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PD-AAD-921-B

38p.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

PROJECT PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

INDONESIA - Family Planning Oral Contraceptive Project

AID-DLC/P-2183

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

UNCLASSIFIED
AID-DLC/P-2183
June 21, 1976

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: INDONESIA - Family Planning Oral Contraceptive Project

Attached for your review is the recommendation for authorization of a loan to the Government of the Republic of Indonesia ("Borrower") of not to exceed seven million, three hundred thousand United States dollars ($7,300,000) to assist in financing the United States dollar costs of commodities (and related services) for family planning purposes for Indonesia.

This loan is scheduled for consideration by the Development Loan Staff Committee on Friday, June 25, 1976 at 10:00 a.m. in Room 2248 New State; please note your views are requested by close of business on Tuesday, June 29, 1976. If you are a voting member a poll sheet has been enclosed for your response.

Development Loan Committee
Office of Development Program Review
and Evaluation

Attachment:
Summary and Recommendations
Project Analysis
Annexes

FAMILY PLANNING ORAL CONTRACEPTIVES PROJECT

INDONESIA

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B. AID procedure for bulk procurement of oral contraceptives, authorized by DA/AID on May 8, 1973.

C. Copy of cable notifying AID/W of Mission receipt of the formal loan application letter from the Government of Indonesia.

D. AID/W guidance on strategy and mechanics of loan-financing contraceptive commodities for Indonesia, January and May, 1976.

E. Draft loan authorization.

[illegible]	1. TRANSACTION CODE [illegible] X [illegible] [illegible]	PP
		DOCUMENT CODE 3

2. [illegible]

Indonesia

3. [illegible]

4. PROJECT NUMBER: 497- 271

5. [illegible] 02

6. ESTIMATED FY OF PROJECT COMPLETION: FY 79

7. [illegible]

Family Planning Oral Contraceptives

8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION: a. INITIAL mo. yr. 76 b. FINAL FY 79

9. [illegible]

a. FUNDING SOURCE	LAST YEAR FY			ALL YEARS		
	a. FX	b. L/C	d. Total	e. FX	f. L/C	g. Total
AID [illegible] TOTAL	7300		7300	7300		7300
[illegible]	( )	( )	( )	( )	( )	( )
[illegible]	7300	( )	7300	7300	( )	7300
[illegible]						
[illegible]					12,000 Est.	12,000 Est.
[illegible]						
TOTALS	7300		7300	7300	12,000 Est.	19,300

10. ESTIMATED COSTS OF AUTHORIZATION (000)

[illegible]	[illegible]	[illegible]	FY 76		FY 77		FY 78		ALL YEARS	
			d. Grant	e. Loan	f. Grant	g. Loan	h. Grant	i. Loan	j. Grant	k. Loan
PH	301	430				7300				7300
						7300				7300
[illegible]						7300				7300

11. [illegible] Check if different from [illegible]

Assist the Government of Indonesia to increase the prevalence of use of all legal types of contraceptive methods.

12. [illegible] ATTACH CHANGED PID FACESHEET

13. [illegible]

14. [illegible]

Thomas Niblock
Director
USAID/Indonesia

15. Date Received in AID/W, or For AID/W Documents, Date of Distribution: mo. 06 day 15 yr. 76

AID [illegible]

BEST AVAILABLE COPY

B. Recommendation: It is recommended that a loan be authorized for $7,300,000 with the following proposed terms for the Indonesia Family Planning Oral Contraceptives Project:

1. Maturity: forty years including a ten-year grace period

2. Interest: two percent per annum during the grace period and three percent per annum thereafter

3. Currency: interest and principal repayable in U.S. dollars

C. Project Description

The Government of Indonesia (GOI) has assigned the highest priority to lowering the rate of increase of the Indonesian population and has organized and strongly supported a nation-wide family planning program to effect reductions in human fertility. AID has supported this program since 1968 with grant assistance for family planning services and grant funding (Title X) of imported contraceptives, both oral contraceptives and condoms.

AID proposes to continue grant assistance in the form of technical assistance, training, and local program support for several additional years. However, at AID's initiative, the GOI has agreed to seek AID loan funds for continuing import requirements of oral contraceptives until such time as Indonesia has the capacity to produce oral contraceptives in quantities sufficient for its needs. This proposed loan in the amount of $7.3 million would cover the cost of 42 million cycles of oral contraceptives, which is estimated to be the requirement for delivery to Indonesia in CY 1978 and consumption in CY 1979. We are proposing the loan at this time in order to assure that Indonesian requirements can be included in the global order to be placed by AID with manufacturers in early 1977 under its bulk procurement program. The normal lead-time for production, shipment, and in-country distribution is eighteen months.

The purpose of this loan is to increase the prevalence of use of contraceptives. Loan-financed oral contraceptives will be made available to women already employing family planning techniques and new acceptors throughout Indonesia. Distribution will be made primarily through family planning clinics which have served as effective supply channels over the past several years.

AID-financing of oral contraceptive imports for Indonesia in FY 1977 (for Indonesia delivery requirements in CY 1978 and use in CY 1979) was originally justified in a PROP approved by AID's Deputy Administrator on June 10, 1975 (Annex A). When AID and the GOI agreed to apply loan-financing to contraceptive imports, it was determined by AID/W that the current approved PROP could be used as the basis for loan authorization (see guidance in Annex D) Accordingly, fuller justification for the loan and description of administrative procedures are contained in Annexes A and B, attached.

It is also proposed that the loan support the GOI decision to accelerate the establishment of a state-owned Indonesian production facility for oral contraceptives. The present GOI target is to initiate in-country production in CY 1977 with delivery of finished contraceptives in CY 1978. The GOI intends to develop this production capability at the government-owned Kimia Farma Pharmaceutical Company. A World-Bank-financed consultant is currently in Indonesia on a six-month assignment to draft plans and a timetable for Kimia Farma expansion.

A GOI production capability would eventually eliminate the need for foreign-donor financing of oral contraceptive imports. To support this initiative, the loan would contain a provision that 18 million cycles of oral contraceptives (from the total of 42 million) would be supplied in the form of steroid compounds and packaging materials for final contraceptive production in Indonesia if in-country production facilities develop according to present expectations. The quantity of oral contraceptives to be financed and the amount of the loan are justified on total Indonesian consumption requirements for CY 1979. However, the loan would contain as a condition precedent to utilizing loan funds for imports of raw materials and packaging materials that the GOI submit acceptable, detailed plans for oral contraceptive manufacturing facilities and evidence that such facilities would be capable of producing contraceptives for Indonesian delivery requirements in FY 1978.

ANNEX A

PROP for Family Planning Assistance - Services,
Approved by DA/AID on June 10, 1975

(1) (FACE SHEET)

CAPITAL PROJECT PAPER (PROP)

I. PROJECT IDENTIFICATION

1. PROJECT TITLE: Family Planning Assistance - Services

APPENDIX ATTACHED: [X] YES [ ] NO

2. PROJECT NO. (M.O. 1095.2): 497-15-580-188.0

3. RECIPIENT (specify): [X] COUNTRY Indonesia [ ] REGIONAL [ ] INTERREGIONAL

4. LIFE OF PROJECT: BEGINS FY 1968; ENDS FY 1980

5. SUBMISSION: [ ] ORIGINAL [X] REV. NO. 3 DATE 3/4/75

CONTR./PASA NO.

II. FUNDING ($000) AND MAN MONTHS (MM) REQUIREMENTS

H. LOCAL EXCHANGE CURRENCY RATE: $ US 1 = Rp. 414.5 (U.S. OWNED)

A. FUNDING BY FISCAL YEAR	B. TOTAL $	C. PERSONNEL (1) $	C. PERSONNEL (2) MM	D. PARTICIPANTS (1) $	D. PARTICIPANTS (2) MM	E. COMMODITIES $	F. OTHER COSTS $	G. PASA/CONTR. (1) $	G. PASA/CONTR. (2) MM	H. (1) U.S. GRANT LOAN	H. (2) COOP COUNTRY (A) JOINT	H. (2) COOP COUNTRY (B) BUDGET
1. PRIOR THRU ACTUAL FY	14,267	374	NA	749	NA	12,728	262	154	NA			17,266
2. OPRN FY 75	840	--	--	85	95	580	150	25	6			7,700
3. BUDGET FY 76 *	301	--	--	61	53	65	150	25	6			14,500
4. BUDGET +1 FY 77	290	--	--	50	58	65	150	25	6			20,000
5. BUDGET +2 FY												
6. BUDGET +3 FY												
7. ALL SUBQ. FY												
8. GRAND TOTAL		*										

9. OTHER DONOR CONTRIBUTIONS

(A) NAME OF DONOR	(B) KIND OF GOODS/SERVICES	(C) AMOUNT
See details in Part V.A.	See Part V.A.	$11,500

III. ORIGINATING OFFICE CLEARANCE

1. DRAFTER: J. Jarrett Clinton, M.D.	TITLE: Chief, Population&Health Division	DATE: 3/4/1975
2. CLEARANCE OFFICER: Richard M. Cashin	TITLE: Director, USAID/Indonesia	DATE: 3/5/75

IV. PROJECT AUTHORIZATION

1. CONDITIONS OF APPROVAL

* Note: FY 1976 includes 5 quarters (7/1/75 - 10/1/76) unless noted otherwise.

2. CLEARANCES

BUR/OFF.	SIGNATURE	DATE	BUR/OFF.	SIGNATURE	DATE

3. APPROVAL AAs OR OFFICE DIRECTORS

SIGNATURE | DATE

TITLE

4. APPROVAL A/AID (See M.O. 1025.1 VI C)

SIGNATURE | DATE

ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

I. INTRODUCTION

This project is responsive to the needs of Indonesia's rural poor. By providing easier access to fertility control mechanisms, this project will improve the social and economic well-being of rural poor families. To date the majority of Indonesian national family planning program acceptors are the wives of rural farmers, fishermen and manual laborers. Many of the acceptors are illiterate; most are minimally educated. Furthermore, the availability of modern contraception allows women to escape the bonds of constant pregnancy and childbearing and enhance their social and educational status.

Numerous factors affect the Indonesian family decision to reduce the total family size through the use of contraceptives. Once that important decision has been made, however, there must be readily available an adequate supply of reliable, appropriate and effective contraceptive techniques. Notwithstanding efforts to develop once-a-month or once-a-year contraceptive devices, the oral contraceptive, IUD and condom remain the safest, most available and effective contraceptives for the present and most probably for the life of this project.

In the January 1974 DAP Population Sector Review of USAID/Indonesia, seven critical program issues were identified. Two of the seven were as follows:

- "Wider access of all acceptable types of contraceptives to the people. Greater use of private sector and non-clinical distribution schemes.

- Long-term procurement of contraceptives for public programs and subsidized private schemes."

This activity responds to those critical program issues by improving accessibility and the delivery efficiency of contraceptives supplied through the national family planning program. USAID and the GOI agree that the BKKBN should be preparing itself for eventual self-financing of contraceptive supplies. As these preparations proceed, USAID will encourage the BKKBN increasingly to assume responsibility for financing their contraceptive needs with USAID complementing GOI inputs as necessary to introduce new technology and insure adequacy of supply.

II. GOAL

A. Statement of Goal

The project goal is to include fertility reduction measures as an integral part of development policies and programs leading to a 50% reduction in the crude birth rate by the year 2000. (The CBR in 1973 was 40-46/1000.) While the BKKBN is examining shorter-term fertility targets, no decisions have been made at this time. Beyond the offering of services, serious consideration will be given by the GOI to creating the desire for a small family size through granting family incentives, tax structure changes and improving old-age insurance.

USAID will continue efforts to measure the impact of the national program on fertility. Studies leading to measures of fertility have been initiated and will be repeated in selected provinces in 1976.

B. Measures of Goal Achievement

Progress toward goal achievement will require analysis of both short and long-term program objectives. Short-term considerations will be:

1. Evaluation of the national population/family planning program's demographic impact.

2. Measurement and monitoring of mortality experience and fertility measures such as age-specific birth rates, total fertility rates, gross reproduction rates and net reproduction rates.

3. Reviewing available indices of contraceptive coverage and use prevalence.

Long-run considerations will be:

1. Fertility and mortality trends and their impact on population growth.

2. Reassessment of fertility goals to insure compatibility with Indonesian socio-economic development goals.

3. Evaluation of fertility impact of family formation, socio-economic and other intermediate variables.

4. GOI success in creating Indonesian desire for a small family norm.

C. Means of Verification

Data for such evaluations and the measures of verification in achieving objectives will be generated through surveys, mini-census, extensive analyses of existing data and review of research and development projects. Such efforts will be coordinated by the National Family Planning Coordinating Board (BKKBN) and conducted by such research units as the Demographic Institute, Central Bureau of Statistics, Social and Economic Research Institute, Faculty of Public Health, Department of Health and other central and regional private/non-private organizations.

D. Assumptions of Goal Achievement

Successful achievement of this goal assumes that the GOI will continue its interest and high priority in reducing Indonesian fertility as rapidly as possible. This will be demonstrated through continued policy decisions and budgetary support to the population/family planning sector.

III. PROJECT PURPOSE

A. Statement of Project Purposes

The purpose of this project is to increase the prevalence of use of all legal types of contraceptive methods.

B. Conditions Expected at the End of the Project

The requirement to continue the accessibility of contraceptive services will continue for many years. In the context of this project, however, attainment of the project purposes will be measured by the degree of new family planning acceptors, prevalence of contraceptive use, contraceptive continuation rates, the degree to which contraceptives at reasonable prices are provided in the private sector and the overall cost per new acceptor or per birth averted required to attain these project purposes.

Based on the GOI National Family Planning Coordinating Board's program projections, there should be the following magnitude of new family planning acceptors through the government supported clinics:

	GOI FY 74/75	75/76	76/77
Java and Bali New Acceptors**	1,400,000	1,500,000	1,600,000
Prevalence of Use*	16-20%	20-24%	24-28%
Outer Islands New Acceptors**	50,000	100,000	150,000
Prevalence of Use*	±0.5%	±1.0%	±1.5%

*USAID/POP estimate of percent of married women age 15-44 contracepting.
**An increase in these targets may occur if early years' progress exceeds the original targets. Quantitative targets for private sector distributions have not yet been determined.

Contraceptive continuation rates should approximate 60% for the first 12 months after initial acceptance and 50% for the first 24 months. The present (Feb. 75) prevalence of contraceptive use of approximately 16% of fertile women in Indonesia should grow by approximately .7 to 1.0 million new current contraceptors per year.

USAID estimates of prevalence of use on Java/Bali by contraceptive type for US FY 1974 through 1980 are presented in Annex A.

While the estimated GOI FY 1973/74 benefit-cost ratio of fertility reduction is about 5 to 1*, it is nevertheless prudent to maximize

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*Reference: The Indonesian National Family Planning Program: A Cost-Effectiveness Analysis 1971/72-1973/74, Sudarmadi and Reese. Forthcoming Technical Report in BKKBN Technical Report Series.

the cost-efficiency of the national family planning program. Again, the National Family Planning Coordinating Board has not established definite cost efficiency targets. Based on recent Indonesian analyses and world experience, a three-year average cost efficiency of approximately $15 per current acceptor seems reasonable and feasible.

Although the cost per acceptor is increasing slightly, the cost per birth averted (currently $33) is expected to decline. The estimated GOI FY 1973/74 savings per birth averted is estimated conservatively at $139.

The benefit cost ratio and savings per birth averted are based on the combined GOI/Donor expenditures for GOI FY 1973/74 and the benefits derived from the estimated cumulative births averted in that year. Benefits are conservatively estimated as the expenditures required to feed and clothe the cohort of births averted over their lifetime. This stream of benefits is discounted back to 1973/74 and its present value compared to the 1973/74 costs of the family planning program. Details of these calculations are contained in the reference cited on Page 4.

C. Means of Verification

New acceptor and contraceptive use indicators can be verified through analyses of program data derived from the family planning service statistics systems, sample contraceptive use survey and contraceptive continuation rate surveys being implemented now and in the future. The degree of non-clinical contraceptive distribution can be confirmed through the above, by distribution records, and through retail outlet surveys.

Cost efficiency analyses have been conducted and will continue to be taken periodically. The data are available from BKKBN financial records, annual expenditures and aggregated family planning/population foreign assistance data. (See reference Page 4.)

D. Important Assumptions

The primary and critical assumption for this project purpose is that there will be a growing demand for contraceptive use. While an increase in the accessibility, quality and variety of family planning products and services can in itself increase demand for contraceptive services, this alone may not be sufficient for the long run. The GOI has implemented a broad scale information/motivation program which includes mass media, family planning field-workers, a reenergized health education program (USAID financed Project 188.[illegible]), traditional media and population education for both in and out-of-school. These programs are receiving GOI support and donor assistance from the IDA/UNFPA, Ford Foundation, International Planned Parenthood Federation, World Education, Inc. and the Pathfinder Fund. Many of these agencies receive AID/W funds.

Family planning demand research, encompassing a broad spectrum from applied social science research to explicit evaluation of information programs has only begun. Donor assistance to these efforts is provided by IDA/UNFPA, Population Council, USAID and others. USAID will accelerate support to this area through the Research, Evaluation and Development subproject (188.3).

IV. OUTPUTS

A. Statement of Project Outputs

The specific output of this project is contraceptive accessibility created through the development and continuation of both public and private sector contraceptive products and services distribution schemes.

B. Output Indicators

There will be the following number of family planning clinics, capable of providing oral contraceptives, IUDs, condoms to new and continuing acceptors:

	Cumulative	
	Java & Bali	Outer Islands
GOI FY 74/75	2,500	340
75/76	2,700	375
76/77	2,800	415

Unspecified at this time is the number of clinics and medical facilities which will provide, in addition to the above, male and female sterilization services. By 1977 it is estimated by USAID that no less than 300 sterilization centers or centers capable of receiving mobile sterilization teams will be in operation. A degree of uncertainty exists because, due to heavy conservative Moslem pressure, the GOI does not yet officially endorse sterilization as a means of contraception.

By 1977 extra-clinical distribution of oral contraceptives, commercial, quasi-commercial and extra-clinical distribution of condoms will be established throughout the entire Java and Bali program. The extra-clinical oral contraceptive distribution will primarily focus on facilitating re-supply in every village (desa). Commercial oral contraceptive distribution will be pursued to the degree allowed by GOI health regulations. Condom distribution via indigenous drug outlets, consumer product firms, village leaders, mail order and non-clinical workers will be implemented. In FY 75 an Indonesian national foundation was established and began operations to promote and administer government support to private contraceptive distribution schemes. Also in FY 75 a nationwide condom distribution scheme utilizing an indigenous drug supply company was initiated. BY FY 76 operations in at least three provinces (in Java) of village resupply depots for oral contraceptives will have begun.

Three more provinces will be added to this program in FY 77. In addition, during this project, trials will be made of three to six other potential schemes for possible later nationwide implementation.

C. Means of Verification

That these outputs have occurred can be confirmed through review of the computerized clinic registration forms and the official quarterly and annual reports.

Commercial and quasi-commercial contraceptive distribution schemes can be evaluated through distribution records, retail outlet surveys and through the periodic reports of Indonesian private companies and foundations engaged in non-clinical contraceptive distribution schemes.

D. Assumption

These magnitudes of outputs, even with considerable USAID and other foreign assistance cannot be achieved unless the GOI continues their policies of establishing and financing family planning clinics and approving non-clinical distribution schemes both within the public and private sectors. Further, these outputs cannot achieve long-term success unless the schemes prove attractive either from a profit or social service standpoint to traditional and modern marketing groups.

V. INPUTS

A. Statement of Project Inputs

GOI support to the national family planning program is budgeted and channeled through the National Family Planning Coordinating Board (BKKBN).

USAID estimates that the total BKKBN budget will increase no less than approximately 25% per year from a base of Rp. 3.2 billion (equivalent to $7.7 million) in GOI FY 74/75 (nearest equivalent to US FY 75).

USAID is one of more than twenty donors to the national family planning program and if this project is approved at recommended levels, should continue to make the largest annual financial obligations during the next several years.

Other major donors include the current combined IDA/UNFPA package (approximately $1.5 million per year), International Planned Parenthood Federation (approximately $1.0 million per year), Ford Foundation ($300-500 thousand per year), Pathfinder Fund ($300-500 per year), Population Council (approximately $150 thousand per year). Several other donors provide relatively between $5-50 thousand per year.

Total foreign assistance and total BKKBN budget plus a 10% allocation for non-BKKBN funded staff and buildings is estimated as follows (USAID estimates only):

	US FY 1975 ($ million)%	US FY 1976@ ($ million)%	US FY 1977 ($ million)%
GOI	7.7/35%	14.5/54%	± 20.0/63%
USAID*	0.8/ 4%	0.3/ 1%	0.3/ 1%
AID/W**	6.7/31%	6.2/23%	6.0/19%
Other Donors	6.5/30%	6.0/22%	5.5/17%
Total	21.7/100%	27.0/100%	31.8/100%

*Excludes Project 497-15-580-188.1, 188.2 and 188.3 inputs (collectively requiring $0.8 million in FY 75, $0.7 million in FY 76 and $0.5 million in FY 77) approved in separate PROPs.

**Centrally funded oral contraceptives provided through Project 632-11 580-982.

@--For comparison purposes, calculated at four quarters only.

From FY 1975 through FY 1977, it is estimated that the GOI project inputs will increase from 35% to 63% of total while the total AID (USAID and AID/W) project inputs will shrink from 35% to 20% of total. Clearly, the GOI will meet the obligation of providing no less than 25% of this project's financing. An annual approved budget statement for a given fiscal year will be obtained at the beginning of each GOI FY (April 1).

The financing burden for oral contraceptives will be gradually assumed by the GOI (or other donors) as approximated and illustrated below:

Year of Obligation	Total Millions			AID/W Contribution Millions			GOI Contribution Millions		
	Cycles	$	%	Cycles	$	%	Cycles	$	%
FY 75	34.0	6.80	100%	33.3	6.7	98%	0.7	0.14	2%
FY 76*	42.1	8.38	100%	38.7	7.7	92%	3.4	0.68	8%
FY 77	39.9	7.98	100%	30.0	6.0	75%	9.9	1.99	25%

*FY 1976 includes 5 quarters (7/1/75 - 10/1/76)

Oral contraceptive requirements estimates are fully outlined in the Table IX. A. FBS format in Annex B.

Plans call for the GOI to procure Indonesian produced condoms beginning in FY 1976. Present stock in-country or on order and undelivered is sufficient to meet local consumption requirements until at least FY 1978 and local production capacity will be scaled to meet demand. Thus, no AID financed condoms will be required for FY 1976 and beyond.

B. Budget

USAID Project Inputs ($ 000's)

		Total	FY 1976	FY 1977
A.	TDY (contract)	50	25	25
B.	Medical Equipment	130	65	65
C.	Participant Training (111 mm)	111	61	50
D.	Local Currency Development Projects	300	150	150
	Contraceptive Distribution	(200)	(100)	(100)
	Management Development	(100)	(50)	(50)
	Total	591	301	290

Short-term consultants will be used to assist and advice in the development of alternative delivery systems. Medical equipment, as necessary, will be used primarily to support the gradually emerging sterilization programs. Participant training, primarily US training, will focus on senior leaders in high level program management positions. A considerable portion of the funds are for necessary extensions of ongoing training. The local currency development projects focus primarily on the development or management of alternative or supplemental delivery systems for oral contraceptives and condoms.

AID/W Project Inputs (000,000's)

(Funded through Project 632-11-580-982)

	Total		FY 1976*		FY 1977	
	Cycles	$	Cycles	$	Cycles	$
Oral Contraceptives	68.7	13.7	38.7	7.7	30.0	6.0

*FY 1976 includes 5 quarters (7/1/75 - 10/1/76)

The relationship (linkage) between these oral contraceptive requirements and the project's purpose (prevalence of use) is detailed quantitatively in Annex A. The calculation of the requirements estimates, using the FBS Table IX. A. format, is explained in Annex B.

C. Means of Verification

AID documents such as PROPs, Project Agreements, PIO/s and PARS will provide means of verification of USAID inputs.

GOI and other donor inputs can be verified through plans, budgets, budget expenditures and program reports.

D. Assumption

An important assumption in the utilization of these inputs is that all donor agencies will contribute toward effecting a high degree of cooperation between donors and the relevant GOI organizations. This coordination applies to the utilization of human and material resources provided by the various agencies.

USAID direct hire staff, complemented as necessary by TDY personnel, will work with the BKKBN, and through the BKKBN with other GOI agencies, institutions and private foundations and organizations to plan, implement and evaluate the inputs described in Section V. of this PROP.

Specific assistance provided through this subproject will be described and obligated through annual Project Agreements between the GOI National Family Planning Coordinating Board and USAID.

Though AID/Washington will procure and finance the oral contraceptives and condom supplies, the annual Project Agreement will describe and justify these requirements.

VI. Role of Women

By offering an alternative to frequent childbearing, this project should free women for greater participation in education, employment and the development process. Additionally, the commitment to use contraceptives in the Indonesian context is a decision mutually agreed upon by husband and wife. This mutual discussion reinforces the woman's right to participate in family development decisions.

Annex A

Estimated Prevalence of Use by Contraceptive Type for Java-Bali US FY 1974-1980

	1974	1975	1976**	US 1977	1978	1979	1980
Total Married Women age 15-44 on Java-Bali at end of FY (millions)*	13.6	13.9	14.3	14.7	15.1	15.5	15.9
OC Prevalence of Use at end of FY(millions)	1.0	1.4	1.8	2.2	2.6	3.0	3.3
OC Users as % of Married Women age 15-44	7.3%	10.0%	12.6%	15.0%	17.2%	19.3%	20.7%
IUD Prevalence of USE at end of FY(millions)	.7	.9	1.1	1.3	1.5	1.7	1.9
IUD Users as % of Married Women age 15-44	5.1%	6.5%	7.7%	8.8%	9.9%	10.9%	11.9%
Condom Prevalence of Use at end of FY (millions)	.1	.2	.3	.4	.5	.6	.7
Condom Users as % of Married Women age 15-44	.7%	1.4%	2.0%	2.7%	3.3%	3.8%	4.4%
Cumulative OC, IUD, Condom Prevalence at end of FY (millions)	1.8	2.5	3.2	3.9	4.6	5.3	5.6
Cumulative OC, IUD, Condom Users as % of Married Women age 15-44	13.1%	18.0%	22.4%	26.5%	30.5%	34.2%	37.1%
OCs (millions) required to support above prevalence (assumes 13 monthly cycles/CY)	13	18	23	29	34	39	43
Cost of OCs at $.20/cycle $ (000,000)	$2.6	$3.6	$4.6	$5.8	$6.8	$7.8	$8.6

* Approximated from GOI Bureau of Statistics projections.

** For comparison purposes, FY 1976 treated as four quarters only.

AID 1020-1A (7-71) (NARRATIVE DESCRIPTION)
PROJECT NO.
SUBMISSION ORIGINAL REVISION (Number) DATE
PAGE of PAGES

Annex B

OC Requirements Estimates FY 1975 - 77, Table IX A

FRS Format

	(000's cycles)		
A. Usage CY 74-77	82,447		
1974	12,450		
1975	17,810		
1976	23,332		
1977	28,855		
B. 12/31/73 Unused	49,187		
Central Warehouse	2,436		
Distribution System	9,637		
On Order and Undelivered as of 12/31/73	36,414		
Host Country Conts. of approx.	700	● $0.20 = $	140,000
(A-B) = FY 1975 Oblig.	33,260	● $0.20 = $	6,652,000
C. CY 1978 Usage	34,378		
Host Country Contribution of approx. 10%	3,438	● $0.20 = $	687,600
D. FY 1976 Oblig.*	38,675	● $0.20 = $	7,735,000
E. CY 1979 Usage	39,901		
Host Country Contribution of approx. 25%	9,901	● $0.20 = $	1,980,200
F. FY 1977 Oblig.	30,000	● $0.20 = $	6,000,000

*cal lated as 1.25 x 30,940,000 due to five quarters in US FY 1976.

AID 1020-25 (1-73)

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number: Family Planning Assistance - Services 497-15-580-188.0

Life of Project:
From FY 1976 to FY 1977
Total US Funding $591,000*
Date Prepared: 3/4/75
*Excludes OC's financed by AID/W under Project 632-11-580-982

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATOR	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: Decrease natural rate of increase of population by reducing fertility (i.e. 50% reduction of the 1973 CBR estimated at 40-46/1000 by year 2000).	Measures of Goal Achievement: Short Run: 1. Evaluation of demographic impact of national family planning program. 2. Measuring and monitoring mortality and fertility measures. 3. Reviewing indices of contraceptive coverage and use prevalence. Long Run: 1. Impact of fertility and mortality trends on population growth. 2. Adoption of small family norm. 3. Fertility impact of "intermediate" family formation and socio-economic variables. 4. Compatibility of fertility goals with socio-economic development goals.	Surveys, mini-census, extensive analyses of existing data, review of research projects coordinated by BKKBN and conducted by units such as Demographic Institute, Central Bureau of Statistics, Social and Economic Research Institute, Faculty of Public Health, Dept. of Health and others.	Assumptions for achieving goal targets: Continued high GOI commitment to rapid fertility reduction as evidenced by population policy and budgetary support to fertility reduction efforts.
Project Purpose: Increase the prevalence of use of all legal types of contraceptive methods	Conditions that will indicate purpose has been achieved: End of project status. 24-28% of married women age 15-44 practicing contraception by July 1, 1977.	- Analyses of new acceptor, clinic revisit and contraceptive use data derived from the BKKBN service statistics systems. - Surveys of contraceptive prevalence and continuation rates.	Assumptions for achieving purpose: - Demand for contraceptives among at least 24-28% of fertile couples existing or will be created by 7/1/77. - Continued assistance of GOI, IDA/UNFPA, Population Council, and USAID (via other projects) to demand creation analyses and activities.
Outputs: Contraceptive accessibility created through the development and continuation of contraceptive products and services distribution schemes.	Magnitude of Outputs: By July 1, 1977 IUDs, OC's and condoms offered through 3215 clinics, 300 centers with part or full-time sterilization services, extra-clinical distribution of OC's in nearly all villages (desa) on Java, extra-clinical and commercial distribution of condoms at the village level throughout Java and Bali (approx. 30,000 sites).	- Review of computerized clinic registration forms. - Official quarterly and annual reports of BKKBN. - Retail outlet surveys. - Reports of commercial distributors. - Field inspections.	Assumptions for achieving outputs: - Continuing GOI willingness to experiment with contraceptive delivery innovations. - Continued GOI policy favoring freer contraceptive availability. - Continued availability of at least one year's supply of contraceptives in-country at all times. - Continuing cooperation of commercial and extra-clinical distributors.
Inputs: Personnel costs, training, medical equipment, local costs and contraceptives (OC's only) from AID/W under Project 632-11-580-982.	Implementation Target (Type and Quantity) A. Personnel (TDY) $ 50 B. Medical Equipment 130 C. Training 111 D. Local Costs 300 $591 E. 68.7 million cycles of OCs funded by AID/W under Project 632-11-580-982.	- Review of PROP's, Project Agreements, PIOs, PARs, to verify USAID inputs and review of plans, budgets, and program reports to to verify inputs of GOI and other donors.	Assumptions for providing inputs: - IUD's continue to be supplied by Population Council or BKKBN. - BKKBN or other donor will supply required condoms. - Continued availability of funds, commodities and staff necessary to realize and evaluate these inputs. - Continued USG support for population growth control efforts in Indonesia.

ANNEX B

AID Procedure for Bulk Procurement of Oral Contraceptives, Authorized by DA/AID on May 8, 1973

MAY 8 - 1973

ACTION MEMORANDUM FOR THE DEPUTY ADMINISTRATOR

THRU: EXSEC

FROM: AA/PHA, Jarold A. Kieffer /s/ Harriett S. Crowley
DAA/PHA

Problem: The present procedure for bulk procurement of oral contraceptives was approved by you in June, 1972 (see documentation - Attachment A). After ten months of experience we conclude that this procedure is extremely complicated, inefficient, and does not adequately meet population program needs. A new procedure for bulk procurement of orals is necessary, to be initiated with FY 1973 funding.

Discussion: In order to encourage American industry to bid on providing oral contraceptives to support A.I.D. assisted family planning programs, $4 million of population funds were obligated centrally in June 1972 for bulk procurement of orals. This purchase of 11.5 million cycles became the basis for a revolving supply system which is periodically replenished by procurement financed from orders against obligations to bilateral and private grantee programs.

Under this system, Missions and grantees control funds made available to them by PHA for family planning programs. Using these monies each Mission/grantee submits at various times during the fiscal year procurement documents requesting AID/W to arrange for purchase and shipment of specific quantities of oral contraceptives. AID/W fills these requests from the centrally-funded procurement. The incoming procurement documents are held until a sufficient number are in hand to aggregate into another purchase of orals by GSA. To date in fiscal 1973, five contract actions of this type have purchased 50.7 million cycles of orals at a cost of $8.6 million for shipment to 14 bilateral programs and four grantees.

Upon completion of the purchase process GSA bills AID/W for all commodity costs and for Mission-related transportation charges, but bills grantees separately for shipping costs to their programs. AID/W pays GSA and amends each procurement document from Missions/grantees to reflect costs of exact quantities purchased and shipped.

The present system of procuring oral contraceptives does not adequately meet programs needs because:

a. With each invitation to industry to bid on the supply of orals to A.I.D.-assisted programs there is the possibility the successful bidder will be the manufacturer of an oral with a formula different from the one under the previous contract. Since the inception of the present procurement system there have been two different oral contraceptive formulas introduced into the program. If the present system involving four to six contracts a year is maintained, it is probable that additional formulas will be introduced. The practice of frequently switching pill users from one formula to another is not medically acceptable. The February 25, 1973 Report of a Staff Survey Team of the Committee on Foreign Affairs of the House of Representatives cautions, "A.I.D. must act to minimize the physical and psychological effects on recipient women resulting from frequent changes in the kind of oral contraceptives provided."

b. Our present procedure, which is built on known future requirements as stipulated in Mission purchase documents and the long lead time from the date a Mission submits a procurement document to the time of arrival in country and availability for distribution, allows no flexibility to accommodate a rapid increase in program acceptors or any other type of emergency requirement which might develop. For example, all 50.7 million cycles of orals purchased in FY 1973 have been allotted to specific consignees, the last shipment scheduled from industry in February 1974. On April 26, 1973, Manila TOAID 4602 was received. It reads in part "Mission requires additional one million mos each by July and August total two million..." Under our present system, we have no way of meeting Manila's requirement.

c. The problems cited in a. and b. above undermine the population program objective of reducing birth rates by causing the withdrawal of program acceptors through frequent changes in formulas and by allowing gaps to develop in a program's supply system. If orals are not available to users on a continuous basis, there is little point in supplying them at all.

We have reviewed all available alternatives for procurement of orals and conclude that the best and only feasible way by which program continuity can be maintained is through the following central funding procedure developed jointly by SER and PHA. A central funding mechanism for procurement of orals is also recommended in the preliminary report (Attachment B) of the Logistics Management Institute, the contractor employed to accomplish a detailed review of PHA/POP commodity procurement pursuant to your approval in August 1972 of my recommendation for such a review (Attachment C).

1. A.I.D. would determine from each cooperating country and grantee an estimate of the quantity of orals and estimated transportation costs required to meet program needs in a given time frame. Estimates should be adequate to permit one year's supply of orals in-country and one year's supply on order.

   a. In the case of cooperating countries, Missions would obtain from appropriate government officials an indication that the host country wants, can distribute, and will use an estimated number of orals in the given time frame. Missions would evaluate recipient country requests in light of anticipated needs and would satisfy themselves that the recipient has the ability to distribute the orals requested. (This would meet the requirements of Section 611 of the FAA.)

   b. In the case of grantees, PHA would obtain the estimate and satisfy itself as to the grantees' distribution capabilities.

2. Based on the requirements defined in 1. above, PHA would allot funds to permit GSA to contract for orals and to transport them to destinations. Funds would not be allotted to bilateral programs or obligated to grantees for these purposes, as is done under the present system.

3. Prior to shipment of orals, Missions would sign Project Agreements with cooperating countries specifying the quantity of orals (and transportation costs) to be delivered pursuant to their earlier estimates. Similarly, AID/W would sign grant agreements with grantees.

4. SER/FM would develop a procedure under which the costs of orals plus shipping costs are attributed to each bilateral program or grantee. (In the case of IPPF, the dollar value of A.I.D.'s in-kind commodity contribution would continue to be within the formula -- currently 40 percent -- for A.I.D. funding of IPPF).

The proposed central funding procedure minimizes the problems encountered with the present system.

a. Reducing the number of contracts per year reduces the potential for formula changes and possible loss of program acceptors.

b. Obtaining a large supply of orals through a single procurement action will allow greater flexibility in meeting unforeseen needs.

Justification for initiating the new procurement procedure with FY 1973 funding is based on the long lead time from the date a contract is signed to the availability of orals under the contract to users.

The estimated need for orals for shipment in CY 1974 and consumption CY 1975 is at least 48 million monthly cycles, based on projections of historical usage rates for bilateral and grantee programs and Mission consultations with host countries to date. To cover these needs, it is necessary that GSA contract for an additional supply of orals by the end of June 1973, using FY 1973 funds, because of the lead time required

for production, shipment, and in-country distribution of orals.

A contract executed in June 1973 will result in the initial production of orals in 6 months (January 1974) due to the lead time for U.S. industry to tool up for production under a larger contract. In view of the large number of monthly cycles to be manufactured and the production capacity of U.S. industry, the last pill will not be manufactured until December 1974. After manufacture the orals must be sent to a port of embarcation and inspected by GSA. Transportation by ship must be arranged. These steps plus ocean transport, clearance of host country customs, and transport to a host country warehouse require an estimated 6 months (June 1974 for initial pills produced; June 1975 for last pills produced). Another 6 months could elapse from the time a clinic, say in Bali or Mindanao, requests and obtains orals from the warehouse, say in Jakarta or Manila. (December 1974 for initial pills produced; December 1975 for last pills produced). These lead times may be speeded up in some cases, but they are the best estimates of prudent lead times based on population program experience to date.

Thus if we are to cover the estimated need for orals for shipment in CY 1974 and consumption in CY 1975 we need to have GSA contract for the additional supply by the end of June. To do this a PIO/C to administratively reserve FY 1973 funds needs to be completed early in May. The number of orals requested in the PIO/C will be based on our best estimates which will be firmed up per country estimates prior to GSA signing a contract.

Recommendation:

1. That you approve central funding of oral contraceptive procurement as specified in the above procedures.

2. That you approve use of FY 1973 funds for the reasons given above to initiate central funding of oral contraceptive procurement to cover program needs in CY 1975.

Approved:_____

Disapproved:_____

Date:_____

PHA/POP:CAWright/PHA/PRS:MFowler:cc:5/7/73

Clearances:
PPC/RB:RLPodol (draft) Date: 5/3/73
GC:AZGardiner_____Date:_____
GC/TF&H:SMevorah_____Date:_____
SER/CCM/PO:WSchmeisser (draft) Date: 5/3/7
PHA/POP:RTRavenholt____Date:_____

ANNEX C

Copy of Cable Notifying AID/W of Mission Receipt of the Formal Loan Application Letter from the Government of Indonesia

Department of State **TELEGRAM**

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PAGE 01 JAKART 07421 0707412Z

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ACTION AID-31

INFO OCT-01 EA-09 OES-06 /047 W
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P 0706317 JUN 76
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC PRIORITY 4844

UNCLAS JAKARTA 7421

AIDAC

E.O. 11652: N/A
SUBJ: ORAL CONTRACEPTIVES LOAN APPLICATION

1. USAID RECEIVED LOAN APPLICATION LETTER DATED JUNE 1, 1976 FROM BKPPENAS DEPUTY CHAIRMAN SALEH AFIFF FOR $10 MILLION. LETTER IN ITS ENTIRETY FOLLOWS (INSIGNIFICANT WORDS OMITTED): (PARA) UNDERSTAND THERE IS POSSIBILITY ADVANCING $7-10 MILLION LOAN FOR ORAL CONTRACEPTIVES TO FY 76 AND MAKING LOAN FLEXIBLE TO PERMIT PURCHASE COMPOUNDS AND PACKAGING MATERIALS FOR MANUFACTURE PILLS IN INDONESIA. GOI WELCOMES PROSPECT AND REQUESTS $10 MILLION BE AVAILABLE ASAP UON USAID'S BEST TERMS FOR: (1) PROCUREMENT COMPOUNDS (STEROIDS) AND PACKAGING MATERIALS FOR ADDITIONAL 18 MILLION CYCLES BE MANUFACTURED IN INDONESIA; AND (2) PROCUREMENT UP TO 42 MILLION CYCLES OC TO ASSURE PIPELINE UNTIL OUR OWN FACILITY ON LINE. (PARA) AS FOR PROCUREMENT PACKAGED OC, RAW MATERIALS AND PACKAGING MATERIALS, WE PROPOSE NORMAL BIDDING PROCEDURES. (PARA) I TRUST THIS SUFFICIENT INFORMATION FOR USAID PROCEED LOAN AUTHORIZATION FOR THIS IMPORTANT PROGRAM. THIS ARRANGEMENT PROMISES ACHIEVE OUR TWO-FOLD OBJECTIVE SUPPORT EARLIEST FEASIBLE LOCAL MANUFACTURE OC AND ASSURE UNINTERRUPTED SUPPLY PILLS. WE GLAD USAID INDICATED WILLINGNESS REGULATE NUMBER PACKAGE PILLS PURCHASED ACCORDING OUR NEEDS BASED ON LOCAL MANUFACTURE. SINCERLY YOUR, SALEH AFIFF.

2. ALL OUTSTANDING QUESTIONS RAISED BY AID/W ANSWERED SEPTEL.
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ANNEX D

AID/W Guidance on Strategy and Mechanics of Loan-Financing Contraceptive Commodities for Indonesia, January and May 1976

Department of State **TELEGRAM**

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COPY

PAGE 01 STATE 002337

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ORIGIN AID-60

INFO OCT-01 EA-09 OES-05 EB-07 L-03 /075 R

DRAFTED BY ASIA/CCD/EA:MMPEHL:KGH
APPROVED BY ASIA/CCD:PCOLLINS, JR.
ASIA/CCD:JRMCCABE
ASIA/CCD/EA:ARLOVE (DRAFT)
ASIA/EAA/PIT:SJLITTLEFIELD(DRAFT)
GC/ASIA:CSTEPHENSON (DRAFT)
PPC/DPRL:ABANDLY (DRAFT)
PHA/POP:CTERRY (DRAFT)
PHA/POP/FPSD:HPEDERSEN (DRAFT)
ASIA/DP/EA:WSHERWIN (DRAFT)
ASIA/CCD/EA:RGUEENER(DRAFT)
ASIA/EAA/O:BDUPUIS(DRAFT)
COM/A:GREDMAN(DRAFT)
ASIA/TD/HD:IJACKSON
DESIRED DISTRIBUTION
77 ACTION 8ASIA 4 INFO PHA IDC PPC GC&CFLD 4ASIA 40GCASIA PBAR 1 C
CPP CPS CASIA POP TA/H COM GSA CHURN 1 2 3 4 7 8 50P
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R 016307 JAN 76
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA

UNCLAS STATE 002337

AIDAC

E.O. 11652: N/A

TAGS:

SUBJECT: LOAN FINANCING OF CONTRACEPTIVE COMMODITIES

REFS: (A) JAKARTA 15443 (B) JAKARTA 13631
(C) STATE 251341 (D) JAKARTA 13416 (E) STATE 257658
(F) JAKARTA 11209 (G) STATE 294639

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FORM DS-1652

Department of State TELEGRAM

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PAGE 02 STATE 022337

1. THIS CABLE IS IN RESPONSE TO REF (A'S) AND (D'S) REQUEST FOR GUIDANCE. THIS RESPONSE IS LIMITED HOWEVER EXCLUSIVELY TO ISSUES CONCERNING STRATEGY AND MECHANICS OF LOAN FINANCING CONTRACEPTIVE COMMODITIES BEGINNING IN FY 77. THIS CABLE ACCEPTS PROPOSED STRATEGY IN REF (D) FOR INITIAL LOAN FINANCING OF DIRECT CONSUMER ITEMS WITH ULTIMATE PHASE [illegible] TO LOAN FINANCING OF BULK COMMODITIES REQUIRED FOR LOCAL PACKAGING/MANUFACTURE AS SOON AS PRACTICAL. FOR CONVENIENCE OF ADDRESSING STRATEGY AND MECHANICAL ISSUES OF LOAN FINANCING, CONSIDERATIONS OF FINAL AGREED QUANTITIES OF CONTRACEPTIVES ARE NOT HERE CONSIDERED. THESE CONSIDERATIONS ARE COVERED BY REFS (C) AND (G), EXISTING PROP, AND WILL BE FURTHER COVERED FOR FY 78 AND BEYOND BY FORTHCOMING PID, PRP AND PP DOCUMENTS.

2. IF PLANNING MINISTER AGREES TO LOAN FINANCING BEGINNING FY 77, THE CURRENT APPROVED PROP AS PROPOSED REF (A) CAN BE USED AS BASIS FOR FY 77 LOAN AUTHORIZATION. FORESEE NO PROBLEM WITH USAID PROPOSED PROCEDURE AS OUTLINED PARA 3, REF (D), EXCEPT THAT MAXIMUM LOAN AMOUNT CONTROLS MAXIMUM QUANTITIES OF SPECIFIED COMMODITIES THAT CAN BE SUPPLIED AT PRICE LEVELS OBTAINING AT TIME OF PURCHASE. IF SUBSTANTIAL QUANTITIES OF CERTAIN, OR ALL, COMMODITIES ARE REQUIRED, THEN CAREFUL COSTING AND BUDGETING WILL HAVE TO BE DONE IN ADVANCE SINCE UPWARD ADJUSTMENT OF LOAN AMOUNT COULD NOT TOO EASILY AND QUICKLY BE ARRANGED (EVEN ASSUMING READY AVAILABILITY OF EXTRA FUNDS) IF PRICES HIGHER THAN ESTIMATED MATERIALIZE. THIS BUDGETING CAN INCLUDE REASONABLE BUT NOT MORE THAN REASONABLE CONTINGENCY AND INFLATION FACTORS.

3. SPECIAL LANGUAGE IN LOAN AGREEMENT COULD AUTHORIZE AID TO ACT AS PROCUREMENT/SUPPLY AGENT AND TO DEBIT LOAN AS AID PAYS OUT MONIES FOR COMMODITIES AND COMMODITY RELATED SERVICES (I.E., SHIPPING) DESTINED FOR GOI/AID AGREED INDONESIA PROGRAM. SUCH SPECIAL LANGUAGE, HOWEVER, NEED NOT NECESSARILY BE INCORPORATED IN LOAN AGREEMENT. IT COULD, FOR EXAMPLE, BE INCORPORATED IN MEMO SIGNED BY BORROWER REPRESENTATIVE WITH AID/W

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FORM DS-1652
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OR ITS DESIGNEE AS APPROVED AGENT. NOTE: FUNDS PROVIDED UNDER THE LOAN WILL BE MADE AVAILABLE TO THE OFFICE OF POPULATION SO THAT THEY CAN BE INCLUDED IN THE CENTRAL FUNDING PURCHASE PROCEDURE FOR CONTRACEPTIVES WHICH WILL GIVE ADVANTAGE OF LOW PRICE WHICH THAT OFFICE HAS BEEN ABLE TO NEGOTIATE FOR CONSOLIDATED GLOBAL ORDER. WE FORESEE NECESSITY FOR LOAN AUTHORIZATION BY NLT 11/1/76; LOAN SIGNATURE AND MEETING OF CP'S BY NLT 12/31/76 IN ORDER TO MEET TIMING FOR ORDERING CY 1979 GLOBAL PROGRAM REQUIREMENTS.

4. SINCE USAID IS CONCERNED ABOUT POSSIBLE UNFORESEEN DIFFICULTIES IN ACHIEVING ACCEPTABLE LOAN AGREEMENT AND BASIC IMPLEMENTATION LETTER, SUGGEST RLA AND DL/PE PERSONNEL DRAFT THESE DOCUMENTS NOW AND AFTER USAID SATISFIED TRANSMIT SAME FOR AID/W COMMENT. AN ACCEPTABLE LOAN AGREEMENT WOULD THUS BE AVAILABLE BY THE TIME OF LOAN AUTHORIZATION. RLA WILL PRESUMABLY WISH TO INCORPORATE APPROPRIATE CLAUSES UTILIZING AS SOURCES PROAG, CURRENTLY BEING UTILIZED FOR GRANT FUNDING OF CONTRACEPTIVES, PLUS PROJECT AND PROGRAM LOAN AGREEMENT FORMS. (INCIDENTALLY THIS EXERCISE WOULD ALSO BE OF ASSISTANCE TO USAID/PHILIPPINES WHERE LOAN FINANCING OF CONTRACEPTIVES IS ALSO CONTEMPLATED

5. [illegible] FY 78 AND SUBSEQUENT YEARS SUGGEST PID, PRP AND PP JUSTIFY LOAN AND GRANT FINANCING COMPONENTS OF 3 TO 5-YEAR [illegible]AL POPULATION PROGRAM. AFTER AID/W APPROVAL OF SUCH PP, INCLUDING DLC CONSIDERATION OF LOAN COMPONENT FOR THE 3 TO 5-YEAR PERIOD, WE ENVISION ANNUAL LOAN AUTHORIZATIONS AT THE LEVELS SO APPROVED--SUBJECT, OF COURSE, TO THE AVAILABILITY OF FUNDS

6. IF ABOVE STRATEGY AND PROCEDURES ACCEPTABLE TO USAID/GOI PLEASE PROCEED PER PARA 4 ABOVE. OTHERWISE CABLE US ANY PROBLEMS/RESERVATIONS YOU MAY HAVE KISSINGER

Department of State **TELEGRAM**

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ORIGIN AID-40

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DRAFTED BY ASIA/PD:RQUEENER:EB
APPROVED BY ASIA/PD:FCOLLINS, JR.
ASIA/PD:JRMCCABE (DRAFT)
ASIA/PD:MMPEHL (DRAFT)
ASIA/EA/I:TLIERCKE (DRAFT)
ASIA/TR:IJACKSON (DRAFT)
ASIA/DP:WSHERWIN (DRAFT)
GC/ASIA:CSTEPHENSON (DRAFT)
PHA/POP/EA:RGRANT (DRAFT)
PPC/DPRE:JWELTY (DRAFT)
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FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA PRIORITY

UNCLAS STATE 121127

AIDAC

E.O. 11652: N/A

TAGS:

SUBJECT: FAMILY PLANNING ORAL CONTRACEPTIVE LOAN

REF: (A) JAKARTA 5807 (B) STATE 002337

1. AID/W CONSIDERS DESIRABLE TO HAVE SUBJECT LOAN READY FOR AUTHORIZATION IN FOURTH QUARTER FY 76 OR AS SOON THEREAFTER AS POSSIBLE (ALTHOUGH AVAILABILITY OF ADDITIONAL FY 76 FUNDS APPEARS UNLIKELY AT THIS POINT). WE WOULD AGREE TO BUILD INTO LOAN CAPACITY TO PROVIDE RAW MATERIALS AND OC PACKAGING. AT THIS POINT IN TIME,

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FULL AMOUNT OF LOAN WOULD NEED TO BE JUSTIFIABLE FOR DIRECT CONSUMER ITEMS ON BASIS OF PROP (WHICH WOULD BECOME PP). AUTHORIZATION AND LOAN AGREEMENT WOULD PERMIT AGREED PORTION OF FUNDS TO BE SWITCHED TO RAW MATERIAL AND PACKAGING/PRODUCTION USES UPON SHOWING, PERHAPS BY CONDITION PRECEDENT TO THESE USES OF FUNDS, THAT NECESSARY ANALYSIS OF AND PLANNING FOR THESE USES HAS BEEN DOCUMENTED.

2. WILL NEED TO SUBMIT PRIOR NOTIFICATION TO CONGRESS BY EARLY JUNE. REQUEST USAID SUPPLY FOLLOWING INFORMATION ASAP:

.....(1) PROPOSED AMOUNT OF LOAN

.....(2) INPUTS TO BE FINANCED BY LOAN

.....(3) BRIEF DESCRIPTION OF GOI PLANS FOR IN-COUNTRY PRODUCTION AND USE OF LOAN-FINANCED RAW MATERIALS, AND

.....(4) JUSTIFICATION FOR ADVANCING LOAN AUTHORIZATION TO FY 76 WITH SPECIFIC REFERENCE TO REQUIRED TIMING AND QUANTIFY OF OC'S. RE SUB-ITEM (4), WE ESTIMATED IN PARA 3, REF B THAT OC'S FINANCED BY INITIAL LOAN WOULD BE FOR CY 79 REQUIREMENTS WHILE PARA 1, REF A REFERS TO CY 78 REQUIREMENTS. PLEASE CLARIFY.

3. ASSUME RAW MATERIALS STILL REFERS TO STEROIDS BUT REQUEST USAID CONFIRM.

4. WILL PROVIDE ADDITIONAL GUIDANCE ON DOCUMENTATION SHORTLY. PER PARA 4, REF B, STILL BELIEVE DESIRABLE USAID PREPARE DRAFT LOAN AGREEMENT AND BASIC IMPLEMENTATION LETTER NOW AND SUBMIT TO AID/W FOR DISCUSSION PURPOSES. KISSINGER

ANNEX E

Draft Loan Authorization

A.I.D. Loan No.

LOAN AUTHORIZATION

Provided under: Section 104: Population Planning and Health)
(Indonesia: Family Planning Loan)

Pursuant to the authority vested in me as Administrator, Agency for International Development ("A.I.D."), by the Foreign Assistance Act of 1961, as amended, (the "Act") and the delegations of authority issued thereunder, I hereby authorize the establishment of a Loan pursuant to Part I, Chapter 1, Section 104 and Chapter 2, Title I, the Development Loan Fund, of said Act, to the Government of the Republic of Indonesia ("Borrower") of not to exceed seven million, three hundred thousand United States dollars ($7,300,000) to assist in financing the United States dollar costs of commodities (and related services) for family planning purposes for Indonesia, the Loan to be subject to the following terms and conditions:

1. Terms of Repayment and Interest Rate

Borrower shall repay the Loan to A.I.D. in United States dollars within forty (40) years from the date of the first disbursement under the Loan, including a grace period of not to exceed ten (10) years. Borrower shall pay to A.I.D. in United States dollars interest at the rate of two percent (2%) per annum during the grace period and three percent (3%) per annum thereafter on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

2. Other Terms and Conditions

a. Except as A.I.D. may otherwise agree in writing:

(1) Goods and services financed under the Loan shall have their source and origin in countries included in A.I.D. Geographic Code 941;

(2) Appropriate provision shall be made to the eff ct that, as a condition precedent to use of loan funds to finance raw materials, packaging and related items for local production of contraceptive needs (rather than to finance contraceptive items in finished dosage form), satisfactory evidence shall be submitted to A.I.D. regarding the adequacy of arrangements for local production.

b. The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Administrator

Date