

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT IDENTIFICATION DOCUMENT FACESHEET (PID)	1 TRANSACTION CODE <input checked="" type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	DOCUMENT CODE Revision No. _____ 1
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2 COUNTRY/ENTITY Indonesia	3 PROJECT NUMBER <input type="text" value="497-0366"/>
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4 BUREAU/OFFICE A Symbol _____ B Code <input type="text"/>	5 PROJECT TITLE (maximum 40 characters) <input type="text" value="Training for Private Sector Development"/>
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6 ESTIMATED FY OF AUTHORIZATION/OBLIGATION/COMPLETION A. Initial FY <input type="text" value="9 1"/> B. Final FY <input type="text" value="9 5"/> C. PACD <input type="text" value="9 7"/>	7 ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 =) <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th colspan="2">FUNDING SOURCE</th> <th>LIFE OF PROJECT</th> </tr> <tr> <td>A. AID</td> <td></td> <td>20,000</td> </tr> <tr> <td>B. Other U.S.</td> <td>1</td> <td></td> </tr> <tr> <td></td> <td>2</td> <td></td> </tr> <tr> <td>C. Host Country</td> <td></td> <td>2,800</td> </tr> <tr> <td>D. Other Donor(s)</td> <td></td> <td>5,200</td> </tr> <tr> <td colspan="2" style="text-align: center;">TOTAL</td> <td>28,000</td> </tr> </table>	FUNDING SOURCE		LIFE OF PROJECT	A. AID		20,000	B. Other U.S.	1			2		C. Host Country		2,800	D. Other Donor(s)		5,200	TOTAL		28,000
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8. PROPOSED BUDGET AID FUNDS (\$000)							
A APPROPRIATION	B. PRIMARY PURPOSE CODE	C PRIMARY TECH. CODE		D 1ST FY 92		E. LIFE OF PROJECT	
		1 Grant	2 Loan	1 Grant	2 Loan	1 Grant	2 Loan
(1) EH				500		20,000	
(2)							
(3)							
(4)							
TOTALS				500		20,000	

9 SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)	10 SECONDARY PURPOSE CODES
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11 SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) A Code _____ B Amount _____	
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12 PROJECT PURPOSE (maximum 480 characters)

To increase the quantity and the quality of the high level manpower necessary to stimulate and manage economic expansion.

13 RESOURCES REQUIRED FOR PROJECT DEVELOPMENT
 Staff USAID/EHR staff, contractors

Funds \$50,000

14 ORIGINATING OFFICE CLEARANCE	Signature L. P. Reade Title Director	15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION Date Signed MM DD YY 03 21 91
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16 PROJECT DOCUMENT ACTION TAKEN <input type="checkbox"/> S = Suspended CA = Conditionally Approved <input type="checkbox"/> A = Approved DD = Decision Deferred <input type="checkbox"/> D = Disapproved	17 COMMENTS
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18 ACTION APPROVED BY	Signature _____ Title _____	19 ACTION REFERENCE	20. ACTION DATE MM DD YY
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**Training for Private Sector Development (TPSD)
PID (497-0366)**

I. Program Factors

A. Conformity with Recipient Country Strategy

Educational development has long been a priority of Indonesia's development strategy. More than 2,500 Indonesians travel overseas annually for undergraduate and postgraduate degrees in fields such as education, science, research and technology, finance, agriculture and health. Overseas fellowships have been provided by the World Bank and bilateral donors such as Australia, Belgium, Canada, France, Germany, Italy, the Netherlands, the United Kingdom and the United States. The GOI has supported overseas training by setting up three fellowship programs, the Overseas Training Office (OTO), the Science & Technology Overseas Fellowship Program (OFP) and the Sectoral Training Program, establishing rigorous procedures for the selection of government candidates.

The GOI also devotes considerable attention to monitoring the experience of re-entering trainees, particularly earnings and the type of employment they obtain. Follow-up studies show that overseas training contributes significantly to career success. The majority of returned participants report positive use of the skills acquired abroad, and there is relatively little "brain drain" through publicly financed overseas training. More than 97% of those trained overseas through USAID programs return to Indonesia following completion of their studies.

The GOI's Five Year Development Plan V (1989-1994) is based on the principle that education should be geared to the country's development needs. The GOI is working to expand and improve vocational education and cooperation with the business community, especially in the areas of science and technology, and the teaching of natural sciences and mathematics. It is also recognizing the need for improved management capability to sustain the expansion of the rapidly growing economy. This concern includes efforts being made to enlarge and improve university faculties through in-country and overseas training. The GOI's five year plan calls for 33,000 persons to be educated through the post graduate level.

This PID is consistent with the GOI strategy of increasing the skill level of trained personnel commensurate with the country's development needs. In order to maintain the growth momentum of the Indonesian economy into the year 2000 and beyond, more and better-trained Indonesian managers are needed in virtually all sectors of the economy. Prominent Indonesian business schools estimate that in the short term this country - with its

population of 180 million - needs about 2.7 million additional managers. TPSD will address this management constraint.

B. Relationship to the CDSS

This project will serve CDSS objectives that are central to the U.S. development program strategy in Indonesia, namely to increase employment opportunities and incomes by promoting the growth of private economic activity. The project will promote such activity by supporting a mix of short and long term training for Indonesians who can have an immediate and sustained effect on easing the management constraint. These include training of:

- non-governmental middle level managers;
- faculty members of Indonesian management training institutions; and,
- GOI officials involved in formulating and implementing policies and programs that can facilitate private sector growth.

Given the importance of insufficient management capability as a constraint to economic growth, as discussed below, management training for the private sector is one of the most important inputs USAID can provide to promote such growth in the short term. Training of faculty will provide the basis for an efficient sustained increase in the number of managers in the mid and long term. Trained government officials are also needed to implement policies and programs promoting the private sector, such as improvement of the regulatory environment, and supervision of financial markets.

II. Project Description

A. Perceived Problem

The ultimate problem that this project addresses is that, as discussed in the CDSS (page 11), private sector job opportunities in Indonesia are growing more slowly than the work force. As a result, the numbers of the unemployed, or underemployed, are growing. Underlying the problem of growth in employment are the twin problems of low efficiency and productivity of enterprises and the workforce. These are analyzed at length in the CDSS.

The specific problem the project addresses is the lack of human capital necessary to increase efficiency and productivity in the private sector, and help the economy grow. Annual growth of the economy has surpassed 6% in the past two years, and there is confidence that prospects for sustained, broad-based performance will continue into the foreseeable future. Of the various constraints which threaten this positive scenario, perhaps none is more striking in the near and medium term than the lack of trained human resources, especially in the business sector. Not

only is the base of currently-available managers very low, but the means for expanding it to meet the rapidly increasing demand is limited.

The main dimensions of the problem are outlined below:

- A shortage of managers. There are between 500,000 and 800,000 persons in the current managerial pool. There are over 700,000 registered companies. Based on an average of five managers per company, there is a need for 3.5 million managers in the private sector alone.
- The low level of efficiency and effectiveness of many Indonesian managers. Many working managers have received training of questionable quality, affecting performance on the job. Competition for competent managers has created what newspapers call the "hijacking phenomenon". When top flight managers are hijacked, the initial "transfer fee" - a bonus paid in advance - can add up to over \$100,000.
- The lack of quality training institutions in-country. There are few (less than 10) quality graduate level management training institutions offering the MBA. Total yearly output of these institutions is insignificant compared to the demand. Illustrative institutions which would profit from U.S. training of existing or new faculty include:
 - IPPM, the largest and oldest of the private MBA granting institutions, has graduated 800 MBAs since its inception; 80,000 more have participated in short courses. About 300 MBAs are now awarded annually. Faculty include 4 PhDs and 28 MSs in a staff of 85.
 - IPMI has a core faculty of 10. The last graduating class had 39 MBAs; 229 MBAs have graduated in all. IPMI is a private institution. It has formal ties with Harvard, and uses the case study method.
 - The University of Indonesia management program is run by the Faculty of Graduate Studies, and closely monitoring by the Faculty of Economics. UI is a public school. The Magister Management degree was first offered in 1988. The program graduates about 75 a year. It was designed with assistance from University of California, Berkeley staff.
- The GOI Regulatory Environment. While significant progress has been made, the regulatory environment for private sector growth is still constrained by unfavorable policies and regulations.

B. Project Goal and Purpose

Goal: The goal of this project is to contribute to acceleration in the growth of employment opportunities and incomes by measures designed to further economic growth.

Purpose: To increase the quantity and the quality of human capital necessary to stimulate and manage economic expansion in the private sector.

C. Expected Achievements

The project is expected to increase, both directly through training of Indonesian managers and indirectly through training of management educators and trainers, the number, efficiency and productivity of Indonesian managers. Targets in terms of persons trained and increased enrollment capacity of Indonesian training institutions will be included in the PP. An important outcome will be the testing, and possibly establishment, of means by which U.S. organizations, public and private, can be involved in providing resources for training and work experience for Indonesian managers.

The project is also expected to contribute to freeing up Indonesian markets in ways conducive to economic growth. It will do this by providing training to selected GOI officials that will better equip them to support the deregulation process, e.g., by helping them understand the value of reductions of government interference in the economy, how the government can become more supportive and less controlling, and what sort of regulation is supportive of growth in a free market economy.

D. Rationale for the U.S. Participant Training Experience

The project is based on a hypothesis that provision of U.S. participant and targeted in country training for selected business school faculty, business leaders and civil servants will result in skill transfer and non programmed learning that will enable participants to make a significant contribution to Indonesian development. The widely observed efficiency and effectiveness of earlier AID participant training programs in Indonesia and elsewhere, although largely concentrated in the public sector, provide support for this hypothesis.

The project assumes that the most effective way USAID - with its limited resources - can achieve sustainable impact in reducing the management constraint is through selective targeting of participant training programs. The terms "management" and "managers" are used in their broadest sense to include any activities and professional categories that can contribute to the more efficient and effective management of private sector organizations. Such areas of expertise as management science, finance, marketing, accounting, quality control and micro-economics are included.

Training programs selected are those promising achievement of a multiplier effect, relatively early results, and the leveraging

of U.S. private sector resources. Given the fast-changing nature of economic development in Indonesia, additional program areas may be identified during project implementation as those relevant to addressing critical management constraints through USAID-funded training. The project will be evaluated and may be modified to reflect emerging needs and opportunities that fit most closely with project purpose, including transfer of U.S. management and business experience.

A highly valued project result is the extent to which short and long term U.S. participant training will create or solidify links that will lead to increased market access and mutually beneficial trade and investment opportunities for U.S. and Indonesian companies. One of the important additional ways in which the project may increase the efficiency and effectiveness of private sector Indonesian managers is by providing participants with training and work experience in the U.S. The feasibility and usefulness of similar work experiences for management educators, trainers and government officials could also be explored in project design and tried in implementation.

E. Project Outline

The project will have three components. All three will be implemented through provision of a combination of participant training, in-country training, and technical assistance. Determination of the level of effort of inputs other than training will be made during PP design.

1) Demand Driven Short Term Training for the Private Sector.

There is a demand for short term technical and commercial type training in the United States and in Indonesia for entrepreneurs, managers and private individuals involved in manufacturing, agribusiness, services, trade and commerce. Although the bulk of the demand will be met through training, provision will also be made for invitational travel, attendance at key conferences and trade meetings, and short courses offered in Indonesia.

Opportunities for short term training which is targeted toward the private sector will be publicized through newspapers, magazines, journals, the Indonesian and American Chambers of Commerce as well as through professional and academic organizations. To the maximum extent possible, it is expected that the cost of this component will be equally shared with USAID and - in the aggregate - private sector employers or the participants themselves. Leaders of PVOs involved in income generating activities could be included in training programs.

Private sector internships in the U.S. and in Indonesia will be offered in conjunction with training programs provided above or separately. The value of internships is widely recognized, as is the difficulty of establishing a program which has size, scope and promises sustainability.

Selection criteria, implementation and administrative arrangements will be specified in the Project Paper. It is expected that the Mission will take the lead in implementing this component, with possible contract assistance. Since arranging for short term training and private sector internships are highly management intensive activities, the Project Paper team will pay special attention to ways of effecting management efficiencies.

2) Training of Faculty in Management Training Institutions

There are several fully functioning, extremely competitive, high quality, private management training institutions in Indonesia, and several public institutions where upgrading of existing staff and recruitment and training of new staff would lead to early and significant increases in the number and quality of trained Indonesian managers graduating yearly. For example, two of these institutions, IPMI and IPPM have previously demonstrated their ability to effectively manage grants in aid through the USAID Private Sector Management Development (PSMD) project. A critical constraint to the growth in the numbers trained by these institutions has been the size of their respective faculties.

The three foremost public universities (University of Indonesia, Gajah Mada University and the Bandung Institute of Technology) have recently initiated graduate programs in business administration. Entry to these new "Magister Manajemen" programs is highly competitive with most students fully sponsored by private firms. The public universities have great difficulty retaining full time core faculty because salaries are not competitive with those paid in the private sector. As a result, most instructors are part time MBA's who also hold full time jobs outside of academia. If AID is to succeed in expanding the output of management training institutions, it must find a help these institutions find a way to retain faculty.

The project will seek to achieve a multiplier effect by training instructors in the field of management and business administration, who will, in turn train others. Key institutions, to be identified during PP design, will be requested to nominate current or prospective members of their faculty for Masters and Doctoral level training in the United States. Such candidates will be offered, and will be required to accept long term full time faculty appointments at the sending institution, or face considerable repayment penalties. USAID will assign to each institution specific numbers of training slots.

The number of instructors to be trained from each institution in this project will be based upon an institutional development plan prepared by the participating institutions and reviewed by USAID. Academic (probably GMAT) and English competency tests will be administered for long term training candidates from management training institutions, English language tests only for short-term participants. Minimally acceptable scores will be determined in the project design process.

USAID recognizes that the overseas training of management faculty is important but is not sufficient, in terms of institution building. Therefore, the TPSD project will finance the services of American instructors to teach, assist in curriculum and case study development, teaching methodology and provide linkages with U.S. business schools. These instructors should not be seen as long term replacements for Indonesian faculty, since the target schools will be expected to hire replacements and thereby expand faculty. The U.S. faculty will focus on quality improvement. Since U.S. technical assistance is expensive, the PP team should explore the use of Fulbright lecturers, university sabbatical programs, the International Executive Service Corps (IESC), and other innovative means of reducing the cost of T.A.

3) Training for Government of Indonesia Officials

The third component will be short and long term training for participants who have or will assume GOI responsibility in some area of private sector development areas but who cannot be funded from the resources of other projects. This program will more closely follow the format of a traditional participant training program for civil servants, but will have as priority private sector development. This component will:

- provide training for GOI officials who are well positioned to improve the free market environment, including candidates selected in conjunction with the Mission's Agriculture Rural Sector Support Program;
- provide a vehicle for participant training in support of private sector development as identified by other mission officers; and,
- support new or special initiatives such as the APEC Partnership for Education.

USAID (technical offices) will recommend appropriate training, and the relevant GOI technical ministry will nominate candidates who will then be tested for required English language and academic skills. Specific target ministries and illustrative training opportunities will be cited in the Project Paper. It is expected that the Overseas Training Office (OTO) will provide some of its services to prepare participants for training in the U.S. once they have been selected.

III. Factors Affecting Project Selection and Development

A. Social Considerations

1. Socio-Cultural Context & Feasibility

Indonesia, in addition to being very spread out--the distance from one end of the archipelago to the other is approximately that between San Francisco and the Bahamas--is an ethnically and linguistically diverse society with much of the population (100 million out of the 180 million total) centered in Java, the

island where the national capital is located. Javanese economic domination and government centralization tend to be self-perpetuating. For this reason USAID Indonesia has made special efforts in its development programs to provide support for the outer islands. Such effort will continue under this project. Similarly, training opportunities will be sought for women in approximate proportion to their traditional participation in targeted activities.

In addition to the problems of obtaining adequate numbers of female participants, USAID has previously encountered difficulties in recruiting candidates for training at Historically Black Colleges and Universities (HBCUs). In this connection, it would be helpful to identify fields in which particular HBCUs are especially strong and offer scholarships specifically for study in those fields and institutions (to the extent they fall within the overall purpose of the project).

2. Beneficiaries & Participation

The direct beneficiaries of the project will be those involved in training under it. Attention will be paid in the project design to investigating ways to increase numbers of women participants, and those from underdeveloped areas of the country. Candidates of any ethnic origin will be given equal treatment under the project. The more important, though indirect, beneficiaries, and, in a sense, true target group of the project, are the much larger number of unemployed, underemployed and low income earners who will benefit from the improved employment opportunities made possible by the project through economic growth. The extent to which the project benefits this group will depend to a considerable extent on whether the GOI continues to support a free market system.

3. Impact

Impact will be heightened in the near term through the training of faculty for Indonesian schools of management who will return to those schools and help increase quality and quantity of graduates. Additionally, programs may include criteria increasing the probability that participants will enter industries or specialties likely to make a greater contribution to the growth of employment and incomes than most alternatives. Project criteria developed in PP design may also favor selection of participants in industries with a comparatively high growth potential, or for specialties making a particularly important contribution to the competitiveness of the Indonesian economy (e.g. productivity, quality control, international marketing and market analysis).

Spread and/or replicability is a key concern, which accounts for the initial emphasis on training of faculty of Indonesian management schools, who in turn can train a large number of Indonesians enrolled in the schools. The criterion of "leveraging of U.S. private sector support" will also be an important factor in ensuring that programs that are tested and

funded are those that show promise of mobilizing additional support and spread of benefits.

Sustainability. After three years of implementation, the project will be evaluated. The evaluation may recommend important design changes to maximize the sustainability of project benefits.

B. Financial and Economic Considerations

1. Economic Justification for the Project

As indicated in the problem analysis, section II.A., above, shortage of qualified management personnel is one of the most severe constraints on economic growth. Investment in short and long term management training is an appropriate use of USAID resources. The funding of training for selected private sector managers, management school faculty, and GOI officials will effectively help Indonesia's private sector take advantage of opportunities created in the shift from a centrally managed economy to one governed by market forces. Funding under this project will increase the quality and quantity of trained personnel active in areas directly related to filling gaps in the changeover process that are not covered by other funding sources. By focussing on training of trainers in Indonesian management schools, we are attempting to achieve a multiplier effect.

2. Alternatives

A "least cost" analysis will be carried out during PP preparation. As discussed in Handbook 3 Chapter 3, this method is appropriate for "human infrastructure" projects. Two possible alternatives are discussed below.

The first important alternative strategy considered was to focus exclusively on training faculty of Indonesian management schools. The advantage of this alternative, which would include substantial in-country training, is that it would provide training to a good many more Indonesian managers in the life of the project thus doing more to relieve the current management training institutional capacity constraint.

It was decided to include scope for free market oriented U.S. short and long term training programs as well for two reasons: 1) because of the potential impact on the Indonesian economy and society of the positive effects, in both skill and non programmed learning, of training in an industrialized and democratic society; and, 2) because of the potential benefits to both the U.S. and Indonesian economies resulting from links forged by training in the U.S.

The second important alternative considered was a more general and flexible training project that would have focused on the Development Problem Areas identified by USAID as an elaboration of its Country Development Strategy but not limited to development of free markets and the private sector. USAID's strong preference was to focus more narrowly on training needs in

those development problem areas that are of highest priority to the Mission.

C. Experience with Similar Projects

USAID, Jakarta has financed overseas graduate-level training for 40 years. More than 10,000 Indonesians have been trained under various programs. Most of the participants have been civil servants and most of the training has been in the United States. Training has been in all sectors and related both to specific projects and more general needs.

The on-going General Participant Training Project (GPT-II, 497-0328), which started in 1983, provides the most recent USAID experience. The recent evaluation of that project - completed 8/90 - has been drawn on in preparing this PID. The third amendment to GPT-II divides the participant training component into two parts, one part for participants who are programmed entirely by OTO and the other part for "special concerns" of USAID. (OTO is an arm of BAPPENAS and is directed by the Deputy Chairman for Administration of BAPPENAS under the supervision of the National Steering Team for Overseas Training.)

The special concerns component is relevant to design of TPSD. The component supports private sector training for NGOs, private universities, and the for-profit private sector. The concerns also include environmental and natural resources management, industry, trade promotion, commercial law, and agro-business and processing.

Over the last year a resident U.S. contract firm was engaged to assist the OTO with the recruitment and initial screening of participants from the private sector. Since that time, procedures for recruiting from the private sector have been tested and USAID is gaining experience that should be useful in the implementation of activities in this project.

USAID's Financial Markets Project (497-0360), under the Private Sector Development Division, also provides relevant experience. The financial markets project has a major training component consisting of short-term overseas and in-country training. The training is targeted at regulatory agencies concerned with capital markets, similar to the targeting of regulatory agencies envisioned in the proposed activity. The experience this project has given USAID with short-term training in the United States and with relevant U.S. and Indonesian institutions and contractors will be useful.

In addition, USAID has had positive experiences with ongoing grants for institutional strengthening - including faculty development - with two Indonesian Management schools, IPMI and IPPM. Support is provided through the Private Sector Management Project 497-0345 referred to above, and the Private Sector Development Project (497-0329).

Under the latter, USAID supported activities of the Indonesian Executive Development Fund. The IEDF is associated with IPMI, one of the leading Indonesian schools of management. IEDF's offers programs which enable Indonesian businessmen and women to travel overseas to visit companies, participate in internships with businesses from similar industries, attend briefings offered by industry experts, or upgrade their management skills by attending workshops at well known U.S. universities. Under USAID support, IEDF developed Individual Custom-Designed Training Programs primarily of a longer term nature (six months or more). Executives received short term practical management experience as intern in U.S. companies, and often combined them with short term non-degree training programs in U.S. management schools.

Lessons learned from all these projects will be looked into by the PP design team.

D. Proposed Implementing Agencies

With regard to the proposed implementing agencies, our intent is to make resources available as directly as possible to private sector beneficiaries. The project paper team will be asked to develop appropriate mechanisms to achieve that objective. A combination of contracts, cooperative agreements, memoranda of understanding, and support grants will be used to deliver assistance directly to the implementing institution. The responsibilities of the implementing entities, OTO, and USAID will be further elaborated during the PP design.

Short and longer term training of entrepreneurs and private sector employees will likely be implemented by contract or directly by U.S.A.I.D, possibly through a buy-in per #1 below. It may be possible to provide support for staff development and expansion of Indonesia's management training institutions via a contract with a U.S. business school, or consortium of business schools. Short and long term training of GOI employees could be implemented through a buy-in to the Office of International Training managed Partners for International Education and Training (PIET) contract.

1) Demand Driven Short Term Private Sector Training

Implementation arrangements for short term private sector participants will depend upon an assessment of demand and simplicity of management. Selection and management considerations will be addressed in the project paper. It is important to note that this component will require the active collaboration and financial contribution of non-governmental organizations and private business enterprises. In addition to planning long and short term training activities, internships will be an important activity that the contractor will have to implement.

One potentially appropriate resource for assistance in implementing this component is the Indonesian Executive Development Fund. With assistance already provided under the

Private Sector Management Project, for example, IEDF has established a linkage with an AID centrally-funded project, Entrepreneurs International (EI). Under this relationship, EI will assist in developing 10 individualized programs for Indonesian companies. This kind of arrangement, among other advantages, would avoid the often prohibitive cost of U.S. training charged by a private consulting firm.

2) Strengthening of Management Training Institutions

In the case of training for the faculty of management training institutions, USAID will establish a process for identifying appropriate institutions that need faculty upgrading and expansion, and assessing the level and type of training to be supported. A key consideration will be potential for rapid increase in quality and quantity of graduates. Those institutions will then nominate candidates who will be screened by USAID and the contractor (probably a business school or consortium of business schools).

To the extent necessary, the GMAT test will be given as a screening device. Long-term candidates will be tested for academic and English language capabilities. Short-term candidates may be tested in English depending on their area of study and required English proficiency.

3) Training for GOI Civil Servants

For the Government component, based upon annual planning levels, USAID technical offices will work with relevant government entities to select and put forward candidates for training. Final nomination will be made by technical ministries. The OTO is expected to play a service role in preparation of GOI candidates selected for long term U.S. training. OTO would screen participant candidates for English language and academic potential, and will assure that they meet minimum acceptable standards.

Gray Amendment. The PP design team will explore to the fullest extent possible the feasibility of contracting with firms covered under the Gray Amendment.

E. USAID Support Requirements and Capability

The USAID Training Division, in the EHR Office, will be responsible for overall project management. Recruitment (and placement) of a PSC (program-funded) Project Coordinator to assist in day to day project implementation will also be taken into consideration during PP design. It is anticipated that each USAID technical office will take responsibility for preparing documentation for participants in its area.

One of EHR's current three direct hire employees supervises a training division which includes a staff of six Indonesian professionals. EHR's aim is to utilize the training division to

implement the project and to keep management of the project as simple as possible.

F. Estimated Costs and Methods of Financing

It is estimated that the project will cost \$28,000,000 with a GOI contribution equivalent to \$2,800,000. AID's contribution will be \$20,000,000 in grant funds. The project will also receive significant support from Indonesian and U.S. firms, and private individuals. The following table outlines the major project elements and their estimated costs.

	<u>Contribution (\$000)</u>		
	<u>AID</u>	<u>HC</u>	<u>Private</u>
I. Participant Training			
A. Short Term Private Sector	4,000		4,000
B. Training for Mgt Institutions	8,000	1,200	1,200
C. Training for GOI	4,000	1,400	
Sub Total	<u>16,000</u>	<u>2,600</u>	<u>5,200</u>
II. Technical Assistance			
A. Project Management			
1. Project Coordinator	500		
2. Contract Assistance	2,000		
B. Research	200		
Sub Total	<u>2,700</u>	<u> </u>	<u> </u>
III. Contingency/Inflation	1,000		
IV. Evaluation/Audits	300		
V. Local Costs		200	
TOTAL	<u>20,000</u>	<u>2,800</u>	<u>5,200</u>

G. Design Strategy

USAID will prepare the Project Paper with the help of consultants and in coordination with the GOI. Consultants will be required to provide expertise in:

- (1) project development; 6 weeks
- (2) management and business administration; 4 weeks

The cost of the team should be approximately \$50,000 depending on whether consultants are hired individually or through an institutional contract.

The project committee will consist of the USAID EHR Director who will chair the committee, the USAID EHR Chief of the Training Division, the USAID project development officer for EHR, and

representatives of other Mission technical and support offices, as appropriate.

H. Recommended Environmental Threshold Decision

A categorical exclusion from A.I.D.'s Initial Environmental Examination, Environmental Assessment and Environmental Impact Summary requirements is recommended. This recommendation is in accordance with A.I.D. 22 CFR Part 216.2 (c) (2) (i), which excludes education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities). The project will have no direct impact on the environment and does not involve any activities with a significant direct impact on the environment. (See Attachment B.)

Attachments:

- A. Preliminary Log Frame
- B. Initial Environmental Examination
- C. Project Design Scope of Work
- D. Documents Consulted by the PID Team
- E. Persons Consulted by the PID Team
- F. Gray Amendment "Conclusions and Recommendations"
- G. GPT II Evaluation, 08/1990
- H. Delegation of PID Approval Authority.

Narrative	Objectively Verifiable Indicators of Progress	Means of Verifications	Assumptions
<p><u>Goal</u></p> <p>To contribute to acceleration in the growth of employment opportunities and incomes by measures designed to further economic growth</p>	<p>Higher growth rate, employment, and incomes than would otherwise have existed</p>	<p>1 Comparison of data on sales, profits and payroll trends from companies in which those trained under the project worked after training and other comparable companies</p> <p>2 Interviews with company executives and former trainees and their supervisors to get their opinions on the relationship between training and company performance</p>	<p>That if companies employing trainees have a higher volume of business and higher profits and are employing more people and paying better wages because of training than they otherwise would have, the same is true of the national economy</p>
<p><u>Purpose</u></p> <p>To increase the quantity and the quality of human capital necessary to stimulate and manage economic expansion in the private sector</p>	<p>1 The number of company managers trained under the project or by those management educators and trainers trained under the project</p> <p>2 The quality of the company managers trained as compared to those trained elsewhere</p> <p>3 The effectiveness of government officials trained under the project in formulating and implementing open market policies and regulations important to the growth of the economy</p>	<p>1 a A survey of former participants under the project to determine whether they would have received training at the time they did if they had not received it under the project</p> <p>b Number of graduates of management education and training institutions before and after the project and interviews with officials of those institutions to get their opinion on the relationship between training under the project and the output of the institution</p> <p>2 Comparison of progress in pay and status of managers trained under the project or by management educators and trainers trained under the project to that of other managers in the same companies, and opinions of supervisors and company executives on the value of the training</p> <p>3 Identification of policies that government officials trained under the project were involved in formulating and implementing, and probing interviews of knowledgeable businessmen concerning the effect of these policies on the economy</p>	<p>That managers trained under the project will add to the number of managers that would have existed but for the project rather than simply replacing some of those managers</p> <p>The improved skills and knowledge of persons trained will result in higher level of on the job performance</p> <p>Opportunities for utilization of improved skills and knowledge in the private sector will not be reduced</p>

INITIAL ENVIRONMENTAL EXAMINATION TRAINING FOR THE PRIVATE SECTOR PROJECT

I. Examination of Nature, Scope and Magnitude of Environmental Impact

A. Project Description

The proposed project will provide long and short-term training in the United States for participants from the private and public sectors. Participants will pursue studies in general management and other priority sectors. Participants, especially those civil servants who work in policy positions concerned with industrial waste management, will be encouraged to pursue environmental courses in the United States to sensitize them to the importance of environmental issues pertinent to industrial growth.

B. Identification and Evaluation of Environmental Impacts

As a training project that does not include construction, the proposed activity will have no direct impact on the environment and does not require an Initial Environmental Examination. USAID recognizes that the quality of the Indonesian environment will become more of an issue as the economy continues its rapid growth and private sector activities increase. Some of the training opportunities will therefore be directed at Indonesian policy makers responsible for managing Indonesia's environment, especially in the area of industrial waste. Short-term training will include the study of environmental procedures and regulations at the national and local levels, environmental planning and management, environmental impact assessment, industrial pollution and administration.

II. Recommendation for Environmental Action

A categorical exclusion from A.I.D.'s Initial Environmental Examination, Environmental Assessment and Environmental Impact Summary requirements is recommended. This recommendation is in accordance with A.I.D. 22CFR Part 216.2 (c) (2) (1) which excludes education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.). The project will have no direct impact on the environment and does not involve construction.

INITIAL ENVIRONMENTAL EXAMINATION

TRAINING FOR OPEN MARKETS

- (A) Program Country: Indonesia
- (B) Activity: Training for Open Markets
- (C) Funding: \$20,000,000
- (D) Period of Funding: 1991 - 1997
- (E) Statement Prepared by: _____
- (F) Environmental Action Recommended: Categorical Exclusion under AID 22CFR Part Section 216.2 (c)(2)(i)
- (G) Environmental Officer Clearance: Jerry Bisson
Jerry Bisson, Mission Environmental Officer
USAID/ Indonesia
- (H) Decision of USAID/Indonesia Director

Approved: _____

Disapproved: _____

Date: _____

- (I) Decision of ANE Environmental Officer

Approved: _____

Disapproved: _____

Date: _____

Project Paper Development

Primary responsibility for the development of the Project Paper lies with the Education and Human Resources Development Office, with the active collaboration of other USAID offices including PPS, PSD, EPSO, CM, FIN and RLA. In view of the relative simplicity of the design, only two outside consultants will be recruited:

(i) A Project Development Officer who will be responsible for the integration of various sections into a coherent document.
(six weeks)

(ii) A business administration and management training professional who will visit and evaluate needs and potential of institutions targeted for strengthening within the project.
(four weeks)

SCOPE OF WORK FOR CONSULTANT TEAM

The Project Development Officer (PDO) will serve as a focal point for information for all persons involved in the project design. He/she will assure that the draft project paper is complete and in accordance with the format and substantive requirements of AID's Handbook 10. Based upon substantive input from all of the officers participating in the design, the PDO will draft the Project Paper and requisite annexes.

The business administration and management training specialist will probably be recruited from the faculty or administrative ranks of a U.S. graduate business school. This expert will be well versed in issues related to staff and program development in connection with graduate management training. Based upon an evaluation of the performance and potential of selected public and private business schools, this consultant will recommend institutions for inclusion in the project, and work with those institutions to develop proposals for improving staff/program and to increase output. The consultant will be responsible for drafting that part of the technical section which relates to support to management training institutions, and prepare a draft RFP for implementation.

REFERENCE DOCUMENTS FOR TPS PROJECT DESIGN TEAM

1. A Survey of Private Sector Training in Indonesia, Grant Cox, November 1985
2. A Preliminary View of Indonesia's Employment Problem and Some Options for Solving It, Report, Robert Rucker, October 1985. (Available at Info Center)
3. Agribusiness Development Project PID, July 1990
4. Agriculture and Rural Sector Support Project, amendment 2, 8/7/90. (Available at EPSO)
5. Amendment to ARSSP project increasing grant to \$66 million
6. An Analysis of the Emerging Agribusiness Sub-Sector in Indonesia, December 1989
7. Chapter 20, Education and the Young Generation, Repelita V, Indonesia's Fifth Five-Year Development Plan, 1989/90-1993/94. (Available at Info Center)
8. Core of Briefing Packets, memorandum from George Lewis and attachments, September 17, 1990
9. Development Project to Accelerate the Growth of Labor Intensive Value Added Manufacturing in Indonesia, Report, Export Development Consult, December 20, 1989
10. Evaluation of the Overseas Training Office and GPT-II, Pragma Corporation, March 10, 1988
11. Evaluation of the General Participant Training (GPT) II Project, TvT Associates, August 1990
12. General Participant Training II, Project Amendment 3, July 30, 1988
13. Higher Education Development Support project paper, 6/20/90
14. Indonesian Executive Development Fund information packet
15. Institution for Management Education and Development (IPPM) brochure
16. IPMI MBA information packet

17. Overseas Training Office, OTO, in 1987, brochure
18. Participant Training, AID Policy Determination, July 13, 1983
19. Project Summaries
 - Private Sector Management Development
 - Financial Markets Project
 - Financial Institutions Development Project

Persons Consulted by PID Team

1. Abdullah Alamud, Editor, Titian magazine, USIS. Former editor of Business Indonesia and founding editor of Warta Ekonomi, Indonesian economic magazine.
2. Pamela Bigart, Private Sector Development Office, USAID/Jakarta.
3. James Brown, Agriculture and Rural Development Office, USAID/Jakarta.
4. Joseph Carroll, Private Sector Development Office, USAID/Jakarta.
5. William M. Carter, Chief, Office of Voluntary & Humanitarian Programs, USAID/Jakarta
6. Andra Corrothers, Office of Voluntary & Humanitarian Programs, USAID/Jakarta.
7. Peter Gajewski, Chief, Economic Policy Support Office, USAID/Jakarta.
8. Edward Greeley, Program and Project Support Office, USAID/Jakarta.
9. Michael Hammiq, Agriculture Economist, AARSP Project Manager, Economic Policy Support Office, USAID/Jakarta.
10. John Hepp, Controller and chief of computer operations, Financial Analysis Division, USAID/Jakarta.
11. Norman Goodman, Director, Office for Southeast Asia, Institute for International Education.
12. James Hradsky, Project Development Officer for private enterprise and agriculture, Program and Project Support Office, USAID/Jakarta.
13. Gartini Isa, Office of Education and Human Resources, USAID/Jakarta.
14. Nancy Langworthy, Program and Project Support Office, USAID/Jakarta.

15. George Lewis, Chief, Program and Project Support Office, USAID/Jakarta.
16. Lanna Lubis, Private Sector Development Office, USAID/Jakarta.
17. Indra Notohadinegoro, Training Division, Office Education and Human Resources, USAID/Jakarta.
18. Stephen Parker, Economic Policy Support Office, USAID/Jakarta.
19. Norman Rifkin, Chief, Office of Education and Human Resources.
20. John Rogers, Economist, Private Sector Development Office, USAID/Jakarta.
21. Lee Ann Ross, Economist, Economic Policy Support Office, USAID/Jakarta.
22. James O. Watson, Chief, Private Sector, USAID/Jakarta.
23. Paul Scott, Legal Advisor, USAID/Jakarta.
24. Sherry Suggs, Training Officer, Office of Education & Human Resources, USAID/Jakarta.
25. Lee Twentyman, Deputy Director and acting Director, USAID/Jakarta.
26. Kenneth S. Patton III, Vice President, Country Manager for Indonesia, The Chase Manhattan Bank, N.A.
27. Anugerah Pekerti, Ph.D., President, Institute for Management Education and Development.
28. Kathleen Goodman, Advisor, USAID Specific Support Grant, the Indonesian Executive Development Fund (IEDF), The Indonesian Institute for Management Development (IPMI)
29. Michael Yaki, Director, USIS/Jakarta.
30. Mustopadidjaja, Director, Indonesian Overseas Training Office
31. Ismail Mohamad, Treasurer, OTO.
32. Dr. Affan Hasan, Planning/Needs Assessment Division, OTO.

33. Dr. Supangkat, Pre-Departure, Orientation/Preparation Division, OTO.
34. Dr. Benny Hoed, Operation Research Division, OTO.
36. Dr. S. Hasyim, Finance and Operations Division, OTO.
37. Mr. Johannes Soebroto, Training Officer, Training Division, Office of Education & Human Resources, USAID/Jakarta
38. Howard Schuman, Training Specialist, Price Waterhouse/Ministry of Finance

Gray Amendment

The design of the project paper must take into account the potential involvement of small and/or economically and socially disadvantaged enterprises, and must certify that to the extent that technical assistance is required, every effort will be made to identify a small or disadvantaged firm to provide the assistance. To the extent possible, Historically Black Colleges or Universities (HBCU's) will be utilized for participant training. It is planned that a portion of the accounting and audit services be procured from small and/or economically and socially disadvantaged enterprises. Provisions of the Gray Amendment will also pertain to evaluations and continued project design.

GPT II EVALUATION

August, 1990

III. CONCLUSIONS AND RECOMMENDATIONS

1. The most immediate concern about this project is financial; that is, there is uncertainty about how much money is available to ensure adequate funding for those participants who are already in the U.S. and those who will be placed in September 1990.
 - a. The first priority is for A.I.D. and OTO to immediately complete a financial analysis of the project to determine the amount of available funding for future use.
 - b. Second, OTO and the OTO support office at MUCIA should immediately develop and implement adequate monitoring procedures and financial control over project funds. These procedures and controls should be approved by the A.I.D. finance office.
 - c. There is need also for a financial audit of the U.S. bank account holding the OTO training funds. We recommend that the OTO support office (MUCIA) arrange for a Certified Public Accounting firm to audit the account and submit a report to OTO of the review findings.
2. It is recommended that the targets for General Participant Training be realigned to coincide more closely with the current development needs of the country. The current GOI policy objective of privatization implies the need to give greater consideration to human resource development in the private sector. Human capital investments are needed to offset critical skill shortages in mid-level management areas such as hospital administration, hotel/tourism management, banking and financial management, and production and quality control management. It is anticipated that the returns on human capital investments will be higher in the private sector than in the public sector.
3. It is recommended that USAID continue to support the institutional development of OTO. The development of the OTO service functions of research, documentation, evaluation, and analysis should be given priority. Recommended areas of investigation are.
 - a. Studies on effective predictors of academic performance of OTO participants overseas.
 - b. Tracer studies of returned OTO participants.
 - c. Analysis and update of the report of the Indonesian Educational System.

- d. **Improvements in electronic data collection, entry, and management (including PDMS).**
4. **OTO's sustainability depends on developing a balanced capacity in its control and services functions. The actual functions performed by OTO are largely restricted to the administration of overseas training and a continued expansion of this function is likely to transform OTO into a bureaucracy for the administration of overseas training. We view this trend as contrary to the stated objectives of providing guidance and services to other organizations.**

OTO should consider subcontracting for the actual implementation of the components of its training cycle which are well developed (e.g., TPA and ELT) and devote its resources to further refinement of processes and standards.

5. **The Academic Potential Test (TPA) has served as an effective tool in the OTO selection process. There is significant concern, however, that the TPA processes need to be revised and refined as follows.**
 - a. **There is a need for systematic updating of the tests.**
 - b. **There should be a separate administrative unit that deals only with testing matters to insure both organizational efficiency and security.**
 - c. **Continued analysis of the effectiveness of the TPA is needed, particularly as it is revised over time. This would include studies on the academic performance of those who never took the TPA.**
6. **It is recommended that OTO broaden the size of its candidate pool in order to provide the cadre of participants necessary to meet the skill development of the country:**
 - a. **More candidates for the TPA examination should be recruited each year.**
 - b. **Basic English Language Training (BELT) needs to be expanded in order to provide additional qualified candidates. OTO should expand the number of institutions offering BELT.**
 - c. **Recruitment of candidates with TOEFL scores of 500 or more should be increased.**

(The evaluation team does not concur with the idea of lowering TPA target scores to increase the size of the pool of eligible candidates; there are more efficient, available options.)

7. In order to fully meet the objectives of the GPT-II project, OTO and its support office (MUCIA) need to develop action plans to insure that:
 - a. More women candidates are selected for overseas training.
 - b. HBCUs are utilized for academic placement and short-term programs.
 - c. Short-term training quotas are met.
 - d. Follow-up and re-entry/re-integration activities are developed for returned participants.

8. The Overseas Training Office needs to develop a policy and process to accommodate the placement of candidates in different countries for overseas training. The process should insure that there are not qualitative preferences given to a particular country or donor agency. The process should also provide a system that avoids duplicate placements by several donors for the same candidate.

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TAGS:

SUBJECT: PID APPROVAL AUTHORITY: INDONESIA - TRAINING
FOR PRIVATE SECTOR DEVELOPMENT, 497-0366

REF: (A) JAKARTA 02422, (B) JAKARTA 01818

1. THE ASSISTANT ADMINISTRATOR FOR THE ASIA AND PRIVATE ENTERPRISE BUREAU HEREBY DELEGATES PID APPROVAL AUTHORITY FOR THE TRAINING FOR PRIVATE SECTOR DEVELOPMENT PROJECT, 497-0366, TO THE USAID/INDONESIA MISSION DIRECTOR.

2. FUNDING LEVELS: IF THE PLANNED LOP FUNDING LEVEL OF ICIS 20 MILLION OR THE FY 91 OBLIGATION OF DOIS 500,000 CHANGE DURING THE COURSE OF THE DESIGN, APPE/W APPROVAL WILL BE REQUIRED. CABLE REQUESTING SUCH APPROVAL SHOULD BE SENT TO THE ATTENTION OF FPM AND PP/PD. (PER DELEGATION OF AUTHORITY FOR THE BUREAU FOR ASIA AND PRIVATE ENTERPRISE, DATED NOVEMBER 10, 1990, AND PER DOA 422 IF THE PLANNED LOP FUNDING LEVEL EXCEEDS DOLS 20 MILLION, THEN THE MISSION COULD REQUEST THE AA/APRE TO ISSUE AN AD HOC DELEGATION OF AUTHORITY "BASED ON POLICY, PROGRAMMATIC AND STAFFING CONSIDERATIONS.")

3. ENVIRONMENTAL IMPACT: PRIOR TO AUTHORIZING THE PROJECT, THE IEE SHOULD BE APPROVED BY THE BUREAU'S ENVIRONMENTAL OFFICER, MOLLY KUN, APPE/DE/TR. IN ORDER TO REVIEW THE IEE AND MAKE A DECISION REGARDING THE RECOMMENDED ENVIRONMENTAL THRESHOLD DECISION, PLEASE SUBMIT A COPY OF THE PID ALONG WITH THE IEE.

4. MID: FYI LEGISLATION REQUIRES REPORTING GENDER-DISAGGREGATE TRAINING PROJECT DATA. LEGISLATION AS WELL AS POLICY ALSO SUGGEST TARGET (AS OPPOSED TO QUOTA) FOR FEMALE PARTICIPATION IN TRAINING. LEGISLATIVE LANGUAGE READS AS FOLLOWS: "THE PERCENTAGE OF WOMEN PARTICIPANTS WILL BE IN APPROXIMATE PROPORTION TO THEIR TRADITIONAL PARTICIPATION IN THE TARGETED ACTIVITY OR THEIR PROPORTION OF THE POPULATION, WHICHEVER IS GREATER." THE PID AND PP SHOULD MAKE CLEAR HOW PROJECT DESIGN ADDRESSES THIS TARGETING SUGGESTION AND REPORTING REQUIREMENT.

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