

POCAS 43D

UNCLASSIFIED

FILE COPY

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

PROJECT PAPER  
AMENDMENT

DEVELOPMENT STUDIES PROJECT

497-0340

JUNE 1986

USAID/INDONESIA

UNCLASSIFIED

STATUTORY CHECKLIST

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b>		<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete		Amendment Number <b>Three</b>	<b>DOCUMENT CODE</b> <b>3</b>
<b>PROJECT DATA SHEET</b>					
<b>2. COUNTRY/ENTITY</b> Indonesia		<b>3. PROJECT NUMBER</b> 497-0340			
<b>4. BUREAU/OFFICE</b> Asia		04		<b>5. PROJECT TITLE (maximum 40 characters)</b> Development Studies	
<b>6. PROJECT ASSISTANCE COMPLETION DATE (FACD)</b> MM DD YY 06   30   91			<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under "B." below, enter 1, 2, 3, or 4) A. Initial FY 86   B. Quarter 3   C. Final FY 88		

8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY 86			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	( 1,750 )	( 250 )	( 2,000 )	( 4,894 )	( 3,106 )	( 8,000 )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S.						
1.						
2.						
Host Country		249			4,310	4,310
Other Donor(s)						
<b>TOTALS</b>						

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SD	701B	980		4,000		8,000		12,000	
(2)									
(3)									
(4)									
<b>TOTALS</b>				4,000		8,000		12,000	

<b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b>						<b>11. SECONDARY PURPOSE CODE</b>			
<b>12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)</b>									
A. Code		RDEV		RGEN					
B. Amount									

**13. PROJECT PURPOSE (maximum 480 characters)**

To strengthen the analysis of selected policy and program issues related to Indonesian development, and thereby to strengthen Indonesian policy formulation, program design, and resource use.

<b>14. SCHEDULED EVALUATIONS</b>					<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b>						
Interim	MM	YY	MM	YY	Final	MM	YY	MM	YY		
	09	88				01	91	<input checked="" type="checkbox"/> 000	<input type="checkbox"/> 941	<input checked="" type="checkbox"/> Local	<input type="checkbox"/> Other (Specify)

**16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment)**

The purpose of this amendment is to secure additional AID funding to support the National Development Planning Board and the Central Bureau of Statistics to undertake policy research and analysis in the field of employment, trade and industry.

<b>17. APPROVED BY</b>	Signature  William P. Fuller				<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b>			
	Title Director USAID/Indonesia		Date Signed MM DD YY 06   06   86					

## Table of Contents

	<u>Page</u>
Project Data Sheet	
Draft Project Authorization	
<b>I. EXECUTIVE SUMMARY</b>	<b>1</b>
<b>II. BACKGROUND AND JUSTIFICATION</b>	<b>3</b>
A. The Indonesian Economy in Transition	
B. Critical Policy Issues for Further National Development	
C. The Development Studies Project to Date	
D. Other Donor Agencies	
<b>III. PROJECT DESCRIPTION</b>	<b>11</b>
A. Amendment Purpose and Outputs	
B. Amendment Component	
<b>IV. INSTITUTIONAL ANALYSIS</b>	<b>18</b>
A. Bappenas	
B. Central Bureau of Statistics	
<b>V. IMPLEMENTATION PLAN</b>	<b>22</b>
A. Project Management and Administration	
B. Schedule of Required Actions	
C. Contracting Mode	
D. Commodity Procurement	
<b>VI. BUDGET AND FINANCIAL PLAN</b>	<b>31</b>
<b>VII. MONITORING AND EVALUATION</b>	<b>34</b>
A. Monitoring Activities	
B. Evaluation Activities	
<b>VIII. COVENANTS AND CONDITIONS PRECEDENT</b>	<b>37</b>
A. Condition Precedent for Selected Activities	
B. Covenants	
<b><u>ANNEXES</u></b>	<b>38</b>
1. GOI Letter of Request	
2. DSP Project Status Report	
3. Bappenas Organizational Chart	
4. BPS Organizational Chart	
5. Draft Scopes of Work for Long Term Technical Assistance Team	
6. Illustrative Issues in Employment, Industry and Trade Policy	
7. Detailed GOI Budget Commitments	
8. Statutory Checklist	

4

PROJECT AUTHORIZATION AMENDMENT NO. 2

1

INDONESIA

DEVELOPMENT STUDIES  
PROJECT NO. 497-0340

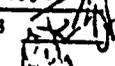
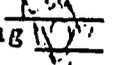
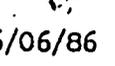
1. Pursuant to Section 106 of the Foreign Assistance Act, as amended, the Development Studies Project for Indonesia was authorized on June 8, 1983. That Authorization was amended on May 28, 1985. That authorization is hereby further amended as follows:

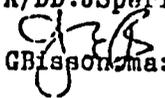
Paragraph 1, is amended to authorize planned obligations of up to \$12,000,000 in Grant funds. The additional funding provided herein is authorized for obligation through September 30, 1988, subject to the availability of funds in accordance with the A.I.D. OYB/Allotment process. The Project Assistance Completion Date is revised to June 30, 1991.

2. The authorization cited above remains in full force and effect except as hereby amended.

3. Prior to the execution of the Project Agreement Amendment the Congressional Notification waiting period shall have expired without objection and USAID/Jakarta shall have received a cable notification that funds have been allotted.

Signature:   
William P. Fuller

Clearances: DSP:MMorfit   
PRO:DZvinakis   
FIN:RMClure   
A/DD:JSperling 

  
Drafted:LA:GBisson:ma:06/06/86

5

## I. Executive Summary

This project Amendment provides an additional \$8 million in grant funding (an increase of total LOP funding from \$4 to \$12 million) and extends the Development Studies project (DSP) for an additional three years (from June 30, 1988 to June 30, 1991).

The objective of the Amendment is to provide long term technical assistance to the National Development Planning Agency (Bappenas) and the Central Bureau of Statistics (BPS) to undertake policy research and analysis in the areas of employment, industry and trade. Such assistance cannot be provided under the present DSP because activities are limited to a maximum of \$200,000 over no more than an eighteen month period. (These on-going activities, with present grant funding of \$4 million, will continue to operate, with this Amendment supporting separate but related activities.)

The assistance proposed under this Amendment is particularly timely because the GOI faces significant new challenges in the decades ahead. Although there are substantial achievements to the credit of the government (in such areas as education, health, family planning, infrastructure development and food production), the large and growing population, together with greatly decreased public revenues, require a review of established policies and a search for more effective ones. Employment is a particularly critical problem for the future of the country, and opportunities for employment in the agricultural sector are severely constrained. Trade and industry, therefore, emerge as two critical sectors where the government must look for more growth, more employment and greater equity of the benefits of development.

Bappenas has requested this assistance in part because of its critical role in drafting the Broad Outlines of State Policy and (within that framework) the Five Year Development Plan (Repelita). In addition, Bappenas exercises control over the annual development budget through its authority to review and approve all development expenditures. Bappenas, therefore, is in a position to engage in policy discussions at the highest level and establish general policies governing use of the development budget. In exercising this authority, it must rely on data from a number of sources. The primary source is BPS which serves roughly the same function as the U.S. Bureau of the Census in collecting, analyzing, and publishing government statistics across a wide range of government and private sector activities.

Project inputs include twelve-man years of long term technical assistance and 128 man-months of short term technical assistance. The total cost of technical assistance is expected to be \$4,572,000, including the cost of an Indonesian administrative assistant for a period of three years. In addition, the project will provide \$1,320,000 to support special studies, research and analysis of selected problems in the area of employment, industry and trade policy. Third, \$300,000 is planned for the procurement of limited data processing equipment. Finally, a total of \$1,720,000 is budgeted for contingencies and inflation and \$100,000 for evaluation activities.

7  
6

Three members of the technical assistance team will be assigned to Bappenas. Under the direction of a separate Amendment Steering Committee, they will work with counterparts to identify critical policy areas for further investigation, develop a workplan to meet those needs, conduct policy analyses and research, advise as requested on the implementation of policy decisions, and serve as advisors to Bappenas and other relevant agencies as required. The fourth long term advisor will be assigned to BPS where he will work with counterparts to strengthen the data base for policy research and analysis, improve research methodologies and carry out special data collection efforts and studies which have been identified. To implement these tasks, the long term advisors will be able to call upon the assistance of substantial short term technical assistance over the life of the Amendment.

Project outputs will include approximately twenty-four policy analyses or studies, with recommendations for the consideration of the GOI and specification of possible implementation steps required to affect changes. In addition, the data base at BPS will be strengthened and improved methodologies developed to produce more reliable, timely and relevant data in the field of employment, industry and trade. This will contribute to a stronger and better informed policy review process within Bappenas, and assist with the formulation of strengthened drafts for the Broad Outlines of State Policy and the Repelita.

## II. Background and Justification

### A. The Indonesian Economy in Transition

Since the establishment of the New Order Government in 1965, Indonesia has enjoyed a sustained period of political stability, economic growth and general prosperity. Hyperinflation, running at about 1500% per year in 1965, was brought under control by 1969 and has averaged 15% over the past ten years, and around 4-5% for the last two years. The nation's foreign reserves, virtually exhausted in 1965, have been built up to a level of approximately \$ 10.7 billion, and the Indonesian rupiah, initially constrained by a complex system of exchange controls and several different official exchange rates, has been freely convertible in the open foreign exchange market since the late 1960's.

These macro-economic achievements have been paralleled by equally impressive achievements in the development of the nation's infrastructure, agriculture, health and education systems. The total kilometers of roads has more than doubled over the period 1970-1984, increasing from approximately 84,000 to over 200,000 kms. An extensive and reliable domestic commercial airways network has been established and inter-island sea communications improved. Irrigation systems have been greatly expanded and improved.

These infrastructural improvements, combined with the use of high yield seed varieties and other modern agricultural inputs, have led to an increase in rice production from 12 million tons in the early 1970's to 25.5 million tons in 1984, with average annual increase of over 6%. With demand increasing at only 3% per year, Indonesia has gone from being the world's largest rice importer (25% of the world's exports) to self-sufficiency. A national distribution system for key commodities has been established and the famines of the early 1960's are a thing of the past.

Increased rice production has yielded increased rural incomes and improved health conditions. Infant mortality rates have declined from 98 per 1,000 in 1980 to 90 per 1,000 in 1984, and a decline in the crude death rate from 13.3% to 11.8% over the same period. The nation's family planning program, instituted in the late 1960's, can now claim around 40% of women in the reproductive age group as current users of contraception, and the crude birth rate has declined from 43 per 1,000 population in the 1960's to 33.5 per 1,000 in 1984. The government has increased access to public health services, establishing over 4,000 community health centers in rural areas where there was almost a complete absence of health care facilities after independence.

During this same period, the nation's education system has expanded dramatically. Since 1970, primary school enrollment has increased from 71% to 98% of the 7-12 age group. Today nearly all children are within walking distance of a primary school and Indonesia is close to achieving universal primary education. As the education system has expanded, literacy rates have increased from 40% in the early 1970's to approximately 70% today.

8

Oil and LNG were a primary source of savings and investment for this prolonged period of economic growth with its many achievements in infrastructure development, agriculture, health and education. The Indonesian economy in general, and the government budget in particular, are highly dependent upon oil and LNG revenues. Together oil and LNG contribute 55% of domestic budgetary revenues, 70% of export earnings, 20% of GDP and 30-40% of savings and investments. The increase in oil and LNG prices during the 1970's provided much of the bouyancy in the economy and the greatly increased budgetary resources which made a wide array of ambitious development programs possible.

In the early 1980's, however, the picture began to change radically. The sluggish world economy depressed oil revenues significantly, and in 1982 growth of GDP plunged to approximately 0.2%, after averaging around 8% annual growth over the preceeding decade. Although there was a slight recovery in 1983 (3.3%) and 1984 ( 5.8%), Indonesia now faces the prospect of several years of relatively low (2-3%) growth rates. Government budgets were cut severely in 1986, for the first time since the New Order Government was established. The 1986 development budget was cut by an average of 22% in nominal terms, and the past practice of allowing unspent budget allocations to carry over into succeeding fiscal years was abolished.

To some extent the government has already begun to respond to these challenges. In addition to austere budgets, a sizeable devaluation in 1983 stabilized the value of the currency, which has since experienced a gradual but controlled erosion in value against the dollar. Substantial deregulation of banking and finance and some simplification of investment procedures have been initiated. In an effort to increase the generation of internal resources, new VAT, income and property tax laws have been passed and procedures established to improve tax discipline. Simplified ports, customs and shipping procedures have been instituted, resulting in both lower costs and faster processing times. Increased attention has also been given to improving the performance of non-oil exports through the establishment of new marketing organizations and export product standards.

Although these measures have been relatively successful over the short run in cushioning the economy from the major disruptions experienced by many other developing countries, it is clear that Indonesia faces major challenges in restructuring its economy and sustaining the momentum of development in the future. Not only must the government find alternatives to its dependence on oil and LNG in financing development programs, it must also provide employment opportunities for a rapidly growing labor force.

Demographic projections indicate that the population will continue to grow in excess of 1.8% per year as we enter the next century. Given the young age structure of the populations, however, the labor force may be growing at 2.8% per annum during the same period. This will yield an absolute increase in the labor force of approximately 1.8 million per year in the mid 1980's rising to 2.6 million per year in the late 1990's, even with continuing achievements of the nation's family planning program. The population will be younger on average than in the past, with a longer expected working life. It will also be increasingly better

educated as universal primary education is achieved and more children continue their education in secondary schools. This will reinforce an increasing tendency towards urban migration, spurred by a limited capacity of traditional agricultural occupations to absorb new labor. Yet the immediate prospects of finding alternatives to agricultural employment are not promising. Manufacturing contributes only 12.8% of GDP (only 8.8% after oil processing and refining are subtracted). Government policies have tended to encourage capital intensive investment and the low efficiency of the manufacturing sector inhibits growth.

Together these factors mean not only must Indonesia find more jobs for more people, but also that it must find jobs acceptable to a younger, better educated population in non-agricultural sectors of the economy. Furthermore, the nation must deal with this challenge at a time when average economic growth is falling and the prospects for achieving the high growth rates of the 1970's are extremely uncertain at best. Even if incomes, unemployment and underemployment rates are held constant at their present levels a GDP growth rate of around 4% per year will be required.

#### B. Critical Policy Issues for Further National Development

The most significant development challenge facing Indonesia over the next ten years is how to provide productive employment to ever greater numbers of workers in the face of lower economic growth rates. It is now evident that even high economic growth failed to solve Indonesia's employment problem in the 1970s and 1980s, as measured by undiminished, extraordinarily high rates of underemployment estimated at 35-40% of the labor force. Although the percentage of Indonesians living below the poverty line decreased from 57% to 40% between 1970 and 1980, the levels are still unacceptably high. This demonstrates the fundamental difficulty of relying solely on high growth to generate employment in the absence of complementary policy measures that efficiently increase the labor-intensity of output. Clearly, it would be preferable to have both high economic growth and greater labor-intensity of output.

Both of these goals are attainable, as well as compatible, in the context of a new, more liberal trade-industrial policy environment. The envisioned policy environment would dramatically reduce licensing and regulatory barriers to internal trade and domestic investment. It would also focus on the expansion of non-oil exports and the rationalization and reduction of protective barriers to imports. Finally, it would further simplify and liberalize foreign investment licensing and regulation. The outcome of such policies, given the major policy reforms already recently enacted, would be greater efficiency in resource allocation, greater levels of domestic investment, expanded levels of non-oil export earnings, a rejuvenated manufacturing/industrial sector, and greater labor-intensity of output. All of these factors would work toward increased levels of economic growth that would in turn support greater levels of employment and growth in personal incomes.

These policy prescriptions take on a new urgency in the face of recent upheavals in the international oil markets. Given the relatively high dependency of the Indonesian economy on oil and LNG, great uncertainty in the price of oil introduces great uncertainty into the Indonesian economy and the development planning effort. The major decline in the price of international oil poses grave problems to the Government of Indonesia in replacing future export earnings, budgetary revenues, and domestic savings and investment. With the strong possibility that the current downturn in international oil and LNG prices may last for many years, the Government of Indonesia is urgently faced with the need to formulate new policy responses. To the extent that these problems are not effectively addressed, growth and, consequently, employment will suffer.

The availability of foreign exchange, particularly in the face of rising debt service ratios, will be a key binding constraint on the level of future economic growth. Because of this, the promotion of non-oil exports (especially where processed or manufactured) becomes important not only because of the favorable growth and employment prospects implicit in the expansion of non-oil exports themselves, but because they supply the means of financing vital inputs at reasonable cost. These imports can then be used for the expansion of other domestic economic activity. Thus, expansion of non-oil exports is not only a direct source of growth and employment itself, it tends to increase the share of relatively labor-intensive activities in the economy and to directly lessen the constraint of foreign exchange on growth of other economic activity in the economy. It seems clear that for the sake of Indonesia's long-term development, including the employment of its people, potential policy measures to expand non-oil exports must be carefully considered at this time.

The period ahead is a time of both major opportunity and major risk. Because existing policies and strategies will need to be reexamined, it offers the opportunity of making significant progress toward adopting policies that ensure the successful long-term restructuring of the Indonesian economy with less dependence on oil. On the other hand, there is always the danger that short-sighted arguments, ignoring future growth and employment, will prevail and that repressive (rather than corrective) policy measures will be taken to deal with pending balance of payments pressures. Similarly, an unduly restrictive domestic licensing and regulatory environment could restrain the immense potential of domestic market expansion.

Trade and industrial policy plays a key role in the potential long-term restructuring of the Indonesian economy. Policy changes in these areas offer the prospect of significant increases in allocative efficiency, important stimulus to non-oil export earnings, and the growth of the manufacturing sector. As such, changes in industrial-trade policy offer significant scope for expanding employment opportunities both through raising the levels of economic growth and by increasing the labor-intensity of output. There are other significant policy areas that impact on growth and employment, of course. The more important of these should also be considered as part of the development of an overall employment strategy to meet the considerable challenge ahead.

11

C. The Development Studies Project to Date

The Development Studies Project Agreement was signed in June, 1983, with initial incremental grant funding of \$3 million. A subsequent amendment in June, 1985, provided an additional \$1 million in grant funds. The project purpose is to help strengthen the analysis of selected issues and problems related to Indonesian development policies and programs, and thereby to help improve policy and program formulation. Present project funds are intended to support relatively quick policy research in key areas, providing middle and senior level government officials with information and analysis to inform their formulation and implementation of development policies. Project support is presently limited to a maximum of \$200,000 for any one activity over a maximum period of eighteen months.

Since its inception, the Project Steering Committee has received and reviewed over one hundred different proposals from a wide variety of agencies and institutions working in diverse development areas. Of these, a total of twenty-two proposals have been accepted, all after considerable discussion and scrutiny by the Project Steering Committee and Working Groups and generally after substantial revision. Because of the time required to establish review procedures and administrative arrangements, as well as the detailed and careful discussions which preceded approvals for proposals, only two sub-projects have been completed at this time, although six more will be completed by mid-1986. (See Annex 2 for a complete list of all proposals received and of those approved.)

Almost all proposals accepted for funding are concerned with broad strategic issues facing the government in various sectors. They can be classified into four broad categories. To date the largest amount of funding has been provided to sub-projects dealing with issues of agricultural development and rural employment opportunities. Issues such as opportunities for agricultural diversification in Java, different strategies for the management of watersheds, and trends in employment opportunities and wages in rural areas have been examined.

The second major area of concentration has been health and nutrition. Sub-projects in these areas have ranged from research into the socio-cultural influences on nutrition to assessments of the nutritional status of selected provinces and operational research into the establishment of an early warning system to detect and deal with food shortages. The results of this work will establish the procedures to be used in a World Bank-supported project which will support the establishment of a surveillance system throughout all twenty-seven provinces. In addition, the methodologies tested with DSP support will be included in the future in routine socio-economic data collection procedures.

A variety of macro-economic problems have been examined in the third major group of sub-projects. These have included support for major studies of infrastructure pricing policies, specifically with regard to the national electrical, telephone, and railway systems. The study on

X  
12

electricity pricing has led to a modification of strategies and policies for long term investment in the electrical system (including changes in World Bank assistance), a review of existing tariff policies and a restructuring of the management system.

Of particular importance is the support being provided to a study of the dynamic comparative advantage Indonesia enjoys in selected key industries. This will provide important information for the development of a national industrialization strategy, and will directly contribute to the activities proposed under this Amendment.

Finally, the Development Studies Project has supported policy research in the educational and cultural field. One of the first sub-projects funded by DSP provided technical assistance for the planning of the nation's new Open University. That effort directly contributed to the successful launching of a new higher education institution which has expanded rapidly to serve approximately 70,000 students. DSP is also providing support for a study of the role and perceptions of Indonesian ulamas, Islamic religious leaders who are key figures in village societies and who have a large contribution to make to national development.

Although the project allows for support to pilot efforts, the Steering Committee has received few requests of this kind. In only three cases is the project supporting experimental efforts at the field level. The first is support to Bappenas to test the use of micro-computers and customized software to establish a system to monitor and analyze the large number of development assistance programs in Indonesia. UNDP will carry this work forward from the pilot stage to an expanded information system. The second sub-project funds experimentation with a new form of rural cooperative and marketing systems, and the third supports field testing of a gasifier to improve rural energy supplies. In all three cases these experimental efforts are directly linked to broader policy issues and are aimed at testing the viability of alternatives to present government policies.

The support given to all of these sub-projects has been accompanied by a significant amount of discussion both within the Project Steering Committee and amongst different agencies and institutions. One important aspect of these discussions has been the extent to which the proposal is relevant to the concerns of an implementing agency and will be of use to them in carrying out their responsibilities. As was pointed out in a 1985 paper describing Mission experience with policy dialogue ("Policy Dialogue: The AID/Indonesia Experience"), this process has itself been an important contribution to the debate of policy issues. Periodic progress reports on sub-project implementation, highlighting policy implications, have been supplemented with specially organized seminars with senior level staff from relevant agencies to discuss the results of DSP sub-projects.

During the course of project implementation, Bappenas, the National Development Planning Agency, has emerged as an active player. Deputies of Bappenas, with responsibility for overseeing development planning in specific sectors, have been brought into Steering Committee and Working

Group meetings with increasing regularity and have played a key role in helping to develop and review proposals for funding as well as monitor their implementation. As a result, AID staff had frequent opportunities to participate in open and constructive discussions of problems and challenges facing the government's develop efforts.

The administration of the Development Studies Project, involving the review of a large number of proposals and management of a variety of different activities, has imposed considerable burdens both on AID and GOI counterpart staff. Because this required new responses for all concerned, it took time to establish appropriate and workable procedures. AID staff have worked closely with GOI counterparts to review new proposals, monitor implementation and assess results. One of the main conclusions of the 1985 interim evaluation of the project was that the GOI needed to do more to take responsibility for both administrative and substantive the management of the project, and this is now being achieved. The GOI has established a Project Secretariat with full time staff and facilities and developed an information system to keep track of the large number of sub-projects working with a wide variety of different agencies.

Despite these achievements, however, the experience of implementing the Development Studies Project thus far indicates that some critical policy issues cannot be adequately examined within the constraints of the present project. These constraints require that individual activities last no longer than eighteen months and receive no more than \$200,000 project support. While these operational limitations continue to be appropriate for many development policy studies in employment, trade and industry and related policy areas, they constrain a full, careful and more prolonged treatment of these strategic issues. This is particularly the case where extended technical assistance is required to supplement Indonesian expertise. The relatively high cost of long-term resident technical assistance makes it impossible to provide continuing support for the examination of these key development issues within the current project limitations.

Support for such long term technical assistance is consistent with AID's concern with policy dialogue and the encouragement of careful examination of development policies in cooperating countries. In addition, it supports AID's emphasis on the importance of institutional development and support for improved institutional capacities. Finally, the proposed Amendment is consistent with the purpose and objectives of the Development Studies Project as they were initially formulated in the Project Paper and Grant Agreement.

#### D. Other Donor Agencies

A number of other donor agencies have or are providing assistance to the GOI in the field of employment, industry and trade. However, the activities proposed under this Amendment are significantly different in three important ways. First, the proposed Amendment is the only donor assisted effort (other than the World Bank) to support a broad strategic review of employment, industry and trade policy and to see them as inter-related sectors. The objective of this review is to identify policy changes which can be recommended to the government to achieve more equitable and sustainable development.

X  
9

Second, the Amendment will be the only donor assisted activity working with Bappenas in the three inter-related areas. As is discussed in greater detail below (see Section IV, "Institutional Analysis"), this is particularly important because of the responsibility Bappenas has for the formulation of the Repelita and the approval of the annual development budget. A review of donor agency activities, and particularly of ILO support for work on employment issues at the Ministry of Manpower, strongly indicates that of all GOI agencies, Bappenas is the most appropriate for the activities proposed here.

Third, this Amendment is the only effort to link policy research in these three areas with efforts to improve the data base which is necessarily the foundation for any research and analysis. Given the inadequacies of the present data base, particularly relating to employment issues, this is a key element of the proposed Amendment strategy.

Nonetheless, it will be important for the technical assistance team to maintain close contact with other donor agencies and their activities, and to use the work which has already been done to support the efforts of this Amendment. For this reason, Bappenas has initiated steps to collect information on all donor-assisted projects in these areas, including project purposes, funding agency, schedule and status. This will provide the technical assistance team with the basic data necessary to make use of efforts already underway.

One important donor-assisted activity is the ILO support for technical assistance at the Ministry of Manpower. That project is intended to support the development of an employment strategy and this Amendment will build upon and complement the work that has been done. Although it is located in the Ministry of Manpower, it maintains close coordination with the Bappenas through the office of Deputy of Manpower and Population. Important work has been done under this project including efforts to bring about changes in the structure of production and employment as well as new investment policies. However many policy areas important to employment actually lie outside the mandate of the Ministry of Manpower. Although ILO consultants have identified inadequacies in the employment data base and have tried to overcome them, they have been hampered by the fact that in many cases the solution to data base problems also lie outside the mandate of the Ministry of Manpower.

The Netherlands Economics Institute, of the University of Rotterdam, has provided assistance to the Ministry of Industry to undertake case studies of specific industries. These studies are not linked to broader policy issues relating to the social and economic costs of the government's present industrial strategy or the implications of this strategy for employment. However, the work done thus far will provide a useful input to the research to be undertaken by Bappenas under this Amendment.

Within Bappenas there are presently two donor assisted activities related to the objectives of this Amendment. The Japanese government is supporting a long term technical assistance team to formulate long term macro-economic projects. This will also provide a useful input to the research to be supported by this Amendment. However, this effort does not include an examination of policy issues and the elaboration of different policy alternatives and their probable impact on employment, industry and trade. Recognition of this critical limitation was one strong factor motivating Bappenas to request AID assistance.

The Dutch government is also providing long term technical assistance in Bappenas. This team is engaged in an examination of problems of regional development, and particularly in those regions which have been of historic interest to the Dutch (Aceh and Maluku). This geographic focus precludes attention to broader policy issues on a national scale and specific attention to policy reforms required in areas of employment, industry and trade.

There are presently no donor activities at BPS in the areas of employment, industry and trade data, nor have there been for several years. However, the Dutch government is providing assistance with national income accounting and the social accounting matrix. UNDP has been the principle source of assistance to BPS in the past.

The World Bank issues periodic reports on various aspects of the Indonesian economy. Recent World Bank staff papers have included an examination of Indonesia's industrial strategy and non-oil exports. While very useful, these reports are essentially prepared and issued independently by the World Bank. They do not involve long term policy advisors and are not based on extensive in-house collaboration with GOI officials in the formulation of policy options and recommendations for changes. The World Bank does not maintain resident economic advisors in any of the three areas of employment, industry and trade at any of the key GOI agencies such as Bappenas, Ministry of Finance, Ministry of Trade or Coordinating Ministry of Economics, Finance and Industry.

Finally, the Ministry of Finance has a long-established relationship with the Harvard Institute for International Development (HIID). Because this is supported with internal GOI funds, it cannot strictly speaking be called a donor agency activity. Nevertheless, with the HIID assistance for the establishment of a Center for Policy Implementation Studies (CPIS), the Ministry of Finance supports work closely related to the activities proposed under this Amendment. CPIS identifies key government programs, such as family planning or rice intensification, and examines how these have in fact been administered from the highest level of government to the village. Based on the results of these studies, CPIS is able to recommend changes in program policies which will improve performance. However, these efforts are limited to sectoral programs, and do not encompass broad strategies cutting across a number of sectors. HIID also provides specific technical assistance to the Ministry of Finance in areas such as tax law or rural credit, but again, while these involve government policies, they are most commonly oriented to specific problems in a given sector. These studies provide

r  
16

important information which will be of use to the technical assistance team under this Amendment, and CPIS represents a valuable institutional resource for future collaboration. In addition, the Acting Director of CPIS is presently a member of the Development Studies Project Committee. The work of HLID, however, does not constitute duplication or overlap with the activities proposed under this Amendment.

In conclusion, this Amendment is well situated to make good use of preliminary work which has begun in a number of different areas working with a variety of institutions within Indonesia. It has the potential of drawing together diverse findings, supported by a number of donor agencies, and developing a unifying analysis and a coherent set of policy options and recommendations. Long term advisors will specifically have the responsibility to see that research conducted under this project complements, and does not duplicate, the work of other donors unless specifically justified within the research proposal.

### III. Project Description

#### A. Amendment Purpose and Outputs

The purpose of the Development Studies Project is to help strengthen the analysis of selected issues and problems related to Indonesian development policies and programs, and thereby to help improve policy and program formulation. The objective of this Amendment to the Development Studies Project is to assist the Government of Indonesia with the examination of key issues faced by the government and affecting its plans for national development in employment, trade and industry and other related policy areas. This will be done initially through the provision of long-term technical assistance to work with the National Development Planning Agency (Bappenas) and the Central Bureau of Statistics (BPS). With support under this Amendment, these agencies will produce specified policy analyses and develop staff capacities and relevant data bases to undertake such analyses beyond the life of the project.

To achieve this objective, the Amendment proposed here includes the following sub-objectives:

1. To assist Bappenas in evaluating existing trade, industrial, and employment strategies and policies, and in proposing new strategies which are consistent with likely resource constraints over the next decade and beyond.
2. To assist Bappenas in drawing alternative policy implications for the resultant new strategies and in evaluating the policy implications in terms of estimating their impact and implementation feasibility. This will include assistance in formulating a recommended plan of action for setting the proposed strategies into motion.
3. To assist Bappenas in the formulation, management and research of policy studies identified as part of the above process. Ideas for policy studies will also be drawn from key issues in the areas of trade, industrial, and employment policy, identified by the DSP Working Group during the design stage (see Annex 6).
4. To assist BPS to generally strengthen key data bases and their analysis in the areas of trade, industry, and employment related data and to respond as effectively as reasonably possible (given manpower, time, and resource constraints) to specific data requests in support of Bappenas policy studies.

Project Amendment outputs will include a number of policy studies which analyze key policy issues, present options for consideration and assess arguments for and against each option. These studies will be followed by a specification of how a preferred option can be implemented and a proposed action plan.

x  
18

These will provide the basis for a second output, the establishment of a stronger and better informed policy review process within Bappenas. This will take the form of both formal and informal seminars and consultations examining policy issues and analysis, and a more active and sophisticated forum for debate on policy issues.

This process will assist Bappenas and other agencies in formulating strengthened drafts of the Broad Outlines of State Policy and the Repelita. These should in part reflect the improved policy research and analysis capabilities of Bappenas which are supported by this Amendment.

Running through these outputs is the common thread of an improved data base to support research and analysis in the fields of employment, industry and trade. BPS will be able to provide more relevant and appropriate data which is more accurate and timely.

The present project, with \$4 million in grant funds, will continue to support and monitor policy research and analysis subject to the present limitations of \$200,000 and 18 months maximum. These activities are not limited to employment, industry and trade policy and will continue as a parallel but related activity under the supervision of the present DSP Steering Committee.

## B. Amendment Components

### 1. Technical Assistance

To assist Bappenas in the examination of key policy issues in the areas of employment, industry and trade, the primary project component will be technical assistance with funding of \$4,572,000. A total of twelve man-years of long term technical assistance and 144 man-months of short term assistance will be provided. The consultants, with extension experience in employment, industry and trade policy, will form a key group, providing continuity and focus for the activities supported under this Amendment and helping to ensure a coherence to the range of research and analysis. Three persons will be placed for a period of three years each at Bappenas, one in each of the three major areas of study.

These long-term advisors, both as individuals and as a group, will work with Bappenas counterparts to identify high priority policy issues and formulate policy study proposals to examine those issues. This will include identification of special analytical studies and surveys relating to high priority data needs and drafting the required scopes of work for any short-term consulting needs identified. The team will assist and advise on the management of the approved policy studies, data studies, special surveys, and general data strengthening efforts, as well as conduct research themselves. They will be expected to be available for day to day consultation with senior officials of Bappenas and BPS, maintain close contact with GOI officials in relevant technical ministries (particularly Industry, Trade, Manpower, BPPT, Public Works, Home Affairs, the Coordinating Ministry for Economic, Finance and Industry), and liaise with other donor technical assistance teams working in relevant policy areas.

An additional long-term advisor, with extensive statistical survey and methodological experience, will be placed at BPS to assist with the development of improved data collection methodologies and research techniques. This position will be initially for a period of one year, with funding sufficient for an additional two years if implementation experience suggests this is required. The objective of this assistance will be to strengthen the data base used in policy research and analysis. This is expected to involve improving the present data collection and analysis procedures as well as conducting special surveys and studies which may be required. Both formal and informal seminars and consultations will be a part of this work, in addition to liaison with relevant cooperating agencies. The long-term consultant will also assist in the identification of short-term technical assistance to meet specific needs which are identified during research and analysis activities.

The technical assistance team is the primary project resource, and therefore its mode of operation will be essential to the achievement of the Amendment objectives. The following characterizes its activities over the life of the project.

a. Team Approach — the long-term advisors will work as a team in carrying out project objectives, with one member designated as team leader. Although each of the advisors will be recruited in part on the basis of specific special skills and experience, it is expected that they will also be broad-gauged policy oriented economists able to work in any of the three broad policy areas (with possibly the exception of the advisor recruited for BPS). At any given time, all of the long-term advisors might be working in the same broad policy area, or even on the same subject.

The emphasis is to be on flexibility and, within reasonable limits, on interchangeability. In this regard, it is understood that the team should have flexibility to work where the need is deemed greatest. Although the team will focus primarily on long-term strategic issues it is also expected to be responsive to requests for assistance with urgent, more immediate problems.

b. Integrated Strategies/Policies with Employment Focus — the three broad policy areas of trade, industry and employment are so closely inter-related that it makes no sense to talk of strategies and related policy implications in one area without at the same time specifying what is intended in the other areas. This suggests that the long-term advisors and their counterparts should think in terms of integrated strategies and policy package approaches as the individual policy study activities are selected and long-term work plans are laid out. Nevertheless, policy areas impacting on employment, and therefore eligible for consideration under this project, go considerably beyond the trade-industrial policy area alone.

c. Identification of Policy Studies/Formulation of Proposals — specific policy studies will be identified and proposals will be formulated by the long-term advisors and their counterparts. Final recommendations on policy study proposals will be made by the long-term advisors and their counterparts as a group to be forwarded to the Working Group and Steering Committee for their approval.

x  
20

d. Identification of Short-Term Consulting Needs -- the identification of short-term consulting needs will be a natural outcome of the process of drafting specific policy study proposals by the long-term advisors and their counterparts. Scopes of work, including suitable qualifications, will be prepared as necessary by the long-term advisors for the policy study proposals which are approved. Recommendations for specific candidates will be made by both the long-term advisors and their counterparts. A total of 128 person/months of short-term technical assistance is provided under this Amendment.

e. Identification of Special Studies and Surveys -- it is anticipated that, from time to time, special studies and/or surveys will be commissioned to gather specific data or to perform key data analysis in support of the policy studies initiated by Bappenas. These needs will be identified and their feasibility assessed by the Technical Team and Steering Committee during the formulation stage of the Bappenas policy study proposals. This will require close coordination with the BPS long-term advisor and his counterparts.

f. Development of Dissemination Strategy -- the technical assistance team will also work with counterparts to develop specific plans to disseminate the findings of the research and policy analysis to ensure it is made available to appropriate agencies and contributes to the policy-making process. This may involve seminars, workshops, publications, or private meetings with GOI officials and others.

## 2. Special Studies

The second major project component will be funds provided to support special studies of key problems (through the process previously indicated under the T.A. component). A total of \$1,320,000 will be used to support research efforts including short-term special analyses of data already available at BPS, pilot efforts to collect additional data, and work with relevant technical ministries and agencies to produce policy-oriented studies and recommendations. Proposals for special studies will be included in draft annual workplans which will be reviewed by the Steering Committee and subject to approval of both the Steering Committee and AID. Annex 6 contains an illustrative list of policy issues which have been identified by Bappenas.

## 3. Data Processing Equipment

The third amendment component will be micro computers and associated data processing and related equipment. This equipment is not intended to provide for major upgrading of data processing and dissemination capacities within Bappenas and BPS. Instead, it is expected to provide the additional facilities to enable key data analysis and processing (as related to project needs objectives) to occur without the delays and incumbrances imposed by the present constrained facilities. With this additional hardware, project staff will be able to initiate data processing, analysis and dissemination in accordance with the needs and requirements of the policy research

21

agenda, and they will be able to respond more readily to immediate requests for specific policy work arising within Bappenas. It is anticipated that this will require a maximum of \$300,000 project funds.

Hardware requirements are expected to be determined prior the arrival of the technical assistance team, and will be based upon a proposal developed by the Steering Committee with possible project funded short term technical assistance appointed for this purpose. This proposal will specifically address the issue of compatibility with existing equipment, its planned usage, and how staffing and maintenance requirements will be met. This plan will be approved by AID prior to the commitment of project funds for this purpose.

#### IV. Institutional Analysis

##### A. National Development Planning Agency (Bappenas)

The National Development Planning Agency (Bappenas) is a key agency in the formulation of the government's long term development strategy and annual development budget. First, it plays a major role in the drafting of the Broad Outlines of State Policy, a document which establishes the basic framework within which all development programs must be planned. This is formally reviewed and approved by the National Consultative Assembly (the highest sovereign body under Indonesia's constitution) and provides fundamental political support and justification for specific development strategies.

Second, the formulation of the Five Year Development Plan (Repelita), in response to the Broad Outlines of State Policy, is primarily the responsibility of Bappenas. Although technical ministries and other government agencies contribute to sections dealing with their particular sector, Bappenas is the agency which is charged with the overall management of this process and the preparation of the draft Repelita to be presented to the President for his approval and eventual submission to the national Parliament. This means that Bappenas plays a central role in articulating the main elements of the government's development strategy for the five year period, determining priorities and establishing targets and forming an integrated nationwide program from a variety of sectorally-oriented plans.

It would be difficult to overemphasize the importance of the Repelita. Once it is approved by Parliament, it establishes the main directions of the government's program and sets the major policies which will govern the planning, budgeting and implementation process for the next five years. If particular programs are not sanctioned by the Repelita, it becomes practically impossible to secure government support for them. If other programs are supported by the Repelita, it is difficult to halt or radically redirect them. Therefore, the formulation of the Repelita is a critical period within the government. It is a time when major policy options are debated and decisions are made which affect virtually every sector of the nation's life. The next Repelita, covering the period 1989-94, is already being discussed and this Amendment will provide timely assistance to that process.

Annual development budgets are then drafted within the framework of the Repelita, driven by the targets established by the Repelita and limited by the availability of government revenues. Here again, Bappenas plays a key role. All proposed development projects must be reviewed and approved by Bappenas before they are included in the formal funding authorization and become part of the approved budget. Each year a substantial amount of Bappenas time is taken up with the review of over 5,000 separate proposals with a total value in 1985/86 of approximately \$ 10.4 billion dollars.

23

These key responsibilities mean that Bappenas is directly involved in both long term strategic planning and short term budgeting. It reviews and approves development projects in all sectors and has the mandate to monitor their implementation. In this regard, it is uniquely situated to assess and examine the successes and failures of the government's national development strategy and of its diverse sectoral programs. Consequently Bappenas is able to make significant contributions and to exercise considerable influence and power over the formulation of government policies at the Presidential and Cabinet level. This is reflected in the fact that the Chairman of Bappenas is concurrently the Minister for National Development Planning and an important member of the Cabinet.

To fulfill these responsibilities, Bappenas is organized along sectoral lines, with seven Deputies responsible for broad areas such as social and cultural affairs, regional development, manpower and population, as well as supervision and administration. Under each Deputy a number of different Bureau Chiefs are responsible for specific sub-sectors. (See Annex 3 for organizational chart of Bappenas.) Three Deputies (the Deputy for Fiscal and Monetary Affairs, the Deputy for Economic Affairs and the Deputy for Population and Manpower) have cross-sectoral responsibilities across a wide range of development activities. As indicated in the Project Description, this Amendment will focus on these three offices, although it is intended that the project will be able to draw on all offices within Bappenas and to respond to the needs of different offices within the area of employment, industry and trade policy.

In the past, Bappenas has not always been able to exploit the advantages of its position fully. The enormous growth of the development budget during the 1970's threatened to swamp Bappenas staff with the demands of detailed reviews of individual project proposals. In addition, staff numbers have been relatively limited, with perhaps only three or four relatively senior professional staff to cover an entire sub-sector such as health or education. In addition, as with other institutions in Indonesia, skilled manpower is in great demand. Although Bappenas senior professional staff are generally highly qualified, with post graduate degrees from American and other foreign institutions, under the present system they are inevitably overburdened with routine administrative tasks and faced with competing demands on their time.

Within Bappenas, there is general acknowledgement that more could and should be done in the way of policy research and analysis. The need is particularly acute now that the economy is facing structural adjustments and past approaches to national development have to be re-examined. Unwilling at this time to embark on a major institutional development program to establish a separate development strategy think-tank, however, Bappenas is requesting AID assistance with its increased attention to policy research and analysis within its existing structure. The presently limited professional staff available for this kind of work at Bappenas are expected to be augmented over the life of the Amendment. These are expected to be assigned to the project on a

X  
24

full-time basis and will form the cadre for a continuing policy research and analysis capacity. Some of these individuals have already been identified and they have played an active part in the development of this Amendment. For the most part they are young professionals, recently returned from postgraduate studies overseas in various branches of economics.

#### B. Central Bureau of Statistics (BPS)

The Central Bureau of Statistics (BPS) does not fall under any ministry but reports directly to the President through the State Secretariat. With headquarters in Jakarta and branch offices in each province and district (kabupaten), BPS has responsibilities roughly similar to those of the U.S. Bureau of the Census. BPS administers its own data gathering efforts through the periodic surveys and censuses. These may be the national population census, agricultural census or economic census. Or they may be the more frequent survey of agricultural production costs, wage rates, employment, household expenditures, or medium and large scale industry. In addition, it routinely collects information from government departments on a wide variety subjects ranging from kilometers of road to the price of rice or the number of primary schoolchildren in a given kabupaten or province. These data are then reconstructed and published along with other data collected by BPS.

Information collected by BPS is computerized in Jakarta and generally is made available to the public through the publication of a regular series or periodic reports. Through these activities it strives to fulfill its basic service function, providing reliable information to the entire span of government agencies and to the general public. Government agencies and those with legitimate research interests can also arrange to have access to data tapes, and BPS routinely contracts to perform special analyses to meet the needs of a specific consumer.

To meet these demands, BPS is organized in a way which basically distinguishes between two distinct functions: first, data collection and second, planning, data processing research and methodological development. Data collection efforts are organized under a Deputy for Statistical Development, with separate bureaux for statistics dealing with agriculture and industry, social conditions and population, national accounts and distribution. Planning, data processing research and methodological development efforts are organized under a Deputy for Planning and Analysis. Under this Deputy there are bureaux dealing with planning and control, data processing and presentation, and analysis and methodology development. (See Annex 4 for an organizational chart of BPS.)

Despite considerable expansion of its facilities and growth of staff, BPS continues to face difficulties in fulfilling its mandate. The expansion of government programs over the past twenty years has created an increasingly sophisticated demand for more and better information. More complex data collection instruments, incorporating more items, have taxed the human and technical capacities of BPS. Potential consumers of BPS data find that existing resources are not

25

sufficient to cope with this high demand from as many as 30 different agencies. There are, for example, only two main frame computers (one installed as long ago as 1970) to process the wealth of data collected annually. Consequently, there is often a substantial lag time between when data is collected and when it is potentially available for public distribution. In addition there are frequent delays in getting access to data and/or tapes once these are publicly available, and requests for special analyses are not always easily or quickly accommodated.

Although the quality of data has improved, there continue to be substantial difficulties in securing reliable data. In part this is due to inadequate training for field staff who are responsible for the administration of data collection instruments. The need for improved collection methodologies, sampling techniques and survey questionnaire designs are also contributing factors. Approaches and methodologies which are appropriate to developed nations often do not yield reliable results in developing countries where there is a large and scattered rural population, a substantial informal sector, multiple jobbing, significant underemployment, and non-monetized economic transactions. To help meet these needs, BPS requires several different kinds of investments, including staff development, data processing equipment and improved methodologies.

Support to BPS under the Amendment, however, is not intended to meet these long term institutional development needs. The project is only expected to provide assistance in strengthening the data base to serve policy research and analysis needs identified by Bappenas in the fields of employment, trade and industry. The Office of the Deputy of Planning and Analysis is particularly important in this effort. This office has responsibility for developing data collection methodologies and designing instruments, as well as for conducting specialized studies and data collection efforts to meet the specific needs of a particular user. Despite its professional staff, most of whom have postgraduate qualifications from overseas institutions, this office is not presently equipped to deal with highly specialized problems of data collection methodologies and sampling techniques. In addition, the identification of appropriate data to assist policy research, and the relationship between the collection of data and its use remain problematic. With technical assistance provided by this Amendment, this sub-Directorate will be able to overcome this constraint and meet the information needs for policy research and analysis identified by Bappenas.

↑  
28

## V. Implementation Plan

### A. Project Management and Administration

#### 1. GOI Supervision

The proposed organizational and administrative structure proposed below is based upon four basic principles guiding the work of the technical assistance team at Bappenas and BPS. These are:

- o the structure encourages maximum participation from a wide spectrum of Bappenas bureaux, with clear responsibilities identified for each participant;
- o the integration and necessary inter-relationship between macro-economic policy, trade, industry and employment is reflected in the administrative structure;
- o the administrative structure is as simple as possible but is also be cognizant of the existing Bappenas structure;
- o the structure does not fragment or dissipate the scarce human resources, both within Bappenas and the technical assistance team

The following administrative structure will be formalized through the issuance of a decree (S.K. or Surat Keputusan) of the Chairman of Bappenas/Minister of State for Development Planning.

#### a. Amendment Steering Committee

Function. The Amendment Steering Committee is distinct from the present Development Studies Project Steering Committee, although there is significant overlap in membership. The Amendment Steering Committee is specifically responsible for activities under this Amendment only and will perform the critically important function of maintaining the overall coherence and direction of the Amendment, ensuring that the diverse research activities are carried out within an integrated strategic framework. Members will provide policy direction and guidance so that inter-relationships of macro-economic, employment, trade and industrial policies are addressed, and the project activities are responsive to key policies issues faced by the government. They also serve to oversee and supervise the performance of the Technical Team.

Duties. The Steering Committee will maintain the integrated approach through the performance of a number of duties. First, they are responsible for establishing the research agenda of the project. They are expected to ensure that the proposed agenda is based on a broad, strategic analysis of the Indonesian economy and development challenges, correctly identifies relevant and critical policy issues, and takes into account the inter-relationship of different sectors and policies. No research activities will take place without this critical review and approval by the Steering Committee.

Second, following the approval of a research agenda, the Steering Committee is responsible for the review and approval of project workplans. This includes the proposed workplans for both the technical assistance team and Bappenas and BPS counterparts. This approval process will assess the relevance of the activities proposed for the research agenda, and the feasibility of the program. It will be used as a basis for assessing the performance of the technical assistance team and their counterparts.

Third, the Steering Committee is responsible for arranging periodic review of research findings and the creation of appropriate opportunities for discussions of policy options within Bappenas and between Bappenas and other relevant GOI agencies. These may include seminars, meetings, informal discussions or formal presentations.

Fourth, the Steering Committee is responsible for determining the appropriate means of disseminating the research results. This may include publication, public presentations, discussions amongst a limited invited audience, or private meetings.

Fifth, the Steering Committee is responsible for determining what appropriate follow-up. This may include assistance with the formulation of new policies, the modification of existing policies or the development of policy implementation plans, including the drafting of required government regulations or decrees.

Activities. To carry out these duties, the Steering Committee is expected to have frequent meetings, probably once a month. These will review progress in the implementation of the workplan and the need for additional meetings, seminars or consultations. Second, the Steering Committee is expected to participate in the review of research findings with participants drawn from outside the project staff. Third, the Steering Committee will be responsible for the annual project review meeting which will assess the achievements of the past year, review the proposed workplan, and approve activities for the coming year. Finally, the Steering Committee will undertake an assessment of the performance of the technical assistance team and their counterparts in carrying out their assignments and determine what steps may be required to improve their performance.

Membership. The Steering Committee will be chaired by one of the Deputy Chairman of Bappenas, and will include other relevant Deputy Chairman as members. In addition, senior level representatives of other concerned ministries will be appointed as members.

#### b. Technical Team

Function. The Technical Team is responsible for the day to day implementation of the project, and serves as the heart of all policy research activities. It provides the basic data, analyses and recommendations which are submitted to the Steering Committee for their consideration and determination of any further action.

X 28

Duties. Working within the policy direction and guidance provided by the Steering Committee, the Technical Team is responsible for the development of the draft research agenda.

Second, based on an approved research agenda, the Technical Team is responsible for the development of workplans. These annual workplans will specify activities to be undertaken, outputs expected, and an implementation schedule. These workplans will be submitted to the Steering Committee for their review and approval.

Third, based on an approved workplan, the Technical Team is responsible for carrying out research, preparing interim and final reports, and submitting findings along with recommendations to the Steering Committee.

Fourth, the Technical Team is responsible for seeking the advice and assistance of outside resources in reviewing and commenting on draft documents prepared for submission to the Steering Committee. It is also responsible for seeking the assistance of additional expertise, identified by the Steering Committee, in dealing with specific technical problems encountered in the conduct of research.

Activities. The Technical Team will carry out the following activities in the performance of these duties. First, it will draft a research agenda for review and approval by the Steering Committee.

Second, it will draft a workplan for the review and approval of the Steering Committee. This workplan will indicate specific activities to be accomplished during the year and assign responsibility for those activities. The workplan will include the activities of both the technical assistance team and GOI counterparts. As required, a revised workplan will be submitted to the Steering Committee for their consideration.

Third, it will draft research proposals and plans, including specification of the level of resources required, the individuals who will carry out the research and the time required to complete the research.

Fourth, the Technical Team will provide interim and final reports to the Steering Committee. These will contain both research findings and recommendations.

Sixth, with the guidance and direction of the Steering Committee, the Technical Team will arrange seminars, meetings or consultations to review research findings and recommendations with relevant agencies. It will also prepare documents for publication or take other steps as determined appropriate by the Steering Committee for the dissemination of research findings and recommendations.

Seventh, with the guidance and direction of the Steering Committee, the Technical Team will take other appropriate steps to follow up the recommendations which have been presented to the Steering Committee.

Membership. The Technical Team will be led by the Head of the Bureau of Economic Analysis and Statistics. Representatives from all the relevant bureaux within Bappenas and the Heads of ministerial planning units from the Ministries of Industry, Trade, Communications, Manpower and Agriculture as well as a representative from BPS will also serve as members of the Technical Team.

c. Counterparts

It is expected that at least one working level counterpart will be assigned to work with each long-term policy advisor on a full-time basis. However, in principle, there is no limit on the number of Bappenas or BPS counterparts that can work with a given policy advisor. In terms of long-term staff development, participation in counterpart assignments should be highly beneficial. In making counterpart assignments, the level of academic training, prior experience, and policy research aptitude will be taken into consideration. It might be that junior staff could usefully participate in the capacity of research assistants while more experienced or academically qualified staff would participate as co-investigators.

Members of the Technical Team will be identified and designated prior to the arrival of the long-term advisory team. Subsequent changes in the composition of this Team, including the addition of temporary counterparts for specific policy studies, will be discussed beforehand between the team leader and the chairman of the Technical Team. It is recognized that Team members may also be drawn from other technical ministries for any given policy study. The timely provision of both full-time and part-time counterparts is considered vital to project success.

2. Workplans and Research Agenda

A key mechanism by which the Steering Committee will exercise its oversight responsibilities will be the review and approval of periodic workplans and proposed research agenda. It is anticipated that within three months of the arrival of the long term technical assistance team, a strategy identifying key issues and tentatively outlining proposed work over the following three year period will be produced. In addition, the team will formulate a detailed annual workplan and research agenda, as well as a background paper that justifies the proposed work plans in terms of the required review of policies and strategies. These will be presented to the Steering Committee for their comment and review. Developed by the technical assistance team in collaboration with the Technical Team, the workplan will first present an identification of key policy issues facing the government. It will then specify how the resources of the project will be used to address those issues, including a proposed research agenda, level of resources required by various units (including BPS) to carry out the activities proposed, and a schedule specifying when interim and final reports will be available for review. This will include anticipated short term technical assistance needs, and estimates of funds to support special studies and data collection and

analysis activities. Finally, the workplan will specify outputs and products which will be realized by the end of the annual workplan period. Where a specific research activity is expected to last more than twelve months, benchmarks will be identified to assist with monitoring implementation.

The final approval of the workplan and research agenda by the Steering Committee, with AID concurrence, will be the basis for an earmarking PIL issued by AID and countersigned by the designated GOI official. This will reserve funds which will subsequently be the subject of commitment PILs to provide funds as/when needed.

With the adoption of the workplan, issuance of an earmarking PIL and subsequent commitment PILs, all project staff will have a firm schedule of activities and deadlines which will be used as the basis for monitoring project implementation. This will also enable the Steering Committee to schedule periodic reviews of interim reports and the arrangement of special meetings, seminars and discussions to consider specific policy issues and the recommendations which emerge from policy research and analysis.

### 3. Administrative Support

The GOI will provide suitable air-conditioned offices and office equipment for the technical assistance team and their counterparts. These will be located in Bappenas and BPS, affording ready and easy access to relevant individuals and opportunities for frequent interaction on both a formal and informal basis.

Project funds will be used to provide an Indonesian Administrative Assistant and for micro computers to facilitate data analysis and the production of research findings.

The Technical Team is expected to gather and maintain project reference materials and data in one easily accessible location at Bappenas prior to the arrival of the technical assistance team. This might take the form of a project research library which would ultimately be absorbed into the Bappenas library. Project reference materials will include a full set of other donor reports on work in the area of trade, industry and employment completed since 1980. GOI agencies have already initiated work on the compilation of this information. An index, suitably cross-referenced by subject, donor agency, and counterpart agency will be maintained if possible on a computerized filing system. A tracking system will also be maintained and updated on donor work in process and in the planning stage. Other pertinent research reports and basic official documents that spell out policy, strategy, and development plans should also be placed in the project library. A complete set of BPS statistical publications, relating to all sectors of the economy should be made available to the project library as well. The purpose of the project research library is to facilitate the work of both the long-term advisors and the policy study teams. A good project research library can considerably improve the productivity of all project participants.

#### 4. AID Project Management

This Amendment will be managed by the present FSN Project Officer who has had responsibility for the management and administration of the DSP since its inception. He will work under the supervision of a USDH staff member who will coordinate activities and participate in Steering Committee and Technical Group meetings as required.

#### 5. Coordination with On-going DSP Activities

As indicated above (see Section V.A.1.a., "GOI Supervision, Steering Committee") many of the members appointed to the Steering Committee for this Amendment are already members of the on-going DSP Steering Committee and are fully familiar with the purpose and objectives of the project. They will continue to provide an important link between the short-term more general policy analysis activities supported under the on-going DSP, and the long-term policy analysis dealing with employment, industry and trade under this Amendment. They will also constitute an important forum for the discussion of policy analyses under both types of activities. The two Steering Committees, however, will operate separately.

During implementation, these two distinct Steering Committees will look for opportunities to establish linkages and coordination where that seems relevant. One example is the present funding under the ongoing DSP Steering Committee of a study of dynamic comparative advantage in the development of Indonesia's industrial strategy. The results of this study will clearly be directly relevant to the activities proposed under this Amendment. It will be a means of helping Bappenas staff address some immediate and critical issues prior to the arrival of long term technical assistance. However, the ongoing DSP project and its Steering Committee will retain the flexibility to respond to pertinent and high quality proposals across the board. Areas such as health, nutrition, education and agriculture will continue to be open for DSP support.

The administration and management of on-going DSP activities will continue to be handled by the Project Secretariat located at the Ministry of Finance. This Secretariat now has responsibility for receiving and processing proposals for short-term studies, arranging meetings of the DSP Working Team to conduct technical reviews, forwarding proposals and recommendations to the Steering Committee, liaison with AID on provision of funding and monitoring and evaluation sub-project implementation. These activities will be kept distinct from the management and administration of activities under this Amendment. As is stated above, project funds will be used to appoint a full time Project Administrative Assistant who will be located at Bappenas, working with the technical assistance team in handling administrative and support tasks.

**B. Schedule of Required Actions (Amendment only)**

1986

- 15 June - Request for Proposals for Technical Assistance cleared and sent to AID/W. (With caveat, subject to negotiations with GOI.)
- 30 June - Grant Agreement Amendment signed.
- 15 July - RFP published in CBD.
- 1 September - CPs met.
- 1 October - Proposals for technical assistance received.
- 1 November - Contractor selected, negotiations opened.
- 15 November - Requirements for data processing equipment to be reviewed and approved by Steering Committee with AID concurrence.
- 1 December - Negotiations concluded and contract signed.

1987

- 1 February - Contractors arrive.
- 1 May - Detailed work plan and proposed research agenda due from contractors in collaboration with Technical Group.
- 1 June - workplan and research agenda approved by Steering Committee and AID; earmarking PIL issued; research activities begin.

1988

- January - First annual report due from technical assistance team. Second annual work plan due
- July - Mid-term evaluation.
- September - Use of multi-purpose funds determined by Steering Committee and AID.

1989

- January - Second annual report due from technical assistance team. Third annual workplan due

1990

- January - Third annual report due from technical assistance team.
- February - Long-term contractors complete assignment.

**B. Schedule of Required Actions (contingued)****1991**

January	-	Final evaluation
30 June	-	PACD.

### C. Contracting Mode

Technical assistance will be procured through a direct AID contract following AID regulations pertaining to competitive procurement of goods and services. Because the credibility of the technical assistance team is critical to the success of the project, the Request for Proposals will emphasize the importance of securing the service of highly qualified, professionally respected and internationally known consultants. These individuals must be not only capable technically, but also able to deal effectively on sensitive issues with senior Indonesian decision-makers. The Mission has examined with care the Near East Bureau publication "Information Handbook on Minority Firms and Organizations" and has not found any firms with the resources, experience and expertise the project requires if it is to command the attention of government ministers and policy-makers and succeed in achieving policy review and change. For these reasons full and open competition, rather than a specific small business or section 8-A set aside, is most appropriate to meet this requirement. However, Requests for Proposals will strongly encourage the participation as prime or sub-contractor of minority and women-owned firms, and will also encourage collaborative arrangements with Indonesian consulting firms to provide short term technical assistance. Draft terms of reference for the long term technical assistance are contained in Annex 5. In approving this Project Paper Amendment, the USAID/Indonesia Director certifies that use of Gray Amendment entities has been considered in the implementation of activities under this Amendment.

### D. Commodity Procurement

The limited amount of data processing and related equipment, primarily micro-computers, will be procured locally through a host-country contract. This is proposed because of the importance of Bappenas establishing a relationship with a local vendor capable of providing service and support for computer hardware during and beyond the life of the project. The procurement of this equipment will be based on a plan approved by AID which addresses the issues of compatibility with existing equipment, planned usage, and how maintenance and personnel requirements will be met.

## VI. Budget and Financial Plan

This Amendment adds a total of \$10.67 million to the Development Studies Project, consisting of an AID grant of \$8.0 million and a GOI counterpart contribution of \$2.67 million. The total life of project cost is \$16 million composed of \$12 million grant and \$4 million GOI counterpart contribution.

Under the total life of the project, the GOI will be responsible for providing a minimum of 25% of the total project costs. AID will be responsible for providing a maximum of 75% of the total project costs.

Table I provides a summary of cost estimates for the Amendment by project element and Table II presents a similar budget for the entire project and Table III presents an anticipated table of expenditures based on the Implementation of V.B. A detailed budget of GOI commitments is found in Annex 8.

It is planned that under the Amendment portion of the project, the long and short term technical assistance will be provided through a direct institutional contract. This institutional contract will be subject to USG audit and thus no additional funds are reserved for this purpose. Local costs for commodities or research activities will be disbursed via either direct payments or reimbursement and committed via PILs. Local cost records will be examined by the USAID Controller's Office as part of established voucher verification procedures.

Table I  
Project Amendment Input Summary  
(Figures in \$000)

<u>Activity</u>	<u>AID</u>	<u>GOI</u>
1. Technical Assistance		
Long Term (15 PY)	\$2,844	0
3 years x 4 persons x \$235,000/yr		
3 years x 1 person x 8,000/yr		
Short Term (144 PM @ \$12/month)	1,728	0
(approximately 9PM x 4 areas x 4 yrs)		
2. Research Costs	1,320	85
3. Seminars/Workshops/Dissemination	0	120
4. Commodities	300	0
5. Administration support	0	1,155
6. Evaluation	100	0
7. Contingency/Inflation	<u>1,708</u>	<u>0</u>
TOTAL	<u>US\$8,000</u>	<u>US\$1,360</u>

Table II  
Total Project Input Summary  
(Figures in \$000)

<u>Activity</u>	<u>Previous USAID Funds</u>	<u>USAID Funds w/Amendment</u>	<u>Previous GOI Funds</u>	<u>GOI Funds w/Amendment</u>
1. Technical Assistance	0	4,572	0	0
2. Research	3,175	4,495	1,705	1,790
3. Seminars/Workshops Dissemination	360	360	620	740
4. Commodities	300	600	0	0
5. Administrative support	0	0	595	1,750
6. Evaluation	45	145	0	0
7. Contingency	<u>120</u>	<u>1,828</u>	<u>30</u>	<u>30</u>
TOTAL	<u>4,000</u>	<u>12,000</u>	<u>2,950</u>	<u>4,310</u>

Table III  
Anticipated Expenditures

	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>
<u>Technical Assistance</u>					
Long term	718	948	948	230	
Short term	432	432	432	432	
Research	110	440	440	330	
Commodities	300				
Evaluation				100	
Contingency		<u>500</u>	<u>500</u>	<u>500</u>	<u>208</u>
TOTAL	1560	2320	2320	1592	208

Present plans call for the obligation of funds according to the following schedule:

FY 86	\$2 million
FY 87	\$3.5 million
FY 88	\$2.5 million.

## VII. Monitoring and Evaluation Plan

### A. Monitoring Activities

The long-term advisory team will be responsible for certain reporting and communication requirements. These will include a proposed plan of work to be prepared within three months after team arrival for the first year of activities. This will include a master outline of activities over three years, and a more detailed annual workplan of the consultants and the Technical Group. It will also propose an annual research agenda to be supported by the Amendment. This will be submitted for approval by the Steering Committee and AID.

In addition, monthly progress status reports to be delivered orally to the Steering Committee and will be supplemented by quarterly progress status reports to be delivered in brief written form to the Steering Committee and AID. Each year the technical assistance team will complete a substantive annual report highlighting not only their activities but the ways in which their work has been integrated into GOI policies and planning.

Publication and dissemination of completed policy studies, as well as special meetings and seminars to identify policy studies, to discuss policy study proposals, and to discuss the results of completed studies will also be an important part of project monitoring and review. It is not the intent that the long-term advisory team be over burdened with formal reporting requirements not related to final research products. Nevertheless, in order that the project be fully responsive to Bappenas, BPS, and GOI needs it is necessary that the long-term advisory team routinely consult and communicate with Bappenas, BPS and other relevant GOI agencies in an effort to disseminate research findings.

### B. Evaluation Activities

A mid-term evaluation of the activities covered under this Amendment is expected to take place in mid-1988, approximately eighteen months after the technical assistance team is in place. It will examine the progress made in achieving project objectives both in Bappenas and BPS. For Bappenas, the evaluation will focus on the following indicators of achievement:

1. Research agenda — has the project formulated a clear and coherent research agenda, which is appropriate, timely and responsive to the concerns of the government? Has the agenda established a realistic set of objectives for the project thus far?
2. Technical assistance — has the contractor been able to provide appropriate and high quality long and short term technical assistance, responsive to the project requirements and appropriate to the needs established by the research agenda? Has the technical assistance been provided on a timely basis?

3. Data processing equipment — has the project established an appropriate and realistic plan for the procurement of data processing equipment? Has the equipment been provided as required, and is it being used appropriately?

4. Policy studies — has the project led to the production of timely, appropriate and high quality research analyses and studies? Have these conformed to the requirements established by the research agenda?

5. Policy dialogue — has the combination of project inputs stimulated dialogue within the GOI about policy issues and options? Specifically, was the formulation of the research agenda an opportunity for all relevant agencies to put forward their views, and was the establishment of research priorities accompanied by sufficient discussion of the challenges facing policy makers? Did the implementation of research activities involve appropriate agencies? Were the products of research activities used by policy-makers in an appropriate fashion? What other opportunities for policy dialogue were created by the project? Specifically, has the project attributed to improve channels of communication between Bappenas and other relevant GOI agencies on the identification of key issues and policy options to address those issues? What articulations of government policy drew upon the work of the project?

For BPS, the evaluation will concentrate on the effectiveness of the project in improving the data base needed to support the research agenda determined by the Steering Committee. Specifically, the evaluation will examine the following:

1. Appropriateness of data — have the data collection activities of BPS, including both improvements in routine data collection and analysis and the conduct of special studies and survey, been able to incorporate new methods and procedures to provide the kinds of data needed to carry out the research studies?

2. Accuracy of data — has the project been able to support the improvement of data reliability and accuracy?

3. Timeliness of data — has the project been able to improve the timely delivery of data to the research terms and other agencies who need it? Has it been able to respond to special requests outside the normal and established data collection routines?

In its examination of each of these issues, the evaluation team will be asked to provide recommendations on specific steps which can be taken to improve the performance of the procedures of research identification, research implementation and data collection, including the identification of any administrative or management constraints to improved performance. It will also be asked to assess the extent to which these are being institutionalized within Bappenas and BPS. Finally, the team will be asked to prepare a draft strategy for strengthening the institutionalization of these activities over the remaining life of the project. This will include specification of institutionalization goals and indicators of achievement.

4D

A final evaluation will be conducted in early 1991. Using the framework of the mid-term evaluation, this will again assess progress in each of the areas specified above with a primary focus on policy dialogue. It will also examine the extent to which goals for institutionalization, specified in the mid-term evaluation, have been achieved. Finally, the evaluation will consider the need for further assistance for policy research and analysis which AID or other donor agencies may support beyond the life of this project.

The evaluation team will include two senior development economists with experience working in developing countries and with specialities in the fields of employment, industry and trade policy. A third team member will be a specialist in data collection methodologies and processing techniques. Funds for both evaluations are contained in the project budget, and technical assistance will be procured through an IQC or other appropriate mechanism.

## VIII. Covenants and Conditions Precedent

### A. Condition Precedent for Selected Activities:

#### Condition Precedent to Disbursement for Research

Prior to disbursement of funds for research the Grantee shall, except as AID may otherwise agree in writing, submit an annual workplan, acceptable to AID which, for the succeeding twelve month period of the project, lists and describes research topics, explains the relationship of the research to project objectives, explains anticipated methods for disseminating research results and identifies both financial and human resources required to undertake the each individual research activity.

### B. Covenants

The Grantee covenants to provide sufficient qualified counterpart staff to work with the technical assistance team for achievement of project objectives.

ANNEXES

1. GOI Letter of Request
2. DSP Project Status Report
3. Bappenas Organization Chart
4. BPS Organization Chart
5. Draft Scopes of Work for Technical Assistance Team
6. Illustrative Issues in Employment, Industry and Trade Policy
7. Detailed GOI Budget Commitments
8. Statutory Checklist



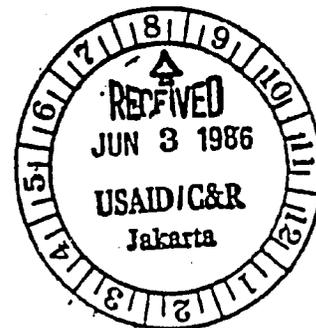
REPUBLIC OF INDONESIA  
NATIONAL DEVELOPMENT PLANNING AGENCY  
JAKARTA, INDONESIA

No. : 1712 /D.I/5/1986

Jakarta, May 30th, 1986

Mr. William P. Fuller  
Director  
USAID/Indonesia  
c/o American Embassy  
Jakarta

WORKING COPY



USAID TO	ROUTING	
	ACT.	INFO
DIR		✓
DD		
DPA	✓	
REG/DEV.		
LA		✓
PRO		✓
MGT		
CM		
FIN		✓
FIN/B		
FIN/FA		
ARD		
O/PH		
EHR		✓
EHR/T		
VHP		
ESD		
INFO C		
EED		
PER		
DMC		
GSO		
C & F		

Dear Mr. Fuller,

On behalf of the Government of Indonesia we hereby request an additional grant of \$8.0 million under the ongoing Development Studies Project No. 497-0340, and an extension for three years of the Project Assistance Completion Date, to allow for additional funding for technical assistance in areas of high Government priority such as employment, trade and industrial policy.

These additional funds would increase the project amount to \$12.0 million grant over the 8-year life of project. The Government of Indonesia will provide an additional rupiah equivalent of \$2.65 million in cash and in kind contributions or total contributions of rupiah equivalent of \$4.0 million in cash and in kind in support of this project.

The project will be implemented by the BAPPENAS, Ministry of Finance, and their implementing units.

We look forward to your favorable consideration.

Sincerely yours,



*M. Haruddin Siregar*  
M. Haruddin Siregar  
Deputy Chairman

Agreement Signed: 06/29/83  
 Life of Project : AID FY83-87 (10/82-9/87)  
 PACD: 6/30/88; TDD: 04/89  
 USAID Commitment: \$4,000,000.00  
 GOI Commitment : \$1,350,000.00 (in kind)

DEVELOPMENT STUDIES PROJECT  
 USAID GRANT No. 497-0340  
 SUB-PROJECT STATUS REPORT

1st Evaluation: April, 1985  
 Mid Evaluation: o/a Oct., 1986  
 Final Evaluation: o/a May, 1988

Update: 38th, 31 May, 1986

A. COMPLETED SUB-PROJECT

Inv. Code	TITLE & PROPOSER	Actual USAID Amount \$	SP NO.: PIL NO.: Issued	Study Started	Study Completed	Status	Remarks & Follow up Action
014	Research: Assessment of status of malnutrition in 12 provinces (TA), Directorate of Nutrition, MOH	35,000	SP 4 PIL 7 6/01/84	03/84	04/84	Proposal accepted (041)	
045 (1)	TA in developing sub-project proposal No. 040 - Analysis of external resource utilization for Bappenas	6,159	SP 7 PIL 10 6/18/84	8/20/84	9/30/84	Proposal accepted (040)	
045 (02)	TA in determining the acceptability of sub-project No. 014, Directorate of Nutrition, MOH	242	SP 7 PIL 10 8/27/84	08/84	08/84	Report accepted	
02	Planning study: Open University, Directorate General of Higher Education, Ministry of Education	195,934	SP 7 PIL 5413 6/18/84	04/84	11/84	Report accepted	
039	National seminar on job and business opportunity in rural areas, Gadjah Mada University	25,000	SP 6 PIL 9 7/09/84	04/84	9/1/85	Report accepted	
01	Seminar Man and Society in the Year 2000, KLH	9,015	SP 1 PIL 4443	03/84	03/31/86	only Parameter paper	\$80,851 decommitted & de earmarked.
	<b>Total</b>	<b>271,350</b>					

Financial Report as of 05/31/86

Total Obligation(\$)	Earmarked	Committed	Disbursed	Accrued	Unexpended Obligation
4,000,000	2,864,496	2,528,382	1,000,000	625,000	2,375,000

DOC. 2402P

B. SUB-PROJECTS BEING IMPLEMENTED

Inv. Code	TITLE & PROPOSER	USAID Amount \$	STATUS: date of			Sub-Project/ PIL Number Issued	ACTION AND REMARKS
			Proposal Received	SC Appr. in Prin.	SC Approval		
03	Research: Socio-cultural influences on food habits and food consumption patterns in the family with preschool children, MOH.	200,000	4/20/84	3/31/84	4/14/84	SP 3 PIL 6&42	Implementation is underway June 1984 - May 1986. Draft final report/SC policy dialogue ASAP.
05	Research: Technology and Employment opportunities in food production, Gadjah Mada University.	82,140	3/19/84	4/14/84	4/14/84	SP 5 PIL 8	Implementation is underway June 1984 - December 1986. PIL for extension is in process.
042	Cooperative rural perishable commodity marketing systems study, DG of Cooperative Business Affairs,	37,340	5/29/84	8/16/84	8/16/84	SP 8 PIL 12 & 13 10/2/84	Implementation is underway Oct. 1984 - November 1986.
040	Analysis of external resource utilization, BAPPENAS.	139,200	5/11/84	5/11/84	7/06/84	SP 9 PIL 14&28/31	Implementation is underway November 1984 - December 1985. Request on additional fund and extension of duration from SC.
041	Development of nutrition assessment and monitoring activities for the food and nutrition surveillance system, MOH.	200,000	3/19/84	3/31/84	6/25/84	SP 11 PIL 17 & 29	Implementation is underway December 1984 - May 1986. Final report and policy dialogue ASAP.
063	Policy analysis and dissemination of info from the National Panel of Farmers Research Program, CAER, MOA.	150,545	10/18/84	11/23/84	12/27/84	SP 10 PIL 16 12/12/84	Implementation is underway December 1984 - January 1986. Policy dialogue ASAP.
029	Study for the development of infrastructure pricing policy, BAPPENAS.	164,413	7/11/84	8/16/84	8/16/84	SP 12 PIL 19, 20, 22, 23, 40 1/07/85	Implementation is underway January 1985 - May 1986. Policy dialogue ASAP

May 23, 1986; DOC. 2402P

AN

B. SUB-PROJECTS BEING IMPLEMENTED - continued

Inv. Code	TITLE & PROPOSER	USAID Amount \$	STATUS: date of			Sub-Project/ PIL Number Issued	ACTION AND REMARKS
			Proposal Received	SC Appr. in Prin.	SC Approval		
057	Studies and development of gasification in rural development, DG of Cooperative Development, MOC.	200,000	8/01/84	8/16/84	8/16/84	SP 13 PIL 22 & 30 4/15/85	Implementation is underway April 1985 - August 1986 Need status report.
077	Development of procedure to expand and support the timely warning and intervention system (TWIS) for periodic food consumption shortages, Directorate of Nutrition, MOH.	200,000	05/06/85	6/12/85	7/2/85	SP 14 PIL 25 8/13/85	Implementation is underway July '85 - December '86. Need status report.
065	Study on the potential problem and prospects of vegetable oil in Indonesia 1969-2000, Dept. of Trade.	199,685	11/16/84	6/12/85	7/2/85	SP 15 PIL 27 10/3/85	Implementation: Oct. 85-Dec. 86 Status report end of May '86.
079	Provincial studies on app. agr. diversification strategies for Java Bureau of Manpower and Agriculture, Bappenas.	141,366	06/18/85	07/2/85	8/5/85	SP 17 PIL 34&44 01/28/86	Implementation is underway Feb-August, 1986. Status report end of May '86.
087	The integrated river basin dev. and watershed management project, Min. of Public Works.	189,000	8/5/85	12/10/85	12/10/85	SP 19 PIL 37	Implementation: March 86 - February 87. Status report end of May '86.
093	Dev. strategy in the info age: understanding the new economics of comparative advantage, Bappenas.	200,000	10/15/85	12/10/85	12/10/85	SP 16 PIL 33 & 36 02/04/86	Implementation: February 86 - May 87. Status report end of May '86.
08	Study on prospect of Labor Market in the Middle East for Indonesian workers, Ministry of Manpower.	86,716	7/10/85	07/2/85	08/5/85	SP 20 PIL 38	Implementation: March - October 1987. Status report end of May '86.
086	Workshop on Urban Agriculture/ Forestry in greater Jakarta Area WALHI,	16,000	07/17/85	08/5/85	08/5/85	SP 21 PIL 41	Implementation: March-July 86. Status report end of May '86.
083	Research on Indonesian Ujamas: their weltanschauung and how they perceive their environments, LIPI,	194,290	7/12/85	12/10/85	12/10/85	SP 18 PIL 35 2/13/86	Implementation underway March '86 - August '87. Status report end of May '86.
	Total \$	2,405,695					

23 May 1986; DOC. 2402P

C. SUB-PROJECTS APPROVED AND BEING PROCESSED

Inv. Code	TITLE & PROPOSER	USAID Amount \$	STATUS: date of			Sub-Project/ PIL Number Issued	ACTION AND REMARKS
			Proposal Received	SC Appr. in Prin.	SC Approval		
091	Informal sector policy studies, LSP (IDS)	90,000	10/8/85	12/10/85	12/10/85		SC suggest to add TA.
095	Housing Policy Study, Office of Menpera	90,000	5/5/86	5/9/86	5/9/86		PIL to be processed.

23 May 1986; DOC. 2402P

8  
M  
y

**D. SUB-PROJECTS UNDER ACTIVE CONSIDERATION**

Inv. Code	TITLE & PROPOSER	USAID Amount \$	STATUS: date of			Sub-Project/ PIL Number Issued	ACTION AND REMARKS
			Proposal Received	SC Appr. in Prin.	SC Approval		
090	Cooperative classification system development study, R&D Min. of Coop.	199,990	8/22/85				Approve to provide not more than 1 m/m TA.
097	Economic and technological profile of the Indonesian shrimp resource system, DG of Fisheries.	200,000	12/12/85				Will be discussed by Working team.
098	Study for the Development of infrastructure pricing policy in the national commercial air, Bappenas.	175,000*	01/10/86				Will be discussed by Working team.
099	Study for the development of infrastructure pricing policy in the municipal water sector, Bappenas.	175,000*	01/10/86				Will be discussed by Working Team.
100	Study of social attitude and perception towards development of social welfare, Dept. of Social Affairs	200,000	04/15/86				Will be discussed by WT.
101	Study of religion orientation and aspiration among muslim society: Its Varieties and Patterns, IPI	185,000	04/15/86				Will be discussed by WT.

\* indicative amount.

23 May, 1986; DOC. 2402P

W  
6/9

E. REJECTED SUB-PROJECTS

Inv. Code	TITLE & PROPOSER	Estimated Cost \$	STATUS: date of proposal		ACTION AND REMARKS
			Received	Withdrawn/ Rejected	
058	Testing of new savings instrument, Central Java Regional Dev. Bank.	45,200		11/16/84	
062	Study on PUs Telkom - Balitbang Dikbud's role and prospects in the development of educational tech. for educational spread in Indonesia, MOE. Central Java Regional Dev. Bank.	39,250		11/16/84	
061	Rural economic and finance dev. study MOP.	200,000*		01/18/85	
055	Study for establishment of the Indonesian discount institution, MOP.	38,790	07/19/84	04/04/85	
059	Study on the increase productivity of KUD personnel, MOC.	200,000	09/07/84	04/04/85	
066	A feasibility on the development of the village unit cooperatives (KUD) to increase the income of Indonesian farmers (A case study in Lampung), University of Lampung.	199,752	11/16/84	04/04/85	
067	A national seminar about improvement of village unit cooperative (KUD), in Indonesia, University of Lampung.	13,500	11/16/84	04/04/85	
045 (03)	Indonesian agricultural development policy and international trade, MOA.	12,500	11/27/84	04/04/85	
068	Dev. strategy in information age: understanding the new economics of comparative advantage, Bappenas.	200,000	11/29/84	07/2/85	
069	Research on ASEAN investment laws and judicial procedures, Min. of Justice.	27,827		04/04/85	
072	Agricultural productivity measurement and analysis in Indonesia (Pelita I-III), Bureau of Planning, MOA.	141,000		04/04/85	
074	Regional workshop of the Int'l council of woman on "Challenges for the family in a rapidly changing society", Kowani.	50,000		04/04/85	

5D

E. REJECTED SUB-PROJECTS - continued

Inv. Code	TITLE & PROPOSER	Estimated Cost \$	STATUS: date of proposal		ACTION AND REMARKS
			Received	Withdrawn/ Rejected	
073	Study on the development of informal sector.	200,000		05/31/85	
070	The development of computer based expert systems for planning, implementation, and monitoring national development programs in Indonesia, Computer Science Center, Universitas Indonesia.	192,000	01/22/85	05/31/85	
071	Study on cognitive development of the Indonesian children, Center for Curriculum dev. and Education and Cultural Facilities, MOE.	250,000	01/28/85	05/31/85	
076	Operational study of marketing cost, DG of Domestic Trade.	198,000	04/18/85	07/02/85	
078	Symposium on social and economic trends in rural Java, Prof. Mubyarto, Gadjah Mada Univ.	15,328	05/01/85	07/02/85	
081	Study on The Indonesian banks and their competitiveness in the domestic and international markets, Andalas University	25,000	05/25/85	07/02/85	
052	Studies on industrial pollution control strategy, Ministry of KLH.	38,000	11/06/84	08/05/85	
053	Study tour for organ - industrial waste management of tapioca and palm oil factories, Ministry of KLH.	84,500	11/06/84	08/05/85	
075	Study for the development of farming system for the rehabilitation of agr. land and critical lands.	198,825	04/08/85	08/05/85	
080	Study on KUD, perception, institution and business development for KUD, R&D Ministry of Cooperatives.	180,600	05/29/85	08/05/85	Will be funded by CPIS.
082	Study of Reg. Dev. Model Around Toba Lake, N. Sumatera, BAPPEDA.	200,000	06/14/85	08/05/85	
085	Redesign of Migas MIS, Min. of Energy	135,000	07/17/85	08/05/85	

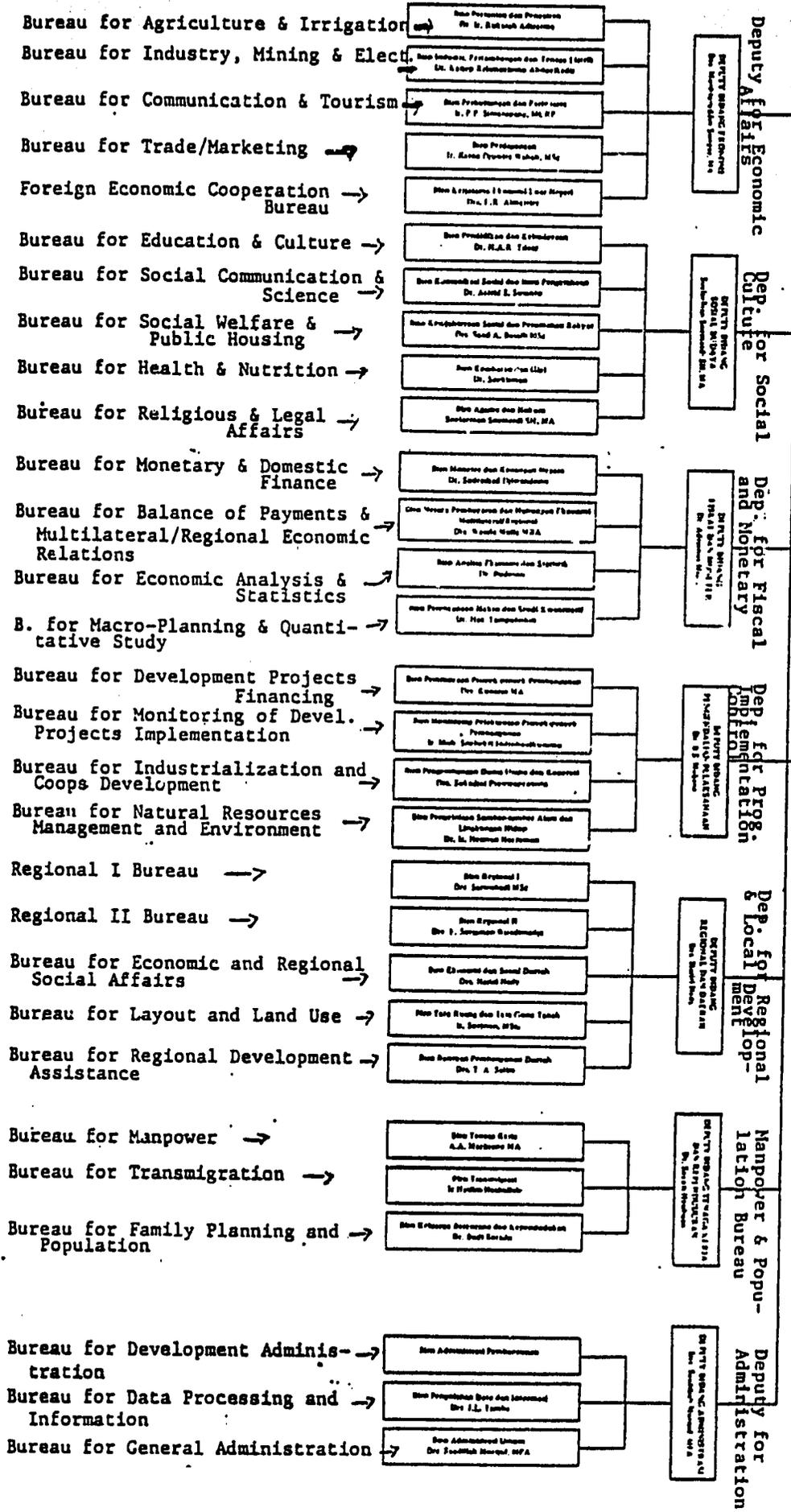
51

E. REJECTED SUB-PROJECTS - continued

Inv. Code	TITLE & PROPOSER	Estimated Cost \$	STATUS: date of proposal		ACTION AND REMARKS
			Received	Withdrawn/ Rejected	
089	Strengthening the Gapensi and its training responsibility, MOPW.	200,000	08/22/85	09/05/85	Mr. Siregar will assist in looking for other source of fund.
088	Study for quantitative assessment of impacts of electrical program in four rural villages in Central Java	76,850	8/05/85	10/16/85	
092	Diseminasi sistem pembiayaan pembangunan perumahan melalui usaha bersama simpan pinjam, State Min. of Housing (Meppera)	52,000	10/1/85	10/16/85	
094	Kultur jaringan tanaman buah-buahan, LIPI	135,000	11/4/85	12/10/85	
084	Research on operational management policy formulation and regional development planning, LSP.	164,000	07/17/85	01/14/86	
095	Indonesia housing finance study	192,820	06/01/86	01/14/86	
096	Implementation study on traditional medicine plants cultivation, UNSUD	200,000	06/01/86	01/14/86	

BAPPENAS Organizational Chart with Transjaction

cb/cb



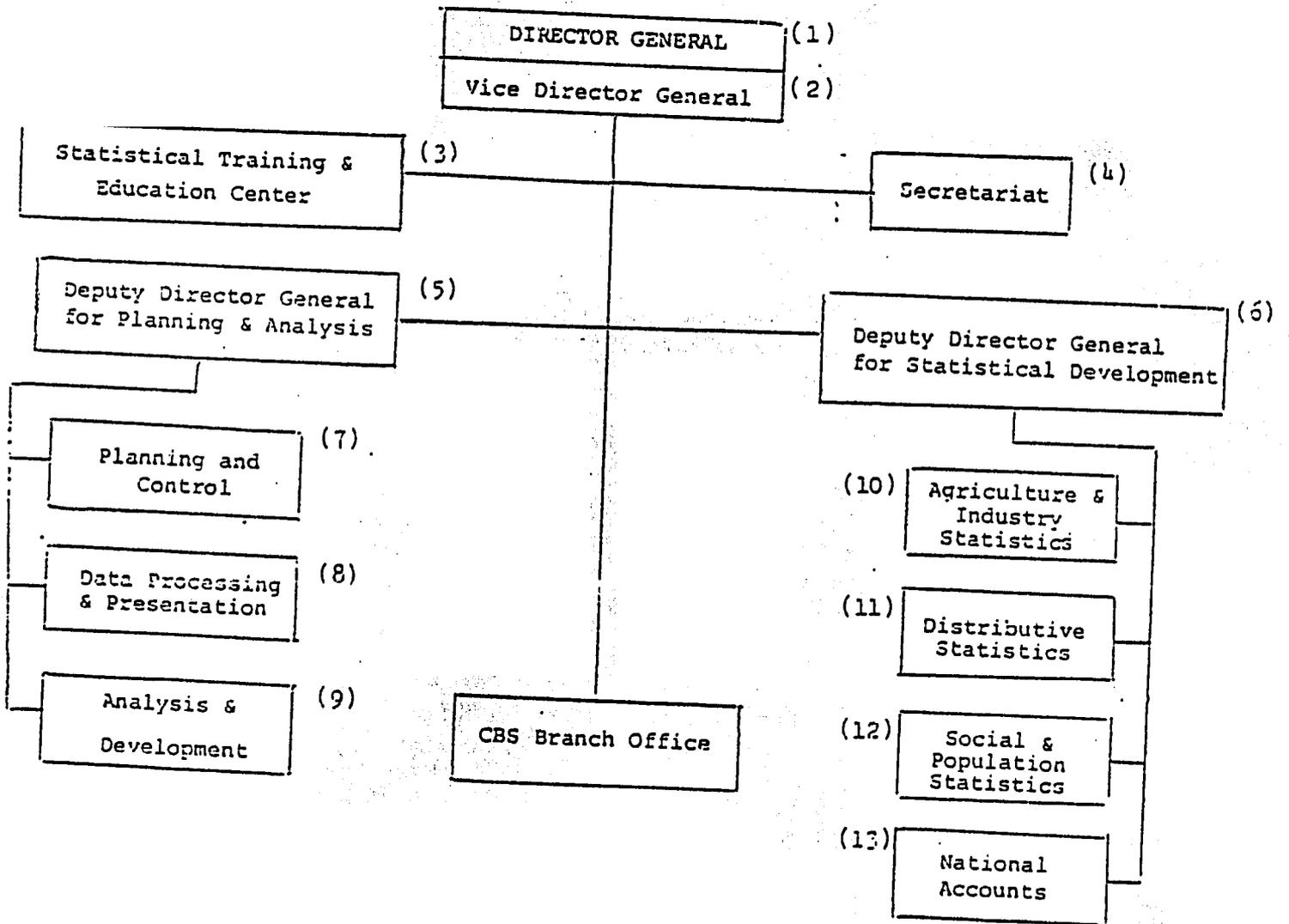
Menteri Koordinator Bidang Pembangunan Nasional  
 Menteri Koordinator Bidang Kesejahteraan Rakyat  
 Menteri Koordinator Bidang Politik, Hukum dan Keamanan  
 Menteri Koordinator Bidang Perekonomian  
 Menteri Koordinator Bidang Pertahanan dan Keamanan  
 Menteri Koordinator Bidang Sosial dan Kebudayaan  
 Menteri Koordinator Bidang Lingkungan Hidup dan Kehutanan  
 Menteri Koordinator Bidang Pembangunan Manusia dan Kebudayaan  
 Menteri Koordinator Bidang Reformasi Birokrasi  
 Menteri Koordinator Bidang Transportasi  
 Menteri Koordinator Bidang Usaha Milik Rakyat  
 Menteri Koordinator Bidang Wilayah Perbatasan  
 Menteri Koordinator Bidang Zonasi, Tata Ruang dan Wilayah

Ketua  
 Sekretaris  
 Wakil Ketua  
 Wakil Sekretaris  
 Kepala Biro  
 Kepala Bidang  
 Kepala Subbidang  
 Kepala Seksi  
 Kepala Subseksi  
 Kepala Urutan

Chairman

53

BPS Organization Structure



Draft Outline #1

EMPLOYMENT

Scope of Work

Long-Term Employment Policy Advisor

Purpose of Advisor

The purpose of the long-term employment policy advisor is to assist Bappenas with the examination of key issues faced by the government and affecting its plans for national development from the perspective of long-term employment strategy. Employment policy is defined broadly as any policy with strong implications for employment (positive/negative), regardless of whether formulated with an explicit employment objective in mind. The employment policy advisor is expected to help sensitize Bappenas staff as a whole to the inter-relationships of employment policy with most other policy areas.

Statement of Duties:

Preparatory Stage

1. Canvas existing research on employment and employment policy.
2. Assess official employment strategy and implementing policies.
3. Identify key policies impacting on employment, whether explicitly intended or not. Identify implementing agencies.
4. Assess employment bias of present overall policy framework.
5. Identify key employment policy issues.

Operational Stage

- I. Formulate alternative new employment strategies and draw appropriate policy implications.

55

2. Consider alternative policy implications for each of the alternative employment strategies identified.
3. Identify key employment-related policy studies on basis of the above activities and review of work done during the project design phase.
4. Assess data needs for proposed policy studies and review with BPS liaison. Assess whether value of special data requests justifies expenditure, after feasibility and costs have been determined by Bappenas.
5. Formulate policy study proposals, identify short-term consulting needs, and draft required scopes of work.
6. Participate directly as study team member in policy research as appropriate.
7. Monitor, manage, and evaluate all employment-related policy studies.
8. Present results of policy studies to the technical working group for their review.

#### General

1. Provide day to day policy or technical advice to senior level Bappenas officials as requested.
2. Participate as member of technical working group in preparing overall work plan, reviewing policy study proposals of other team members, and evaluating completed work.
3. Take reasonable steps to ensure that policy studies proposed in the area of employment do not substantially duplicate other donor efforts, or other major study efforts of the GOI, unless specifically justified.

x  
56

### Coordination

Relationship to Team - The employment policy advisor will have group responsibilities as well as individual responsibilities. The group responsibilities, as a member of the long-term advisory team, are listed in the Terms of Reference. In brief, it is not intended that long-term advisors will work in isolation from one another. Rather, it is intended that the long-term advisors will work as a peer group reviewing and critiquing each others proposals and study results. It is conceivable that more than one long-term advisor might actively participate on a given policy study. Because the three policy areas (trade, industry, and employment) are so closely inter-related, it is considered essential to project success, that the team plan its work as a group.

Relationship to Bappenas - The employment policy advisor will be administratively attached to the Office of Monetary and Fiscal Policy under the direction of Dr. Adrianus Mooy, along with all other long-term advisors. However, the employment policy advisor will work with all relevant sections of Bappenas as need demands, depending on the particular policy study or task in question. It is anticipated that the employment policy advisor will work much closer with some sections of Bappenas than others. Nevertheless, it is the intent of the project that policy advisors are not restricted in their work to any specific Bureau or Office.

Relationship to Technical Ministries - The employment advisor will identify and maintain liaison with relevant technical ministry counterparts. Liaison is believed important to ensure the complementarity, relevance, and quality of the policy studies undertaken by Bappenas. Further, periodic liaison is one important means of disseminating study results. It is anticipated that members of relevant technical ministries will regularly participate as study team members. Relevant technical ministries might include (but not be limited to) Ministry of Manpower, Ministry of Science and Technology, Ministry of Public Works, Ministry of Home Affairs, Ministry of Industry, Ministry of Trade, Ministry of Finance.

Relationship to Other Donors - The employment policy advisor is expected to maintain contact with other donor agencies and technical assistance teams directly working in the employment policy area. Efforts should be made to ensure that policy studies planned under this project complement and do not substantially duplicate other donor work, without explicit justification.

Duration and Timing of Contract

The term of contract for the long-term employment advisor shall be for 36 months. The contract shall be coordinated to commence with the initiation of other team member contracts. The long-term advisory team is expected to arrive in country not later than March 1987, but preferably earlier.

Qualifications

Senior Ph.D. economist with at least ten years of relevant experience in dealing with employment policy in less developed countries, preferably in Asia. Background should include substantial policy research experience, including some experience as research team leader. Previous experience as an employment policy advisor to a less developed country is highly desirable, although not essential. Previous work should demonstrate sensitivity of candidate to the inter-relationship of employment problems with a wide range of other policy areas. Candidate must have demonstrated capability to work effectively with counterparts from less developed countries.

X  
28

Draft Outline #2INDUSTRY

## Scope of Work

## Long-Term Industrial Policy Advisor

Purpose of Advisor

The purpose of the long-term industrial policy advisor is to assist Bappenas with the examination of key industrial sector policy issues faced by the government and affecting its plans for national development from the perspective of long-term growth and employment. The industrial policy advisor is expected to help sensitize Bappenas staff to the strong inter-relationships of industrial policy with trade policy and to demonstrate the potential long-term significance of these policy areas on growth, employment, and foreign exchange.

Statement of Duties:Preparatory Stage

1. Canvas existing research on the industrial sector and industrial policy.
2. Assess the official industrialization strategy and its implementing policies.
3. Identify key policies impacting on the rate of industrialization, whether explicitly intended or not. Identify implementing agencies.
4. Assess the effect of official research and technological development policy on the rate of industrialization, the labor-intensity of investment, and the prospects for long-term growth.
5. Assess the potential role of foreign investment as an integral part of an overall industrialization strategy.

6. Assess the effect of the present (broadly defined) industrialization policy framework on long-term economic growth, employment, and net foreign exchange earnings. Distinguish between the performance of public sector enterprise and the private sector.
7. Identify key industrial sector policy issues.

#### Operational Stage

1. Formulate a new industrialization strategy that places its emphasis on long-term growth, employment and net foreign exchange earnings. Draw appropriate policy implications. Consider policy alternative..
2. Identify key industrial sector policy studies on basis of the above activities and review of work done during the project design phase.
3. Assess data needs for proposed policy studies and review with BPS liaison. Assess whether value of special data requests justifies expenditure, after feasibility and costs have been determined by Bappenas.
4. Formulate policy study proposals, identify short-term consulting needs, and draft required scopes of work.
5. Participate directly as study team member in policy research as appropriate.
6. Monitor, manage, and evaluate all industrial sector policy studies.
7. Present results of policy studies to the technical working group for their review.

#### General

1. Provide day to day policy or technical advice to senior level Bappenas officials as requested.

Y  
60

2. Participate as member of technical working group in preparing overall work plan, reviewing policy study proposals of other team members, and evaluating completed work.
3. Take reasonable steps to ensure that policy studies proposed for the industrial sector do not substantially duplicate other donor efforts, or other major study efforts of the GOI, unless specifically justified.

### Coordination

Relationship to Team - The industrial policy advisor will have group responsibilities as well as individual responsibilities. The group responsibilities, as a member of the long-term advisory team, are listed in the Terms of Reference. In brief, it is not intended that long-term advisors will work in isolation from one another. Rather, it is intended that the long-term advisors will work as a peer group reviewing and critiquing each others proposals and study results. It is conceivable that more than one long-term advisor might actively participate on a given policy study. Because the three policy areas (trade, industry, and employment) are so closely inter-related, it is considered essential to project success, that the team plan its work as a group.

Relationship to Bappenas - The industrial policy advisor will be administratively attached to the Office of Monetary and Fiscal Policy under the direction of Dr. Adrianus Mooy, along with all other long-term advisors. However, the industrial policy advisor will work with all relevant sections of Bappenas as need demands, depending on the particular policy study or task in question. It is anticipated that the industrial policy advisor will work much closer with some sections of Bappenas than others. Nevertheless, it is the intent of the project that policy advisors are not restricted in their work to any specific Bureau or Office.

Relationship to Technical Ministries - The industrial advisor will identify and maintain liaison with relevant technical ministry counterparts. Liaison is believed important to ensure the complementarity, relevance, and quality of the policy studies undertaken by Bappenas. Further, periodic liaison is one important means of disseminating study results. It is anticipated that members of relevant technical ministries will regularly participate as study team members. Relevant technical ministries might include (but not be limited to) Ministry of Industry, Ministry of Trade, Ministry of Finance, Ministry of Science and Technology.

Relationship to Other Donors - The industrial policy advisor is expected to maintain contact with other donor agencies and technical assistance teams directly working in the industrial policy area. Efforts should be made to ensure that policy studies planned under this project complement and do not substantially duplicate other donor work, without explicit justification.

#### Duration and Timing of Contract

The term of contract for the long-term industrial policy advisor shall be for 36 months. The contract shall be coordinated to commence with the initiation of other team member contracts. The long-term advisory team is expected to arrive in country not later than March 1987, but preferably earlier.

#### Qualifications

Senior Ph.D. economist with at least ten years of relevant experience in dealing with industrial sector policy in less developed countries, preferably in Asia. Desirable that experience also include work in either trade or employment policy. Background should include substantial policy research experience, including experience as research team leader. Previous experience as an industrial policy advisor is highly desirable, although not essential. Candidate must have demonstrated capability to work effectively with counterparts from less developed countries.

x  
62

Draft Outline #3TRADE

## Scope of Work

## Long-Term Trade Policy Advisor

Purpose of Advisor

The purpose of the long-term trade policy advisor is to assist Bappenas with the examination of key domestic and international trade policy issues faced by the government and affecting its plans for national development from the perspective of long-term growth and employment. The trade policy advisor is expected to help sensitize Bappenas staff to the strong inter-relationships of trade policy with industrial policy and to demonstrate the potential long-term significance of these policy areas on growth, employment, and foreign exchange.

Statement of Duties:Preparatory Stage

1. Canvas existing research on domestic and international trade and trade policy.
2. Assess official industrial-trade development strategy and implementing policies. Consider whether implicit strategy differs.
3. Identify key policies impacting on domestic and international trade volumes, whether explicitly intended or not.
4. Assess the effect of the present industrial-trade policy framework on long-term economic growth, employment and net foreign exchange earnings.
5. Identify key domestic and international trade policy issues.

Operational Stage

1. Formulate alternative industrial-trade development strategies that place primary emphasis on long-term growth, employment and net foreign exchange earnings. Draw appropriate policy implications. Consider policy alternatives.
2. Identify key trade policy studies on basis of the above activities and review of work done during the project design phase.
3. Assess data needs for proposed policy studies and review with BPS liaison. Assess whether value of special data requests justifies expenditure, after feasibility and costs have been determined by Bappenas.
4. Formulate policy study proposals, identify short-term consulting needs, and draft required scopes of work.
5. Participate directly as study team member in policy research as appropriate.
6. Monitor, manage, and evaluate all trade policy studies.
7. Present results of policy studies to the technical working group for their review.

General

1. Provide day to day policy or technical advice to senior level Bappenas officials as requested.
2. Participate as member of technical working group in preparing overall work plan, reviewing policy study proposals of other team members, and evaluating completed work.

r  
64

3. Take reasonable steps to ensure that policy studies proposed in the area of trade do not substantially duplicate other donor efforts, or other major study efforts of the GOI, unless specifically justified.

### Coordination

Relationship to Team - The trade policy advisor will have group responsibilities as well as individual responsibilities. The group responsibilities, as a member of the long-term advisory team, are listed in the Terms of Reference. In brief, it is not intended that long-term advisors will work in isolation from one another. Rather, it is intended that the long-term advisors will work as a peer group reviewing and critiquing each others proposals and study results. It is conceivable that more than one long-term advisor might actively participate on a given policy study. Because the three policy areas (trade, industry, and employment) are so closely inter-related, it is considered essential to project success, that the team plan its work as a group.

Relationship to Bappenas - The trade policy advisor will be administratively attached to the Office of Monetary and Fiscal Policy under the direction of Dr. Adrianus Mooy, along with all other long-term advisors. However, the trade policy advisor will work with all relevant sections of Bappenas as need demands, depending on the particular policy study or task in question. It is anticipated that the trade policy advisor will work much closer with some sections of Bappenas than others. Nevertheless, it is the intent of the project that policy advisors are not restricted in their work to any specific Bureau or Office.

Relationship to Technical Ministries - The trade advisor will identify and maintain liaison with relevant technical ministry counterparts. Liaison is believed important to ensure the complementarity, relevance, and quality of the policy studies undertaken by Bappenas. Further, periodic liaison is one important means of disseminating study results. It is anticipated that members of relevant technical ministries will

regularly participate as study team members. Relevant technical ministries might include (but not be limited to) Ministry of Industry, Ministry of Trade, Ministry of Finance.

Relationship to Other Donors - The trade policy advisor is expected to maintain contact with other donor agencies and technical assistance teams directly working in the trade policy area. Efforts should be made to ensure that policy studies planned under this project complement and do not substantially duplicate other donor work, without explicit justification.

#### Duration and Timing of Contract

The term of contract for the long-term trade advisor shall be for 36 months. The contract shall be coordinated to commence with the initiation of other team member contracts. The long-term advisory team is expected to arrive in country not later than March 1987, but preferably earlier.

#### Qualifications

Senior Ph.D. economist with at least ten years of relevant experience in dealing with trade policy in less developed countries, preferably in Asia. Background should include substantial policy research experience, including some experience as research team leader. Previous experience as trade policy advisor to a less developed country is highly desirable, although not essential. Previous work should demonstrate sensitivity of candidate to the inter-relationship of trade policy to industrial policy and employment policy. Candidate must have demonstrated capability to work effectively with counterparts from less developed countries.

v.  
66

Draft Outline #4DATA BASE

## Scope of Work

## Long-Term Statistical Data Advisor

Purpose of Advisor:

The purpose of the long-term statistical data advisor is to assist Biro Pusat Statistik (BPS) 1) to generally strengthen priority data bases for employment, industry, and trade and 2) to respond to specific data requests in direct support of Bappenas policy studies, in a timely and effective manner.

It is anticipated that achievement of the first objective will require

- a) prioritization of the existing data bases on the basis of their perceived importance to trade, industry, and employment policy analysis,
- b) a general mandate to evaluate the priority data bases both by the long-term advisor and by highly specialized short-term consultants, and
- c) a general mandate to undertake special analytical studies, pilot surveys and other actions, as recommended by special evaluation teams, the long-term statistical data advisor and the BPS project manager, subject to the approval of the Project Steering Committee.

It is anticipated that achievement of the second objective may require, from time to time, special efforts a) to collect new data that does not currently exist, b) to process or derive data from existing collection efforts that is not currently in usable form and c) to perform evaluation and analyses on existing statistical data bases not previously performed. It is understood, for reasons of economy, that new data will generally be collected in the context of on-going data collection systems. New data collection requiring special surveys is expensive and such undertakings must be carefully considered by BPS in the context of future operating budgets, if they are intended to be routinized.

It is anticipated that special emphasis/priority will be placed on employment related data. Employment related data is defined broadly to include labor, employment, wage, personal income, and personal expenditure data. This implies that many different data series potentially might be examined and possibly assisted under this data category.

#### Statement of Duties

1. Evaluate selected priority data series and make recommendations for improvement of data quality, coverage, relevance, and timeliness. Arrange for a short-term evaluation team to assist in this task and draw extensively upon their work in making final recommendations. The list of data series eligible for evaluation and, subsequently, for further project assistance is to be jointly determined by the long-term advisory team and their counterparts, as a group.
2. Assist BPS make selected improvements directly by acting as consultant in those areas where properly qualified.
3. Assist BPS identify short-term consulting needs for general strengthening of selected priority data series and draft required scopes of work.
4. Assist BPS identify needs and formulate proposals for special analytical studies and pilot surveys.
5. Assist BPS evaluate and formulate proposals to meet special data needs identified by Bappenas, where they cannot be handled in routine fashion. It is understood that these proposals, which include an assessment of feasibility and cost, must be approved a part of the overall policy study approval process.
6. Assist BPS identify short-term consulting needs for special studies and surveys and draft scopes of work.

+  
68

7. Assist BPS monitor implementation of approved activities and work with counterparts to ensure timely completion.
8. Participate as member of technical working group in preparing overall work plan, reviewing policy study proposals of other team members, and evaluating completed works. This function will include working as a team member in joint consideration of Bappenas policy study proposals, BPS special analytical studies and pilot survey proposals, and general proposals to strengthen BPS data.
9. Assist BPS to closely coordinate with Bappenas, particularly on special requests in direct support of Bappenas policy studies.
10. Provide day to day policy or technical advice to senior level Bappenas and BPS officials as requested.
11. Take reasonable steps to ensure that assistance proposed for BPS does not substantially duplicate other donor efforts, unless specifically justified.

#### Coordination

Relationship to Team - The statistical data advisor will have group responsibilities as well as individual responsibilities. The group responsibilities, as a member of the long-term advisory team, are listed in the Terms of Reference. In brief, it is not intended that long-term advisors will work in isolation from one another. Rather, it is intended that the long-term advisors will work as a peer group reviewing and critiquing each others proposals and study results. It is considered essential to project success, that the team plan its work as a group.

Relationship to Bappenas and BPS - The statistical data advisor will be administratively attached to the Office of Monetary and Fiscal Policy under the direction of Dr. Adrianus Mooy, along with all other long-term advisors. However, the statistical data advisor will work with all

relevant sections of Bappenas and BPS as need demands, depending on the particular policy study or task in question. It is anticipated that the statistical data advisor will work much closer with some sections of Bappenas and BPS than others. Nevertheless, it is the intent of the project that policy advisors are not restricted in their work to any specific Bureau or Office.

Relationship to Technical Ministries - The statistical data advisor will identify and maintain liaison with relevant technical ministry counterparts. Liaison is believed important to ensure the complementarity, relevance, and quality of the work undertaken by BPS and to ensure that data and its analysis meets potential end-user needs. Further, periodic liaison is one important means of disseminating study results. Relevant technical ministries might include (but not be limited to) Ministry of Manpower, Ministry of Science and Technology, Ministry of Public Works, Ministry of Home Affairs, Ministry of Industry, Ministry of Trade, Ministry of Finance.

Relationship to Other Donors - The statistical data advisor is expected to maintain contact with other donor agencies and technical assistance teams directly working in the employment, trade, and industry data areas. Efforts should be made to ensure that work planned under this project complements and does not substantially duplicate other donor work, without explicit justification.

#### Duration and Timing of Contract

The term of contract for the long-term statistical data shall be for 36 months. The contract shall be coordinated to commence with the initiation of other team member contracts. The long-term advisory team is expected to arrive in country not later than March 1987, but preferably earlier.

#### Qualifications

Senior Ph.D. development economist with extensive statistical data background in at least one of the three policy areas but preferably in

x  
70

the employment-related data area. The advisor should have broad familiarity with household and establishment survey design, including small survey questionnaire and statistical sampling design experience. Strong research design and methodological skills also are highly desirable, whether policy research or statistical research in nature. The advisor should have at least ten years relevant work experience, indicating intimate familiarity with less developed country statistical data problems. Background should include substantial policy research experience with strong statistical content, including some experience as research team leader. Previous experience as an economic or statistical policy advisor to a less developed country is highly desirable, although not essential. Candidate should have demonstrated capability to work effectively with counterparts from less developed countries.

Illustrative Issues in  
Employment, Industry and Trade Policy

The following list of issues was developed by Bappenas staff in collaboration with the AID project amendment design team. It provides an indication of the kinds of policy issues which are recognized by the GOI as of critical importance in planning national development, and which require better data, more careful analysis, and thoughtful deliniation of policy options. This list will provide a starting point for the work of the technical assistance team in their initial efforts to develop a research agenda and workplan for their first year.

INDUSTRY, TRADE AND EMPLOYMENT POLICY ISSUES

- "What are the potentially most important alternatives for replacing (declining) oil revenues for rupiah and (especially) foreign exchange financing of development? What should the policies be?
- Since this resource-gap problem is likely to be a long run problem, the answer somehow necessarily requires some kind of structural adjustment or structural reorientation of the economy. What would the required adjustments be? What policies?
- What will our debt service ratio be in the long run?
- We need to evaluate of the present industrial, trade and employment policies. How are they consistent or inconsistent with each other? What kind of changes are needed for their improvement.
- What would the projected comparative advantage be for Indonesia in terms of industrial activities in the next 15-20 years? How are they related to the current policies and existing situation?
- What technological policy would support the development of such activities? Review the existing "technological policy" and suggest in what direction it should be developed to support the projected industrialization route. (Include here, the evaluation of the existing mechanisms and cost of technological transfers, the balance between transfer of and developing our own ("appropriate") technologies, the institutional developments needed as well as the required human resources development.
- What trade policies are needed to support the projected industrialization? Include here, the forms, levels and durations of protective measures required, the appropriate exchange rate policy, export promotion policies etc.

- What other policies, eg., fiscal, monetary, education, infrastructure, etc., are needed to support that industrialization program?
- What would be the institutional arrangements that would ensure an effective coordination and consistency of these various policies at the implementation level?
- How would the above industrialization be consistent with employment strategy, regional planning, macro planning and other sectoral planning?
- Work out the policies for small-scale industries consistent with the overall industrialization as projected. How would we mobilize domestic demand (especially rural demand and demand of the lower-income groups) to support the objective?  
What policies are implied for the "supply side"?
- What types of governmental policies impact an employment? Which are most important? Can these policies be coordinated to satisfy both efficiency and employment goals?
  - General/macro level (monetary, fiscal, investment exchange rate, etc.)
  - Sectoral (agriculture, industry, services, etc.)
  - Regional policies (outer-island/inner-islands, urban-rural)
  - Specific target policies (specific groups, etc.)
- What types of investment policies and institutional arrangements would ensure effective acquisition application of technologies and their positive influence on employment (eg., credit policy, government procurement practices, etc.)?
- Should there be greater investment in labor-intensive rural works? Which type of investments? Chosen by what criteria? Administrative problems?
- What should be done about the informal sector?

- How do we deal with the rising unemployment among urban secondary and junior high graduates?
- What educational/training strategy is consistent both with development requirements and with minimizing the educated unemployed problem?
- What is the longer-term agricultural labor absorptive capacity? What does this imply for non-agricultural employment requirements? Where and how will we generate non-agricultural jobs, eg. in what sectors and by what policies?
- Is there a need for special employment programs for women in rural areas?
- Should we investigate possible incentive systems for promoting training in the private sector?

Detailed GOI Budget Commitments  
(\$000)

	IFY 85/85	IFY 86/87	IFY 87/88	IFY 88/89	IFY 89/90	TOTAL
Research (cash)		14	28	28	15	85
Seminar/Workshops (cash)	620	20	40	40	20	740
Admin. Assistant (cash)	5	12	25	25	13	80
Steering Committee (cash)	150	30	60	60	30	330
Technical Group (cash)	75	60	120	120	60	435
Office space/facilities (in-kind)	100	16	32	33	19	200
Office equipment (cash)	25	50	100	-	-	175
Office supplies (in-kind)	20	12	24	24	15	95
Communications (in-kind)	10	35	72	72	36	225
Short-term Tech. Ass. (cash)	1,610	-	-	-	-	1,610
Training (cash)	90	-	-	-	-	90
Commodities (cash and in-kind)	200	-	-	-	-	200
Monitoring	15	-	-	-	-	15
Contingency	30	-	-	-	-	30
<b>TOTAL</b>	<b>2,950</b>	<b>249</b>	<b>501</b>	<b>402</b>	<b>208</b>	<b>4,310</b>

AL

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only:  
B.1. applies to all projects funded with Development Assistance loans, and  
B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

YES. SEE ANNEX F, GPT II PP AMENDMENT NO. 2

YES. ATTACHED.

A. GENERAL CRITERIA FOR PROJECT

1. FY 1986 Continuing Resolution Sec. 524; FAA Sec. 634A.

Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project.

A CN has been prepared. Obligation will occur upon expiration of the notification period, without Congressional objection.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

(a) Yes.

(b) Yes.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No further legislative action is required.

4. FAA Sec. 611(b); FY 1986 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.) N/A.
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? N/A.
6. FAA Sec. 419. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No.  
N/A.
7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and 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. Since this is a research activity, it will have no direct effect on the factors listed in Sec. 601(a). However, the amended Project is designed to influence the development of the private sector (b), and possibly cooperatives and financial institutions (c), as well as labor unions (d). Through better resource policies the amended Project should discourage monopolistic practices (d), and efficiency of industry, agriculture and commerce(e).

706

8. 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).
9. FAA Sec. 612(b), 636(h); FY 1986 Continuing Resolution Sec. 507. 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.
10. 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?
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
12. FY 1986 Continuing Resolution Sec. 522. 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?

The amended Project will continue to encourage U.S. involvement in Indonesia by (a) funding U.S. consultants, travel and training; and (b) by being open to studies designed to enhance the investment and trade environment.

Approximately 26.5% of the total Project costs will be funded by the GOI in Rupiah or "in-kind".

The U.S. does not hold excess Indonesian Rupiah to be used for Project purposes. (See item 10, below.

No.

Yes.

N/A.

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program take into consideration the problem of the destruction of tropical forests?

Yes. The amended Project does not effect the environment. It is essentially for technical assistance, study and research.

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

N/A.

15. FY 1986 Continuing Resolution Sec. 533. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?

No.

16. ISDCA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, 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)?

No set amount of funds of the amended Project will be only so available; however, any RFPs will strongly encourage the participation of such entities the maximum practicable extent, particularly as subcontractors.

**B. FUNDING CRITERIA FOR PROJECT**

**1. Development Assistance  
Project Criteria**

- a. FAA Sec. 102(a), 111, 113, 281(a). 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, ~~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; (b) 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; (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, (e) utilize and encourage regional cooperation by developing countries?

This is a research project. To the extent the development policies and programs which are influenced by the amended project affect the rural or urban poor or cooperatives, it is intended to have a beneficial impact on them.

x  
81

- b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?
- Yes. It meets fully the criteria of FAA Sec. 106.
- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?
- Although not designed as such to emphasize appropriate technology, Project studies may result in program designs for capital conserving, labor-using technologies and forms of organization.
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country)?
- Yes, approximately 26.5% in cash or "in-kind."
- e. FAA Sec. 122(b). 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?
- Yes.

f. 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?

This is a research project. To the extent policies and programs influenced by the amended project increase capabilities of private organizations or the GOI, or stimulate scientific and technological research, it will be so monitored.

g. FAA Sec. 281(b). Describe extent to which program 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 civil education and training in skills required for effective participation in governmental processes essential to self-government.

This project supports GOI policy makers concerned with policy issues and engaged in implementing the 3rd Five Year Development Plan.

2. Development Assistance Project  
Criteria (Loans Only) Not DA loan funded

- a. FAA Sec. 122(b). Information an conclusion on capacity of the country to repay the loan, at a reasonable rate of interest. N/A.
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? N/A.

3. Economic Support Fund Project  
Criteria Not ESF funded.

- a. 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? N/A.
- b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? N/A.
- c. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified N/A.

64

that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States?

- d. 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?

N/A.

T

95

## 5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?? Yes.
3. 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? Indonesia does not so discriminate.
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product 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.) N/A.

Cb

5. FAA Sec. 604(q). Will construction or engineering services be procured from firms of countries which receive direct economic assistance under the FAA and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries? N/A.
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? No.
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes.  
No PASAs are planned under the amended Project.

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes.

9. FY 1986 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

All direct contracts under the amended Project will so provide.

B. Construction

1. AA Sec. 601(d). If capital e.g., (construction) project, will U.S. engineering and professional services be used?

N/A

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

N/A

3. 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 CP)?

N/A

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? Yes.
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A.
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes.
4. Will arrangements preclude use of financing:
  - a. FAA Sec. 104(f); FY 1986 Continuing Resolution Sec. 526. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo (1) Yes  
(2) Yes

- sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?
- (3) Yes
- (4) Yes
- b. FAA Sec. 488. To reimburse persons, in the form of cash payments, whose illicit drug crops are eradicated? Yes.
- c. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? Yes.
- d. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes.
- e. FAA Sec. 662. For CIA activities? Yes.
- f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes.

- g. FY 1986 Continuing Resolution, Sec. 503.  
To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? Yes.
- h. FY 1986 Continuing Resolution, Sec. 505.  
To pay U.N. assessments, arrearages or dues? Yes.
- i. FY 1986 Continuing Resolution, Sec. 506.  
To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? Yes.
- j. FY 1986 Continuing Resolution, Sec. 510.  
To finance the export of nuclear equipment, fuel, or technology? Yes.
- k. FY 1986 Continuing Resolution, Sec. 511.  
For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes.
- l. FY 1986 Continuing Resolution, Sec. 516.  
To be used for publicity or propaganda purposes within U.S. not authorized by Congress? Yes.

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only:  
B.1. applies to all projects funded with Development Assistance loans, and  
B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

YES. SEE ANNEX F, GPT II PP AMENDMENT NO. 2

YES. ATTACHED.

A. GENERAL CRITERIA FOR PROJECT

1. FY 1986 Continuing Resolution Sec. 524; FAA Sec. 634A.

Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project.

A CN has been prepared. Obligation will occur upon expiration of the notification period, without Congressional objection.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

(a) Yes.

(b) Yes.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No further legislative action is required.

4. FAA Sec. 611(b); FY 1986 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.) N/A.
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? N/A.
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No.  
N/A.
7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and 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. Since this is a research activity, it will have no direct effect on the factors listed in Sec. 601(a). However, the amended Project is designed to influence the development of the private sector (b), and possibly cooperatives and financial institutions (c), as well as labor unions (d). Through better resource policies the amended Project should discourage monopolistic practices (d), and efficiency of industry, agriculture and commerce(e).

X

93

8. 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).
9. FAA Sec. 612(b), 636(h); FY 1986 Continuing Resolution Sec. 507. 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.
10. 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?
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
12. FY 1986 Continuing Resolution Sec. 522. 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?

The amended Project will continue to encourage U.S. involvement in Indonesia by (a) funding U.S. consultants travel and training; and (b) by being open to studies designed to enhance the investment and trade environment.

Approximately 26.5% of the total Project costs will be funded by the GOI in Rupiah or "in-kind".

The U.S. does not hold excess Indonesian Rupiah to be used for Project purposes. (See item 10, below.

No.

Yes

N/A.

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program take into consideration the problem of the destruction of tropical forests?

Yes. The amended Project does not effect the environment. It is essentially for technical assistance, study and research

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

N/A.

15. FY 1986 Continuing Resolution Sec. 533. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?

No.

16. ISDCA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, 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)?

No set amount of funds of the amended Project will be only available; however, any RFPs will strongly encourage the participation of such entities the maximum practicable extent, particularly as subcontractors.

95

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance  
Project Criteria

- a. FAA Sec. 102(a), 111, 113, 281(a). 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, 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; (b) 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; (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, (e) utilize and encourage regional cooperation by developing countries?

This is a research project. To the extent the development policies and programs which are influenced by the amended project affect the rural or urban poor or cooperatives, it is intended to have a beneficial impact on them.

- b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?
- Yes. It meets fully the criteria of FAA Sec. 106.
- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?
- Although not designed as such to emphasize appropriate technology, Project studies may result in program designs for capital conserving, labor-using technologies and forms of organization.
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country)?
- Yes, approximately 26.5% in cash or "in-kind."
- e. FAA Sec. 122(b). 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?
- Yes.

f. 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?

This is a research project. To the extent policies and programs influenced by the amended project increase capabilities of private organizations or the GOI, or stimulate scientific and technological research, it will be so monitored.

g. FAA Sec. 281(b). Describe extent to which program 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 civil education and training in skills required for effective participation in governmental processes essential to self-government.

This project supports GOI policy makers concerned with policy issues and engaged in implementing the 3rd Five Year Development Plan.

2. Development Assistance Project Criteria (Loans Only) Not DA loan funded

- a. FAA Sec. 122(b). Information an conclusion on capacity of the country to repay the loan, at a reasonable rate of interest. N/A.
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? N/A.

3. Economic Support Fund Project Criteria Not ESF funded.

- a. 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? N/A.
- b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? N/A.
- c. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified N/A.

X

49

that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States?

- d. 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?

N/A.

## 5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?? Yes.
3. 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? Indonesia does not so discriminate.
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product 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.) N/A.

X

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which receive direct economic assistance under the FAA and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries?
- N/A.
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?
- No.
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?
- Yes.
- No PASAs are planned under the amended Project.

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes.
9. FY 1986 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? All direct contracts under the amended Project will so provide.
- B. Construction
1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used? N/A.
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A.
3. 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 CP)? N/A.

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? yes.
  
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A.
  
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes.
  
4. Will arrangements preclude use of financing:
  - a. FAA Sec. 104(f); FY 1986 Continuing Resolution Sec. 526. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo (1) Yes.  
(2) Yes.

- sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion? (3) Yes.
- b. FAA Sec. 488. To reimburse persons, in the form of cash payments, whose illicit drug crops are eradicated? Yes.
- c. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? Yes.
- d. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes.
- e. FAA Sec. 662. For CIA activities? Yes.
- f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes.

- g. FY 1986 Continuing Resolution, Sec. 503.  
To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? Yes.
- h. FY 1986 Continuing Resolution, Sec. 505.  
To pay U.N. assessments, arrearages or dues? Yes.
- i. FY 1986 Continuing Resolution, Sec. 506.  
To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? Yes.
- j. FY 1986 Continuing Resolution, Sec. 510.  
To finance the export of nuclear equipment, fuel, or technology? Yes.
- k. FY 1986 Continuing Resolution, Sec. 511.  
For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes.
- l. FY 1986 Continuing Resolution, Sec. 516.  
To be used for publicity or propaganda purposes within U.S. not authorized by Congress? Yes.



**REPUBLIC OF INDONESIA  
NATIONAL DEVELOPMENT PLANNING AGENCY  
JAKARTA, INDONESIA**

No. : 21/34/D.I/7/1986

Jakarta, July 10, 1986

Mr. William P. Fuller  
Director  
USAID/Indonesia  
c/o American Embassy  
Jakarta



USAID ROUTING	
TO	ACT. INFO
OIR	<input checked="" type="checkbox"/>
DD	<input type="checkbox"/>
DPA	<input type="checkbox"/>
REG.DEV.	<input type="checkbox"/>
LA	<input type="checkbox"/>
PRO	<input checked="" type="checkbox"/>
MGF	<input type="checkbox"/>
CM	<input type="checkbox"/>
FIN	<input type="checkbox"/>
FIN/B	<input type="checkbox"/>
FIN/FA	<input type="checkbox"/>
ARD	<input type="checkbox"/>
O/PH	<input type="checkbox"/>
EHR	<input type="checkbox"/>
EHR/T	<input type="checkbox"/>
VHP	<input type="checkbox"/>
ESD	<input type="checkbox"/>
INFO C	<input type="checkbox"/>
EEO	<input type="checkbox"/>
PER	<input type="checkbox"/>
OMC	<input type="checkbox"/>
GSO	<input type="checkbox"/>
C & R	<input type="checkbox"/>

Dear Mr. Fuller:

Referring to our letter No. 1712/D.I/5/1986 dated May 30, 1986, after reassessing the estimate cost of the Government of Indonesia's contribution in cash and in kind for the said project, we herewith would like to inform you that the figure which was \$4.0 million has to be revised to \$4.310 million.

Thank you for your kind cooperation.

Sincerely yours,



*M. Siregar*

Bachtarudin Siregar  
Deputy Chairman

<b>ACTION COPY</b>	
DATE DUE	7-25
ACTION TAKEN	
DATE	
BY:	
RETURN TO C & R	

107