	8,173	8,582	8,994	25,749
6	Travel: Long-term Advisors and dependents; 12 pers.x\$3,500	14,000	14,700	15,400	44,100
7	Per diem: Long-term advisors 12 days x \$175x3 pers.	2,100	2,205	2,315	6,620
8	In-country/Regional Travel & Per diem: 30 daysx\$1,000	10,000	10,500	11,000	31,500
9	Shipment & Storage HHE	16,200	17,010	17,861	51,071
10	Education Allowance, 3x2 children: Incl. Capital Levy Certificate (CLC)	60,000	12,000	12,000	84,000
11	Emergency Trvl./R&R 6x\$800/12x\$1500	19,800	20,790	21,780	62,370
12	Housing & Utilities, 3 advisors 3x\$25000x3/3x36x\$800	103,800	108,990	114,368	327,158
13	Furnishing, Upholstery	15,000	15,000	15,000	45,000
14	Language Training (100hrs) 100 hrsx\$10x3 advisors	3,000	3,150	3,300	9,450
15	Miscellaneous/Contingency	26,295	25,650	26,400	78,345
16	Fee on above, 7% of total	6,682	64,381	66,756	137,819
	Total Estimated Contract Cost	953,431	1,004,759	1,041,810	3,000,000

Doc:ARSSPAMD:AHS/EPSO:5/18/92

31

TITLE: Bank Indonesia Research and Development (Follow On Activity)

DURATION: May 1994 through April 1997

COUNTERPART: Bank Indonesia - URES (Economics and Statistics Department)

JUSTIFICATION: As the GOI moves towards an increasingly deregulated economic environment, comprehensive measures are required for conducting sound monetary policies. The current BI Research and Information Systems Development for Bank Indonesia Program was designed to facilitate the GOI in increasing its capabilities for determining the appropriate direction for monetary policy formulation in a manner which would promote economic growth. The Program is particularly geared towards providing BI, specifically, the Economics and Statistics Department, with the capacity to supply on a sustainable basis a comprehensive and timely set of information and analysis on key macroeconomic conditions, with an emphasis on issues related to financial markets. Due to the comprehensive nature of the information and analysis to be considered, and the extent to which the skills of staff members have to be upgraded, we anticipate that the program will be extended for approximately two more years. The extension will provide the necessary opportunity for the current system to be fully integrated in BI operations and contribute in the promotion of sustainable objectives.

The BI follow-on activity will primarily be geared towards establishing fully operational research and information systems within BI, specifically through responding to BI's information processing needs both programmed as well as unprogrammed. The capacity to plan and manage the direction of monetary policy is an important factor for establishing economic stability, promoting investments and thereby fostering an environment conducive for economic growth. The follow-on activity, thereby corresponds with ARSSP Policy Objective Number 4 : "Increase total investment in Indonesia, particularly off-Java, through accelerated implementation of financial deregulations to meet Repelita V targets, Generate Income, Growth and Employment".

SCOPE OF WORK: This activity will provide BI with the necessary resources and expertise to develop and utilize information in a manner which would enable accurate and prompt monetary policy formulation. Specifically the activity will extend the ongoing efforts of: 1) designing and implementing a centralized data-base system for economic research and analysis, 2) improving information flows and data integrity, 3) developing an adequate infrastructure and capability for computer-based data handling and economic analysis, and 4) enhancing the analytical capabilities of URES staff by providing skill development programs and on-the-job training in economic research and policy analysis.

Detailed Budget Summary
The Department of Research and Statistics
of Bank Indonesia – URES
ARSSP Amendment

No.	Description	First Year FY 94	Second Year FY 95	Third Year FY 96	Total 36 mos
1	Salaries				
	a. Sen. Economist, \$80,138/yrx 3yrs	80,138	84,114	88,320	252,572
	b. Senior Computer Specialist \$80,138/yr x 24 mos	53,425	56,076	58,878	168,379
	c. Short-term TA, 16 p/m, \$308/day	40,040	42,042	52,583	134,665
	d. Local Hire Info- Spec., \$50,000/y	50,000	52,500	55,125	157,625
2	Fringe Benefits, 25% of #1a	20,035	21,029	22,080	63,144
3	Overhead, 80%x#1a, 1b &1d	146,850	154,152	161,858	462,860
4	Post Differentials, 15%x#1a	12,021	12,617	13,248	37,886
5	Indirect Contract Cost				
	a. FICA and Medical, 6.2% x #1a	8,281	5,215	5,476	18,972
	1.45% of #1a	1,162	1,220	1,281	3,663
	b. DBA Insurance, 3.09% of #1a+1	6,909	7,253	7,877	22,039
6	Travel: Senior Economist and dependents; 6 pers.x\$3,500	7,000	7,350	7,700	22,050
	Computer Specislist, 6x\$3500	7,000	7,350	7,700	22,050
	Short-term, 16x\$3500	17,500	18,375	23,100	58,975
7	Per diem: Senior Economist \$175 x 45 days	2,625	2,756	2,888	8,269
	Computer Specialist, 45x8x\$175	21,000	22,050	23,100	66,150
	Short-terms, 30x16x\$175	26,250	27,563	34,650	88,463
8	In-country/Regional Travel & Per diem: 6x\$1000; 8x\$500	7,500	7,875	6,600	21,975
9	Shipment & Storaga HHE	12,400	0	13,640	26,040
10	Education Allowance, 2x2 children: Incl. Capital Levy Certificate (CLC)	34,000	20,000	20,000	74,000
11	Emergency Trvl./R&R 5x\$800/4x\$1500	6,900	7,245	7,590	21,735
12	Housing & Utilities: Sen. Economist \$2500 + \$800/mo x 36 mos	39,600	41,580	43,560	124,740
13	Furnishing, Upholstery	26,500	6,500	6,825	39,825
14	Langurage Training (100hrs) 100 hrsx\$10x4 advisors	2,200	2,200	2,200	6,600
15	Miscellaneous/Contingency	19,312	20,662	19,840	59,814
16	Fee on above, 7% of total	45,538	43,941	48,030	137,509
	Total Estimated Contract Cost	694,186	671,665	734,149	2,100,000

Doc:ARSSPAMD:AHS/EPSO:5/18/92

29

TITLE: Fiscal and Monetary Policy Advisor (Long-Term Advisor)

DURATION: September 1992 through August 1997

COUNTERPART: Head of Monetary and Fiscal Policy Office (Ministry of Finance)

JUSTIFICATION: The Indonesian economy has undergone rapid and extreme transformations in the last decade. During this period, the GOI has initiated a series of deregulatory measures to foster the development of a free and internationally competitive market. The results of the deregulatory measures, however, have not all been successful in meeting the targeted objectives. Some of the policy reforms instituted were not able to achieve the ultimate objectives of promoting Indonesia's economic growth, generating employment and creating free markets.

Regulatory measures related to monetary and fiscal policies are extremely instrumental for promoting economic growth and have the capability to influence the country's economic stability. The formulation of monetary and fiscal policies, however, is a complex process which would entail extensive coordination with key GOI officials and the analysis of a wide range information. Minister of Finance Sumarlin, who is also the Chairman of the Monetary Board, is the key decision maker for all monetary policies. Given the rapidly changing Indonesian economy, and the depth and expertise required to manage and direct the changes, the office of the Finance Minister has requested that USAID provide a long-term Monetary and Fiscal Policy Advisor to assist the Minister of Finance in implementing and formulating appropriate monetary and fiscal policies. This condition is necessary to enhance Indonesia's economic growth, generate employment and establish free markets. The provision of the long-term Monetary and Fiscal Policy Advisor supports ARSSP's Policy Objective Number 4: 'Increase total investment in Indonesia, particularly off-Java, through accelerated implementation of financial deregulations to meet Repelita V targets, generate income growth and employment'. It also addresses issues related to Policy Framework Item 3: 'Work to reform and implement existing macroeconomic policy.'

SCOPE OF WORK: Effective formulation and implementation of Monetary and Fiscal Policies require extensive insight into the situation that can only be gained through the analysis of a wide range of information, coordination and cooperative efforts with key GOI officials. To provide optimal services to the Minister of Finance, it is necessary that the Advisor have access to all the relevant information, some of which may be classified. As such, the Advisor will be classified as a confidential advisor.

The Advisor will be located in the MOF, and although attached to the Minister's Office, the Advisor will be working through the Head of Monetary and Fiscal Policy Office at the MOF. The Advisor will work with the Board members of the Monetary Board, which is Chaired by Sumarlin. Concurrently, the Advisor will also provide advice to

the confidential staff of the Monetary Board Secretariat. The Advisor will advise in the formulation and implementation of effective monetary and fiscal policies that can be instrumental in stimulating lower interest rates, lower inflation and stable exchange rates. The advisor would work and coordinate with key MOF staff with regards to conducting the necessary activities for effective policy formulation and implementation.

Detailed Budget Summary
FISCAL and MONETARY POLICY ADVISOR – MOF
ARSSP Amendment

No.	Description	First Year FY 93	Second Year FY 94	Third Year FY 95	Fourth Year FY 96	Fifth Year FY 97	Total 60 mos
1	Personal Compansation						
	a. Basic Pay (7% incr. subsequent yr)	61,143	65,423	70,003	74,903	80,146	351,618
	b. Post Differentials, 15%x#1a	9,172	9,814	10,500	11,235	12,022	52,743
2	Persona; Benefit						
	a. FICA (Employer) 6.2% x 1st \$53,400	3,791	4,056	4,340	4,643	4,969	21,799
	b. Medicare, 1.45% x 1st\$125,000	1,020	1,091	1,167	1,249	1,336	5,863
	c. Educ. Allow. – 2 Children	34,000	14,000	34,700	15,435	16,207	114,342
3	Travel and Transportation						
	a. Int. Travel 2 adult/2 childr.	5,200	5,460	5,733	6,020	6,321	28,734
	b. In-country Trvl (\$250x12 trips)	3,000	3,150	3,308	3,473	3,647	16,578
	c. Subsistance/Per diem \$75x3daysx12 trips	2,700	2,835	2,977	3,126	3,282	14,920
	d. Unaccompanied Baggage\$2.5/lb)	1,750	1,838	1,929	2,026	2,127	9,670
	e. HHE (7200 lbsx\$1.50/lb)	9,000	9,450	9,923	10,419	10,940	49,732
	f. Storage	1,800	1,890	1,985	2,084	2,188	9,947
	g. R&R to US 1 adult/1 child.	3,750	3,938	4,134	4,341	4,558	20,721
	h. Emergency Med. Trvl, 2 tripsx\$800	1,600	1,660	1,764	1,852	1,945	8,841
4	Rent Utilities Furnitures						
	a. Residential Rent	25,000	26,250	27,563	28,941	30,388	138,142
	b. Utilities	9,600	10,080	10,584	11,113	11,669	53,046
	c. Furnishing/Upholstry	20,000	5,000	20,250	5,513	5,788	56,551
	d. Temporary Lodging	2,700	0	2,970	0	3,105	8,775
5	Other Direct Costs						
	a. Health/Life Insurance – Max.	3,771	3,960	4,158	4,366	4,584	20,839
	b. Physical Examination	300	315	331	347	365	1,658
	c. Contingencies	2,086	4,025	3,554	3,336	2,480	15,481
	Total Estimated Contract Cost	201,383	174,255	221,873	194,422	208,067	1,000,000

Doc:ARSSPAMD: AHS/EPSO:5/20/92

42

Title: Audit, Collection, and Electronic Data Processing/Information Systems Initiatives in the Tax Department, Ministry of Finance

Duration: July 1993 through June 1995

Counterparts: Tax Department in the Ministry of Finance

Justification: The Indonesian Tax Project became operational in July 1986 as an AID PASA Project with the U.S. Internal Revenue Service (IRS) and has been ongoing since then. Its focus has been and continues to be one of assistance to the Indonesian Tax Department in the areas of audit, tax collection, and electronic data processing/information systems.

The IRS has been successful in achieving its objectives by 1) providing management training courses to top and middle level managers in the Tax Department, 2) developing and implementing an audit criteria selection system in the Tax Department, 3) conducting computer training courses, adding to the overall efficiency of district office operations, 4) assisting in a reorganization that was successful in consolidating program areas and creating the Audit Directorate function, and 5) carrying out an intensive formal and informal education campaign which was instrumental in developing and communicating the IRS views of a fair and equitable tax administration system.

On July 1, 1990, the PASA agreement between the IRS and USAID ended and a bilateral agreement between the IRS and the GOI became effective. The GOI entered into this agreement using ARSSP budget support funds which were allocated for support of the Ministry of Finance budget. This bilateral agreement will be effective through June 30, 1993. Under this Amendment, the IRS activity in the Ministry of Finance will be extended for an additional year.

This activity supports ARSSP Policy Objective 3, "Mobilize public resources and effectively apply them at regional and local levels." It is also directly tied to technical assistance under this Amendment through ARSSP Policy Framework Item 4, "Mobilize public resources through improved implementation of VAT, income and withholding tax laws."

Scope of Work: The objectives of the this activity are to work with the Audit and VAT Directorates to enhance existing policies and procedures to more effectively and efficiently perform their missions. Planned visitations to district and regional offices for operational reviews form the basis for proposed recommendations. The IRS team will work together with Tax Department counterparts in the following program areas: 1) implement and refine the transfer pricing initiatives and audit programs; 2) develop an identification and audit program for larger corporate taxpayers; 3) develop industry/business audit criteria and pilot testing of a compliance study based on

specific audit criteria derived from analysis of return characteristics; 4) complete field work follow-up actions related to corporate and individual TCMP studies; 5) cooperate with PDIP, P3 on computerization initiatives, data integration efforts and EDP reorganization within UPP offices; 6) develop and implement collection initiatives to increase revenues produced from delinquent accounts; 7) develop and implement a VAT TCMP study; 8) coordinate with Audit, PDIP and P3 Directorates to consolidate third party data matching efforts; 9) coordinate and implement a review process of public accountants' participation and involvement in VAT audits; 10) prepare justifications and appropriate documentation to identify the needs and potential benefits of district office automation; 11) research and coordinate with various international organizations to secure funding for the purchase of computers; 12) coordinate the evaluation of common data elements between various databases, systems and offices; 13) investigate various system architectures for potential data integration via common hardware platforms and/or a shared database design; 14) assist in the implementation of the appropriate system architecture to allow common access and sharing of Tax Department data; 15) outline the duties and responsibilities of both the regional and district staff to provide customer support in local programming, hardware/communications problem resolution, and regional guidance and oversight to district EDP operations; 16) design training plans for regional/district EDP organization; 17) coordinate with PDIP on the development of local office automation initiatives to support customer functions; and 18) support the Tax Department in incorporating imaging technology as one potential solution to paper intensive operations.

Estimated Budget Summary for one year IRS Team in Indonesia – MOF ARSSP Amendment		
No.	Description	Total 12 months
1	Salary	280,000
2	Travel USA–Indonesia–USA	30,000
3	Short–term Advisors	30,000
4	Transportation & Per Diem:	
	A. R & R, Home Leave, Consultation	20,000
	B. Local Transportation	40,000
	C. In–country Travel & Per Diem	7,500
5	Language Training, Translation	10,000
6	Education Expenses For Children	35,000
7	Administrative & Secretarial	7,000
8	Overhead (30% of #1–6)	137,850
9	Other Costs:	
	A. Computer Equipment	0
	B. Training, Representation, Misc.	5,000
	C. Housing	240,000
	Total Estimated Contract Cost:	842,350

45

Title: Indonesia Integrated Pest Management Project

Duration: July 1993 through August 1997

Counterparts: BAPPENAS and the World Bank

Justification: Clear evidence exists that many pest problems in rice, as well as in other crops, are exacerbated by the use of pesticides. Pesticide abuse in the 1970s and 1980s destroyed populations of natural predators and induced resurgence amongst what soon came to be the main rice pests. In the face of this threat, the GOI has established an extensive National Program for Integrated Pest Management (IPM) in rice. The key focus of the program is to provide farmers with cost effective, environmentally sound IPM methods that employ control measures that do not adversely impact natural enemies of the insect pests. Evaluations show that farmers involved in the Program use significantly less pesticide, attain equal or better yields and earn higher incomes from their crops. Moreover, a significant proportion of the farmers who have completed training have mobilized local resources and organized Farmer Field Schools for their neighbor farmers, demonstrating the sustainability of IPM.

The current IPM project will come to an end in June 1993. The World Bank is negotiating with the GOI for a follow-on project valued at \$51.7 Million. The GOI has requested that USAID continue its support of IPM in Indonesia by participating in the project with \$7 million in the form of a grant to the World Bank, which the World Bank would administer. This approach allows USAID to support the project without substantially changing our administrative burden or relationship with the National IPM Program. The GOI will also demonstrate its commitment to IPM by contributing \$12.5 million to the follow-on project (see budget attached).

Scope of Work: The immediate and central objective of the project is to train some 890,000 lowland farmers, both male and female, in the major rice bowls of Indonesia in the application of IPM, using the systems developed under the first phase of the National IPM Program. The second objective of the project will be to support the development, testing and eventual large-scale application of IPM methods on crops other than rice, especially the range of palawija crops grown in association with lowland rice, but also possibly other crops on which pesticides are currently over-used. Our Palawija IPM research activity would complement this IPM project. A third objective is to increase the skills and organizational capacity of trained farmers through follow-up group activities. These activities will include participatory action research to develop improved techniques for soil fertility and nutrient cycling; water and rodent management; rice-fish culture; and village theater presentations that increase support of the IPM concept. A fourth objective is to develop modified in-service training courses for extension staff (Pest and Disease Observers and Extension Workers) based on the

experiential learning methods introduced by the IPM Program. These courses could, if successful, set precedents for the design of future agricultural extension programs in Indonesia. Finally, the project will support the GOI's commitments to policy, legislative and institutional reforms aimed at reducing risks associated with pesticide manufacture, distribution and application.

Financing Plan (US\$000)					
IPM Rice					
ARSSP Amendment No.4					
No.	Description	World Bank	USAID	GOI	TOTAL
1.	Equipment and Materials				
	Equipment (non-vehicle)	869.7	0.0	0.0	869.7
	Vehicles	0.0	221.9	0.0	221.9
	Materials	6,401.9	0.0	0.0	6,401.9
	Sub Total				7,493.5
2.	Consulting Services:				
	Foreign	3,078.2	0.0	0.0	3,078.2
	Local	0.0	1,808.9	0.0	1,808.9
	Support	243.3	1,485.5	0.0	1,728.8
	Sub Total				6,615.9
3.	Training (excl. mat. and equip.)				
	PHP Training	3,305.0	0.0	0.0	3,305.0
	Farmer Training	9,197.9	0.0	8,508.2	17,706.1
	Inservice Training for PHP	0.0	237.4	282.1	519.5
	For Local Officials	108.8	0.0	51.6	160.4
	University Training for FLs	575.2	160.9	0.0	736.1
	Sub Total				22,427.1
4.	Research (excl. mat. and equip.)	2,067.1	2,933.6	0.0	5,000.7
5.	Support for APPs	873.5	0.0	0.0	873.5
6.	Awareness Promotion	0.0	177.3	0.0	177.3
7.	Admin. costs (Project)	4,141.3	0.0	0.0	4,141.3
8.	Program Development	1,347.6	0.0	2,072.9	3,420.5
9.	Taxes and Duties	0.0	0.0	1,592.5	1,592.5
	TOTAL	32,209.5	<u>7,025.5</u>	12,507.3	51,742.3
	Percent of total	62%	14%	24%	

ANNEX B

ASIA Bureau Cable Delegating Approval Authority to the Field

ACTION AIR 3 INFO DCM ECON CBRON

VZCZCJA0960

PP RUEHJA

DE RUEHC #6428 2630428

ZNR UUUUU ZZH

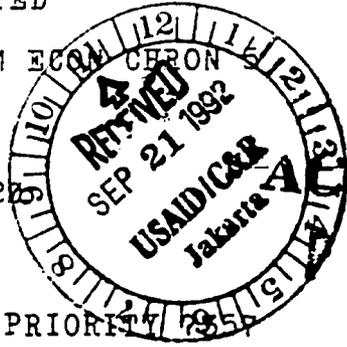
P 190415Z SEP 92

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA PRIORITY

BT

UNCLAS STATE 306428



ACTION COPY PRIORITY

LOC: 167 019
 19 SEP 92 0435
 CN: 31461
 CERG: AID
 DIST: AID

EPSON

WORKING COPY

AIDAC

E.O. 12356: N/A

TAGS:

SUBJECT: ARSSP REDELEGATION OF AUTHORITY (497-0357)

1. THE ACTING ASSISTANT ADMINISTRATOR HEREBY DELEGATES TO THE DIRECTOR, USAID/INDONESIA AUTHORITY TO AUTHORIZE AMENDMENT OF THE AUTHORIZATION FOR THE AGRICULTURE AND RURAL SUPPORT PROGRAM TO A TOTAL LIFE-OF-PROJECT FUNDING LEVEL OF 100 MILLION DOLLARS.

2. WE ARE FAXING A COPY OF THE ASIA BUREAU ACTION MEMORANDUM FOR THIS DELEGATION. PLEASE FORWARD A COPY OF THE MISSION'S AUTHORIZATION AMENDMENT AND ACTION MEMORANDUM TO ASIA/DR/PD. EAGLEBURGER

BT

#6428

NNNN

UNCLASSIFIED

STATE 306428

USAID ROUTING		
TO	ACT.	INFO
DIR		///
DD		///
EPSON		///
IA		///
PPS	✓	
EXO		
CM		
FIN		///
FINB		///
FINFA		
AEE		
HIRD		
HIRD/FH		
HIRD/MP		
HIRD/ET		
HIRD/ET/PT		
PED		
INFO.C		
PER		
DMC		
GSO		
C&R		

ANNEX C

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 increase 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 welfare)?

A CN was submitted to Congress on September 15, 1992.

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 transfer or other non-project sector assistance is being provided under ARSSP PAAD Amendment No. 4.

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

N/A

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)?

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 \$35.7 million or 26.3% 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

N/A

Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

N/A

(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?

(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 See item 15.a above.

international activities from sources other than the United States Government?

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 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.

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

The program focuses exclusively on Indonesian

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.

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.

See item 11.a above.

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

Yes.

otherwise determined by the President or determined under delegation from him?

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 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.)

Yes.

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

Yes.

agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

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): 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, Yes.

volume, capacity, mass and weight), through the implementation stage?

1. **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

Yes.

crops are eradicated?

- 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 Yes.

U.N. assessments, arrearage or dues?

34. **Multilateral Organization Lending** (FY 1991 Appropriations Act Sec. 506): Will assistance preclude use of financing to pay U.N. assessments, arrearage or dues? 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 Propaganda** (FY 1991 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda 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 propaganda 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

No.

64

tied aid credits?

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

Yes.

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)?

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

N/A

planning?

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 fully known at this time, the portion of funds to be used for disadvantaged enterprises cannot be determined.

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 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

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

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

Yes.

applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

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

N/A

that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, 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 approve 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): N/A
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.

17. Deobligation/Reobligation (FY 1991 Appropriations Act Sec. 515): N/A
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?

18. Loans

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

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.

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.

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.

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 mothers and young children, using paramedical and auxiliary medical personnel, clinics and

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

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

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

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

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, economics 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

ANNEX D

Draft Program Agreement Amendment No. 7

DRAFT
AMENDMENT NO. 7
PROGRAM GRANT AGREEMENT
BETWEEN THE
REPUBLIC OF INDONESIA
AND THE
UNITED STATES OF AMERICA
FOR
AGRICULTURE AND RURAL SECTOR SUPPORT PROGRAM

DATED: September 30, 1992

11

Dated:

This AMENDMENT NO. 7 is entered into between the REPUBLIC OF INDONESIA ("Grantee") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

WHEREAS, the Grantee and A.I.D. entered into a Program Grant Agreement for the Agriculture and Rural Sector Support Program on August 31, 1987 ("Grant Agreement"), which has been subsequently amended to grant to the Grantee up to Seventy-three Million United States Dollars (\$73,000,000); and

WHEREAS, the Grantee and A.I.D. desire to provide additional financing for the Program, extend it for an additional twenty months and to broaden the Program's objectives to include economic management issues across a broader spectrum;

NOW, THEREFORE, the Grantee and A.I.D. hereby agree as follows:

1. The first paragraph of Section 2.1, Definition of Program, is revised to read as follows:

"SECTION 2.1. Definition of Program. The Program will provide technical assistance and budget support to assist the Grantee to increase employment opportunities and incomes through agricultural diversification, trade, domestic resource mobilization, financial deregulation, and improved environmental and natural resource management. Annex 1, attached, amplifies the above definition of the Program."

21

2. In the last sentence of Section 2.2(b), change "\$73,000,000" to read "\$100,000,000".

3. The first paragraph of Section 3.1 of the Grant Agreement is revised to read as follows:

"SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Program, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee under the terms of this Agreement not to exceed Seventy-seven Million Four Hundred Seventy-Four Thousand United States ("U.S.") Dollars (\$77,474,000) ("Grant")."

4. SECTION 3.2, Grantee Resources for the Program, is amended by changing "\$27,815,000" to read "\$35,706,598."

5. SECTION 3.3, Program Assistance Completion Date, Sub-section (a), is amended by changing "December 31, 1995" to read "August 26, 1997."

6. SECTION III.A of Annex 1, Amplified Project Description, is deleted in its entirety, substituting therefor the following:

"III. Program Activities for IFY 1990/91 through IFY 1996/97

A. The Policy Agenda

The policy agenda for this period consists of five broad objectives, with sets of more specific sub-objectives for each as appropriate. These five objectives represent areas of policy concern that are consistent with the general guidelines of the Indonesian 5-year plan (Repelita V). They also represent areas of particular interest to USAID. Clarification or modifications of the items, relative

priorities, and steps for carrying them out will be documented as necessary in Program Implementation Letters.

USAID and the government plan to carefully monitor the implementation of the policy agenda through a series of detailed benchmarks. These benchmarks will be finalized prior to disbursements of funds and will constitute the primary basis for USAID's quarterly and final evaluation of the ARSSP's policy achievements.

The following is a general presentation of the policy objectives and sub-objectives:

1. Program objectives and milestones for agricultural diversification

Diversify agricultural production taking advantage of regional comparative advantage and promoting development of related agro-industries.

Sub-objectives:

1.1. Align agricultural policy instruments so that farmers receive appropriate market signals to capitalize on natural comparative advantage.

1.2. Implement the integrated pest management program in rice and extend it to include other crops.

1.2.1. Concentrate IPM research efforts on identifying and demonstrating the value of appropriate IPM technologies for major non-rice crops and incorporate this new technology into ongoing IPM training.

- 1.2.2. Where supported by scientific research, expand the current ban of 57 broad spectrum pesticides for use on rice to include crops other than rice.
- 1.2.3. Scrutinize all World Health Organization (WHO) Category I pesticides and, if found meritorious, consider banning all of them from use in Indonesia.
- 1.2.4. Establish a more comprehensive system for regulating pesticide use to protect the environment, protect the health of farmers and pesticide industry laborers, and protect consumers of agricultural products.
- 1.3. Produce, distribute, and utilize fertilizers efficiently.
- 1.4. Broaden the national mandate of agricultural research centers to be more responsive to regional needs and introduce a system of direct outreach from research stations to regional extension centers and farmers.
- 1.5. Assess the implementation of the shipping deregulation reforms of November 1988.
- 1.6. Take advantage of new market opportunities in fruit crops by encouraging investment opportunities in small plantations.
2. Program objective and milestones for trade
Increase the efficiency and competitiveness of Indonesian trade.

Sub-objectives:

- 2.1. Reduce tariff and non-tariff barriers to trade.
 - 2.2. Improve trade policy implementation and policy formation procedures.
 - 2.3. Upgrade the GOI's capacity to participate actively in international agreements and negotiations.
 - 2.4. Lower import tariffs and surcharges on selected imported agricultural products.
 - 2.5. Encourage higher quality plantation crops from both government plantations and small holders.
 - 2.6. Establish a more effective relationship between trade associations and relevant government agencies to promote the export of Indonesian agricultural products.
3. Program objective and milestones for domestic resource mobilization

Mobilize public and private sector resources and effectively apply them at regional and local levels.

Sub-objectives:

- 3.1. Continue to increase tax revenues through more effective and more equitable means. Accelerate the tax "post audits" program.
 - 3.1.1. Improve implementation of VAT, income and withholding tax laws.
 - 3.1.2. Improve the efficiency with which taxes are collected through improved information, forms, audits, and other procedures.

92

- 3.1.3. Organize the Tax Department for better implementation of tax policy.
- 3.2. Periodically review new sources of revenue for local governments and discourage them from current "ad hoc" taxing practices.
- 3.3. Accelerate the program of private sector participation in providing public services.
- 3.4. Improve the effectiveness of resource transfer programs from the central government to regional and local governments.
4. Program objective and milestones for implementation of financial deregulation

Increase total investment in Indonesia, particularly off-Java, through accelerated implementation of financial deregulations to meet Repelita V targets, generate income growth and employment.

Sub-objectives:

- 4.1. Sustain financial deregulation efforts which impact on rural areas and the informal sector of the economy.
- 4.2. Improve climate for growth of foreign investment in Indonesia.
- 4.3. Encourage the elimination of SWAP arrangements which have subsidized the inflow of short-term, speculative financial capital into Indonesia and encourage the development of a private sector forward market for foreign exchange.

- 4.4. Work for implementation of a new banking law that will provide the basis for a well-regulated, modern financial sector.
- 4.5. Work to reduce reporting lags for the monthly bank survey, providing a comprehensive and current representation of conditions in the banking sector that will assist both monetary policy and bank supervision.
- 4.6. Upgrade the research and information processing capability of Bank Indonesia so that appropriate information and research can be provided to allow policy makers to conduct a sound monetary policy.

5. Program objective and milestones for environment and natural resources

Develop appropriate policy approaches to assure that environmental and natural resources are managed wisely to sustain the economic development process.

Sub-objectives:

- 5.1. Strengthen the ability to systematically analyze agricultural policies and projects from the standpoint of their economic and ecological viability and sustainability.
- 5.2. Consolidate the authority and responsibility for pollution and hazardous waste control and monitoring within an appropriate system."

7. SECTION III.C of Annex 1, Amplified Project Description, is revised to read as follows:

"C. Technical Assistance. It is anticipated that an

additional \$27.0 million in A.I.D. funding will be made available during U.S. Fiscal Years 1992 through 1996 for technical assistance activities (bringing the total made available for technical assistance over the entire program to \$40.0 million). These funds will be used to finance the cost of assistance related to the formulation and implementation of policy reform packages, as mutually agreed upon by the ARSSP Program Manager and BAPPENAS. A portion of technical assistance funding will be reserved for program evaluation. Also, a portion will be reserved to obtain the services of an accounting firm to help monitor the budget support provided under the Program. The \$40.0 million planned for technical assistance over the entire Program life will be used in accordance with normal project financing procedures."

8. Attachment 1.1 to Annex 1, Summary Budget Support Plan and Cost Estimates, is deleted in its entirety, substituting therefor the Attachment 1.1 to Annex 1 attached to this Amendment No. 7.

Funding granted under this and subsequent amendments to the Program Agreement may be used only for the procurement of goods and services having their source, origin and nationality in the United States, except as otherwise agreed by A.I.D. in writing; and in Indonesia, to the extent authorized under AID regulations or as specifically authorized by AID in writing.

Except as amended herein, the Program Grant Agreement is unchanged and, as amended, remains in full force and effect.

IN WITNESS WHEREOF, the Republic of Indonesia and the United

States of America, each acting through its duly authorized representative, have caused this Amendment No. 7 to be signed in their names and delivered as of the day and year first above written.

UNITED STATES OF AMERICA

REPUBLIC OF INDONESIA

Charles F. Weden
Director
USAID/Indonesia

Mrs. Buly O. Surjaatmadja
Deputy Chairman for
Implementation and
Monitoring
BAPPENAS

**AGRICULTURE AND RURAL SECTOR SUPPORT PROGRAM
PROGRAM NO. 497-0357
FINANCIAL PLAN
(U.S. \$000)**

Component	A.I.D. OBLIGATION			Total Authorized Life of Project						
	Original Agreement + Amendments No. 1 thru 6	Amendment No. 7	Total Obligation To Date	A.I.D. Funding			G.O.I.			TOTAL
				Previous	Amend.#7	Total	Previous	Amend#7	Total	A.I.D. & G.O.I.
1. Budget Support	60,000	0	60,000	60,000	0	60,000	33,007	0	33,007	93,007
2. Technical Assistance	13,000	4,474	17,474	13,000	27,000	40,000	0	2,700	2,700	42,700
TOTAL	73,000	4,474	77,474	73,000	27,000	100,000	33,007	2,700	35,707	135,707

51

ANNEX E

Initial Environmental Examination Determination

- 58 -

INITIAL ENVIRONMENTAL EXAMINATION

- (A) PROJECT COUNTRY : INDONESIA
- (B) ACTIVITY: Agriculture and Rural Sector Support Program (497-0357) Amendment 5
- (C) FUNDING: \$27.0 million
- (D) PERIOD OF FUNDING: FY 1991-FY 1995
- (E) STATEMENT PREPARED BY: ^{with input-} Roland K. Robert, ERSS, USAID/Indonesia
- (F) ENVIRONMENTAL ACTION RECOMMENDED: Categorical exclusion under A.I.D. Regulation 16, Section 215.2 (c)
- (G) ACTION REQUESTED BY: Malcolm J. Purvis, ERSS, USAID/Indonesia
- (H) LEGAL ADVISOR CLEARANCE: Paul ^{MS} Scott, LA, USAID/Indonesia
- (I) ENVIRONMENTAL OFFICER CLEARANCE: Jerry ^{MS} Elison, AEE
- (J) DECISION OF USAID/INDONESIA DIRECTOR:
APPROVED: Philip Michael ^{MS} 9/29/92
DISAPPROVED: _____
DATE: _____
- (K) DECISION OF ASIA ENVIRONMENTAL OFFICER: Thomas H. Pierce
Acting Asia Env. Officer
APPROVED: Thomas H. Pierce 9/16/92
DISAPPROVED: _____
DATE: _____
REFERENCE: _____

Should there be any change in the procurement of commodities which would involve procurement of pesticides this decision would have to be reviewed.

TMP

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

A. DESCRIPTION OF THE PROGRAM:

This amendment to the ARSSP program authorizes additional grant financing for the Program of \$27 million to increase the total U.S. contribution to the Program to \$100 million, and to extend the Program Assistance Completion Date (PACD) by twenty months to August 25, 1997.

The additional funding provided by this Program Amendment will finance the design, implementation, and/or analysis of development and deregulation of the economy. The growth of competitive free markets and private sector investments through improved management of the economy will be the primary focus of the program. This program will assist the GOI in designing and implementing economic reforms in these areas, thus supporting ARSSP's overall aim of growth in incomes and employment.

The \$27.0 million in additional technical assistance funds will be used to finance long- and short-term technical assistance in the form of experts, consultants and a very limited commodity procurement (computers etc.) in the following areas: \$10.0 million for Integrated Pest Management and agricultural policy advice at BAPPENAS, \$3.6 million for trade implementation and policy advice at the Ministry of Trade, \$2.7 million for research, development and monetary policy advice at Bank Indonesia, \$2.4 million for fiscal/monetary policy and tax revenue advice at the Ministry of Finance, \$0.6 million for flow of funds/inventory database advice at the Central Bureau of Statistics, \$6.4 million for new initiatives, \$1.3 million to finance overall program management needs within the USAID/Indonesia Mission. The Program will finance no activities directly affecting the physical environment in a negative way.

(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) (2) (i), are categorically excluded from further environmental review. No further environmental action is recommended.

ANNEX F

Procurement Plan and Methods of Financing

PROCUREMENT PLAN AND METHODS OF FINANCING UNDER ARSSP GRANT AMENDMENT NO. 4

INPUTS	Quantity pm of TA		Financing (\$100)			Exec. Agency	Proc. Method	Documentation		Remarks
	LT	ST	A.I.D.	GOI	Type			E/Mark	Commit	
I. CURRENT WELL DEFINED ACTIVITIES										
1. BAPPENAS										
- IPM for Non-Rice Crops	36	14	1,500		DP	USAID	DC	PIO/T	C	Follow-on to Clemson University
- Ag Policy Advisor, LT	60	-	1,000		DP	USAID	DC	PIO/T	PSC, C	
- Ag Policy Advice, ST	-	20	500		DP	USAID	Buy-in, DC	PIO/T	UC or C	
2. MINISTRY OF TRADE										
- Trade Implementation & Policy	108	26	3,000	700	DP	USAID	DC	PIO/T	C	
- Trade Policy Advice, ST	-	24	600		DP	USAID	Buy-in, DC	PIO/T	C or UC	
3. BANK INDONESIA										
- Research and Development	60	16	2,100	2,000	DP	USAID	DC	PIO/T	UC	
- Monetary Policy Advice, ST	-	24	600		DP	USAID	Buy-in, DC	PIO/T	C or UC	
4. MINISTRY OF FINANCE										
- Fiscal/Mon Policy Advisor, LT	60	-	1,000		DP	USAID	DC	PIO/T	PSC, C	Conversion of GOI-IRS contract to HCC
- Fiscal/Mon Policy Advice, ST	-	24	600		DP	USAID	Buy-in, DC	PIO/T	UC or C	
- Tax Advisers	36	1	800		DP	GOI	HCC	PIO/T	HCC	
5. Central Bureau of Statistics										
- Flow of Funds/Inv Data Base, ST	-	24	600		DP	USAID	Buy-in/DC	PIO/T	UC or C	
II. ADMINISTRATION										
- ARSSP Prog Mgr/Mon & Banking	36	-	400		DP	USAID	PSC, JCC	PIO/T	PSC	
- Trade/Macro Advisor	36	-	400		DP	USAID	PSC	PIO/T	PSC	
- Contract Specialist	60	-	300		DP	USAID	PSC	PIO/T	PSC	
- Evaluation and Audit	-	8	200		DP	USAID	IQC or PSC	PIO/T	UC or C	
III. NEW INITIATIVES										
- IPM for Rice	TDB		7,000			USAID		Grant	Grant	Grant to World Bank, FAR, or HCC
- Bank Indonesia Reorganization	TDB		1,000							
- Promotion of Trade Associations	TDB		1,000							
- Business Development (mfg)	TDB		500							
- Poverty Alleviation Analysis	TDB		700							
- Unspecified	TDB		3,200							
Sub-Total			27,000	2,700						

Note: With one exception all procurement will be in the U.S. or within the guidelines for local procurement described in Chapter 18A of A.I.D. Handbook 1B. A grant to the World Bank of \$7,000,000 will have about 30% local sourcing while it is expected the balance will be divided equally between U.S. source/origin on the one hand and other industrialized countries on the other. In accordance with A.I.D. HB 13, Chapter 5, procurement under such a grant would be in accordance with WB procurement procedures.

Definitions: DP = Direct Payment to Contractor
 DC = Direct Contact
 PSC = Personal Services Contract

C = Contract
 UC = "Umbrella" Contract, i.e. centrally awarded contract
 HCC = Host Country Contract

HB = Handbook
 WB = the World Bank
 pm = person month