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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

JAKARTA, INDONESIA

PROJECT PAPER AMENDMENT

FOR

PROVINCIAL AREA DEVELOPMENT PROGRAM I (PDP I)

PROJECT NO. 497-0264

JULY 1982

UNCLASSIFIED

UNITED STATES GOVERNMENT

memorandum

DATE: June 21, 1982

REPLY TO ATTN OF: Carl A. Dutto, PDP Project Officer

SUBJECT: Request for Project Authorization Amendment
Project 497-0264, Provincial Area Development Program I (PDP I)

TO: William B. Fuller, DIR

Thru: Frederick E. Machmer, Acting Chief RD

Ref. (a) STATE 81950 (b) STATE 148147 (c) STATE 145163 (d) STATE 148174
(e) STATE 106150 (f) STATE 126484

Problem: Your approval is required for an increase of $8.8 million from the Section 103 - Agriculture, Rural Development, and Nutrition appropriation, for Project 497-0264, Provincial Area Development Project.

Discussion: Project 497-0264 was authorized on September 16, 1977 by the Assistant Administrator for Asia, who authorized the obligation of $8.0 million over the period FY 77 to FY 79, $2.0 million Grant and $6.0 million in Loan. In 1979 an additional $800,000 in grant funds was authorized. Thus, USAID has obligated $8.8 million for PDP I.

The new total life of project cost is $17.6 million. The planned obligation for FY 82 is $1.350 million in grants and $3.650 million in loans.

The increased cost is due to USAID desire to continue the activities of this project for an additional six years. The PACD for PDP I has already been extended by AID/W for both grant and loan to April 12, 1988.

You have been delegated authority to approve an increase in life of project obligations of up to $30,000,000 in accordance with STATE 106150.

Waiver: None required.

Justification to the Congress: Page 280 of the FY 82 Congressional Presentation, main volume, shows a life of project obligation of $6 million in Loan and $2.8 million in Grant. The Congressional Notification to reflect an additional FY 82 obligation of $3,650,000 in Loan fund and $1,350,000 in Grant funds, expires on June 25, 1982.

Recommendation: That you sign the attached Project Authorization Amendment, and the revised project data sheet indicating your approval of the PP amendment.

Clearances: RD:PAStruharik
PRO:REllert-Beck (in draft)
RLA:LChiles (in draft)

RD/LG-PDP:CADutto:tm

OPTIONAL FORM NO. 10
(REV. 1-80)
GSA FPMR (41 CFR) 101-11.6
5010-114

☆U.S. Government Printing Office: 1980—341-526/6193

PROJECT AUTHORIZATION AMENDMENT

INDONESIA

Provincial Area Development
Program I
A.I.D. Loan No. 497-T-047
A.I.D. Project No. 497-0264

1. The Provincial Area Development Program I for Indonesia was authorized on September 16, 1977 by the Assistant Administrator for the Asia Bureau on the basis of life-of-project funding in the amount of Eight Million United States Dollars ($8,000,000) of which $6,000,000 was to be loan-funded, and $2,000,000 grant-funded during the period FY 1977 through 1979. In 1979, an additional $800,000 in grant funds was authorized by AID/W for PDP I. Pursuant to Section 103 of the Foreign Assistance Act of 1961 as amended, I hereby amend the project authorization as follows:

(a) The total planned obligations for the project are authorized in an amount not to exceed Seventeen Million Six Hundred Thousand U.S. Dollars ($17,600,000) of which Five Million One Hundred Thousand U.S. Dollars ($5,100,000) is authorized in grant funds, and Twelve Million Five Hundred Thousand U.S. Dollars ($12,500,000) is authorized in loan funds, with the additional funding to be available for obligation in FY 82 and FY 83, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to assist in financing the foreign exchange and local currency costs of the project.

(b) Paragraph (b) of the authorization on source and origin of goods and services is amended to provide that ocean shipping financed under the Loan may be procured in Indonesia as well as the United States and Code 941 countries.

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

William P. Fuller

2/7/82
Date

Clearances:RD:BHawley (in draft)
RD:CDutto (in draft)
RD:PAStruharik (in draft)
RD:RMachmer (in draft)
PRO:REllert-Beck
PRO:RCohen
OMF:RBourquein MK cmts. correct
DD:RCSimpson (in draft)

DRAFTER:LCMiles:mai:05/12/82

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: C (A = Add, C = Change, D = Delete) — Amendment Number: One

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: INDONESIA

3. PROJECT NUMBER: 497-0264

4. BUREAU/OFFICE: ASIA — 04

5. PROJECT TITLE (maximum 40 characters): Provincial Area Development Program I

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 06 DD 30 YY 88

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 77 B. Quarter 4 C. Final FY 84

8. COSTS ($000 OR EQUIVALENT $1 = Rp645)

A. FUNDING SOURCE	FIRST FY 82 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total	2,100	2,900	5,000	8,200	9,400	17,600
(Grant)	(1,350)	(-)	(1,350)	(4,500)	(600)	(5,100)
(Loan)	(750)	(2,900)	(3,650)	(3,700)	(8,800)	(12,500)
Other U.S. 1.						
Other U.S. 2.						
Host Country		2,000	2,000	-	22,000	22,000
Other Donor(s)						
TOTALS	2,100	4,900	7,000	8,200	31,400	39,600

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) FN	200-B	033	033	2,800	6,000	2,300	6,500	5,100	12,500
(2)									
(3)									
(4)									
TOTALS				2,800	6,000	2,300	6,500	5,100	12,500

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 210 | 240 | 110 | 250 | 042 | 078

11. SECONDARY PURPOSE CODE:

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	BR	BS	DEL	EQTY	PART	TNG
B. Amount	16,000	8,000	1,000	12,000	15,000	2,000

13. PROJECT PURPOSE (maximum 480 characters)

The project was designed to achieve three objectives: 1) to increase the productive capacity and incomes of rural poor, 2) to improve the capabilities of local government to undertake rural development activities, and 3) to improve the capabilities of key central government agencies to support local governments in this process.

14. SCHEDULED EVALUATIONS
Interim MM 01 YY 84 | MM 01 YY 87 | Final MM 06 YY 88

15. SOURCE/ORIGIN OF GOODS AND SERVICES
☒ 000 ☒ 941 ☒ Local ☐ Other (Specify):

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.)
The purpose of this amendment is to secure additional AID funding for the second phase of the Provincial Area Development Program (PDP) I. Both GOI and USAID recognize that PDP is a long-term program and that the first four years of project activities represent only the initial phase of a long-term program designed to strengthen local government institutions and increase the productivity capacity and income of the rural poor. USAID Indonesia is requesting this amendment, as recommended by the AID/W evaluation team.

17. APPROVED BY
Signature: [signature]
Title: William P. Fuller IV, Director
Date Signed: MM 07 DD 02 YY 82

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

AID 1330-4 (8-79)

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2. Maps of Central Java and Aceh (showing old and new kabupaten)

3. Logical Framework

4. Implementation Letter No.5

5. Implementation plan

6. The Central Java PDP program

7. The Aceh PDP program

PDP I PROJECT PAPER AMENDMENT

I. Purpose and summary

The purpose of this amendment is to secure additional AID funding for the second phase of the Provincial Area Development Program (PDP) I. This second phase was recommended by the AID/W evaluation team in its report of September 1981. Both GOI and USAID recognize that PDP is a long-term program and that the first four years of project activities represent the initial phase of a long-term program designed to strengthen local government institutions and increase the productive capacity and income of the rural poor. USAID/Indonesia is seeking this funding at this time for a number of reasons:

a. to continue to support a program which is proving valuable to the GOI in meeting its objectives of decentralized regional development and income distribution;

b. to assist the GOI in bridging the gap between PDP as a new and untested program to a time when the GOI will bear the full responsibility of its implementation and replication in new provinces;

c. to provide direct assistance to BANGDA (Directorate General for Regional Development, USAID's counterpart agency in the Ministry of Home Affairs) in order to strengthen its capability to provide guidance and support to the provinces;

d. to provide continuity to the PDP program in the provinces of Central Java and Aceh; and

e. to improve PDP in the existing provinces and to establish a solid technical and administrative foundation for the expansion of the program to other provinces.

USAID plans to request funding for the the second phase of PDP in the six PDP II provinces in late FY 82 for authorization in early FY 83. The reasoning for the PDP II extension is the same as for the present request; the details of the programs in each of the six PDP II provinces will be discussed in a latter document as Central Java's and Aceh's are in this document. Major issues, however, relating to the extension of the PDP in all eight provinces are discussed in this document; thus, this document constitutes the basis for the extension of PDP in the eight provinces currently participating in PDP.

USAID is continuing internal discussions on alternative ways of providing support to the GOI in a phased expansion of the program to new provinces. Both the GOI and USAID agree that while elements of PDP can be transferred to new provinces, there is no substitute for actual experience. PDP offers to the new provinces an opportunity for learning by doing, that is, planning, implementing, monitoring and evaluating

concrete development activities with the direct involvement of local people living in very different geographical and socio-economic settings. Both GOI and USAID believe that PDP provides a valid approach to participatory development and effective decentralization. Thus, the GOI desires to expand the program to other provinces. USAID's major concern in this extension is assisting current PDP programs and supporting BANGDA as BANGDA prepares itself to undertake PDP programs in new provinces.

A summary of funding and activities proposed in this amendment is as follows:

1. Technical Assistance:

a. four long-term advisors for two years (96 person-months), with a possible extension (48 person-months), to assist the two provinces of Central Java and Aceh; short-term technical assistance by both expatriate and Indonesian advisors (16 person-months) in specialized fields to assist both provinces.

b. 20 person-months of short-term technical assistance (both expatriate and Indonesian advisors) and three long-term advisors for 2 years (72 person-months), with a possible extension (36 person-months), to work with BANGDA. These advisors, will assist with designing and implementing a comprehensive planning, management, monitoring and evaluation system for use within BANGDA and each of the participating provinces; they will provide assistance to BANGDA for credit programs; and they provide also assistance in developing and coordinating implementation of core training programs within the PDP.

c. Approximately 17 person-months of possible technical assistance for planning and design of the PDP programs in three new provinces.

2. Training: In-country and selected US and third-country training programs for participants from Central Java, Aceh, and BANGDA. Limited training may be made available to new PDP provinces as part of the planning and design phase of the PDP programs in these provinces.

3. Annual program and subproject financing: a percentage of the cost of the provincial annual programs and component subprojects. Throughout this project the GOI has put in large rupiah support, but in the extension GOI subproject financing represents a sizable increase in GOI contribution compared with the first four years of the program during which time AID contributed two thirds and the GOI one third. Subprojects will include small-scale, experimental, locally designed and implemented rural development activities in such fields as agriculture, animal husbandry, fishery, small scale industries, rural credit and training. The purpose of these subprojects is to increase the productive capacity and income of small farmers and rural enterpreneurs in Central Java and Aceh.

Phase II of PDP I and II will be implemented over a period of six years. (For a detailed treatment of project goals, purpose, and outputs, see the logical framework, Annex 3). The first year is a bridge year in which provinces may complete subprojects from phase I, undertake evaluation and reviews of phase I and the planning for phase II. Both Central Java and Aceh have chosen to undertake additional subprojects as well during this year. Years two through five will be implementation years in the same manner as phase I which will include new areas of Central Java and Aceh. This second phase of implementation is slated for four years. Four years is considered adequate to apply the lessons learned from phase I and test new ideas before the last year of phase II which is again a year for completing remaining subprojects, evaluations and reviews. Phase three would be under the control of the GOI.

The total cost of the extension is approximately $24.8 million. It is recommended that AID contribute $8.8 million of these costs: $6.5 million in loan funds and $2.3 million in grant funds.

II. Current project status

A. Introduction

PDP is one program in a series which the GOI has initiated since 1969 to channel development funds to local people through local levels of government. In 1969 the GOI established the first INPRES (Instruksi Presiden: Presidential Instruction) program, INPRES Kabupaten, which chanelled funds to the kabupaten (district) for roads and irrigation systems built or rehabilitated by local people paid cash wages from this INPRES program. At the time INPRES Kabupaten was established this infrastructure had had no repair for thirty years. It was nearly impossible, for example, to drive from Semarang, the capital of Central Java province, to what are how the PDP kabupaten immediately to the east. At that time as well rural people were suffering the privations of continuous unrest from the time of colonization through 1965. INPRES Kabupaten, then, met two immediate needs: short-term income for rural people and basic infrastructure as a precondition to further development.

This INPRES program also represented the GOI's first attempt at decentralized authority for decision making, in that the Economic Affairs Office (Perekonomian) of the Governor's and bupati's offices (province and kabupaten levels respectively) were in charge of determining where INPRES projects would be implemented.

During the second Five Year Development Plan (1974-1979) and continuing into the third (1979-1984) the GOI has continued to shift responsibilities for rural development from the central government to local governments. Planning boards at the province level (BAPPEDA Tingkat I) were established at the beginning of the second Five-Year Plan. Five years later comparable planning boards were established at the kabupaten level (BAPPEDA Tingkat II.) Planning boards at both

levels, which are staff of the chief officer of the Ministry of Home Affairs, the governor and bupati respectively, were responsible for coordinating the INPRES and other development programs in their regions. In creating both decentralized programs and the agencies responsible for them, the GOI demonstrated its concern with meeting local needs with local means as an adjunct to its sectoral programs designed centrally. This concern with rural people's benefiting from the development process was further underlined in the third Five Year Plan which added to the two primary national goals of stability and growth the third goal of equity, by which the GOI meant a more equitable distribution of the benefits of the development process.

As for the ability of the INPRES program to achieve these goals, several problems remained: infrastructure projects benefited the poorest rural people only in the short-term; the road and irrigation systems provided long-term benefits not to the very poor who had built them for cash but to those somewhat better off who had some capital or land and who could use the roads for commerce or the irrigation systems for larger harvests. Local government agencies were still administratively and technically weak, which meant that their ability to use development funds and make contact with rural people was still limited. The GOI was also eager to invest its growing oil revenues in productive development programs, but needed a way to determine through small scale tests which approaches were the most productive and hence worthy of larger-scale financing.

The GOI undertook PDP in 1978 as a program paralleling the INPRES program to deal with these problems. PDP was the first INPRES-type program to make the rural poor the direct, long-term beneficiaries. It was the first to delegate authority for project design and funding for implementing non-infrastructure projects to local levels of government. The understanding behind this delegation was that the local levels were to research project ideas with local people and design subprojects which responded to their particular local needs. The subprojects were to complement sectoral programs, particularly to meet local needs which the more general sectoral programs could not meet. PDP aimed to develop local government agencies to make decisions about using central funding and encourage the involvement of local people through local government.

PDP in fact was to be not so much a formal program as a process, a means of testing locally generated ideas for development programs and procedures of local government which could be used beyond the limits of PDP itself. Successful subproject ideas could then be funded from regular GOI sources at a much higher level than PDP's initial test. Successful systems for monitoring and planning could be adopted by BAPPEDA as a whole. PDP was conceived to be a system or a process for generating ideas and involving local agencies and people who had not been involved previously in the development process. This view continues to guide PDP, and the following pages illustrate how the PDP as a system and process has been used.

In summary, then, these are the purposes of PDP:

a. to increase the productive capacity and incomes of rural people in project areas as directly and immediately as possible;

b. to improve the capabilities of local government in participating provinces to undertake rural development activities; and

c. to improve the capabilities of key central government agencies to support local governments in this process.

PDP should be viewed as a philosophy and a process designed to influence the whole system of national development. PDP is not simply another INPRES fund; it is an approach to development which should influence the way the government at both national and local levels manages the development process. The essence of the PDP can be summed up in one word: participation. Participation means allowing local government units to control the allocation and management of resources while providing opportunities through training, improved planning and management procedures to expand and improve the ability of local governments and groups to manage the development process. At present the government has planning institutions at both the provincial and district levels. The critical task now is to provide these institutions with the expertise and knowledge needed for them to discharge their development mandate. Participation in the PDP context, however, goes beyond the question of the allocation of decision-making responsibility between central and local government. In addition to the devolution of decision-making responsibility, PDP is concerned with the quality of the development process and particularly with the beneficiaries. The PDP process is, therefore, concerned with actively engaging rural communities in decision-making to ensure that development investments are responsive to the aspirations of the people and are really perceived by the people as improving the quality of life in the community in an equitable manner.

B. AID's contribution

AID has provided technical assistance, training, and partial financing of subprojects. PDP I was initiated in the provinces of Central Java and Aceh with authorization by AID/W in late FY 1977. PDP II, authorized in mid FY 1979, expanded the program to six additional provinces (Bengkulu, South Kalimantan, Nusa Tenggara Timur and East Java) as a first phase beginning in 1979, and to two other provinces (West Java and Nusa Tenggara Barat) as a second phase beginning in 1980.

In total AID has authorized and obligated $32.8 million for PDP I and II, $8.8 million for grant-funded technical assistance and training and $24 million for loan-funded subproject financing. Aggregate Government of Indonesia direct commitments under both PDP I and II total approximately $25 million. Thus, over a four year period PDP moved into a total of eight of Indonesia's twenty-seven provinces. In addition PDP has expanded to two other provinces: Yogyakarta with World Bank assistance and West Sumatra with aid from West Germany. However, the

)programs in these provinces are quite different because of the larger financial resources available to the two provinces and their focus on infrastructure projects.

C. PDP Operations

Within each AID-supported participating province the planning process is similar, although the final design varies according to the socio-economic characteristics of the target rural communities, the strengths and the weaknesses of the local government apparatus, and the agroclimatic and ecological conditions of the selected areas. The initial planning process, which normally lasts up to one year, involves the target rural population and local governments under the coordination of district and provincial BAPPEDAs. A limited number of activities or thrusts are identified through this process of bottom-up planning, and a development strategy for their implementation over a four year period is developed. During each year of implementation the participating provinces prepare annual operational plans which detail the PDP program for the upcoming fiscal year, based on the conceptual framework, lessons learned to date, and specific subproject selection criteria.

Implementation follows the regular GOI budget process. The provinces present their annual operational plans to a central technical committee in which USAID participates. Funds are passed to the appropriate implementing agencies (dinas) in the provincial or district governments, utilizing the INPRES financial mechanisms. Actual implementation responsibilities belong to local technical agencies with the BAPPEDAs responsible for coordination and monitoring. USAID participates in subproject financing through the fixed amount reimbursement (FAR) system.

National-level guidance and policy direction have been provided by the Steering and Technical Committees composed of BAPPENAS (National Planning Agency) and the Ministries of Home Affairs, Finance, Agriculture and Public Works. At the local level the Governor has primary responsibility for the province's program. Responsibility for overall planning, coordination and evaluation rest with the provincial BAPPEDA and increasingly with the district BAPPEDAs. Individual technical agencies at the provincial and district level are responsible for the detailed design and implementation of their individual subprojects.

D. PDP in the context of USAID assistance to Indonesia

PDP was the first project in the mission's portfolio to work directly with the Ministry of Home Affairs in providing support to local governments. Other USAID projects have worked with individual technical agencies within various ministries, whereas PDP has been able to work with the Ministry of Home Affairs in an effort to integrate the work of multiple technical agencies at the provincial and district levels of government.

PDP's objectives are consistent with USAID's strategy of assistance to Indonesia which includes strengthening GOI institutions, delivering direct benefits to the rural poor, and expanding opportunities for local communities to participate in planning and executing development programs. As discussed in the FY 83 CDSS, PDP constitutes one of the major areas of concentration of USAID assistance to Indonesia during the 1980s. Along with the Local Government Training (LGT) project, PDP provides a substantial contribution to strengthening the planning and the managerial skills of officials in the Ministry of Home Affairs and in the provinces. The high priority accorded to PDP by USAID is also reflected in staff allocations: 3 US direct hire and 3 Indonesian employees for project management and two agriculturalists, one US direct hire and one Indonesian employee. This presence is necessary for annual program and subproject reviews and field monitoring visits, especially in decisions on reimbursement.

PDP will become increasingly linked with the Local Government Training project. This $9.5 million USAID-supported project is designed to improve the performance of provincial and district BAPPEDAs nation-wide through the provision of training in regional development planning and management. This project is in its initial stage of implementation by the Education and Training unit (Badan Diklat) of the Ministry of Home Affairs. Through BANGDA PDP will establish closer administrative links with Badan Diklat to ensure a flow of trainees and training ideas from the provinces to Badan Diklat's regional training centers (RTC) in Yogyakarta (which is serving Central Java) and Medan (which will serve Aceh beginning in CY 83). Badan Diklat and the RTCs will also be asked to develop training packages for the provincial and district BAPPEDAs and train the trainers who will become the focus for basic training in each BAPPEDA.

PDP is the precursor of the Central Java Enterprise Development Project which builds on PDP experience in developing small scale rural industry in Central Java. The latter project will be implemented under the overall guidance of BANGDA in coordination with the BAPPEDA. This follows closely the PDP model. Credit provided to private entrepreneurs through the Enterprise Development Project will flow through existing PDP credit channels, the local Regional Development Bank and subdistrict credit units (BKK).

USAID has recently signed a loan agreement with the GOI for a new integrated rural health project, the first in Indonesia which decentralizes responsibility for health delivery systems to the province and to lower levels of government following the PDP model. Since the project is as yet in very early stages, the linkage with provincial BAPPEDA is not yet defined. In Aceh, the linkage is especially appropriate because regions of Aceh were selected as PDP areas on the basis of the malnutrition found in certain parts of the province. The program for these areas focused on agricultural production.

The present amendment is only one component of USAID's plan for support to PDP. This amendment will provide direct support to BANGDA and continuing assistance to two provinces for the next six years. Another component is an amendment to the PDP II Project Paper which will request support for the second phase in the remaining six PDP provinces. The latter amendment will be prepared in late FY 82 for early FY 83 funding. A third component is the support for the planning for a phased expansion of PDP to new provinces. Planning in three new provinces will be undertaken with funding requested in this document, with the understanding that funding for the implementation of the program in these provinces will be mainly from the GOI with the possible cooperation of other donors.

E. Institutional development

1. Institutional development in the provinces

a. Central Java

At the outset of PDP in Central Java, the Governor established a unit within the BAPPEDA with responsibilities for PDP. The reason for a separate unit was that since PDP was a new experimental program, it needed a small team of full-time professionals to coordinate planning and monitor implementation. At first the PDP staff in the BAPPEDA was a multifunctional task force which performed the full range of duties required by PDP from planning to evaluation. This structure proved adequate initially, but the pressure of multiple years of design, implementation, and evaluation has forced this staff to subdivide itself into functional areas and then into committees with responsibilities for parts of the program. There are three such functional areas now: planning and training; implementation, coordination, monitoring, reporting and evaluation; and routine administration and finance. The committees are composed of selected members of the PDP unit, representatives of the BAPPEDA-wide office with similar responsibilities, technical agencies, and other representatives as appropriate. For example, the committee on planning consists of staff members from the PDP unit, members of the BAPPEDA planning office, representatives from the Governor's Development and Finance Offices, the Indonesian People's Bank (BRI), the Regional Development Bank (BPD), and representatives from the six sectoral agencies which participate in PDP.

This administrative structure has been replicated in a more simplified form in each of the five districts participating in PDP. As planning and implementation of PDP subprojects have moved from the provincial level to the districts, the newly created District Planning Boards (BAPPEDA Tingkat II) have assumed coordination functions similar to the provincial BAPPEDA's. In keeping with the more limited availability of skilled manpower, the model which has been adopted here is that of the multifunctional steering committee with the local BAPPEDA at the center.

Since IFY 80/81 when projects were first planned and implemented at the sub-district level in thirty subdistricts, this model was even further simplified to establish subdistrict development committees. This latter development has yet to be formalized, but these committees are now acquiring administrative experience and learning to play a larger role in planning and managing their own future. It is hoped that this trend will continue and ultimately result in some similar development in the villages.

One explicit task of PDP was to experiment with techniques of participatory planning, that is, eliciting project ideas from rural people. Thus, during the first year of PDP in Central Java, two types of subprojects were designed: standard subprojects which were designed by the sectoral agencies and regional subprojects which resulted from local participation in planning. The latter were identified under the direction of the camat (subdistrict chief) after a process of consultation with rural people. The results were mixed, reflecting the abilities of the local government people in charge. The following year the BAPPEDA staged training in participatory planning for officials at the province, district, and subdistrict levels. Delays in funding and short lead times for the planning period caused much of this training to focus on administrative procedures and preparation of budget documents rather than on project analysis and design. Despite these delays and shortcomings, real advances were achieved in the integration of sectoral and regional planning. This integration was achieved by provincial BAPPEDA policy guidance which required sectoral agencies to show that their subprojects were in fact integrated into regional PDP subprojects and which required regional subprojects to be reviewed by sectoral agencies so that they would be fully cognizant of the regional subprojects.

The techniques of participatory planning in Central Java remain only partially tested and developed. The system designed for planning the fourth year subprojects in Central Java was based on a local committee called the panitia lima (the committee of five). There are five members of the committee: the head of the village (lurah); one other village level government official; a representative the village development board (LKMD), usually the head of the family welfare division (PKK) of the LKMD; a non-formal leader often a religious leader; and one candidate recipient. This committee first designates those people in the village who are eligible as recipients based on guidance and criteria from the provnce and kabupaten BAPPEDA. The committee then meets with small groups of potential recipients to elicit their ideas for subprojects. Once the ideas have been assembled, the committee selects those most promising and reviews this selection with the camat and his technical staff. These ideas are then passed up the line for review at the kabupaten and province; revisions or changes are discussed with the levels below so that the originators continue to be part of the process. Once the province has approved the proposals, they are reviewed in Jakarta and are signed as budget documents by the governor of the province.

This system was followed with mixed results during IFY 81/82. The constraints were too limited planning time and the inexperience of kecamatan and village level people with the system. The system remains in effect for this year and has been preceded by training courses.

Through PDP, Central Java has also upgraded a credit institution, the subdistrict credit unit program (Badan Kredit Kecamatan or BKK,) which is now emerging as a decentralized and self-sustaining credit system which is able to reach the rural poor at the village level, stimulate local entrepreneurship, and remain financially viable.

The provincial BAPPEDA has recognized the importance of developing a monitoring and evaluation system for PDP. Recently the BAPPEDA has obtained the services of a grant-funded team of Indonesian consultants to assist in developing a comprehensive monitoring system at different levels of local government. As a component of the first-year program the cooperation of two local universities (Diponegoro and Satya Wacana) was secured to conduct a baseline study of PDP target villages.

b. Aceh

Institutional development in Aceh has been different from that in Central Java. Founded in the late 1960s as the Aceh Development Board, the Aceh BAPPEDA was originally almost entirely staffed by faculty from Syiah Kuala University. The chairmanship of the BAPPEDA is still held by the rector of the university; however, only six of the current chiefs of the sixteen divisions and subdivisions are faculty members at the university. The number of full and part time BAPPEDA employees has risen from 46 to 65, a 41% increase in four years. Although such expansion has meant continued predominance of university staff on the BAPPEDA staff, there has been a gradual and increasing transfer of day to day BAPPEDA functions to full time, non-university personnel. PDP was instrumental in hiring and training five junior planners who have now become permanent staff members of BAPPEDA.

PDP is being implemented in two districts in Aceh, Aceh Besar and Aceh Barat (Map 2b). A PDP Aceh steering committee composed of heads of sections of the provincial BAPPEDA oversees the full PDP program. In both Aceh Besar and Aceh Barat PDP is implemented by the technical agencies coordinated by a central committee within the office of the bupati. This committee has become the nucleus of a district BAPPEDA. District administrative offices in Aceh, especially in remote areas such as Aceh Barat, are not much better staffed and equipped than the next lower levels (kecamatan) in Central Java. Program planning has been progressively decentralized over four years by a process of project development and review carried out by the province BAPPEDA in each district. Workshop meetings bring together the heads of kecamatans, chiefs of technical agencies, and the district PDP committee to plan each year's program.

Relations with Syiah Kuala university have included two important subproject contracts to collect baseline data and records of land ownership and land use. Both have been carried out by the university's Rural Development Center with consultant assistance financed by both loan and grant funds. Further evaluation activities have been budgeted to be implemented by joint BAPPEDA and university specialist teams especially to assess agricultural project impact and to improve institutionalization of the PDP rural credit system.

The process of encouraging local participation in planning begun under phase I with training for local government staffs in program planning, proposal writing, monitoring and reporting. Following guidance and instructions from the province level BAPPEDA and technical agencies, kabupaten level officials meet with representatives of farmers' groups which are formed as part of the extension program of the technical agencies in the kabupaten: agriculture, small scale industry, and women's family welfare groups (PKK). These representatives generate project ideas which are discussed in turn with the camats and kecamatan staff. Once approved the proposals are forwarded to the province and later to Jakarta in the usual PDP manner. In the fifth year of PDP the province will experiment with a different means of reaching village people and a different means of regional planning. Three villages in Aceh Barat and a number yet to be determined in Aceh Besar will be selected as model villages, their townspeople sounded out for project ideas, and the actual proposals developed as an integrated PDP package. Also for the first time in Aceh the province health service will work in these villages doing first a nutrition survey followed by a nutrition supplement program funded by the Health Service. PDP will make use of this nutrition survey as one criterion for selecting recipients for PDP programs. This procedure parallels Aceh's procedures for selecting areas to be included in PDP phase I. It is the first time that nutrition is being used as a criterion to select beneficiaries themselves. Previously the beneficiaries were selected by the camat and his staff.

The BAPPEDA Tingkat II were established in Aceh Besar and Aceh Barat as of April 1, 1982. In both cases the Development Section of the bupati's office will form the nucleus of the new BAPPEDA Tingkat II. In Aceh Besar the head of that office will not be appointed for several months to come since there is no bupati. The former bupati, long a strong supporter of PDP, died in November 1981 just at the time of the inauguration of the new governor. The governor decided to delay appointing a new bupati until after the elections in May 1982. The BAPPEDA Tingkat II will continue to function as it has to the present; PDP is in fact the only funding it receives, an excellent example of the opportunity which PDP's decentralization provides the local governments. In Aceh Barat the chief of the PDP unit will become the head of the new BAPPEDA Tingkat II and will receive full managerial responsibility for PDP funds. Previously this control was held by the area secretary (sekretaris wilayah) also under the bupati. This consolidation of authority is expected to provide better support to kabupaten-level PDP in Aceh Barat than was the case earlier.

2. Institutional development at the Center

During the 1970s, the GOI made several important changes in the nation's development program to reflect an increasing awareness of the importance of decentralization and regional development. One such change in the Ministry of Home Affairs was the elevation of the former Directorate for Regional Developent to a full-fledged Directorate-General for Regional Development (BANGDA) (see Annex 1: organizational chart of BANGDA). This change is a significant step in the move to focus GOI attention on regional development and on the responsibility of the regions to participate in the development process. Becoming a directorate-general also gave BANGDA access to a larger, more skilled staff, a greater budget allocation, and gave it a more influential position in the GOI which allows BANGDA to be more effective in the implementation of its programs.

PDP, which was the first development program with foreign assistance working directly with local governments, was handled at first by a small unit within the former Directorate for Regional Development, but now greater support can be provided by various offices of the new expanded Directorate General. Four new professional staff members with skills in planning, agriculture, and credit have recently been added to the PDP unit within the Directorate for Provincial Development in BANGDA. Thus, the capability of BANGDA to support the PDP has greatly increased. At the same time the problems of operations and staffing in BANGDA - too few skilled people for all the new responsibilities, the need for more stable administrative routines and policy guidance to the provinces- are still in evidence. Strengthening BANGDA's ability to support the provinces and provide the services needed by the provinces for decentralized planning and implementation are thus an area of important focus for this extension.

In addition this extension will concentrate on preparing BANGDA to establish PDP programs in the remaining provinces and to develop contacts with Indonesian technical institutions and individuals who can provide technical support after phase II.

PDP has also benefited from more active participation by BAPPENAS and the Ministry of Finance in PDP operations. Officials from both have begun participating regularly in field monitoring visits. This exposure has allowed them to see PDP up close and will help to make the PDP model more widely understood in the GOI, especially by those with responsiblity of financial allocation of development funds.

F. Sectoral development

(a) Central Java

The Central Java program is being implemented in five contiguous districts (see Map 2a) and has three areas of focus:

(i) improvements in the utilization of existing agricultural resources such as village irrigation, secondary food crops production, livestock (especially goats and sheep) and fisheries. These improvements address the problems of land scarcity and low productivity of poor people in target areas. In particular, this program has provided 15,000 goats and sheep as in-kind credit to 6,000 poor families; assisted in settling approximately 3,000 landless families on rainfed slopes slated for reforestation with an agricultural package suitable for this marginal land; assisted through village irrigation approximately 3,000 families owning less than a hectare of land; has stocked public waterways with fingerlings for the rural poor; assisted 3,000 families to develop backyard gardens and fish ponds; and provided training to 300 extension workers in integrated agriculture.

(ii) The Subdistrict (Kecamatan) Credit Units (BBKs) were established by the provincial government in 1972 in an effort to provide small, non-collateral loans to thousands of petty traders, farmers, cottage industry workers, and artisans with no access to the formal banking sector. In the original concept of the BKK, the provincial government set the basic parameters for a rural loans program correctly. They moved the loan operation close to the borrowers by sending the loan officers to a different village each day on a weekly schedule to make loans and receive repayments. They developed a simple character reference criterion for making loans, keeping the loans small until experience had been gained with a particular borrower. They charged an interest rate sufficient to cover all costs of loaning, including bad debt.

At the time the program was launched, however, there were not enough experienced managers available to launch a program in 486 subdistricts within a short period of time. The control mechanisms for dealing with such a large number of units were not yet in place. Loans for many different types of productive activities were attempted without prior experience with which types had a cash flow sufficient to make repayment possible, and, finally, the amount of capital made available by the provincial government was not sufficient to see all local units of the institution through the initial learning period. Those units which made mistakes initially had to close down.

BY 1977 the institution had survived its learning period, and those individual units still in existence were covering their costs and retaining earnings sufficient to maintain their working capital in real terms, with inflation at 16%. However, there was a general sense of discouragement in the provincial government about the institution, and no additional capital was made available for four years.

PDP initiated a pilot program involving 65 BKK units. Technical assistance was provided by AID along with $345,000 to assist in the financial restructuring of the 65 BKKs. Performance criteria were

established for all BKKs, a cadre of BKK inspectors from the Regional Development Bank (BPD) were trained, and new accounting and control systems were established.

The following table presents a composite financial and service performance rating of the 65 BKKs evaluated at two points in time. As the table indicates, progress has been achieved. Both the financial status and service performance of the majority of the 65 BKKs has improved dramatically over the initial phase of the pilot program. At present he 65 BKKs are lending and collecting over 32,000 loans per year, and the lending operations are expanding rapidly.

Composite Performance Rating of 65 BKKs

Financial and Service Performance	Rating	September 79 # of BKKs	September 79 %	August 81 # of BKKs	August 81 %
Superior	1.	0	0	7	11
	2.	7	11	12	18
	3.	15	23	28	43
	4.	17	26	3	4
Very Weak	5.	26	40	15*	24

* All but six of these have improved dramatically, but their past losses have not been written off. Their balance sheets are not healthy enough for them to move to the next higher category.

In IFY 81/82, the provincial government allocated $162,000 of its own very limited budget for additional capital to the BKK units outside the 65 with which the PDP has worked, and they plan to allocate the same amount in IFY 82/83. In addition the provincial government has borrowed almost $5 million from the central Ministry of Finance to be used over the next three years to build up the BKKs. USAID will continue to provide technical assistance in developing the BKKs into a more complete rural banking system, including the provision of better service in mobilizing local savings, but further AID capital assistance for this phase of the BKK program is no longer required.

(iii) development of administrative systems for identifying local potential at sub-district and village levels and for increasing capabilities to plan and implement activities to maximize the use of local resources by local authorities. During the four planning cycles occurring during the four years of PDP the provincial BAPPEDA has delegated progressively greater authority for subproject identification, design, and implementation to the district and subdistrict levels in Central Java. By year four 62% of the project officers were subdistrict officials. These

officials are also responsible for working with their technical staff and village officials to engage village people in the process of identifying local needs and activities to fill those needs. USAID advisors, provided through a contract with Development Alternatives Inc., have worked directly with these officials to devise systems of generating these ideas and designing the projects arising from this process.

(b) Aceh

The Aceh program has developed differently, with the two districts being more independent of one another than in Central Java for reasons largely of geography (see Map 2b). The relatively easy communications within Aceh Besar, a strong district head, and the proximity of the provincial BAPREDA and technical service agencies to the field have given rise to a more even development than in Aceh Barat where programs have tended to reflect the uneven abilities of the technical agencies which lack ready access to provincial level technical support.

The Aceh PDP program has three areas of focus:

(i) improved agricultural planning and project evaluation by provincial planners and the heads of district agricultural services. Under PDP I Aceh trained district and subdistrict administrators, the staffs of technical agencies, and BAPPEDA junior staff in planning, proposal writing, monitoring, project assessment and reporting. The quality of subprojects designed under PDP I has led the provincial government to adopt PDP planning procedures province-wide.

(ii) increasing agricultural support services to raise production especially by strengthening extension staff and by introducing readily available, previously tested new technology. Multi-purpose agricultural development centers, improved or constructed under PDP I, are now fulfilling the need for classroom instruction in the two districts; programs of field practice, demonstrations, and crop trials will be increased in the next phase. Farmer exchange tours within the province and intensified extension have met with success for rice production although increases in production of secondary food crops remains limited. Secondary irrigation canals are now in place in selected areas and await construction of tertiary systems in the next phase. PDP has supported several types of livestock improvement programs for ducks, chickens, and goats. Local farmers and vaccinators are being trained to innoculate fowl and treat large animals for common parasites. Programs in sugarcane production and motorized fisheries have also been tried with varying degrees of success.

(iii) introducing more cost effective and efficient production and marketing techniques in several local handicraft and village industries. Groups of artisans engaged in more than a dozen different crafts, including blacksmiths, potters, weavers, tailors, and woodcarvers, have been trained in improved production techniques and product design. Cost and income studies have been done for four handicrafts. The studies demonstrate that participating artisans have been able to raise their production and double their incomes from pre-PDP levels. Assistance to salt makers introduced some improvements in technology, but the terms of trade have moved against salt making. Those involved are being assisted in seeking new sources of income. Improved production of patulli oil which is used in the production of French perfumes has started recently.

Aceh's general plan for the use of PDP funding is to concentrate on three kinds of activities within the sectors listed above: agricultural production; construction and equipment; and training. During the first year the bulk of funding went to contruction and equipment, the smallest part to training. Over the four years of the program this allocation has shifted dramatically toward production, as follows:

(in US$)	Years 1+2	Years 3+4
production:	$133,000	$2,532,000
construction/equipment:	1,665,000	978,000
training:	211,000	365,000

Aceh has made an equally dramatic shift between subprojects designed to train local government officials in development processes (which the province considers indirect assistance to the rural poor) and subprojects which assist the rural poor directly (credit, irrigation canals, fishing boats, farmer training). In year one direct assistance accounted for 28.5% of the annual budget, indirect 71.5%; in year four direct assistance is 69.5% and indirect 30.5%.

G.Lessons learned and improvements needed

As stated in the AID/W evaluation report, there is clear evidence that with the strong GOI support and AID assistance the PDP has made in a relatively short-time some remarkable achievements. However, out of the PDP experience a number of weaknesses have been identified, and these will be addressed during the second phase of PDP I:

1. The need for a comprehensive planning-monitoring-evaluation system

The first phase of PDP saw the establishment of the PDP system of planning, monitoring and evaluation. The second phase of the PDP will

focus on improving and perfecting this system as local governments gain more experience. This phase will begin to work with this system as a whole rather than with independent elements of the planning, implementation and evaluation cycle. The elements of this system which will receive continued attention during phase II are as follows:

a. Planning

During phase I the provincial BAPPEDAs gave priority to subproject design and implementation over systematic annual and longer-term planning. The provinces now need to focus on improving the quality of annual planning and longer range program plans. The provinces also intend to continue decentralizing the planning process and improve in particular cross-sectoral district planning and project design at both district and subdistrict levels under the coordination of district BAPPEDAs. There is a need for clear planning guidelines and for a planning framework to standardize the context in which local planning takes place. Skilled manpower is needed to undertake this work.

To meet these needs long-term technical assistance will be provided to the provinces and BANGDA. Appropriate training will also be provided through Badan Diklat and PDP to planners at the district, provincial and national levels.

b. Monitoring and reporting

The present monitoring system for checking implementation in the field consists of regular field visits by provincial and district BAPPEDAs. The reporting system consists largely of recording expenditures during implementation without much reporting on successes and failures, problems and bottlenecks, issues and policies. The forms used to record information during monitoring visits need to be refined based on an analysis of information needs throughout the PDP structure. The reporting system needs to be elaborated to include information on the process of implementation, institutional development, and beneficiary participation in addition to financial data. All information needs to be collected and processed more promptly than at present and then used as a management tool.

To meet these needs technical assistance and training will be provided to the provinces and BANGDA to assist in preparing an analysis of information needs and designing and refining monitoring and reporting systems.

c. Evaluation

To date provinces have given priority to subproject design and implementation; evaluation is now beginning to receive more attention. Most evaluations to date have been performed by universities because the BAPPEDAs have lacked the skills and methodologies to produce reliable evaluations with a limited staff. The BAPPEDAs, BANGDA, and USAID have been able to make only limited use of the results of these evaluations.

In August and September 1981 AID/W conducted a six week evaluation of the PDP with the assistance of a seven-man team composed of five Americans and two Indonesians. Two similar external evaluations will be carried out during the implementation of phase II of PDP, one during the third year and one during the sixth and last year of USAID involvement.

The need now is to develop the capacities of BAPPEDAs and BANGDA to undertake substantive evaluations of their programs. This will involve development of staff capacity and methodologies which are implementable given the limited professional manpower available.

To meet these needs USAID will provide long-term technical assistance to BANGDA and the provinces for evaluation and to strengthen GOI capacity in this area.

USAID also proposes that under the Local Government Training (LGT) project the Agency for Education and Training (Badan Diklat) be asked to develop a core course on evaluation and offer it regularly in the Regional Training Centers (RTCs).

d. Beneficiary selection

The living standard of PDP beneficiaries is different among provinces even though the beneficiaries represent the same economic stratum of society in all provinces. In other words, a poor Acehnese farmer is wealthy by Javanese standards, though he is poor by Acehnese standards. Even within the economic stratum of society which PDP tries to serve, different substrata are served by different kinds of subprojects because of the nature of the subproject and the level of poverty of the beneficiaries: credit of $16 per loan from a subdistrict credit unit (BKK) in Central Java goes naturally to the very poor since wealthier people cannot use such small amounts of credit. Cattle distribution projects on the other hand tend to benefit more prosperous farmers. (The selection process for selecting PDP beneficiaries in Central Java and Aceh is described on pages 14 and 17 in the discussion on local participation.

The need in PDP now is to help the provinces design and test new methodologies for selecting beneficiaries which will allow them to identify and reach more accurately the target groups they have designated. Subproject identification and design need to take into account the kind of subprojects which will by their nature serve poorer people as the BKK does.

In Central Java about 80% of the recipients of very short-term, small sum credit are women who are petty traders who use this credit to increase the inventory of goods they sell. About 50% of the recipients of family support credit (AKM) are women who also use this credit for petty trading and in some cases livestock raising. Women make up about 30% of the recipients of assistance to small scale industry in PDP in Central Java: tile making, weaving, and food preparation (tahu and kerupuk).

In Aceh about 30% of all PDP recipients each year are women. Almost all small scale industry credit goes to women, and all the clients of the Prosperous Family Program (PKK) and their 30 extension agents are women. In some cases such as selected industries and PKK the inclusion of these subprojects was a deliberate province policy decision to ensure that women are included in the program and share in the opportunities which PDP affords. In other cases such as BKK and AKM credit in Central Java, women are beneficiaries by the nature of the program, not by policy design.

2. T r a i n i n g

During the first phase PDP has provided training to over 1,500 local government officials in Central Java and Aceh and to approximately 6,000 rural people through grant and loan funding. Training programs were developed to meet specific PDP needs in technical fields, such as the training for 25 polyvalent extension workers in Central and East Java, and in the field of administration and management, such as the training in local level planning techniques for 250 participants in Central Java. As the AID/W evaluation points out, however, no systematic assessment of the impact of this training programs has been conducted. The evaluation team "deduce(d) that basic skills training for lowest level employees such as extension workers, motivators, village level credit staffs, and villagers themselves have had the greatest return per dollar." (p. 49) The report observes that the team heard criticisms of training as being too general and too theoretical.

The problems confronting training in PDP are these:

a. the variety and magnitude of training needs;

b. the need to generate a large number of trainers and evaluations of training programs to guide future training;

c. the need for an institutional home for training in BANGDA and in the BAPPEDAs. BANGDA has a unit which could become the nucleus of a training support unit. The BAPPEDAs were never envisioned as trainers and have no such unit. The need for routine, on-going training is so great, however, that it is necessary to establish and equip such a unit.

d. the need for a curriculum of core courses and training manuals for all PDP personnel which prepare staff at all levels to perform their jobs. The core courses would cover such topics as five year and annual program planning, project design, evaluation, project management, project finance, and the like. Other routine courses are necessary in preparing planning documents, financial reporting, budgeting for operating expenses, and so on. Parts of this kind of curriculum have been devised for the Rural Works Project (Padat Karya) with the help of USAID consultants. This material and experience will help guide the PDP work during phase II;

e. the need for BANGDA to develop a roster of training institutions and an ability to determine training needs and obtain appropriate training. Developing this material and these skills is part of the program for BANGDA's further develpment under phase II; and

f. the need for training programs to reflect the Indonesian environment. Practical experience has shown that training courses need to be tailored precisely to the jobs for which people are being trained to avoid the problem of too general training. The courses must also be timed to match particular work requirements through the year.

To respond to these problems this extension proposes one long-term training advisor in BANGDA. This advisor will develop basic training program applicable to PDP provinces. The emphasis will be on administrative and managerial training for local government officials.

Phase II will also develop working links with the Local Government Training project implemented in the Training and Education Unit (Badan Diklat) of the Ministry of Foreign Affairs. By the end of phase II Badan Diklat's Regional Training Centers in Jogjakarta and Medan should be ready to begin training local governments officials from Aceh and Central Java in longer term courses in regional planning, regional economics, and so on. Phase II will help to develop these links as part of the development of training units in BANGDA and the BAPPEDAs at the province level.

3. C r e d i t

The credit program of PDP was developed to assist rural people for whom credit from regular banking institutions was inaccessible. This inaccessibility was due largely to the physical distance of the potential borrower from the institution and these potential borrowers to qualify for credit from other GOI programs because of collateral requirements. PDP supported the growth of general credit institutions which could make credit available at the village level and supplied credit for technical agencies' programs. During phase I Central Java concentrated primarily on the former, developing an existing institution, the BKK (Subdistrict Credit Unit.) Aceh concentrated primarily on the latter in the absence of a general credit institution. However, PDP credit programs need additional improvements:

a. The credit system must be a permanent financial institution which is financially stable without continuous government subsidy. If the credit system is based on banking principles, the people can rely on the continuous availability of credit in the future. The interest rate must be set to cover the administrative costs of the credit institution, risk of bad debt, costs of funds, and inflation. The location of credit transactions should be the village or below in order to eliminate the costs of transport and time to the borrower. The administrative procedures for borrowing should be simple and should rely on character reference for the

borrower rather than on collateral. Initial credits to any borrower should be relatively small with increased credit in the future based on the borrower's repayment record.

b. In-kind credit programs, other than those in animal husbandry, should be discouraged. The staff of the government service agency should be involved in credit systems as technical advisors to the borrowers, not as loan officers. For those on-going in-kind credit programs, administration should be handled through village or organized farm groups. Livestock in-kind credit programs need to be carefully monitored to maintain a reasonable repayment rate and to ensure that non-credit services from the government service agency (i.e., feed, health systems development, etc.) are properly implemented.

c. There should be a movement away from preselected, single choice credit programs which assume that all the rural poor have the same needs and skills and that these needs and skills can be determined precisely by government programs.

d. The credit program should stress development of locally-oriented and controlled financial institutions. Efforts should be made to mobilize local savings to increase the institution's capital resources.

e. Special attention should be given to the linkage of PDP supported local credit institutions with the regular banking system, particularly through the Regional Development Bank (BPD) in each province. Provincial level banks should have at least a minimum level of capitalization. Banks which are below this level will be able to increase their capitalization through GOI funding from PDP.

f. The credit program needs an improved reporting system so that information from the village level units can be sent to the Regional Development Bank and BAPPEDA for management purposes.

To meet these needs:

1. USAID will provide long-term support for the credit program. This includes long and short-term technical assistance at the national and provincial levels and training for Indonesian government employees assigned to the program.

2. BANGDA, the Ministry of Finance, BAPPENAS, provincial and local level agencies will continue to prepare and issue improved guidelines for credit programs designed to strengthen rural credit institutions after analyzing past experience in the PDP provinces.

4. Institutionalization of PDP

The word institutionalization as used here means the incorporating of a system, an idea, approach, or a process into the routine workings

of an organization or agency. For example, in Aceh the planning and design process for subprojects has been adopted for all technical agencies province-wide because it was evident that those projects designed through the PDP process were qualitatively better in design. This incorporation of the project design process is a good example of the way PDP hopes to work within the government system. This extension proposes further work on the systems of planning, monitoring, evaluation, and replanning so that these systems can be improved and made useful and adoptable by the other parts of the province BAPPEDA and the other agencies of the government. The financial reporting system for PDP, as another example, which is described in the Minister's Instructions to the provinces is different from that used by the technical agencies and the rest of the province BAPPEDA. A need under this extension is to make these systems compatible, since they must feed into one another, and make them possibly useful beyond PDP.

At the same time that the GOI is interested in adopting tested, useful systems as routine GOI systems, it is wary of turning PDP into a routine institution, either as an INPRES program or as a permanent administrative entity. The GOI fears that creating a PDP institution would cause PDP's own procedures to become rigid to a point where PDP's ability to test and experiment would be seriously diminished. By viewing PDP as an evolving concept and process rather than as a specialized program, the GOI hopes to maintain PDP's ability to experiment.

Two other aspects of the institutionalizing process will be addressed during the proposed extension:

a. the need for a replication strategy to guide the setting up of PDP in new kabupaten in current provinces and in new provinces. As for new kabupaten, the current provinces are already working on this problem. Central Java is taking advantage of the first round of training from the Regional Training Center in Jogjakarta to train kabupaten BAPPEDA people in administration and management and to become the nucleus of the new PDP program. Aceh sees the program in Aceh Selatan being similar to that in Aceh Barat because of the similarities of climate, topography, and culture. The province BAPPEDA intends to provide staff training for the new kabupaten BAPPEDA by the province's own PDP staff and visits of farmers from Aceh Selatan to successful PDP subprojects in West Aceh.

Replicating PDP nation-wide is an enormous task and will occupy the long-term consultants to BANGDA during the course of this extension. These consultants will help to prepare BANGDA staff to undertake opening PDP programs in new provinces. BANGDA staff may also be assigned to current province programs for short-term experience in PDP implementation. These staff would then become consultants of a sort to the new provinces in estblishing PDP. All of the administrative systems developed during the extension will be the basis for the systems in the new provinces.

b. The need for a transition strategy. During this extension BANGDA, USAID, and the long-term consultants will undertake creating the contacts and procedures within BANGDA which will allow BANGDA to continue finding and retaining Indonesian technicians and experts who will gradually replace the expatriate technical assistance provided under this extension. A considerable number of technical institutes and training Indonesian technicians as well as consulting firms and universities are available for such work.

5. Development of BANGDA

The GOI raised BANGDA from a directorate to a directorate-general in its desire to focus attention on the importance of regional planning as a means of setting the context for development programs. (At about the same time and for the same reason the GOI decreed that henceforth planning for transmigration would be done in the context of the development of the whole region rather than simply the planning for the transmigration site itself.) This change in BANGDA's status and the maturation of the PDP program in eight provinces point to the need to set out a development plan for BANGDA itself during this extension.

BANGDA has several major responsibilities, according to the present leadership:

a. to act as a bridge between central government policy and the provinces. The usual functioning of this bridge occurs in Steering and Technical Committees' approval of province plans and the instructions and guidance issued each year by BANGDA to the provinces. The guidance now in preparation for IFY 82/83 contains extensive guidance on credit policy; these policies are derived largely from the BKK program in Central Java, but reflect the experiences of the provinces as a whole. This guidance formalizes that experience and gives all provinces the benefits of the experience. There is need for guidance on other aspects of the program, but BANGDA's staff is still too few to prepare all the guidance that is needed.

b. to undertake the replication of PDP in the remaining provinces. The GOI is ready to expand PDP to new provinces but does not yet have the technical and managerial ablity to undertake the expansion.

c. monitoring and evaluation: BANGDA now accompanies the province teams on their monitoring visits to the field. BANGDA's own monitoring system is limited to receiving financial and other reports from the field. There is a need for BANGDA to define what it does need for financial and program management and to design a system to obtain it. BANGDA's present evaluation system needs further work as well. In the case of both monitoring and evaluation the emphasis of BANGDA's work will be determining the performance of each province, evaluating certain activities as a basis for issuing new guidance, evaluating the need for technical assistance (whether Indonesian or expatriate), evaluating proposed

technical assistance and completed technical assistance as a basis for continued assistance, and evaluating proposed projects from donors in terms of BANGDA's program needs. This monitoring and evaluation system is not intended to duplicate the provinces' system. The intention is to provide the technical data and insights to determine what BANGDA needs to do to support province programs. This is part of the bridging function given in paragraph (a) above.

d. training: BANGDA needs to be able to provide certain amounts of training both for its own staff and for the staffs of new provinces as the program expands to new provinces. It is expected that BANGDA will develop this capability during this extension and will also develop contacts with training institutions which can supplement BANGDA's own training program and curriculum which will be developed with the help of a long-term advisor.

e. transition: BANGDA needs to prepare itself for the period following this extension when USAID-funded expatriate assistance will no longer be available. This preparation involves developing a roster of sources of assistance and developing the administrative skills in preparing scopes of work, budgeting, contracting with individuals, firms, or institutes to obtain technical help. This development relates to needed evaluation skills, such as BANGDA's capability to evaluate needs for assistance, quality and responsiveness of proposals, resumes, and the like.

III. Approach and content of Phase II

A. Introduction

This section presents a brief discussion of the overall strategy being employed by the GOI and USAID in a joint effort to build the capacity of local government to reach and serve the rural poor. Second, this section outlines in some detail the specific outputs which are expected to materialize by the end of the second phase of the PDP. It is assumed that successful accomplishment of all, or at least the majority of, specific project outputs will assure that the project purpose is attained. Therefore, each specific output is discussed below in relation to one or more of the three elements of the project purpose. This section is a narrative amplification of the basic content of the project as reflected in the logframe presented in Annex 3. This section, in addition to discussing the magnitude of project outputs, also presents the timeframe in which the outputs are expected to materialize. As such this section also serves as a partial summary of the implementation plan as presented in Annex 5 and as further discussed in Section IV of this PP amendment.

B. Strategy

USAID's assistance to the PDP should be seen within the broader framework of the GOI's efforts to develop local governments at a crucial stage in Indonesia's development. With the rapid development of the country since the late 1960's, based on national goals of political stability and economic growth, the government of Indonesia introduced a succession of development policies that have led to an overall improvement of conditions. That improvement is most notable in the educational and communication systems. Major weaknesses remain, and improvements are needed especially in raising the incomes of the majority of the rural people and in strengthening the capability of local governments to provide needed services to the rural communities.

PDP was conceptualized and initiated by the GOI to provide a mechanism to reach the rural poor and to build the capacity of local governments to do so. It was introduced at a time when national development in Indonesia after a decade had reached the point where local government could be reinforced. PDP provided the assistance and funding to build the capacity for planning and implementing small rural development subprojects while at the same time encouraging experimentation and flexibility in project planning and implementation at the local government level. Its initiation came at a crucial stage during the early development of the provincial planning boards.

By 1982 PDP has achieved some of its original goals. Through training and technical assistance PDP has strengthened appreciably the capacity of the provincial BAPPEDA; it has brought about the beginning of decentralized planning, provided experience in small project implementation, and has shown how development funding can be brought down, albeit on a small scale, to benefit the rural poor directly .

In the next six year cycle PDP will further develop these initiatives by continuing to improve the systems of local government planning and subproject implementation. While during the first phase the focus of PDP was on provincial institutions, during the second phase the primary focus will be on strengthening the BAPPEDA and technical agencies at the district and subdistrict levels. At the same time during the second phase direct assistance will be provided to BANGDA to strengthen its capacity and it role as a service agency providing support and guidance to the provinces.

By the end of the second phase of PDP I we expect that (a) local government institutions in the PDP provinces will have a substantially better capability to identify, plan, implement, monitor and evaluate rural development programs; (b) the participation, the productive capacity and the incomes of the target rural communities will have increased; and (c) the service capacity of BANGDA to provide guidance and support to decentralized regional development will have increased. Thus by the end of the ten years of USAID support, it is expected that a strong decentralized and effective model of local area planning and program implementation will have been established in the eight PDP I and II provinces and that the PDP model will have been extended to new provinces.

C. Project outputs

1. Institutional strengthening of provincial and district institutions

There are seven major outputs which are expected to achieve the purpose of increasing the capacity of local government agencies (BAPPEDAs and technical agencies) in participating provinces (Purpose B of the logframe) to undertake five-year and annual planing and to plan, implement, monitor, evaluate, and replan rural development activities which increase the productive capacity and income of the rural poor. Six of these seven outputs are parallel to outputs to be achieved in the institutional strengthening of BANGDA. The work of achieving both sets of outputs will be undertaken in tandem with assistance from consultants at both levels. The work of the consultants will be coordinated through regular USAID guidance to the consultants. The work of the provinces in achieving these outputs will be coordinated by BANGDA through its annual guidance and through the information system to be designed and implemented. The seven expected outputs and the process of their implementation are as follows:

a. improved planning system (output B1): This system will include the Annual Formulation of Programs and Projects (AFPP) which is being considered by BANGDA as a model for all provinces. The various stages of the AFPP process, the interaction between provincial and district levels of government, and the opportunity for local participation in the planning process are illustrated in the implementation matrix (Annex 5). This output includes the plans, both five-year and annual, which the provinces and district are expected to produce, though on a phased basis according to the capability of each province. With the completion of the first and second rounds of training for district BAPPEDAs in Central Java by late CY 83, the seven PDP districts are expected to produce their first annual plans based on BANGDA's guidance on the AFPP process during the first cycle. AFPP planning and training will begin in Aceh at the province level during CY 83 though on a more modest scale than in Central Java. The district BAPPEDA will be established in the new PDP district in Aceh during CY 83 and its staff trained, both on site and in the Medan RTC, provided that the RTC can begin this training by late CY 83. Only Aceh Besar is expected to produce its own plan during CY 84 with Aceh Barat and Aceh Selatan making their first attempt in CY 85 due to the slower development of the BAPPEDAs there. A major indicator of achievement of this output will be that subprojects are identified based on the annual plan and that their design has improved.

b. improved information systems (output B2): Both the province level agencies and BANGDA will produce these systems based on a similar information analysis. District level agencies will be phased into the system in accordance with the provinces' ability to include them, by CY 83 in Central Java and by CY 85 at the latest in Aceh.

c. strengthened district institutions (output B3): In Central Java district BAPPEDA have been established in all PDP districts. Their staffs need to be increased and to receive more training. The staff increases will follow from a manpower development plan to be drawn up for each district BAPPEDA with the assistance of PDP and LGT advisors. Similarly, the training will continue to be provided by the RTC in Yogyakarta and from training funds included in this amendment. Training will continue throughout the six years of this extension.

In Aceh the district BAPPEDAs in Aceh Barat and Aceh Besar were established on April 1, 1982. These two districts have already PDP coordinating committees based in the office of the district head (bupati) which will become the core of the new BAPPEDA. The planning staffs need to be confirmed in their positions in these two districts, and a BAPPEDA needs to be formed in Aceh Selatan. In all three districts training will be provided.

d. changed institutional relationships (output B4): These outputs are the following: (i) an operational link between the province BAPPEDA and its RTC to ensure the training needed for improved planning and information systems and strengthened district institutions. This output parallels the new relationship between BANGDA and Badan Diklat (output B3). This link will be established during the BANGDA consultants' first six months. LGT consultants are already in place. (ii) adoption of PDP processes for planning, monitoring, and evaluation of other rural development programs by the provincial BAPPEDA. At present these functions are performed only for the PDP program by the PDP office within BAPPEDA.

e. increased staff and staff capability (output B5): This output will be achieved through the design and implementation of a manpower development plan and the provision of appropriate training.

f. improved credit program (output B6): The achievement of this output parallels that in BANGDA (output C5) through the implementation of the policies set out in BANGDA's guidance to the provinces on credit. Implementation will be followed by the BANGDA credit advisor and his BANGDA counterpart who is already at work with the present PDP credit advisor. These individuals will be assisted by field advisors.

g. improved beneficiary selection (output B7): This output will be a component of the improved planning and evaluation system.

2. Institutional strengthening of BANGDA

There are four outputs which are intended to achieve the project's purpose of increasing the central government's capacity (Purpose C in the logframe), in particular, BANGDA's capacity to support local government agencies in the participating provinces to undertake five-year and annual planning and to plan, implement, monitor, and evaluate rural development

activities which increase the productive capacity and incomes of the rural poor. Specifically, those outputs are as follows:

a. improved information system (output C1): This output includes an improved planning, monitoring and reporting system and an evaluation system which feeds back information to the planners, implementors and policy makers. Designing these systems at the center, provincial and district levels requires an analysis of the information required by each level of government, existing mechanisms and manpower for gathering the information, the time frame which is required, and how it can reasonably be gathered. The watchword, of course, is collecting no more than necessary, using what is collected, and decentralizing the collection, use, and storage of this information.

This information analysis is starting with the short-term consultancy working with BANGDA in April 1982, and its continuation will be the first task of the technical assistance assigned to BANGDA and the provinces beginning just after the arrival of the long-term advisors. This analysis is the basis for the design of the planning, monitoring and evaluation systems in CY 83. The monitoring system will also include an analysis of the provinces' performance to date (quality of implementation, subproject design, impact on beneficiaries, and absorptive capacity) which will allow BANGDA to determine the most appropriate allocation of funding for the next planning cycle.

It is expected that once the evaluation system is designed it will be used by all levels each year on completed subprojects. The results will be fed to the next higher government level and into the next planning cycle for the same level of government performing the evaluations. These feedback and reporting mechanisms are expected to become routine and annual and are not shown in later years on the implementation plan.

b. improved interdepartmental cooperation (output C2): It is expected that BANGDA and Badan Diklat will establish on-going working relations during this extension. The indicators of this output are the flow of trainees from provincial and district BAPPEDAs to the Regional Training Centers, a flow of ideas for training needs from the BAPPEDAs and BANGDA, and the RTCs' designing courses to meet those needs. This flow of trainees has already begun in Central Java under LGT and is expected to begin in Aceh once the Northern Sumatra RTC in Medan becomes operational in CY 83. The process of establishing a flow of training ideas and courses is part of the scope of work of the advisors in both PDP and LGT.

c. increased staff and staff capability (output C3): The advisors for PDP and LGT are expected to work with the provincial and district BAPPEDAs in Central Java to prepare a manpower development plan with those BAPPEDAs and an analysis of training needs, an

activity now under way and scheduled for completion by early CY 83. When advisors assigned to the Medan RTC begin work in CY 83, they and the Aceh BAPPEDA will prepare a similar plan for Aceh. This plan will show both needs for additional staff and for staff training. This plan is being developed concurrently with an assessment of needs and a strategy for a comprehensive monitoring and information system. The manpower development plan will be implemented during the first years of the extension using PDP training funds.

d. improved credit program (output C4): Long-term support to the credit component of PDP will include a full-time credit consultant in BANGDA. This advisor will assist in the development of credit systems and training programs for both monetary and in-kind credit projects. In response to lessons learned in past PDP credit activities throughout Indonesia and building on the credit improvement guidelines recently developed by the GOI and USAID (covered on page 30 of this paper), ultimately each province will develop a well-managed credit system. This credit system will be able to make loans at the village level for many different kinds of productive activities. This credit system will be a financially viable and continuously operating credit institution.

3. Annual programs and subprojects implementation

This amendment provides partial funding through the fixed amount reimbursement system (FAR) for the cost of completed and approved subprojects for a period of four years beginning in IFY 83/84 in the provinces of Aceh and Central Java.

The following is a brief summary of the major thrusts and content of the annual programs in Aceh and Central Java:

(i.) Aceh:

The province's plans for future PDP activities are grouped under the three major thrusts of the program:

a. improved agricultural planning and evaluation: The provincial BAPPEDA will create an Office of Research in addition to the present offices and will move the responsibility for agricultural planning from the Office of Physical Development and Infrastructure to the Office of Economic Planning. Responsibility for project design, implementation, and evaluation will be decentralized to the district and subdistrict levels. The subdistrict heads will become responsible for impact assessment of individual subprojects beginning in the first year of the next phase. Quarterly reporting supervised by the provincial BAPPEDA will become the responsibility of the new district BAPPEDA.

b. improved agricultural support services and increased production and marketing: credit for agricultural production will receive

continued support through strengthening loan administration by streamlining application procedures and decentralizing loan-granting authority to subdistrict officers and building a self-sustaining credit system through adequate interest charges and diversification of the loan portfolio. The development of seed production and certification facilities, extension and demonstration of new planting, harvesting, drying, storage and marketing methods will continue. Secondary crops will receive greater emphasis because of the potential for these crops. Field drainage and planting densities are the primary technical problems to be overcome. The livestock program will emphasize better animal care practices, use of improved grasses, legumes, and better range management. Early problems with chick and duckling distribution have been overcome, and groups of vaccinators have been trained in target areas. The continued distribution and better care of fowl should result in substantial increases in livestock holding and income among farm families.

c. improving production and marketing techniques for rural industry. Earlier work which demonstrated the value of cooperative purchasing of raw materials. Skills training will be continued. The next phase will undertake comparative studies of profitability to determine the most productive crafts and industries for attention from extension workers and training programs. This phase will also concentrate on further training and organizing producers' cooperatives.

For a more elaborated presentation of the Aceh program and its planned expansion to a new district, see Annex 7.

(ii.) Central Java

The Central Java program has two areas of focus:

a. a continuation of the regional planning approach in which greater responsibility for subproject identification will be given to the heads of the subdistricts (camat) under the coordination of the district BAPPEDA. The substance of these subprojects is expected to fall within the sectors normally supported by PDP; the substance cannot be defined precisely in advance because it is a function of ideas generated through the bottom up planning process.

b. a continuation of selected sectoral activities planned and implemented by district sectoral agencies under the guidance of the provincial sectoral agencies. There are three major emphases of these activities:

- continued development of sloping land, rainfed agriculture, in particular, introducing appropriate intercropping systems on marginal land; the polyvalent approach to extension; reforestation and erosion control; and irrigation, especially developing efficient uses of water in dry areas;

- continued development of the livestock sector, in particular refining the revolving (gaduhan) system for livestock distribution so that offspring of subproject animals are cycled to new recipients and the system becomes self-sustaining and of maximum benefit to rural people;

- continued development of small scale industry with a shift in emphasis from training alone to a combination of training and credit so that trainee-entrepreneurs have access to capital and can quickly establish themselves in the private sector with the skills in which they have been trained.

D. Training and planning for new provinces

Initial planning in the next three provinces to be included in PDP will follow the model at the beginning of PDP II. An advisor will work with the provincial BAPPEDA in preparing a province profile, district profile, and conceptual framework, annual plan and proposed subprojects for the initial phase of PDP in these provinces. Part of the scope of work of these advisors will be to determine with the BAPPEDAs their immediate training needs for the initial phase of PDP. This training will be provided under funding contained in this amendment.

IV. Implementation plan

Implementation of the second phase of PDP I is envisioned in a six year time-frame. Implementation of the technical assistance and training components both in support to BANGDA and the two provinces will start immediately after approval of the extension and authorization of funds. USAID partial funding of subprojects in the provinces will start in IFY 83/84 and extend for a period of four years. During IFY 82/83 the GOI will continue to provide funding for subprojects both in Central Java and Aceh, thus allowing the provinces to continue the PDP program full-scale. GOI funds and USAID's technical assistance and training will provide a firm basis for the improvement and systematization of the PDP process. Central Java and Aceh will be able to continue implementing subprojects in the existing districts and, drawing on lessons learned, will be able to initiate planning and replicate the PDP process in new districts. Meanwhile, BANGDA and its advisors will develop an improved planning, management, monitoring and evaluation system for the PDP program and thus establish a stronger foundation for the expansion of the program to new provinces.

Loan/grant implementation plan:

- PDP I amendment authorized by mission - June 30, 1982
- Project agreement amendment negotiated and signed - July 31, 1982
- AID direct contracts or host-country contracts for technical assistance for BANGDA and PDP provinces by September 15, 1982
- (if USAID direct contract) or by January 1, 1983 (if host-country contract)
- Project Assistance Completion Date (PACD) - April 12, 1988

AID direct contracts or host-country contracts for technical advisory services to BANGDA and PDP I provinces will be negotiated, executed and administered between USAID and BANGDA. These contracts will be grant and loan financed to cover all foreign exchange and local currency costs for the provision of consultant services, transport, housing and utilities, on a reimbursable basis. The GOI will provide office space, local transport and in-country per diem. Disbursement of grant and loans funds to meet the terms of the contracts will be done directly by AID following the appropriate financial mechanisms. Disbursement of loan funds for training activities will also be done directly by AID by using regular PIO/P signed by GOI and drawing on a Disbursement Request Authorization (DRA.) Disbursement of AID's contribution with loan funds to subproject financing will follow the modified FAR system as outlined in Implementation Letter No. 5 (See Annex 3).

V. Project inputs and financial plan

Technical assistance, as a vehicle for direct transfer of skills and technology, constitutes the major input from AID in support to the second phase of PDP I. 204 person-months of advisory services with a possible extension (98 person-months) will be provided to the provinces of Central Java and to BANGDA to assist with planning, implementation and evaluation of the program; in addition, limited technical assistance will be provided to three new provinces to assist with the design of their program. The technical assistance provided will be distributed as follows:

a. four long-term advisors for two years (96 person-months), with a possible extension (48 person-months), to assist the provinces of Central Java and Aceh; short-term technical assistance (16 person-months) by Indonesian and expatriate advisors in specialized fields to assist both provinces.

b. 20 person-months of short-term technical assistance by Indonesian and expatriate advisors and three long-term advisors for two years (72 person-months), with a possible extension (36 person-months), to work with BANGDA. One advisor will assist with the designing and implementation of an improved comprehensive planning, management, monitoring and evaluation system for use

within BANGDA and each of the participating provinces. One advisor, will provide assistance to BANGDA for credit programs. One advisor will provide assistance with training programs and mobilization of Indonesian resources.

c. Approximately 17 person-months of possible technical assistance for planning and design of the PDP programs in three new provinces.

Training will continue to be an important component of the PDP. In-country and selected US and third-country training will be provided to participants from PDP I provinces and BANGDA in order to improve their skills in project planning, implementation, monitoring and evaluation, and in various technical fields. Most of the training activities, especially at the local level, will be included as components of PDP subprojects and annual programs planned by the provinces and funded through the regular GOI budget cycle. In addition AID will contribute $300,000 in loan funds to support selected training programs for BANGDA and the provinces. Disbursement of these funds will be done directly by USAID in response to specific requests for training by the provinces and BANDGA. Thus, there will be the flexibility to respond quickly to training needs, following the approach adopted during the first phase of the program using grant funds.

Under phase II the following resources will be used:

a. training programs provided through the Regional Training Centers (RTCs) and Badan Diklat. There is a need for greater coordination between the LGT and PDP programs. Both are being implemented by the Ministry of Home Affairs and aim at upgrading the planning, management and evaluation skills of local government officials. In addition both programs are implemented with USAID assistance. The potential for mutual cooperation is great.

b. training programs developed under the PDP by the provinces and in cooperation with various universities and training institutions, such as the Yayasan Sejahtera Indonesia and Yayasan Tani Membangun.

c. Training programs provided by USAID, such as the Project Design and Evaluation (PDE) and the Applied Survey Method (ASM) courses. The former has been taught quite extensively in PDP, the latter may be taught more widely if the provinces find it useful.

The planning, implementation, monitoring and evaluation of improved annual programs and subprojects, designed to reach directly and increase the incomes of the rural poor will constitute the heart of the PDP program during the second phase, even though AID direct subproject funding contribution will be limited. The GOI is expected to provide an increasing contribution from its national and provincial budgets.

The following tables present a summary of the total estimated budget of the second phase of PDP I broken down by major components. The total proposed cost of the extension is approximately $24.8 million. It

is recommended that AID contribute $8.8 million, i.e. 35.5% of these costs. Authorization for AID's total contribution is requested in FY 82: $6.5 million in loan funds and $2.3 million in grant funds. Obligations will be distributed over a two-year period as follows (in thousand dollars):

FY 82:	$1.350	grant
	$3.650	loan
FY 83:	$ 950	grant
	$2.850	loan

The contribution of the GOI during the second phase of PDP I will increase greatly. It is expected that the GOI will contribute more than 50% of total subproject costs from 1983 to 1987 and 100% from then on. There is clear evidence that the GOI is prepared to make available additional funding to support and expand PDP subprojects which have proven to be successful. The allocation of $5 million from the Ministry of Finance to expand the BKK credit program and the allocation of $5 million to expand to all kecamatan in Central Java of the PDP initiated integrated kecamatan programs are two examples. The funds allocated to expand these two activities alone are already more than the total PDP I funds contributed by AID during the first phase.

Table 1: Illustrative Budget for PDP I: Phase I and Phase II
(in thousand of dollars)

		AID		GOI		Total
		grant	loan	Central Govt.	Local Govt.	
Phase I (actual)	Technical Assistance	2,200		750	750	3,700
	Training	450		150	250	850
	Commodities	150		600	500	1,250
	Subproject financing		6,000	3,000		9,000
	Total	2,800	6,000	4,500	1,500	14,800
Phase II (proposed)	Technical Assistance:					
	- required	2,250	117	750	750	3,867
	- possible extension	-	1,336	-	-	1,336
	Training	-	300	150	150	600
	Commodities	50	150	500	500	1,200
	Subproject financing	-	4,597	6,600	6,600	17,797
	Total	2,300	6,500	8,000	8,000	24,800

Table 2: ILLUSTRATIVE BUDGET: AID CONTRIBUTION
(in thousand of dollars)

1. BANGDA	
Technical Assistance	
Long-term	
3 consultants for 24 months(72 pm) cost=$11,600/pm	835
possible 36 person-months extension* cost=$11,600	418
Short-term	
20 person months (includes 6 person months for external evaluations) cost=$11,600/pm	232
possible 14 person-months extension*	162
Training (BANGDA and GOI officials at the center) Four years @ $50,000/yr	200
Selected commodities	200
PDP III Design, Planning, Project Development* (Technical Assistance and Training)(approx.17 p.m.)	200
Subtotal	2,247
2. Central Java and Aceh	
Technical Assistance	
Long-term	
4 consultants for 24 months=96pm cost=$11,600/pm	1,114
possible 48 person-months extension* cost=$11,600/pm	556
Short-term	
16 person-months total=16 p.m. cost=$11,600/pm	186
Training	100
Subproject financing	4,597
Sub-total	6,553
Grand total	$8,800

* If these funds are not required for technical assistance they will be used for training and subproject financing as mutually agreed by GOI and USAID.

VI. Project organization and management

Phase II of PDP I will continue to be under the overall guidance and direction of the national GOI Steering and Technical Committees. The Steering Committee will be composed of the following people:

-Director General for Regional Development (BANGDA), (Ministry of Home Affairs), chairman

-Deputy chairman of BAPPENAS for Regional and Area Development, vice chairman

-Director General of Internal Resources (Ministry of Finance), member

-Director General of Cipta Karya, (Ministry of Public Works), member

-Director General for Rural Community Development (BANGDES) (Ministry of Home Affairs), member

-Director General for Education and Training (Badan Diklat) (Ministry of Home Affairs), member

-Director for Provincial Development (Directorate General for Regional Development), secretary.

The role of the Steering Committee is to formulate policy and provide guidance to the PDP program as a whole. This committee meets at least once a year.

The Technical Committee will be composed of the following members:

-Director for Provincial Development (Directorate General for Regional Development), chairman

-Head of the socio-economic unit, BAPPENAS, vice chairman

-Director of City and Regional Planning (Directorate General of Cipta Karya), member

-Director of the Regional Development Bank (Directorate General for General Administration and Regional Autonomy, Ministry of Home Affairs), member

-Director for Guidance of Regional Development (Directorate General of Regional Development, Ministry of Home Affairs), member

-Director of Budget Administration (Ministry of Finance), member

-Director of Guidance of National Resources (Ministry of Finance), member

-Sub-director for the Provincial Development Program (Directorate for Provincial Development), secretary.

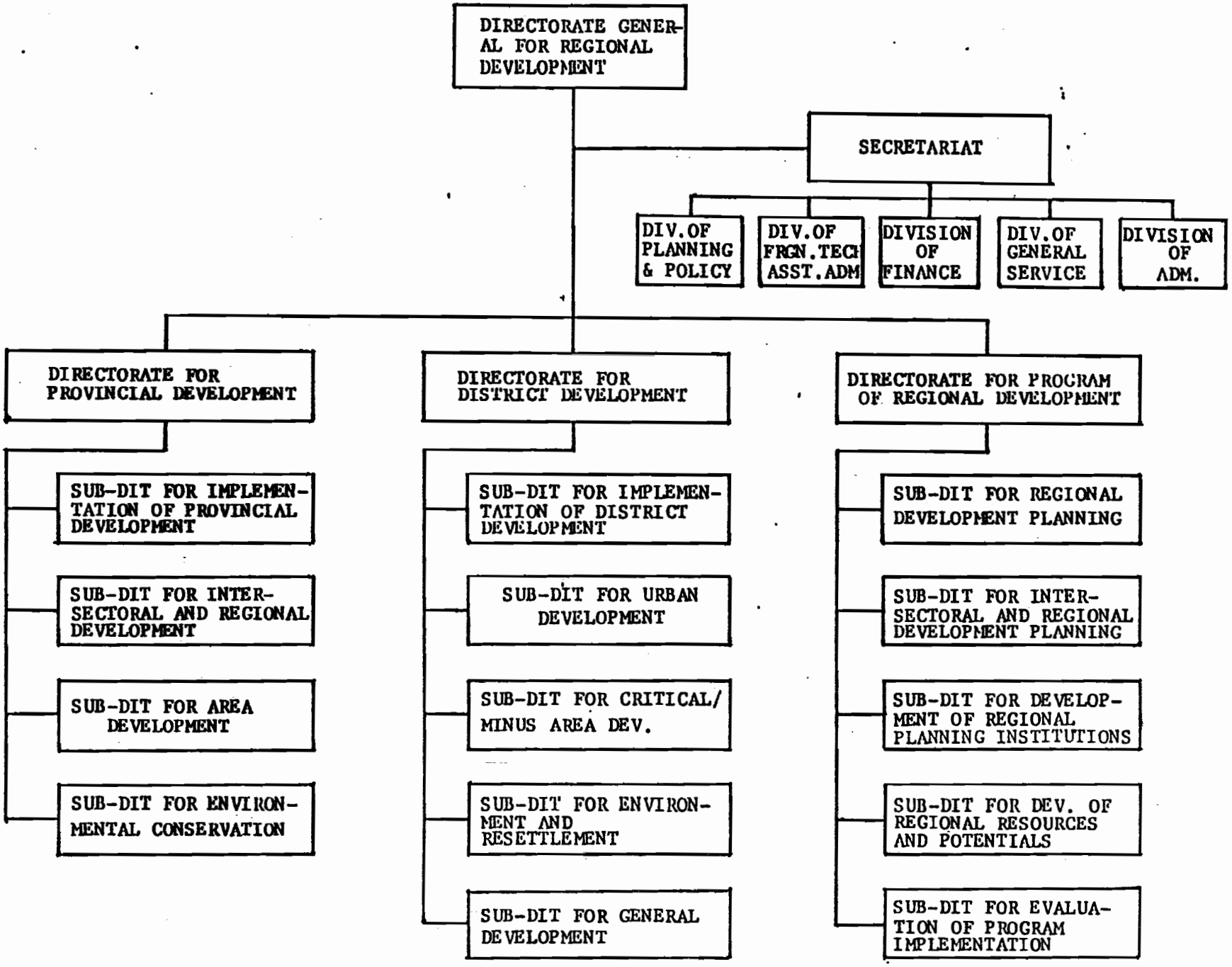
The Technical Committee is charged with the regular program operations such as budget allocations, the review of annual provincial plans, and specific technical concerns. The major change in the composition of the Technical Committee is the expected addition of the Director for the Provincial Development Bank to provide systematic institutional support and guidance to the PDP credit programs.

AID's counterpart at the national level is the Directorate-General for Regional Development, Ministry of Home Affairs, and within this directorate-general the Directorate for Provincial Development is the operating level manager for the whole PDP. This Directorate is responsible for preparing technical guidelines, monitoring progress, and performing all administrative functions for the implementation of the program. The PDP unit within the Directorate for Provincial Development has a staff of five full-time professionals. Although this is sufficient to administer foreign donor assistance to local governments in the provinces, including the eight provinces participating in the PDP with AID support, the West German assisted program in West Sumatra, and World Bank assisted program in Yogyakarta, expansion to new provinces will require the addition of three or four professionals for which recruitment is currently under way. Also it is expected that other units within BANGDA will take a greater role in supporting the PDP as this program expands and becomes more institutionalized. For example, the unit in charge of cooperation with foreign donors within the Secretariat of BANGDA is expected to handle most administrative matters related to procurement of foreign consultants and overseas training programs; and the unit in charge of evaluation within the Directorate for Programs is expected to take part in PDP evaluation activities. Thus, it is clear that PDP will benefit from the expansion and increased professional staff of BANGDA.

In the provinces, the provincial BAPPEDA will continue to be the primary counterpart in charge of coordinating all PDP planning and implementation activities. The BAPPEDA will continue to be responsible for monitoring progress and evaluating the impact of the PDP on the rural communities and concerned local government units. During the second phase of PDP I, the role of the BAPPEDA of the participating districts will be greatly increased; these district BAPPEDAs will be responsible for the coordination of all PDP activities, implemented by the technical agencies and by the participating subdistricts.

Within USAID, management of the PDP program is the responsibility of a team of six professionals: three US direct hire project officers and three Indonesians as program specialists. In addition, direct support to PDP is provided by one US direct hire agriculturalist and one Indonesian agricultural specialist. The present staffing is adequate to provide the needed support to the second phase of PDP I.

ANNEX 1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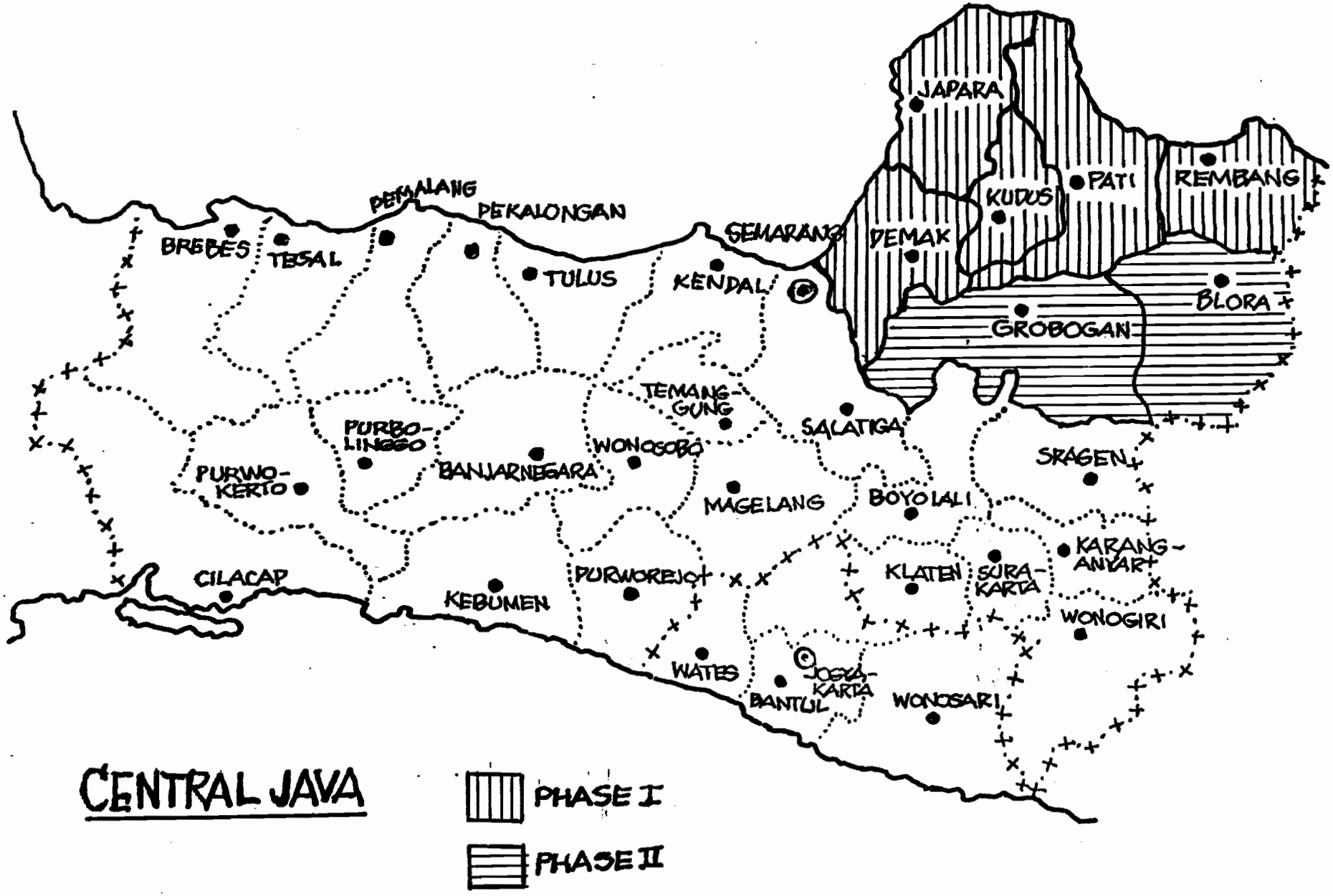
DIVISION OF ADM.
DIRECTORATE FOR PROVINCIAL DEVELOPMENT
SUB-DIT FOR IMPLEMENTATION OF PROVINCIAL DEVELOPMENT
SUB-DIT FOR INTER-SECTORAL AND REGIONAL DEVELOPMENT
SUB-DIT FOR AREA DEVELOPMENT
SUB-DIT FOR ENVIRONMENTAL CONSERVATION
DIRECTORATE FOR DISTRICT DEVELOPMENT
SUB-DIT FOR IMPLEMENTATION OF DISTRICT DEVELOPMENT
SUB-DIT FOR URBAN DEVELOPMENT
SUB-DIT FOR CRITICAL/ MINUS AREA DEV.
SUB-DIT FOR ENVIRONMENT AND RESETTLEMENT
SUB-DIT FOR GENERAL DEVELOPMENT
DIRECTORATE FOR PROGRAM OF REGIONAL DEVELOPMENT
SUB-DIT FOR REGIONAL DEVELOPMENT PLANNING
SUB-DIT FOR INTER-SECTORAL AND REGIONAL DEVELOPMENT PLANNING
SUB-DIT FOR DEVELOPMENT OF REGIONAL PLANNING INSTITUTIONS
SUB-DIT FOR DEV. OF REGIONAL RESOURCES AND POTENTIALS
SUB-DIT FOR EVALUATION OF PROGRAM IMPLEMENTATION

ANNEX B-11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SALATIGA
PURBO-LINGGO
WONOSOBO
SRAGEN
PURWO-KERTO
BANJARNEGARA
MAGELANG
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CILACAP
PURWOREJO
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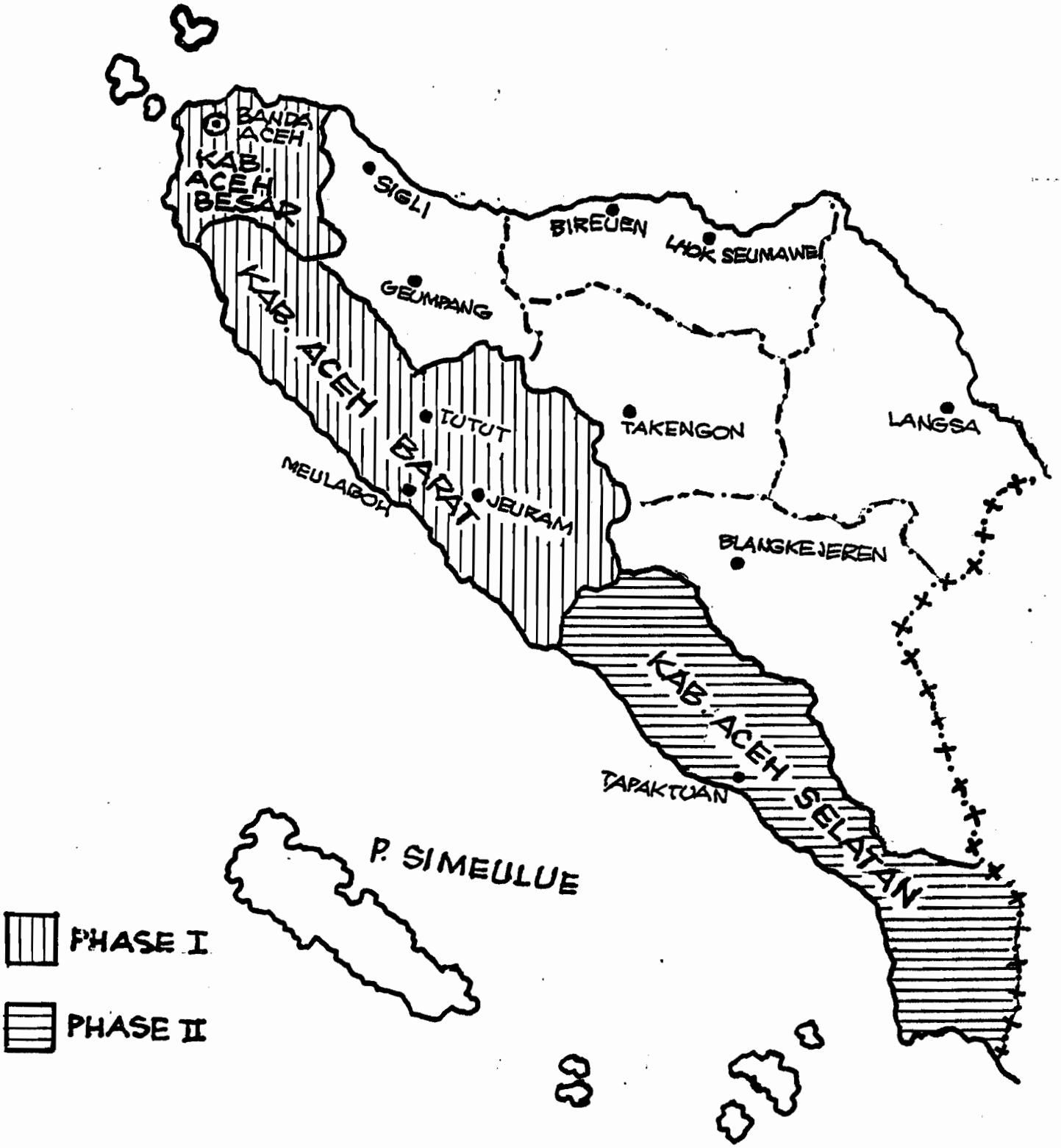
DAERAH ISTIMEWA ACEH



LOGICAL FRAMEWORK MATRIX
PROVINCIAL DEVELOPMENT PROGRAM

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
Goal: To increase the long-term income of rural people	Increased consumption by people directly or indirectly benefiting from PDP	USAID ex post evaluations BANGDA and province evaluations	Increased level of production is sustainable
Purpose: A. To increase the production and productive capacity of rural people	Increased production among subproject beneficiaries skills, equipment, organization which help to increase rural people's productivity	USAID ex post evaluation BANGDA and province evaluations GOI documents Reviews of policy decisions	A. subproject design and implementation lead directly to increased production an productivity. Beneficiary selection process channels assistance to appropriate target group
B. To increase the capacity of local government agencies (BAPPEDAs and technical agencies) in target areas to undertake annual planning and to plan, implement, monitor, and evaluate rural development activities which increase the productive capacity and income of the rural poor	Plans and systems where none existed previously; more comprehensive and refined forms of plans and systems which had existed previously; more accurate beneficiary selection through policy and more refined techniques of identification of beneficiaries		B, C. BANGDA, Steering and Technical Committees, Badan Diklat, and provinces desire changes outlined in this workplan and will work to bring the changes about Time phasing of new requirements for plans, reviews, evaluations, etc., can be made to accord with provinces desires and abilities
C. To increase the capacity of central gov't agencies (BANGDA) to support local government agencies in target areas to undertake the above activities	More timely, accurate, and useful policy and guidance; timely management decisions based on improved information systems. Ex ante leadership rather than ex post reaction or delayed reaction. (These are surrogate indicators showing qualitative changes in outputs. These indicators are not outputs themselves.		Staff and budgets are available for new and existing institutions
Outputs: A. Completed subprojects	Progressively smaller number of subprojects over time encompassing larger scope of activity in more manageble units	GOI records USAID financial and data management systems	Technical assistance of high quality and advisors who can gain the respect of the provinces and BANGDA so that they can contribute.
B. Support for local government agencies			
1. Improved planning system plans	1. Guidelines and methodologies for planning, subproject selection and design, monitoring, and evaluation; five-year and annual plans for province and kebupaten; subprojects derived directly from plans		USAID funding is available and sufficient
2. Improved information system	2. Analysis of information needs; a functioning information system; a functioning monitoring and evaluation system and feedback link		
3. Strengthened Tingkat II institutions	3. BAPPEDA Tingkat II in place and functioning; training, workplan		
4. Changed institutional relationships	4. Line offices of BAPPEDA Tingkat I given authority for functions now done by PDP office; operational link with Badan Diklat and Regional Training Centers		Banking system is willing to support the BPDs and local credit programs
5. Increased staff and staff capability	5. Manpower development plan for staff increases and training needs; training		
6. Improved credit program	6. Improved information system, functioning credit programs; implemented policy		
7. Improved beneficiary selection	7. System and criteria for selection in place and functioning		
C. Support for central government (BANGDA)			
1. Improved information and support systems	1. Analysis of BANGDA's information needs; annual funding levels from GOI based on GOI policy, not USAID contribution; monitoring and evaluation systems;		
2. Improved interdepartamental cooperation	3. Policy agreement between BANGDA and Badan Diklat; working relations: exchange of training course ideas; courses and trainees		
3. Increased staff and staff capability	3. Manpower development plan for staff increases and training needs; training		
4. Improved credit program	4. Policy guidelines from BANGDA; operational link between BANGDA and the banking system; improved information system; implemented policy		
D. Training and planning for new provinces; manpower development plans for all institutions	1. Five-year and annual plans prepared; manpower development plan for staff and training prepared and implemented		
Inputs: A. Technical assistance B. USAID funding C. GOI funding	A. As per budget B. To be decided C. To be decided	Grant agreement Loan agreement GOI: Minister's Instructions	Grant funding available Loan funding available USAID policy decision to proceed with support to PDP Resolution of all issues between GOI and USAID. No problem with contracting procedures and new GOI regulations

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
AMERICAN EMBASSY
JAKARTA, INDONESIA

ANNEX 4

Date: December 18, 1981

Departemen Luar Negeri
Jalan Pejambon No. 6
Jakarta

Subject: Provincial Area Development Program I
AID Loan No. 497-T-047
Project Implementation Letter No.5

Gentlemen:

This letter supersedes Implementation Letter No. 4, dated December 12, 1978, and records procedures for the review and monitoring of annual provincial programs and component subprojects and for the approval of disbursements of local currency under the Provincial Area Development Program (PDP) I Loan, pursuant to Article 5, Section 5.2, 5.3 and Article 8 of the Loan Agreement. Nothing in this letter or its attachments alters the scope of the Loan Agreement or terms of the specific section referred to or explained in this communication. This letter may be supplemented or modified by further implementation letters, which will refine guidelines and procedures for an improved planning, budgeting, monitoring and evaluation system for the PDP program as a whole and/or component subprojects, as jointly developed by the GOI and AID.

Basic Considerations:

There are certain basic considerations which guide the procedures adopted in the Provincial Area Development Program for providing AID partial local currency financing of annual programs and component subprojects and activities. These considerations are as follows:

1. In reviewing annual provincial programs and subprojects for reimbursement, AID and the GOI will consider the overall goals of the PDP program, which as an institution-building experimental program seeks to: (i) identify subprojects and activities which can successfully reach rural poor families and assist them in improving their ability to earn a better income; (ii) build up the capacity of local government technical and planning agencies to plan, implement, monitor and evaluate such activities; and (iii) develop a planning system and local institutions through which the aspirations of the local people for the development in their own area can be successfully combined with the technical capacity of GOI agencies in the planning and implementation of local development activities.

Thus, in the review and monitoring process AID and GOI will consider the institution-building components of PDP and the extent of the learning taking place in the implementation of each annual program and specific subprojects, in addition to the physical state and operation of subprojects at the time they are reviewed.

2. AID and GOI will work together in developing, establishing, and improving a system of monitoring and reporting which would provide the information needed at different levels in the provinces for project management and at the Central level for program guidance and policy-making as well as for reimbursement purposes. Such a system should not unduly burden local governments, but should foster the aim of PDP of encouraging effective decentralization of development planning and implementation in Indonesia.

Thus, AID will use this monitoring and reporting system, supplemented by periodic monitoring visits to the provinces and subproject sites, to obtain the information required for AID's internal needs and reimbursement purposes.

Review and Monitoring Procedures:

The guidelines for the administration, planning and implementation of annual provincial programs are contained in the instruction issued for each IFY from Bangda in the Ministry of Home Affairs. The following is a brief summary of the major steps in the process of review and monitoring of provincial annual programs and component subprojects:

1. Based on the Instruction from Bangda, the provincial BAPPEDAs coordinate the process of "planning from below" and ultimately assemble each annual program and component subproject proposals (DUPs), including an operational description of each project as an annex to the DUP.

2. Each annual provincial program is then submitted, reviewed, and approved by the GOI central technical committee and USAID. A joint statement is then prepared and signed by the participants in the review with concrete directives on needed changes and improvements.

3. The provinces after incorporating the necessary changes, prepare the subproject funding documents (DIPs).

4. The implementing agencies at the provincial or district or subdistrict levels implement subprojects and submit regular implementation reports to the office of the Governor, including BAPPEDA, following normal reporting procedures as outlined in the Instruction from Bangda.

5. BAPPEDA has the overall responsibility for program and subproject monitoring and evaluation and for reporting to Bangda following the procedures outlined in the Instruction from Bangda.

6. BAPPEDA and participants from the center, both GOI and USAID, conduct joint monitoring reviews of annual programs and field visits of completed subprojects and prepare jointly signed statements on progress to date, subprojects completed, lessons learned, problems encountered and actions to be taken. These statements provide the basis for USAID certification for subprojects ready for reimbursement.

AID expects to participate in meetings of the Steering and Technical Committee to review the proposed annual programs and budget requests from the provincial governments. AID's review of these programs and subprojects will signify only that AID believes that individual subproject proposals and the program which they comprise are consistent with the goals of the PDP program as set out in the Project Paper and are also consistent with the subproject selection criteria listed in Annex I of the Loan Agreement. The GOI will provide AID with copies of all annual programs including the operational description of each project, joint statements prepared by the reviewing committee and signed by all parties including AID, approved DIPs and subsequent DIP amendments for each participating province. These documents will become part of AID's files and will be used by AID for subsequent monitoring of programs and subprojects.

Regular monitoring of subproject implementation is the primary responsibility of each provincial BAPPEDA. AID, through the provision of appropriate technical assistance and training, intends to assist each provincial BAPPEDA in developing and establishing an efficient monitoring system. AID will participate with the GOI in joint monitoring reviews of annual programs and field visits of completed subprojects. AID will receive copies of the reports from the monitoring activities and other progress reports submitted by the provinces to Bangda in the Ministry of Home Affairs.

Budgeting and financial reimbursement system and procedures:

The administration of expenditures and reimbursement from PDP loan funds will follow the procedures contained in the decree of the Minister of Finance of the Republic of Indonesia No. 395/KMK-012/1979 and pertinent AID regulations. AID is required by US law to account for the proper use of these funds; thus, they are subject to audit by AID.

As described on page 4 of Annex I of the Loan Agreement, "Financial mechanisms to be applied for the AID local currency contributions for subproject implementation may include Fixed Amount Reimbursement (FAR), including the possibility of utilizing FAR with advances, and direct disbursement of local currency. The most appropriate mechanisms for each activity, as well as the amount of AID and Borrower contribution, will be decided at the joint review of provincial plans and agreed to in writing". The following records in writing what has been jointly agreed as the most appropriate Fixed Amount Reimbursement (FAR) procedure under the PDP program:

1. The Government of Indonesia prefinances the local currency costs of annual provincial programs and component subprojects. Local government implementing agencies then implement the subprojects according to their agreed-upon plans and specifications, as found in the DIPs and the operational descriptions of subprojects.

2. Reimbursement of up to two thirds of the total planned costs of each annual provincial program will be made by AID as follows:

a. Reimbursement of fifty percent (50%) of the amount potentially reimbursable by AID for each annual provincial program as agreed to during the joint annual provincial program, will be made by AID only after receiving and approving requests for reimbursement from the Ministry of Finance. These requests from the Ministry of Finance will be based on certification by Bangda in the Ministry of Home Affairs that fifty percent (50%) of the specific provincial annual program has been satisfactorily completed in the provinces listed in the certification. This certification from the Ministry of Home Affairs will be substantiated in turn by the evidence provided by the provinces in quarterly reports and other documents.

b. Reimbursement of the remaining amount potentially reimbursable by AID for each provincial annual program or specific subprojects will be made by AID after receiving and approving requests for reimbursement from the Ministry of Finance and verification that all reimbursement criteria have been met. If there are subprojects included in any of the four annual programs which are deemed unreimbursable, adjustments will be made to this remaining amount of funds to be reimbursed for the fourth year subprojects. A joint GOI/AID determination will then be made on the appropriate use of any remaining loan funds. Any undisbursed loan funds at the time of the TDD will be deobligated.

Reimbursement requests from the Ministry of Finance will be based on a certification from Bangda in the Ministry of Home Affairs that all or a specific number of subprojects have been satisfactorily completed. This certification is substantiated in turn by the monitoring reports submitted by each province, based on implementation reviews of annual programs and field visits to subproject and signed by all members of the monitoring teams which normally include provincial and central GOI officials and AID representatives. AID also expects to receive copies of completion reports, i.e. Form XII, but these will not be a prerequisite for processing reimbursements, as long as a jointly signed monitoring report that lays out over all performance of the subproject is available.

3. The following criteria will be used to determine the eligibility of each subproject for reimbursement:

a. The implementation of each subproject should conform with the annual provincial program, the original DIP and operational description, and any subsequent amendments approved by both GOI and AID.

b. The subproject as a whole and/or specific component has been completed according its DIP and operational description, and as agreed by the joint GOI/USAID monitoring team, which will keep in due account the experimental and institution-building nature of the PDP program.

c. The benefits of the subproject have reached the intended beneficiaries.

d. Subprojects with one or more years of implementation experience should reflect measurable improvement in the quality of their selection, design and implementation as recommended by joint GOI/AID monitoring teams.

4. Criteria for reimbursement of credit subprojects in addition to those listed earlier for the non-credit subprojects, will include the following:

a. Each credit system and credit agency (BKK, LPK, Dinas, etc.) should have an administrative system which can and does distribute credit, collect repayment, and recirculate collected funds as those funds are repaid. The administrative system should be capable of and should in fact register these transactions so that all funds are accounted for at all times.

b. Each credit system should include a system of routine inspections of the financial activities of each agency.

c. A credit subproject will be considered eligible for reimbursement when any given year's funding is in the hands of the local credit agency (BKK, LPK, Dinas, etc.) and there is evidence the system is functioning properly, and the money is circulating as planned in the DIP and supporting documents. Specific criteria will be developed and agreed to in writing by a joint GOI/AID team for each PDP province, and these criteria will be the basis for the evaluation of PDP credit programs in subsequent years.

5. A project implemented according to these criteria will be considered eligible for reimbursement.

In the event that a subproject fails to meet the above criteria, the joint GOI/AID team may recommend such corrective action as may be necessary so that the subproject can meet these criteria. The subproject will then be eligible for reimbursement when this corrective action has been taken and the subproject meets all the above criteria to the satisfaction of both the GOI and AID.

Any differences of opinion within the monitoring team on whether any given subproject has been implemented according to plan or whether any other criterion has or has not been met will be settled by both the GOI and AID to the mutual satisfaction of both.

In all cases the monitoring and reimbursement process will take into account:

a. The PDP objective of promoting institutional growth, that is, that the institutions involved have learned from the completed subprojects and have taken measures to incorporate this learning into future work; and,

b. the experimental nature of the PDP program, i.e., the monitoring and reimbursement process will have flexibility built in in order to provide maximum benefit and learning opportunities to the participating local governments and poor rural communities through quality planning and implementaton of rural development activities.

Sincerely yours,

Robert C. Simpson
Acting Director

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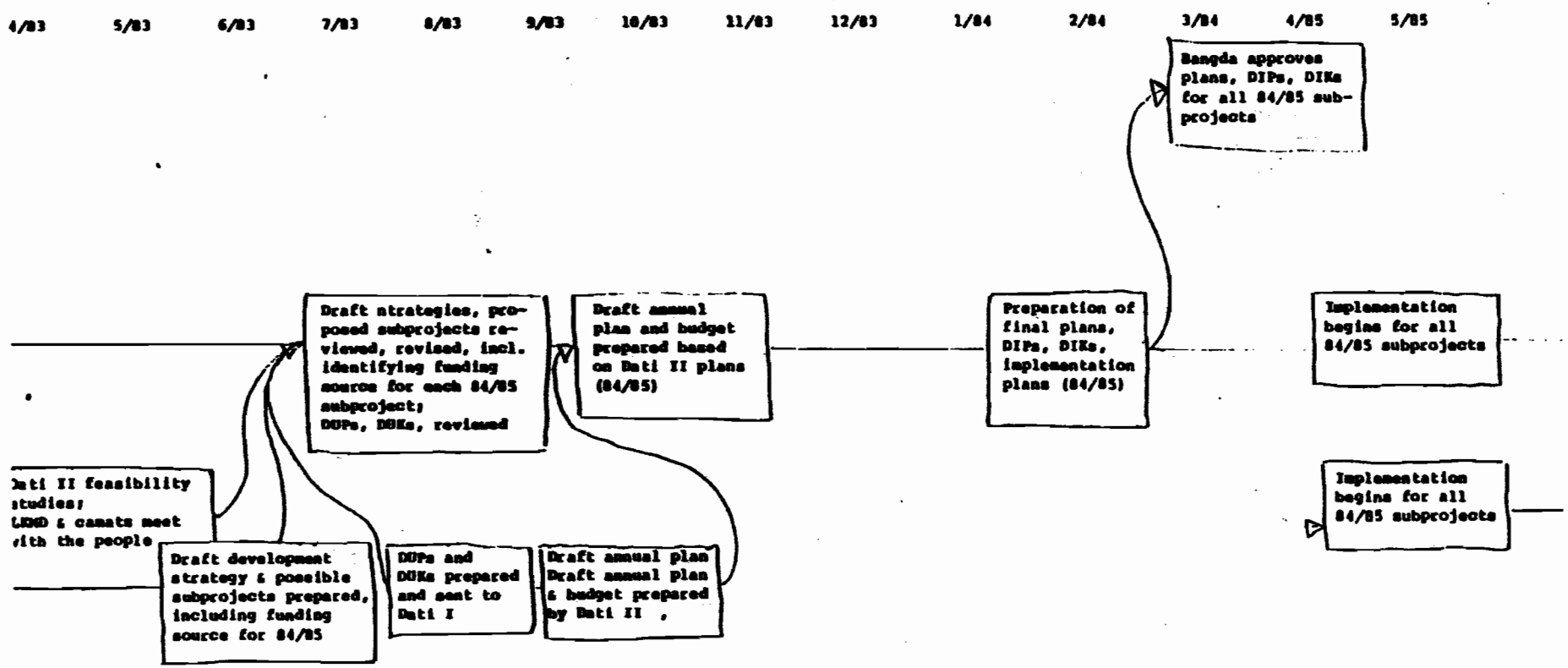
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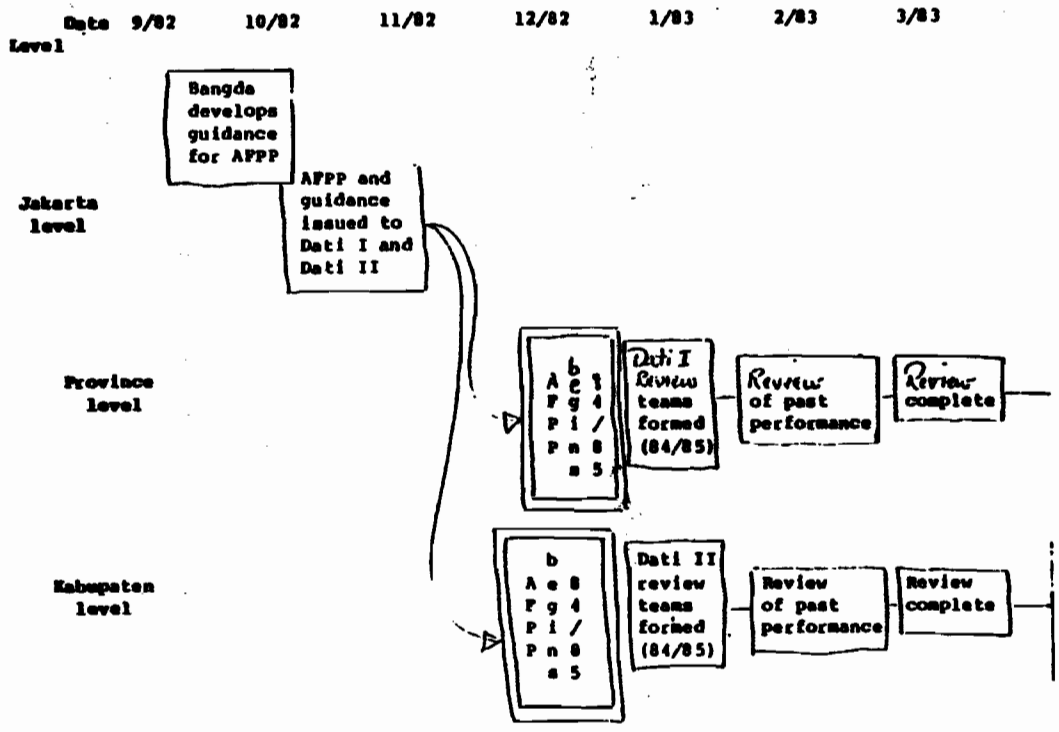
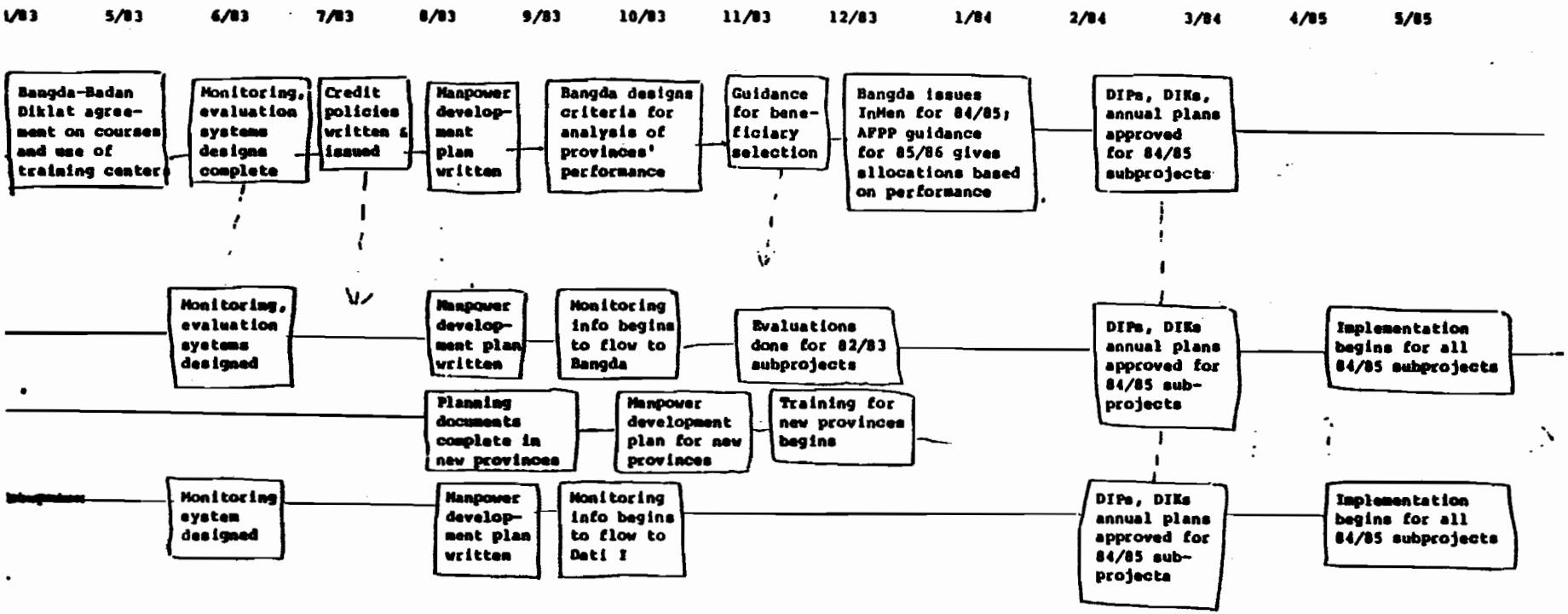
Bangda approves plans, DIPs, DIKs for all 84/85 sub-projects
Draft strategies, proposed subprojects reviewed, revised, incl. identifying funding source for each 84/85 subproject; DUPs, DUKs, reviewed
Draft annual plan and budget prepared based on Dati II plans (84/85)
Preparation of final plans, DIPs, DIKs, implementation plans (84/85)
Implementation begins for all 84/85 subprojects
Dati II feasibility studies; LGED & camats meet with the people
Draft development strategy & possible subprojects prepared, including funding source for 84/85
DUPs and DUKs prepared and sent to Dati I
Draft annual plan Draft annual plan & budget prepared by Dati II ,
Implementation begins for all 84/85 subprojects

IMPLEMENTATION MATRIX: ANNUAL FORMULATION OF PROGRAMS AND PROJECTS (AFPP)

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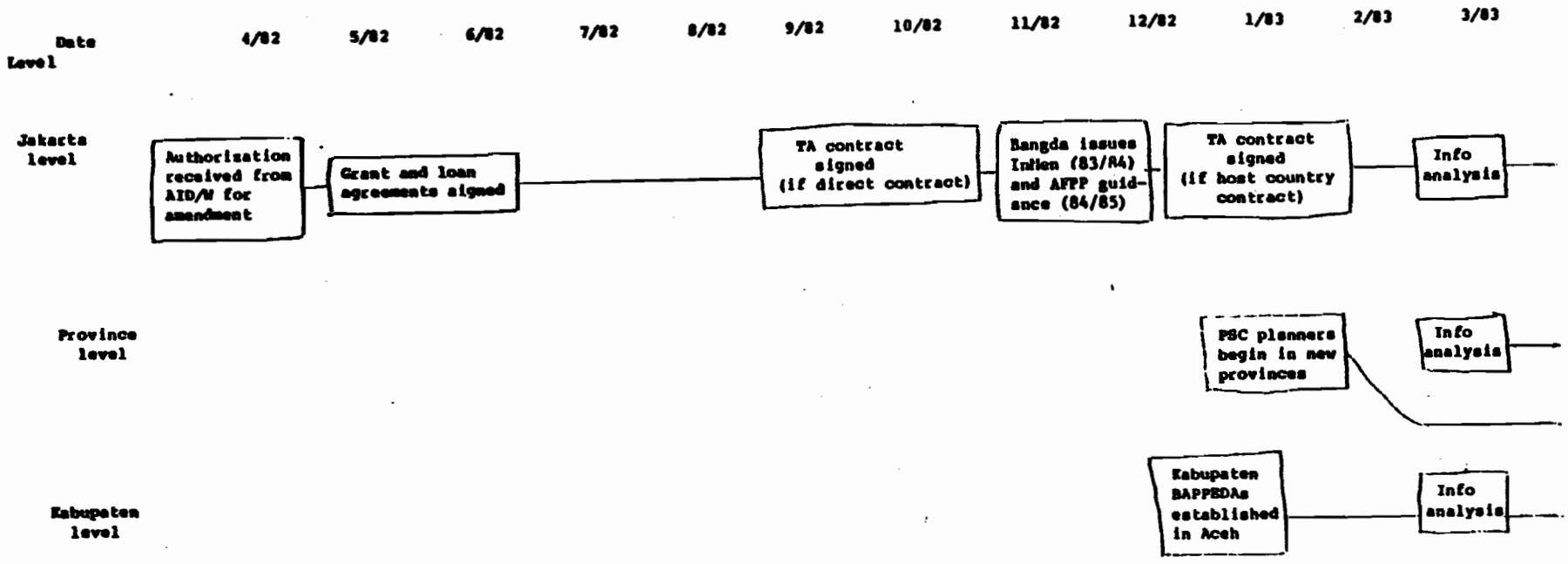
Bangda-Badan Diklat agreement on courses and use of training center
Monitoring, evaluation systems designs complete
Credit policies written & issued
Manpower development plan written
Bangda designs criteria for analysis of provinces' performance
Guidance for beneficiary selection
Bangda issues InMen for 84/85; AFPP guidance for 85/86 gives allocations based on performance
DIPs, DIKs, annual plans approved for 84/85 subprojects
Monitoring, evaluation systems designed
Manpower development plan written
Monitoring info begins to flow to Bangda
Evaluations done for 82/83 subprojects
DIPs, DIKs annual plans approved for 84/85 subprojects
Implementation begins for all 84/85 subprojects
Planning documents complete in new provinces
Manpower development plan for new provinces
Training for new provinces begins
Monitoring system designed
Manpower development plan written
Monitoring info begins to flow to Dati I
DIPs, DIKs annual plans approved for 84/85 subprojects
Implementation begins for all 84/85 subprojects

IMPLEMENTATION MATRIX: OUTPUTS



THE CENTRAL JAVA PDP

Introduction

This annex provides a comprehensive summary of PDP in the Province of Central Java as well as a set of projections for the expansion of that experiential base during the second phase of PDP in the province. Emphasis will be placed on previously identified goals of institutional development focusing on key local government structures and managerial upgrading of the entire administrative process.

Judged from a structural perspective a major success of the PDP in Central Java has been realized in increasing integration and coordination of previously compartmentalized line and staff agencies both vertically and horizontally. On the vertical axis the PDP here has over a four-year period pressed for increasing devolution of planning and management authority from provincial to district and on to sub-district levels.

Horizontal integration and coordination have in turn been pursued at each of these levels in an effort to increase the complementarity of sectoral efforts as well as to combine the traditional commodity production approach of the sectoral agencies with the broader scope of an approach more oriented towards the needs and potential of an area or stratum of the population.

Evidence of this increasing emphasis on structural coordination and integration may be seen in the progressive delegation of project responsibility to lower levels. Under an extension and expansion of PDP in Central Java this trend would be continued and accelerated.

I. Implementation of PDP I Central Java (IFY 1978/1979 to 1981/1982)

A. The Program

Conceptually PDP I in Central Java is based upon several only partially tested assumptions about the nature of development in the province and the apparatus which presently supports and carries out development efforts. Central Java represents the ultimate challenge to Indonesian development efforts; particularly with reference to the avowed principle of achieving equity in growth.

Recent census figures indicate that the population of Central Java is now in excess of 25 million; yet the province accupies only 25% of the island of Java, which itself comprises only 7% of the land area of Indonesia. The province is also poor in natural resources, which partially accounts for a regional growth rate in the non-agricultural sector which consistently lags behind its larger neighbors on East and West Java. In short, Central Java is poor in natural resource potential, while possessing a large population which poses more problems than prospects. They key to development here is maximization of scarce available natural

resources linked with structural economic transformation aimed at realizing the potential of abundant human resources.

In view of this sharp contrast between natural and human resource bases, it is not surprising that the public sector plays a leading role in Central Java. The government aparatus--both sectoral agencies and regional generalist administration--is, relatively speaking, among the best in the country. However, considering the seriousness of the challenges which it faces and the role to which it has been assigned, capacity continues to fall far short of demand.

The PDP in Central Java has been viewed from the inception as a strategic approach to maximizing utilization of these relatively sophisticated administrative and technical resources to achieve long range development goals. Although one specific geographic region has been designated as the PDP target area, the real emphasis has been on systems development and the creation of systems models which, when tested and perfected, will have wider applicability throughout Central Java.

As a first step in drawing up a conceptual plan for the PDP in Central Java a target area of five of the Province's 29 rural districts (kabupaten) was designated. Designation of these five districts again followed strategic thinking in coordination with overall regional development planning. The five districts designated are not included in any of the four growth-pole areas targeted by the provincial Five-Year Development Plan, but do form a contiguous area near the provincial capital of Semarang. A large part of this target area also falls within one of the three critically underdeveloped areas identified by an earlier Japanese Government- assisted regional development study.

This north east coastal are suffers from an annual cycle of flooding during the rainy season and drought during the four to six month dry season. Land resources are limited and fragmented and soil conditions are poor. In addition a high percentage of the five kabupaten's population of three million are landless or near landless. While population density is not as serious as in other parts of the province, the limited natural resource base cited above indicates that only marginal efforts can be made with respect to food crop production.

Based on these considerations the conceptual plan for PDP in Central Java is a combination of three major thrusts:

1. a program of marginal improvements in the utilization of existing agricultural resources covering the sub sectors of village irrigation, secondary food crops production, livestock and fisheries;

2. a program of non-agricultural development centered on increasing productive skills, support for village industry and credit assistance for petty traders, village artisans, etc; and

3. a program of identifying local potential (at sub district and village levels) and increasing capabilities to plan and implement activities to maximize utilization of local resources by local authorities with popular participation.

It should be noted that these three thrusts bear intrinsic differences. While the first and second are fairly standard clusters of sectoral activities, the third major thrust represents an approach to overall development administration which radically departs from standard practice. Ultimately the success of the PDP Central Java will be judged (or should be) by the success of this development approach in identifying, targeting and implementing activities falling within the sectoral thrusts. Here again integration is sought in combining an innovative apprroach with standard sector-oriented developmental thrusts.

Any assessment of the success of PDP in reaching target populations and achieving program goals needs to assess first the PDP record with respect to the mobilization of human and administrative resources at the local level. In this respect we are now in a position to review three and one-half years of PDP experience in planning, implementation, monitoring and evaluation.

Planning

For some years the GOI has been experimenting with a system of bottom-up planning based upon sub district identification of village needs. This system (UDKP) is little more than a futile exercise in planning projects for which implementation funds are not allocated. With the inception of PDP it was judged that sub national control of the allocation of development resources at last provided an opportunity for the UDKP concept to be put to the test. Thus, in the first year of PDP two types of projects were undertaken: (1) a set of standard sectoral projects in the areas described above; and (2) a set of regional projects which were the result of local participation in planning

In planning this set of regional projects two sub-districts in each of the five PDP districts were designated as target areas. The chiefs of each of these 10 sub-districts were instructed to submit proposals based upon a process of needs assessment initiated at the village level. In this way the projects encompassed a process of planning and implementation in which higher levels of local participation were guaranteed. It is not surprising, however, that this process would absorb considerable time and that the results would vary widely in quality in correlation with local conditions and capabilities. In consideration of these mixed results; it was judged necessary to provide additional training inputs before continuing these efforts on a large scale.

In order to augment future planning efforts a request for grant funds was made to design and implement an ambitious training program in bottom-up planning at provincial, district and sub-district levels with more limited instruction for village officials. With the assistance of a team of three USAID-funded planning consultants a program of training for trainers was designed and executed from provincial to sub-district levels covering almost half of the areas 66 sub-districts. Due to delays in gaining approval for the use of grant funds, training was not carried out until the third quarter of CY 80. In consequence training could have no impact on second year (1979/1980) planning, and its impact on third year

(1980/1981) planning was adversely affected. The imposition of a deadline for plan submission required that sub-district training activities be accelerated and streamlined.

In tandem with these training activities another practical initiative was also undertaken to develop bottom-up planning at the village level. The second year program included a project designed to afford village officials in 10 villages throughout the PDP area an opportunity to plan their own projects. The actual designation of project content, however, was also to be delayed until completion of the above training.

In view of delays encountered in acquisition of grant funds and subsequent scheduling of the above training, it was ultimately decided to link training to the preparation of third year subproject proposals for sub-district and village development projects for six sub-districts in each of the five PDP area districts. Thus the end result an test of the success of this training was to be a set of 12 sub-project plans for each of thefive districts. Primary responsibility for project planning was assigned to sub district and village officials, respectively. By the time training had reached this final stage of implementation, however, pressures for the timely completion of the Third Year Operational Plan distated that curriculum and training materials be simplified and that greater emphasis be placed on the completion of the necessary administrative forms at the expense of innovative project content. The results of this process show considerable variation in both the quality and innovativeness of projects proposed, but due to time constraints only minor adjustments were made in these plans prior to bein submitted for approval by the central government.

Recognizing that previous planning training had achieved only a basic foundation for future bottom-up planning efforts, the Third Year Operational Plan also called for follow-up training to be conducted with te assistance of a local foundation which is active in rural and community development trainig. This training has not yet been conducted, but preliminary meetings have been held with provincial trainers and with the Foundation for a Prosperous Indonesia to identify weaknesses and shortcomings in earlier training

Fourth year planning efforts were again carried out under less than optimal conditions when the deadline for submission of project plans in Jakarta allowed only three weeks for local planning and review of project proposals at sub-district, district and provincial levels. In consequence much of the variety which had emerged from second and third year planning efforts was supressed by the need to produce defensible project plans quickly. Standardization was the one viable method of achieving this goal.

In spite of adverse effects of the above mentioned time constraints, some real advances were achieved in the fouth year with respect to the integration of sectoral and regional project planning efforts. Throughout the first three years of planning there had emerged a progressive bifurcation between these two types of projects. By the third year it had become clear that sectoral agencies were reluctant to

offer serious oriticism of regional project plans drawn up by sub-district officials even though such plans included commodity components falling within the technical competence of that agency. It was also observed that projects involving provision of a given serrvice or commodity might be planned under both regional and sectoral agencies. This overlapping hindered efforts to improve quality in project design and led to some confusion in later moitoring an evaluation.

Fourth year planning consciously addressed this problem of integrated sectoral and regional project planning by (1) lowering funding levels for sectoral projects; (2) stipulating that regional project plans must be reviewed and approved by appropriate sectoral agencies at both district and provincial levels prior to BAPPEDA approval; (3) each sectoral project plan was required to demonstrate how it would support or complement regional project plans dealing with the same sector. At this time judgment on the success of these integration efforts remain premature. Certainly one of the consequences has been a greater concentration of the project portfolio in a relatively limited number of sectors with small ruminants, credit and trainng taking a commanding lead.

While it is recognized that the techniques of local needs assessment and identification of areas of underutilized potential remain only partially developed, sufficient progress has been made to reinforce our conviction that bottom-up planning in Central Java PDP areas is both possible and desirable. At the time of this writing plans are being formulated to consolidate ad expand upon early experience by a combination of further formal training activities and practical application in the coming round of anual program planning. Efforts are also being made to increase sectoral agency sensitivity to and involvement in the identification of local needs and potential. A major premise of these activities is the developmet of the sub-district as the basic unit for development planning in Central Java.

Monitoring and Evaluation:

At the outset it had been recognised that good planning involving increasing levels of local participation was only part of a larger effort at overall improvement of the various subsystems which taken together comprise an integrated system of development administration. In addition to efforts directed at the improvement of planning, two other foci which have been identified and are now receivig special attention under PDP in Central Java are routine monitoring procedures ad the evaluation of project and program impact.

Routine monitoring and reporting (M/R) procedures in Indonesia are heavily weight toward quaranteeing fiscal accountability in the implementation of the physical infrastructure projects which until quite recently made up the majority of development initiatives. Rigid hierarchical structuring of reporting procedures have dictated that emphasis be placed on the collection and generation of only two measures of project input: 1) percentage of physical inputs provided; and 2) amount of allocated project funds actually drown. Under the PDP in Central Java there has been increasing recognition of the need for output

measurement and a careful determination of the impact of these outputs on projet targets and goals.

In mid-1980 the PDP organization in Central Java began to considerr how a training program similar to that conducted to improve bottom-up planning might also be introduced to improve M/R systems and procedures. It was soon recognized that the wide diversity and compartmentalization in existing M/R efforts made an immediate program of training premature. Rationalization of the existing system was recognized as a prerequisite and this, in turn, would require agreement on a set of concrete objectives and procedures which would serve the common needs of a variety of clients at different levels. By late 1980 a series of consultations at provincial and national levels had produced the broad outlines of concensus on the need for an M/R system which would provide, in addition to fiscal and physical progress reports, the following: 1) an early warning system to report obstacles and problems encountered in project implementation; 2) an early reaction system which would identify the appropriate response by the most appropriate actor or agency in a timely manner; and 3) oritical feedback into subsequent program and project planning based upon the success or problems encountered in reaching targets and goals.

By mid-1981 a plan had been approved for the provision of technical assistance under the existing technical assistance contract for a tree-stage process of M/R system review, development and field testing of an improved system and, finally, training in the implementation of the improved system. A team of three M/R specialists began working with the PDP unit of the Central Java Planning Board (BAPPEDA) in August 1981 and, at this writing, work is nearing completion on the design of an improved M/R system. Testing an training in the use of the improved system at provincial, district an sub-district levels under a 1981/1982 PDP subproject is expected to be completed by September 1982.

Prior to completion of improvements in existing M/R procedures the PDP unit of the Central Java BAPPEDA has intensified its efforts to increase the frequency and effectiveness of monitoring and evaluation field visits by conducting three-day semi-annual program reviews and project spot checks in each of the five existing PDP districts. These visits are oriented toward problem identification and solution and intended to encourage and educate local officials to take more initiative and assume greater responsibility in their respective spheres of competence. At the completion of these reviews a report is made to the Governor who, in turn, issues a letter of instruction on policy issues warranting attention.

PDP administrative structure:

Central Java is unique among the PDP provinces in Indonesia with respect to the organizational structure which it has adopted to administer the program. Recognizing BAPPEDA's already heavy work load in assisting with the administration of all development activities in a province with a population of 25 million, the Governor decided to create a special unit within BAPPEDA to administer PDP. The need for such special unit is

evident simply from crude calculations of the number of diverse agencies and bodies which need to be coordinated under the PDP. The following chart sketches only the broad outlines of the scope of coordination required vertically and horizontally.

It has also been recognized that establishing an autonomous unit within an organization having fuctional responsibility for performing the same activities as other units of the organization may also lead to intra-organizational conflict and dislocation. The need for prompt, accurate and continuous action in pursuit of program goals must be carefully weighed against the possibility of dislocations in institutional growth and achievement of institutional goals.

In recognition of the goal of PDP to develop the institutional capacity of the existing government apparatus to develop sound administrative practice across the full range of its development activities, it became necessary to guarantee that appropriate linkages were developed and maintained between this ad hoc BAPPEDA unit and the related units of the local government which it sought to influence. As is the case with most developmental administrative structures, funciional differentiation and specialization evolve at a pace slightly slower than the increase in the volume and diversity of demands to which it is forced to respond. Thus, at the outset it was sufficient to make use of a small core staff of professionals as a multifunctional task force capable of being mobilized quickly for planning, training or project evaluation as needs arose. However, this proved effective only so long as amual program cycles remained district without everlap. The result of increasing demands has been both the increased functional specialization of the PDP Units's limited staff as well as the enhancement of intra- and inter-organizational linkages along functional lines.

We now see a PDP Unit within the Central Java BAPPEDA with a modest permanent staff (20 including typists, drivers, messengers and a night watchmen) functionally divided into the following three broadly defined sections: 1) Planning and Training; 2) Implementation, Coordination, Monitoring and Reporting, and evaluation; and 3) Routine Administration, Finance and Housekeeping. But what makes each of these sections capable of operating independently without disruption occurring in the others is a complex network of functional committees stretching out both horizontally and vertically. Each of these functional committees is chaired by a member of the PDP Unit functional section which has responsibility for the activity or problem addressed and includes membership drawn from appropriate sections (bidang) of BAPPEDA with responsibility for this general area as well as the related technical and provincial staff agencies concerned.

Over a period o four years relatively constant standing committees for planning, inspection and review of project proposals, planning training and evaluation have formed and maintained. For example, the standing committee on planning consists of several PDP Unit staff, several members of the parent BAPPEDA staff, representatives of the Provincial People's Bank (BRI), the regional office of the Directorate-General for Budgetary Affairs, officials of the six line sectoral agencies which participate in

PDP, the Regional Developmet Bank (BPD) and is chaired by the PDP Coordinator for Planning. The considerable overlap in the institutional representation of these committees helps to develop close relationships across a broad range of institutions involved in PDP.

It should also be noted that this administrative structure has, over time, been replicated in a more simplified form in each of the five districts participating in PDP. As planning and implementation of PDP projects has moved from the provincial level to the districts, the newly created District Planning Boards have assumed coordination functions similar to the provincial model. In keeping with the more limited availability of skilled manpower, the model which has been adopted here is that of the multifunctional steering committee with the local BAPPEDA at the center.

Since FY 1980/1981 when projects began to be planned and implemented at the sub-district level in some 30 of the areas kecamatan, this model was even further simplified to establish kecamatan development committess. This latter development has yet to be formalized, but these committees are also acquiring valuable administrative experience and learning how to play a larger role in planning and managing their own future. It is hoped that this trend will continue and ultimately result in some similar development in the areas villages.

Implementation Progress

In the first 4 years of te Central Java PDP a total of 267 projects have been planned and completed (129) or are in various stages of implementation (138). The following table of project completions by quarter allows several conclusions to be drawn about enhanced implementation capacity and the overall planning-implementation cycle. First it should be noted that first year project funds were released more than 15 months after the start of FY 1978/1979 and this was repeated the following year. However, third an fourth FY project planning efforts have begun to close the implementation gap to 12 months and 9 months respectively. One of the consequences of this accelerated pace has been a considerable overlap in the simultaneous implementation of multiple FY programs and projects. In the last quarter of the 1981 calendar year first year projects had just been completed, second year projects were almost 75% complete, third year project implementation had almost reached 50% and fourth year implementation was just beginning.

From the data presented it is difficult to perceive any clear trend with respect to completion of projects in each of the four program years. Of the three years represented, the first year implementation record shows acceleration up to the 3rd quarter followed by steady decline through the 9th (and final) quarter. Second year projects show a slower rate of progress from the outset, while third year projects are again progressing more rapidly.

In order to provide a more complete picture of second and third year progress the following table on the Status of Incomplete Projects provides data on the current status of those projects. It is noteworthy

that the vast majority of incomplete second and third year projects are themselves over 60% physically complete. Of the multi-year total of 138 incomplete projects, 56.5% are fourth year projects which have just begun implementation (21 November 1981) and 38.4% have already passed 60% physical completion.

One additional indicator which seems to point to increased speed in the implementation of PDP projects is the administrative level at which projects are planned and implemented. Available evidence (although incomplete) seems to indicate that the lower the administrative level bearing project responsibility, the more quickly project implementation proceeds. The following table indicates that PDP projects in Central Java have been progressively delegated to lower levels of authority. The division of responsibility between provincial and sub-provincial agencies has progressed from an almost 50-50 split in first year funds to an allocation of over 70% of available funds to sub-provincial agencies in the fourth year; with a brief noticeable reversal in this trend in the second year. This trend would be even more strongly demonstrated if the relatively large provincial administration projects of each FY were removed from consideration.

In this regard it should be noted that when PDP began in Central Java, many of the sub-provincial sectoral agencies had no prior experience in the planning of projects. By the third year it had become PDP policy that only program administration or technically sophisticated experimental projects would be allowed at the provincial level. In that same year (FY 1980/1981) almost 60% of available funds were allocated to the sub-district level where no projects had ever existed before. In contrast to the frequently made observation that in Central Java the kecamatan is the optimal level for planning resource allocation, it was PDP which first tested the practicality of the princple. If speed of implementation is to be one of the measures of success of these projects, it should be noted that at the end of the third quarter of implementation a very high proportion of these projects were complete or nearing completion (90% +).

THE ACEH PROVINCIAL DEVELOPMENT PROGRAM

I. INTRODUCTION

The Special District of Aceh is one of the more resource rich and relatively sparsely populated areas of Indonesia. Approximately 75 percent of Aceh's land area is covered by forest and jungle with the large majority of the population concentrated in coastal areas especially on the north and east coasts. Only about 4 percent of the land area is currently devoted to food production. The areas in which PDP I is active--Aceh Besar, Aceh Barat, and beginning in 1982 Aceh Selatan--are coastal plains devoted to rice production and foot hills primarily used for pasture and forage. Forests cover as much as 90 percent of the land area in Aceh Barat and Aceh Selatan and somewhat less than the provincial average in Aceh Besar.

While not a monoculture area agriculturally, these three districts are generally dependent upon rice as their main source of family income. Farm incomes are supplemented by barnyard fowl, small collections of fruit trees, and in some cases from one to several cattle or water buffalo. Goats, while not rare, are often prohibited or greatly restricted by local ordinance. Secondly, food crops are not commonly grown in these areas of Aceh although the potential is great in Aceh Barat and Aceh Selatan. Home gardens are extremely rare, and horticultural crops are imported from central Aceh and Medan for urban consumers.

With about 215,000 hectars planted to rice in 1979 and a 25% of rice surplus, the expected doubling of the current population of 2.6 million to about 5 million in the year 2000 will require substantial changes in rice production in Aceh. Current average yields using local rice varieties range from 1.7 to 2.7 tons on a kabupaten basis--less than 1/2 what can be expected with IR varieties. Less than 10% is now irrigated. It is expected that with increased water control approximately 80 percent of current rice land can be brought under double cropping in the next 25 years. Success in reaching this target accompanied by adoption of high yielding rice varieties and recommended fertilizer dosages as well as better processing methods should mean that Aceh will at least be self-sufficient in rice.

Land is owned and worked by women as well as men. Women inherit fixed shares of their fathers' estates under Islamic law and acquire a degree of self-sufficiency when they marry at which time in many communities Acehnese traditional law (adat) requires the bride's father to provide her a house (or a room in his own house) and a piece of wet rice land to meet her basic needs. In a typical, partially irrigated village in Aceh Besar the modal landholding for heads of households including land held by women is between 1/4 and 1/2 hectare with an almost equal amount farmed in perpetual sharecropping. Landholdings vary considerably in the village with the top 12% of farmers owning 44% of the land and the bottom 42% owning only 8% of the land. In these villages 25 percent of the farm families own no land at all. With a mean area worked

of only 1/2 hectare per family and a mean family size of 5.5 persons--6.6 if only families with dependent children are counted, these villages depend upon land owned by others to attain just less than the 1/10 hectare of wet rice land per person needed for self-sufficiency at current production levels.

The first two PDP I kabupatens in Aceh represent two very different agricultural and socio-economic settings and differ greatly as well in their access to the major markets in the urban centers of Banda Aceh, Lhokseumawe, and Medan. Aceh Besar is characterized by intermittent rainfall with fewer than three wet months in a year and with no one month that consistantly had 100 mm or more of rainfall in the eleven years from 1969 to 1979. Aceh Besar is a rice deficit area and the lowest producer of secondary food crops of Aceh's eight districts. Aceh Barat on the other hand typically has more than nine wet months per year; it is a rice surplus area of very low population and has a great potential for secondary food crop production. Both districts have substantial but poorly managed livestock populations with long traditions of animal husbandry particularly identified with beef and buffalo-beef production.

Aceh Besar includes the provincial capital, Banda Aceh, and is situated at the northwestern end of the main highway connecting Aceh with North Sumatra and its capital, Medan. Until recently onward road traffic from Banda Aceh to Aceh Barat was almost prohibitively time consuming resulting in substantial isolation of the west coast from the rest of Aceh. Recent road improvement including the near completion of the USAID assisted segment from Sidikalang (North Sumatra province) to Tapak Tuan in Aceh Selatan has increased contact between Aceh's most remote kabupatens and major urban markets and has made commercial fertilizers and pesticides more readily available. Continued road improvement and completion of major road construction connecting Banda Aceh and Medan with all points on the western and southern coasts during the next four to six years makes it possible for PDP to be more effective in Aceh Barat and to expand its rice, livestock, secondary food crops, and inland fisheries programs into Aceh Selatan during its second phase.

II. THE FIRST FOUR YEARS OF PDP I IN ACEH

PDP I in Aceh has three primary thrusts aimed at raising incomes and production of the poorest rural comminities: improving agricultural planning and project evaluation by provincial planners and district heads of the district agricultural services; increasing agricultural support services to raise production especially by strengthening extension staffs and by introducing readily available previously tested new technology; and introducing more cost effective and efficient production and marketing techniques into several local handicrafts and village industries.

Agricultural planning and evaluation

Committed to the processes of "bottom-up planning" of village projects, PDP I in Aceh has trained subdistrict and district administrators and service chiefs as well as junior program staff in

methods of program planning, proposal writing, project monitoring, project assessment and reporting. Project designs and proposals typically made by provincial officials in non-PDP programs are made by subdistrict and district officials based on discussions with village representatives in PDP districts. Based upon demonstrably better prepared project proposals submitted by PDP kabupaten staff at the 1982/1983 provincial development planning conference held in Banda Aceh in August, 1981, the provincial government has adopted PDP project planning principles for all future district development proposals.

While still reviewed by provincial planning staff, kabupaten proposals for agricultural and rural industries development projects have been largely the product of district staff since the second year of PDP in Aceh. Project monitoring and assessment skills have developed more slowly, in part as a result of program funding delays which have created substantial overlaps between project implementation and project planning. One years project funds are released almost simultaneously with national and provincial deadlines for the next year's planning. Nevertheless, third year projects are being monitored and assessed by both district and provincial planning staffs, and responsibility for project impact assessment is being decentralized to the subdistrict's chief for the fourth year. These actions should result in a substantial increase in information feedback, increased systemization of project assessment, and improvement in project planning during the second phase of PDP in Aceh

Planners continue to hampered by shortages of trained manpower and by funding patterns which delay implementation and frustrate planning beyond the current implementation year. Staff shortages have reduced the effectiveness of project supervision in all programs significantly delay province level response to field problems. Funding patterns have pressed planning and implementation well ahead of project assessment. Efforts will be made during the second phase of PDP I in Aceh to build upon the experiences of the first four years to create program plans and general project guidelines and performance criteria for the next six years. This activity will coincide with the planning for the next National Five Year Plan and with the creation and staffing of the district BAPPEDAs.

Accumulated experience from the first three years of project implementation in PDP I in Aceh is now revealing weaknesses in systems adopted for selection of project recipients, in management of new development banking facilities, in management of extension programs and personnel, and in effective utilization of new and existing support facilities such as training center, seed multiplication and corn testing units. Without the experience of PDP I these weaknesses would be less well documented and solutions less easily found. By calling attention to the magnitude and timeliness of project impact on recipients' lives and reporting through official program channels on problems affecting project impact, PDP I is challenging sectoral monitoring practices and formalizing impact based assessment of development projects.

Agricultural support services

In several subdistrict agricultural extension staff have been increased and provided with transport as well as being trained in modern extension methods. In selected PDP I areas intensive agricultural extension especially for wet rice production, has reduced from 800 to 200 the average number of farmers for whom one extension worker responsible. As groups of wet rice farmers succeed in adopting new inputs and methods, extension workers are assigned additional new groups until they reach approximately 400 farmers, still only one half the load of non- PDP areas. Increased fertilizer use and an approximate doubling of yields have been attained in this way in both Aceh Barat and Aceh Besar. Special attention to provision of new seed to replace local varieties and sixth and seventh generation IR seed husbanded by farmers in Aceh Besar are expected to result in substantial additional yield increases in 1982 as a new system of extension of seed supplied by the PDP funded kabupaten seed multiplication center comes into full operation in the 1981/1982 wet rice seasons.

Multi-purpose agricultural development centers constructed during the first four years of PDP I Aceh are currently fulfilling their classroom teaching function but have not yet fully implementd their programs of field practice, demonstrations, crop trials, or seed multiplication. While the center in Aceh Besar has made greater progress toward these goals than the center in Aceh Barat, both centers will require continued guidance to become leaders in new agricultural technology.

Building upon farmer exchange study tours and intensified extension activities, the agriculture service had greater success with new rice technology than with secondary food crop development in both districts. Extension works continue to be spread too thinly and to receive too little field supervision to be truly effective. Continued assistance is needed to train extension workers in the district centers and to guide their activities in the field. Systematic attention is needed to program evaluations and, establish routine record keeping systems.

Secondary irrigation channels constructed with PDP funds are now in place and await connection of tertiary channels. These will be of simple village construction requiring little financial support but needing professional assistance in design and construction supervision. This progam should benefit from the USAID supported progam for simple irrigation works (Sederhana Irrigation).

The PDP I post harvest technology program intended to improve the processing and storage of rice has encountered farmer resistance to several of these simpler IRRI type machines, particularly manually operated threshers. Renewed effort has begun in the fourth year to introduce a locally modified power thresher with 50% greater capacity than common commercial threshers and still within local farm groups' investment capability. Attempts to introduce paved grain drying areas is not uniformly part of the culture and, where it is, drying areas are multipurpose and do not lend themseleves easily to paving. Besides

continued attention to grain drying and better control of rice quality during threshing, future projects will seek to improve grain storage both on farm and in cooperative warehouses.

Early fodder improvement trials and demonstration plots have resulted in almost total lack of interest on the part of farmers. Changing animal feed components has turned out to involve drastic changes in husbandry practices, the most crucial of which is transition from free grazing of breeding herds in upland areas to stabled cut-and-carry feeding. Current farmer responses indicate that a much more persuasive argument for stabling cattle and water buffalo than reasons of better nutrition and higher weight gain is the need to prevent destruction of planted wet rice land during the long rice season. Unfortunately, such thinking still leaves in doubt the system of care to be used during the dry season, ironically, the time when more human labor is free to cut and carry fodder. The result has been the adoption of a government policy supporting construction of common pastures. Although this program will not greatly improve weight gain, it will control the movement of large grazing animals and thereby reduce environmental damage to fragile foothill slopes. PDP has assisted this effort to control grazing.

PDP has also supported several types of breed improvement by introducing ducks, chickens, and goats from outside Aceh and by providing financial support for a health and nutrition program for imported cattle brought to Aceh by other programs. PDP will also train farmers who will receive cattle and water buffalo through PDP credit to improve animal care. Local vaccinators are also being trained to innoculate fowl and to treat common intestinal bacteria with inexpensive, broad spectrum antibiotics.

At issue with the breed improvement programs are arrangements for selection of initial beneficiaries and lack of experience with recycling benefits to other members of the community. These arrangements require additional extension agent time which when added to the growing demands on animal husbandry personnel both in PDP and from other programs, make obvious the need for more and better trained field staff. With PDP help extension in Aceh Barat will experiment with using the more senior of the local extension agents to supervise junior field staff to follow the health of credit animals.

Allied agricultural activity: development credit

Approximately thirty percent of PDP I project funding has been channelled through the local development bank as low interest loans to farmers, fishermen, and artisans. Although funding through this progam has had a troubled history of inexperienced administration, slow loan acceptance, and even slower repayment, loan activity is now slightly ahead of other project financing. Increased attention to repayment rates as the size of outstanding loans has increased is stimulating review of branch bank management and is suggesting alternative administrative structures. One of these is the creation of subdistrict credit bodies which would borrow funds from the development bank and would be guided in the lending policies by an oversight committee headed by the head of the subdistrict.

The PDP I credit program has been most active in wet rice cultivation, ocean fishing (providing capital for boats and motors), village crafts (weavers, blacksmiths, potters), animal husbandry (providing long term loans for purchase of large animals), and sugar production. Recent comparative study of the relative productivity of these loans reveals that in terms of immediate cash increases in farmer income and in terms of relative rates of return on initial investment, only padi and fishing boat loans are significantly productive. These two types of loans, though returning between 200 ad 300 percent per year on principle, differ greatly in their initial capitalization and therefore in the numbers of beneficiaries they serve. The average rice production loan is less than $35.00 per season per borrower and less than $100.00 per borrower in two seasons, while the typical boat loan is more than $1,600.00 per boat and $550.00 per individual per year. Individual loans are somewhat smaller for livestock purchasers but are still large compared with rice production loans and are only one tenth to one twentieth as productive of income or capital formation.

Village crafts receiving credit include both male and female artisans with the male dominated craft of blacksmithing being the most productive of new income. Early indications are that craft loans produce only small increases in employment and little change in income for the typical participant. Marketing cooperatives to be formed and supported with loan funds in the fourth year will attempt to change product appeal and to expand traditional markets to include Medan and Jakarta.

Sugar cane development loans initially appeared to have potential yields equal to those of rice production and fishing; however, after one good season of high income but slow loan repayment, lack of supervision by the provincial estates crops office led to declining sugar production and finally the closing of PDP funded mills. These mills will be reopened by the newly created district estates crop service which is specially charged with this program. The next two years will reveal whether active management can overcome serious problems of land quality, cane type, mill management, and traditional farmer resistance to restricting their harvest to dry months only.

Handicrafts and village industries

Groups of artisans engaged in more than a dozen different crafts including blacksmiths, potters, weavers, tailors and embroiderers, woodcarvers, and makers of straw mats, hats, and doormats have been trained in improved production techniques and product design. Representatives have been sent to other provinces for advanced training and extension personnel have assisted groups in changing tools and methods.

In four handicrafts in Aceh Besar for which cost and income studies have been done with assistance from extension personnel, groups have been able to raise their production and meet regular marketing commitments to attain daily incomes almost twice that before PDP I activities. In other cases income change has been less; but in almost all cases regularity of production has meant increased regularity of sales and substantial increase in monthly incomes.

Local salt producers who make salt by evaporating sea water have adopted improved boiling pans and fireboxes which have reduced firewood consumption by two thirds and cooking time by three fourths. Salt production, however, is limited by the availability of salt flats and brine-concentrating ponds, and income improvement is directly linked to the cost of firewood. As firewood costs have risen, as they will continue to do, incomes have been eroded, and new ways of reducing fuel costs sought. So far solar drying has not been accepted though several PDP I demonstrations have been conducted. Alternative employment for salt producers is currently being sought at first to supplement salt income and later to replace it.

Processing of nilam or patulli oil as a base for perfumes is a traditional processing industry in Aceh Barat which has suffered from inexpert distillation and product adulteration. PDP I Aceh has introduced improved distilling equipment and has supported extension efforts to standardize product quality. Overlapping administrative authority among three government offices has slowed development of this processing industry as has wide fluctuation in the market price for nilam oil.

III. THE SECOND PHASE OF PDP I ACEH

Cumulative GOI funding for PDP I of Rp2.812.500.000 ($4.46 million) has been almost evenly divided across the first four years of the program with the exception of somewhat lower first year purchasing power resulting from devaluation of the rupiah in November 1978. Implementation activity has not been so evenly distributed. Because of delays in release of funds to Aceh as well as the substantial delay created by the 1978 devaluation requiring extensive project rebudgeting, approximately Rp1,689.000.000 or sixty percent of project funding will be expended in 1981/1982. Some carryover of first phase activity into the second phase of PDP I Aceh is thus likely and to be desired.

The district of Aceh Selatan will be added to the program at the beginning of the second phase. Early activity in Aceh Selatan will focus on staff training, farmer exchanges with Aceh Barat to the north where programs are already in place and in their fourth year, and construction of necessary facilities. Project planning for the fifth year of PDP I Aceh will be carried out in mid 1982 and will include the BAPPEDA's preparing general program guidelines for the next five years of PDP. Indications are that Aceh Selatan will follow much the same project pattern as Aceh Barat which has a similer climate, general topography and socio-economic setting. Project activity in Aceh Barat will give with attention to consolidating advances made in credit system management and to fully utilizing the multipurpose agricultural training and seed multiplication center at Pulo Ie. Project activity in Aceh Besar and at the provincial level will be gradually reduced; with experienced staff from both will be used to train new participants fom Aceh Selatan.

Program management: planning and assessment

During the second phase of PDP I the province BAPPEDA will operate under a new structure to be implemented during 1982/1983. The BAPPEDA will expand its divisions from four to five adding a Research Division and moving agricultural planning from Physical Development and Infrastructure to Economic Planning. Both changes will support the progress already made by PDP in planning and evaluating agricultural projects. Dutch aid to BAPPEDA and Syiah Kuala University in agricultural planning and industrial development complements the PDP I focus on small scale, direct impact projects by providing basic data and thorough sectoral research reports. USAID assistance through the Save The Children Foundation village health and nutrition projects and the new USAID-assisted primary health care program, both of which are located in PDP I target areas, can provide both useful assistance in identifying target populations based on nutrition and health data and by providing a comparative experience by which BAPPEDA planners can assess PDP's effectiveness.

Continued decentralization of responsibility for project planning and evaluation to district and subdistrict offices is planned with impact assessment of projects being delegated to the subdistricts during the first year of the second phase. Quarterly project monitoring will continue to be supervised by the provincial BAPPEDA but will be carried out by the new district BAPPEDAs over the next five years. The second phase will also see the possibility for computerization of project status reports using a shared time arrangement which may become available by 1984 when the P.T. Semen Andalas plant is in full operation. The challenge is to develop an effective system information feedback to support development planning. The first four years of PDP I have laid a foundation for such a system through involving administrative and technical officers in districts and subdistricts in planning projects which respond to village requests. In its fourth year PDP I has begun the transfer of monitoring and evaluation to these leavels as well.

Development credit

General speaking low interest agricultural loans have yet to be balanced by higher interest marketing, trading, or manufacturing loans which could defray administrative overhead costs in the system. Attempts to build a self-supporting, sustainable, and predominantly agricultural credit program have been frustrated by national development policy which has set interest rates of comparable agricultural loan programs at subsidized levels. Attempts to facilitate funding transfer across sectors as project assessment improves our knowledge of relative rates of return have also been frustrated by administrative policy favoring sectoral equity over program considerations of numbers of beneficiaries, repayment history, or relative rates of return.

In seeking ways of improving the credit system in Aceh existing systems assisted by PDP in Central Java and East Java provide guidance. Recent discussions of new subdistrict credit bodies in Aceh have considered adoption of the Central Java model with which PDP has four

years of experience. Activity will concentrate on two primary tasks: 1) strengthening loan administration by stream lining application procedures and moving loan granting powers to subdistrict officers who now act merely as cashiers; 2) building system self-sufficiency through establishment of greater variety in types of loans, higher interest rates, and through greater supervision of loans to improve repayment.

Rice culture development

Advances in adoption of high yielding varieties and supporting inputs packages are likely to continue with only minor assistance from PDP. An exception may be the continued need for PDP support of new seed production and certification facilities in Aceh Barat and Aceh Selatan. More important will be extension, training, and demonstration of new planting, harvesting, drying, and storage methods, Systematic study of existing methods and choice of locally appropriate and acceptable improvements especially in grain processing and storage will be undertaken early in the second phase of PDP I in Aceh Barat and Aceh Selatan.

Secondary food crops (palawija)

Especially in Aceh Barat and Aceh Selatan palawija crops will be stressed for marketing in Medan and Banda Aceh. Potential for maize, soy and mung beans and groundnuts as well as for horticultural crops is among the best in Aceh; these crops are now the least developed. In addition to the urban markets an immediate market also exists for animal feed. This market will be improved with the introduction of the PDP I experimental feed mill in Meulaboh producing poultry feed in 1982.

Field drainage and planting densities are the two primary technical problems that will be encountered. Both farmers and extension personnel will need to be trained to establish adequate slopes and ridge height and to take advantage of standard plant spacing.

Sugar cane development

This program will continue for at least the first two years of the second phase of PDP I but with only supplemental funding since budgets from the first phase will be adequate for some time. The variety of cane will be changed in 1982 to attain a higher production tonnage per hectare and planting will be staged to correspond to harvest and milling capacity during the dry months.

The next two years should establish definitively whether or not sugar can be profitable in Aceh Besar. There is no plan to expand the planted area with PDP support, though, should the new management methods succeed, development credit would be available to interested groups of farmers.

Second phase activity will concentrate on more efficient management and on development of marketing capability through local cooperatives. Production sites have been reduced from two to one, planned mobile mills

will be replaced with improved stationary milling sites and tractor drawn wagons to move the cane from the fields to the mills. Modern diesel fueled ovens will replace wood fires.

Animal husbandry

Increasing attention will be given to raising the productivity of barnyard fowl and to improving range management, improved weight gain and reproduction rates among cattle herds. PDP support of local animal feed processing in Aceh Barat will stimulate secondary food crop production and will absorb much of the current waste from rice milling.

Public records reveal that the live weight of cattle, buffalo, and goats in Aceh Besar and Aceh Barat doubled between 1969 and 1979. This trend is likely to continue, supported by a national agricultural policy and special crash program of large numbers of foreign breeds of cattle. Range land is demonstrably over-grazed and cattle almost uniformly underfed with the notable exception of animals kept specially for fattening. Weight gain on local low protein grasses is estimated to be only one half of potential for range fed animals. Introduction of better animal care practices, improved grasses and legumes in the diet, routine worming, and mineral block supplements are all planned as part of the extension of PDP I. Livestock raisers will be trained when they receive imported cattle under national programs, and key farmers will be prepared to act as informal veterinary personnel for groups of raisers.

Modest success with early PDP I chicken exchange projects was frustrated by outbreaks of NCD. This has now been partially overcome through training of village youth cadres as vaccinators. These same youth will be trained in treatment of bacterial illnesses affecting the productivity of new breeds introduced by the PDP cockrel exchange projects. It is estimated that with proper health care and nutrition second generation crosses should be about 50 percent more productive of both meat and eggs.

The animal husbandry extension service is so under staffed as to be almost totally unable to serve village needs. PDP must expect this situation to continue for some time and will need to find more direct means of changing livestock management practices. Farmer training is one potentially productive method. The PDP budget for local training will be increased druring phase two and attempts will be made to make practical training part of all breed improvement projects.

Freshwater and off-shore fishery

PDP support for fisheries has been of two types: 1) motorization credit for groups of off-shore fishermen wishing to buy their own small boats and outboards motors; and 2) rehabilitation of the existing hartchery in Aceh Barat to serve both fish ponds and aquaculture. Both programs are considered succcessful and provide models for expansion of PDP activities in Aceh Selatan as well as in new areas of Aceh Barat. As with several other PDP program in Aceh, before new areas and populations

are included in these programs policy must be clarified regarding selection of beneficiaries, the size of initial financial commitment per participant, and devising a revolving system to expand the benefits of the fishery extension projects. Carefull integration with PDP animal husbandry projects producing animal feeds will help prevent wastage and income loss at times of market glut.

Village industries

Village artisans, both men and women, have been assisted in forming production and marketing cooperatives which have reduced production costs by bulk purchasing of raw materials, improved product quality with new tools, and increased output with better organization and methods, and will improve marketing with product variety and quality standardization. As this program has expanded an increasing variety of handicrafts and village industries have been included and the limitations of the extension service progressively realized. Second phase activity has already begun with systematic assessment of relative enterprise profitability and the choice of crafts and processing industries which can be assured of inexpensive and renewable raw materials.

The primary thrusts of the program will be continued artisan training and formation of producers' cooperatives. District extension services will be assisted in conducting market surveys, and the experiences of similar crafts groups will be evaluated before new projects are approved and credit investment decisions made.

IV. SELECTED BIBLIOGRAPHY OF PDP I IN ACEH

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