

PD-ABG-848

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

BN 84544

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D.C. 20523

**Financial Markets Project (497-0360): Approval of Authorization Amendment
No. 2**



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



JAKARTA

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

ACTION MEMORANDUM FOR THE DIRECTOR, USAID/INDONESIA

FROM: Vivianne Gary, Director, PED *V. Gary*
THROUGH: Philip-Michael Gary, DD *PMG*
SUBJECT: Financial Markets Project (497-0360): Approval of Authorization Amendment No. 2

PROBLEM:

Your approval is required to amend the Financial Markets Project (FMP) authorization in order to extend its Project Assistance Completion Date (PACD) by five months to March 1, 1995 and to add funding in the amount of \$0.6 million for the project raising the total grant to \$14.6 million, as described in the attached PP Supplement.

BACKGROUND:

The Financial Markets Project (FMP) was authorized August 30, 1988 for an original LOP of \$9.0 million. August 31, 1988 A.I.D. and the Government of Indonesia (GOI) executed the FMP Grant Agreement with a PACD of September 30, 1994. Initially the purpose of FMP was to increase the number of debt and equity securities and commodity contracts available to investors and to increase the trading volume of these instruments. In support of this purpose, on April 24, 1990 the GOI entered into a four-year host country contract with Price Waterhouse to provide technical assistance on capital markets. In order to improve the efficiency of the public sector through restructuring and/or privatization of the ownership and management of state-owned enterprises, the FMP was amended on August 26, 1991 by raising the grant LOP to \$14.0 million to finance a new "privatization" component. The Mission provided support for the new privatization initiative by funding a buy-in to the Price Waterhouse contract managed under the centrally authorized Privatization and Development (PAD) project (940-0016). Technical advisory services under the PAD buy-in span the period from December 9, 1991 to September 30, 1994. After protracted negotiations, the GOI and Deloitte Touche entered into a three-year host country contract for technical assistance to promote money markets in Indonesia. Given that the signing of this contract took place in February 1991, the contract's effective termination date is February, 1995 -- five months after the current PACD.

The total cost for the technical assistance was significantly higher than that projected in the PIO/Ts leading to each contract. Consequently, training plans and, occasionally, short-term technical assistance were scaled back in deference to maintaining adequate long-term advisory presence. The GOI and USAID have yet to adjust the inputs mentioned in Annex I to the Grant Agreement to reflect this reality.

DISCUSSION:

A. Rationale to Extend the PACD

The FMP interim evaluation originally scheduled for June, 1992 was delayed because very tight FY 92 funding in the Private Sector, Energy, and Environment (PSEE) account did not permit the contracting of an evaluation team. Moreover, by the time sufficient funds had been made available, there was a change of Project Officers which tended to slow project implementation for a while. FMP is now undergoing a major evaluation thirteen months before its current PACD. Preliminary indications are that the evaluation will recommend extending activities into the future to strengthen Indonesia's financial sector.

USAID/Indonesia and the GOI intend to systematically consider the recommendations generated by the evaluation. We recommend a five-month extension of the PACD to March 1, 1995 so that there will be adequate time to resolve any outstanding matters concerning the future direction of FMP. Furthermore, the extension will permit USAID to accept as eligible those costs submitted under the Deloitte Touche money markets advisory host country contract through its current termination date.

B. Rationale to Increase the Life-of-Project to \$14.6 Million

The design of the Financial Markets Project appears to have been under-budgeted. Short-term advisors under the Deloitte Touche contract were eliminated in the final contract. Also, training under both Price Waterhouse contracts was eliminated. The Price Waterhouse capital markets host country contract could be funded only through February, 1994 instead of the PACD.

\$0.6 million now available in FY 1993 OYB permits the Mission to focus its attention on the FMP component of highest priority -- capital markets. The departure of advisors will be staggered to minimize disruptions in technical assistance.

To pursue the work of the Financial Markets Project at its current pace, the Price Waterhouse host country contract for capital markets (which ends April 24, 1994) will require an eight-month extension to December 30, 1994. This extension can be funded (1) by reallocating \$0.5 million from current contract line items to reflect new priorities and (2) by increasing overall grant funding by \$0.6 million. These changes and adjustments in level-of-effort will increase the total number of grant-funded technical assistance work-months contracted for under the FMP project from 349 to 386, will increase the number of participant-months from 150 to 170, and raise the number of in-country seminars from 27 to 30. The PP Supplement provides greater detail on how "inputs" will be modified. A waiver

to extend the contract non-competitively is not required, as a non-competitive extension for up to two years was negotiated at the time of the original contract.

An Initial Environmental Examination (IEE) was submitted to the Asia Bureau's Environmental Coordinator. Her approval of a categorical exclusion dated August 10, 1993 is attached as Annex D of the PP Supplement. Handbook 3, Chapter 13, Section 13D3 suggests that Missions consult with the Geographic Bureaus before making a change to an already approved project. Accordingly, on July 30, 1993 we e-mailed to the Indonesia Desk Officer and fax'd to the Bureau's General Counsel a copy of the proposed PP Supplement No. 2, a draft of Authorization Amendment No. 2, a draft of Project Grant Agreement Amendment No. 8, and a draft of this Action Memorandum for comment no later than August 13, 1993. Bureau guidance has been incorporated in this final version of this PP Supplement package.

On August 2, 1993, the Mission Executive Committee met to review the proposed FMP Amendment package. No issues were raised and, subject to review by the Mission Legal Advisor, the Executive Committee recommended you approve the attached PP Supplement.

CONCLUSION:

A five-month PACD extension from September 30, 1994 to March 1, 1995 would allow the Mission time to properly consider options and to take possible actions in response to an ongoing evaluation. Likewise, to avoid a break in technical advisory services during this period, Mission staff will work with GOI counterparts to help the GOI extend its host country contract for capital markets technical advice with Price Waterhouse by eight months from April, 1994 through December, 1994. This amendment to the Price Waterhouse capital markets contract will require some reallocation of work-months among its long-term and short-term staff as well as an additional \$0.6 million in grant funding.

AUTHORITY:

Pursuant to Sections 2B and 2A(4) of the Amended and Restated Delegation of Authority dated August 9, 1991, you may amend project authorizations if the amendment (1) does not result in a total life-of-project funding of more than \$30 million or present significant policy issues and (2) does not have a life-of-project in excess of ten years.

TECHNICAL NOTIFICATION:

A Technical Notification (TN) to Congress is required for this FMP Amendment. Accordingly, a TN was submitted on August 3, 1993 and expired on August 18, 1993 pursuant to 93 STATE 253138 dated August 19, 1993.

RECOMMENDATIONS:

That you approve an amendment to the FMP (497-0360) in order to extend its PACD by five months to March 1, 1995 and to authorize additional funding for the project in the amount of \$0.6 million, raising the total grant to \$14.6 million, by signing below and in the space provided on the attached Project Data Sheet Amendment no. 2, the Initial Environmental Examination (Annex D) to the PP Supplement, and the Project Authorization Amendment No. 2.

Approved:

A handwritten signature in black ink, appearing to be "J. H. ...", written over a horizontal line.

Disapproved:

Date:

August 31, 1993

Attachments:

- Project Data Sheet Amendment No. 2
- Project Authorization Amendment No. 2
- Project Paper Supplement No. 2 and Annexes

Amendment to FMP to Add \$0.6 Million and Extend the PACD by 5-Months

Clearances:

MHuffman, PED	(draft)	date: 7/29/93
ISusanto, PPS	(B)	date: <u>8/4/93</u>
PShirk, CM	(NA)	date: _____
Truedler, RLA PRamsey, GC/ASIA	(RB)	date: <u>8/29/93</u>
CChristensen: PPS & FIN	(JW)*	date: <u>8/5/93</u>

* PPS CLEARANCE SUBJECT TO RECEIPT OF TN CLEARANCE

drafter: GBricker: PPS: 7/15/93 and 7/29/93
GB

PROJECT AUTHORIZATION AMENDMENT NO. 2

INDONESIA

**FINANCIAL MARKETS PROJECT
PROJECT NO. 497-0360**

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, the Financial Markets Project (497-0360) was authorized on August 30, 1988, involving planned obligations of not to exceed \$9,000,000 in grant funds over a six-year period. The planned Government of Indonesia (GOI) contribution, representing both public and private sector funds was the equivalent of \$3,000,000. On August 26, 1991, the Financial Markets Project Authorization was amended to increase the planned total life-of-project grant financing to not more than \$14,000,000 over a six-year period, and the total host country contribution, from both public and private sector sources, was increased to \$4,700,000.

That Authorization is hereby further amended as follows:

Paragraph 1 is further amended to authorize total obligations of not to exceed \$14,600,000 in grant funds for the Project. The total host country contribution, from both public and private sector sources, is hereby increased to the equivalent of at least \$4,900,000. The additional grant funding authorized herein is planned for obligation in FY 1993 subject to the availability of funds in accordance with the A.I.D. Operating Year Budget/allowance process, to help in financing foreign exchange and local currency costs for the Project. The Project Assistance Completion Date is extended to March 1, 1995.

2. Except as amended herein, the Project Authorization is unchanged and, as amended, remains in full force and effect.

Approved: _____

Charles F. Weden
Mission Director

Date: August 31, 1993

PED: MHuffman	(draft)	date 7/30/93
PED: VGary	(draft)	date 8/2/93
FIN: CChristensen	<u>CW</u>	date <u>8/5/93</u>
CC/ASIA: PRamsey	<u>PR</u>	date <u>8/29/93</u>
DD: PGary	<u>PG</u>	date <u>8/6/93</u>

drafter: GBricker:pps:7/30/93

GB

PROJECT PAPER SUPPLEMENT No. 2
FINANCIAL MARKETS PROJECT 497-0360

August, 1993

1. PURPOSE OF THE SUPPLEMENT

The two-fold purpose of this Project Paper (PP) Supplement No. 2 is (1) to extend the Project Assistance Completion Date (PACD) by five months to March 1, 1995 in order to allow for a systematic review of program options in the financial sector and (2) to increase the life-of-project grant funding by \$0.6 million to a total of \$14.6 million. The project purpose and goal are unchanged. The project's inputs and financial plans are revised by this supplement as described in Sections 4 and 5 below. The Project Paper (as amended) is otherwise unchanged.

2. BACKGROUND

The Financial Markets Project (FMP) was authorized August 30, 1988 for an original LOP of \$9.0 million. August 31, 1988 A.I.D. and the Government of Indonesia (GOI) executed the FMP Grant Agreement with a PACD of September 30, 1994. Initially the purpose of FMP was to increase the number of debt and equity securities and commodity contracts available to investors and to increase the trading volume of these instruments. In support of this purpose, on April 24, 1990 the GOI entered into a four-year host country contract with Price Waterhouse to provide technical assistance on capital markets. In order to improve the efficiency of the public sector through restructuring and/or privatization of the ownership and management of state-owned enterprises, the FMP was amended on August 26, 1991 by raising the grant LOP to \$14.0 million to finance a new "privatization" component. The Mission provided support for the new privatization initiative by funding a buy-in to the Price Waterhouse contract managed under the centrally authorized Privatization and Development (PAD) project (940-0016). Technical advisory services under the PAD buy-in span the period from December 9, 1991 to September 30, 1994. After protracted negotiations, the GOI and Deloitte Touche entered into a three-year host country contract for technical assistance to promote money markets in Indonesia. Given that the signing of this contract took place in February 1991, the contract's effective termination date is February, 1995 -- five months after the current PACD.

The total cost of for the technical assistance was significantly higher than that projected in the PIO/Ts leading to each contract. Consequently, training plans and, occasionally, short-term technical assistance were scaled back in deference to maintaining adequate long-term advisory presence. The GOI and USAID have yet to adjust the inputs mentioned in Annex I to the Grant Agreement to reflect this reality.

3. DISCUSSION:

A. Rationale to Extend the PACD

The FMP interim evaluation originally scheduled for June, 1992 was delayed because very tight FY 92 funding in the Private Sector, Energy, and Environment (PSEE) account did not permit the contracting of an evaluation team. Moreover, by the time sufficient funds had been made available, there was a change of Project Officers which tended to slow project implementation for a while. FMP is now undergoing a major evaluation thirteen months before its current PACD. Preliminary indications are that the evaluation will recommend extending activities into the future to strengthen Indonesia's financial sector.

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B. Rationale to Increase the Life-of-Project to \$14.6 Million

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\$0.6 million now available in FY 1993 OYB permits the Mission to focus its attention on the highest priority component -- capital markets. The departure of advisors will be staggered to minimize disruptions in technical assistance.

To pursue the work of the Financial Markets Project at its current pace, the Price Waterhouse host country contract for capital markets (which ends April 24, 1994) will require an eight-month extension to December 30, 1994. This extension can be funded (1) by reallocating \$0.5 million from current contract line items to reflect new priorities and (2) by increasing overall grant funding by \$0.6 million. These changes and adjustments in level-of-effort will increase the total number of grant-funded technical assistance work-months contracted for under the FMP project from 349 to 386, will increase the number of participant-months from 150 to 170, and the number of in-country seminars from 27 to 30. A waiver to extend the contract non-competitively is not required, as a non-competitive extension for up to two years was negotiated at the time of the original contract.

4. REVISED "INPUTS" TO THE IMPLEMENTATION PLAN

This PP Supplement principally affects the technical assistance elements of the Project. Using funds currently available from the existing LOP plus the additional funds under this Supplement, the following technical assistance will be provided during the six-year, five-month life-of-project period:

1.0. Financial Markets Component ---

- 1.1. GOI and Price Waterhouse Capital Markets Contract (4/90-12/94):
- | | |
|-----------------------------------|----------------|
| Regulatory Advisor | 56 work-months |
| Trade and Underwriting Specialist | 51 work-months |
| Training/Promotions Manager | 28 work-months |
| Short-Term Advice | 89 work-months |
- 1.2. GOI and Deloitte Touche Money Markets Contract (2/92-2/95):
- | | |
|------------------------|----------------|
| Senior Banking Advisor | 36 work-months |
|------------------------|----------------|

2.0. Privatization Component ---

- 2.1. Buy-In to the Price Waterhouse Contract under PAD (940-0016) (12/91-9/94):
- | | |
|-----------------------|----------------|
| Privatization Advisor | 21 work-months |
| Short-Term Advice | 87 work-months |
- 2.2. GOI and Price Waterhouse Capital Markets Contract (4/90-2/95):
- | | |
|-----------------------------|----------------|
| Training/Promotions Manager | 18 work-months |
|-----------------------------|----------------|

The roles of the above advisors remain the same as those described in the August, 1991 PP Supplement. Estimated levels of other support for the Project, comprised of participant training and commodities, are found in Table 1 described below. Concerning revisions to the expected level of participant-months of training, the Project Officer has discussed the new Agency-wide target of 40% female participation in training. GOI counterparts are committed to extending their best efforts to meet this target for all FMP-sponsored training subsequent to this PP Supplement.

To accommodate the desired changes, adjustments in the overall level-of-effort will be required. Specifically, the number of long-term work-months projected in Annex I to the Grant Agreement needs to increase from 349 to 386, and the number of participant-months needs to rise from 150 to 170. The variation in inputs projected under the current PACD of September 30, 1994 and the new PACD of March 1, 1995 is shown in Table 1 entitled "Financial Markets Project Grant-Funded Inputs". Table 1 provides three columns indicating the number of work-months or participants expected under the Project. Column 1 "APD" shows the expected inputs pursuant to the current Amplified Project Description (APD) (Annex I of the Project Grant Agreement). Column 2 "Through the End of Current Contracts" shows the inputs expected under contracts now in force. Column 3 "Through March 1, 1995" covers all inputs anticipated through the new PACD presuming technical assistance contracts are amended pursuant to this PP Supplement No. 2. The new anticipated inputs found in Column 3 of Table 1 provide the basis to modify the "Inputs" section of the FMP Logical Framework included as Annex C to this PP Supplement.

Table 1

FINANCIAL MARKETS PROJECT GRANT—FUNDED INPUTS

Revised: August, 1993

FMP COMPONENT & COUNTERPART AGENCY		INPUTS: Tech. Assistance, Trg., or Commodities	-- Work - Months --			Contract
			Per APD	Through End of Current Contracts	Through New PACD 3/1/95	
FINANCIAL MARKETS COMPONENT						
CAPITAL MARKETS (BAPEPAM)	LTA	Regulatory Advisor (COP)	48	48	56	PW-HCC
	LTA	Trade & Underwriting Advisor	48	42	51	PW-HCC
	LTA	Training/Promotions Manager	30	24	28	PW-HCC
	STA	Org/Mgt.	25	33	39	PW-HCC
	STA	Commodity Markets	5	0	0	PW-HCC
	STA	Stock/Bonds	12	5	9	PW-HCC
	STA	Pension/Insurance	5	0	2	PW-HCC
	STA	Regulatory/Legal	12	35	39	PW-HCC
MONEY MARKETS (BANK INDONESIA)	LTA	Senior Banking Advisor	36	36	36	DT-HCC
	STA	Auto. Data Telcom	15	0	0	
	STA	Credit Info System	15	0	0	
	STA	Money Markets	6	0	0	
BAPEPAM & BANK INDONESIA	TRG	Short-Term Overseas	150	120	140	FMP-Direct
	TRG	Local Workshops & Seminars	24-30	18	21	FMP-Direct
BAPEPAM & BANK INDONESIA	C	microcomputer hard ware & software	x	\$250,000	\$250,000	PW-HCC
	C	promo. materials & advertizing	x	0	0	PW-HCC
	C	support items for consulting personnel	x	\$115,000	\$120,000	PW-HCC
PRIVATIZATION COMPONENT						
BUMN	LTA	Privatization Advisor	36	21	21	PW-Buy-in
	LTA	Training/Promotions Manager	18	18	18	PW-HCC
	STA	Policy/strategy	10	25	25	PW-Buy-in
	STA	Org./Human Res. Dev't.	20	12	12	PW-Buy-in
	STA	Restrucs./Priv. Implemen.	10	50	50	PW-Buy-in
BUMN	TRG	Short-Term Overseas	850	30	30	FMP-Direct
	TRG	Local Workshops & Seminars	24-30	9	9	FMP-Direct
BUMN	C	computer hardware & software -- BUMN	x	\$70,000	\$70,000	PW-HCC

KEY:

TA = Technical Assistance

LTA = Long-Term Advisor or Technical Assistance

STA = Short-Term Advisor or Technical Assistance

C = Commodities

PW-HCC = Price Waterhouse Host Country Contract

PW-Buy-In = Price Waterhouse Buy-In to "Privatization & Development" project 940-0016

DT-HCC = Deloitte Touche Host Country Contract

Contracting Mode:

Procurement of the additional technical assistance described above will be implemented by non-competitively amending the existing capital markets advisory contract between the GOI and Price Waterhouse to include the new work to be performed under this extension of the project. Section 6.3 of the GOI-Price Waterhouse contract for capital markets advisory services expressly permits non-competitive contract extensions:

6.3. Contract Extension: Subject to mutual agreement between the parties, the Contract may be extended or expanded without further competition. The proposed Contract is intended to be the implementing mechanism for the duration of the Capital Markets Technical Assistance component of the Financial Markets Project. Should the Financial Markets Project be extended or otherwise expanded, the Capital markets Technical Assistance Contract may likewise be extended or expanded.

Regarding evaluation/audit inputs, the FMP project was evaluated in August, 1993. The Mission has decided to forego the second full FMP evaluation scheduled for September, 1994 and instead to conduct a mini-assessment of follow-through one year after the initiation of implementation of recommendations from the August, 1993 evaluation.

5. REVISED BUDGET AND FINANCIAL PLANS

This PP Supplement increases the LOP authorization by a total of \$0.6 million, increasing the USAID grant to \$14.6 million. The total host country contribution is increased by the rupiah equivalent of \$0.2 million, increasing the total host country contribution to the equivalent of \$4.9 million or 25 percent of the total project cost. The total life-of-project is therefore \$19.5 million composed of \$14.6 million in grant funding and \$3.5 from the GOI and \$1.4 million from the private sector and state-owned enterprises.

Tables 2, 3, and 4 below entitled respectively "Pre-Amendment Budget by Component", "Amendment Budget by Component", and "Summary of Total Project Funding by Component" indicate the necessary line item changes. Funds programmed for line items "Training", "Evaluation/Audit", and "Contingency" will be decreased, while funds allocated to "TA" and "Commodities" will increase. These tables serve as the basis for modification of the Budget Summary included with Annex I of the Amplified Project Description. In addition to the \$0.6 million net increase in Project funds, \$0.5 million in funds currently available under the GOI-Price Waterhouse capital markets contract will be reprogrammed.

Funds remaining under the revised budget would be expended during the extension period.

6. RECOMMENDATION OF THE MISSION EXECUTIVE COMMITTEE AND CONSULTATIONS WITH AID/WASHINGTON

TABLE 2**Financial Markets Project****Pre-Amendment Budget by Component (000)**

<u>Component</u>	<u>Source of Funds</u>				<u>TOTAL</u>
	<u>A.I.D.</u>	<u>MOF *</u>	<u>BI</u>	<u>SOEs/Priv. Sector</u>	
1. Technical Assistance	10,310	1,680	420	-	12,610
2. Training	2,900	800	150	1,150	5,000
3. Commodities	265	-	-	250	515
4. Evaluation/Audit	225	-	-	-	225
5. Contingency	300	50	-	-	350
Totals	\$14,000	\$2,730	\$570	\$1,400	\$18,700

TABLE 3**Financial Markets Project****Amendment Budget by Component (000)**

<u>Component</u>	<u>Source of Funds</u>				<u>TOTAL</u>
	<u>A.I.D.</u>	<u>MOF *</u>	<u>BI</u>	<u>SOEs/Priv. Sector</u>	
1. Technical Assistance	1,135	200	-	-	1,335
2. Training	(300)	-	-	-	(300)
3. Commodities	85	-	-	-	85
4. Evaluation/Audit	(95)	-	-	-	(95)
5. Contingency	(225)	-	-	-	(225)
Totals	\$600	\$200	\$0	\$0	\$800

TABLE 4**Financial Markets Project****Summary of Total Project Funding by Component (000)**

<u>Component</u>	<u>Source of Funds</u>				<u>TOTAL</u>
	<u>A.I.D.</u>	<u>MOF *</u>	<u>BI</u>	<u>SOEs/Priv. Sector</u>	
1. Technical Assistance	11,445	2,080	420	-	13,945
2. Training	2,600	800	150	1,150	4,700
3. Commodities	350	-	-	250	600
4. Evaluation/Audit	130	-	-	-	130
5. Contingency	75	50	-	-	125
Totals	\$14,600	\$2,930	\$570	\$1,400	\$19,500

* The Ministry of Finance (MOF) includes BAPEPAM and BUMN

Suggestions and guidance received during the August 2, 1993 Executive Committee review of the FMP Amendment package have been incorporated in the attached texts. Subject to revision of the FMP Amendment in accordance with its guidance, the Executive Committee recommended the USAID/Indonesia Mission Director approve the attached PP Supplement.

An Initial Environmental Examination (IEE) was submitted to the Asia Bureau's Environmental Coordinator. Her approval of a categorical exclusion is attached as Annex D to this PP Supplement.

Handbook 3, Chapter 13, Section 13D3 suggests that Missions consult with the Geographic Bureaus before making a change to an already approved project. Accordingly, on July 30, 1993 we e-mailed to the Indonesia Desk Officer, ASIA/DR/PD, and to the Bureau's General Counsel a copy of the proposed PP Supplement, a draft of Authorization Amendment No. 2, a draft of Project Grant Agreement Amendment No. 8, and a draft of this Action Memorandum for comment no later than August 13, 1993.

A draft Project Agreement Amendment No. 8 including a new Section V. "INPUTS" to the Amplified Project Description and Budget Summary are found in Annex E to this PP Supplement. Section V's entirely new narrative corresponds to the new levels-of-effort presented in this PP Supplement No. 2.

ANNEXES TO FMP PP Supplement No. 2:

- A. Statutory Checklist
- B. GOI Request for Additional Assistance
- C. Revised "Inputs" Section to the Project Logical Framework
- D. IEE Determination
- E. Project Agreement Amendment No. 8 (draft) with Revisions to the Amplified Project Description and New Budget Summary

Annex A

STATUTORY CHECKLIST

Financial Markets Project 497-0360

Project Paper Supplement No. 2

August, 1993

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[ANNEX A]

5C(2) - ASSISTANCE CHECKLIST

<p>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.</p>	
<p>CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?</p>	<p>Yes</p>
<p>A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS</p>	
<p>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.</p>	<p>The further development of Indonesia's financial markets and the GOI's divestiture and rationalization of State-Owned Enterprises (SOEs) will have positive effects on a freer flow of (a) international trade as well as investment. An increased liberalization of these markets should also have a positive impact on (b), (c), (d) and (e). (f) N/A.</p>
<p>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).</p>	<p>The project will finance long- and short-term technical assistance from the United States. It should also positively impact on future investment by U.S. firms.</p>
<p>3. Congressional Notification</p> <p>a. General requirement (FY 1993 Appropriations Act Secs. 522; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?</p>	<p>TN has been submitted to Legislative Affairs. No obligation will be made until Mission has received cabled approval.</p>
<p>b. Notice of new account obligation (FY 1993 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?</p>	<p>N/A.</p>

<p>c. Cash transfers and Non-project Sector Assistance (FY 1993 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?</p>	<p>N/A.</p>
<p>d. Special Notification Requirement (FY 1993 Appropriations Act, Sec. 540): Has the special notification to Congress been made as required for all Indonesian programs, projects and activities for FY93?</p>	<p>TN has been submitted to Legislative Affairs. No obligation will be made until Mission has received cabled approval.</p>
<p>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 firms estimate of the cost to the U.S. of the assistance?</p>	<p>N/A.</p>
<p>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?</p>	<p>No further legislative action is required.</p>
<p>6. Water Resources (FAA Sec. 611(b): FY 1993 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 establishment pursuant to the Water Resources Planning Act (42 U.S.C. 1962, <u>et seq.</u>)? (See A.I.D. Handbook 3 for guidelines).</p>	<p>N/A.</p>
<p>7. Cash Transfer and Sector Assistance (FY 1993 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements nonproject sector assistance)?</p>	<p>N/A.</p>
<p>8. Capital Assistance (FAA Sec. 611(e)): If project is capital assistance (<u>e.g.</u>, 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?</p>	<p>N/A.</p>

<p>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 cooperative, 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.</p>	<p>The further development of Indonesia's financial markets and the GOI's divestiture and rationalization of State-Owned Enterprises (SOEs) will have positive effects on a freer flow of (a) international trade as well as investment. An increased liberalization of these markets should also have a positive impact on (b), (c) (d) and (e). (f) N/A.</p>
<p>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).</p>	<p>The project will finance long- and short-term technical assistance from the United States. It should also positively impact on future investment by U.S. firms.</p>
<p>11. Local Currencies</p> <p>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.</p>	<p>The GOI and the Indonesian private sector will provide the equivalent of over \$4.9 million for the Project, primarily for the local costs.</p>
<p>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?</p>	<p>No.</p>
<p>c. Separate Account (FY 1993 Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:</p>	<p>N/A.</p>
<p>(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?</p>	<p>N/A.</p>

<p>(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the proposes 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?</p>	<p>N/A.</p>
<p>(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?</p>	<p>N/A.</p>
<p>(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?</p>	<p>N/A.</p>
<p>12. Trade Restriction</p> <p>a. Surplus Commodities (FY 1993 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?</p>	<p>N/A.</p>
<p>b. Textiles (Lautenberg Amendment) (FY 1993 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 aborad 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 appeared?</p>	<p>No.</p>
<p>13. Tropical Forests (FY 1993 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?</p>	<p>a. No.</p> <p>b. No.</p>

<p>14. PVO Assistance.</p> <p>a. Auditing and registration (FY 1993 Appropriations Act Sec. 536): 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.?</p>	<p>N/A.</p>
<p>b. Funding source (FY 1993 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (Other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from source other than the United States Government?</p>	<p>N/A.</p>
<p>15. 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).</p>	<p>The Project Grant Agreement in this case is for less than \$25.0 million and accordingly is not required to follow Case-Zablocki Act procedures.</p>
<p>16. Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amendment Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the 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?</p>	<p>The bulk of the procurement under the Project will be for technical services. To the extent commodities are purchased, efforts will be made to use metric measurements to the maximum extent possible.</p>
<p>17. Women in Development (FY 1993 Appropriations Act, title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?</p>	<p>Yes. Target that 40% of the participants be women effective the date of amendment No. 8 has been discussed with GOI and contractors.</p>

<p>18. Regional and Multilateral Assistance (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.</p>	<p>No.</p>
<p>19. Abortions (FY 1993 Appropriations Act, Title II, under heading "Population, DA", and Sec. 524):</p> <p>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?</p>	<p>No.</p>
<p>b. Will any funds be used to lobby for abortion?</p>	<p>No.</p>
<p>20. 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?</p>	<p>No.</p>
<p>21. U.S.-Owned Foreign Currencies.</p> <p>a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1993 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.</p>	<p>The U.S. has no surplus currency of Indonesia.</p>
<p>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?</p>	<p>No.</p>
<p>22. Procurement.</p> <p>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?</p>	<p>Yes.</p>
<p>b. U.S. procurement (FAA Sec. 604(a) as amended by section 597 of the FY 1993 Appropriations Act): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section?</p>	<p>Yes.</p>
<p>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?</p>	<p>Indonesia does not so discriminate.</p>

<p>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.).</p>	<p>N/A.</p>
<p>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).</p>	<p>No.</p>
<p>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?</p>	<p>No. Section 90 (b) applies.</p>
<p>g. Technical assistance (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?</p>	<p>Yes. Yes, as appropriate.</p>
<p>h. U.S. Air Carriers (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is finance on grant basis, will U.S. carriers be used to the extent such service is available?</p>	<p>Yes.</p>
<p>i. Termination for convenience of U.S. Government (FY 1993 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, will the contract contain a provision authorizing termination of such contract for the convenience of the United States?</p>	<p>Yes.</p>

<p>j. Consulting Services (FY 1993 Appropriations Act Sec. 523): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?</p>	<p>Yes.</p>
<p>k. Metric conversion (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and 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, through the implementation stage)?</p>	<p>The bulk of the procurement under the Project will be for technical services. To the extent the commodities are purchased, efforts will be made to use metric measurement to be maximum extent possible.</p>
<p>l. Competitive Selection Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?</p>	<p>Yes.</p>
<p>23. Construction</p> <p>a. Capital project (FAA Sec. 601(d)): If capital (e.g., construction), will U.S. engineering and professional services be used?</p>	<p>N/A.</p>
<p>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?</p>	<p>N/A.</p>
<p>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?</p>	<p>N/A.</p>
<p>24. 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?</p>	<p>N/A.</p>

<p>25. 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?</p>	<p>Yes.</p>
<p>26. Narcotics</p> <p>a. Cash reimbursements (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?</p>	<p>Yes.</p>
<p>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 involved in the illicit trafficking of, any such controlled substance?</p>	<p>Yes.</p>
<p>27. 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?</p>	<p>Yes.</p>
<p>28. 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?</p>	<p>Yes.</p>
<p>29. CIA Activities (FAA Sec. 662): Will assistance preclude use of financing for CIA activities?</p>	<p>Yes.</p>
<p>30. 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?</p>	<p>Yes.</p>
<p>31. Military Personnel (FY 1993 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?</p>	<p>Yes.</p>

<p>32. Payment of U.N. Assessments (FY 1993 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues?</p>	<p>Yes.</p>
<p>33. Multilateral Organization Lending (FY 1993 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA Section 209(d) (transfer of FAA funds to multilateral organizations for lending)?</p>	<p>Yes.</p>
<p>34. Export of Nuclear Resources (FY 1993 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology?</p>	<p>Yes.</p>
<p>35. Repression of Population (FY 1993 Appropriations Act Sec. 511(a)): 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?</p>	<p>Yes.</p>
<p>36. Publicity or Propaganda (FY 1993 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?</p>	<p>No.</p>
<p>37. Marine Insurance (FY 1993 Appropriations Act Sec. 560): 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?</p>	<p>Yes.</p>
<p>38. Exchange for Prohibited Act (FY 1993 Appropriations Act Sec. 565): 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?</p>	<p>No.</p>
<p>39. Commitment of Funds (FAA Sec. 635 (h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement?</p>	<p>No.</p>

<p>40. Impact on U.S. Jobs (FY 1993 Appropriations Act, Sec. 599):</p> <p>(a) Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of the business?</p>	<p>No.</p>
<p>(b) Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.?</p>	<p>No.</p>
<p>(c) Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade of 1974, of workers in the recipient country?</p>	<p>No.</p>
<p>B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY</p> <p>1. Agricultural Exports (Bumpers Amendment) (FY 1993 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: (a) 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?</p>	<p>N/A.</p>
<p>2. Tied Aid Credits (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?</p>	<p>No.</p>
<p>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)?</p>	<p>N/A</p>

<p>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 of skills required for effective participation in governmental and political processes essential to self-government.</p>	<p>The project, as amended, is based on more than seven years of analytical work in the financial markets arena, which explored options in assisting the GOI and the Indonesian private sector to achieve increased employment generation through improved functioning of financial markets and rationalizing the GOI's role in state-owned enterprises. Local capabilities will be used to the maximum extent possible.</p>
<p>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?</p>	<p>Yes.</p>
<p>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.</p>	<p>a. The poor will benefit from an increase in employment opportunities generated by more efficient financial markets, directing investment to the productive sector, and an expanded productive sector resulting from a relaxation of government interventions.</p> <p>b. N/A.</p> <p>c. Yes.</p> <p>d. N/A.</p> <p>e. N/A.</p>
<p>7. Recipient Country Contribution (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?</p>	<p>Yes.</p>
<p>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?</p>	<p>Yes.</p>

<p>9. Abortions (FAA Sec. 104(f); FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 534):</p> <p>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?</p>	No.
<p>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?</p>	No.
<p>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?</p>	No.
<p>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?</p>	No.
<p>e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning?</p>	No.
<p>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?</p>	No.
<p>g. Are any of the funds to be made available to any organization of 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?</p>	N/A.
<p>10. Contract Awards (FAA Sec. 501(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?</p>	Yes.

<p>11. Disadvantaged Enterprises (FY 1993 Appropriations Act Sec. 563): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black 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)?</p>	<p>No specific portion of project funding has been reserved for such entities.</p> <p>As required by FAA Section 563 and AIDAR Section 725.301, project contracts in excess of \$500,000 will require at least 10% sub-contracting to disadvantaged enterprises.</p>
<p>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?</p>	<p>(a) No.</p> <p>(b) No.</p> <p>(c) No.</p> <p>(d) No.</p>
<p>13. Tropical Forests (FAA Sec. 118; FY 1993 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act):</p> <p>a. A.I.D. Regulation 16: Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?</p>	<p>Yes.</p>

<p>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 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?</p>	<p>N/A.</p>
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<p>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?</p>	N/A.
<p>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?</p>	N/A.
<p>e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment.</p>	Yes.
<p>14. Energy (FA 1993 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriation Act): 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 greatest impact on reducing emissions from greenhouse gases?</p>	N/A

<p>15. Debt-for-Nature Exchange (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere; (b) animal and plant species; and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.</p>	<p>N/A.</p>
<p>16. Deobligation/Reobligation (FY 1993 Appropriations Act Sec. 515): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?</p>	<p>N/A.</p>
<p>17. Loans</p> <p>a. Repayment capacity (FAA Sec. 122(b): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.</p> <p>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?</p> <p>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?</p> <p>d. Exports to United States (FAA Sec. 620(d): If assistance is for any productive enterprises 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?</p>	<p>N/A.</p> <p>Yes.</p> <p>N/A.</p> <p>N/A.</p>

<p>18. 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?</p>	<p>(1) The poor will benefit from an increase in employment opportunities generated by more efficient financial markets, directing investment to the productive sector, and an expanded productive sector resulting from a relaxation of government interests.</p> <p>(2) N/A.</p> <p>(3) N/A.</p> <p>(4) N/A.</p> <p>(5) N/A.</p>
<p>19. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):</p> <p>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.</p> <p>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 explicit addressing the problem of malnutrition of poor and vulnerable people.</p>	<p>N/A.</p> <p>N/A.</p>
<p>c. Food security: Describe 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.</p>	<p>N/A.</p>

<p>20. 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 health posts, commercial distribution systems, and other modes of community outreach.</p>	<p>N/A.</p>
<p>21. Education and Human Resources Development (FAA Sec. 105): If assistance is being made available for education, public administration, or human resources 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.</p>	<p>(a) The project uses mainly non-formal and on-the-job training. The use of these mechanisms is strengthening the institutions providing it. The individuals requiring and receiving training do not include the rural or urban poor.</p> <p>(b) Key financial market Indonesian government and private sector individuals are being trained, most of whom will use the training to plan for and implement development activities in the financial markets area.</p>
<p>22. 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:</p> <p>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 resources which are environmentally acceptable and require minimum capital investment;</p>	<p>N/A.</p>
<p>b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;</p>	<p>N/A.</p>
<p>c. research into, and evaluation of, economic development processes and techniques;</p>	<p>N/A.</p>
<p>d. reconstruction after natural or manmade disaster and programs of disaster preparedness;</p>	<p>N/A.</p>
<p>e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;</p>	<p>N/A.</p>

<p>f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help the urban poor participate in economic and social development.</p>	<p>N/A.</p>
<p>23. Capital Projects (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?</p>	<p>N/A.</p>
<p>C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY</p> <p>1. Economic and Political Stability (FAA Sec. 531(a): Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?</p>	<p>Not ESF funded.</p> <p>N/A.</p>
<p>2. Military Purposes (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes?</p>	<p>N/A.</p>
<p>3. Commodity Grants/Separate Accounts (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1993, this provision is superseded by the separate account requirements of FY 1993 Appropriations Act Sec. 571(a), see . . . 571(a)(5).)</p>	<p>N/A.</p>
<p>4. Generation and Use of Local Currencies (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1993, this provision is superseded by separate account requirements of FY 1993 Appropriations Act Sec. 571(a), see Sec. 571(a)(5).)</p>	<p>N/A.</p>
<p>5. Cash Transfer Requirements (FY 1993 Appropriations Act, Title II, under heading "Economic Support Funds," and Sec. 571(b)). If assistance is in the form of a cash transfer:</p> <p>a. Separate account: Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds?</p>	<p>N/A</p>

<p>b. Local currencies: Will local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements?</p>	<p>N/A.</p>
<p>c. U.S. Government use of local currencies: Will all such local currencies also be made available to the U.S. Government as the U.S. determines necessary for the requirements of the U.S. Government, or to carry out development assistance (including DFA) or ESF purposes?</p>	<p>N/A.</p>
<p>d. Congressional notice: Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?</p>	<p>N/A.</p>
<p>6. Capital Projects (Jobs Through Exports Act of 1992, Sec.306, FY 1993 Appropriations Act, Sec. 595): If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i.e., one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided. (Please note the definition of "capital project" contained in section 595 of the FY 1993 Appropriations Act.</p>	<p>N/A.</p>

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Annex B

GOI REQUEST FOR ASSISTANCE

Financial Markets Project 497-0360

Project Paper Supplement No. 2

August, 1993

7/22

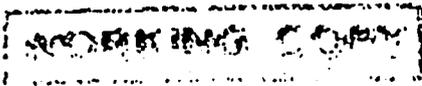
MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA
CAPITAL MARKET SUPERVISORY AGENCY

Jalan Medan Merdeka Selatan No. 13
Jakarta, Indonesia P.O. Box 1439

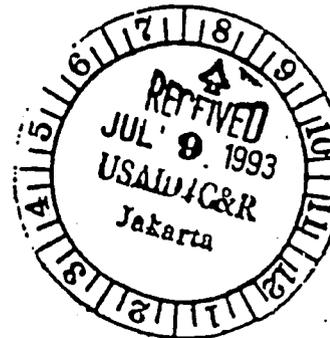
Tel: 365509
Fax: 365509

Jakarta, July 8, 1993

Number: S-1102/ PM /1993



Mr. Charles F. Weden
Mission Director
U.S. Agency for International Development
American Embassy
Jalan Medan Merdeka Selatan No. 3-5
Jakarta 10110



Re : Financial Markets Project Supplement No. 2

Dear Mr. Weden:

BAPEPAM wishes to further define the framework of the Government of Indonesia's (GOI) request of the U.S. Agency for International Development (USAID) in the form of an additional grant of \$600,000 and a project extension to 12/31/94, under the Financial Markets Project.

This additional funding and time will allow for increased long- and short-term technical assistance to aid BAPEPAM in carrying out its on-going program of capital market development. This additional funding would allow for an extension of activities approved in the Capital Market Component Fourth Year Work Plan and an undertaking of activities contemplated in the original Grant Agreement that had to be deferred under the Capital Markets Component due to the priority needs of the evolving market. Indonesia, the GOI and the Indonesia Private Sector, will contribute, in cash and in kind, an additional \$200,000 in support of these activities.

This \$600,000 amendment would bring the total A.I.D. contribution to \$14.6 million and the total Host Country contribution to \$4.9 million, for a total project funding of \$19.5 million.

Thank you for your kind cooperation in this matter.

Your Sincerely,

Bacelius Ruru
Chairman
Indonesian Capital Market
Supervisory Agency (BAPEPAM)



USAID ROUTING	
ACT.	INFO
DIR	
DDO	
EPSO	
EXO	
FIN	
FINB	
FINFA	
MAE	
PRD	
PRDPH	
PRDMP	
PRDET	
PRDET/PT	
PER	
DMC	
GSO	

Annex C

REVISED "INPUTS" SECTION TO THE LOGICAL FRAMEWORK

Financial Markets Project 497-0360

Project Paper Supplement No. 2

August, 1993

ANNEX C

LOGICAL FRAMEWORK (Revised "Inputs"): August, 1993

Project Title and Number: Indonesia – Financial Markets Project (497–0360)

NARRATIVE SUMMARY INPUTS	OBJECTIVELY VERIFIABLE INDICATORS Implementation Target (Type & Quantity)		MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
TECHNICAL ASSISTANCE	<p>USAID</p> <p>Work–Months LT ST</p> <p>210 176</p>	<p>MOF/BI/Private</p> <p>Staff Salaries Office Space</p>	<p>Project Documentation</p>	<p>– GOI and Private Sector budgets are forthcoming</p> <p>– Qualified TA will be available</p>
PARTICIPANT TRAINING	<p>Work– Trainee/ Shops Months</p> <p>30 170</p>	<p>In–country Trg. Costs (Salary, travel, per diem, honoraria)</p> <p>Training Space RT air fare to west coast For private: RT air fare to training location</p>		<p>Suitable candidates for training will be available</p>
COMMODITIES	<p>Hardware and Software</p>	<p>Operation, Maintenance, and Repair; supplies For private: commodities and equipment</p>		
AUDIT/EVALUATION	<p>One Evaluation Team</p>	<p>– – 0 – –</p>		
CONTINGENCY	<p>To Be Determined</p>	<p>To Be Determined</p>		

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Annex D

INITIAL ENVIRONMENTAL EXAMINATION

Financial Markets Project 497-0360

Project Paper Supplement No. 2

August, 1993

INITIAL ENVIRONMENTAL EXAMINATION

PROGRAM COUNTRY: Indonesia

ACTIVITY: Financial Markets - Project Supplement No. 2

FUNDING: \$19.5 million

PERIOD OF FUNDING: FY 1988 - 1994

STATEMENT PREPARED BY:

Michael G. Huffman
Michael G. Huffman
USAID/Indonesia

ENVIRONMENTAL ACTION RECOMMENDED: Categorical Exclusion
under A.I.D. 22CFR Part
Section 216.2(c) (2) (1)

ENVIRONMENTAL OFFICER CLEARANCE:

Jerry Bisson
Jerry Bisson, Mission
Environmental Officer
USAID/Indonesia

DECISION OF USAID/INDONESIA MISSION DIRECTOR

APPROVED : [Signature]

DISAPPROVED: _____

DATE : 8/11/93

DECISION OF ASIA BUREAU ENVIRONMENTAL OFFICER

APPROVED : W. Van, ASH/DR

DISAPPROVED: _____

DATE : 8-10-93

A. Project Description

The Financial Markets Project (497-0360) is a six year, \$19.5 million project whose goal is to promote growth of the private sector in Indonesia. The primary purposes of the project are to provide the assistance required to develop the financial markets in Indonesia so that private enterprises will have access to long-term financing. With the approval of a Project Paper Supplement of \$5 million in FY 91, assistance is now also being provided to encourage further liberalization of the market, including specific activities to assist the GOI in rationalizing its State-Owned Enterprise (SOE) investments.

In the area of capital market development, A.I.D. continues to support the policy reforms initiated by the GOI by providing the technical assistance and training needed to carry out policy changes effectively. This activity also includes support to investor education and promotion campaigns.

With regard to deregulation, A.I.D. is addressing the need for assistance to DANAREKSA, the GOI mutual fund, in its conversion to private investment management. Other deregulation activities include deregulation of BAPEPAM (the SEC-like regulatory agency) to permit a privatization of stock exchange activities.

B. Identification and Evaluation of Environmental Impact

The impact of this project on the environment is likely to be slight in overall magnitude and essentially indirect. The policy dialogue, technical assistance and training components will have no direct impact on the physical environment, both in terms of the original PP activities, and the new activities to take place under the PP Supplement. Assistance to be provided to DANAREKSA will be used to develop a private investment management capability and will not be used to finance directly the activities of any one company. The capital markets developed in this project will provide funds for individual projects of a diverse nature in which individual companies invest. However, A.I.D. will not retain review and approval authority over the activities of those companies or other uses of funds obtained through the capital market.

In terms of the project's Privatization Component, the GOI is currently committed to carrying out a pragmatic SOE restructuring and privatization in support of its broader economic development objectives. In carrying out this process, the GOI will require significant levels and varied types of specialized technical assistance. To support the

GOI in further planning and executing its privatization program, and to ensure proper linkage of this effort to its capital market development efforts, the project provides linkage of SOE divestiture and capital market sales. However this is not the only implementation strategy. There are a variety of privatization schemes (BOT, management contracts, private placements, etc.) to achieve improved efficiency through privatization assistance. What the GOI needs and wants most is technical assistance and training in the policy arena to assist them in making the best choices in implementing their privatization plans.

Although the GOI has complete ownership in approximately 189 enterprises, other levels of government and public entities own many businesses in whole or in part. The GOI is especially involved in, and in many instances dominates a number of key economic sectors, such as natural resources, agriculture, utilities, banking, heavy industry, transportation and communications.

The performance of these SOEs is the subject of intense deliberations at the highest levels of government. The result has been a long procession of economic deregulation measures brought about by the need to revitalize and diversify the economy, to create the basis for growth and expansion necessary to accommodate the large number of entrants into the labor force, and to reduce the risk of political unrest and instability. Because we will provide the long- and short-term technical assistance and training to assist the GOI in carrying out policy-making activities, independent of identifiable activities directly impacting on the environment, no further environmental review is possible or necessary.

In specific terms of this PP Supplement, the additional project activities resulting from the increased funding (\$600,000) and PACD extension (3 to 6 months) will be entirely in the area of technical assistance under the Capital Markets Component. Because these technical assistance activities will be limited to assisting the GOI to further carry out policy making functions, independent of identifiable activities directly impacting on the environment, no further environmental review is possible or necessary.

C. Recommended Environmental Action

On the basis of the discussion above, it is recommended that the policy dialogue, technical assistance and training components be categorically excluded from further environment review pursuant to A.I.D. Regulation 16,

Paragraph 216.2(c) (2) (i) since these activities will not have a direct impact on the environment.

Annex E

**PROJECT AGREEMENT AMENDMENT NO. 8 WITH
REVISIONS TO THE AMPLIFIED PROJECT DESCRIPTION
AND**

NEW BUDGET SUMMARY

Financial Markets Project 497-0360

Project Paper Supplement No. 2

August, 1993

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A.I.D. PROJECT NO. 497-0360

AMENDMENT NO. 8
PROJECT GRANT AMENDMENT
BETWEEN THE
REPUBLIC OF INDONESIA
AND THE
UNITED STATES OF AMERICA
FOR THE
FINANCIAL MARKETS PROJECT

DATED: August 31, 1993

Dated: August 31, 1993

This AMENDMENT NO. 8 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 Project Grant Agreement for the Financial Markets Project dated August 31, 1988, which has subsequently been amended to grant to the Grantee not to exceed Fourteen Million United States ("U.S. ") Dollars (\$14,000,000) ("Grant"); and

WHEREAS, the Grantee and A.I.D. desire to amend the Grant Agreement to provide an additional increment of A.I.D. financing of \$600,000 for the Project and to make other related changes in the Agreement;

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

1. Article 2, Section 2.2(a), Incremental Nature of the Project, is revised by changing the words and figures "Fourteen Million United States Dollars (\$14,000,000)" to read "Fourteen Million Six Hundred Thousand United States Dollars (\$14,600,000)."

2. Article 3, Section 3.1, The Grant, is revised by changing the words and figures "Fourteen Million United States ("U.S. ") Dollars (\$14,000,000) ("Grant")" to read "Fourteen Million Six Hundred Thousand United States ("U.S. ") Dollars (\$14,600,000) ("Grant")."

3. Article 3, Section 3.2(b), Grantee Resources for the Project, is revised to read: "(b) The resources provided or caused to be provided by the Grantee for the Project will be not less than the equivalent of U.S. \$4,900,000, including costs borne on an "in-kind" basis. Of the foregoing amount, it is expected that the equivalent of approximately U.S. \$1,400,000 will come from private sector/SOE participants in the Project."

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Revised Section V

Amplified Project Description

Financial Markets Project

August, 1993

V. PROJECT INPUTS

Major inputs for this project consist of technical assistance, training and commodities. Specific grant-funded inputs for the two project components are described below:

Financial Markets Component

A.1. Technical Assistance - Capital Markets

The technical assistance team assigned to BAPEPAM will act as a project management unit with responsibility for managing and coordinating all inputs for capital markets assistance, including training and commodities. Likewise, the team will be responsible for the full range of capital markets outputs, encompassing elements of policy implementation, institutional development and promotion.

The core team will consist of three long-term experts, reporting to the Director of BAPEPAM. The team (hereafter called the BAPEPAM team) will consist of the following:

1. Chief of Party/Regulatory Advisor (56 person-months) -- This person will be responsible for advising the GOI on all aspects of regulatory reform and will act as team manager.
2. Trader and Underwriting Specialist (51 person-months) -- This person will work closely with private brokers and underwriters, the Indonesian Association of Brokers and Dealers (PPUE), private firms desiring to list on the markets, and others as deemed appropriate by BAPEPAM.
3. Training/Promotions Manager (28 person-months) -- This person will identify, plan, supervise the design, arrange for and manage short-term training programs and local/regional seminars and workshops as deemed necessary by BAPEPAM to support the objectives of the project.

The BAPEPAM team will be augmented by short-term expertise on a case-by-case basis with the prior written approval of BAPEPAM and USAID. The total level of short-term assistance for the BAPPEPAM team is estimated at 89 person-months.

A.2. Technical Assistance - Money Markets

Bank Indonesia will be assisted by one long-term Senior Banking Advisor (36 person-months) who will report directly to the central bank and be responsible for all aspects of Bank Indonesia development programs noted under the outputs above. This expert will also assist in identifying short-term technical assistance inputs for Bank Indonesia priority programs with funding for such short-term expertise being funded outside the grant.

B. Training

Training under the Financial Markets component will be financed directly from the FMP project and not through the component's technical assistance contract. This training will be comprised of short-term overseas training and local workshops and seminars. The proposed content of these programs is as follows:

Approximately 140 participant-months of short-term overseas training will be provided over the life of the project. This training will be targeted at the regulatory agencies -- MOF, BAPEPAM, Bank Indonesia and the ICE; institutional investors, especially pension and insurance companies; and the underwriting/ trading sector, including PPUE, brokers and dealers, and Danareksa. Regulatory participants will focus on training through organizations such as the Securities Exchange Commission (SEC), Federal Reserve, Federal Deposit Insurance Corporation (FDIC), and U.S. Treasury. Institutional investors will receive training through organizations such as major banks and investment houses, pension and insurance firms, and training or regulatory bodies involved in the investment field. The issuer/trader training would be targeted at major brokerage houses, mutual funds, the National Association of Securities Dealers (NASD -- operates the U.S. over-the-counter market) and similar trading organizations.

The selection of trainees will be jointly decided by MOF, Bank Indonesia, the MOF advisory team and the BI expert, with annual training plans being prepared by each participating agency.

As noted above, the advisory team will be responsible for the implementation and backstopping of all training programs. The GOI will be expected to finance international air fare for all GOI employees. All private sector participants will be trained on a cost-sharing basis, with the private sector paying a minimum of 25 percent of total training costs. Given the relevance of other stock exchanges in countries neighboring Indonesia; the project will provide for short-term overseas training in Asian countries in addition to the U.S.

Local workshops and seminars will be especially important in terms of increasing public awareness of the benefits of diversified financial markets and reinforcing a positive image as changes are introduced; informing and educating investors of the process and opportunities relating to new investments; and presenting private businesses needed information on the process and benefits of raising capital through the financial markets. About 20 workshops and seminars are anticipated.

C. Commodities

There will be a relatively small commodity procurement program under this project component, to be funded and managed through the consulting contracts. Commodities will consist of micro-computer hardware and software to assist GOI counterpart agencies and/or private sector entities (e.g. PPUE) in upgrading computer systems; promotional materials and advertisements related to the educational campaigns for investors and listers; and limited support commodities for the consulting personnel such as computers. USAID approval of the technical plans and specifications for all computer systems proposed will be required prior to procurement of computers or software.

Privatization Component

A. Technical Assistance

A long-term Privatization Advisor (21 person-months) will be responsible for the full range of this project component's outputs, encompassing elements of policy implementation, institutional development and promotion. This position is expected to be filled through a buy-in to an existing A.I.D./Washington contract under the Privatization and Development (PAD) project 940-0016.

This advisor will report directly to the Director, BUMN, at the MOF. The long-term advisor will coordinate activities with the BAPEPAM Capital Markets TA Team, particularly in terms of training. That team's Training/Promotions Manager will support the privatization component's training plan with 18 work-months of training advice.

The privatization advisor will also be augmented by substantial short-term expertise. Approximately 87 person-months of the short-term assistance for this project component will be provided as part of the buy-in to the PAD project.

B. Training

There will also be a training program under this component financed directly by the FMP project and not through the component's technical assistance contract. This training is comprised

of short-term overseas training, and local workshops and seminars. The proposed content of these programs is as follows:

Approximately 30 participant-months of short-term overseas training in privatization will be provided over the life of the project. This training will be targeted at the staff of MOF/BUMN and individual SOEs.

The selection of trainees will be jointly decided by the MOF/BUMN and the long-term privatization advisor, with annual training plans being prepared by the advisor with assistance from the BAPEPAM capital markets team's Training/Promotions Manager. It is also fully expected that, from time to time, special opportunities will arise for privatization training outside the agreed training plan. The GOI will be expected to finance a minimum of 25% of total training costs, including international air fare for all GOI employees. All private sector participants will be trained on a cost-sharing basis, with the private sector paying a minimum of 25% of total training costs, plus international air fare.

Local workshops and seminars will be especially important in terms of increasing public awareness of the benefits of privatization and reinforcing a positive image as changes are introduced, as well as informing and educating the public of the process and opportunities relating to new investments. It is anticipated that nine workshops and seminars on privatization will be conducted during the life-of-project.

The selection of trainees will be jointly decided upon by MOF/BUMN, the long-term privatization advisor, and the BAPPEPAM Capital Markets TA team's Training/Promotions Manager, with annual training plans being prepared by MOF/BUMN.

C. Commodities

There may be a relatively small commodity procurement program under the privatization component. The contractor for the BAPPEPAM Capital Markets team will identify and procure such commodities on behalf of the privatization component. Such commodities will consist of microcomputer hardware and software to assist BUMN in managing its restructuring program.

4. Article 3, Section 3.3(a), Project Assistance Completion Date, is revised by changing the Project Assistance Completion Date (PACD) "September 30, 1994" to read "March 1, 1995".

5. Section V. "PROJECT INPUTS" of Annex I of the Grant Agreement, "Amplified Project Description," is deleted in its entirety, substituting therefor the revised "PROJECT INPUTS", Annex I, attached to this Amendment No. 8.

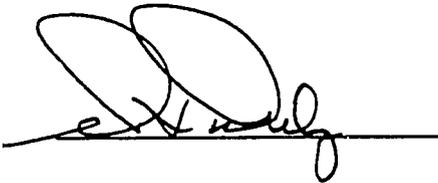
6. The Budget Summary included in Attachment 1 to Annex I of the Grant Agreement is hereby deleted, substituting therefor the Budget Summary attached to this Amendment No. 8.

7. Except as amended herein, the Project 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. 8 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
Mission Director
USAID/Indonesia



Bambang Subianto
Director General for
Financial Institutions
Department of Finance

Financial Markets Project (497-0360)

Grant Agreement Amendment No. 8

Budget Summary

(US \$ 000)

Line Item	A.I.D. Obligation				Amended Life of Project		Project Total
	Previous Total	Revisions	Amendment No. 8	Total To Date	A.I.D. Grant	GOI * Contribution	
Technical Assistance	10,345	600	500	11,445	11,445	2,500	13,945
Training	2,900	(300)		2,600	2,600	2,100	4,700
Commodities	250		100	350	350	250	600
Audit/Evaluation	205	(75)		130	130	0	130
Contingency	300	(225)		75	75	50	125
TOTAL	14,000	0	600	14,600	14,600	4,900	19,500

* Includes anticipated contributions from private sector/SOEs of \$1,400.