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A.I.D. PROJECT NO. 497-0372

PROJECT GRANT AGREEMENT

BETWEEN

THE REPUBLIC OF INDONESIA

AND THE

UNITED STATES OF AMERICA

FOR

ECONOMIC LAW AND IMPROVED PROCUREMENT SYSTEMS

DATED: August 31, 1991

PROJECT GRANT AGREEMENT

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PROJECT GRANT AGREEMENT

Dated: August 31, 1991

Between the REPUBLIC OF INDONESIA ("Grantee") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

Article 1 The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2 The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will consist of various activities designed to improve Indonesia's economic law and government procurement systems in order to support and facilitate an increased level of private sector transactions and investments, leading to increases in employment and incomes. Annex 1, attached, amplifies the above definition of the Project.

Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be

changed by written agreement of the authorized representatives of the Parties named in Section 8.2., without formal amendment of this Agreement.

SECTION 2.2. Incremental Nature of Project

(a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement.

(b) Subsequent increments will be made available through direct A.I.D. grants to non-profit organizations outside of the Indonesian Government. Such increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, with respect to the procedures for identifying recipients of such grants.

Article 3 Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee under the terms of this Agreement not to exceed Fifteen Million United States ("U.S.") Dollars (\$15,000,000) (the "Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6:1., and local currency costs, as defined in Section 6.2., of goods and services required for the Project, to the extent that such local currency costs are eligible under the A.I.D. regulations governing the source and origin of A.I.D.- financed procurement.

SECTION 3.2. Grantee Resources for the Project

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by the Grantee for the Project will be not less than the equivalent of U.S. \$5,000,000, including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date

(a) The "Project Assistance Completion Date" (PACD), which is August 31, 1997, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which

requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4 Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., a statement of the names of the persons holding or acting in the office of the Grantee specified in Section 8.2., and of any additional representatives, together with a specimen signature of each person specified in such statement.

The grantee shall also, prior to first disbursement or any commitment documentation, furnish in form and substance satisfactory to A.I.D., evidence of the establishment of the EKUIN Project Secretariat and shall supply a list of the names of individuals assigned to such secretariat.

SECTION 4.2. For Project Activities Related to the Procurement Management Development Component. Prior to the first disbursement, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, for activities related to the Procurement Management Development Component, the Cooperating Country shall furnish in form and substance satisfactory to A.I.D., evidence of the establishment

of the Procurement Review and Policy Analysis Group and shall supply a list of the names of the individuals assigned to such Group.

SECTION 4.3. For Project Activities Related to the Legal Training Component. Prior to the first disbursement, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, for activities related to the Legal Training Component, the Cooperating Country shall furnish in form and substance satisfactory to A.I.D., evidence that the University of Indonesia Steering Committee for improving its Economic Law Program has been established and shall supply a list of the names of the individuals assigned to such Committee.

SECTION 4.4. Condition Precedent for Provision of Assistance under the Legal Information Systems Component. Prior to the provision of assistance by A.I.D., including but not limited to advisory services, training or commodities, a recipient agency, i.e., the National Law Development Agency ("BPHN"), the University of Indonesia Legal Documentation Center ("PDH"), the Sekretariat Negara ("SEKNEG") and Ministry of Finance, must submit to USAID the names of the individual(s) assigned as Official Representative and Project Manager.

SECTION 4.5. Notification. When A.I.D. has determined that the conditions precedent specified in Sections 4.1., 4.2., 4.3. and 4.4. have been met, it will promptly notify the Grantee in writing when each condition precedent has been met, respectively.

SECTION 4.6. Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in Section 4.1. have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

(b) If all of the conditions specified in Section 4.2. have not been met within 180 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel, in whole or in part, the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

(c) If all of the conditions specified in Section 4.3. have not been met within 180 days from the date of this Agreement, or such later date as A.I.D., may agree to in writing, A.I.D., at its option, may cancel, in whole or in part, the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

Article 5 Special Covenants

SECTION 5.1. Annual Plans. For activities implemented after April 1, 1992, the Government of Indonesia will furnish each year to USAID Annual Plans for the Economic Law Development, Legal Training, Procurement Management Development, and Legal Information Systems components of the Project. Annual plans for the Legal Training component require

approval by the University of Indonesia Steering Committee prior to submission to USAID. Annual plans for the Legal Information Systems component require approval by recipient agencies (National Law Development Agency, University of Indonesia, Ministry of Finance, and Sekretariat Negara) prior to submission to USAID. Annual plans shall cover periods beginning April 1 and ending March 31.

SECTION 5.2. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program shall include, during the implementation of the Project and at one or more points thereafter: (a) identification of a set of indicators and a means to measure progress against such indicators; (b) evaluation of progress toward attainment of the objectives of the Project; (c) identification and evaluation of problem areas or constraints which may inhibit such attainment; (d) assessment of how such information may be used to help overcome such problems; and (e) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 5.3. Equipment Maintenance. The Grantee agrees to provide sufficient funds in its annual development (DIP) or routine recurrent budgets to adequately and properly maintain all equipment financed under the grant.

SECTION 5.4. Staffing. The Grantee covenants to provide all GOI personnel required to implement the Project in an effective and timely manner.

Article 6 Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1. will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services their nationality in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1 (b) with respect to marine insurance. Ocean transportation costs will be financed under the Grant only on vessels under the flag registry of the United States, except as A.I.D. may otherwise agree in writing.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2. will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in the Republic of Indonesia ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project. A.I.D.-financed local currency costs must meet the requirements established under applicable A.I.D. regulations governing source and origin for A.I.D.-financed procurement.

Article 7 Disbursements

SECTION 7.1. Disbursement for Foreign Exchange Costs

After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by the following method or as may be otherwise mutually agreed upon in writing: by submitting to A.I.D. with necessary supporting documentation as prescribed in Project Implementation Letters, (1) requests for reimbursement for such goods or services, or (2) requests for A.I.D. to procure commodities or services on the Grantee's behalf for the Project.

SECTION 7.2. Disbursement for Local Currency Costs

(a) After satisfaction of Conditions Precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursement may be obtained: (1) by acquisition by A.I.D. with U.S. Dollars by purchase or from local currency already owned by the U.S. Government, or (2) by A.I.D. requesting the Grantee to make available the local currency for such costs, and thereafter reimbursing the Grantee an amount of U.S. Dollars equal to the amount of local currency made available by the Grantee.

(c) When A.I.D. acquires local currency by purchase pursuant to this section, the U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency. When A.I.D. disburses local currency already owned by the U.S. Government, the U.S. dollar equivalent of the local currency will be calculated using the Exchange Rate (see Section 7.4) prevailing on the date of the disbursement. When the Grantee makes local currency available and is subsequently reimbursed by A.I.D., the U.S. dollar equivalent of the local currency will be calculated using the Exchange Rate prevailing on the date of reimbursement.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. If funds provided under the Grant are introduced into Indonesia by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of the Republic of Indonesia at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Indonesia.

Article 8 Miscellaneous

SECTION 8.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee

Mail Address: Kantor Menteri Koordinator
Bidang EKUIN dan Pengawasan Pembangunan
Jl. Lapangan Banteng Timur 2-4
Jakarta, Indonesia

To A.I.D.

Mail Address: U.S. Agency for International Development
American Embassy
Jl. Medan Merdeka Selatan
Jakarta, Indonesia

Address for telegrams: USAID AMEMB JAKARTA

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

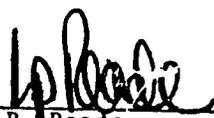
SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individuals holding or acting in the offices of Coordinating Minister, EKUIN, and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, A.I.D. Mission to Indonesia, each of whom, by written

notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1. to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Republic of Indonesia and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

UNITED STATES OF AMERICA



L. P. Reade
Director
USAID/Indonesia

REPUBLIC OF INDONESIA



H. I. Jasin
Acting Director General for
Foreign Economic Relations
Department of Foreign Affairs

ANNEX 1

**ECONOMIC LAW AND
IMPROVED PROCUREMENT SYSTEMS
PROJECT AGREEMENT**

AMPLIFIED PROJECT DESCRIPTION

AMPLIFIED PROJECT DESCRIPTION

ECONOMIC LAW AND IMPROVED PROCUREMENT SYSTEMS PROJECT

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AMPLIFIED PROJECT DESCRIPTION

ECONOMIC LAW AND IMPROVED PROCUREMENT SYSTEMS (ELIPS) PROJECT

I. PROJECT DESCRIPTION

A. Problem Statement

Indonesia's economic expansion is placing severe strains on the existing economic law and government procurement systems. In principle, the Government of Indonesia intends that these systems should help to foster rapid economic development while also helping to ensure equitable distribution of development gains and political and economic stability. In practice, the existing systems fall far short of these objectives.

In the economic law area, improvements are required in i) the substance of existing laws and regulations, ii) the means by which new laws and regulations are developed, iii) dissemination of laws, regulations and related information, iv) interpretation and enforcement, and v) training of law school faculty, government legal bureau personnel, the judiciary and practicing attorneys. Such improvements are intended to reduce risk and uncertainty in the legal environment which lead to higher costs, unpredictable outcomes, a lower volume of investments and business transactions, and ultimately, diminished prospects for economic development.

In the government procurement area, i) numerous problems exist with the substance of existing rules and policies, ii) the government has not developed comprehensive procurement guidance, such as a procurement handbook, iii) a system does not exist for disseminating policies, rules, procedures and related information, and iv) some procurement personnel are inadequately trained and often not cognizant of relevant rules and regulations. These problems result in delays, increased costs, lack of full competition in selection, and a reduced level of credibility from the perspective of potential participants in government procurements. The ultimate result is slower economic development than might otherwise be possible.

B. Project Strategy, Goal and Purpose

The GOI recognizes that changes are required to meet the demands of a modern and growing economy, and that assistance is needed to effectively structure and implement such improvements. Assistance is required in order to improve substantive laws and regulations and the institutional capacity to implement and interpret such documents in both the economic law and government procurement areas. Of similar importance is the need to upgrade training of legal professionals both inside and outside of government. Dissemination of legal and government procurement information must also receive priority.

The **GOAL** of the **ELIPS** Project is to increase employment and incomes by improving the environment for business growth, creating a more attractive climate for domestic and foreign investment, and increasing the efficiency of development expenditures.

The **PURPOSE** of the project is to improve the economic law and government procurement systems in order to facilitate and support an increased level of private transactions and investments, while also helping to foster greater equity for all firms and individuals. The new laws, regulations, procedures, systems and institutional structures developed under the Project are expected to reduce the costs and risks of entering into private transactions in Indonesia; reduce the barriers to entry and mobility of private investment, both domestic and foreign; and provide fair and efficient government procurement of goods and services, leading to broader and more equitable private sector participation in public investment programs.

In support of this strategy, the Project will assist the Government of Indonesia to achieve the following improvements in the economic law and government procurement systems:

- Improved economic laws in a number of key areas.
- Improved law drafting capabilities in EKUIN and other economic ministries.
- Expanded and improved programs for economic law training.
- Increased capacity in the public and private sectors to conduct legal research.
- Upgraded abilities among government legal bureau personnel.
- Improved management and oversight of the government procurement system.
- Improved public and private sector access to legal information.

C. Project Outputs

The Project is designed to produce the following outputs:

- a. Fifteen new economic laws.
- b. 100 Government legal bureau personnel with improved skills in technical economic law areas and legislative drafting skills.
- c. Strengthened public/private dialogue on law development issues (includes a large number of public/private workshops).
- d. University of Indonesia economic law curriculum upgraded and expanded.
- e. 200 University of Indonesia and other law school faculty providing improved legal training, with new emphasis on practical legal skills.
- f. A long-term stream of law students receiving improved economic law training as a result of upgraded curricula and faculty.
- g. Several hundred private and public sector professionals improve their skills as a result of short-term local training in a wide variety of economic law areas.
- h. KEPPRES 29 and related procurement guidance (including English-language versions) are fully revised and disseminated to line ministries.
- i. A permanent Procurement Review and Policy Analysis Group is developed in EKUIN and staffed by well-trained professionals.
- j. Standard curricula is developed for government-wide procurement training.

- k. A regular information dissemination program is in place which publishes procurement information related to solicitations, contract awards, etc.
- l. BPHN and University of Indonesia legal information systems are up and running and fully accessible to public and private sectors.
- m. Improved SEKNEG legal information system reduces lag time on availability of new laws and regulations to a period of a few weeks.
- n. Improved Ministry of Finance legal information system results in improved public and private sector access to both new and historical regulations and rulings.
- o. Quality of economic law education dramatically improved at two or more private sector institutions, resulting in a long-term stream of graduates with improved practical understanding of economic law issues.
- p. Improved private sector access to short courses in relevant economic law topics.
- q. Creation and/or strengthening of at least two private sector organizations important to the development or implementation of commercial law.

D. Project Components

The ELIPS Project has five components: i) Economic Law Development, ii) Legal Training, iii) Procurement Management Development, iv) Legal Information Systems Development, and v) Grants for Private Sector Legal Development. A single A.I.D. direct contract will be utilized to implement the first four components. The fifth component will consist of a series of direct A.I.D. grants to private sector organizations. Each of the Project's components is described below.

1. Economic Law Development Component

EKUIIN has already begun efforts to develop new legislation in the economic law area and has formed a small Law Development Group. The objective of this Project component will be to strengthen this group in order to draft new economic laws, and to create a group of government legal bureau staff in various economic ministries capable of carrying out legislative drafting and other legal bureau functions in the future. A description of specific activities follows:

a. Law Development

With Project assistance, the Law Development Group will develop a long-term strategy for law development which prioritizes legislation according to its economic and commercial significance. The group will also be responsible for conducting necessary research and special studies related to developing new or revised laws, establishing training programs for legislative drafters, and actual drafting of new legislation. The group will obtain staff secondments from appropriate ministries as necessary for developing legislation in specific technical areas, e.g. legislative drafters from Ministry of Trade will assist with new trade-related legislation. Support will also be obtained from local attorneys and academics as well as from long and short-term advisors.

b. Training for Legislative Drafters

This activity will generally take the form of short courses for participating EKUIN officials and individuals seconded from other organizations (other ministry legal bureaus, the private sector, universities, the DPR). Such courses will deal with specific legal areas, and with the technical aspects of legislative drafting for those areas. This training will be offered primarily to individuals who are directly involved in Project activities, and it is expected that approximately 100 individuals will receive such training over the life of the Project. Such training will be an integral aspect of ongoing legislative drafting activities and will often take the form of on-the-job-training. Such training is expected to have a dispersion effect, in that trainees from other agencies will return to their respective jobs better equipped for ongoing legislative (and regulatory) drafting responsibilities in the future, as well as an improved understanding of legal areas which will assist in interpreting and implementing ministerial regulations. A limited number of individuals will participate in overseas short-term training and/or research assignments in cases where such activities cannot be effectively carried out in-country. Short and long-term opportunities for overseas training will also be available under the Legal Training component.

c. Seminars and Workshops

With assistance from long and short-term advisors, the EKUIN Law Development Group will arrange seminars and workshops in order to i) bring new law development activities to the attention of interested members of the public and private sectors, ii) elicit input from the private sector on proposed new legislation, and iii) provide fora for public/private sector discussion of the policy aspects of proposed new legislation. Between 10 and 15 such events are anticipated during the life of the Project.

2. Legal Training Component

The University of Indonesia has begun taking steps to build stronger programs in economic law, emphasizing both undergraduate training and outreach to the private sector. This component will build upon these efforts to promote a strengthened program of practical legal training for faculty, government personnel, judges, and individuals from the private sector. The two-fold objective will be to develop the institutional capacity of the University to provide high-quality economic law training in the future, while also providing urgently-needed training in the present. This component will be implemented by a U.I. Steering Committee which is constituted for the purpose of strengthening the University's program in economic law training. The University will utilize the *Konsorsium Ilmu Hukum* as a channel to disseminate upgraded training materials to other state law schools and for publicizing the existence of short and long term economic law courses which could benefit faculty members in other law schools. A description of specific activities follows:

a. Curriculum development activities

Undergraduate and graduate level curricula will be strengthened or initiated in the economic law area. Such efforts will emphasize updated courses to reflect ongoing developments in economic

law, new courses which stress research and analytical methods, and courses emphasizing the "practical" skills essential to support commercial transactions, e.g., contract drafting, negotiation, bankruptcy administration, etc. New or expanded curricula will also be developed for special short courses to be offered to the private sector, law faculty and government officials.

b. Faculty upgrading courses

Courses will be offered in selected economic law areas, for both University of Indonesia faculty and for faculty from other law schools. While it is expected that most trainees would be from the State Law Faculties, faculty members from private law schools may also attend such courses, if mutual agreement can be reached among the institutions involved. Such courses will strengthen faculty members' knowledge in a variety of legal areas, and also stress research and analytical methods.

c. Overseas long-term training

Opportunities will be offered to a small number of highly qualified law school faculty, government legal bureau personnel from the EKUIN Law Development Group, and other appropriate individuals on a competitive basis. The total number of such trainees is not expected to exceed twenty.

d. Overseas short-term training

Overseas short-term training will be utilized where there is a clear need for such training and comparable training cannot be arranged in Indonesia. Recipients of such training are likely to include law school faculty members, judges, legal bureau personnel, and others (possibly including private sector attorneys). It is estimated that approximately fifty individuals will participate in courses of this nature, with a mean course-length of one month. Young judges and economic law faculty members, as well as Legal Bureau personnel from EKUIN's Law Development Group, will be priority candidates for short-term training overseas.

e. Short-term local courses

Short-term local courses will be established for private sector individuals, legal bureau personnel, judges, practicing attorneys, and others to upgrade the economic law knowledge and skills of these groups. To the maximum possible extent, such courses will be offered on a fee basis. Careful assessment of requirements and objectives will be necessary before establishing new courses. It appears that a mixture of short-term and part-time course work is needed, and that such training will need to be tailored rather specifically to each audience.

3. Procurement Management Development Component

The objective of this component is to assist in developing a central procurement management system which will: i) develop appropriate policies and guidelines, ii) ensure that policies and guidelines are available to all implementing agencies, SOE's and private sector firms, and iii) develop staff capabilities to provide a centralized source of procurement expertise which can

maintain standards and provide the impetus for continued and sustainable improvements. A description of specific activities follows:

a. **Establishment of Procurement Review and Policy Analysis Group (PRPAG)**

A PRPAG will be established to provide permanent oversight and management capabilities and improve ECUIN's ability to react quickly and decisively as needs in the procurement area evolve. It is expected that ECUIN's Secretary General will serve as the head of the PRPAG. The basic framework for this group currently exists in ECUIN together with the requisite regulatory authorities (INPRES 1988). PRPAG members will be drawn partly from the existing INPRES team. The PRPAG is expected to accomplish the following over the life of the Project:

Policy Development

- Review KEPPRES 29 and related regulations and prepare recommendations for modifications or updates.
- Develop supplemental guidance on implementation of KEPPRES 29 and other government procurement policies.
- Develop a mechanism for reviewing and approving deviations from the provisions of KEPPRES 29 when necessary and justified.
- Examine the procurement requirements of the major multilateral and bilateral donors, and devise ways to satisfy or modify such requirements in the context of an integrated national procurement system.

Procurement Review

- Monitor ECUIN reviews of procurements exceeding Rp. 3.0 billion and recommend amending the review threshold if appropriate.
- Conduct reviews of implementing agencies' procurement policies and procedures to ensure adequacy and consistency with KEPPRES 29 and other procurement standards.
- Review implementing agency procedures for selecting project directors and develop guidelines to establish minimum standards, leading eventually to certification of a cadre of government procurement personnel.

Training Assessment

- Develop standard curricula or guidelines for procurement training and periodically evaluate training within the implementing agencies.
- Sponsor training seminars and workshops for upper level implementing agency personnel on common problem areas.

Information Dissemination

- Conduct special private sector workshops to convey the latest procurement procedures and policies to all interested firms.

- Publish and distribute KEPPRES 29 (including an English-language version) and any modifications thereto.
- Prepare a comprehensive procurement manual including sample documents and standardized procedures for use throughout government.
- Develop and begin regular publication of a procurement information bulletin to act as a centralized source of information.

b. Short-term Training

Members of the PRPAG will participate in short-term training, both in-country and overseas to develop their capacity in the areas of procurement policy, implementation and management.

4. Legal Information Systems Component

Limited efforts are underway in various quarters to improve the reliability and accessibility of legal information. The objective of this component will be to build upon these efforts and significantly improve the quality, timeliness, reliability and availability of information resources in several organizations. Project assistance will be provided in two major areas: upgrading legal information resources for documentary and research purposes, and upgrading dissemination capacity in order to make new laws, regulations, decrees, etc. available to public and private sector users within a reasonable amount of time after promulgation.

a. Legal Information Resources

Technical assistance, training, hardware, and software will be provided to the two institutions which have primary responsibility in this area: the National Law Development Agency (BPHN) and the Legal Documentation Center at University of Indonesia (PDH).

Weaknesses in the existing systems will be thoroughly reviewed and a comprehensive plan for overcoming such weaknesses will be designed prior to introducing hardware inputs. A preliminary assessment suggests that inputs for BPHN may include a mini-computer with adequate storage to create a full-text database of all extant legal information in Indonesia, plus software, terminals, modems, etc. BPHN will be at the center of a network for distribution of legal information throughout the national and provincial levels of government. User fees will be established where feasible to help achieve long-term self-sustainability.

Dissemination of legal information, especially to areas outside of Jakarta, is expected to rely upon installation of the CD-ROM storage system. This technology will enable BPHN to provide any government or private organization with a compact disk containing the full text of all Indonesian laws in the BPHN database. Low cost peripheral equipment is required to access this information through personal computers.

Hardware, software and training will also be provided to improve the capacity of PDH. It is expected that this center will be linked to BPHN and will be at the center of a distribution network serving all state universities, while also providing research facilities to the general public, at reasonable cost. The result will be dramatically improved resources for legal

research. Hardware, software and training will be provided to the University to implement improvements to PDH.

In addition to BPHN and PDH, support is likely to be provided to Sekretariat Negara (SEKNEG) and EKUIN to purchase the equipment necessary to access the BPHN data base. Training for users will also be provided. Private sector organizations will be encouraged to purchase direct access to the BPHN data base.

b. Dissemination of Legal Information

USAID funding will support an upgrading of SEKNEG's capacity to disseminate legal information. Specific inputs require further study in connection with an overall review of the existing weaknesses in the system. Such study will be conducted by the long-term legal information advisor during the first months of the advisor's assignment. Inputs to SEKNEG are expected to include hardware and software needed to perform file conversion and transfer of text to the government printing office. The system may be linked to BPHN to permit electronic transfer of official documents and to provide a single input mechanism for printing and electronically storing legal information. Training will also be provided. The government printing office which is responsible for producing the State Gazette and Berita Negara is administered by SEKNEG. It is anticipated that hardware will be provided to this printing office to significantly upgrade the capacity to input and publish legal information on an efficient and timely basis.

The Ministry of Finance will receive assistance to install in-house publishing capability, to improve the timeliness of public availability of ministerial regulations and other guidance. The Ministry will also be linked to the BPHN data base, which should improve the ability of Ministry Legal Bureau personnel to perform necessary research related to drafting and interpreting regulations.

c. Other Potential Applications and Studies

A number of studies will be conducted to determine the feasibility of expanding information system capabilities to meet the needs of other organizations in Indonesia, and are likely to focus on the following topics, among others:

- Extending legal information systems availability to Provincial Government legal bureaus;
- Design and installation of a procurement information and tracking system;
- Upgrading the copyright, trademark and patent registry system;
- Privatization of legal information dissemination responsibilities; and
- Designing an automated national registry system for security interests.

d. Workshops

Special workshops will be conducted by BPHN and other legal information organizations to make the public aware of new facilities and resources. Where feasible and appropriate, fees will be charged for private sector attendees.

5. Grants for Private Sector Legal Development Component

USAID will provide direct A.I.D. grants to selected non-profit organizations outside of the Indonesian government. Recipients of such grants will be selected on the basis of competitive proposals, which will be solicited after project obligation. Selection committees will consist of USAID and EKUIN officials, plus representatives from the private sector as appropriate. Criteria for selection of grantees will be developed collaboratively by USAID and EKUIN after Project obligation. At present, it appears that between two and four grants of this nature will be provided by the Project. Grant recipients will be expected to provide a contribution of staff and faculty time, space and logistics support, and a cash budget for such items as materials, travel, in-country per diem, etc. Potential recipients of such grants include private business schools, private law schools, private organizations in the economic law area, etc. Activities to be financed by such grants include faculty upgrading, training, and curriculum development.

6. Other Project Activities

a. Interim Assistance

USAID will provide funding for interim bridging activities starting shortly after Project obligation. Such assistance will be designed and managed by the USAID Project Officer in conjunction with the EKUIN Project Director, and will include short-term technical assistance and possibly training.

b. Policy Dialogue

The Project is not designed to directly address a broad range of policy issues in the economic law and government procurement areas. Discussion of policy issues will inevitably play an important role in the implementation of this Project, however, and a specific list of relevant policy issues will be developed with input from USAID, EKUIN, the Project contractors, other GOI agencies involved in the Project, and the private sector.

II. PROJECT MANAGEMENT

A. Project Secretariat

The Implementing Agency for the ELIPS Project will be the Ministry for Economic, Financial and Industrial Affairs and Development Supervision (EKUIN). Management of the Project will be provided by a Project Secretariat located in the office of the Executive Secretary for Legal Affairs. The Secretariat will be headed by EKUIN's Assistant Executive Secretary for Legal Affairs, who will serve as a full-time Project Director. The Project Director also serves as head of the EKUIN Law Development Group. The Secretariat will also be staffed by at least two EKUIN professional staff serving as deputies to the Project Director.

The Project Secretariat will be responsible for directing the implementation of all Project activities with the exception of the Grants for Private Sector Legal Development component.

The Secretariat will direct and coordinate the activities of the long-term contractor team, liaise with GOI organizations involved in the Project, and maintain contact with the USAID Project Officer. The EKUIN Project Director will have numerous responsibilities, including reviewing and approving annual plans, A.I.D. contracting documentation, and major commodities purchases. With regard to contracting for long-term technical assistance, the EKUIN Project Director will participate in preparing and approving scopes of work, reviewing proposals from potential contractors, and providing approval for final contractor selection. The Project Director will also participate in review and approval of grants for private sector legal development.

B. USAID Responsibilities

USAID will appoint one Project Officer to manage this Project. The Project Officer will be assisted by one full-time Indonesian Program Assistant. The Project Officer will participate in periodic progress review meetings and will be responsible for reviewing and approving Annual Plans. The Project Officer's approval will be required for all short-term assistance and overseas training under the long-term contracts and for procurement plans.

USAID funding may also be utilized to obtain a Project-funded Personal Services Contractor to advise on economic law and procurement development issues.

C. Annual Planning Process

An annual planning process will be utilized to help ensure coordination and cooperation among Project organizations, and the efficient provision and management of both USAID and GOI inputs to the Project. Annual Plans are summarized on the following page.

The Annual Plan will work essentially as a contract between the participating organizations and the Project Secretariat to provide specific deliverables and resources in accordance with the schedule agreed to and described in the Annual Plan. This will be particularly important in the cases of Legal Training and Legal Information Systems, due to the complexity of these components. Annual Plans will specify milestones and actions to be carried out by GOI organizations and contractors to meet the schedule included in the Plans. Progress against the Plans will be tracked on a quarterly basis and will be reviewed in meetings chaired by the EKUIN Project Director, and attended by USAID, the contractor, and representatives from the recipient organizations. Working in cooperation, USAID and EKUIN will have the authority to reprogram Project resources as necessary, if serious deficiencies occur in scheduled performance. The EKUIN Project Director and the USAID Project Officer will jointly resolve issues involving the technical assistance contractors.

TABLE ONE
ANNUAL PLANS

ANNUAL PLAN	RESPONSIBILITY FOR PREPARATION	APPROVALS REQUIRED
Law Development	EKUIN Law Development Group	USAID
Legal Training	University of Indonesia Steering Committee, with assistance from Legal Training Advisor	EKUIN Project Director, U.I. Dean of Law, USAID
Procurement Development	PRPAG, with assistance from Procurement Advisor	USAID
Legal Information Systems	Legal Information Advisor, with input from recipient organizations	Recipient Organizations, EKUIN Project Director, USAID

D. Long-term Technical Assistance Contract

Immediately following Project obligation, preparation of solicitation documentation will begin for the long-term technical assistance contract. Such documentation will be cleared by the EKUIN Project Director prior to issuance. Based on current planning, the Mission expects to mobilize a long term team during the summer of 1992.

The contract will provide the bulk of technical assistance, training and commodities for the Project, as follows:

- Chief of Party/Advisor for Law Development
- Local-hire Project Administrator
- Long-term Legal Training Advisor
- Local-hire Training Administrative Assistant
- Long-term Legal Information Advisor
- Long-term Procurement Advisor
- Short-term advisors/instructors
- Administrative staff
- Short-term overseas training
- Long-term overseas training
- Commodities

Most technical assistance requirements (including locally hired American or Indonesian consultants) will be covered by the long-term contract. Most short and long-term overseas training, as well as commodities, will also be funded through the contract.

The Chief of Party (COP) will work directly with the EKUIN Project Director to coordinate all activities. The COP will also serve as the Advisor for Law Development activities, and will coordinate and provide oversight for the activities of the Legal Training, Legal Information and Procurement advisors. The COP will be responsible for ensuring that Annual Plans are completed for each component and for coordinating all quarterly and annual reporting requirements. The COP will serve as the basic link between the EKUIN Project Director and the Legal Training, Legal Information and Procurement advisors. The COP will also be the primary contact point for the USAID Project Officer, who will track and report Project results to the USAID Director and other staff.

The local-hire Project Administrator will report to the COP and be responsible for the central administrative functions for all components. This will include assisting with recruitment of short-term advisors and trainers, managing project finances, helping to coordinate the annual planning and quarterly reporting process, assisting with processing long and short-term overseas trainees, etc. This individual will be a local hire staff, and may be either Indonesian or American. Additional secretarial, clerical or bookkeeping staff will be supplied under the contract as necessary.

The COP and Project Administrator will also be responsible for monitoring GOI and private sector contributions to the Project and reporting on such contributions to USAID.

E. Law Development Component

The long-term advisor will be resident at EKUIN and will work directly with members of the Law Development Group, the EKUIN Project Director, and the USAID Project Officer. The advisor will assist the Law Development Group in preparing Annual Plans, which require approval of the USAID Project Officer. Quarterly reports will be prepared for review by the EKUIN Project Director and USAID.

Overseas short-term trainees will be selected by the Law Development Group, with assistance from the long-term advisor. The selection will require USAID concurrence.

F. Legal Training Component

The University of Indonesia Faculty of Law will establish a Steering Committee for economic law training under the direct supervision of the Dean of Law. Advisory services, training and commodities inputs for University of Indonesia programs will be provided under the direct contract. An Annual Plan will be prepared each year by the Steering Committee with assistance from the Advisor. Such plans will determine the expenditure of resources and will require agreement from the Dean of Law, the EKUIN Project Director, and the USAID Project Officer. The Advisor will also deliver each quarter to the COP a detailed report of progress toward objectives to be incorporated in the contractor's quarterly report.

An Overseas Training Committee will be established to provide oversight for overseas training, and to advise on selection of candidates for both short and long-term training abroad. This Committee will include faculty members from the University (including the Dean of Law), the EKUIN Project Director, and the long-term Legal Training advisor. The Committee will be established during the first year of Project implementation. The Overseas Training Office (OTO) will be utilized to provide assistance for overseas training as appropriate. USAID concurrence will be required for all trainees. The contract-funded training administrative assistant will be responsible for assisting with arrangements for all overseas training.

G. Procurement Management Development Component

The PRPAG will be headed by the EKUIN Secretary General, who currently leads the INPRES procurement review group. This group will prepare Annual Plans with assistance from the long-term procurement advisor. Such Plans will require the approval of the USAID Project Officer prior to implementation. The Advisor will also deliver each quarter to the COP a detailed report of progress toward objectives to be incorporated in the contractor's quarterly report.

Overseas trainees will be selected by the PRPAG, with assistance from the long-term advisor. The selection requires USAID concurrence.

H. Legal Information Systems Component

The GOI organizations participating in the Legal Information component will be provided resources by the contractor essentially as clients, rather than having direct control of the resources supplied by the contract. The Legal Information Advisor will work directly with the recipient organizations. Each organization will designate an official representative to liaise with the long-term advisor, the EKUIN Project Director, and USAID. In addition, each organization will appoint a Project Manager to carry out all tasks related to installation, maintenance, and training.

Delivery of training, technical assistance and commodities will be according to Annual Plans developed principally by the Long-term Advisor, with participation of each organization. Such plans will require approval of the EKUIN Project Director and the USAID Project Officer, prior to implementation. Actual purchases of computer hardware will require the prior approval of USAID.

I. Grants for Private Sector Legal Development

During the first year of Project implementation, the Mission will identify potential grantees through a solicitation of interest process which advertises the availability of grant funds for the stated purposes and invites interested organizations to submit applications to USAID. Grantees will be selected by an evaluation committee which includes representatives from the Mission, EKUIN and the private sector, if appropriate. Current planning indicates that initial grants may be awarded in 1993. Grants will be awarded and administered by the USAID Office of Contract Management.

J. Implementation Schedule

During the first weeks after Project obligation, the two Governments will exchange sample signatures of authorized representatives. EKUIN will officially designate the members of the Project Secretariat, the Law Development Group, and the Procurement Review and Policy Analysis Group. The Law Development Group and PRPAG will begin the process of creating Annual Plans.

During the first six months of the Project, the University of Indonesia will name the members of its Steering Committee for developing an improved program in Economic Law. Each recipient organization under the Legal Information Systems Component will designate an Official Representative and Project manager.

The table on the following page lists many of the Project's key implementation actions. This table is illustrative only.

III. Project Monitoring and Evaluation

A. Monitoring

The long-term technical assistance team will establish mechanisms for monitoring and reporting on Project activities. An important aspect of this task will be establishing baseline data and developing systems to constantly update such data for planning and reporting purposes. Selection of indicators and establishment of monitoring systems by the contractors will require the approval of USAID.

Project monitoring and reporting will consist of three major activities: regular updating by Project personnel of established Project data bases, quarterly reporting, and annual reporting. The long-term contractor teams will have primary responsibility for quarterly and annual reports, and will assist GOI organizations in preparing Annual Plans (the long-term advisor for the Legal Information component will prepare Annual Plans with inputs from recipient organizations). Periodic progress reviews will be conducted to review progress against established benchmarks.

Long-term advisors for all components (other than the Grants for Private Sector Legal Development component) will provide inputs for quarterly and annual reporting to the Project Administrator, who will coordinate such reports under the supervision of the COP. The COP will be responsible for submitting such reports to USAID and EKUIN.

Quarterly reports will be used by EKUIN and USAID as the basis for periodic progress reviews with the contractors and the GOI organizations receiving assistance. Annual reports will form the basis of major annual meetings to review progress and consider reprogramming actions as necessary. Quarterly and annual reports will include data on the entire range of project activities and progress against annual planning targets. Financial data will be provided in detail. Such data will also be utilized for USAID Quarterly Implementation Reviews.

TABLE TWO

ILLUSTRATIVE IMPLEMENTATION SCHEDULE

NO.	ACTION	TARGET DATES
1.	Project Agreement signed	Aug 1991
2.	GOI Project Staff designated and initial PILS issued	1st Qtr-FY92
3.	Finalize TA bridging requirements and prepare scopes of work	" "
4.	PRPAG and EKUIN Law Development Group formalized	" "
5.	Short-term bridging TA begins	2nd Qtr-FY92
6.	Solicit proposals from private sector organizations	" "
7.	Issue RFP for long-term assistance contract	" "
8.	Steering Committee established at U.I.	" "
9.	Review grant proposals from private organizations	3rd Qtr-FY92
10.	Annual Work Plans prepared for all components	" "
11.	Review Technical Assistance contractor proposals	" "
12.	Conduct First Annual Review	" "
13.	Award long-term technical assistance contracts	" "
14.	Technical Assistance teams mobilized	4th Qtr-FY92
15.	Implementation procedures formalized with TA	" "
16.	Quarterly reporting indicators agreed upon	1st Qtr-FY93
17.	Award initial grants to private organizations	" "
18.	Begin public/private workshops and seminars	" "
19.	Begin short-term courses at U.I.	2nd Qtr-FY93
20.	Short-term training begins in all components	3rd Qtr-FY93
21.	Complete recommendations for KEPPRES 29 revisions	" "
22.	Conduct Second Annual Review	" "
23.	First long-term overseas trainees depart	4th Qtr-FY93
24.	Issuance of Government Procurement Manual	" "
25.	Mid-term Evaluation	1st Qtr-FY94
26.	Finalize commodities procurement lists	" "
27.	Equipment installed at Ministry of Finance	2nd Qtr-FY94
28.	Equipment installed at BPHN and PDH	3rd Qtr-FY94
29.	Third Annual Review	" "
30.	Equipment installed at SEKNEG	4th Qtr-FY94
31.	Fourth Annual Review	3rd Qtr-FY95
32.	Fifth Annual Review	3rd Qtr-FY96
33.	Final Evaluation	2nd Qtr-FY97
34.	Sixth Annual Review	3rd Qtr-FY97
35.	PACD	Aug 1997

The long-term team will also have responsibility for monitoring GOI and private sector contributions to the Project, including Project-generated funds, and reporting on such contributions to USAID. All Project-generated funds will be recycled for use in the Project.

B. Project Evaluations

Mid-term and end-of-project evaluations will be conducted. These evaluations will be facilitated by the availability of monitoring data collected by contractor teams over the life of the Project.

The Mid-Project Performance Evaluation will assess the continuing validity and relevance of the Project in supporting private sector growth through improved economic law and government procurement systems. Findings will be used to help determine the need for mid-Project revision of objectives, institutional arrangements, funding, etc. The End-of-Project Impact Evaluation will determine whether required actions have been carried out, whether performance over the life of the Project has been consistent with expectations, and whether additional actions are required to ensure sustainability of Project accomplishments. It is anticipated that project evaluations will be conducted by Gray Amendment firms.

IV. FUNDING AND RESOURCE REQUIREMENTS

A. Illustrative Financial Plan

The financial plan (Attachment A to this Annex) is illustrative and changes may be made to it by representatives of the parties named in Section 8.2 of the Project Grant Agreement without formal amendment of the Agreement. Adjustments of up to 15% of any line item may be agreed to by authorized representatives of the Parties. However, any such changes may not cause (1) A.I.D.'s contribution to exceed the amount specified in Section 3.1. of the Project Grant Agreement, or (2) Indonesia's contribution to be less than the amount specified in Section 3.2 of the Grant Agreement.

The total cost of the Economic Law and Improved Procurement Systems Project is US\$25 million (calculated in U.S. dollars). The foreign exchange and local currency costs for each project component and the expenditure projections for each project component, by Indonesian Fiscal Year (April 1 - March 31), will be included in the first project implementation letter.

B. Government of Indonesia Contributions

The GOI contribution, totalling \$5.0 million, will finance salaries of all GOI staff, in-country costs for training (salaries, travel, per diem, honoraria), office space for all advisors and GOI personnel assigned to the project, space for training and project-supplied equipment, and round-trip airfares to the U.S. west coast for long-term trainees. With regard to equipment and materials supplied under the project the GOI will provide maintenance, adequate supplies and electricity, and reproduction of non-copyrighted materials. As agreed upon in annual plans, the GOI will also supply a portion of reference and training materials required for implementing the project. Any fees generated by Project activities (e.g. through private sector seminars or user fees) will be expended for project purposes, including such uses as seminar support, training, etc.

Additional details regarding the anticipated levels of GOI contributions for each project component will be given in project implementation letters. During project implementation, the annual workplans and budgets prepared for each project component will contain the detailed breakdown of the costs of USAID and GOI contributions and GOI contributions will be included in annual DIPs.

Staff Requirements

The GOI will assign the following key staff, at a minimum:

Project Secretariat. A full-time Project Director and at least two other professional staff will be assigned to the Project Secretariat, plus administrative support staff.

Law Development Group. The Law Development Group will include, at a minimum, four professional staff from EKUIN, plus administrative support staff. Between two and six legal bureau staff on secondment from other ministries and agencies will participate in the Group, as required for particular law development activities.

University of Indonesia Steering Committee. This committee will consist of at least two full-time professional staff, administrative support staff, plus part-time effort of at least six faculty members and the Dean of Law. The Committee will also include a representative from EKUIN.

Procurement Review and Policy Analysis Group. This Group will consist of no less than four full-time professional staff from EKUIN or on secondment from other agencies, plus administrative support staff.

Legal Information Systems Component. Each recipient organization (BPHN, University of Indonesia, SEKNEG and Ministry of Finance) will dedicate the following staff to the Project: an Official Representative, a Project Manager to oversee installation, maintenance, and usage, adequate quality-control staff, and adequate operators.

C. USAID Contributions

USAID will finance the following: long-term and short-term technical assistance (TA) and short-term instructors; administrative support staff under the contract; facilities costs for workshops and seminars; overseas degree training; overseas short-term training; commodities; and evaluations and audits. USAID will also finance international travel and per diem for short-training abroad.

In addition to the contributions listed in the preceding paragraph, USAID will provide direct grants to private sector organizations which are active in the area of economic law development, or economic law training.

Additional details regarding the anticipated level of USAID contributions for each activity will be given in the first project implementation letter. During project implementation the annual workplans and budgets prepared for each project component will contain the detailed breakdown of these costs, dividing them between USAID and GOI contributions and GOI contributions will be included in annual DIPs.

Staff Requirements

USAID will provide sufficient personnel to manage the USAID resources being made available for the project. This is expected to include a project officer, program assistant, and secretary. In addition, the Mission may wish to provide a Project-funded personal services contractor to advise on various aspects of economic law and government procurement development.

D. Private Sector Contributions

The private sector is expected to contribute approximately \$2.0 million to this Project. At least one-half of this amount will be in the form of counterpart contributions for the Grants for Private Sector Legal Development Component. The remainder will include tuition fees for short-courses and seminars, *pro bono* assistance to the EKUIN Law Development Group and to University of Indonesia, funds and commodities provided to upgrade University of Indonesia facilities (e.g., air conditioners and classroom equipment) access fees for legal information, and other items. All Project-generated funds from tuition, fees, etc. will be recycled for use within the Project, for example to fund workshops and seminars.

E. Methods of Project Financing

The Project will finance activities using three methods: i) direct payment by USAID, 2) direct payment by the GOI, and 3) pre-financing by the GOI with reimbursement from USAID.

Under a long-term contract, USAID will provide (in-kind) long-term technical advisors, long-term and most short-term overseas training, short-term advisors, materials for in-country training, and computers and related hardware and software.

USAID will retain a limited amount of funding outside of the long-term contract to be used on a contingency basis for special training needs, short-term technical assistance or purchase of materials. Such items may be procured through direct contract, or may be procured by the GOI and reimbursed by USAID pursuant to mutual agreement and issuance of a PIL.

For overseas short-term training or research activities not funded under the long-term contract, the GOI will pre-finance all costs and seek reimbursement from USAID up to agreed upon amounts pursuant to PILs issued for this purpose. Pre-financing will follow the procedures described in SKB-48.

USAID will support facilities costs of seminars and workshops. The GOI will pre-finance these costs and seek reimbursement from USAID (up to agreed-upon amounts) pursuant to PILs which commit funds for these specific activities. Pre-financing will follow the procedures described in SKB-48.

Evaluations and audits will be funded directly by USAID, through buy-ins to centrally-funded projects or IQC's, or through direct contracts.

A.I.D. will provide grants to support private sector organizations active in the economic law area. Recipients will provide funding for certain local currency costs, to be agreed upon at the time the Mission accepts a grant proposal. EKUIN will participate in establishing procedures for such grants and for selecting grantees.

Project financing may be used for local source procurement of (i) local legal consultants, experts and instructors; (ii) rental of local facilities for workshops/seminars; (iii) Indonesian language books and other written materials; (iv) small quantities of office supplies, and for local

procurement of other goods and services as may be specifically approved by A.I.D. throughout the project. Grant funding provided directly to private sector organizations may be used for local source procurement when determined by the grantee to be necessary to achieve grant objectives in a timely and cost effective manner.

ECONOMIC LAW AND IMPROVED PROCUREMENT SYSTEMS

ILLUSTRATIVE PROJECT BUDGET

(Life of Project Funding in US\$000s)

EXPENDITURE CATEGORY	USAID Funds	GOI Funding			Private Sector	Project Total
		Cash	In-Kind	Total		
PERSONNEL (Note 1)	8,675		2,635	2,635	200	11,510
TRAINING	1,410	505	740	1,245	360	3,015
SEMINARS & WORKSHOPS	260	75	85	160	90	510
COMMODITIES	2,640	345	615	960	350	3,950
Other Costs:						
Contingency	1,715					1,715
Evaluation & Audit	300					300
PRIVATE SECTOR GRANTS	3,000**				1,000	4,000
TOTAL FUNDING	18,000	925	4,075	5,000	2,000	25,000

Note 1: Includes all personnel for advisory services, training, seminars and workshops; GOI in-kind personnel costs include office space for GOI and USAID-funded personnel.

** Future-year obligations, subject to availability of funds.