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INDONESIA  
AGRICULTURE AND RURAL SECTOR SUPPORT PROGRAM

(Project Number: 497-0357)

MID-TERM EVALUATION

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# **INDONESIA AGRICULTURE and RURAL SECTOR SUPPORT PROGRAM**

## **EXECUTIVE SUMMARY**

### **BACKGROUND:**

The INDONESIA Agriculture and Rural Sector Support Program was authorized in August 1987, and has a current PACD of August 1997. The purpose of the Program is to support a mutually agreed policy agenda through the most appropriate means under existing circumstances. Initially, the essential means was budget support. However, it later became apparent that an equally essential need was to furnish technical assistance to Indonesian entities engaged in functions critical to social and economic development. The key aspect of the Program is its flexibility, enabling it to respond to pivotal situations that cannot be foreseen far enough in advance for more usual USAID programming procedures.

### **PURPOSES OF EVALUATION:**

The main purposes of the current evaluation are to: ascertain the degree to which ARSSP TA has effectively supported the Policy Framework and contributed to the achieving of Program objectives; determine whether the ARSSP policy framework remains appropriate; assess the extent to which ARSSP is realizing measurable outputs; appraise the ARSSP management structure; evaluate the "non-PSC" model used in implementation of some activities; consider whether the TA has struck a reasonable balance between policy analysis and institutional sustainability; determine whether the review and approval processes for new TA activities are appropriate; examine the attention paid to issues involving WID; and determine whether potential underfunding may compromise program objectives.

### **KEY PROGRAM ACCOMPLISHMENTS:**

#### **Trade Implementation and Policy (TIPP):**

Trade policy is at the heart of Indonesia's development strategy, the key to generating employment and earning foreign exchange. In line with this policy emphasis, ARSSP has furnished assistance to the Ministry of Trade through the TIPP, providing training and TA to develop both institutional and human resources. Achievements of TIPP include formal training, policy analysis and formulation, and research into domestic and international trade issues.

### **Bank of Indonesia Research Department (URES):**

The function of a Central Bank is to manage monetary policy to achieve an optimum mix of: economic growth and employment; stability of key price indices; a reasonable balance in foreign transactions; and adequate predictability in the exchange rate. A program was designed and implemented to help Bank Indonesia improve information flows and strengthen analytic capabilities to accomplish these goals. Substantial progress has been made.

### **Power Advisor:**

ARSSP has funded an advisor in the Directorate General for Electricity and Energy to help create an environment favorable to increased private ownership, financing and operation of electric power facilities and to improved overall power sector efficiency. The Advisor has been well received and has done an excellent job, rendering sound advice to the GOI and insuring that US interests in the electric power sector were satisfactorily represented.

### **Science & Technology Advisor:**

ARSSP has funded a Scientific and Technical Advisor working with the Minister of State for Research and Technology/Chairman of the Agency for Assessment and Application of Technology [BPPT] to identify opportunities for appropriate technology and U.S. private sector involvement in Indonesia, provide information on U.S. private sector capabilities and arrange relevant meetings, and keep USAID and the U.S. Foreign Commercial Service apprised of developments. The Advisor has conscientiously engaged in his task and created excellent rapport with the GOI, to the advantage of both Indonesia's understanding of scientific and technological issues and the interests of U.S. business.

### **U.S.IRS - GOI Ministry of Finance:**

A joint USAID-GOI funded IRS team is providing assistance to the MOF in various aspects of tax administration including: taxpayer compliance; auditing and transfer pricing; audit identification for major corporate taxpayers; the workload implications of obtaining income yields by audit class; enhanced collection initiatives for delinquent taxpayers; criminal investigations and financial fraud training; computerization and information and management systems; and assessment of potential organizational reforms. The IRS effort has been credited with increasing actual Indonesian tax collections as a percentage of possible receipts by two to three percent, while procedurally, it appears that institutional sustainability has been attained

### **"New Initiatives"/"Small Scale/ Short Term" Activities:**

The representative sample activities evaluated include:

Budgetary Study on Costs of Universal Compulsory Education. This study on the projected cost of a major educational program caused a budgetary review to be initiated. Thus, the study has played a key role in averting the problems that would have arisen in the event of a funding shortfall during program implementation.

Infrastructure Bottlenecks, Private Provision and Industrial Productivity. The generic superiority of private sector provision of services verifies the potential importance of the study.

National Cooperative Business Association (NCBA). This poverty alleviation and participatory program constitutes an extension of the eminently respected and successful Indonesia Enterprise and

Trade Development Project [IETDP] to troubled East Timor. While the East Timor situation makes success impossible to guarantee, the NCBA record inspires confidence.

### **Integrated Pest Management - Training & Research:**

Both components of this program hold forth great promise in the areas of food production and environmental protection, however administrative problems have limited the success of the Training component.

### **OVERALL PROGRAM EVALUATION:**

ARSSP TA has done an excellent job in focussing on the major issues reflected in the Policy Framework, which itself is well designed, flexible and broad, and remains appropriate. The program has also struck a good overall balance between short term policy analysis and long term institutional sustainability. Since the outputs of ARSSP are primarily in the intangible areas of advice given and policies promoted, they are not as susceptible to measurement and monitoring as in a project with more discrete outputs; however, in areas where measurable outputs have in fact resulted, monitoring has been satisfactory.

Given the scope and complexity of ARSSP, its demands upon Mission management have been large; nonetheless, the Mission has done an excellent job in utilizing its review and approval processes, its management structure has been effective, and implementation has proceeded in an orderly manner. Similarly, the "non-PSC" method of contracting has proved generally productive.

In the course of ARSSP activities, appropriate attention has been paid to WID issues: both TIPP and IPM guarantee that women are equitably represented among the people trained and/or otherwise benefitted; NCBA intends to work with women in its East Timor program; and ARSSP has already sponsored both research on gender equity and the Indonesian Family Life Survey.

Anticipated future underfunding is not expected to compromise the achievement of program objectives due to the nature of ARSSP as a multi-component program; the effects of any underfunding could be compensated for by a reduction of the number of activities to be funded, rather than diminution of the quality of those funded.

#### **RELATION OF ARSSP TO REVISED A.I.D. AND MISSION PRIORITIES:**

ARSSP supports these goals both substantively and procedurally. On the side of substance, ARSSP has already helped to develop a more competitive and participatory economy and to reduce the rate of environmental degradation; procedurally, ARSSP embodies an operational approach which maximizes the use of technical assistance and policy advice.

## PRINCIPAL LESSONS LEARNED

and

## PRINCIPAL RECOMMENDATIONS

### A. Principal Lessons Learned:

- When a training program (TIPP) provides key facilities, notably computers, for the use of its trainees and other ministry staff, those facilities should not be isolated from the personnel who need to use them.
- When a project (URES) seeks to improve the specific research capabilities of an institution, broader research objectives should also be included to help define the major underlying constraints and integrate the findings of earlier studies.
- When major commercial and financial interests are involved, the influence of a foreign advisor (Power) with no funding available may be circumscribed by events beyond his control.
- In an era of USAID budgetary stringencies, an advisor with primarily commercial promotion functions (Science) would be more appropriately funded under the FCS.
- A host country sense of national identity, particularly in areas as sensitive as taxation, indicates a limited role for foreign tax advisors (IRS).
- USAID/in-country missions play an important role in complex projects co-financed with the World Bank (IPM) or other IFI.
- The number of simultaneous transitions for a project (IPM) should be minimized to reduce the confusion of change.

**B. Principal Recommendations:**

- Draw up an action plan to effect the integration of **TIPP** training into a sustainable operating entity, while making **TIPP**'s computers more accessible to **MOT** professional staff.
- An action plan should be developed to institutionalize and insure sustainability of the **URES** project.
- In light of the superior potential for effective utilization of the **Power Advisor** in the **IBRD** power project, **USAID** should discuss that possibility with the **Bank**.
- The **Science & Technology Advisor**'s contract should be permitted to expire and **USAID** discuss with the **FCS** the possibility of their funding future contract extensions.
- 50-50 **USAID**-**GOI** funding of the two-year **IRS** extension has paved the way for full **GOI** financing of future assistance. A revised relationship should be established in which the role of **IRS** is primarily to furnish **TDY** teams to assist in designing the parameters of **MOF** participation in **IRS** training courses - for which the **MOF** will pay.
- At this time, the fate of the **IPM** training project is not entirely assured; **USAID/Indonesia** should remain prepared to help overcome obstacles, particularly within the **MOA**.
- The **IPM** project will almost assuredly progress more slowly than anticipated; **USAID** should anticipate a **PACD** extension.

# INDONESIA AGRICULTURE and RURAL SECTOR SUPPORT PROGRAM

(ARSSP - 497-0357)

## MID-TERM EVALUATION

### FINAL REPORT

#### I. BACKGROUND:

The INDONESIA Agriculture and Rural Sector Support Program (ARSSP - 497-0357) was authorized August 28, 1987, and the Program Grant Agreement signed August 31, 1987. The current Program Assistance Completion Date (PACD)<sup>1</sup>, after several interim extensions, is August 26, 1997, and is not expected to be further extended.

#### II. PROGRAM OBJECTIVES:

The basic purpose of the Program has been to support a mutually agreed policy agenda through the most appropriate means under existing circumstances. Initially, the essential means was budget support, and US \$ 60 million was authorized and disbursed for that purpose in response to the fiscal and balance of payments crisis in Indonesia resulting from the collapse of petroleum prices in the mid 1980s. However, upon resolution of that budgetary emergency, it became apparent that a longer term and equally essential need for fulfillment of the Program purpose was to furnish technical assistance (TA) to those Indonesian entities engaged in functions critical to social and economic development, in a manner responsive to their needs as those should arise. The TA can be divided into two basic categories: a) TA furnished with the explicit or implicit goal of influencing policy choices by demonstrating the feasibility and potential impact of alternative policies; and b) TA furnished to enable satisfactory implementation of policy reform measures already mutually agreed upon. The most critical aspect of the Program has always been its flexibility, enabling it to respond to pivotal situations that could not be foreseen far enough in advance for the more usual USAID programming procedures to be utilized.

Among the most significant characteristics of ARSSP has been USAID recognition in the delineation of its objectives that "policy dialogue" is just that, a dialogue among equals rather than the exercise of what donor agencies sometime like to refer to as "leverage".

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<sup>1</sup>A limited PACD Extension to August 26, 1998 was authorized in PIL No. 34 for the sole purpose of co-financing the World Bank IPMT Project.

### III. PURPOSES OF EVALUATION:

The overall purposes of the current evaluation are to:

- ascertain the degree to which ARSSP TA has effectively supported the Policy Framework and contributed to the achieving of Program objectives;
- determine whether the ARSSP policy framework remains appropriate or whether it requires modification to reflect both evolving conditions in Indonesia and the changing priorities of USAID;
- assess the extent to which ARSSP is making satisfactory progress in the realization of measurable outputs, and to which these are being adequately monitored;
- appraise the effectiveness of the management structure being utilized by USAID/Jakarta for ARSSP, and determine whether that structure has created any problems impeding program implementation;
- evaluate the "non-PSC" model used in implementation of some ARSSP activities;
- consider whether ARSSP TA has struck a reasonable balance between short-term policy analysis and formulation and the creation of long-term institutional sustainability;
- determine whether the review and approval processes set forth in PAAD Amendment No. 4 for new TA activities have been utilized, and whether they are, in fact, appropriate;
- examine the adequacy of attention paid under the Program to issues involving WID, such as gender disaggregation of data;
- determine whether the anticipated future underfunding of ARSSP will compromise the achievement of program objectives.

#### **IV. TEAM COMPOSITION AND SCOPE/METHODOLOGY OF EVALUATION:**

##### **A. Team Composition:**

Devres, Inc. of Washington, D.C. was selected to carry out this mid-term evaluation. They recruited the following team therefor:

Economic Policy Analyst: Neil McMullen;

Technical Assistance/Evaluation Analyst/Team Leader: Paul Wenger.

##### **B. Scope of Evaluation:**

Since the ARSSP Program has already had complete and high-quality Interim Evaluations in 1989 and 1991, and an excellent evaluation of the antecedent to the TIPP activity in 1992, the present Mid- Term Evaluation will not repeat the discussions contained therein on the original Program goals and activities. We shall therefore begin our evaluation with the Amplified Program Description - Attachment No. 1 to the ARSSP Grant Agreement, as attached to PIL No. 33, June 11, 1993 - and concentrate upon the TA operations and related policy agenda items thereunder.

##### **C. General Evaluation Methodology:**

Given the tight scheduling required by the 8 person-week level of effort established in the SOW and the number and variety of activities to be assessed, interviews to be conducted and documentation to be reviewed, the team undertook an in-country schedule: a) becoming familiar with Program documents; b) meeting with USAID officers with program responsibility; and c) interviewing the Technical Assistance personnel, government officials, and other donor agencies. The last in-country week was used primarily for report writing and meetings with USAID staff to discuss the team's findings and recommendations and to produce a draft report for finalization in Washington subsequent to receipt of Mission comments.

Due to the scope of activities to be assessed, the evaluation team divided the Program assessment activities into the various functional areas set forth in the SOW and distributed primary responsibility for each to one or other of the team members.

##### **D. Specific Configuration of Evaluation Report:**

In the principal substantive portion of this report, the six major Technical Assistance activities: [TIPP; URES; Power and Mines; Science and Technology; IRS/MOF; and IPM] will be briefly evaluated as individual "projects"; insofar as "New Initiatives", combined with "small-scale, short-term activities" for evaluation purposes, are concerned, a representative sampling of such activities will be similarly considered.

Subsequently, the cross cutting issues cited under "Purposes of Evaluation" above will be examined. However, it must be noted that the wide disparity of activities subsumed under ARSSP makes an attempt to evaluate such issues, in general, less satisfactory than analysis of the individual activities: trying to strike an average among cherries, apples and watermelon is, in at least one sense, a fruitless exercise.

## V. PROGRAM IMPLEMENTATION STRUCTURE:

### A. USAID/Indonesia:

Overall management of the program is the responsibility of the ARSSP Program Manager, under the direction of the USAID/EPISO Office Director, in collaboration with the USAID technical offices which participate in the planning and implementation of specific activities related to their field of activity. To date, the Offices of Agro-Enterprise and Environment (AEE); Private Enterprise Development (PED); Program and Project Support (PPS); and Human and Institutional Resources Development (HIRD) have had the most direct involvement in ARSSP activities, along with Contract Management (CM); Controller (FIN); and the Regional Legal Advisor (RLA). However, the flexibility of the ARSSP process leaves open the possibility of the involvement of other USAID Offices in the future.

### B. GOI:

The primary GOI implementing agency, through which all activities are coordinated, is the National Planning Agency [BAPPENAS], with the Ministries of Finance, Agriculture, and Trade and the Central Bureau of Statistics taking active control of activities within their jurisdiction once the initial allocations have been made by BAPPENAS.

## VI. ANALYSIS OF KEY PROGRAM ACTIVITIES:

### A. Trade Implementation and Policy (TIPP):

#### 1. Program Description and Objectives:

Trade policy and in particular the expansion of non-oil exports is at the heart of Indonesia's strategy for economic development. This is the key both to generating employment and to earning foreign exchange for needed imports and debt service. Since the decline in world oil prices in the mid-1980s this strategy has been enormously successful as these exports have more than quadrupled from \$ 6 billion in 1980 to \$ 27 billion in 1993.

In line with the policy emphasis of the government, the ARSSP has provided continuing assistance to the Ministry of Trade (MOT) through the TIPP. This program provides both training and technical assistance with the objective of developing within the MOT the institutional and human resource capacity to undertake analysis of domestic and international issues and to design and implement trade liberalization policies on a sustained basis.

Based on the need to create a more open and dynamic economy while generating substantial numbers of new jobs in the context of a constantly changing external environment, the GOI faces multiple challenges in making trade policy. These challenges include:

- creating employment for a rapidly expanding labor force, while maintaining a regional balance in jobs created;
- fostering a more market oriented domestic trade and business climate;
- identifying, analyzing and implementing international trade policy reforms;
- advancing the expansion of production of non-traditional goods and services; and,
- enhancing MOT capabilities to play a constructive role in multilateral negotiations, Asia-Pacific cooperative agreements and the new World Trade Organization.

This implies a broad scope of activities for the MOT, and TIPP has developed a program with a range of components addressed to one or more of these challenges.

TIPP is helping the MOT to develop the human resources and institutional capacity needed through a program of activities provided by a team of long term TA specialists and short term TA as needed to deal with specific trade issues. The components of the TIPP project are:

- human resource development through the Young Professional Program;
- advancing analytic and implementation skills among MOT staff with emphasis on trade liberalization and policy reform;
- improving negotiating skills and upgrading the MOT's ability to participate constructively in multilateral trade settings;
- building up capacity to identify and remove obstacles to the efficient flow of domestic commerce; and
- coordination of donor activities and promotion of internationally accepted trade practices in Indonesia.

TIPP is structured so as to be implemented over the period 1993 to 1997 with cooperation and support from the MOT. The MOT is providing office space, funds for the purchase of goods (mainly computers), support for seminars, provision of MOT staff time, and the overall direction of the Program. USAID is providing technical expertise to conduct on-the-job training and analytic skill development for the MOT staff.

The TIPP technical assistance team is made up of four full time foreign experts for the three remaining years, 60 person months of short-term TA, and one full time local hire administrator and computer specialist. The four full time providers of TA include a technical specialist on international trade (and team leader), an expert on trade policy institutions and negotiations, a specialist on domestic trade issues, and the leader of the young professionals program who conducts most of the formal training activities.

## 2. Accomplishments to Date:

The achievements of the TIPP fall into three areas: formal training courses for MOT staff, training and policy analysis to improve GOI effectiveness in international trade negotiations and policy formulation, and research into important domestic and international trade issues conducted jointly by teams of foreign experts and MOT staff.

The Young Professional Program (YPP) was established in 1989 and therefore preceded the TIPP by two and a half years. Since its inception the training program has conducted three separate rounds of courses for MOT staff who have the potential for professional achievement within the ministry. The courses provided a general background in a broad range of skills needed by MOT professional staff. The topics covered included basic

statistical analysis, economics, trade policy and institutional issues, use of computers, report writing, and English. All of the courses were conducted in English, but the instructor was conversational in Bahasa Indonesia, so in practice both languages have been used.

The first training course was conducted in 1989 and had 25 participants. A second course was taught in 1990-91 for an additional 20 MOT staff members and a third course is currently underway with an enrollment of about 20.

For many of the graduates there was an immediate positive effect on their careers, particularly for the first graduates. A few of the first group were immediately posted to very desirable overseas assignments as commercial attaches, and another 8 were sent as deputy attaches to important embassies, including Tokyo, Washington, Moscow, and Bonn. Others have remained in Jakarta and have moved up within the ministry's structure. The second group has not done as well partly because they were not unique products moving into a vacuum and partly because their language skills may not have been as strong as the first group. A few of the graduates of the first two courses have become frustrated and left for higher paying private sector jobs, but the majority are still with MOT.

A systematic analysis of the effect of the courses on the careers of the graduates is beyond the scope of this evaluation, but the available evidence suggests that most of the graduates do very well after completing the course, and almost all of the graduates are still with the MOT. It is also worth noting that more than a third of the course graduates are women, which indicates that MOT and the TIPP training activities are supportive of Indonesian women seeking professional careers.

English language capability has been an important constraint in the training program. Each class has been slightly weaker in this respect than the previous one, and it has been necessary to remedy this problem. In response to requests from the MOT, the United Kingdom has been able to allocate a full-time person to teach English at the Ministry's training center. In time it is hoped that this will somewhat alleviate the language problem. On the plus side, English skills are definitely improving over time across the Indonesian society as a result of the efforts of the school system. However, getting speaking and writing skills within the MOT up to functional international levels is a long term challenge.

Whereas the focus of the original YP program was on training, in the last two years under the TIPP there has been a shift to policy analysis and trade research. On the policy side the TIPP team worked closely with the GOI team responsible for negotiating the Uruguay Round and provided key support in helping to insure Indonesia's compliance with current GATT standards. In turn, this technical support was a critical input in formulation of the GOI's June 1994 trade deregulation package. The next challenge facing TIPP is helping with the forthcoming reorganization and expansion of the MOT that will result from the requirements of the Uruguay Round and membership in the new World Trade Organization.

On the trade research side the analytic work has emphasized the removal of domestic regulatory and other supply constraints on a broad range of non-oil tradeable goods. The list of products examined includes soybeans, wood products, bicycles, sugar, spices and cement. Papers have also been done on broader trade issues such as competitiveness policy, the consequences of market integration in the Pacific Region, and the economic dynamic whereby foreign investment raises imports in the short run but raises non-oil exports even more in the medium and longer run. In terms of reducing current levels of underemployment and creating productive jobs for new entrants into the labor force, the task of increasing non-oil exports is a critical national priority and is clearly an appropriate area for ARSSP to make a major commitment.

In most cases current research and policy projects are being carried out by joint expatriate-Indonesian teams. Therefore steady progress is being made on the goals of incorporating MOT staff into the research and policy analysis work of TIPP, developing an environment in which the MOT staff learns by being involved in the ongoing work, and creating a long term sustainable capability within the MOT. After TIPP ends in 1997 or so the Indonesians may feel the need for additional short-term technical assistance, but based on present progress they should have reached the point where they can capably manage the program and make decisions.

### 3. Issues to be Considered:

The most important challenge facing the TIPP in the time remaining is to make sure that their training courses and analytic activities are institutionalized and continued within the MOT. The policy analysis and trade research activities seem to be on track in this respect, but a conscious effort is needed to ensure that the training program becomes permanent and is available to meet MOT staff needs in the years ahead. To accomplish this task three interrelated tasks need to be accomplished:

- The course as it is now taught needs to be revamped based on experience to date and the evolving needs and capabilities of the MOT staff;
- a higher-level, more technical course should be developed to serve the needs of more advanced professionals in the MOT, including graduates from TIPP's original training course and individuals with overseas degrees;
- a human resource survey and analysis should be conducted to provide information for the previous two tasks and to be sure that the range of all courses taught by TIPP (including conflict negotiation, computer use and programming, and short courses conducted in Bahasa Indonesian) are meeting the needs of the

MOT and are integrated with and support other MOT training activities.

The TIPP courses seem to have been developed in response to specific requests and needs, but it is not clear that there is an overall strategy or plan which serves to relate the courses, to structure the overall program, and to integrate TIPP's courses with other training being done for the MOT. These are matters which need to be addressed within the next 6 to 9 months so that preparations can be made which will lead to an comprehensive, self-sustaining, MOT operated training program by the end of TIPP's term.

There are three general approaches to putting TIPP's training program on a self-sustaining basis:

- The TIPP courses could continue as a separate unit within the MOT, but staffed principally by Indonesians;
- the program could be moved outside the MOT to a reputable university or management training institute and done on a contract basis;
- finally, the courses could be integrated into the MOT's existing training center.

Interviews with MOT officials suggest that the integration alternative is the most likely outcome. They recognize the necessity of moving ahead, and while they are willing to consider the plausible alternatives, they are inclined toward using the existing center. Problems with integration into the existing MOT training institute are centered on two points, one easily solved, the other less tractable. It is hard for students to get to the training center from the ministry using public transportation, whereas the current arrangement of teaching TIPP courses in the main building is convenient and efficient. The best solution may be to reserve a part of the main building strictly for classes and bring the instructor to the students. If that is not possible, then 2 or 3 vans should shuttle the students over to the training center three mornings a week for classes. The current practice of using public transportation is not workable.

The more difficult question is whether the MOT training center can maintain the quality level of the program and give the TIPP courses a sufficiently high priority. The training center is dominated by long-term staff who have vested interests in the current course offerings and may not be amenable to a new high priority program being grafted into their institute. And, even if the integration is achieved in an organizational sense, quality may suffer over time. This suggests that an alternative such as an outside management institute (e.g. the IPPM - Jakarta) should be considered. Once the program is moved to the MOT training center, it will be hard to remove it if quality deteriorates. The advantage of a contract arrangement is that periodic opportunities to reevaluate the program and move it elsewhere are an incentive to maintain the level of excellence.

The transition process of revamping the existing course, developing a new higher level course, and moving the program from its present free-standing, expatriate dominated status to a sustainable, long-term, Indonesian managed and staffed program will be difficult and time consuming. For this reason it should have top priority for the next three years and - most importantly - the plan for achieving this should be fleshed out in the next 6 to 9 months. The last two years of the TIPP training program will be needed to focus on executing the plan for this transition.

4. Lessons Learned:

- Sustainability issues have been considered from the very initiation of the TIPP. However, given the time it takes to make a program self-sustaining and to integrate it into national institutions, now is the time to focus even more intensively on these objectives.
- In retrospect, more initial emphasis and/or training should have been put on Bahasa language capability for the long-term expatriate technical assistants, particularly those working on the domestic economy.
- The fact that TIPP's physical facilities, notably the computers, are physically and hierarchically distanced from the staff of the MOT appears to have inhibited their utilization.
- A regular seminar and working staff paper series might have encouraged more complete interaction and give and take among the MOT research and TIPP staffs.

5. Recommendations:

- That an action plan with timetable be drawn up to effect the transition process for TIPP training to be integrated into a long-term, sustainable operating entity that can maintain the quality of the program. The components of this process are to:
  - survey current MOT training needs in this area and specify how TIPP's work relates to other training being offered;
  - revamp the existing TIPP courses reflecting current MOT needs and capabilities;

- develop and teach a new higher level course geared toward the needs of the more technical MOT staff;
- these courses should be team-taught with the Indonesians who will become the instructors after TIPP ends; and,
- work out with MOT officials a plan to find (or create) the appropriate institutional setting for TIPP courses to be taught after 1997.

- Make TIPP's computer assets more accessible and better utilized by the MOT professional staff and try to promote more interaction between MOT and TIPP staff through regular seminars and a working paper series.

**B. Bank of Indonesia Research Department (URES):**

1. Program Description and Objectives:

The function of a central bank is to manage monetary policy so as to achieve an optimum mix of the following objectives:

- growth of the economy and a high level of employment;
- sufficient stability of key price indices;
- reasonable balance in foreign transactions; and,
- adequate predictability in the exchange rate

It is rarely possible to achieve all of these objectives at the same time so monetary policy makers must inevitably choose where to place their emphasis. To accomplish the goals of monetary policy and to make informed choices as to which objectives should be emphasized, policy makers need timely and accurate data and analyses of current conditions as well as likely changes. Policies based on obsolete and incomplete information can do more harm than good. Therefore the META/IPS project was established to help Bank Indonesia improve information flows and strengthen analytic capabilities, increasing the Bank's capability to conduct sound monetary policy in the newly deregulated economic environment.

In more specific terms, the META/IPS project is intended to support Bank Indonesia's (BI) Economic and Statistics Department (URES) with the following activities:

- establish a centralized, internally consistent statistical data base which URES staff can use to create a time series data base and

undertake research needed to support and inform monetary policy;

- develop training programs to enhance the analytic skills of URES staff through courses for junior and mid-level economists and prepare training aids to facilitate all URES professional staff in the understanding and use of the new data base system;
- facilitate the flow of critical data and participate in developing analytic understanding and research tools to directly assist in the formulation and implementation of monetary policy;
- introduce quarterly surveys of lending conditions and business expectations from which current and prospective levels of financial business activity can be inferred;
- obtain the most current financial, price, and business activity information from associations, agencies and companies to monitor the economy's activity and to enable prompt analyses and assessment of economic trends; and,
- to provide written and oral reports in response to requests made by BI policy makers over a wide range of monetary, financial, and macroeconomic issues.

Over the two years of the project's existence substantial progress has been made in all of these areas. Most of the work has been done through the use of short-term and continuing technical assistance under the direction of the project director who is currently the only long-term, full-time person working on the Bank Indonesia component of ARSSP.

An evaluation of the first two years of META/IPS's support of BI/URES was recently completed and rather than dwell on points discussed in that report, the remainder of this section will be brief and emphasize the most recent developments. For further discussion of the first two years of the project see the final evaluation document, dated April, 1994.

## 2. Accomplishments to Date:

As documented in the recent evaluation noted above and verified subsequently for this evaluation, the project is on track or exceeding the initial scope of work in almost all respects. The quarterly survey and current information (prompt indicators) work has been completed, and the data systems and training components are on track and nearly completed.

The work on monetary programming and policy support is progressing, but contains a larger share of work that is underway or still to be done. Work is in progress on the relationship of inflation in Indonesia and the exchange rate, interest rates and the growth of the money supply. Future work is anticipated on the implications of the expansion of the domestic credit market and increased foreign credit flows for the management of monetary policy, on reconciling different approaches to valuation of the external debt, and on improving balance of payments estimates in the service account. In many ways the policy support elements have been the most ambitious and difficult parts of the project. These are short-term analytic papers prepared in response to the needs of senior BI policy makers. They evolved from an initial request for ideas on speeding up the estimation of money supply data to eventually encompass a broad range of monetary, financial and international issues.

### 3. Issues to be Considered:

Most of the project shortfalls noted in the recent evaluation have been remedied as of August/September 1994. The pending tasks completed since the last evaluation include:

- a report tracking the forecasting performance of the monetary programming system;
- a seminar series and research paper on the implications of financial deregulation for monetary policy; and
- initiation of the major study examining in detail the transmission channels of monetary policy.

One outstanding problem is the acquisition and installation of a CD-ROM disk drive. This equipment is essential to bring two elements of the project fully up to date. The disk drive is needed for the data system component to access external data and is needed for the policy support component to complete the computerization of the exchange rate monitoring system. The equipment has been authorized and ordered by USAID, but delivery has not been made. It is understood that the equipment is expected shortly, but if delivery commitments cannot be kept alternative sources ought to be utilized.

A second unmet task noted in the prior evaluation is the one week course to be taught by the macroeconomist in financial programming. The project is still committed to teach the course and materials are being collected and prepared. This is expected to take place before the end of the year.

A new matter to be considered is the need for an integrating research effort to provide an overview of the domestic and international monetary relationship in Indonesia. These relationships appear to be in flux as foreign capital flows have introduced a large, new dimension in recent years. The dynamic structure of the monetary system makes it very

difficult to estimate econometrically, which may help explain the weak fits the inflation studies have shown to date.

This suggests that another experienced, top-flight economist, working with the [equally qualified] current advisor, could play a useful role in leading a research effort which would attempt to integrate the separate pieces of work done to date and create a framework for specific future studies. The individual studies done to date on the transmission channels and key relationships of monetary policy are relevant and make useful contributions. However, they are much like pieces of a larger puzzle that needs to be better defined before the results of the research can be properly interpreted and fitted together. With a significant number of project research papers still to be done and the BI having a need for continuing research in the years ahead, it is clear that a seminal integrative study would be useful.

As the META/IPS project moves into its latter phases, the issue of sustainability must be given a high priority. Specifically the research undertaken must be seen as addressing some aspect of BI's problems and be important to them. Research should be identified, designed and carried out jointly. The involvement of URES staff and management at all stages is essential to a successful ending of the project and transition to BI/URES being able to sustain and continue the work initiated by the project. As a part of this transition process URES staff, working independently and with META/IPS staff, should be strongly encouraged to contribute to a BI working papers series which would present their research findings to a wider audience.

Another issue is the degree to which the data base is being fully and effectively utilized at all levels within the BI. At high levels there has been a demand for the data systems, but it is not clear that the system is adequately understood and fully utilized at the levels where research is done within URES. Additional efforts may be required to improve the working staff's familiarization and comfort level with the new data base. One of the desires expressed by BI senior officials interviewed was to make the new data system more accessible for all of the staff.

A final issue which was a problem early on in the project was the use of short-term technical assistance where the level of familiarity with Indonesian monetary issues was inadequate to produce truly useful work. As a result of feedback from URES the use of policy advisors was suspended during the first year and the focus shifted to institution building.

This proved to be a wise decision and when policy matters eventually resurfaced as part of the project's activities the approach was more careful and effective. The project has clearly worked through the initial difficulties and learned from that experience. This has been a problem in many countries. Short-term technical assistance can be very risky if the individuals involved do not have adequate prior knowledge of the specifics of the area they are researching and/or they are not very carefully supervised by others with good knowledge of local conditions.

4. Lessons Learned:

- Short-term technical assistance must be carefully selected and closely monitored, especially during the start-up phase of a new activity with no history of USAID involvement, for maximum effectiveness in policy oriented research.
- Essential equipment should be identified early-on and the problems and delays of procurement given due consideration.
- In an activity of this nature, it is desirable to include a broad research objective to help define major underlying constraints and integrate the findings of earlier studies in a manner consistent with a stable theoretical framework. While this has already been done, to a degree, additional attention to questions of overall transmission mechanisms and the structural relationships of key variables would appear desirable.

5. Recommendations:

- Attention should be given, in consultation with BI, to devising the most effective method for assisting with activities promoting the sustainability/integration process. To the degree that resources are available during the last two years of the project, such assistance could consist of: another full-time advisor; a series of short-term advisors; or an increased level of direct assistance from USAID/ Jakarta.
- A mutually acceptable plan of action should be developed with BI to institutionalize the work of the project into the overall URES structure, utilizing ideas such as counterparts, joint studies, and a working papers series to advance the integration process over the next year or two.

C. **Power Advisor:**

In 1988, the USG placed an advisor in the Directorate General for Electricity and Energy under the funding and control of the AID/W Office of Energy. In 1990, a decision by the GOI to open the electric power supply sector to private participation resulted in the USG decision to transfer supervision of the advisor from AID/W to USAID/Indonesia. Since the USAID/Indonesia CDSS had not made provision for this eventuality, the advisor was funded by the most flexible and relevant program available, ARSSP. The advisor fitted

well within the ARSSP framework, supporting its Policy Objectives 3.5.[Accelerate the progress of private sector participation in providing public services] and 4.2.[Increase the growth of foreign investment in Indonesia].

The Purpose of the activity was to help create a regulatory and commercial environment favorable to increased private ownership, financing and operation of electric power facilities and to improved overall electric power sector efficiency. It was recognized from the beginning that a single advisor - with no financial resources at hand - might not be able to have major impact on a sector of such high cost activities and overall economic importance; however, the high potential also inherent in his function was considered to make it worth the effort.

The Scope of Work of the Advisor sets forth his principal tasks:

- Assist the GOI in continued formulation and development of policy, regulatory and institutional frameworks for private sector participation in the electric power sector;
- To increase diversification and efficiency of use of primary energy resources, assist the GOI in developing a strategy and incentives to be applied to private power projects;
- Assist the GOI in selecting and implementing private power projects that will serve as models for private sector participation in the electric power sector and for the use of environmentally sustainable technologies . . . ;
- Assist in identifying and developing ways to increase the participation of the U.S. private sector together with Indonesian private sector in private power projects;
- Planning and coordination of short term technical assistance provided under other A.I.D. funded contracts . . . ;
- Function as an information link between the GOI and Indonesian private sector needs and A.I.D. centrally funded energy and environment projects . . . ."

The Advisor is required by his contract to submit Quarterly Reports to the appropriate GOI and USAID Offices. The time constraints cited earlier have precluded the evaluation team from fully assessing the adequacy of these reports, but in a quick survey, they appeared to meet requirements.

It is clear from the comments of all parties involved that the Advisor has been extremely well received and has done an excellent job:

- Embassy and USAID officials engaged in fields of work which put them in contact with the Advisor found him playing very important roles, both in rendering sound advice to the GOI and in insuring that U.S. interests in the electric power sector were satisfactorily represented;
- World Bank officials who had also had occasion to work with the Advisor were similarly unanimous in their praise for his expertise, his hard work, and his persistence in presenting the Indonesians with necessary advice in a sector of great importance to the country;
- the evaluation team member interviewing the Advisor also found him to be an extremely impressive individual in every way, both personally and professionally; and
- the Advisor played a material role in both the issuance of the Presidential Decree opening up the Electric Energy Sector theretofore fully controlled by PLN to private sector participation, and in the actual effecting of the initial private investment in the Sector.

However, in any situation where immense commercial and financial interests are involved, it is inevitable that the influence of any foreign advisor, no matter how well respected, may often be circumscribed by events beyond his control. For example:

- The recent major PLN restructuring was carried out in a precipitous and relatively unplanned manner contrary to the recommendations of the Advisor;
- a complete legal and regulatory structure to help insure fairness to all participants in the electric power sector, producers and consumers alike, has not been promulgated although a full set of drafts had been prepared and presented by the Advisor;
- despite the absence of such legal and regulatory structure, a mega power generation contract (Paiton) was let;
- adequate planning for essential transmission links between power generation sources and major load centers has been neglected contrary to the strong urging of the Advisor.

Finally, the presence of an important nationwide policy component in the most recent World Bank power project [Sumatera/Kalimantan] must inevitably diminish, to some degree, the influence of an advisor whose activities are not fully coordinated with that project.

Although the Bank officials contacted stated that the type of general advice extended by the Advisor was important for the Indonesians to be exposed to, and was complementary to rather than competitive with the Bank's own system-oriented TA, they acknowledged that his lack of leverage sometimes limited his opportunity to get such advice accepted.

Nevertheless, because of the extremely high regard in which the Advisor is held by the Bank, it was indicated they might well be receptive to picking up his contract if he were to be released by ARSSP.

It is therefore recommended, in light of the superior potential for the Advisor to exercise substantial influence on the Indonesian Electric Power Sector from a position within the IBRD project, rather than in his present ARSSP role, that appropriate USAID officials begin discussions with the Bank on the potential future availability of the Advisor for their contracting.

#### D. Science & Technology Advisor:

For the last sixteen years, USAID has had a Scientific and Technical Advisor working with the GOI Minister of State for Research and Technology/Chairman of the Agency for Assessment and Application of Technology [BPPT]. Such other industrial nations as Germany, Japan and the UK have like representatives. The Advisor's activities are monitored by the USAID PED Office. His Scope of Work sets forth his primary functions as:

- identifying opportunities for U.S. technology and U.S. private sector business in Indonesia;
- identifying appropriate technology for use in Indonesia;
- contacting the U.S. business and scientific community to promote their involvement in Indonesian development;
- providing information to BPPT concerning U.S. private sector capabilities;
- arranging high-level Indonesian-American meetings;
- keeping USAID and the U.S. Foreign Commercial Service [FCS] apprised of developments in the sector.

The Advisor is required by his contract to submit Quarterly Reports to the appropriate GOI and USAID Offices. The time constraints cited earlier have precluded the evaluation team from fully assessing the adequacy of these reports, but in a quick survey, they appeared to meet requirements.

It is clear that the Advisor - and apparently his predecessors over the many years of the activity - has been conscientiously engaged in his task and that an excellent rapport exists with the GOI, to the advantage of both Indonesia's understanding of scientific and technological issues and the interests of U.S. business in competition with the other industrialized nations.

It is equally clear that the Embassy and USAID appreciate the benefits conferred upon the USG by the conscientious fulfillment by the Advisor of the functions set out in his Scope of Work. Similarly, that the beneficial effect upon opportunities for U.S. economic interests have been enhanced by the influence of the Advisor upon those Indonesians with whom he is dealing. And finally, that the importance within the GOI of the Minister of State for Research and Technology makes the maintenance of close linkages with him a matter of particular interest to the USG.

It is less clear that this is an activity to be funded under ARSSP, rather than the FCS. Although the ARSSP Certification Checklist was filled out, showing the Activity falling under ARSSP Policy Agenda item 4.2. [Increase the rate of growth of foreign investment in Indonesia], Mission Memorandum IND/91/07 concedes ARSSP funding is only being used: "until an alternative project has been designed [emphasis added] . . . ."

Moreover, despite the importance of ARSSP flexibility in dealing with subject areas not readily amenable to the rigidities of the more usual modes of USAID funding, it appears that this activity lacks sufficient structure for reasonable inclusion therein, with its outputs too amorphous to permit adequate monitoring or evaluation.

It is recommended that, in light of the peripheral impact of the Advisor's functions on the goals of USAID programming in general and those of ARSSP in particular, coupled with the difficulty of monitoring and evaluating such a nebulous activity, the contract be permitted to expire and appropriate USAID Officials discuss with the FCS, the primary beneficiary of the Advisor's services, the possibility of their funding any future contract extensions.

#### **E. U.S.IRS - GOI Ministry of Finance:**

A USAID/IRS PASA arrangement to provide assistance, primarily in certain aspects of tax administration [audit, collection, and EDP/MIS], to the Ministry of Finance has been in existence since 1986. At present, an IRS team of three advisors is resident in the MOF. Their extremely - if not excessively - broad Scope of Work includes:

- Completing and field testing a Taxpayer Compliance Measurement Program [TCMP];
- identifying and coordinating auditing efforts and implementing previously proposed IRS initiatives on transfer pricing issues;

- developing and coordinating the implementation of an audit identification program for major corporate taxpayers;
- studying the workload implications for the Tax Department of obtaining income yields by audit class;
- developing and implementing enhanced collection initiatives for delinquent taxpayers;
- continuing implementation of criminal investigations and conducting financial fraud training courses;
- coordinating a broad range of computerization, data integration, and information and management system initiatives; and
- assisting in assessment of potential organizational reforms.

For reasons well beyond the ken of the evaluation team, the Scope of Work also tasked the IRS - rather than one of the European tax advisory teams - to provide TA to the VAT Directorate.

The IRS team is required to submit Quarterly Reports to the appropriate GOI and USAID Offices. The time constraints cited earlier have precluded the evaluation team from fully assessing the adequacy of these reports, but in a quick survey, they appeared to meet requirements.

In the best traditions of "working yourself out of a job", the most recent PASA extension also envisioned itself as being the last of its kind. Similarly, the 50-50 USAID-GOI funding of the two-year extension paves the way for full GOI financing of future IRS assistance.

The IRS team has done an excellent job of providing management training, developing and implementing an audit criteria selection system, training Tax Department personnel in effective computer use, helping in an internal reorganization, and conducting an education campaign concerning the basic nature of an effective tax administration system.

A World Bank official with whom the evaluation team met credited the IRS effort with increasing actual Indonesian tax collections as a percentage of possible receipts by two to three percent - an immense amount of money in an economy of this magnitude.

Thus, if the benefit:cost ratio of the IRS effort could be projected into the future, it would clearly call for renewal of the activity in much its present form, however financed. Nevertheless, other factors over and beyond its financing are at work that call for modification of the shape of the program.

Concerning the first of these factors, the Indonesian sense of national identity, an indication of the limited role of the IRS team [and all the other foreign tax advisors], as well as the "dialogue" aspect of USAID/GOI relations under ARSSP, is the fact that during the evaluation, all MOF officials of any importance have been engaged in a major exercise of tax reform from which foreigners are totally excluded - even to the extent of corridor gossip being withheld from them. The scope and importance of this GOI effort is illustrated by the inability of the evaluation team to shake any major official from the MOF free from their internal sessions. Although all of the foreign missions are well aware of the overall thrust of the reform effort, the insistence of the GOI on devising it on their own is indicative of their desire to take full control of the subject.

On a more procedural level, it is clear from the comments of both the IRS team and the USAID advisor that a fundamental shift in the nature of the program is at hand. In effect, institutional sustainability has been attained - partly as a result of IRS assistance - to the degree that the presence of a three person cadre of advisors on a full-time basis can be considered "finalized and completed" as of the end of the present PASA.

The suggested future role of IRS is primarily to furnish TDY teams to assist in designing the parameters of MOF participation in IRS training courses - for which the MOF will pay. It appears to the evaluation team that this is a sound approach to future relations in the field.

It is therefore recommended that USAID, the IRS and the MOF meet to establish a revised relationship as stated above.

**F. "New Initiatives", combined with "Small Scale/ Short Term" Activities:**

Because of the time constraints under which this evaluation is laboring, analysis of the New Initiatives, combined with Small Scale/Short Term Activities will be limited to a [hopefully!] representative sample activity among those fully or substantially completed, those under way and those currently getting started.

1. Budgetary Study on Costs of Universal Compulsory Education: Small/ Short, substantially completed.

The Scope of Work for this Study called for the production of technical papers on:

- Estimates of the total public budget required for the implementation of universal compulsory education; and
- estimates of the total budget for education development during Repelita VI.

Although time constraints have precluded examination of this major study, the USAID Project Manager has informed the team that the study findings showing the projected cost of such an educational program as being far higher than the original GOI projections have caused a major budgetary exercise to be initiated. Whichever way the issue is resolved, the study will have played an important role in avoiding the problems that would have been caused by the arising of a major funding shortfall in the course of actual implementation of the education program.

2. Infrastructure Bottlenecks, Private Provision and Industrial Productivity: A Study of Indonesian and Thai Cities: [Expanding on a Nigerian Study]: Small/ Short, under way.

Under this activity, \$220,000 was granted to the World Bank in 1991, as the USAID contribution to a jointly funded study. The objectives of the study were to: 1) extend the Nigerian study to the two additional countries to strengthen its empirical and policy analysis and test its transferability; 2) expand its scope to investigate how infrastructure constraints affect the growth of manufacturing in regional cities versus the primary cities; and 3) study alternatives for private sector participation in the delivery of infrastructure services. In the case of Indonesia, USAID has paid particular attention to private participation in the power sector, in addition to which a more generalized interest in the urban sector health and welfare is evident, as noted in the Strategy Update sections discussed below.

Although an attempted evaluation of a highly academic study still under way is unlikely to be more than marginally satisfactory, discussions with the USAID Project Manager have adduced the following information:

- The Nigerian study has been extremely well received by the World Bank, and with the Thai and Indonesian follow-on studies could become "the definitive study" on the relationship between infrastructure availability and development in urban areas, both primary and secondary; and
- the Indonesian extension of the study has a potential fit with the USAID Strategy Update Performance Indicator 2. under Program Outcome 1.3.: "Number of signed agreements between local governments and private firms in providing urban services." Likewise with Program Indicator B. 2. under Program Outcome 3.1.: "Amount of investment by private sector in urban environmental infrastructure."

The background experience of the evaluation team on the generic superiority of private sector provision of services over public sector provision verifies the potential importance of the study.

3. National Cooperative Business Association (NCBA): New Initiative, getting started.

A major aspect of the Strategy Update is Strategic Objective 4: Increased Effectiveness of Key Institutions in Supporting Citizens' Rights and Civic Participation. Under that S.O.:

"USAID has also increased its assistance to East Timor to highlight American concern about the human rights situation in the province. This assistance includes grants to U.S. and indigenous NGOs working in East Timor and urban infrastructure development under the Housing Guaranty program. A DA and P.L.480 Title II monetization program to support cooperative development in the province will start this year and we have been requested to assist the GOI in preparing a development plan for East Timor."

This statement represents perhaps the most outstanding example of the value of ARSSP's flexibility and rapid-response ability: the "New Initiative" sponsored by the National Cooperative Business Association to take advantage of a "window of opportunity" to put a pivotal social and economic development program into that desperately poor and unstable area. When an overall easing of the tense political situation there created a situation where both the NGO community and the GOI felt a development program could be safely mounted, NCBA, with its long history of highly successful social cum economic programs of cooperative development prepared an unsolicited proposal, which was approved under ARSSP in the USAID record time of only ten [10!] weeks.

This poverty alleviation and participatory program constitutes an extension of the eminently respected and successful Indonesia Enterprise and Trade Development Project [IETDP], the successor to their seminal Cooperative Agribusiness Enterprise Development Project, both of which have received substantial assistance under Title II. In the prior cases, as in the newly authorized project, NCBA promotes social development by assisting in the formation and operation of grass-roots, bottom-up cooperatives to empower the local people [with emphasis on women], combined with the economic development impacts of successful production, processing and marketing of agricultural, horticultural, plantation forestry [for furniture making] and local specialty crops. These programs have been of benefit to both domestic and international trade and have helped bring substantial numbers of previously marginal people into the social and economic mainstream. While the unique difficulties of the East Timor situation make success impossible to guarantee, the NCBA record inspires the maximum confidence.

**G. Integrated Pest Management (IPM) - Training:**

There are two separate IPM projects under ARSSP which are components of the Indonesian National IPM Program and are now both administered under the Ministry of Agriculture. This section deals with the larger training program which is co-financed with

and managed by the World Bank and implemented by the FAO. The smaller project which is a direct USAID contract for IPM research with Clemson University is discussed in the next section.

1. Training Program Description and Objectives:

Agricultural progress in Indonesia has been one of the strongest components of the country's overall economic success. Output in the agricultural sector grew at an annual rate of almost 4 percent between 1969 and 1990, as compared with population growth of 2.1 percent. On a per capita basis caloric intake rose 37 percent and rice consumption was up by 42 percent over the 21 year period. The basis for this increase was the introduction of new high yielding varieties of crops, particularly rice, and aggressive policies by the government providing infrastructure, extension services and subsidizing fertilizers and pesticides.

The advent of the Green Revolution and introduction of high yield varieties had a downside which was the emergence of new forms of insect pests and plant diseases. In Indonesia the problem centered on the proliferation of Brown Plant Hoppers (BPH) which were causing widespread crop damage by the late 1970's. The response to this threat was the introduction of new partially resistant varieties of rice, but more generally the wider use of pesticides became the accepted method for suppressing BPH.

The wisdom of this use of pesticides was cast into doubt by subsequent events and in the mid-1980's focus shifted to an approach known as Integrated Pest Management (IPM) as the main strategy for coping with BPH and other plant pest and disease problems. The chemical approach to controlling pests had several negatives as compared with properly managed IPM. The most important of these are:

- Spraying crop fields destroyed many of the natural enemies of the BPH, without eliminating the BPH problem;
- The long-term effects of human exposure to vegetation and land that had been sprayed with pesticides was becoming a concern; and
- There was a significant monetary cost to both the government (subsidies) and the individual farmer who purchased the chemicals.

2. Accomplishments to Date:

IPM began in a limited way in 1983 on rice cultivation in South Sulawesi, and its success combined with the diminishing effectiveness of pesticide treatment led in 1986 to the formal adaption of IPM as the main strategy for protecting crops in Indonesia. At the same time 57 broad spectrum insecticides were banned and subsidies for pesticides were ended.

IPM is based on a varied menu of activities which can be adjusted to confront the specific problems encountered in local fields. The basic approach is to combine a range of activities which include:

- Host plant resistance, i.e., the use of resistant varieties whenever possible and affordable;
- Cultural control, i.e., growing a healthy crop through proper timing and optimum application of water, fertilizer and weeding;
- Biological control, i.e., preserving or promoting natural pest enemies or other conditions which inhibit the proliferation of pests; and
- Chemical control, i.e., the last-resort use of narrowly focused pesticides when pest proliferation becomes excessive.

A nationwide IPM program was established based on funding support from USAID and technical assistance through FAO. IPM was extended to 12 provinces which accounted for 91 percent of national rice output and by 1992 had trained 1100 pest observers and 140,000 farmers. Ongoing research work in the universities to develop better IPM techniques was also part of this effort.

Given the limitation on USAID's resources and the realization that the IPM program is directly reaching only a small fraction of the 10 million rice farmers in Indonesia, it was decided to expand the project and bring in the support of the World Bank. This would allow extension of IPM training to an additional 800,000 rice farmers, strengthening of regulatory and environmental management of pesticides, and beginning of IPM coverage of secondary crops such as corn, soybeans, and vegetables. The project cost for the period 1993 to 1998 is estimated at \$53 million of which the World Bank is lending \$32 million, USAID is providing a grant of \$7 million, and the GOI is contributing the balance of \$14 million.

The World Bank loan agreement was signed in mid 1993, but the first year of the project has been spent in straightening out administrative responsibilities. IPM field activities have either continued of their own momentum, with little or no funding from the project, or have begun to atrophy. The expansion of the project has entailed three significant transitions each with the potential to involve slippage and confusion in the management and implementation of the project. The three transitions are:

- A roughly five fold expansion of the size of the project with important new activities such as a Management Information System (MIS) and the inclusion of new crop ecologies;

- Primary donor funding and project management has been transferred from USAID/Indonesia to World Bank/Washington, with significant complication of the project organizational structure; and,
- Local management, control, and disbursing responsibilities have been shifted from the National Development Planning Agency (BAPPENAS) to the Ministry of Agriculture (MOA).

Any one of these shifts would have likely caused some delay and slippage in the project's start-up and implementation time frame, but the combination of all three has resulted in the loss of 9 to 12 months. At this point the delay - specifically a lack of funding and in some cases equipment for the field staff due to administrative delays - does not seem to have done permanent damage to the project. Many of the outstanding problems have been resolved as of September 1994, but some critical issues still remain and it will be at least another month or so before the project is fully back on track and making progress. These matters will be discussed below in more detail.

### 3. Issues to be Considered:

The important issues to consider regarding the Training component of the ARSSP IPM program fall into two general categories: first, how successful has the project been, what is the basis for that success, and to what extent can benefits and costs to Indonesia, particularly the farmers be measured; and, second what were the sources of the problems the project has experienced over the past year in upscaling and transitioning to new management and how could these problems have been minimized? The rest of this section will discuss detailed aspects of these two general questions.

As outlined above there is no doubt that the benefits of the IPM project have been considerable and have impacted on areas of major importance both to Indonesia and USAID, i.e. agricultural output, the environment, health, small scale producers, empowerment of the poor, and reductions of public subsidies. In sum it has been a model of development assistance achieving efficiency goals (more output at lower costs) while generating a broad spectrum of positive externalities or spin offs (such as environment and empowerment). The costs to the former suppliers of pesticides appear to be transitory in nature, but the amounts involved are not clear.

This however, is only an impression regarding the issue of the benefits and costs of the project. Moreover, the importance of this project and the questions of its replicability elsewhere and its suitability for upscaling under the aegis of the World Bank all suggest that a serious effort be made to understand and document what this project has accomplished. Questions which should be addressed in a serious study of IPM over the period 1985 to 1995 would include:

- what are the bases of IPM's success and to what extent might these be replicated elsewhere;
- what has happened to crop yields and farm incomes under IPM as contrasted with farmers using older techniques;
- have there been any unidentified costs or benefits to farmers and other Indonesians;
- how much of a drop in agro-chemical use has occurred;
- what have been the subsidy savings for the GOI since 1986;
- has there been any observable effect yet on the levels of toxicity in the rivers or in farm livestock resulting from lower pesticide use;
- to what degree have farmers and/or their families been empowered;
- is the agricultural extension system becoming more client driven; and
- has IPM had any impact on agricultural research in Indonesia, which in terms of aggregate expenditure remains relatively low.

Before the 1989-1993 era when IPM functioned as a modest sized, USAID directed project becomes too distant and before very many of those with first-hand experience move on to other tasks, it would be useful to do a thorough post-project evaluation. This study should be descriptive and empirical focusing mainly on the substance of the project and its interaction with Indonesian counterparts at all levels so that readers from other parts of USAID and other development institutions can understand what happened and make comparisons with other countries.

During the last year the IPM project has faced a period of difficulty beyond the normal adjustment problems that would be expected in a period of significant increases in scale and shifts in project funding and management. The experience has been traumatic in terms of the effect on the staff. Continuity of work in the fields and laboratories has been maintained only through unusual dedication on the part of the individuals involved. Some of the outstanding problems seem to be moving toward resolution as of September 1994, but the status of the project will not be secure until all the important issues outstanding have been resolved. Examples of issues still pending which were identified in the World Bank Supervision Mission of July-August 1994 are:

- a need to simplify the project management structure within the Ministry of Agriculture (MOA);

- the basic field structure of the project be extended from the original 4 provinces to the 8 new provinces in the larger project;
- MOA field staff have their job descriptions up-dated so as to include agreed upon IPM responsibilities;
- the project MIS has not yet been established and training for this function should begin by November to improve the flow of funds to field units; and
- most importantly, although the GOI has signed an agreement with FAO for the continued provision of TA, two additional administrative steps have not been taken by MOA, so the agreement has not been operationalized and the funds are still not flowing to pay for TA.

This listing is an example of the steps that remain before the project is in fact functioning properly. All of these issues are under discussion with the GOI and the expansion of the program to 8 additional provinces is underway. Some progress is being made; however as of mid-September 1994, these matters have not been adequately resolved and FAO is beginning the process of closing down its office in Jakarta. The critical issue centers on the capacity of the MOA to administer the larger scale project and attend to all the

necessary details in a timely manner. If these problems cannot be solved - mainly within the MOA - in relatively short order, then it will get increasingly difficult to hold the project staff together and maintain the integrity and continuity of the Project's activities.

The difficulties experienced by the IPM during this transition period raise a second set of issues which should also be addressed in the study discussed above. The types of questions that should be looked into include:

- to what extent was expanding the project and involving the World Bank inherently destabilizing, leading to excessive administrative overlays and an increase in rent seeking as the overall level of funds rose to \$ 53 million.
- what were the forces leading BAPPENAS to want to substantially readjust the loan agreement and project structure after the negotiations and signing had been concluded;
- what was the basis for BAPPENAS wanting to dispense with the MIS and substantially reduce the TA level for the project;
- could these issues have been worked out with BAPPENAS and the shift of local project management been avoided;

- once the MOA was recognized as the location for the enlarged IPM project could the transition have been facilitated through provision of TA or other assistance to MOA administrators;
- what was the basis for the delay in BAPPENAS handing over project equipment and vehicles;
- are these unusual transition problems attributable to each bureaucracy in normal pursuit of its own perception of appropriate policy combined with institutional interests, or is there some residual opposition to the whole IPM approach which parts of the relevant bureaucracies find threatening; and finally,
- what problematic aspects of the transition process could have been anticipated and ameliorated early on, and what aspects were unexpected and thus could not have been headed off.

Because IPM has been such an exemplary project in general and because cooperation with the World Bank in upscaling similar good projects is likely to be a recurring theme for USAID, there is a need to include these questions in the post-project evaluation discussed previously. These issues need to be analyzed and explained so that the proper lessons can be drawn and applied to other projects which face similar transitions.

#### 4. Lessons Learned:

- The paramount lesson to emerge from the IPM experience is the need for development agencies to be flexible and timely in their response when the opportunity to support a truly excellent project is identified. Both USAID in 1988-89 and the World Bank in 1992-93 had to respond flexibly and quickly in order to provide continuity of support for the IPM in a timely and effective manner.
- The right combination of technology, institutions, and people can lead to truly beneficial projects with gains achieved in terms of both productivity and positive externalities.
- USAID/in-country missions have an important role to play in complicated projects co-financed with the World Bank, specifically:
- World Bank supervision in Washington may be slow in reacting to significant new developments affecting the project, whereas

USAID/ in-country may be much better at quickly identifying and interpreting important changes;

- the World Bank may have too much of a "disbursement culture" which creates moral hazards interpreting the substantive achievements of a project; and,
- involving the World Bank in an enlarged version of a formerly modest USAID project may lead to a more than proportionate increase in administrative overlaps, rent seeking behavior, and other inhibiting and wasteful developments.
- In order to be able to protect its perceived interest in the Project USAID needs to have a substantial (though minority) stake in the financing, and still be prepared for difficult negotiations with the IBRD.
- In so far as possible minimize the number of simultaneous transitions a project goes through; if the local managing agency is to be changed, this should be done prior to the enlargement of the project to allow for a suitable start-up period. Trying to make several changes at the same time makes serious slippage in the project time-table a near certainty.

5. Recommendations:

- At the time of this evaluation the fate of the project is not entirely assured, so USAID/Indonesia staff should stay in close touch with developments and be prepared to do what is necessary to help overcome the remaining obstacles, particularly within the MOA.
- The project will almost assuredly progress more slowly than anticipated and have its life extended beyond the current 1998 closing date; USAID should make whatever preparations are necessary to adjust to the extended timetable.
- Because of the importance of this project and the lessons that emerge from World Bank involvement, there is a need for a serious history/evaluation of the 1989-1993 USAID period and the 1993-1995 change-over period to try to specify the basis for the success of the project and the problems of the transition. It

is important to draw the appropriate lessons learned from this project while the events are still fresh in the participants minds.

## H. Integrated Pest Management (IPM) - Research:

### 1. Research Program Description and Objectives:

Although the two IPM projects are administratively distinct and separate in practice and implementation they are fully integrated with each other within the Indonesian National IPM Program. This project, being implemented by Clemson University, focuses primarily on research into IPM methods for palawija (non-rice) crops. Most of the effort to-date has gone into soybeans, but work has also been done on potatoes, cabbage, onions and corn in Sumatra. Soybeans have significant potential for expansion in Indonesia and have been given priority in palawija IPM research. The other crops were included primarily because of the heavy use of pesticides by farmers in their cultivation.

The purpose of the research is to broaden the applicability of IPM techniques to palawija crops and thus encourage farmers to diversify their crop patterns without having to rely excessively on pesticides and other potentially harmful chemicals. The Clemson research project grew out of short-term TA requirements and evolved into a full-time advisor based at the IPM research facility at Bogor. The project has just completed its first two year contract and is currently in the final stages of negotiating a second two year contract. In terms of resources and scope this project is much smaller than the training project and has a much shorter history, therefore it has remained within USAID for both funding and management. Based on the information available, and acknowledging that the evaluation team does not have technical expertise in the IPM field, the achievements of the first two years of the project appear to be positive. Some initial predator and parasite work had been done before the Clemson project began and has been advanced to the point where it could be integrated into training programs nationally, if those programs were fully functional. Work on insect pathogens was almost entirely new and has progressed satisfactorily to-date. The results so far are promising, but more work is required before these methods are ready for incorporation into the national IPM training programs.

Research work is conducted jointly with the trainers and those running the training programs involved in the field research and data gathering. The results are then written up and incorporated into the training programs by a team that includes both trainers and researchers, thus there is integration of the two projects at several levels.

### 2. Issues to be Considered:

The main difficulty facing the IPM Research Project is the present inability of the training project to utilize their new findings on anything but a local level. Because local trainers were involved in the field trials of the predator and parasite work, they are familiar with the results and are able to utilize the new techniques. However, because

no new manuals have been prepared for the last two years, the results of this research has not been disseminated nationally on a systematic basis. Hopefully this can be overcome as a by-product of resolving the IPM training problems described above.

If in a worst case scenario the training program's problems cannot be resolved in the near-term, then the issue arises as to whether the second two years of the research project should be postponed or canceled. Research typically has a long gestation period and can face costly setbacks if field trials and other experimental procedures are not carried through to completion. For these reasons it would appear that the research project component of the IPM program should proceed with a minimum of interruption between the two contracts. This will help build up a stock of IPM knowledge and techniques that will eventually be fully utilized in future training programs.

3. Recommendations:

- The contract renewal of the research project should be considered on its own merits and not be delayed unduly because of problems being encountered in other parts of the overall national IPM program.

## VII. OTHER DONOR COORDINATION:

The position of USAID in the donor community was well summarized in the Strategy Update:

"Although dwarfed in dollar levels by other donors (U.S. provides only about 1.8% of Indonesia's official development assistance), USAID retains a unique place at the donors' table. Its years of steady assistance in key problem areas, its ability to access new ideas and technology and its role in providing highly-valued policy advice continue to make a significant contribution to Indonesia's development and the alleviation of poverty. In a country of numerous donors, USAID is ideally placed in a "donor niche" where it achieves significant results with relatively few resources. Not only are the technical assistance and training USAID provides in high demand in Indonesia, but USAID advice and ideas are also influential in donor circles, where significant policy leverage is gained."

As part of the Consultative Group for Indonesia (CGI), USAID coordinates its program with the Asian Development Bank (ADB), the International Bank of Reconstruction and Development (World Bank), and the International Monetary Fund (IMF).

The World Bank chief economist has confirmed to the evaluation team that the Bank places a considerable degree of reliance on the provision under ARSSP of TA to GOI institutions engaged in development activities in which the Bank is interested and/or actively participating. The usual situation is one in which the Bank furnishes specific TA in support of its loans, while ARSSP makes available more generic assistance with emphasis on policy dialogue. In the best case situation, relatively modest dollar levels of ARSSP investments in needed reforms leverage Bank capital inputs in the tens-to-hundreds of million dollar range.

Another important aspect of the USAID role in the donor coordination process has been demonstrated in the joint USAID/IBRD/FAO IPM activity, where the TA input from ARSSP not only contributed traditional technical expertise, but also assisted the FAO in restraining the risk of IBRD spending an excessive amount of money under an unrealistically rapid time schedule on a problem requiring a more careful approach.

## VIII. OVERALL PROGRAM EVALUATION:

Those aspects of the questions raised in **PURPOSES OF EVALUATION**, Section III above which are specific to individual activities will have already been answered, in detail, in **ANALYSIS OF KEY PROGRAM ACTIVITIES**, Section VI above. Such issues will therefore be treated in summary fashion, with the constant unstated advice to turn to Section VI for more complete discussions. Questions, or portions of questions, generic to ARSSP as a whole will be treated below.

- A. Ascertain the degree to which ARSSP TA has effectively supported the Policy Framework and contributed to the achieving of Program objectives.

Overall, ARSSP TA has done an excellent job in focussing on the major policy issues reflected in the Framework. In all frankness, however, it must be stated that the Framework is sufficiently broad that most reasonably sound development programming would be able to find a home somewhere within it.

- B. Determine whether the ARSSP policy framework remains appropriate or whether it requires modification to reflect both evolving conditions in Indonesia and the changing priorities of USAID.

Basically, the well designed, flexible and broad ARSSP policy framework remains appropriate. Although the ways of stating USAID priorities have been modified to meet current standards, the basic developmental cum humanitarian matrix that has guided USAID in the past remains largely in force.

- C. Assess the extent to which ARSSP is making satisfactory progress in the realization of measurable outputs, and to which these are being adequately monitored.

The outputs of ARSSP are primarily in the highly intangible areas of good advice given and sound policies promoted - distinctly less susceptible to measurement and monitoring than miles of road paved or numbers of students trained. However, in those areas noted above where concrete outputs have resulted from Program inputs, the levels of monitoring have generally appeared to be adequate.

- D. Appraise the effectiveness of the management structure being utilized by USAID/Jakarta for ARSSP, and determine whether that structure has created any problems impeding program implementation.

Given the scope and complexity of the ARSSP Program, its demands upon Mission management have necessarily been large. Despite the magnitude of these demands, the management structure has been generally effective and has permitted program

implementation to proceed in an orderly manner. Retention in EPSO of a PSC to aid in Program implementation has permitted what appears to be a satisfactory intensity of Program management without a burden in excess of the AID "do-more-with-less" norm.

E. Evaluate the "non-PSC" model used in implementation of some ARSSP activities;

In general, the "non-PSC" method of contracting has proved cost-effective for the Mission. Advantages have included substantial cost savings and the ability of the USAID to deal directly with the individual, rather than having to take into account the interests of an intermediary organization.

On the downside, the USAID has a marginally lesser degree of control over the consultant and the individual must spend a certain amount of his time carrying out the tasks of functioning in a developing country which are over and above those commonly encountered in, say, the U.S. Someone with experience living overseas is going to do better at that than a newcomer.

However, the greatest possible disadvantage lies in the lower level of synergistic interaction among advisors working together on the same job during the same time period. Although this is partly compensated by the advisor's interaction with his GOI and USAID colleagues, plus the TDYs in his area, it is not quite the same as being a member of a team.

In addition, in fairness to the American consulting firms which provide a vital link between overseas USAIDs and available U.S. consulting personnel, care must be taken not to use them merely as unpaid recruiters, whether in engaging PSCs or in any other form of non-institutional contracting.

F. Consider whether ARSSP TA has struck a reasonable balance between its short-term policy analysis and formulation aspect and the creation of long-term institutional sustainability.

In general, the answer to this is 'Yes', ARSSP has struck a good overall balance. However, since ARSSP is a compound of individual programs, it is necessary to look to the particular analyses of those programs in Section VI above.

G. Determine whether the review and approval processes set forth in PAAD Amendment No. 4 for new TA activities have been utilized, and whether they are, in fact, appropriate.

The Mission has, on the whole, done an excellent job in utilizing its review and approval processes. These processes have also been satisfactory in operation; however their form has given an undue weight to procedural matters over substance. Suggested changes in PAAD Amendment 4, p. 13, would include raising the visibility of the most

important requirement: "The primary criterion for selection will be the degree to which the planned activity has a high probability of contributing to policy development and implementation of reform."

In addition, the "Criteria for Activity Selection" requirement: "Separability from other projects" should be considered for elimination. The desirability of avoiding unnecessary mixing of funds among projects is well covered in the "Need for ARSSP funding" requirement, and the elimination of "separability" would obviate the need to tiptoe around it in cases of legitimate need such as the Deloitte & Touche Contract under FMP.

H. Examine the adequacy of attention paid under the Program to issues involving WID, such as gender disaggregation of data;

The fact that ARSSP has engaged in a variety of activities has naturally impacted upon the attention paid to WID issues, as those relate to the nature of any particular activity: some are more amenable to WID consideration than others. For example, gender issues have been taken very much into account in both TIPP and IPM to guarantee that women are equitably represented among the people trained and/or otherwise benefitted. In particular, NCBA has an excellent reputation for working with women in its socio-economic development programs, and intends to continue this pursuit in its East Timor program under ARSSP.

In the areas of studies and research, ARSSP has already sponsored:

- Research which examined the determinants of female labor force participation in Indonesia, permitting evaluation of how gender equity is affected by differing employment policies; and
- the Indonesian Family Life Survey, which collected data on male and female household members as well as community level data to permit analyses of the impact of various policies on individual and community gender issues.

Moreover, as set forth in Section IX. A. 4. below, future ARSSP programming will take additional care to be sure potential WID effects are taken into consideration in the selection processes for both ARSSP activities themselves and for the evaluation criteria to be included in the design of such activities.

I. Determine whether the anticipated future underfunding of ARSSP will compromise the achievement of program objectives.

Because of the nature of ARSSP as a multi-component program, the effects of any underfunding would have to be compensated for by the Mission through a reduction of the number of activities to be funded thereunder, rather than in any diminution of the quality of those actually funded. In point of fact, as shown in the specific recommendations of this evaluation, TIPP and IPM are considered of the highest priority, while the possible elimination of URES, IRS, and the Power and Science advisors could be considered.

## **IX. RELATION OF ARSSP TO REVISED AID AND MISSION PRIORITIES:**

As the result of a joint review by the Administration and Congress of the attributes they agreed were desirable for a United States foreign assistance program, and communication of the revised concepts to USAIDs worldwide, an Update of the USAID/Indonesia Strategy was issued in June 1994. . Inter alia, this update provided:

"USAID has four strategic objectives. These strategic objectives, which were developed through the PRISM process and are in concert with the GOI's and the Agency's development objectives are: (a) to develop a more competitive and participatory economy; (b) to improve health and reduce fertility; (c) to reduce the rate of environmental degradation; and (d) to increase the effectiveness of key institutions in supporting citizen's rights and civic participation."

As an indicator of the importance of programs such as ARSSP in the new scheme of things, the Update added:

"To achieve a national impact with limited resources, we use an operational approach which maximizes the use of technical assistance and policy advice."

This is only realistic, for as the Update goes on to state:

"[W]ith the limited resources available to USAID, policy-based programming is the only way to leverage significant results in a \$150 billion economy. For example, USAID programs assist with the development of regulatory guidelines, commercial law, and policies and rules governing financial markets, trade, and commercial transactions as well as with policy related to decentralization, public finance of social services (frequently delivered through the private sector) and targeting of poverty reduction programs."

The overall activities under ARSSP have clearly supported the goals established and it is our view that these activities were effective in achieving the desired goals of the Program. ARSSP has already had a definite impact on two of the four USAID strategy priorities: (a) the economy, and (b) environment, and can have even greater effect as these priorities are taken into consideration in the course of fine-tuning ongoing and future Program activities. In addition, priority (d) civic participation is being addressed in the "New Initiatives" NCBA program to be implemented in East Timor and other underserved areas.

## **X. LESSONS LEARNED AND RECOMMENDATIONS:**

### **A. Lessons Learned:**

### **TIPP:**

- Sustainability issues have been considered from the very initiation of the TIPP. However, given the time it takes to make a program self-sustaining and to integrate it into national institutions, now is the time to focus even more intensively on these objectives.
- In retrospect, more initial emphasis and/or training should have been put on Bahasa language capability for the long-term expatriate technical assistants, particularly those working on the domestic economy.
- The fact that TIPP's physical facilities, notably the computers, are physically and hierarchically distanced from the staff of the MOT appears to have inhibited their utilization.
- A regular seminar and working staff paper series might have encouraged more complete interaction and give and take among the MOT research and TIPP staffs.

### **URES:**

- Short-term technical assistance must be carefully selected and closely monitored, especially during the start-up phase of a new activity with no history of USAID involvement, for maximum effectiveness in policy oriented research.
- Essential equipment should be identified early-on and the problems and delays of procurement given due consideration.
- In an activity of this nature, it is desirable to include a broad research objective to help define major underlying constraints and integrate the findings of earlier studies in a manner consistent with a stable theoretical framework. While this has already been done, to a degree, additional attention to questions of overall transmission mechanisms and the structural relationships of key variables would appear desirable.

### **Power Advisor:**

- In any situation where major commercial and financial interests are involved, the influence of a foreign advisor is often circumscribed by

events beyond his control. For example, the Power Advisor's recommendations were not adequately considered when: a major PLN restructuring was carried out in an unplanned manner; a legal and regulatory structure for the electric power sector has not been promulgated, yet despite this absence, a mega power generation contract was let; and adequate planning for essential transmission links has been neglected.

**Science & Technology Advisor:**

- Given the primarily commercial promotion function of the Science and Technology Advisor, he would be more appropriately funded under the FCS, rather than ARSSP. Moreover, his activity appears to lack sufficient structure for inclusion in ARSSP, its outputs being too amorphous to permit adequate monitoring/evaluation.

**IRS:**

- The Indonesian sense of national identity, particularly in areas as sensitive taxation, indicates a limited role for the IRS or any other foreign tax advisors.

**IPM (Training):**

- The paramount lesson to emerge from the experience of the IPM Training Component is the need for development agencies to be flexible and timely in response when the opportunity to support a truly excellent project is identified. Both USAID in 1988-89 and the World Bank in 1992-93 had to respond flexibly and quickly in order to provide continuity of support for the IPM Training Component in a timely and effective manner.
- The right combination of technology, institutions, and people can lead to truly beneficial projects with gains achieved in terms of both productivity and positive externalities.
- USAID/in-country missions have an important role to play in complicated projects co-financed with the World Bank, specifically:
  - a. World Bank supervision in Washington may be slow in reacting to significant new developments effecting the project, whereas

USAID/ in-country may be much better at quickly identifying and interpreting important changes;

- b. the World Bank may have too much of a "disbursement culture" which creates moral hazards interpreting the substantive achievements of a project; and,
  - c. involving the World Bank in an enlarged version of a formerly modest USAID project may lead to a more than proportionate increase in administrative overlaps, rent seeking behavior, and other inhibiting and wasteful developments.
- In order to be able to protect its perceived interest in the Project USAID needs to have a substantial (though minority) stake in the financing, and still be prepared for difficult negotiations with the IBRD.
  - In so far as possible minimize the number of simultaneous transitions a project goes through; if the local managing agency is to be changed, this should be done prior to the enlargement of the project to allow for a suitable start-up period. Trying to make several changes at the same time makes serious slippage in the project time-table a near certainty.

**B. Recommendations:**

**TIPP:**

- That an action plan with time table be drawn up to effect the transition process for TIPP training to be integrated into a long-term, sustainable operating entity that can maintain the quality of the program. The components of this process are to:
  - survey current MOT training needs in this area and specify how TIPP's work relates to other training being offered;
  - revamp the existing TIPP courses reflecting current MOT needs and capabilities;
  - develop and teach a new higher level course geared toward the needs of the more technical MOT staff;
  - these courses should be team-taught with the Indonesians who will become the instructors after TIPP ends; and,

- work out with MOT officials a plan to find (or create) the appropriate institutional setting for TIPP courses to be taught after 1997.
- Make TIPP's computer assets more accessible and better utilized by the MOT professional staff and try to promote more interaction between MOT and TIPP staff through regular seminars and a working paper series.

**URES:**

- Attention should be given, in consultation with BI, to devising the most effective method for assisting with activities promoting the sustainability/integration process. To the degree that resources are available during the last two years of the project, such assistance could consist of: another full-time advisor; a series of short-term advisors; or an increased level of direct assistance from USAID.
- A mutually acceptable plan of action should be developed with BI to institutionalize the work of the project into the overall URES structure, utilizing ideas such as counterparts, joint studies, and a working papers series to advance the integration process over the next year or two.

**Power Advisor:**

- In light of the superior potential for effective utilization of the Power Advisor in the IBRD project, USAID should discuss that possibility with the Bank.

**Science Advisor:**

- The Science & Technology Advisor's contract be permitted to expire and that USAID discuss with the FCS the possibility of their funding any future contract extensions.

**IRS:**

- The current 50-50 USAID-GOI funding arrangement has paved the way for full GOI financing of future IRS assistance. USAID, IRS and MOF should therefore establish a revised relationship in which the role of IRS is primarily to furnish TDY teams to assist in designing the

parameters of MOF participation in IRS training courses for which the MOF will pay.

**IPM (Training):**

- At the time of this evaluation the fate of the project is not entirely assured, so USAID/Indonesia staff should stay in close touch with developments and be prepared to do what is necessary to help overcome the remaining obstacles, particularly within the MOA.
- The project will almost assuredly progress more slowly than anticipated and have its life extended beyond the current 1998 closing date; USAID should make whatever preparations are necessary to adjust to the extended timetable.
- Because of the importance of this project and the lessons that emerge from World Bank involvement, there is a need for a serious history/evaluation of the 1989-1993 USAID period and the 1993-1995 change-over period to try to specify the basis for the success of the project and the problems of the transition. It is important to draw the appropriate lessons learned from this project while the events are still fresh in the participants minds.

**IPM (Research):**

- The contract renewal of the research project should be considered on its own merits and not be delayed unduly because of problems being encountered in other parts of the overall national IPM program.

ANNEXES

ANNEX A.

ACRONYMS & ABBREVIATIONS

## Annex A

### List of Acronyms

ADB	-	Asian Development Bank
AEE	-	Agro-Enterprise and Environment Office, USAID
BAPEDAL	-	Environmental Impact Management Agency
BAPPENAS	-	National Development Planning Agency
BAPEPAM	-	Capital Market Supervisory Agency
BAKD/MOF	-	Agency for Monetary Affairs, Ministry of Finance
BPHN	-	National Law Development Agency
BPP	-	Local Share of Property Tax
BPS	-	Central Statistics Bureau
DATI II	-	Regional Level II
DIP	-	GOI Annual Development Budget
DKI Jakarta	-	Jakarta Metropolitan Area
EKKU	-	Ministry for Economics, Finance and Development Supervision
ELIPS	-	Economic Law and Improved Procurement Systems Project (USAID)
EPSO	-	Economic Policy Support Office, USAID
FAO	-	Food and Agriculture Organization
FIN/A	-	Finance Office, Accounting Division, USAID
GOI	-	Government of Indonesia
HIRD	-	Humanitarian and Institutional Resource Development Office, USAID
IFLS	-	Indonesian Family Life survey

INPRES	-	Presidential Instruction
IPM	-	Integrated Pest Management
IUIDP	-	Integrated Urban Infrastructure Development Program
M&E	-	Monitoring and Evaluation
MIS	-	Management Information System
MOF/BAKM	-	Ministry of Finance, Bureau for Regional Financial Analysis
MOH	-	Ministry of Health
MOHA	-	Ministry of Home Affairs
MOHA/PUOD	-	Ministry of Home Affairs, Government Affairs and Regional Autonomy
NGO	-	Non-Governmental Organization
OC2P	-	Office of Community and Civic Participation, USAID
OSR	-	Own Source Revenue
PDH	-	Legal Documentation Center, University of Indonesia
PED	-	Private Enterprise Development Office, USAID
PJM	-	Medium Term Development Plan
PURSE	-	Private Sector Participation in Urban Services Project (USAID)
RDA	-	Regional Development Account
SDO	-	Subsidy for Regional Autonomous Areas
SEKNEG	-	State Secretariat
SITC	-	Standard International Trade Classification
SUSENAS	-	National Social Economic Survey
TIPP	-	Trade Implementation and Policy Program
WHO	-	World Health Organization

ANNEX B.

SCOPE OF WORK

## STATEMENT OF WORK ARSSP INTERIM EVALUATION

### BACKGROUND

The Agriculture and Rural Sector Support Program (ARSSP: Project No.497-0357) was initially conceived in August 1987 as a response to an Indonesian fiscal and balance of payment crisis resulting from the collapse in petroleum prices in the mid 1980s. Originally, the ARSSP was made up of budget support (\$40.0 million), a very small technical assistance component and a policy agenda. The Program has been amended four times and the LOP funding increased to \$100 million. The program is now due to terminate in August 1997. Over the years the focus of ARSSP has shifted away from cash transfers and the associated policy agenda toward Technical Assistance in support of policy change.

The most recent PAAD Amendment No. 4 was authorized in August 1992. Amendment No. 4 increased LOP funding for ARSSP by \$27 million but designated those funds entirely for Technical Assistance. The Amendment also laid out new guidelines for the design and management of all new Technical Assistance activities.

The ARSSP Policy Framework is described on pages 17-19 of PAAD Amendment No. 4 and is a further elaboration of the Policy Objectives under PAAD Amendment No. 1 of 1990. The PAAD Amendment No. 4 recognizes that the policy environment in Indonesia is dynamic and consequently the policy framework was seen as "anticipated accomplishments over the (next) two years." The technical assistance financed under Amendment No. 4 is to be "focused on continuing areas of policy concern. These include: agricultural diversification, freeing up internal and external trade, improving fiscal and monetary tools to promote free markets, and training of economic managers. It is also anticipated that funding will be provided for work in the areas of small business development, promotion of private trade associations, as well as further work on poverty alleviation." Consequently a major purpose of the evaluation is to suggest whether the policy framework is still appropriate or need modification for the remaining 3 years before the planned termination of the ARSSP program.

The ARSSP program has been evaluated on several occasions and the most recent comprehensive evaluation was conducted in late 1991. In 1992 a narrower evaluation of one of the ARSSP components (the Young Professional Program) was carried out. Prior evaluations have indicated that ARSSP was very successful, highly innovative and a vital component of USAID's policy support program.

### ARTICLE I - TITLE

Agriculture and Rural Sector Support Program (ARSSP) Interim Evaluation

## ARTICLE II - OBJECTIVE

To provide Mission management with an appraisal as to whether the ARSSP program objectives are being achieved and whether the Program design, as amended in August 1992, allows for effective implementation of program activities.

## ARTICLE III - STATEMENT OF WORK

Given the exclusive emphasis of the current program on Technical Assistance, this evaluation will focus exclusively on the technical assistance activities conducted since the 1991 evaluation. The budget support activities (funded entirely under earlier PAAD amendments and now discontinued) will not be examined except to the extent that prior budget support was or remains critical to the conduct of current technical assistance efforts. There are a number of activities which have been funded and are ongoing under ARSSP. Of these the most important are:

1. Trade Implementation and Policy Project (TIPP) which is providing assistance to the development of the Ministry of Trade in a follow-on activity to the earlier Young Professional Program.
2. The URES project under which Technical Assistance is being provided to the Research Division of Bank Indonesia.
3. Provision of single individual Long-Term advisors to two Ministries - the Ministry of Power and Mines and to the Ministry of Science and Technology.
4. The Internal Revenue Service is providing technical assistance to the Department of Taxation, Ministry of Finance. The three IRS advisers are currently (until June 30) funded by the Ministry of Finance and will be picked up by USAID under a PASA for a final year starting July 1, 1994.
5. A number of small-scale, short-term activities which have provided technical assistance to a wide array of different agencies.
6. A \$7 million grant to co-finance the World Bank's Integrated Pest Management Training Project. This project was initiated in July 1993 and was the subject of an intensive review by the World Bank and USAID in December 1993.

Specific evaluation issues are:

- Has/is the technical assistance which has been provided through the ARSSP effectively supporting the ARSSP Policy Framework and the achievement of Program Objectives?
- Is the ARSSP policy framework still appropriate or should it be modified to

reflect both evolving conditions in Indonesia and the changing priorities for USAID?

- Is ARSSP making satisfactory progress to the realization of outputs and are these measurable and adequately monitored?
- Many activities financed by ARSSP are managed by offices in the Mission other than EPSO even though EPSO has overall co-ordination responsibility. Has this management mode been effective and has it created any specific problems which are impeding program implementation?
- Has the "non-PSC", single individual long-term TA model used in some instances in ARSSP been appropriate and does this mode of TA have special advantages or disadvantages?
- Has the ARSSP technical assistance struck a reasonable balance between short term policy analysis/formulation and long-term sustainable institutional capacity building?
- Have the review and approval processes for new technical assistance activities, as contained in PAAD Amendment 4, been utilized and is this process appropriate?
- Has ARSSP given adequate attention to WID and gender disaggregation of data?
- Does the anticipated under-funding of the authorized LOP of ARSSP in its remaining Life of Project compromise the achievement of program objectives?

#### **ARTICLE IV - REPORTS AND DELIVERABLES**

The evaluation team will produce a final report which details the teams findings and a draft of the Evaluation Summary in form and substance as required by USAID for all evaluations. The contractor shall produce a final written report and USAID Evaluation Summary, with particular attention to key findings and recommendations, 10 days after the completion of the work in country.

#### **ARTICLE V - RELATIONSHIPS AND RESPONSIBILITIES**

The evaluators will report to and take guidance from the Director of the Economic Policy Support Office (EPSO) in the conduct of this evaluation. Weekly oral progress reports will be made to the Director of EPSO and the Mission Evaluation Officer. EPSO will arrange for briefings to Mission Management (Front office, PPS, FIN and Technical offices) as needed, including a formal pre-departure presentation of the findings of the evaluation.

## ARTICLE VI - PERFORMANCE PERIOD

The evaluation will begin on August 1994 and continue for a period of three and a half weeks in country. At least 2½ weeks should be allocated to meeting with Mission personnel, ARSSP contractors and GOI counterparts in Jakarta and in reviewing program documentation. The final 10 days should be used to draft and present a draft report prior to departure from Indonesia. A detailed work schedule will be developed in conjunction with USAID/Indonesia during the first 2 days of the evaluation.

## ARTICLE VII - WORK DAYS ORDERED

The Mission believes that the outputs described in this Statement of Work can be achieved within a total of 28 days of input, as follows:

	<u>Work Days</u>
Evaluators:	
U.S.	3
Jakarta	25

## ARTICLE VIII - A.I.D. ILLUSTRATIVE BUDGET

Funds are earmarked in the technical assistance budget to cover the costs of program evaluation. The estimated budget for ARSSP technical assistance funds assumes an IQC buy-in for 2 U.S. consultants for three and a half weeks each.

The total preliminary budget is shown in Attachment 2.

## ARTICLE IX - SPECIAL PROVISIONS

### A. Duty Post

Jakarta, Indonesia

### B. Language Requirements and Other Required Qualifications

The evaluation team should consist of two persons. The team leader must be an economist with substantial field experience in economic policy work. Prior experience in Indonesia is desirable but not required. The second member of the team should have a thorough knowledge of technical assistance process in providing foreign external advisors to policy agencies in developing countries and a knowledge of USAID implementation procedures. Prior knowledge of, and experience in, Indonesia is also desired but not required.

The team will carry out the evaluation through review of project documentation and interviews with USAID staff and Indonesian counterpart personnel.

C. Access to Classified Information

The evaluation team shall not have access<sup>11</sup> to classified information.

D. Logistical Support

USAID is responsible for providing the evaluation team with office space and equipments. The team should be advised that USAID Mission security regulations preclude the use of the team's computers on the Embassy compound. Secretarial services are not provided.

E. Work Week

<sup>11</sup> A five-day work week will be presumed.

ANNEX C.

LIST OF PEOPLE MET

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Annex C.

List of People Met During the Evaluation

Wednesday, August 10, 1994	11:00 A.M.	: Samuel Tumiwa (USAID/PPS)
Friday, August 12, 1994	9:00 A.M.	: Herbert Plunkett Jaki Pomeroy (TIP)
	2:00 P.M.	: Peter Jezek (525-1625)
	3:00 p.m.	: Bill Belchere (URES)
Tuesday, August 16, 1994	11:30 A.M.	: G. Carner (IPM Palawija Project)
	2:00 P.M.	: Mukhlis Rasyid (Bank of Indonesia)
Friday, August 19, 1994	7:00 A.M.	: Bakir Hasan (Secretary Gernal Ministry of Trade)
Monday, August 23, 1994	10:00 A.M.	: Geroge Lewis (Science Project)
	2:00 P.M.	: Gerorge Muehleisen (IRS) : Ari Soelendro (Director od Audit-Tax)
Tuesday, August 23, 1994	1.00 P.M.	: Gary Bricker (USAID/PPS)
Wednesday, August 24, 1994	1.00 P.M.	: William Frej (USAID/PED)
	3:00 P.M.	: David Hawes (IBRD)
Thursday, August 25, 1994	3:30 P.M.	: Anwar Wardhani (Head, bureau of Agriculture, Bappenas)