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AID/YPO ENTREPRENEUR DEVELOPMENT PROGRAM

GRANT NO. OTR 0001-G SS 2299 00 - INDONESIA

PHASE I PLANNING REPORT

SUBMITTED BY

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INTRODUCTION

The United States Agency for International Development (AID) has contracted with the Young Presidents' Organization (YPO) to provide services designed to promote entrepreneurial capability in seven lesser developed countries (LDC's). The project is to be completed by September 26, 1984 and essentially involves two visits to each country - the first a reconnaissance visit by the mission leader followed by a second visit of from six to ten YPO members, including the mission leader.

The first two in-country programs are scheduled for Indonesia and Thailand. The Thai Phase I Report and Phase II Proposal has been approved. This Phase I Report and Phase II Proposal document is submitted for Indonesia and, together with the Thai Report, contains prototypical project elements to be employed throughout the overall program.

PURPOSE OF PHASE I

During Phase I (reconnaissance) for the AID/YPO Entrepreneur Development Program several purposes had to be served. These purposes generally divide into:

- . Identifying general directions for the overall AID/YPO missions that will cover six different countries; and
- . Establishing the specific goals and tactics to be used in Indonesia.

GENERAL PROGRAM PURPOSES

Considerable time and discussions were devoted to identifying both the strengths and weaknesses of the overall program concept. In general, all persons contacted in the business community and government of Indonesia, as well as the US AID mission, were positive in their hopes and aspirations for the program. The most favorable response centered on the use of actual functioning business executives, proven entrepreneurs, to promote entrepreneurial behavior. The primary drawback identified was the lack of an ongoing, continuous effort that would provide follow-up and follow-through after the original program has been completed.

In order to address the drawback that was identified by all participants, it became necessary to provide potential methods for promoting continued involvement even after the initial program was completed. The mission participants, both local and from the United States, would develop separate opportunities that would promote entrepreneurial behavior. An accepted constraint was that even if funding should later become available from AID or some other outside agency, all necessary future financing would be generated from the participants themselves.

INDONESIA MISSION'S SPECIFIC PURPOSES

The purposes relating to the Indonesian mission, to which the Phase I visit was specifically devoted, included the following:

- Identifying problem areas to be addressed by the follow-on YPO team;
- Determining appropriate methods to transfer and exchange information (e.g., seminars, lectures, roundtable discussions);
- Identifying potential indigenous session participants; and
- Locating potential factories for site visits as related to specific problem-solving.

RECOMMENDED PROGRAM SUMMARY

Extended conversations and discussions were held with over 50 individuals, including AID staff, AID contractors, Indonesian government officials and businessmen, and YPO New York staff. These led to the following program which was developed and agreed to by all involved parties (in particular local AID staff, local YPO business leadership and the AID/YPO Coordinator).

GENERAL PROGRAM OBJECTIVES - ALL SIX COUNTRIES

In order to address the problem of the limited nature of the current program, it was decided to propose that YPO attempt to assist AID in its executive training programs for LDC executives. This will involve utilizing YPO member firms as potential internship/on-the-job training sites for those foreign executives and entrepreneurs who wish to come to the United States to obtain first-hand exposure to American business practices. These visits would range in length from one-month (two months preferred) minimum to one year. All costs and salaries will be borne by the visiting executive either with assistance in the form of loans or grants or from the executive's own resources. It is believed possible to find YPO member firms that will provide excellent broad-based management training experiences for LDC managers and entrepreneurs. The tie-in to the existing program is that the AID/YPO mission executives will be available to serve as a clearinghouse for foreign executives, from specific industries, who wish to come to the United States at a later date following the present YPO program.

In addition, to encourage ongoing, leveraged investment and enhancement of entrepreneurial capacity after the initial AID/YPO program, it is desirable to encourage YPO mission participants from the United States to identify, in detail, the process by which investments can be made in the host country as part of a combined local and foreign investment program. Focusing on this process, three primary issues should be investigated and tested.

1. What are the prime opportunity areas for mixed (USA/local) investment?
2. What constraints exist to joint leveraged investment; and how can they be overcome?
3. What is the potential of the mixed investment approach for promoting AID's co-financing objectives? (See Exhibit V)

INDONESIA - SPECIFIC PROGRAM ELEMENTS

It was determined that the Indonesia program should have four primary functional elements in order to fulfill the expanded purposes of the overall program.

1. Familiarizing North American businessmen with the culture, business climate and business practices in the host country of Indonesia.
2. Identifying specific alternate business investments and selecting the best of those alternative investments for consideration as a mid-scale investment. Said investment is to be on a 50-50 basis between foreign and local businessmen.
3. Conducting educational programs for a wide range of entrepreneurs and managers in Indonesia which will be followed up with an opportunity to intern in American businesses and/or universities following the Indonesian mission.
4. Actual visits to Indonesian firms in order to:
 - a. better understand the business environment, business practices, and investment opportunities inherent in the Indonesian business community;
 - b. promote the future mixed investment program; and
 - c. promote the AID-sponsored internship program for Indonesian business personnel.

ADDITIONAL DETAILS REGARDING THE RECOMMENDED PROGRAM

This section of the Phase I Report provides additional narrative regarding the recommended program for Phase II. It will be noted, in the day-by-day schedule of activities which follows this section, that further detailing of various aspects of the mission remains to be completed. Consequently, this Phase I Report will be further delineated prior to its final formulation. This approach is taken since the Indonesian mission is the first of six (or seven) missions and, to the extent possible, will serve as a prototype for these other missions as well as future programs which may be contemplated by AID and/or YPO.

THE MANAGEMENT SEMINAR

The Phase II Report will evaluate in detail the effectiveness of the concepts as finally expressed in this section. A major part of this program will be a primary management seminar: Management Theory and Practice: A Cross-cultural Exposure. This seminar will initially be conducted in a two-day and two, subsequent, one-day sessions during this mission. Detailed descriptions of these sessions are presented on Exhibit VI.

As its title states, the Management Seminar in Indonesia must be a two-way proposition for it to be successful. Deeply ingrained cultural attitudes, in both Indonesia and the United States, provide the fundamental underpinnings of all management practice and theory in the respective countries. Much of this

underlying, culturally-determined attitude base is assumed by the members of each society to be universal around the world. Since this is NOT the case, it is absolutely necessary that the United States participants gain as great an appreciation as possible of Indonesian approaches and how they differ from those in the United States. With this understanding, it will be much more likely that the theory and practice information provided by the North American participants will be absorbed by our Indonesian colleagues.

Traditional Perspectives of Power

Perhaps the most striking example of an underlying attitude which affects the practice of management in Indonesia and which differs from that in the United States is the traditional Indonesian view of power. Americans and Indonesians have viewed power in very different ways. Americans by virtue of coming from a constantly expanding population and constantly expanding economy - trends which have persisted for almost 400 years and which have accelerated in America in the last 150 years - view power and wealth as capable of expanding without appreciable limit. It is only recently that the concept of limits to growth have begun to intrude into American consciousness. (Interestingly, this idea of a limit to growth has its genesis in Europe and not in the Americas.)

Indonesians, on the other hand, tend to view power as finite. While the reasons for this view have not been fully explained, it may possibly stem from the fact that both during and before the colonial period trade was controlled on each island. In fact, trade in each kingdom within an island was controlled by a relatively small monopoly. At times, the monopoly rested in the hands of the local leader or in a few families associated with the leadership group. During the height of the colonial period, this power was subsumed by the Dutch. Where trade is controlled by a monopoly, any sharing of the trade by other groups causes a diminution of the power and wealth which is held by the monopoly. In addition, the Indonesian view may be related in part to the fact that Indonesia has had fewer opportunities to expand into undeveloped frontiers. At a time when North America was essentially unpopulated by the present dominant racial/cultural group from Europe, central Indonesia (and in particular Java) was already a highly-populated, highly-integrated, highly-developed and relatively-mature society.

While the Indonesian attitude toward power may be changing as modern nation - building and economic development proceeds, the importance of this historical difference in attitudes between North American and Indonesian views of power cannot be overstated. For a start, this deeply impacts the ability and willingness to: delegate; share authority; allow internal communications to proceed openly; share resources; build teams; take risks; and view competition as constructive. Without an appreciation of this and other cultural influences, or, at the very least, without an exposure to the management practices developed by Indonesians in response to the demands of business life within the context of their own culture, no outsider can even begin to translate his or her approaches into models that can be applied in Indonesia.

Case Studies on Power Perspectives

In order to bring out the contrasts between traditional Indonesian and traditional American management approaches and attitudes, a case study approach will be utilized which will allow the exposition of the Indonesian approach to a

particular situation, the American approach to a particular situation, and then a synthesized approach to a particular situation. The cases will be straightforward and focused, as much as possible, on a single basic issue. A prime example would be the situation in which a subordinate is not performing adequately in an assigned position. The various and contrasting approaches to discipline, motivation, and ultimately replacement will be examined from the Indonesian and American perspectives. Other cases will deal with similar fundamental corporate actions wherein the traditional tactics and approaches employed by Indonesians and Americans may differ markedly.

Panel Discussions and Follow-Up Activities

The second element of the cross-cultural exposure to management practice and theory will involve panel discussions of groups of Indonesian and American managers discussing some of the differences that were uncovered by them in their business lives and in the small group sessions involving the case studies.

The final element of this management session will be brief (approximately 20 minutes with 20-minute periods for questions) presentations by American and Indonesian managers on selected topics.

The initial cross-cultural exposure to management theory and practice will last for two days and be held in Jakarta. Following this initial session, the AID/YPO Entrepreneur Development Program team will critique the program and abbreviate it for a one-day session which will then be used in the cities of Surabaya and Yogyakarta.

MIXED (USA/INDONESIA) PRIVATE INVESTMENT PROJECT

Underlying the overall concept utilizing practicing businessmen/entrepreneurs for the Entrepreneur Development Program is a recognition that only "by doing" can certain skills be acquired. The skills related to entrepreneurship include prudent risk-taking, conceptualizing opportunities, team building, institution formation and coping with the legal and other constraints affecting potential business opportunities.

A second underlying theme of the current AID programmatic thrust toward entrepreneurship includes the concept of co-financing and co-venturing. A unique opportunity exists in the current Entrepreneur Development Program to enhance opportunities in these two areas. Mixed investment by indigenous and American entrepreneurs provides a powerful ongoing vehicle for transfer of skills as well as for leveraging the investment monies of both groups.

A third premise applicable to any learning situation is that people learn best when they have something at stake. Based on these three premises, the Jakarta members of YPO suggested that an actual case of mixed investment be undertaken on an individual basis by members of the Jakarta YPO Chapter and the YPO mission participants from the United States. AID Indonesia staff heartily endorsed this approach.

Developing the Initial Equity

During the Phase I reconnaissance mission, meetings were held with government-sponsored venture capital institutions, and it was learned that these institutions will provide up to 87-1/2 percent of the funds required for startup of a new enterprise. These monies are provided in the form of 75 percent of the money required as a loan to the enterprise, and as much as 49 percent of the initial equity capital. (This 49% equity share is subsequently purchased from the investment banking institution as the original entrepreneurs become capable of investing additional monies and obtaining a full 100 percent equity position in the new enterprise.) Thus, a typical investment requiring \$250,000 can be initiated - provided it meets with approval and participation by the investment banking institution - for an initial entrepreneurial stake of \$31,250 ($\$250,000 \times 12\frac{1}{2}\% = \$31,250$). The Mission Leader personally has committed himself to a maximum of \$15,000 of investment so long as it is matched by an equal investment on the part of Jakarta YPO Chapter members. This \$15,000 pledge guarantees that an investment can be made provided that a fruitful opportunity is identified (even if no other members of the YPO mission from the United States wish to participate). However, the opportunity to participate in this venture will be provided to each of the North American YPO members, and the \$15,000 commitment will be divided among all the North American YPO members who wish to participate.

Evaluating the Initial Investment

The process for determining whether an investment is prudent and desirable will involve the presentation of three or more alternative investment opportunities by the Jakarta YPO Chapter in cooperation with an Indonesian investment banking entity. This alternative will be screened during the mission. It is anticipated that USA YPO mission members will vigorously scrutinize and challenge each of the alternatives. This process of evaluation will give substantial insight to the Indonesian business group as to the requirements that Americans impose on joint investment opportunities. This process will guide the Indonesian businessmen in developing future opportunities which are attractive for joint ownership efforts. These may also become the basis for future co-financing opportunities involving a mixture of borrowed, as well as equity, funds from United States and Indonesia.

It is recognized that the legal ability to make a small-scale investment on a mixed basis may be severely constrained by Indonesian law. An important by-product of this phase of the AID/YPO Entrepreneur Development Program will be identifying these constraints and submitting recommendations for the Commerce Department and AID staffs in Indonesia to forward to the Indonesian Government for easing restrictions which serve to discourage desirable economic activity. If the advantages for mixed investment (which include not only financial leverage but also technology transfer and access to export markets outside of Indonesia) overrides the policy considerations that have caused the development of restrictions against such investments, it is expected that, over the long term, new policies and laws will receive consideration from the government of Indonesia.

INTERNSHIP PROGRAM FOR INDONESIAN EXECUTIVES AND ENTREPRENEURS

AID Jakarta has identified the internship program as a core tactic for enhancing business skills in Indonesia. The program is straightforward and

provides loans to individuals and/or firms so that they can come to the United States and either work in American businesses, attend graduate school, or some combination of both. All costs are to be borne by the intern or his/her firm. Further detailing regarding the potential for tie-in with the AID/YPO Entrepreneur Development Program will be provided after discussions with AID Washington, YPO New York, and Fred Chaney.

PROGRAM REPLICATION AND LINKAGES

The planned program is viewed as prototypical - not only for the current AID/YPO Entrepreneur Development Program, but for other entrepreneur development efforts which may be conducted by AID (or others) in the future. Therefore, it is necessary that careful documentation be assembled of: techniques used; results obtained; and recommended improvements. This will be accomplished primarily by obtaining comments and recommendations regarding both individual program elements and the overall program from all participants. Specifically, input will be sought from:

- . American YPO Mission participants
- . Indonesian YPO
- . US AID Indonesia
- . Session attendees
- . United States Department of Commerce - Indonesia
- . Sponsoring or coordinating groups in Indonesia

The instruments (questionnaires etc.) which will solicit this input will be drafted before the mission officially begins; however, their final form will not be determined until the orientation session on October 31 in Jakarta.

Evaluation of the input received will be performed by a team consisting of two members of the American YPO participants (one of whom will be the Mission Leader): Vals Osborne, YPO staff; Fred Chaney, YPO Executive Board; and Roger Moeller, AID Washington, who will chair the evaluation committee.

The evaluation committee will meet in Washington, D.C. or in New York City in early December. In addition to preparing an evaluation report, the committee may recommend that manuals and other tools be developed to help future program leaders in implementing future programs.

After the evaluation report is finalized and manuals, etc. are assembled, Roger Moeller, of AID, will distribute them. They will be directed to agencies or individuals whose purposes may be served or benefited by a link with the current AID/YPO Entrepreneur Development Program or similar future program. They should also be sent to other agencies with which a linkage may enhance AID objectives. As requested by AID, the AID/YPO Mission Leader will assist in communicating with these agencies and will report on the potential benefits that may be obtained from linkages between the current program and other programs both within and outside AID.

EXHIBIT I

PRIMARY INDUSTRY GROUPINGS DESIRED FOR UNITED STATES PARTICIPANTS

- . Agricultural Industry
- . Forestry Products
- . Venture Capital/Banking
- . Petro Chemicals
- . Retail/Wholesale Operations
- . Manufacturing
 - Crafts
 - Textiles
 - General Manufacturing
- . Steel and Metal Working
- . Services
- . Construction
- . Real Estate Development and Management

EXHIBIT II

PARTIAL LIST OF KEY CONTACTS, ADDRESSES, ETC.

1. Michael G. Berolzheimer, Partner
The Early Stages Co.
P.O. Box 7349
Stockton, CA 95207
2. William C. Cassell, President
Heidelberg College
Tiffin, Ohio 44883
3. Howard A. Fine, President
Norwegian American Cruises
29 Broadway
New York, NY 10006
4. Jonathan A. Green, President
Green International, Inc.
504 Beaver St.
Sewickley, PA 15143
5. Hilary B. Miller, President
Transnational Industries, Inc.
One Citicorp Center, Suite 5801
New York, NY 10022
6. Gary B. Rappaport, President
NAPCO Industries, Inc.
1600 Second St. South
Hopkins, MN 55343
7. Charles I. Shanok, President
Shire National Corporation
36 Passaic St., P.O. Box 95
Wood-Ridge, NJ 07075
8. Jonathan Showe, President
Theatre Candy Co.
100 Lighthill St.
Pittsburgh, PA 15233
9. Frances Todd Stewart (Mrs.), President
Kerr-Hays Company
P.O. Box 711
Ligonier, PA 15658
10. David Wechsler, President
Athos Steel and Aluminum, INC.
Chew Ave. & Rosehill St.
Philadelphia, PA 19120

EXHIBIT III

ASSIGNMENTS AND RESPONSIBILITIES

Task No.	Item Description	Responsibility	Assigned			Comments
1.0	YPO (USA) Participants Fact Book. Information to be compiled into a handout for Indonesians which they can use to find potential expertise and JV partnerships. 350 copies required.	Jon Showe				
2.0	YPO (Indonesia) Members Fact Book	YPO - Indonesia Heru	Jon Green - Telex of 9 Oct.			
3.0	Jakarta Management Seminar					
3.01	Course (case studies, educational, materials, and presentation)	Dave Wechsler				
3.02	Physical arrangements (will not be in Mandarin Hotel)	Jon Green Jack Daniels				
3.03	Announcement (attendance promotion)	AID - JKT KADIN ZPPM JKT YPO HIPPHI				
3.04	Promotional brochure	Jon Green				
3.05	Key speakers					
3.05.01	Indonesian business persons					
3.05.02	American business persons in Indonesia					
3.05.03	Panelists					
3.06	Utomo SGV					
3.07						
3.08						
3.09						

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ASSIGNMENTS AND RESPONSIBILITIES

Task No.	Item Description	Responsibility	Assigned			Comments
3.10						
4.0	Orientation Day (Monday, 31 Oct. in Jakarta)	AID - JKT Terry Myers	Telex			
4.01	Room for meeting	Terry Myers	T. Myers - Telex of 7 Oct.			
4.02	Dinner that evening	Gus Kline	7 Oct.			
4.03	Former Citibank representative					
5.0	Mixed Investment Session	JKT - YPO.	Jon Green Meeting in JKT in July	Telex to HERU date		
5.01	Physical arrangements - 1 Nov.	JKT - YPO				
5.02	Development of alternatives	JKT - YPO				
5.03	Physical arrangements - 10 Nov.	Jon Green Jack Daniels				
5.04	Draft instruments of agreement					
5.05	Identify investment impediments					
5.06	Develop pro forma analysis of selected investment					
5.07						
5.08						
5.09						
5.10						
5.11						

EXHIBIT III

ASSIGNMENTS AND RESPONSIBILITIES

Task No.	Item Description	Responsibility	Assigned			Comments
5.12						
5.13						
5.14						
5.15						
6.0	Plant Visits (finalize in JKT with Alex and Heru)					
7.0	Surabaya Management Seminar					
7.01	Course (case studies, educational, materials, and presentation)	Dave Wechsler				
7.02	Physical arrangements (hotels, meeting rooms, travel, etc.)	AID - JKT				
7.03	Attendance	See 3.03				
7.04	Key speakers					
7.04.01	Indonesian business leader					
7.04.02	American YPO member					
7.05						
7.06						
8.0	Yogyakarta management seminar					
8.01	Case studies and educational materials	Dave Wechsler				
8.02	Physical arrangements - hotels, meeting rooms, travel	AID - JKT				

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EXHIBIT III
ASSIGNMENTS AND RESPONSIBILITIES

Task No.	Item Description	Responsibility	Assigned			Comments
8.03	Attendance	See 3.03				
8.04	Key speakers					
8.04.01	Indonesian business leader					
8.04.02	American YPO member					
8.05						
8.06-						
9.0	PERMIAS Dinner - Wednesday, 9 Nov.	AID - JKT				
9.01	Physical arrangements	AID - JKT				
9.02	Invitations	YPO - JKT				
9.03	Invitations to GSPIA grads	Jon Green				
9.04	Guest speaker - Ambassador Holdridge or Bill Fowler	AID - JKT				
10.0	Evaluation Information					
10.01	JKT seminar instrument	Jon Showe				
10.02	Surabaya seminar instrument	Jon Showe				
10.03	Yogyakarta seminar instrument	Jon Showe				
10.04	Mixed investment program instrument	Jon Showe				
10.05	AID/YPO debriefing in JKT					
10.05.01	Invitations					
10.05.02	Physical arrangements					
10.05.03	Writeup					
10.06	Overall evaluations by YPO American Mission participants					

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EXHIBIT III
ASSIGNMENTS AND RESPONSIBILITIES

Task No.	Item Description	Responsibility	Assigned			Comments
10.07	Overall evaluations by AID JKT					
10.08	Overall evaluations by JKT YPO					
11.0	Post-Mission Evaluation	AID Washington				
11.01	Logistics	Val Osborne				
11.02	Report preparation					
11.03	Linkage analysis					
11.04						
11.05						
12.0	Thank you's					
12.01						
12.02						
12.03						
13.0	Letters from President Reagan	Al Lehn				
14.0	Miscellaneous					
14.01	Tapes					
14.02	Books/gifts					
14.03	Gifts - two \$20.00 gifts plus 15 give-aways each	Jon Green				
14.04	Ball - Nick Adams					

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EXHIBIT III

ASSIGNMENTS AND RESPONSIBILITIES

Task No.	Item Description	Responsibility	Assigned			Comments
15.0	Administration	Mission Leader Secretary				
15.01	Financial data					
15.02	Information to team members					
15.03						
15.04						
15.05						

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EXHIBIT IV

BRIEF EXPERTISE DESCRIPTION OF USA YPO MISSION MEMBERS

- Michael G. Berolzheimer - Investment Banking
Forestry Products
- William C. Cussell - Education
- Howard A. Fine - Tourism
Hotel Operations and Development
- Jonathan A. Green
(Mission Leader) - Urban and Resource Planning
Infrastructure and Industrial Support Design Engi-
neering
Construction Management and Supervision
- Hilary B. Miller - Law and Finance
Precision Foundries
High-technology Manufacturing
- Gary B. Rappaport - Mass Merchandising
International Marketing and Distribution
- Charles I. Shanok - Real Estate and Finance
Manufacturing, Marketing, and Distribution of:
Non-woven Structural Textiles for Clothing;
Clothing Textiles; Notions; and Handicrafts
- Jonathan Showk - Theater Development
Wholesale Distribution of Food Products
- Frances Todd Stewart - Importing
Manufacture of Small Plastic and Metal Products
- David Wechsler - Primary Metals Processing, Marketing and
Distribution
Design, Manufacture, Install, and Maintain Plane-
tariums and Flight Simulators
Export Trading and Management

REMARKS OF

ELISE R. W. DU PONT

BANKERS' ASSOCIATION FOR FOREIGN TRADE

DORADO BEACH, PUERTO RICO

April 12, 1983

I AM VERY PLEASED TO TALK TO YOU TODAY ABOUT A.I.D.'S NEW INITIATIVE IN CO-FINANCING. GIVEN CURRENT DIFFICULTIES, THIS IS AN OPPORTUNE TIME IN THE DEVELOPMENT OF OUR PROGRAM TO EXCHANGE IDEAS WITH YOU AND OTHERS IN THE FINANCIAL COMMUNITY. I INTEND TO MAKE THE MOST OF THIS OPPORTUNITY OVER THE NEXT DAY OR TWO.

THIS MORNING, I WOULD LIKE TO DISCUSS CO-FINANCING IN THE CONTEXT OF A CENTRAL NEED. THAT IS THE NEED TO ACCELERATE THE FLOW OF CAPITAL FROM THE DEVELOPED WORLD TO THE DEVELOPING WORLD TO STIMULATE ECONOMIC GROWTH.

CERTAINLY, CO-FINANCING SEEMS TO BE AN APPROPRIATE AND EFFECTIVE INSTRUMENT FOR SUCH A PURPOSE. HOWEVER, CO-FINANCING ALTHOUGH ITS POTENTIAL HAS BEEN KNOWN SINCE 1975, IS NOT YET WIDELY IN USE NOR FULLY ACCEPTED BY ALL FINANCIAL INSTITUTIONS.

THIS MORNING, MY REMARKS WILL TOUCH ON SEVERAL AREAS. I WILL FIRST DESCRIBE NEW PRIVATE SECTOR THRUST AT A.I.D., SECONDLY, DEFINE CO-FINANCING AS WE SEE IT AT A.I.D., THIRD, OUTLINE OUR EXPERIENCE WITH CO-FINANCING AT A.I.D., AND FOURTH THEN DISCUSS PROBLEMS WITH CO-FINANCING AND THEIR CAUSES AND, IN CONCLUDING, I WILL DESCRIBE A.I.D.'S ATTEMPT TO SOLVE THOSE PROBLEMS WITH OUR PROPOSED NEW CO-FINANCING PROGRAM.

FIRST, LET ME VERY QUICKLY DESCRIBE OUR NEW PRIVATE SECTOR THRUST AT A.I.D., INTO WHICH ANY AGENCY CO-FINANCING PROGRAM WILL FIT.

BRIEFLY, THIS ADMINISTRATION'S INITIATIVE REVIVES LONG-NEGLECTED ATTENTION TO THE PRIVATE SECTOR AS AN INTEGRAL PART OF THE U.S. FOREIGN AID PROGRAM. OUR PRIMARY EMPHASIS IS ON THIRD WORLD PRIVATE ENTERPRISE, ESPECIALLY THOSE JOB-CREATING ENTREPRENEURS WHOSE ACTIVITIES CAN HAVE SUCH A BENEFICIAL RIPPLE EFFECT THROUGHOUT THEIR NATIONAL ECONOMIES. WE HELP PROVIDE BOTH AN INSTITUTIONAL FRAMEWORK IN WHICH THESE ENTERPRISES CAN OPERATE AND OPEN UP ACCESS TO CAPITAL NOT ALREADY AVAILABLE TO THEM. WE ALSO ENLIST THE SKILLS AND RESOURCES OF THE U.S. PRIVATE SECTOR TO HELP MAKE THEM SELF-SUFFICIENT AND COMPETITIVE.

THE BUREAU I DIRECT -- THE BUREAU FOR PRIVATE ENTERPRISE -- IS THE SPEARHEAD OF THIS INITIATIVE.

OUR SPECIAL ROLE IS TO ACT AS A CATALYST AND AS A LABORATORY FOR NEW IDEAS. WE ESPECIALLY LOOK FOR NEW FINANCIAL MECHANISMS TO ATTRACT RESOURCES FROM OUTSIDE, THEREBY LEVERAGING, OR STRETCHING OUT, SCARCE A.I.D. DOLLARS.

THE CONSIDERATION OF CO-FINANCING AS ONE OF THOSE MECHANISMS FOLLOWS NATURALLY.

SECOND, WHEN WE IN A.I.D. SAY "CO-FINANCING", JUST WHAT DO WE MEAN?

AS WE DEFINE CO-FINANCING, WE ARE REFERRING TO ANY FORMAL ARRANGEMENT UNDER WHICH A.I.D. LOANS OR GRANTS ARE ASSOCIATED WITH OTHER PUBLIC OR PRIVATE FUNDS FROM ONE OR MORE SOURCES

OUTSIDE THE BORROWER'S COUNTRY, FOR THE PURPOSE OF FINANCING A SPECIFIC PROJECT OR PROGRAM.

WE RECOGNIZE THAT PARTICIPATING BANKS ARE INTERESTED IN ARRANGEMENTS THAT INVOLVE NOT ONLY CLOSE COLLABORATION BEFORE SIGNING OF THE LOAN BUT FORMAL AGREEMENTS THAT APPLY AFTER THE SIGNING.

NEXT AND THIRD, LET ME BRIEFLY REVIEW A.I.D.'S EXPERIENCE WITH CO-FINANCING.

CLEARLY, OUR INTEREST IN THE SUBJECT STEMS FROM ITS POTENTIAL FOR ENLARGING THE POOL OF RESOURCES FOR TRANSFER TO COUNTRIES RECEIVING OUR ASSISTANCE OR (AS WE DISCUSSED EARLIER) ACCELERATING THE FLOW OF MUCH NEEDED CAPITAL TO THE THIRD WORLD. THE AGENCY ALSO CONSIDERS CO-FINANCING A USEFUL LEVER IN INVOLVING THE PRIVATE SECTOR IN THE DEVELOPMENT PROCESS. ANOTHER ADVANTAGE IS THAT CO-FINANCING, BY LEVERAGING LIMITED OFFICIAL FUNDS, GIVES US MORE WEIGHT IN RECOMMENDING POLICY CHANGES IN THIRD WORLD COUNTRIES TO SPUR ECONOMIC GROWTH.

IN THE PAST FIVE YEARS, THE AGENCY HAS JOINED IN 16 CO-FINANCING ARRANGEMENTS WITH OFFICIAL LENDERS. IN ALL BUT ONE -- AN ARRANGEMENT WITH THE EUROPEAN ECONOMIC COMMUNITY -- OUR ARRANGEMENTS HAVE BEEN WITH THE WORLD BANK. THE LARGEST SINGLE GROUP OF PROJECTS INVOLVED AGRICULTURAL AND RURAL DEVELOPMENT. A.I.D. PROVIDED ABOUT ONE-FIFTH OF A TOTAL LAYOUT OF \$705 MILLION.

SEVERAL FEATURES CHARACTERIZE THE A.I.D. EXPERIENCE SO FAR.

WITH THE EXCEPTION OF ONE PROJECT IN PERU, OUR ARRANGEMENTS HAVE BEEN WITH OTHER OFFICIAL SOURCES, NOT PRIVATE LENDERS.

IN ADDITION, A.I.D. HAS PAID LITTLE SYSTEMATIC ATTENTION TO THE IDENTIFICATION OF PROJECTS SUITABLE FOR CO-FINANCING. IN OTHER WORDS, THE AGENCY'S APPROACH HAS BEEN AD HOC, RATHER THAN METHODICAL IN LOOKING FOR CO-FINANCING OPPORTUNITIES.

WITH THE INAUGURATION OF THE ADMINISTRATION'S PRIVATE SECTOR INITIATIVE, MORE OPPORTUNITIES HAVE BEEN SOUGHT TO INVOLVE PRIVATE ENTERPRISES AND INSTITUTIONS IN A.I.D. EFFORTS. AS I MENTIONED EARLIER, THE LEAD ROLE FOR THIS IS PLAYED BY MY BUREAU.

AMONG THE BUREAU PROJECTS NOW IN PLACE ARE THOSE IN WHICH WE PARTICIPATE WITH LOCAL PRIVATE FINANCIAL INSTITUTIONS TO FINANCE NEW CREDIT ACTIVITIES TARGETED TO SMALL RURAL ENTERPRISES. EXAMPLES ARE A.I.D. LINES OF CREDIT TO THE SIAM COMMERCIAL BANK IN THAILAND, AND TO THE KENYA COMMERCIAL BANK, KENYA. EACH BANK HAS MATCHED OUR LOAN IN ORDER TO EXTEND MEDIUM-TERM CREDIT TO PRIVATE BORROWERS. IN THESE COUNTRIES, SUCH CREDIT IS NOT OTHERWISE AVAILABLE. WE HAVE SIMILAR ARRANGEMENTS WITH OTHER INDIGENOUS INSTITUTIONS. THESE INSTITUTIONS INCLUDE THE LIFE OF JAMAICA INSURANCE COMPANY AND PERU'S FIRST LEASING COMPANY.

IT SHOULD BE POINTED OUT THAT NONE OF THESE PROJECTS INVOLVES A U.S. PRIVATE LENDING INSTITUTION.

FROM ITS INCEPTION IN JULY 1981, THE BUREAU FOR PRIVATE ENTERPRISE HAS ANTICIPATED EXPLORING THE USE OF THE CO-FINANCING OPTION IN ITS TRUEST SENSE. WITH PREVIOUS AGENCY EXPERIENCE IN CO-FINANCING WITH OFFICIAL INSTITUTIONS, AND WITH THE BUREAU'S EXPERIENCE IN INVESTMENT-MATCHING WITH INDIGENOUS PRIVATE INSTI- TUTIONS, THE STAGE IS NOW SET FOR DEVELOPMENT OF SUCH A PROGRAM.

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LET ME TURN BACK TO THE CENTRAL NEED OF DEVELOPING COUNTRIES I MENTIONED A MOMENT AGO -- THE NEED FOR CAPITAL.

MANY OF THESE COUNTRIES HAVE OPTED FOR HIGH-GROWTH STRATEGIES, PUTTING PRESSURE ON BALANCE-OF-PAYMENTS LEDGERS ALREADY SKEWED BY OIL PRICE INCREASES. THE DEMAND FOR CREDIT IN THE THIRD WORLD, THEREFORE, HAS BEEN VERY HIGH.

AND YET, MOST THIRD WORLD COUNTRIES ARE STILL SHORT OF CAPITAL. THE FLOW SEEMS TO HAVE GONE CHIEFLY TO A LIMITED NUMBER OF COUNTRIES. FOR EXAMPLE, THE 20 LARGEST BORROWERS IN THE THIRD WORLD ACCOUNT FOR 75% OF THE PRIVATE BANK LOANS TO DEVELOPING COUNTRIES.

CO-FINANCING HAS THE POTENTIAL TO HELP BREAK THE LOGJAM AND MOVE MORE CAPITAL TO MORE THIRD WORLD NATIONS. BUT, SO FAR, THIS HAS NOT HAPPENED.

AND THIS BRINGS ME TO FOURTH POINT. THE FAILURE OF CO-FINANCING TO "TAKE OFF", SO TO SPEAK, IS A KEY PROBLEM THAT ALL PARTIES -- BORROWERS AND LENDERS, BOTH PRIVATE AND OFFICIAL -- SHOULD ADDRESS.

WHAT ARE THE CAUSES OF THIS PROBLEM? WE SEE SEVERAL:

- CREDITWORTHINESS OF LDCs
- PAUCITY OF ACCEPTABLE PROJECTS
- COMMUNICATION ABOUT CO-FINANCING
- THIRD WORLD ATTITUDES TOWARD CO-FINANCING.

LET ME REVIEW THESE. FIRST, MANY PRIVATE LENDERS ARE HESITANT ABOUT JOINING OFFICIAL LENDERS IN A CO-FINANCING ARRANGEMENT WITHOUT CERTAIN SAFEGUARDS.

THIS SPRINGS FROM A PRIVATE PERCEPTION AND EVEN A REALITY THAT MANY THIRD WORLD NATIONS ARE NOT CREDITWORTHY.

PRIVATE BANKS, AS YOU KNOW, WOULD PREFER TO BE FULLY GUARANTEED BY OFFICIAL LENDERS IN CO-FINANCING ARRANGEMENTS THAT INVOLVE BORROWERS IN THE POOREST COUNTRIES. FOR OTHER COUNTRIES, PRIVATE BANKS MIGHT BE WILLING TO ASSUME THE COMMERCIAL RISKS BUT NOT THE POLITICAL RISKS OF A GIVEN PROJECT. IN THIS CASE, THEY WOULD PROBABLY SEEK COVERAGE THROUGH THE OVERSEAS PRIVATE INVESTMENT CORPORATION -- O.P.I.C. -- AND PRIVATE INSURERS.

IN STILL OTHER CASES, PRIVATE BANKS MIGHT BE WILLING TO SHARE RISK WITH THE OFFICIAL LENDERS BY ASSUMING BOTH THE COMMERCIAL AND THE POLITICAL RISKS INVOLVED IN THEIR PARTICIPATION IN A CO-FINANCING ARRANGEMENT.

BUT THE NUMBER OF COUNTRIES IN WHICH THEY WOULD BE WILLING TO DO THIS HAS BEEN SMALL. IN SUCH CASES, BANKERS WANT TO BE "PARTNERS" WITH THE OFFICIAL LENDER IN COLLABORATIONS THAT TAKE PLACE BEFORE THE LOAN AGREEMENT IS SIGNED, AS WELL AS IN FORMAL AGREEMENTS MADE AFTER THE SIGNING.

THIS RAISES A NUMBER OF ISSUES HAVING TO DO WITH MECHANICS.

BY FAR THE MOST IMPORTANT ISSUE IS THE CROSS-DEFAULT CLAUSE. OFFICIAL LENDERS WHO HAVE ENGAGED IN CO-FINANCING, INCLUDING A.I.D., HAVE NORMALLY AGREED TO AN OPTIONAL CROSS-DEFAULT CLAUSE. THIS, AS YOU KNOW, MEANS THE OFFICIAL LENDER HAS THE CHOICE OF ACTING IN CONCERT WITH A PRIVATE LENDER AGAINST BORROWERS IN DEFAULT.

IT DOES NOT, HOWEVER, BIND THE OFFICIAL LENDER TO A DEFAULT ACTION TAKEN BY THE PRIVATE CO-FINANCIER.

HOW STRONG A SAFEGUARD THIS REPRESENTS -- AS OPPOSED TO A MANDATORY CROSS-DEFAULT CLAUSE -- IS PART OF THE OVERALL CO-FINANCING DIALOGUE. AND IT BEARS ON THE WILLINGNESS OF PRIVATE INSTITUTIONS SUCH AS YOURSELVES TO PARTICIPATE WITH A.I.D. AND OTHERS IN FINANCING THIRD WORLD PROJECTS. THIS IS ESPECIALLY TRUE IN THE CASE OF SMALLER AND REGIONAL LENDERS NOT WIDELY EXPERIENCED IN INTERNATIONAL LENDING.

A SECOND CAUSE FOR CO-FINANCING NOT BEING WIDELY USED IS A PAUCITY OF ACCEPTABLE PROJECTS THAT ARE SUITABLE FOR CO-FINANCING IN THE PORTFOLIO OF OFFICIAL LENDERS. BECAUSE OF THE TREMENDOUS AMOUNT OF STAFF TIME INVOLVED IN PROJECT IDENTIFICATION AND APPRAISAL ON THE PART OF OFFICIAL AGENCIES, ONLY A LIMITED NUMBER OF PROJECTS ARE READY TO GO AT ANY GIVEN MOMENT.

THIRD, A LACK OF COMMUNICATION. BY THIS I MEAN THAT OFFICIAL AGENCIES NEED TO HIGHLIGHT THE ADVANTAGES OF CO-FINANCING AND EFFECTIVELY COMMUNICATE THIS TO THE BANKING COMMUNITY. IN OTHER WORDS, WE NEED BETTER "P.R."

FOURTH, THE ATTITUDE OF DEVELOPING COUNTRIES THEMSELVES HAS AT TIMES BEEN A DETERRENT TO GREATER USE OF CO-FINANCING. NOT ALL HAVE WELCOMED THE CONCEPT. AMONG THE REASONS FOR THIS IS THE GREATER DEBT SERVICE -- FROM THE INCLUSION OF PRIVATE CREDITORS IN A TYPICAL CO-FINANCING PACKAGE. THERE IS ALSO THE QUESTION OF "ADDITIONALITY." THIS MEANS SOME DEVELOPING COUNTRIES QUESTION WHETHER PRIVATE FUNDS CHANNLED THROUGH CO-FINANCING AGREEMENTS WILL ADD TO OR SIMPLY REPLACE NORMAL LOANS MADE TO THEM.

TO SUMMARIZE, THEN, INCREASED CAPITAL FLOW IS AN OVERRIDING NEED OF THIRD WORLD COUNTRIES. THE PROBLEM BEFORE US TODAY IS THAT ONE ANSWER TO THAT NEED, CO-FINANCING, IS NOT IN WIDE USE TODAY. AND THE CAUSES INCLUDE: HESITANCY ON THE PART OF PRIVATE LENDERS, A SCARCITY OF ACCEPTABLE PROJECTS, THE NEED TO DO A BETTER JOB OF SELLING THE CO-FINANCING OPTION, AND HESITANCY ON THE PART OF THIRD WORLD BORROWERS.

THESE MAJOR FACTORS ARE BEING EXAMINED CLOSELY AS OUR AGENCY MOVES TO DEVELOP A CO-FINANCING PROGRAM -- AND TO SEARCH FOR SOLUTIONS.

NOW LET ME TURN TO MY 5TH AND FINAL POINT. IN LATE 1982, WE FORMED A CO-FINANCING COMMITTEE MADE UP OF SENIOR OFFICERS FROM VARIOUS BUREAUS, INCLUDING, OF COURSE, MY OWN.

TECHNICAL DIFFICULTIES REMAIN A HURDLE BUT I CAN MAKE SOME OBSERVATIONS ABOUT THE GENERAL THRUST OF THE EMERGING PROGRAM AND THEN SUGGEST A TIMETABLE FOR IMPLEMENTATION.

WITH REGARD TO THE GENERAL THRUST, WE CONSIDER THAT SOME FORM OF RISK-SHARING ON THE PART OF A.I.D. IS NEEDED IN A SUCCESSFUL CO-FINANCING ARRANGEMENT AND OUR CO-FINANCING PORTFOLIO WILL UNDERSCORE THE PRIVATE SECTOR ASPECT OF A.I.D.'S NEW THRUST BY INCLUDING PRIVATE BORROWERS IN DEVELOPING COUNTRIES AS WELL AS PUBLIC BORROWERS.

AS OUR PROGRAM FALLS INTO PLACE, WE WILL BE EXPLORING THE FULL RANGE OF POTENTIAL CO-FINANCING PARTNERS. PENSION FUNDS, INSURANCE FIRMS, AND OTHER SUCH INSTITUTIONS WHO COULD PROVIDE ADDITIONAL EXTERNAL CREDIT SOURCES FOR THE THIRD WORLD, AND WITHIN THE CO-FINANCING CONTEXT.

OUR TENTATIVE TIMETABLE FOR IMPLEMENTATION OF A CO-FINANCING PROGRAM WITH PRIVATE LENDERS IS AS FOLLOWS:

-- BY JUNE 30 OF THIS YEAR, WE EXPECT TO CLOSE A PILOT CO-FINANCING PROJECT WITH A PRIVATE SECTOR BORROWER LOCATED IN AN A.I.D.-ASSISTED COUNTRY;

-- BY SEPTEMBER 30, WE EXPECT TO CLOSE A PILOT CO-FINANCING PROJECT WITH A PUBLIC SECTOR BORROWER IN ONE OF THOSE COUNTRIES;

-- ALSO BY SEPTEMBER 30, WE EXPECT TO HAVE A GENERAL A.I.D. POLICY REGARDING CROSS-DEFAULT PROVISIONS, APPLYING BOTH TO PRIVATE AND PUBLIC BORROWERS; BETWEEN NOW AND SEPTEMBER 30, WE WILL BE SCRUTINIZING WITH CARE THE POSSIBILITY OF MANDATORY CROSS DEFAULT CLAUSE FOR CERTAIN TYPES OF PROJECTS;

-- BY NOVEMBER 30, WE WILL CLOSE A SECOND PILOT CO-FINANCING PROJECT WITH A PUBLIC SECTOR BORROWER;

-- BY THE END OF 1983, WE WILL KNOW WHETHER CO-FINANCING CAN BE EXTENDED TO INCLUDE PENSION FUNDS AND INSURANCE COMPANIES AS CO-LENDING SOURCES, AND MAKE THE APPROPRIATE RECOMMENDATIONS FOR A.I.D. APPROVAL;

-- FINALLY, BY JANUARY 31, 1984, WE WILL HAVE A FULL POLICY IN PLACE WITH REGARD TO THE USE OF CO-FINANCING.

TODAY, I HAVE TRIED TO SPEAK ABOUT CO-FINANCING IN A CERTAIN CONTEXT, THAT IS, AS AN EFFECTIVE INSTRUMENT FOR MOVING CAPITAL FROM THE INDUSTRIAL WORLD TO THE THIRD WORLD.

IN MY FOURTH POINT, I TOUCHED ON A.I.D.'S NEW PRIVATE SECTOR THRUST, OUR DEFINITION OF CO-FINANCING, A.I.D. EXPERIENCE WITH CO-FINANCING. I HAVE ENUNCIATED A PROBLEM: THAT CO-FINANCING IS NOT BEING USED TO THE EXTENT THAT ITS POTENTIAL

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SEEMS TO PROMISE. AND I HAVE LISTED THE MAJOR CAUSES FOR THIS. AND, IN THIS CONTEXT, FINALLY, I HAVE DESCRIBED THE BASIC ELEMENTS OF AN EVOLVING A.I.D. PROGRAM THAT MAY PROVIDE SOME OF THE SOLUTIONS.

THANK YOU FOR INVITING ME TO PARTICIPATE IN YOUR DISCUSSIONS. I LOOK FORWARD TO TALKING FURTHER WITH MANY OF YOU, AND I WELCOME YOUR IDEAS AND SUGGESTIONS.

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EXHIBIT VI

DETAILED SCHEDULES FOR MANAGEMENT THEORY AND METHODS PROGRAM

SCHEDULE FOR
TWO-DAY JAKARTA SESSION

DAY ONE

8:30 - 10:30 WELCOME AND INTRODUCTION
Welcome
US AID Official
Introduction and Overall Program
Jonathan Green - Indonesia Mission Chairman
US AID/YPO Entrepreneur Development Program
Cross-Cultural Exposure
David Wechsler - Session Chairman
Management Theory and Practice
Keynote Speech
Indonesian Business Leader
Introduction of Participants
10:30 - 10:45 BREAK
10:45 - 12:15 SMALL GROUP WORKSHOPS - Case Study I
12:30 - 2:30 LUNCH AND REPORT - Case Study I Work Solutions
2:30 - 4:00 SMALL GROUP WORKSHOPS - Case Study II
4:00 - 6:00 SWIM AND INFORMAL DISCUSSIONS BY POOL
6:00 - 9:00 DINNER AND REPORT - Case Study II Work Solutions
Dinner Speech
American Business Leader working in Indonesia

DAY TWO

8:30 - 10:00 SMALL GROUP WORKSHOPS - Case Study III
10:00 - 10:15 BREAK
10:30 - 11:00 REPORT - Case Study III Work Solutions
11:00 - 12:15 THE SIMILARITIES AND DIFFERENCES BETWEEN INDONESIA AND AMERICAN
BUSINESS PRACTICES
Panel discussion - Indonesian and American Business Leaders

EXHIBIT VI

(Continued)

12:30 - 2:00 LUNCH
2:00 - 3:00 OPPORTUNITIES FOR INDONESIAN AND AMERICAN MIXED INVESTMENTS
Panel discussion - Indonesian and American Business Leaders
3:00 - 3:15 BREAK
3:15 - 4:00 WRAP UP SUMMARY
David Wechsler - Session Chairman

ONE-DAY SESSIONS IN SURABAYA AND YOGYAKARTA

8:30 - 10:30 WELCOME AND INTRODUCTION
Welcome
US AID Official
Introduction and Overall Program
Jonathan Green - Indonesia Mission Chairman
US AID/YPO Entrepreneur Development Program
Cross-Cultural Exposure
David Wechsler - Session Chairman
Management Theory and Practice
Keynote Speech
Indonesian Business Leader
Introduction of Participants
10:30 - 10:45 BREAK
10:45 - 12:15 SMALL GROUP WORKSHOPS - Case Study I
12:30 - 2:30 LUNCH AND REPORT - Case Study I Work Solutions
2:30 - 5:00 SMALL GROUP WORKSHOPS - Case Studies II and III
5:00 - 6:00 SWIM AND INFORMAL DISCUSSIONS BY POOL
6:30 - 9:00 DINNER AND REPORT - Case Studies II and III Work Solutions
Dinner Speech
YPO American Member

EXHIBIT VII

AID/YPO ENTREPRENEUR DEVELOPMENT PROGRAM

PHASE II MISSION

DAY-BY-DAY SCHEDULE OF ACTIVITIES

No later than
Sunday, October 30

Arrival in Jakarta, Indonesia

Tentative accommodations at the Jakarta Mandarin Hotel.

Dinner by the pool.

Tour of city available for early arrivers.

Monday, October 31

In-country orientation of USA YPO team

Details to follow - Responsibility of US AID.

Potential Resources

Indonesian Government - Mohammed Sadli -
Exec. Sec. KADIN
Polywardana
Habibi
Sumarlin

AID and AID Consultants - Bill Fuller -
Terry Myers
Dick Silc
Alex Sumarauw

U. S. Embassy Staff - Gus Kline -
Commercial Attache'

Others - Nick Petroff -
Am Cham

Jim Castle, et al -
Data Resources

Harvey Goldstein -
RMI and Am Cham

Supper with Jakarta YPO and day's participants
- hosted by Gus Kline

Tuesday, November 1

Mixed (USA/Indonesia) Private Investment

Project - Phase I - Responsibility
Jakarta YPO - Mike Berolzheimer

EXHIBIT VII
(Continued)

Very brief initial:

- A) Presentation of 3-5 alternative investment possibilities.
- B) Discussion of legal strategies of and requirements for mixed investment in Indonesia.
- C) Discussion of the role of P. T. Bahana.
- D) More detailed presentation and discussion of the 3-5 specific investment alternatives.

Formal program ends by 4:00 PM to leave time for nap, swimming, shopping, etc.

Wednesday, November 2
and
Thursday, November 3

Management Theory and Methods Program: a cross-cultural exposure.

Attendance:

This meeting will be open to as many as 100 Indonesian participants. Sources: Jakarta YPO, Indonesian Management Association, KADIN, HIPMI, LPPM, etc.

Purpose:

The program is designed to communicate American management approaches to our Indonesian participants and Indonesian management approaches to USA YPO members.

Methods:

- 1) Case Study problems to be worked out in small groups (10 groups of 10 each) with answers being developed for (a) American approach; (b) Indonesian approach; and (c) possible new synthesis approach.

EXHIBIT VII
(Continued)

2) Presentations by Indonesian and U.S. executives.

3) Panel discussions.

Potential Resources:

Harlan Bekti	KADIN.
Roger Mohoot	HIPMI
Utomo of SGV	Indonesian Mgmt. Assoc.
Dr. Sartozo	Am Cham
Jakarta YPO	LPPM
Habibi	

Friday, November 4
Saturday, November 5
Sunday, November 6

Fly to Bali - cultural orientation: music,
native dance, rest, shopping

Accommodations

Bali Oberoi - on Kuda
Tangesani Hyatt - on Sani

Monday Morning,
November 7

Fly to Surabaya - Arrangements by local KADIN,
HIPMI and YPO.

Abbreviated management theory and practice
meeting (plus visits to local industries?)

Tuesday Morning,
November 8

Fly to Yogyakarta - Repeat Monday's program

Wednesday
November 9

Return to Jakarta

Morning free

Afternoon - Visits to Plants or Other Business
Sites - probably in small groups according to
area of business specialty.

Dinner with PERMIAS - association of Alumnae of
American Universities - Target Speakers: Amba-
sador Holdridge and William Fowler, Director AID
Indonesia.

EXHIBIT VII
(Continued)

Thursday, November 10

Mixed Private Investment Project - Phase II -
Continuation of Tuesday's, November 1, program:

- E) Resubmit feasible investment alternatives.
- F) Selection of the best investment opportunity.
- G) Development of business plan, method of operations, etc.
- H) Develop typical investment agreements/instruments.

Friday Morning,
November 11

Mission leader's birthday

Morning to be scheduled in Indonesia.

12:00 Noon - Luncheon/discussion with AID personnel regarding future AID programming ties to present mission; critique of current mission.

Supper - Guest of Jakarta YPO

OFFICIAL END OF MISSION

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Saturday, November 12
Sunday, November 13
(OPTIONAL)

Jakarta YPO members invite USA YPO members to island off Jakarta for weekend visit; snorkeling, swimming, etc. available.

November 17 - 20
(OPTIONAL)

Bangkok Area Conference - A great chance to meet and get to know YPO members from Thailand and around the world and relate current mission to them.