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

PROJECT PAPER

Proposal and Recommendations  
For the Review of the  
Development Loan Committee

INDONESIA - Professional Resources Development I

AID-DLC/P-2245

UNCLASSIFIED

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

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AID-DLC/P-2245

September 8, 1977

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Indonesia - Professional Resources  
Development I

Attached for your review are recommendations for authorization of a loan to the Government of Indonesia ("Borrower") of not to exceed Five Million Nine Hundred Thousand Dollars (\$5,900,000) to assist in financing certain foreign exchange and local currency costs of goods and services required for the project. The project is to provide funding for leadership training in planning, resource allocation, fiscal management, and administration.

The loan proposal is scheduled for consideration by the Development Loan Staff Committee on Thursday, September 15, 1977, at 2:30 p.m.

Please note that your concurrence or objection is due by close of business on Tuesday, September 20, 1977. If you are a voting member, a poll sheet has been enclosed for your response.

Development Loan Committee  
Office of Development  
Program Review

Attachments:

Summary and Recommendations

Project Analysis

Annexes 1,3,5,6,8

2,4,7 are included in ASIA/PD project file.

# PROFESSIONAL RESOURCES DEVELOPMENT I

## Indonesia

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### BIBLIOGRAPHY

- ANNEXES:
1. AID/W PRP cable (STATE 097989, 4/23/76)
  - \* 2. Follow-up Study on Returned Academic Participants Trained Under USAID Auspices 1970-1977
  3. GOI Letter of Request
  - \* 4. "Problems of Resource Development in Southeast Asia with Special Reference to Indonesia,"  
J. A. Katili
  5. Justification for USAID Direct Contracting
  6. Log-frame
  - \* 7. Statutory Checklist
  8. Draft Authorizing Document

\* Annexes not included in final version of Project Paper: they may be found in the official project file maintained at ASIA/PD.

AGENCY FOR INTERNATIONAL DEVELOPMENT

**PROJECT PAPER FACESHEET**

1. TRANSACTION CODE

A ADD  
 C CHANGE  
 D DELETE

PP

2. DOCUMENT CODE

3

3. COUNTRY ENTITY

Indonesia

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 digits)

[ 497-0261 ]

6. BUREAU/OFFICE

A. SYMBOL B. CODE  
 ASIA [ 04 ]

7. PROJECT TITLE (Maximum 40 characters)

[ Professional Resources Development I ]

8. ESTIMATED FY OF PROJECT COMPLETION

FY [ 81 ]

9. ESTIMATED DATE OF OBLIGATION

A. INITIAL FY [ 77 ] B. QUARTER [ 4 ]  
 C. FINAL FY [ 77 ] (Enter 1, 2, 3, or 4)

10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$1 - )

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL	5,900		5,900	5,900		5,900
(GRANT)	( )	( )	( )	( )	( )	( )
(LOAN)	( 5,900 )	( )	( 5,900 )	( 5,900 )	( )	( 5,900 )
OTHER U.S. 1.						
OTHER U.S. 2.						
HOST COUNTRY					3,400	3,400
OTHER DONOR(S)						
TOTALS	5,900		5,900	5,900	3,400	9,300

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>77</u>		H. 2ND FY <u>    </u>		K. 3RD FY <u>    </u>	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) EH	B660		600		5,900				
(2)									
(3)									
(4)									
TOTALS					5,900				

A. APPROPRIATION	N. 4TH FY <u>    </u>		Q. 5TH FY <u>    </u>		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED
	O. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
(1)							MM YY 1   2   7   9
(2)						5,900	
(3)							
(4)							
TOTALS						5,900	

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

1 = NO No PID was submitted  
 2 = YES

14. ORIGINATING OFFICE CLEARANCE

SIGNATURE: *Sarah Jane Littlefield*

TITLE: Acting Director, USAID/Indonesia

DATE SIGNED: MM DD YY  
 0 | 8 | 1 | 6 | 7 | 7

15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY  
 0 | 8 | 1 | 9 | 7 | 7

"The success of rural development efforts depends on an adequate supply of local, skilled manpower. The absence of appropriately trained nationals is oftentimes the crucial constraint in development projects... AID should increase its assistance to local training institutions, including departments and faculties of universities which provide the skilled manpower necessary for rural change, and reduce its use of high-cost American technicians. American universities can play a significant role in developing staff for such local training institutions, and opportunities for graduate training in the United States should be increased when not available in the home country."

Hon. Clarence D. Long  
Report 95-417 -- "Foreign Assistance & Related Programs Appropriation Bill, 1978" -- pp. 24-25.

PART I

B. Recommendations

It is recommended that a loan be authorized for \$5,900,000 with the following proposed terms:

1. Maturity: forty years including a ten-year grace period.
2. Interest: two percent per annum during the grace period and three percent per annum thereafter.
3. Currency: interest and principal repayable in U.S. dollars.

Note: Because there is an early requirement for further definition of the content of the training programs described herein, it will be necessary to provide U.S. consultant(s) to assist the GOI in this respect. One of the Conditions Precedent to loan disbursements requires the GOI to show evidence that discrete training plans have been fully developed, indicating types and amounts of training and including justification of how the training will contribute to relevant institutional growth. To assist the GOI to meet this CP we propose to request \$30,000 from Program Development and Support Funds.

### C. Description of the Project

The project will fund training, both in-country and abroad, for personnel from the three principal government agencies that provide leadership in planning, resource allocation, fiscal management and the administration of Indonesia's national development plan and budget. The three agencies that will share in this training project are: the National Development Planning Institute (BAPPENAS), the Department of Finance (DOF), and the National Institute of Administration (LAN). The numbers of people to be trained and the areas of their specialization are described in subsequent sections of this paper; however, it is of paramount importance to note that the project will encompass in-country formal and on-the-job training as well as degree and non-degree training abroad. In no sense is it directed at higher education per se; rather, training will be offered at levels commensurate with needs, with need defined in terms of what AID can best do to strengthen the institutional capability of three key GOI agencies to plan, implement, and evaluate development projects and to provide government goods and services to maximum numbers of Indonesia's population.

Overall administration of the project will rest with the Department of State for Administrative Reform (MENPAN) and the Secretariat of the Cabinet (SECCAB). These two entities already have drawn up the project's Implementation Plan and have commenced an identification of training needs following a joint USAID-GOI assessment of the Government's most pressing training requirements in the three areas of development planning, finance, and administration. A major point of agreement in this collaborative undertaking was that the predominance of training should be concentrated not at the apex of the government structure, but, rather, at those levels where the ranks of second and third echelon workers are thinnest. Equally significant was a common recognition that, to the extent possible, training programs should be increasingly decentralized so that their benefits in terms of more efficient development planning and implementation can directly impact on basic problems at the level of local government. To this end, the project administrators will continue to seek inputs from provincial government officials regarding personnel needs and the selection of local candidates for training designed to meet those needs.

Although Indonesia's Second Five Year Plan (Repelita II - April 1, 1974 to March 31, 1979) assigns priority to employment generation, equity, regional growth, and development of agriculture, health, and education sectors -- with particular emphasis on reaching the rural communities -- the government is finding it increasingly difficult to plan and to manage its development programs. For example, the inadequate bureaucratic and administrative capacity to allocate resources has prevented the timely implementation of planned activities funded by the GOI and foreign donors, particularly in the rural sectors where the need is greatest. It is estimated that the number of projects monitored by BAPPENAS and the DOF have increased by 33 percent over the past four years, and the Development Budget has increased by more than 360 percent (from 261 billion rupiah to 1,213 billion rupiah). The combination of increased availabilities (GOI- and donor-funded) of development funds, a rapidly escalating work load, and severe shortages of trained staff have resulted in a serious backlog of planned activities.

The primary difficulties arise at the mid- to lower-levels of nearly all developmental staffs where personnel limitations (both in numbers and skills) prevent effective planning, financing, and management of projects designed to contribute to national development goals. At the time of its March, 1975 census the Government of Indonesia employed some 1,675,000 civil servants, of whom only 41,500, or 2.5 percent, were nominally university graduates, and of these approximately 90 percent have received only slightly more than the equivalent of a U.S. junior college education. Although this project will not significantly increase these percentages, it will strengthen considerably the institutional capabilities of three government agencies -- BAPPENAS, LAN, and the DOF; however, it is clear that the Professional Resources Development I Project can, at best, contribute to only a small segment of the training requirement of the three agencies selected for institutional upgrading. The magnitude of need for trained personnel in BAPPENAS, LAN and the DOF (where less than five percent have held degrees from any institution, Indonesian or foreign), is such that it is conservatively estimated that some \$30 - 40 million would be required to implement a fully developed program.

AID loan funds will meet the costs of degree training in the U.S. for some 70-80 participants at a cost of approximately \$2.0 million; short-term training in the U.S. and third countries of another 130-150 at a cost of approximately \$1.0 million; and in-country of large numbers of government workers who will participate in seminars, short courses, and on-the-job training at a cost of approximately \$1.6 million including technical assistance. Technical assistance will include U.S. long- and short-term consultants who will provide project management, professional advice regarding training in various fields of specialization, conduct in-country training and help with the selection and placement of participants. The balance of the loan will pay for training materials, supplies, international travel, and indirect costs. The GOI will provide \$3.4 million (equivalent) to meet local currency costs.

With any broadening and strengthening of key elements of Indonesia's civil service arises the expectation that the Government will enhance its institutional capacity to address the basic needs of the impoverished members of its society.

BAPPENAS should better be able to plan national development programs, to evaluate proposals from the technical departments and to establish more realistic mechanisms for resource development and rural growth. For example, an integrated rural development program that attacks poverty at the village level will require planners and implementors who can translate well-intentioned ideas into policy and program objectives and goals that have operational significance.

Staff upgrading within DOF should contribute to the enactment of more suitable fiscal policies and thus permit the less fortunate members of society to enjoy a greater share of the nation's resource flows. For example, one aspect of the equity problem is income distribution and the distribution of productive wealth. Proper fiscal and wage policies developed within the DOF are important if Indonesia is to effectively approach these matters.

To engage in economic planning without considering the administrative strengths of government, its capabilities to stimulate employment or to relate to the needs of the rural poor, is obviously unrealistic. The demands of planning emphasize the need for institutional growth and give impetus to greater professionalism throughout government.

Planning thus becomes an important stimulus to LAN to broaden the modernization of the government apparatus that generally is sought in principle but often is constrained by inertia and traditional vested interests.

GOI and USAID planners are agreed that economic and social growth requires change and implementation that most quickly and surely can be accomplished with the introduction of new ideas and techniques adapted to the needs of a developing society. Training, both in-country and abroad, continues to offer the most effective way to introduce the knowledge and ideas that produce change.

D. Summary Findings

There is considerable interest in the Government of Indonesia in the Professional Resources Development Project I, particularly among the three Departments to be initially assisted. This interest and support is expressed both in current GOI preparations to identify high quality trainees and in its willingness to fund significant amounts of the support costs (in salaries, per diem, housing, etc.) necessary for successful project implementation.

There is no doubt that there is a need for this project and the training it will provide for personnel in three of the most important development-oriented departments of the government. We believe that strengthening of the various institutional capabilities outlined in the different sections of this paper will significantly enhance in a relatively short time the ability and will of the agencies involved to directly improve the social and economic welfare of the rural poor in Indonesia.

Previous GOI experience with the participant training program ensures fully adequate support in selecting qualified and motivated trainees and their subsequent placement in responsible positions. The GOI, moreover, places priority value on U.S. training and believes that, particularly in the areas of project planning and management, U.S. training is likely to be more relevant and effective than that which might be available elsewhere.

Finally, USAID has the experience and trained staff available to adequately handle its administrative responsibilities in providing the necessary backstopping for the project. We thus conclude that this project is financially, socially and economically sound. It not only meets the technical criteria for good project design but it also contributes directly to the GOI-USAID capacity to plan and implement our joint development projects aimed at achievement of GOI Five Year plans goals and U.S. Congressional Mandates.

It should be emphasized that this project has been restructured in response to Senate criticism of an earlier proposal to continue the General Participant Training Program (GPT) on a loan-funding basis. The differences between the approaches are significant: Professional Resources Development will focus on institutional requirements whereas the GPT was concerned with improving the capabilities of individuals with high potential without particular regard for institutional base. Professional Resources Development is an in-service program with training candidates selected on the basis of their current role and potential for effectiveness within a given institution; GPT training opportunities were available for Indonesian college graduates before any commitment to career service. The mix of training experiences under Professional Resources Development is heavily oriented to short-course and in-country training whereas GPT placed much greater emphasis on graduate training in other countries. In summary, this project provides for a management, problem-oriented program of in-service training.

#### E. Project Issues

##### 1. Why was the original title of the project, "Manpower Development" changed to "Professional Resources Development?"

The GOI requested that the title be changed because use of the term "Manpower" might be interpreted by Indonesians to imply that the project would be administered by the Department of Manpower (DOM).

A second consideration was that, in accordance with AID's new directions, the Mission wished to avoid a sexist term, "manpower."

##### 2. What are the linkages between training and benefits to the rural poor?

This subject is treated in depth in the "Detailed Project Description" and in both the "Economic" and "Social Soundness Analyses" sections of the paper and does not require a special and separate critique.

"All history -- as well as current experience -- points to the fact that it is man, not nature, who provides the primary resource: that the key factor of all economic development comes out of the mind of man.... No one may be able to say where it came from in the first place; but we can see how it maintains and even strengthens itself; through various kinds of schools, in other words, through education. In a very real sense, therefore, we can say that education is the most vital of all resources."

E. F. Schumacher,  
Small is Beautiful,  
Economics As If People Mattered

## PART II. PROJECT BACKGROUND AND DETAILED DESCRIPTION

### A. Background

Central to an understanding of Indonesia's bureaucracy, its strengths and its weaknesses, is an appreciation of the highly diverse cultural background of the country. Centuries of cultural assimilation, especially during the period of Hindu influence, and regional variations on Hindu-Javanese traditions produced a richly textured heritage. This diversity has also posed particular problems for the planning and implementation of government affairs, and it has been one of the major factors motivating government efforts to foster national unity and to minimize divisive regional tendencies.

Because national development has been handicapped by the diverse educational backgrounds, interests, and needs of the Indonesian people, one of the first steps in providing a common base was the decision to use Bahasa Indonesia as the national language, which facilitated the establishment of uniform educational standards and syllabi. Even so, the problem of developing an educational system that would deal with different regional needs and a range of employment goals continues to persist. Many serious obstacles remain to be overcome: although drop-outs are a continuing problem, the overall student population is growing; these growing numbers, in turn, exacerbate the constraints to education that are created by serious shortages of teachers, outmoded curricula, few and obsolete textbooks; education planning and administration are weak; and many of the areas of study essential to train students in the professions related to economic and social development and national planning are not adequately taught in the universities. These problems, added to the high rate of population growth, have placed heavy demands on requirements for education and training in almost every field of study and at every level of the learning ladder.

Overstaffing, inexperience, inadequate budgets, and lack of trained personnel present formidable problems to the government. Today the number of civil servants has grown to over 1.6 million; however, the problems that are the outgrowth of cultural diversity, inadequate plans and policies for conducting civil service affairs, and an acute shortage of management personnel at all levels persist.

From the following chart it is obvious that whereas an independent Indonesia has been thrown into the mainstream of 20th Century economic and social activities, it remains encumbered with a civil service that is lagging far behind in its capacity to address the nation's economic and social priorities. When one realizes that the world's fifth most populated nation relies on a body of government workers of whom more than 93 percent have not received more than a high school education then the staggering need for training begins to assume its true dimension.

Education Levels of GOI Civil Service

<u>Education</u>	<u>Male</u>	<u>Female</u>	<u>Total Numbers</u>	<u>Per- cent</u>
Illiterate	48,019	4,950	52,969	3.2
Elementary School Drop-outs	138,004	4,478	142,482	8.5
Elementary School	410,377	42,712	453,089	27.1
Junior High School	283,692	83,697	367,389	21.9
High School	388,273	149,689	537,962	32.1
Junior College - 3 years	67,664	11,637	79,301	4.7
University - 5 years	36,125	5,394	41,519	2.5
Not known	128	32	160	0.0
<b>Totals</b>	<b>1,372,282</b>	<b>302,589</b>	<b>1,674,871</b>	<b>100%</b>

## B. Project Description

Not all success in development results from planning; however, with or without planning and with or without an efficient state administration, the role of the state and the government is crucial. At a minimum, the support of government is needed for security and basic administration. More important, if a nation's goal is development, the bureaucracy must play an active role both formally and informally, as few things in development programming/implementation move without government pressures. As a process, the administration of development is meaningful only if government takes an active role; otherwise development follows along "hit and miss" lines.

It should be an inherent part of development programming that planning and implementation take into account the effectiveness of government instruments, and that the instrument which is most effective for the attainment of a given goal is the one properly assigned to implement goal-oriented programs. The identification of an instrument which is truly effective will permit a government to determine, at any stage, which type of support will be stressed in planning or implementing a particular development program. This concept lies at the center of the Professional Resources Development I Project -- the identification and strengthening of those government institutions which will "push" the development process.

Up to a few years ago the government of Indonesia sought only to provide services and infrastructure which, though essential, were often rudimentary. Included have been services such as record-keeping essential to state administration, security and legal administration, health services, and basic educational services to meet economic, social or technological needs. Structurally, the government apparatus has consisted of departmental entities operating with strict functional compartmentalization, hierarchic norms of decision making,

and promotion within a system that placed seniority above merit. Such a traditional administration could not function effectively to satisfy the requirements of development and modernization of the society, and as a result it has not met the nation's developmental needs with the degree of effectiveness needed.

More recently the traditional administrative machinery has been reshaped and strengthened to make it more effective and to expand its concentration on the economic and social sectors dealing directly with the problems of employment, education, health and agricultural production. This expanded scope of government activities has led to the need for improved public instruments for implementation (a major objective of this project). These expanded government activities, as a process, can be labeled "development planning, budgeting and administration."

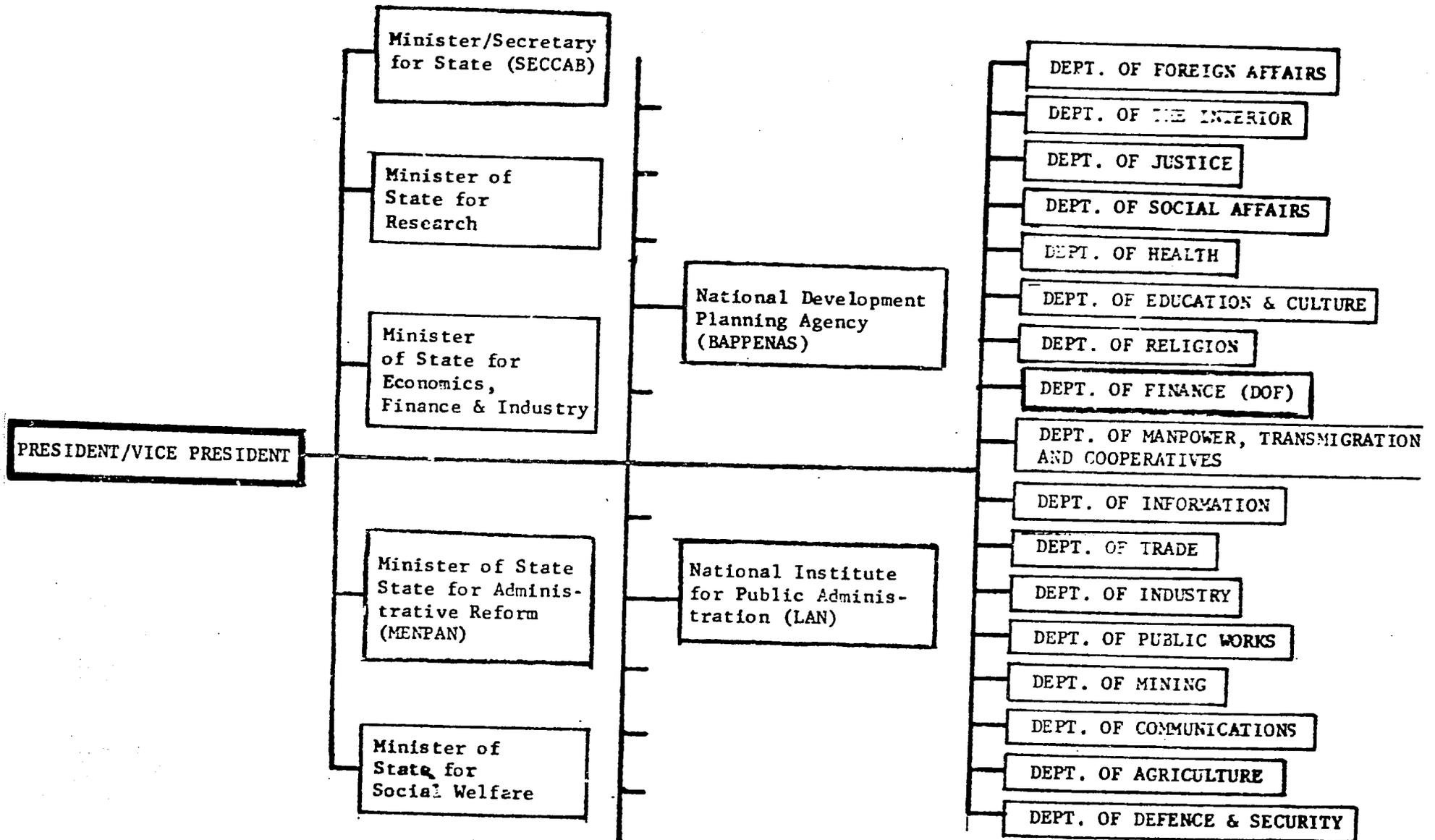
In implementing development objectives an innovative rather than a reactive approach is needed. Moreover, the extensive nature of national development programming makes the rigid functional separation along departmental lines more and more confining and counterproductive to the attainment of national development goals. The development process must be a synthesis of program planning and evaluation, budgeting and management, into a dynamic process which involves interplay between central bureaus and all of the sub-strata of the government structure. The rationale for concentrating the Professional Resources Development I Project on strengthening the institutions of BAPPENAS, DOF and LAN rests on a shared GOI-USAID belief that these three GOI agencies, more than any others, can synthesize the development process throughout the entire government structure.

"In order to sensitize [Indonesian] technicians and other bureaucrats to the determinative role played by the organizational structure within which they work, they must come to recognize that a bureaucracy is simply another kind of social grouping, with most of the same structural and dynamic features found in such "natural" communities as a tribe, a village, or a city. Like these, it is composed of members of both sexes, with a wide age spread, organized according

to functional tasks, in a hierarchy of authority, responsibility, and obligation. In other words, just as with a village, a bureaucracy has a social structure that defines roles, relationships, and statuses of all members of the group vis-a-vis each other. New members continually are introduced into the system; they are socialized and enculturated to accept the fundamental premises, values, and goals of the organization; they perform their professional assignments as long as they remain with the group; and through retirement, resignation, or separation they leave the organization, thereby making room for newer and younger members who are essential to organizational viability.

"A bureaucracy resembles a natural community in other ways as well, including structural integration, institutional and individual behavior based on explicit and implicit premises, and personality and psychological variation among employees. As with all structurally integrated systems, no change comes about in isolation: new goals, new programs, new modes of operation imply rearrangement of role relations within the organization, bringing increased authority and status for some and lessened power and prestige for others. Bureaucrats, like all other human beings, jealously guard their traditional perquisites and positions, willingly surrendering vested interests only in exchange for something as good or better. Consequently, rearrangements in role relations, which favor some and threaten others, always meet with resistance. In bureaucracies this leads to organizational inflexibility, which makes it difficult to meet changing conditions and new needs. In other words, structural integration may be just as much a barrier to change in bureaucracies as in rural villages." (See George M. Foster, Traditional Societies and Technological Change, for a comprehensive treatment of this subject.)

In the government of Indonesia the "bureaucratic community" already is organized along lines designed to accommodate the development process. However, within the bureaucracy there are severe weaknesses among members of that "community" due to lack of skills and professional abilities to put into motion the development process. Therefore, although the Professional Resources Development I Project seeks not to bring about changes in existing government organizations, it does have as its objective the strengthening of critical institutional capabilities through the upgrading of those personnel who are responsible for putting into play those forces that result in national development planning, budgeting and administration.



■ Administrative Agency

■ Implementing Agency

The overall cost of the Project is \$9,300,000, of which \$5,900,000 is the U.S. contribution and \$3,400,000 (equivalent) is the GOI contribution.

The Project will receive policy guidance and management from the Minister of State for Administrative Reform (MENPAN) and the Secretariat of the Cabinet (SECCAB).

Three participating agencies will be BAPPENAS, responsible for overall development planning, Department of Finance, responsible for budgetary allocations to the development plan and mobilization of domestic resources, and LAN - which is responsible for the upgrading of government.

The primary thrust of this project will be to strengthen the institutional capacities of these three key government agencies involved in the development process. This objective will be accomplished through both technical assistance and training (long and short-term specialized training in the United States and third countries and in-country specialized training).

One long-term advisor in human resource development will be provided to each participating agency, to be supplemented by short-term technical specialists to develop specific short-term training courses. In addition, there will be a project coordinator who will be responsible for coordinating the full run of technical assistance activities, assuring the placement of participants and procurement of commodities. In addition, the technical assistance team will provide advice as requested to the GOI project management, MENPAN and SECCAB, concerning other training requirements of key GOI agencies handling aspects of the development program. Such advice may concern a further assessment of personnel needs, studies and eventually may lead to additional projects to be requested of the donor community.

The GOI has requested that AID contract directly with a U.S. institution to perform the above services. (Annex 5 provides the justification for direct procurement.)

The training to be provided under this project is spelled out in detail in Sections III. C., D., and E. In summary, 160 academic years of U.S. academic training, 465 months of short term-off shore training and 258 months of technical

assistance will be provided. These figures may vary slightly as the program progresses. The majority of candidates for long-term training will be sent in CYs 1978 and 1979.

#### Method of Financing

A letter of commitment will be issued to cover the costs of the technical assistance contract and all training in the U.S. and third countries.

The funding of in-country training will be accomplished through the direct reimbursement method. For each training operation, a training plan will be developed setting forth objectives of training, numbers of trainees, location and organization, and cost for approval by USAID. Following the completion of training, USAID will reimburse an agreed upon percentage of the costs, based upon agreed upon documentation.

The following sections set forth in detail the programs with BAPPENAS, LAN and the Department of Finance.

C. BAPPENAS - The Indonesian National Planning Agency

A planning commission must above all maintain the trust of the executive branch of the government. Without this trust the commission is likely to be supervising studies and speculations on the future which have only occasional opportunities for implementation with the overall outcome being very different from what had been anticipated. In retaining a position of trust, the planning commission needs a base of power that cannot be easily challenged, and it must provide a useful service for the executive branch in disposing of day-to-day issues that have long-run consequences. It also needs a base of expertise that is not found elsewhere in the government. Thus, a planning commission is an agency that should report directly to the executive branch or to someone who must be in the immediate circle of policymaking.

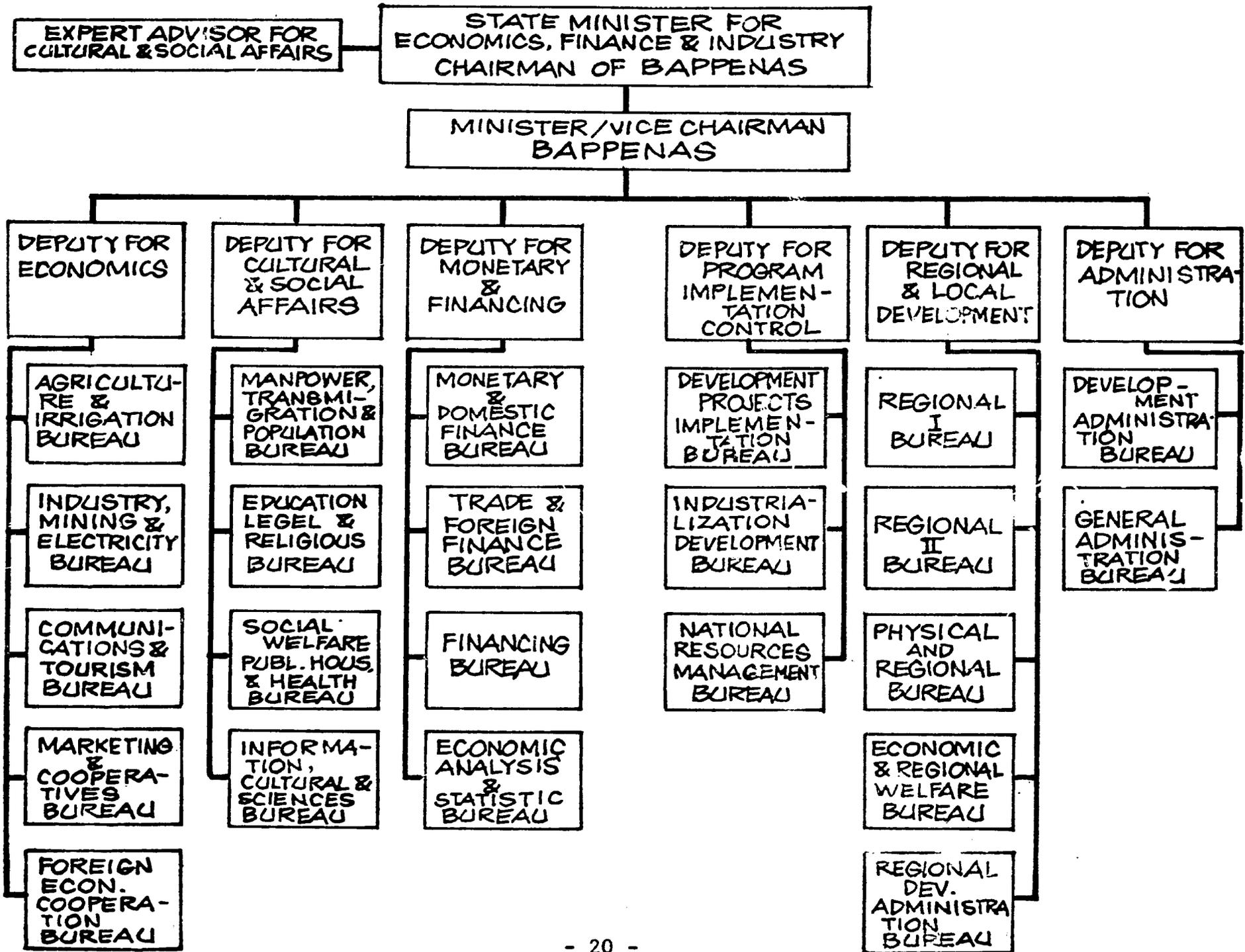
At the top, BAPPENAS is directed by a Chairman who answers directly to the President. Beneath the Chairman is a Vice-Chairman and Deputies of various bureaus. (See Organization Chart, p.20 .) The budget for BAPPENAS is provided under the State Secretariat Budget, and its organization and administration are formulated jointly by the Chairman and the State Minister for Administrative Reform.

The current personnel figures for BAPPENAS are shown below:

Total	Male	Female	Sub-Professional	Professional
383	329	54	242 <sup>1/</sup>	141 <sup>2/</sup>

1/ Included are 142 elementary school graduates, 39 secondary school graduates and 57 high school graduates.

2/ Included are 15 holders of graduate degrees from U.S. institutions and four from European institutions. The remaining 122 hold degrees from Indonesian institutions. These degrees are equivalent to a nominal bachelor's degree from a U.S. university.



BAPPENAS was established by Presidential Decree No. 80 of 1967, later amended in 1973 by Presidential Decree No. 35. Its initial charter has been subsequently revised; however, the major provisions of the original decree are substantially unchanged. The articles of the charter state:

- BAPPENAS is a state institution directly responsible to the President.
- Its function is to assist the President in determining national development planning, programming and evaluation.
- In order to carry out its functions, it has the following responsibilities: to develop long-, medium-, and short-term national development plans; to provide planning coordination between sectoral and regional projects and to integrate these into a National Development Plan (i.e., REPELITA); to develop in coordination with relevant government agencies policies on monetary credit and capital investment; with other relevant government agencies develop policies for the receipt and utilization of foreign aid (italics added); to oversee the implementation of the National Development Plan and to synchronize its various programs and projects; to adjust the Plan as required to fit current circumstances; and to conduct surveys and research necessary for evaluation of the Plan.

This year BAPPENAS is responsible for resource allocation and evaluation of almost 3,200 development projects with a total dollar value of \$1.2 billion: the human resources available to carry out this undertaking consist of slightly less than two dozen professionals with graduate degrees and some 122 personnel with minimum training at the bachelor degree level. (It is interesting to note that in the past eight years the staff of BAPPENAS has increased by less than one percent, whereas during the past four years alone the number of projects which flow through BAPPENAS has increased by 33 percent and the development budget that supports those projects has rocketed upward by more than 360 percent!)

TOTAL DEVELOPMENT BUDGET (in billions of rupiah)  
and Total Number of Projects

<u>YEAR</u>	<u>TOTAL DEVELOPMENT BUDGET</u>	<u>TOTAL NUMBER OF PROJECTS</u>
1973/1974	261.1	2,394
1974/1975	490.9	2,731
1975/1976	1,050.0	3,121
1976/1977	1,213.1	3,176

1. Specific Training Program Details

The BAPPENAS Training Plan has three institutional thrusts:

- Development of micro-economic and other analytical skills required for the formulation of programs to meet national development goals.
- Development of specific knowledge and skills required to provide an effective institutional base for planning in specific priority development areas such as agriculture production, employment generation, health and family planning, transmigration, education, and rural and regional development.
- Strengthen BAPPENAS'S institutional base through the development of management and organizational skills at all levels.

The plan will provide for three kinds of training: academic training abroad, short-term specialized courses abroad, and in-country training. Specific program plans are still tentative, and their full development will follow phase one of the Training Plan during which the services of a training expert will be employed to help with the design and pre-implementation planning of a comprehensive training program. It will be this expert's responsibility to help BAPPENAS to assess personnel needs, plan a recruitment and training schedule, and to detail the nature of a five-year training program.

(a) Academic Training

It now appears that what is most needed are a series of one-year graduate programs in such specialized fields as:

- Development Administration
- Development Economics
- Marketing
- Rural Development
- Regional Development

Approximately 30 academic years of training are planned for these programs. Another ten participants will pursue graduate degree programs in these same areas, half of whom will work at the Master's and half will continue to the Doctorate level.

(b) Short-term Specialized Courses

Given the small size of the BAPPENAS staff, it will be impossible for large numbers of personnel to be sent out of country for academic training for extended periods of time. Instead, the project will provide a series of courses designed to present specific information related to clearly defined problem areas. These short courses, to be offered by institutions in the United States or third countries, will cover such subjects as:

Project Planning  
Project Evaluation  
Project Monitoring  
Environmental Protection and Development  
Rural Development and the Rural Poor  
Agricultural Credit, Cooperatives and  
Development  
Agricultural Planning  
Organizational Development  
Employment Generation  
Women in Development  
Administration by Objectives

Over the life of the project some 125 months will be devoted to such training.

(c) In-country Training

The bulk of the training under this project will be in-country. Participants sent abroad for academic training and short-course training will be required to organize seminars to pass on to their colleagues their newly acquired knowledge and skills. Also, technical assistance will be provided to help design and implement in-country programs. Topics envisioned for these programs are:

Theories of Development  
Transfer of Technology and Development  
Negotiating Development Projects  
Developing Project Proposals  
Project Evaluation  
Guidelines for Project Selection  
Social Analysis of Projects  
Economic Analysis of Projects  
Use of Statistics and the Information Data  
Base in Planning and Project Selection

(d) Consultants

For in-country training the full-time advisor to BAPPENAS will be assisted by short-term consultants throughout the life of the project. Some of the kinds of consultants that will be required are:

Organizational Development Expert  
Evaluation Expert  
Social Analysis Expert  
Appropriate Technology Expert  
Rural Development Expert  
Development Economist

Twenty-one months of short-term services are planned.

(e) Instructional Materials and Equipment

The training program support will require the acquisition of various instructional materials and equipment. The BAPPENAS technical library must be expanded to include basic reference works, journals and periodicals in the field of development planning, resource allocation, project design and evaluation. For in-country training studies suitable audio-visual and other instructional materials must be acquired.

BAPPENAS

2. BUDGET

AID

1. Academic Training 50 years at \$12,000	\$ 600,000
2. Short-term Training 125 months at \$2,000	250,000
3. Expert Consultants 3 years at \$70,000; 21 months at \$7,000	357,000
4. Instructional Materials	60,000
5. International Travel 80 at \$2,500	200,000
6. Indirect Costs	<u>50,000</u>
Sub-Total	\$1,517,000

GOI

1. Salaries of Participants and Counterparts	\$ 320,000
2. Support of Technicians	80,000
3. Local Travel	100,000
4. In-country Training	200,000
5. Local Supplies, Equipment and Facilities	100,000
6. Miscellaneous	<u>100,000</u>
Sub-Total	\$ 900,000
Grand Total	<u>\$2,417,000</u>

### 3. Operational Arrangements

The agency will appoint a senior staff member to be responsible for the project and to be the counterpart for the long-term training advisor. He will chair the BAPPENAS Training Committee which, in turn, will provide support and counsel on all training matters.

The technical assistance/participant training portions of the project will be carried out under a contract with a U.S. institution. One possible arrangement would be a contract with a consortium of United States universities, one member of which would focus on BAPPENAS while drawing on the resources of the other members.

D. NATIONAL INSTITUTE OF ADMINISTRATION (LAN)

1. Introduction

The GOI has given the National Institute of Administration (LAN) the key role in upgrading the government's administrative structure. LAN has direct in-house responsibility for training government officials, for guiding the training programs of other government agencies, and to conduct management studies necessary to keep abreast of innovations in the field of public administration which can help the GOI with the implementation of its National Development Plan.

2. Background and History

LAN was launched in 1957. During its formative years, LAN received considerable attention from foreign donors, and AID made an early contribution to its development through a USAID contract with the University of Indiana to help establish the institutional foundation for the institution and to train the initial leadership. Unfortunately, this project was terminated abruptly and prematurely when the AID program to Indonesia was withdrawn in the mid-1960's.

With the establishment of political stability there was a reaffirmation of the need for the Institute, and the GOI has provided budget support for its operation; however, today LAN lacks the trained human resources necessary to carry out those mandates assigned by Presidential Order No. 5 of 1977 which gave the Institute broad functions "to assist the President in improving, maintaining, increasing and developing the efficiency and productivity of public administration in its broadest sense."

Presidential Order No. 34 of 1972 divided the educational and training functions among the Department of Education and Culture, the Department of Labor, and the National Institute of Administration. The Institute was charged, "to develop the education and training specifically for government employees."

A further Presidential Order, No. 15 of 1974, gave the Chairman of the LAN responsibility for supervision of instruction for all civil servants. This includes the creation of libraries and the preparation of textbooks and teaching materials, the drafting of training policy, and the monitoring and evaluation of training programs. These far-reaching and demanding responsibilities require the presence of a staff possessing practical skills and professional expertise across the broad field of management and development administration.

The Chairman of LAN is appointed by the President and is directly responsible to him. He has two Deputies, one for Education and Training, the second for Research and Development. The budget of the Institute is provided by the Office of the President.

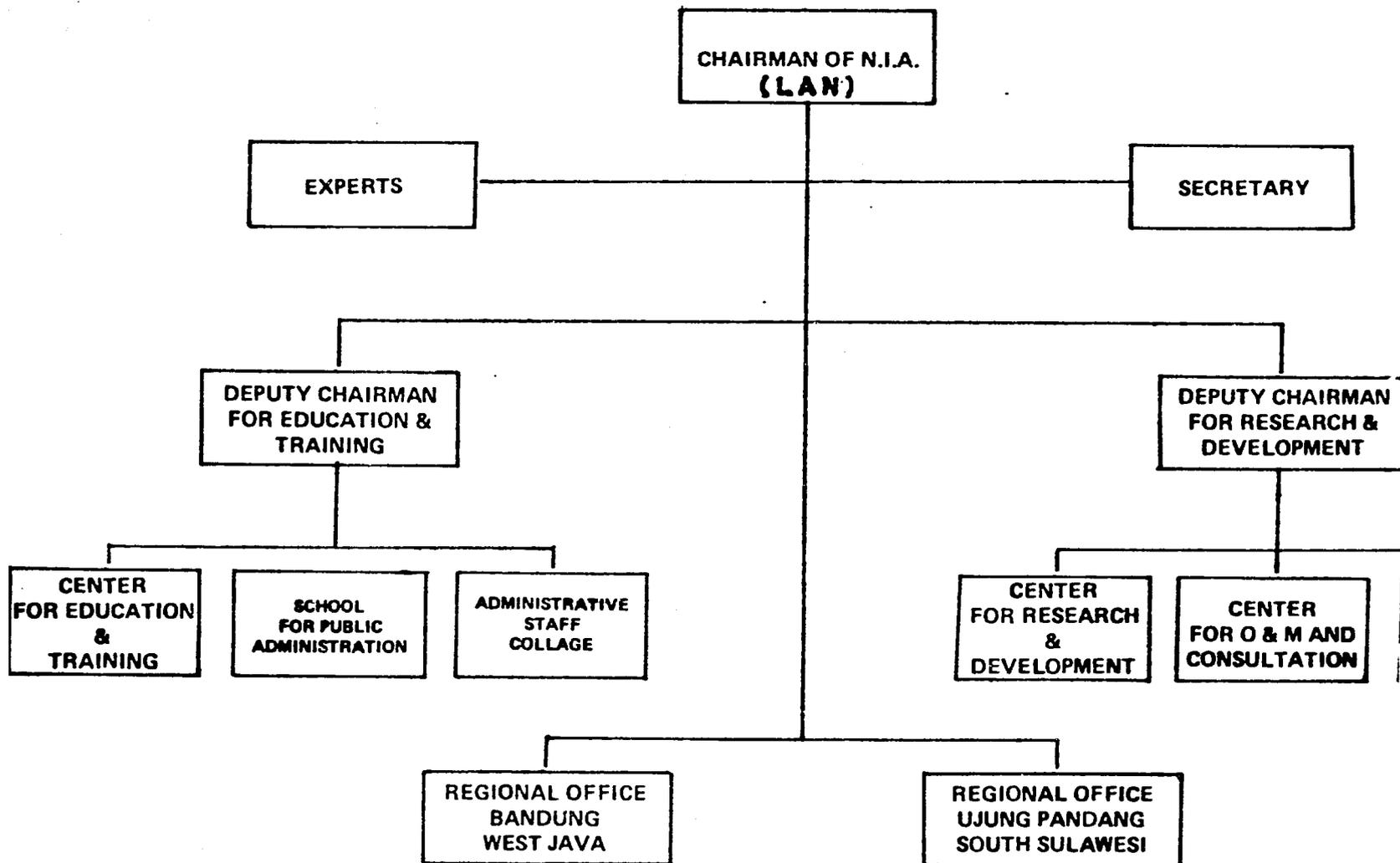
Current personnel figures for the Institute are shown below:

Total	Male	Female	Sub-Professional	Professional
307	259	48	186 <sup>1/</sup>	121 <sup>2/</sup>

1/ Included are 89 elementary school graduates, 29 junior high school graduates and 68 high school graduates.

2/ Included are 20 holders of graduate degrees from U.S. institutions. The remaining 101 hold degrees from Indonesian institutions which are roughly equivalent to U.S. bachelor's degrees.

The Institute is made up of several subsidiary organizations: an Administrative Staff College to train the top officials (third echelon and up) of the government; the Center for Education and Training to provide training for lower level officials and to guide and supervise this type of training throughout the government; and the School of Public Administration which is a university level institution that enrolls some 800 students for degree training.



Under the Deputy Chairman for Research and Development, there is a Center for Research and Development, a Center for Consultation Services, and a Library-Documentation Center.

The various donors of the IGGI have recognized the needs of the Institute, and several countries and institutions have sponsored short-term training programs. The Institute has received small amounts of help from the Netherlands, West Germany, France, Japan, the Philippines, UNDP, and the Ford Foundation.

Under the Fourth Education Project of the World Bank, initiated in September, 1975, LAN was allotted funds to develop its facilities, at which time the UNDP agreed to provide some technical assistance.

The World Bank project is funded at \$2.9 million. Its objective is to construct training and auxiliary facilities sufficient to allow the Institute to consolidate its training facilities and to increase its enrollment by at least 50 percent. To assist this effort USAID sent participants for training at the U.S. Civil Service Commission under the auspices of our General Participant Training Project.

LAN, through the present project, is seeking assistance to supplement that provided by the World Bank/UNDP and by other donors. The GOI's recognition of the need for and the value of training is accompanied by the realization that the quality of the training will finally determine whether it is truly cost effective.

### 3. Specific Program Details

LAN has submitted the following details regarding its current training needs. LAN, likewise, will continue to reassess its needs as the project evolves.

(a) Academic Training

The Institute looks to training under this project to augment its top overall leadership, its staff for the senior administrative officers training, and its School of Public Administration. It estimates that it will require that at least 10 individuals trained to the Master's level and another 10 to the Doctorate level.

For the Master's programs, training will be sought in the following areas:

- General Management
- Personnel Management
- Financial Management
- Developmental Economics
- Political Science
- Statistics
- Data Systems and Computer Science
- Psychology
- Social Science Research

For the Ph.D training, programs will be required in these fields:

- General Management (3)
- Economic Development (3)
- Political Science
- Personnel Management
- Social Science Research

(b) Short-term Training

The Institute must upgrade the knowledge and skills of its staff members and the staff members of its associated agencies in such specialized areas as administrative research methodology, data analysis, statistics, training materials development, curriculum development, organizational development, project analysis, project appraisal and evaluation, project monitoring, and office management. Short courses in these areas are available through a number of U.S. universities specializing in public administration and through U.S. government agencies, such as the Civil Service Commission.

(c) Expert Consultants

While it is upgrading its leadership in the U.S., the Institute requires the presence of U.S. expert consultants to work to provide in-country training. The following expert assistance will be sought to augment the assistance now being received from other donors:

- (1) An expert in administrative research methodology and techniques. The Institute is to take the lead in public administration research for the country, and it has limited expertise in this important area. The consultant will train Indonesian researchers in the collection and evaluation of data that are essential to improving public administration in Indonesia.
- (2) An expert in organizational development. The Institute believes that it should provide an example of the proper application of modern and effective techniques of public administration. It has seen what the application of organizational development concepts has been able to accomplish in private enterprise and in the public sectors of other countries, and it wishes to gain the skills and experience to make appropriate applications of organizational development concepts in Indonesia. A U.S. consultant would work with the Institute's management to develop courses at several levels of organizational development and administrative training.
- (3) An expert in public administration materials. Because Indonesia is a new nation and because its national language still is not universally used, only limited printed teaching materials are available. As a consequence, education and public administration training is accomplished by the lecture-rote memory method. In order to modernize the training programs and to adopt

more effective instructional practices, textbooks and other instructional materials must be developed in the Indonesian language. The World Bank/UNDP Project has provided a base upon which to build an improved program; however, the U.S. expert will be needed to train Indonesians to fully develop their own teaching materials.

- (4) An expert in public administration curriculum development. The Institute is charged with supervising and monitoring all training programs for civil servants. However, it lacks the expertise to offer instructional programs that are relevant and effective. A curriculum expert is needed to teach a cadre of Indonesians to become proficient in upgrading the programs of the Institute and of all the GOI agencies.

(d) Textbooks and Instructional Materials

Because the Institute must provide leadership in the training of civil servants it must have the capacity to use up-to-date instructional methods and materials. In some instances textbooks and training materials may be translated; however, much must be developed locally in order to offer maximum relevancy within an Indonesian context.

These materials will be used in conjunction with and in support of several components of the project. Each of the academic participants will be required to develop instructional materials while he is in training abroad, and the project will provide for its publication when he returns to Indonesia.

Textbooks or readers are to be developed in such areas as:

General Public Administration  
Personnel Management  
Financial Administration  
Public Administration Research  
Organizational Development  
Training Materials Development  
Public Administration Teaching and  
Training Methods

(e) Library Development

The library is the heart of a good educational or training institution, and its holdings must be adequate in numbers and kind to support the training program.

Each of the academic and short-term participants will be asked to develop bibliographies as a normal part of their training, and the librarian, with the assistance of the U.S. and Indonesian consultants, will review these bibliographies and place orders for those books required to give professional balance to the library collection.

NATIONAL INSTITUTE OF ADMINISTRATION (LAN)

4. BUDGET

AID

1. Academic Training	\$ 600,000
- 50 years at \$12,000	
2. Short-term Training	280,000
- 140 months at \$2,000	
3. Expert Consultants	560,000
- 8 years at \$70,000	
4. Textbook and Materials Development	80,000
5. Library Development	80,000
6. International Travel	150,000
7. Indirect Costs	<u>50,000</u>
	Sub-Total
	\$1,800,000

GOI

1. Salaries of participants and counterparts	\$ 320,000
2. Support of Technicians	100,000
3. Local Travel	100,000
4. Surveys, Research, Workshops	200,000
5. Local Materials Support	50,000
6. Miscellaneous	<u>100,000</u>
	Sub-Total
	\$ 870,000
	Grand Total
	<u>\$2,670,000</u>

## 5. Organizational Arrangements

The Institute will appoint a senior staff member to manage the project. He will report directly to the Chairman of the Institute. The responsible staff member will chair an Institute Training Committee which will:

- (a) Make a continuing assessment of the overall training plan for the Institute.
- (b) Coordinate the assistance of the several donors to the Institute as these relate to this training project.
- (c) Establish criteria for the selection of candidates.
- (d) Screen candidates and submit their names, through the Chairman, to SECCAB for approval.
- (e) Backstop participants while in training.
- (f) Evaluate the project on a periodic basis.

A function of the foreign consultants will be to assist and advise the Training Committee. The USAID Project Manager will also assist in this effort.

Technical assistance will be provided under a contractual arrangement with a U.S. university. Through this project the Institute hopes to establish a long term relationship with an American university that has a strong program and accepted professional interest in Public Administration and in Indonesia.

## E. DEPARTMENT OF FINANCE (DOF)

### 1. General

The Professional Resources Development I Project is aimed at strengthening the DOF's administrative and staff capability for generating increased government revenue and accumulating domestic financial resources (increased proportion of savings to GDP) and efficient use as well as better allocation of government expenditures for development purposes. Seven priority areas where significant improvements are expected in the next remaining years of REPELITA II, are:

1. Tax, Excises and Customs Administration
2. Government Accounting and Auditing System Improvements
3. Government Budget Administration (planning and forecasting, methods and procedures, and evaluation techniques)
4. Financial Institutions Administration and Management (Bank Monetary Affairs)
5. Project Appraisal, Financing and Negotiation Techniques
6. Supply and Materials Management System Development and Training
7. Computer based Management Information System (to maintain and develop an Integrated Financial System).

To reduce Indonesia's dependency on donor assistance, the Ministry of Finance is seeking ways and means to increase domestic revenues and the better allocation of resources and the proper and efficient supervision of government spending through the improvement of fiscal administration and the managerial capability of its staff.

In the area of Financial Institution Administration and Management, training is needed to develop a better understanding in the proper function of the development banking business, especially the financing of small scale industries and small farms, project evaluation techniques, management of funds, analysis of money and capital markets, legal aspects of banking, administration and management

of a securities market as a means of increasing public savings. The banking system has the potential to mobilize large amounts of domestic resources and to provide credit for programs that can directly and quickly impact on food production. For example, the rice intensification program (BIMAS) relies on a standardized system of modern technology financed through small credits to individual farmers, with the credit being provided through the Indonesian Agricultural Bank (BRI). Originally, when this program was small it had dramatic success in increasing productivity and agricultural incomes. However, the growth in the size of the program has stagnated in the past two years. When the program was relatively small, credit could be dispensed and default of repayments kept at a minimum through tight management. Now there are high rates of default, in excess of 30 percent in some areas, and new credits cannot be given to farmers until old debts are repaid. In addition, while BIMAS has grown, BRI has been delegated additional responsibilities to expand credit to farmers and the rural sector through programs such as the Small Industry Credit Program (KIK) which is designed to provide loans for capital investment in small and primarily rural industries and the Working Capital Program (KMKP) which is designed to provide loans for working capital to small industry, traders and farmers. The DOF is aware that the impact of these programs and others is severely limited because of the lack of sufficient managerial talent in the banking system to provide for the rapid expansion and control of these activities.

To maintain an open and free economy by expanding trade and financial relations with other nations, the observance of international laws and regulations is essential. In conformity with Indonesia's own constitution and laws, the Department of Finance is seeking to improve its capability to develop trade policies and regulations which do not contradict the interests of either foreign governments or domestic private businesses.

Since the implementation of REPELITA II, the government, with the coordination of the DOF, BAPPENAS and MENPAN, has launched its Supply and Materials Management System Development and Training Programs for both government agencies and public enterprises. Phase one of the program will produce a Presidential Decree on government assets and materials handling. Phase two is aimed at the establishment of a functional institute to deal with the training of all levels of personnel in charge of planning and budgeting, procurement, storage and distribution, maintenance and disposal, and inventory control functions. For example, a major impediment to the successful implementation of projects, both Indonesian and donor-supported, are the numbers and kinds of bottlenecks that delay the flow of supplies and materials. A number of USAID/GOI capital projects have been delayed for extended periods when the scarcity of a single item brought all work to a standstill simply because the project design required a sequence of work phases with the beginning of each being conditioned upon completion of the succeeding phase.

Given the extensive responsibilities of the DOF over a broad sphere of activities ranging from revenue flows, budget expenditure, budget control, regulations for public enterprises and monetary and fiscal policies conducive to development, there is a growing need for an integrated financial information system. Following an analysis of computer based data processing several years ago, all budget execution data now are processed on a UNIVAC 1106 computer system. Further developments are required to accommodate the administration of foreign aid funds, cash flow monitoring of all treasury offices, auditing of accounts, and maintaining records of taxpayers' incomes, and the financial status of all public enterprises. To cope with these myriad problems, increased trained staff personnel are required.

Personnel figures for the Department of Finance as of 3/1/74:

Total	Male	Female	Sub-Professional	Professional
39,935	36,979	2,956	35,385 <sup>1/</sup>	4,550 <sup>2/</sup>

<sup>1/</sup> Included are 118 illiterate; 2,026 with less than 6 years education; 15,088 elementary school (6 years) graduates; 7,393 junior high school graduates; and 10,760 senior high school graduates.

<sup>2/</sup> Included are 2,663 holders of academic/bachelor degrees and 1,887 holders of master degrees.

Note: Number of civil employees for 1977/1978 will be 45,453.

Personnel Figures for Government Banks

Total	Male	Female	Sub-Professional	Professional
39,017	34,223	4,794	33,806 <sup>1/</sup>	5,121 <sup>2/</sup>

<sup>1/</sup> Included are 6,503 elementary school graduates; 7,344 junior high school graduates; and 19,959 high school graduates.

<sup>2/</sup> Included are 2,975 bachelor degree holders (junior college equivalent) and 2,146 university graduates.

Note: Total number of Government Banks: 8

MINISTER OF FINANCE  
REPUBLIC OF INDONESIA

EXPERTS

INSPECTOR GENERAL

SECRETARY GENERAL

SECRETARY

INSPECTOR  
for  
PERSONNEL

INSPECTOR  
for  
FINANCE &  
LOGISTICS

INSPECTOR  
for  
TAXES

INSPECTOR  
for  
CUSTOMS

BUREAU  
FOR  
PLANNING

BUREAU  
FOR  
PERSON-  
NEL

BUREAU  
FOR  
FINANCE

BUREAU  
FOR  
LOGIS-  
TICS

BUREAU  
FOR  
ORGANIZ.  
AND DATA  
PROSES-  
SING

BUREAU  
FOR  
LEGAL  
AFFAIRS/  
PUBLIC  
RELATIONS

BUREAU  
FOR  
CAPITAL  
INVESTM.

BUREAU  
FOR  
GENERAL  
DUTIES

DIRECTORATE GENERAL  
BUDGET

DIRECTORATE GENERAL  
TAXES

DIRECTORATE GENERAL  
CUSTOMS

DIRECTORATE GENERAL  
MONETARY

DIRECTORATE GENERAL  
STATE FINANCIAL  
SUPERVISION

SECRETARY

SECRETARY

SECRETARY

SECRETARY

SECRETARY

DIRECTOR OF  
ROUTINE BUDGET  
DEVELOPMENT

DIRECTOR OF  
BUDGET  
IMPLEMENTATION

DIRECTOR OF  
FINANCIAL SETTLE-  
MENT, DEBT  
SERVICE,  
AND  
REVENUE  
MANAGEMENT

DIRECTOR OF  
EXCHEQUER

DIRECTOR OF  
ADMINISTRATION

DIRECTOR OF  
STATE TREASURY

DIRECTOR OF  
DIRECT TAXES

DIRECTOR OF  
INDIRECT TAXES

DIRECTOR OF  
RECEIPTS AND  
COLLECTION PLANNING

DIRECTOR OF  
GENERAL  
AND  
REGIONAL  
CONTROL

DIRECTOR OF  
REGIONAL  
DEVELOPMENT  
CONTRIBUTION

DIRECTOR OF  
TAX REGULATIONS

DIRECTOR OF  
CUSTOMS

DIRECTOR OF  
DUTY

DIRECTOR OF  
ITEM AND  
PRICE  
AFFAIRS

DIRECTOR OF  
TARIFF  
LEGISLATION

DIRECTOR OF  
CUSTOMS  
COMMUNIC.  
FACILITIES

STATE  
PRINTING

DIRECTOR OF  
OIL REVENUE

DIRECTOR OF  
FINANCIAL INST.

DIRECTOR OF  
INTERNATIONAL  
FINANCIAL RELAT.

DIRECTOR OF  
INVESTMENT AND  
STATE WEALTH

DIRECTOR OF  
FINANCIAL  
SERVICES OF  
STATE ENT.

DIRECTOR OF  
FOREIGN FUNDS

STATE  
ENTERPRISES/  
CORPORATION

PAWN/  
MORTGAGE  
CONTRACTS

DIRECTOR OF  
PLANNING &  
STATE FINANCIAL  
SUPERVISION

DIRECTOR OF  
STATE FINANCIAL  
SUPERVISION

DIRECTOR OF  
STATE ACCOUNT

DIRECTOR OF  
OIL SUPERVISION

DIRECTOR OF  
STATE FINANCIAL  
TRAINING

DIRECTOR OF  
FINANCIAL  
SUPERVISION

FINANCIAL SCIENCE INSTITUTE

FINANCIAL EDUCATION AND  
TRAINING BODY

SECRETARY

PUBLIC  
COMPANY

SPECIAL  
AGENCY

COMMITTEE  
ON STATE  
CREDIT  
AFFAIRS

FINANCIAL  
RESEARCH  
&  
DEVELOPMENT  
CENTER

GEN. TREASURY  
EDUC.  
AND  
TRAINING  
CENTER

TAXES EDUC.  
AND  
TRAINING  
CENTER

CUSTOMS  
EDUCATION  
AND  
TRAINING  
CENTER

SUPERVISION  
EDUCATION  
AND  
TRAINING  
CENTER

PEDAGOGICAL  
EDUC.  
AND  
TRAINING  
CENTER

EDUC. AND  
TRAINING  
CENTER FOR  
ACCOUNTING/  
STATE ACCOUNT  
HIGHER ED

## 2. Types of assistance required

There are three types or categories of assistance required, i.e.:

- (a) Expatriate consultants to study and to analyze the present system and administration in the seven areas mentioned above and to design plans for the improvement of the organizational and managerial effectiveness, to identify training needs and to develop training programs and curricula.
- (b) Development of an in-country training capability through the training of future instructors in the U.S. or third countries. The improvement of management competence should be sought through both academic and non-academic studies in the U.S. and third countries.
- (c) Development of a comprehensive library, training aids and other software and facilities that may be required to modernize the training activity.

## 3. Training Requirements for 1978/1979

Several categories of training are required for the next two years:

- (a) 25 candidates for MA degrees in Management, Public Finance, Money & Banking, Business Finance, Systems Analysis and Design and Computer Science, Supply and Materials Management System, from which 5 would be selected later for Ph.D programs.
- (b) Ph.D training will be limited to those who specialize in Development Planning, Public Finance and Money & Banking, i.e., those areas of study which are not offered in Indonesian universities. After completing their studies the graduates will be mainly responsible for improving the Ministry's in-service training facilities.

- (c) 50 to 100 employees will be recruited to attend short-term formal courses, seminars and workshops in the U.S. or third countries (especially in developing countries).
- (d) A special program for attending conferences and making field trips for the purpose of observing or comparing fiscal systems will be required for Bureau and Directorate Heads. Due to the limitation on time when they can be released, a substitute in-country training program could be designed. In such a case a team of consultants from the U.S. would be invited to arrange a local seminar.
- (e) MIS - The Management Analysis of Financial Information and Computer Center (MIS) is an activity which is directly responsible to the Minister of Finance. It is responsible for integrating all financial data processing in the DOF, especially budget planning and implementation data (government revenue and expenditures), foreign aid flows, tax files, development projects monitoring, etc.

Personnel required to support this system number approximately 40 system analysts, 40 programmers, and 5 to 10 technical support staff. At present, the Center has only 10 system analysts, 15 programmers, 2 data communication, and 3 technical support staff, of which only 5 have completed either a short-term course or M.A. degrees abroad. To improve the capability of existing staff for 1978/1979, upgrading in the U.S. is required for 15 system analysts and programmers, 2 data communication and 2 technical support staff, of which 4 system analysts and programmers, 1 technical support staff and 1 data communication would enter an M.A. degree program.

In order to keep abreast of new technology and to train additional personnel, the computer-based MIS plans to develop an institutional capability for training related to the development of a data base management system with an extensive on-line network of terminals. A minimum set of teaching aids (audio visual) as well as reading materials in computer science will be required. There is no plan to purchase additional hardware.

- (f) SMMSD - (Supply Materials Management System Development). In recent years, the SMMSD has organized five courses for operational managers (sub-division heads level) and three courses for decision managers, with foreign technical assistance provided from the U.K. Over the next three years a plan for 15 sessions of courses has been outlined for 80 participants of sub-division heads from all government agencies and 4 - 8 sessions of seminars for decision managers. It is also planned that some of those courses will be offered in various provincial offices.

Limited support is given through the Crown Agent to train 2 to 4 junior instructors in the United Kingdom each year. Some 20 to 30 instructors during the next two years (1978 and 1979) will be trained to support a nation-wide training effort for which the candidates will be obtained from the best participants of the above mentioned courses. Under the project, it is planned that 16 to 32 of these will be trained in the U.S. or a third country where such similar training is undertaken (the Philippines, Malaysia, etc.).

Besides the training effort, the need exists for two to three experts in 1978 to survey and to develop an inventory system, including coding and classification.

- (g) Resource Flows - Implementation of the Brussels Tariff Nomenclature since 1974 and the Brussels Valuation System since 1977 requires further improvement of the customs administration.

To attain a structural change in the composition of customs and excise revenues in a more balanced fashion between excises and duties on the one hand and the capability of its staff to support the implementation of the new BTN and BVS on the other, a comprehensive in-service training program is being organized. However, there is a serious shortage of qualified instructors to offer training in either an intensive or extensive degree. To cope with such problems an extensive recruitment plan is being designed with technical assistance inputs from Japan, the USA and West Germany. The U.S. portion of the program will be in the form of training in the U.S. to study narcotics, anti-smuggling (including maintenance of customs vessels), and the provision of an advisor to develop training methods and curriculum development, the design of customs laboratories and to provide technical knowledge regarding goods and commodities.

#### 4. Government Contribution

The DOF and the Government Banks have an existing infrastructure for training in Jakarta and in most of the provincial capitals to provide normal training facilities (including board and lodging for the participants). Also, the Department of Finance and the Banks will provide the necessary counterpart personnel for the expatriates, working facilities, local transportation and domestic travel funds and an adequate logistic support for surveys or technical assistance for curriculum development. However, only very limited teaching aids and library are available.

DEPARTMENT OF FINANCE

5. BUDGET

AID

1. Academic Training	\$ 720,000
- 60 years at \$12,000	
2. Short-term Training	400,000
- 200 months at \$2,000	
3. Expert Consultants	357,000
- 3 years at \$70,000; 21 months at \$7,000	
4. Instructional Materials	100,000
5. International Travel	287,500
- 115 at \$2500	
6. Indirect Costs	<u>100,000</u>
	Sub-Total
	\$1,964,500
	(2,000,000)

GOI

1. Salaries of Participants & Counterparts	\$ 380,000
2. Support of Technicians	80,000
3. Local Travel	150,000
4. In-country Training, Seminar, Workshops, etc.	400,000
5. Local Support Facilities, Equipment and Supplies	200,000
6. Miscellaneous	<u>100,000</u>
	Sub-Total
	\$1,310,000
	Grand Total
	<u>\$3,300,000</u>

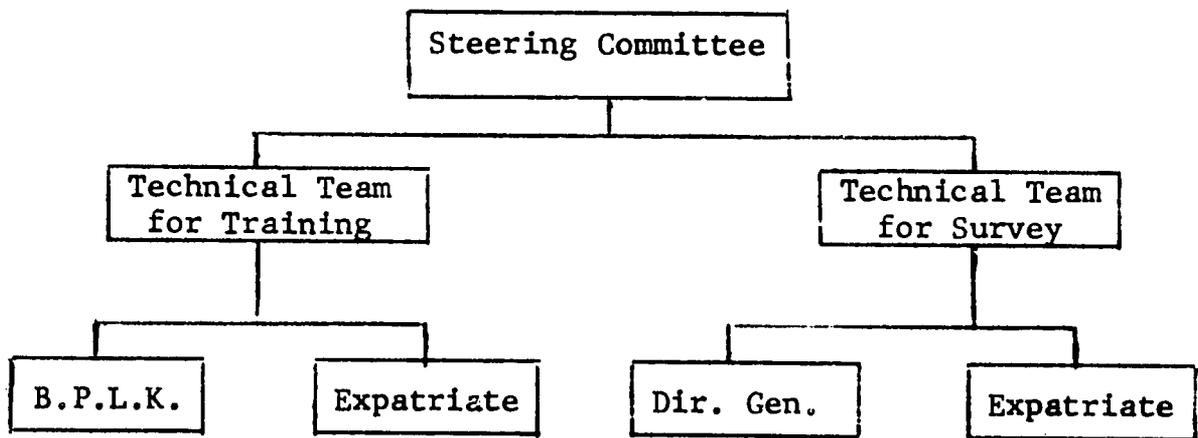
## 6. Administration of the Project

The DOF component of the Professional Resources Development I Project will be managed directly by the Department of Finance, the DOF Education Institute and the Banks concerned where technical assistance has been proposed for training and curriculum development.

In the event a labor force survey is to be carried out, then the individual units concerned (Directorate Generals and individual banks) will manage and be responsible for timely and effective implementation.

However, to insure program consistency and the coordination of activities within the Banks and the Directorate Generals of the DOF, a Steering Committee consisting of representatives of those various units, under the chairmanship of the Secretary General, or other designated person by the Minister of Finance, will be established. In its operation, the Steering Committee will assign two technical teams to draw up an operational plan (detailed specifications) respectively on selection, training and placement.

Schematically, the Organizational Structure is as follows:



"The purpose of this Act is to... strengthen the ties which unite us with other nations by demonstrating the educational and cultural interests, developments, and achievements of the people of the United States and other nations, and the contribution being made toward a peaceful and more fruitful life for people throughout the world.... The President may make suitable arrangements... for the purpose of assisting foreign students in... directing their talents and initiative into channels which will make them more effective leaders upon return to their native lands...."

Public Law 87-256  
87th Congress, H.R. 8666  
"The Fulbright Act"

### III. PROJECT ANALYSIS

#### A. Technical Analysis

This report involves three types or forms of training: academic training in the U.S.; specialized non-academic short courses, mostly in the U.S. but, when suitable, in third countries; and in-country courses assisted by U.S. technical assistance. In each instance training is directed at strengthening the institutional capability of a government agency to provide leadership, expertise and direction to the National Development Plan. Through earlier training projects the U.S. has made it possible for significant numbers of Indonesians to share the benefits of enrollment in U.S. institutions as well as those of other foreign countries. Among these students are many of those Indonesians who today are focusing the National Plan on programs designed to be of direct benefit to the rural poor. The magnitude of the problem of skills shortages is detailed elsewhere in this paper; however, it should be noted that among all of the employees of the three GOI agencies that will implement the project only 5 percent have the advantage of a college education. Of this percentage, the majority have only the equivalent of a junior college education. Of the remaining 95 percent few have received the kind and quality of training that permits them to carry out their assigned responsibilities with any considerable measure of effectiveness or enlightened social awareness.

This mix of the three forms of training varies according to identifiable specific personnel needs as they relate to the institutional growth of the government agencies being assisted. For each of the three agencies there is a pressing requirement for highly skilled leaders who will, under this project, work toward graduate degrees. LAN, by decree, has the responsibility for training those public servants who will be engaged at the various levels and complexities of managing the affairs of government. Serving as a College of Public Administration, LAN needs to

augment its leadership with teachers who can bring to this profession a degree of excellence commensurate with the government's need for an institutional capacity to develop and to train from within its best management talent.

The Department of Finance (DOF) with its large and diverse staff, also has an immediate need for more well-trained people who can better carry out those responsibilities that accompany the responsibility for creating sound fiscal policies needed for the generation of resource flows and the effective design of the national development budget. The same people are required to ensure the timely processing of resources, both GOI and donor-supplied, for development projects.

The Department of Finance likewise has need for the problem-specific short courses established by AID/W and a number of U.S. universities for the developing countries. Experience with these courses more than justifies the application of the adjective "excellent" in describing their worth to the architects and builders of development projects.

The National Planning Office (BAPPENAS) has an urgent requirement for greater numbers of personnel trained to plan and to evaluate development programs. The success of Indonesia's National Development Plan depends largely on the availability within BAPPENAS of personnel at all levels trained in the skills of economic planning and the design of projects with high impact throughout the social sector. However, the upper and mid-echelons of the BAPPENAS staff are spread thin. Some of the "old hands" will be retiring soon, and there is a pressing need to train new and fresh talent to provide leadership and to replenish the numbers of the rank and file. In addition, as the types of programs now undertaken by the GOI are more complex and of a social impact nature, there is a need for different skills not currently available.

To meet the training needs of these agencies, AID/W and U.S. universities have developed a variety of specialized long and short-term courses. The GOI has had sufficient experience with these courses to make a realistic appraisal of their worth, and the consensus among Indonesian decision-makers is that training in the U.S. is of greater value and relevance than that which is offered by other donor nations. U.S. education is directed toward problem solving in contrast to the more academic "learning by rote" education found in other countries.

In-country training assisted by U.S. experts will affect the greatest numbers of people in this project, and this form of training will receive preference whenever possible. In those cases where similar training needs are required by several Indonesian agencies a U.S. expert will be provided to prepare local training programs and to develop an ongoing capacity to manage such programs.

The key factor in any training project is the quality of the students. The GOI has done a commendable job in selecting participants under prior projects as evidenced by their academic achievements and by the relevant application of their skills and knowledge to ongoing GOI development programs. For this project, the GOI's efficient selection processes will be maintained and there is common expectation that the returnee/placement record of 99 percent will be equalled if not surpassed.

Technical analyses of this project were made with the assistance of the Ford Foundation Representative whose doctoral studies dealt directly with the Indonesian bureaucracy, as well as several UNESCO experts, members of Harvard's Institute for International Development, various other American and European expatriate consultants, and a wide array of Indonesian sociologists, economists, and development planners. Without exception they have given the project an enthusiastic endorsement.

Although the project will be administered with the assistance of a U.S. institution, the Mission is prepared to provide technical support as required to maximize the project's effectiveness. The Chief of the Education and Human Resources

Division, in addition to many years of experience working at several levels of education and training in the U.S., has been in charge of the training programs in four large AID Missions. The Chief of the Training Branch is a qualified and experienced training officer who is supported by a well-trained, experienced, smoothly functioning team of Indonesian employees consisting of a training specialist, three counselors, two administrative assistants, and a secretary.

An analysis of project costs is relatively easy, as training costs generally have been standardized. The current cost estimates provided by the International Training Office of AID, W have been used to compute costs of academic and non-academic training sub-projects. The funding estimates for long-term and short-term consultants are based on the average outlay for current costs for such services in other USAID/Jakarta projects. All cost estimates are reasonably firm and reflect past experience and detailed planning.

The need for the project is reflected in the statement of its objective, as that objective, in turn, relates to national development goals. Further, the GOI has given ample assurances that it can find qualified personnel, both at the central and lower levels of government, to participate fully in the various training programs described in this paper. On the other side -- we can define GOI development oriented needs and GOI inputs -- the experience and successes of AID-sponsored training will withstand scrutiny from even the most demanding spectator. Indonesia's return/placement track record is perhaps the best among all of the developing countries, with 99 percent of those trained abroad now professionally engaged in a work activity for which they were trained. Examples, number, and present locations of AID-sponsored trainees are presented in an Annex to this Project Paper. The project fully meets the requirements of FAA Section 611(a) and (b).

Regarding the environmental assessment, a negative determination was approved by USAID/Jakarta and AA/ASIA in the PRP stage. That determination was based on the fact that this project is wholly concerned with training. Some of the short-term training will be, of course, in environmental protection activities.

## B. Financial Analysis and Plan

The training requirements of the three implementing agencies in this project far exceed the amount of the loan being proposed; however, the agencies are also negotiating with other donors for additional training help, and the probabilities are good that the U.S. contribution will be part of a much larger program.

The table that follows presents a summary of the estimated costs associated with the Professional Resources Development I Project. Its total cost over five years is \$9,600,000 of which \$5,900,000 represents the foreign exchange costs funded under the loan. The foreign exchange funding of U.S. technical advisors, including their salaries, international air fares, and support costs, will be financed under the loan, as will be all foreign exchange participant training costs, including international travel. The GOI will pay the full salaries of participants; support costs for the advisors, such as housing, domestic travel and per diem; office space and clerical personnel for technical advisors; and the local costs for in-country training. These and other local costs will be provided in full from clearly defined GOI budgetary sources. In special instances, mutually agreed upon by AID and the GOI, some local costs may be charged to the loan. It is recommended that AID contribute \$5,900,000 or 62 percent of the total project costs.

### Summary Opinion

Based on the conditions set forth above, it has been concluded that the financial plan for the project is fully adequate and that in terms of returns on U.S./GOI investments the project is financially sound.

SUMMARY COST ESTIMATES

<u>Project Element</u>	(U.S. \$000)		
	<u>AID</u>	<u>GOI</u>	<u>TOTAL</u>
Academic Training (160 years)	1,920		1,920
Short-term Training (465 months)	930		930
*Expert Consultants (258 months)	1,554	260	1,814
Instructional Materials	240	230	270
International Travel (155 trips)	638		638
Local Travel		400	400
Salaries, Counterparts and Participants		1,120	1,120
In-Country Training		800	800
Equipment and Facilities		220	220
**U.S. Office Support	300		300
Indirect Costs	320	350	670
	<u>5,902</u>	<u>3,380</u>	<u>9,282</u>
	(5,900)	(3,400)	(9,300)

\* As set forth in Section I-C, Recommendations, of this paper, there will be a requirement for an initial investment of \$30,000 from PDSF to assist the GOI to finalize the training plans... these funds are additional to the budget shown herein.

\*\* It should be noted that included in the figures above are costs for the project coordination. To manage the project, the contractor will require a full-time project leader for four years plus a U.S. support office. MENPAN will ensure that all counterparts and support services and costs are provided by the GOI.

BUDGET (AID)

Project Leader (4 years at \$70,000)	\$280,000
Home Office Support	300,000
Indirect Costs (incl. \$30,000 for field evaluation)	100,000
	<u>\$700,000</u>

GOI

Counterparts Salaries	\$100,000
Supporting Services	100,000
International Country Travel	50,000
Miscellaneous Costs	<u>50,000</u>
	\$300,000

## C. Social Soundness Analysis

### 1. Organization

This project will require inputs of varying degrees from five top-level GOI agencies. Two will provide administration and coordination: the Department of State for Administrative Reform (MENPAN) and the Secretariat of the Cabinet (SECCAB). The National Development Planning Institute (BAPPENAS), the National Institute of Administration (LAN), and the Department of Finance (DOF) will serve as implementing agencies, and from their personnel ranks participants will be selected for training to strengthen each institution's capability to exercise its particular planning, evaluation, budgeting or management role.

At the administrative level the project will broaden MENPAN's participation in developing appropriate leadership for more effective institutional administration, a function that is consistent with its general commitment to administrative reform throughout the government. The project purpose is to expand and improve the capacity of existing government institutions to play their proper roles in the development process. There will be no requirement to establish a new organization in order to achieve this purpose. Each of the three implementing agencies will submit a slate of candidates for training: SECCAB, which already has a long and successful experience in selecting participants, will guide the agencies in the final selection process.

MENPAN and BAPPENAS already have organizational linkages, as the Minister of MENPAN also serves as the Vice-Chairman of BAPPENAS; while SECCAB has a clearly defined role as the certifying agency for all GOI candidates sent abroad for training. While LAN has by decree been given specific responsibility for overseeing all governmental training, the Department of Education is responsible for supervising all education. To date the planning and implementation of formal education and government training have proceeded in harmony side by side.

The training of civil servants is not in itself an end but, rather, one way to strengthening those government institutions charged with distributing the benefits of national social and economic growth among all the people. For example, to the extent that LAN can better carry out its responsibility to improve training programs government operations at all levels will be commensurately enhanced. Similarly, BAPPENAS plays a key role in the selection of development projects proposed by the various line agencies, and the strengthening of its proficiency in the identification of projects with high economic and social payoffs will directly affect national development programs. By increasing the DOF's institutional vitality and capacity to mobilize resources through effective taxation and income distribution practices, the GOI should be able to add to its development budget significant amounts of funds for allocation to projects directed at improving the well-being of the rural poor. As we discuss below, the people of Indonesia should directly benefit as the government extends its capacity and will to reach the public with relevant activities in the social sectors.

All five participating GOI agencies fully support this project. This is particularly true at the administrative level where the achievement of clearly perceived and defined goals are frustrated by a lack of trained staff and implementing personnel. For example, one of the fundamental constraints to delegating authority, not only within central government departments but also at the provincial and lower levels, is the gulf in talent and training that exists between management and subordinates. As a result, key leaders have little or no confidence that subordinates can accomplish delegated tasks, with the inevitable consequence of increased concentration of decision making, an inability to translate ideas into actionable programs, and a serious loss of development mobility.

Throughout Indonesia there is a recognized need for more and better social services, although an awareness sometimes is lacking that in order to provide public services that directly reach the rural poor the government

must be administered by better trained and more dedicated officials. The civil servants who will allocate goods and services and the people who will benefit therefrom are complementary parts of a single process. The leaders recognize the need to improve the efficiency of government institutions. The people feel the need for better services. The leaders perceive causes and the people perceive effects, the two cardinal integrals of the process of supply and demand.

## 2. Participation

Currently the Indonesian government relies heavily on foreign consultants to do the initial conceptualizing and drafting of development plans and projects as well as the procedures for their implementation and evaluation. In some departments the absence of foreign advisors would result in little or no action at all in development planning and implementation. In the related areas of issues identification and problem solving, again, foreigners are often the catalytic agents without whom problems and issues would be put aside or ignored until a crisis stage is reached. Given this situation, the choice for USAID in trying to design assistance programs that reach the rural poor in accordance with the Congressional Mandate and concurrently aid the GOI in achieving its own national development goals is clear; either create or upgrade the competence of the current government apparatus and personnel to conceptualize and implement relevant development projects or hiring foreign "advisors" to do the job for the government. This latter choice is politically, economically and socially unviable. Hence, the Professional Resources Development I Project.

The active participants in the project will be the government workers who will be trained to provide the above kinds of expertise. The selection process will identify candidates with aptitudes for project conceptualization, problem analysis and the creation of constructive responses to the problems that stagnate growth and reduce social equities. Advanced training should intensify their awareness of the complexities that confront national planners who seek to improve the lot of

the diverse body of Indonesia's citizenry. It is anticipated that successful training will lead to the emergence of a body of dedicated civil servants which will recognize that the most effective government is one which seeks to mobilize its resources to provide opportunities for the full participation of all the people in the development and allocation of the nation's wealth.

### 3. Obstacles

There are no significant social, political, bureaucratic or other obstacles to project implementation. BAPPENAS is the Government's central planning agency, headed by the President's top economic advisor. The other participating agencies play roles of similar importance in national development. Although the project will stand on its own merits, support at these high levels will bolster its success and that of any follow-on projects.

### 4. Spread Effects

The project will be concentrated in the three agencies that most directly establish development policy and provide the resources for the development budgets of all government agencies. Improving their effectiveness should energize government apparatus at all levels and lead to accelerated growth throughout the social sectors. Failure to bring about improvements among the government's planning, budgeting and management entities can only result in the addition of further failures to an existing record of marginal successes of which the following case studies are representative:

- (a) The Government's national campaign to find a solution to Java's rice problem in 1968, coincided with the country's first contact with high-yielding rice varieties developed at the International Rice Research Institute (IRRI) in Los Banos, Philippines. The remarkable showing of the new rice technology in other areas of Asia provided the GOI with a seemingly foolproof weaponry for attacking what heretofore had been an intractable problem. Thus,

in 1969, the First Five Year Plan forecast self-sufficiency in rice production by 1974, a goal which would entail raising rice production by over 50% from the 1968 base figure. Java, Indonesia's rice bowl, was to bear the full brunt of this campaign, and the rural bureaucracy was set in motion to mobilize farmer support in accepting the new high-yielding varieties. From its inception in 1969, nearly 25 percent of all farmers on Java have been participants in the Government's program and by 1973, the last year of the First Five Year Plan, practically every farmer in the irrigated regions of Java had had some knowledge or experience with HYVs. Nevertheless, despite enormous outpourings of energy and resources, the results were considerably less than expected. By 1974, production had increased by a margin of only 20-30 percent, and Indonesia continued to supplement domestic production with annual imports exceeding one million tons.

For five years the Government staked a great deal of its credibility upon generating a Green Revolution and was prepared to support this effort with large expenditures of financial and administrative resources. Indeed, most of the programs of the Five Year Plan were focused either on rice production itself or upon the development of those services and infrastructure related to its cultivation. Yet, a serious shortfall in production resulted; not because of an absence of further opportunities for increasing rice production in Java, for the potential of the high-yielding technology still has yet to be fully exploited and not for the lack of effort on the part of the GOI. The failure to even approach production targets occurred largely because administrative structures were not performing at a level consistent with the complexity of the technology itself. Even today, given the timely delivery and the proper mix of production factors (water, seeds, pesticides, and fertilizer), further advances could be made in raising the productivity of the Javanese rice farmer. Nevertheless, major administrative deficiencies still remain in the provision of these resources and in their adaptation to farmer needs.

In addition, major obstacles have been encountered in devising policies and institutional mechanisms for mobilizing the support of the small farmer. A system of planning and communication linkages has yet to be worked out which, if effected, would enable both the government and the farmer to pursue a mutually satisfactory and productive course of action. The government has placed a premium on "solutions" rather than upon developing a process by which one arrives at real solutions. As a consequence, the farmer frequently resists what seems like, in the perceptions of traditional policymakers, a rational strategy for improving his welfare. In order for the government to break out of this pattern it must evolve an institutional capability to design policies and programs that are responsive to and in harmony with the needs of the vast majority of Indonesians who live in simple rural communities. Any improvement in BAPPENAS's competence to identify needs and problem areas, to design and analyze projects, and to effectively monitor follow-on implementation activities can only have a salutary effect on the rural poor.

- (b) The transmigration program is another high priority government undertaking that would directly benefit from development of a highly competent core staff for designing, implementing and evaluating transmigration projects throughout Indonesia. Over the five-year period of REPELITA II the GOI has as its goal the movement of 250,000 families involving 1.25 million people from densely overpopulated Java to the outer islands. Transmigration, however, has suffered as grievously as the BIMAS program from the lack of well trained sociologists and anthropologists.

Dr. Soedjatmoko, former Indonesian Ambassador to the United States and currently Expert Advisor on Social and Cultural Affairs at BAPPENAS, recently told USAID staff that, "Ten Indonesian sociologists, ten anthro-

pologists and ten economists working in the Department of Transmigration could quickly solve nearly all the design and implementation problems in the transmigration program, the success of which is absolutely vital to solving Java's over-population problem as well as developing the most potential of Indonesia's outer islands. We all simply need to face the fact that we can no longer tolerate merely stumbling along from one crisis to another with a bureaucracy of inadequately trained and motivated personnel as we have been for the past twenty years." While we agree that there is a pressing need for social scientists, experience has shown there is an equal need for financial experts and managers.

- (c) The widespread problem of employment generation is another area where the formulation and application of new government policies and administrative linkages between the central government and the rural communities is sorely needed and where enhancement of BAPPENAS's planning capacity could have direct and positive impact. Economic progress in many developing countries has not in reality benefitted the majority of inhabitants, and the primary reason for this has been that development efforts often only emphasize increasing the national product when increasing production alone will not provide the people with the basic necessities of life. Clearly, a reorientation has taken place in the thinking of Indonesian planners about methods and designs for development, in which they are aiming for social goals as well as purely economic ones, including the necessity for massive employment generation. Yet, at this stage they still feel that their knowledge about the methodology of employment planning is incomplete and they are right. In Indonesia itself the problems of employment and the basic needs of the people did not really receive attention until REPELITA II was about to be launched. The Parliament, meeting in March of 1973, stipulated clearly

that the significance of any national development program is to produce sound human beings and a whole society. One of the principles of development, called the principle of "fairness and equality," stated that wherever material and spiritual results are achieved during the course of development they must be enjoyed equally by the whole nation.

National production, growth and increased employment are the stuff around which development planning is shaped. Yet Indonesia sorely lacks the numbers and kinds of experts who can formulate programs that give full recognition to these considerations. The training of development planners for BAPPENAS and the DOF should permit the creation and implementation of general policies which make use of regulations such as those pertaining to credit, taxation, investment, prices and wages, import duties and currency exchange in order to expand employment.

Although Professional Resources Development I is the first training project to be focused entirely on governmental agencies, other GOI officials have been trained under the General Participant Training Project. The success of that grant-funded project in considerable measure led to the GOI's request for the project herein described. Some 99 percent of all Indonesians trained under previous USAID programs have returned to occupy government positions in accordance with GOI/USAID selection-placement criteria. The distinction between the current project and the GPT project is that, instead of providing training to meet specialized needs growing out of discrete projects, the GOI and USAID will now concentrate training in selected governmental agencies where the emergence of adequately trained personnel will have far-reaching effects on the planning, budgeting, implementation and evaluation of social and economic growth.

The spread effects of this project are substantial. When we consider the amount of resources available for development which are now sitting in the pipeline, it is clear that an improved management capability to move the money into actual activities will have a dramatic impact on the proposed beneficiaries.

It is expected that after the first year (project year 2) of actual project implementation, a small impact will be discernible from the short-term in-country training. The effects of such training in succeeding years should grow geometrically. As an example, disbursement rates are only about 15 percent of the funds committed by IGGI donors over the last three years. If that rate can be increased to 25 or 30 percent through management training, the benefits will be substantial.

The significant impacts of long-term training will only be felt of course when the trainees return to assume their functions. These personnel will have a major impact on the planning for the Fourth Five Year Plan, 1982-1987.

## 5. The Role of Women

There is a growing awareness in Indonesia that women play an important role in the development process. This project will seek to further that recognition. Training is an area where there is a discernible movement towards increased opportunities for women. From 1970 to 1976, 143 women were trained by USAID out of a total of 1,613 participants, or 8 percent. In 1976, 11.3 percent of the participants were women, and the goal for 1977 is for at least 15 percent. The GOI has been in the forefront in recommending increasing numbers of women for USAID programs, and in this project we expect at least 20 percent of those trained will be women.

It should be noted that women have participated to a greater extent in academic than in non-academic training and that 37 have received graduate degrees (33 masters and 4 doctorates). Today these degree holders, without exception, occupy important government positions. One of the justices on Indonesia's Supreme Court, for example, is a woman, as are four of the deans at the University of Indonesia. Women currently comprise 18 percent of the civil service.

Among USAID-sponsored women participants, one is now the Director-General of Health Research, another is Secretary-General of the Department of Social Welfare, another is the Director-General of Health Education, one is Chief of the Bureau of International Cooperation of the National Science Institute (LIPI), one is Dean of the Faculty of Agronomy and Animal Husbandry at her university, several are university professors, while others are chiefs of divisions in various ministries.

GOI movement towards greater equity between the sexes is reflected in numbers of GOI pronouncements and policy statements. A typical statement recently was issued by the Minister of Manpower, Transmigration and Cooperatives:

"Equal treatment will be given to all working women. In this way Indonesian women will be encouraged to participate in the labor force. This means that they will no longer be treated as second-class citizens in the community and in employment. They will be given equal rights."

## 6. Benefit Incidence

The primary beneficiaries of the project will be the people of Indonesia, particularly the rural poor who are the targets of most of the projects in Indonesia's Second and Third Five Year Plans (REPELITAS II and III). In his speech at the University of Georgia on April 30, 1977, Secretary of State Cyrus Vance, outlined three different categories of human rights, one of which is directly related to the social/economic development process that USAID is seeking to support in Indonesia: all people have a right to adequate standards of living, including adequate food, education opportunities, health and medical treatment services, employment and adequate income, and to government protection of political rights.

The Government of Indonesia is similarly concerned about its capacity to respond to the privations of its society, and in many respects the country's national development goals represent a human needs approach to development -- transfer of resources, creation of employment opportunities, increased agricultural production, assignment of high priorities to health and education in the rural areas. The greatest obstacle to achievement of its objectives in all of these areas, however, is the government apparatus itself. Training in the U.S. can provide much of the skills and knowledge and at the same time reinforce a capacity for empathy. Certainly Indonesian trainees will come to better understand U.S. perceptions as to what constitutes those basic human rights that should be sought by all governments.

As the trainees return and more effectively plan and implement development programs, we expect to see accelerated improvement in agricultural production, increased employment opportunities, greater access to education and health services, more effective transmigration programs, less disruptive rural displacement and more equal income distribution -- all of which, we repeat, are the objectives of the current and projected Indonesian Development Plans.

D. Economic Analysis

The focus of the Professional Resources Development Project is on strengthening the institutions within the GOI that have the combined responsibilities for planning, allocating budgeting, monitoring, implementing and evaluating the entire sphere of development activities at the national level. Three institutions have been selected because, although they most directly control the overall economic and social development of Indonesia, they have historically demonstrated a lack of capacity to deal adequately with the rapidly growing responsibilities of development. These growing responsibilities are financial as well as the expansion of objectives into the more difficult socio-economic areas of income distribution, employment generation, ecology, urbanization and social infrastructure.

The main objective of this project is institutional development to be achieved through the training and education of government workers. This objective is intermediate to the ultimate objectives of the project--a more effective and efficient system for allocating development resources to achieve the broad goals of growth (economic development) and a more equitable distribution of national income. It is well known that institutional development and the benefits of education do not readily lend themselves to analysis through the application of usual economic techniques. Therefore, the approach that has been selected is to demonstrate that the three implementing GOI departments have paramount roles to play in the allocation of development resources, that there is ample evidence that their performance is far from adequate to deal with the multiplicity of complex and often conflicting objectives, that the economic costs are reasonable in relation to the sphere of potential impact based on existing responsibilities and that there is, therefore, reasonable cause to believe that the effective implementation of this project will yield economic returns far greater than the economic costs.

The detailed project description fully explains the responsibilities of the organizations and their respective relationships with the development process. The next step is to describe the sphere of resources and activities under their influence and present some cases which illustrate the needs for improved institutional capacities in the respective organizations.

The sphere of economic activities and resources under the control of the GOI have been growing at a rapid rate during the decade of the 1970's. Between IFY 1971 and IFY 1978 the national budget increased ten fold from \$1.1 billion, representing over 30 percent of the GDP, to \$10.2 billion. The development budget also increased by a factor of ten during this period, from \$509 million to \$5.2 billion. The major implications of this dramatic increase relate to the growing responsibilities and the concomitant management and administrative requirements of already overburdened staffs. It must be recognized also that while the budget has increased significantly the resources available for development are still small in relation to the problems that must be dealt with in Indonesia. (The total national GOI budget is less than one-third the annual payroll of the U.S. Federal Government.)

The relationship between the routine and development budgets and the direct linkage between the proposed training and programs that impact on the social and economic needs of the rural poor, can be demonstrated by looking at the allocations within the development budget.

In IFY 1971, 39 percent of the development budget (\$197 million) was allocated to Regional (Rural) Development and social sector activities. By IFY 1978 this allocation increased over 13 times to a level of \$2.5 billion (48 percent of the development budget). This increasing allocation of GOI resources to the major areas of interest to AID speaks for the commitment of the GOI to improving the quality of life for its deprived majority, but as is often the case managerial and administrative weaknesses and attitudes have strongly hampered the implementation of development efforts.

One indicator of the GOI's lack of institutional capacity (particularly within BAPPENAS and DOF) to effectively implement economic development projects is the growing pipeline of undisbursed funds and increasing numbers of yet to be implemented projects. It is estimated that BAPPENAS and the DOF are responsible for monitoring and financing the implementation of over 3,200 projects a year, including foreign assistance and GOI activities. While there is no information available on the rate of implementation of all the projects, Bank Indonesia publishes statistics on disbursements of foreign assistance. The following table shows

disbursements on commitments since IFY 1971 as of March 1977:

<u>IFY</u>	<u>IGGI Commitments (\$ Millions)</u>	<u>Not Yet Disbursed (\$ Millions)</u>	<u>Not Yet Disbursed Percent</u>
1971	603.5	24.8	4
1972	645.3	76.2	12
1973	825.9	202.5	25
1974	856.1	382.8	45
1975	1,131.4	768.7	68
1976	1,138.4	1,071.0	94
1977	1,124.9	1,054.3	94

There is no clear guideline as to what the rate of disbursement should be or could be given an adequate institutional infrastructure; however, it is well recognized among foreign assistance donors that this pipeline (greater than \$3 billion) of undisbursed foreign assistance since IFY 1971 is largely the result of institutional weaknesses and not the lack of the economy's absorptive capacity.

The complexity of socio-economic problems facing BAPPENAS in the natural resource field were explained quite well in the recently published article: Problems of Resource Development in Southeast Asia with Special Reference to Indonesia - by J. A. Katile:

"Resources are part of the whole fabric of the earth and do not exist in isolation from one another. Thus it follows that planning and management of any one resource can be successful only if it is a part of a carefully planned, integrated resources development scheme....The overall national planning board (BAPPENAS) in Indonesia just recently established a special division for natural resources and environment in order to facilitate an integrated resources planning approach, however, personnel of many types, disciplines, training and different educational levels will be required as the development of resources advances."

He also pointed out difficulties of dealing with the more complex social goals:

"It is important to note that in developing nations the question of how to transfer the benefits of resource extraction and in-country processing into the social sector (e.g. housing, employment, education, health) is of greater concern rather than the question of resource depletion. And it is this area that we can turn to the developed world for economic cooperation and technical guidance." See Annex 4 for the full text of this article.

One of the main responsibilities of the DOF is in the area of taxation and tax administration which is also one of the areas of training under this project. The existing tax structure is notably weak and focused on the oil sector and trade as revenue sources. During IFY 1976, 55 percent of GOI domestic revenues were derived from the oil sector, 14 percent from the foreign trade sector and only 31 percent from all other sources. Reform of the tax administration system and the need for a broader base tax structure to mobilize domestic resources was identified in the 1977 IBRD Report as a priority area for effective development investment. The management of the DOF is well aware of these needs but lacks the staff, or institutional capability to undertake this effort; therefore, they are requesting assistance to develop, among other things, an efficient personal income tax administration similar to the IRS.

The economic implications of a tax system that focuses on trade and extractive minerals, such as oil, are important. On one hand excessive reliance on export taxes artificially increases the prices of exportables and reduces potential sales, while a heavy dependence on oil revenues for public expenditures creates a one-commodity bias in the economy that may not be healthy in the longer run. This latter point has been clearly demonstrated in the past few years. When the GOI needed additional tax revenues, quickly, to ease the impact of the Pertamina crisis they tried to raise the revenues by increasing the GOI take from existing oil contracts. This procedure backfired, and while current revenues increased, new exploration slowed to a near standstill and prospects for future revenues will no doubt suffer as a result. There is now a recognition that these actions were excessive, and measures taken to improve the profitability of oil exploration have resulted in renewed activity. However, out of this has come the awareness that oil revenues will continue to decrease in importance as a tax source and that it is essential to develop alternative sources in the near future to finance growing public sector activities. While there is some controversy over the magnitude of oil

reserves, there is an influential body of thought which believes reserves may be depleted as early as the late 1980's.

Banking and credit expansion is another major responsibility of the DOF. Nearly half of the DOF employees are engaged in bank and credit enterprises. However, the DOF staff is small and inadequately prepared to cope with the growing responsibility of mobilizing broad-based credit activities, particularly in rural areas. An example of the important impact that the DOF can have on the rural scene is a recent attempt to extend special credit for the purchase of hand tractors. Because of a narrow perception of the need to expand credit to the agriculture sector, a program was undertaken to provide farmers in Central and East Java with subsidized credit for the explicit purpose of purchasing hand tractors. The primary intended purpose of this program was to increase food production. The major result was a large displacement of labor and animal employment and a minor increase in profitability to some farmers. The program was eventually stopped, largely as the result of an analysis made by expatriate and indigenous advisors showing that for densely populated Java each 5 h.p. hand tractor displaces 688 days of human labor and 128 days of animal-time per year. The curtailment of this program is a mixed blessing. For Java this is the appropriate policy, but for Sumatra, for instance, where labor is relatively scarce, this program could have high economic and social returns. In order for the DOF to undertake heterogeneous credit activities for heterogeneous regions, additional staff members are needed who are trained to make the analyses necessary for decisions that are relevant to realistic development objectives.

The purpose of LAN is improving, maintaining, increasing and developing the efficiency of public administration in its broadest sense. The importance of this function is being identified with increasing frequency as administrative inefficiencies are determined to be major bottlenecks to economic development. However, LAN as an institution is so weak that it cannot perform its assigned role. Unfortunately, the GOI faces a "chicken or the egg" situation in the development of this institution. LAN cannot be effective in its designated role until the very weaknesses it faces are first corrected within its own structure--thus, institutional development. Presently its role is being supplemented by expensive expatriate advisory services such as Public Administration Services (PAS) and Harvard Institute for International Development (HIID).

The three GOI institutions selected for assistance in this project have key roles to play in the development of the Indonesian economy. The table illustrates that the numbers of trained staff are small in relation to the total staffs and their duties delineated in the project description. The relatively small investment this project makes in the development of these institutions can reasonably be expected to yield significant economic returns in improved administration, implementation, monitoring, evaluation and financial management of development activities in Indonesia.

EDUCATIONAL STATUS - 1977

	<u>Total Staff</u>	<u>With University Education</u>	<u>Percent of Total</u>
BAPPENAS	383	141	36.9
Dept. of Finance	45,453	1,950	4.3
Banking Sector	38,927	2,146	5.6
LAN	<u>307</u>	<u>121</u>	<u>39.5</u>
TOTAL	85,070	4,358*	5.2

\* Of this total an estimated 97 percent hold degrees from Indonesian universities, and 90 percent of these hold three-year degrees.

"The quality and effectiveness of government cannot be a matter of indifference internationally. It is painfully evident that a great many of the domestic troubles of countries around the world derive from the malfunctioning or incompetence of governments, and these troubles provoke international tensions and disturbances. There is currently a stronger disposition to criticize Third World countries for abuses of freedom of human rights within their borders. But the correction of such abuses requires competent and secure government at least as much as direct pressure to respect humane standards."

Francis X. Sutton,  
"American Foundations and  
Public Management in  
Developing Countries,"  
Ford Foundation Reprint.

## PART IV - IMPLEMENTATION PLANNING

### A. Administrative Arrangements

The overall administration of this loan will be under the Minister of State for Administrative Reform (MENPAN). His representative will chair a project steering committee with members drawn from each of the GOI agencies involved in the project. A representative of the Minister/Secretary for State (SECCAB) will act as a participating member of the committee and as a special advisor regarding the coordination of participant training programs of the GOI implementing agencies.

At an early stage of project implementation, a U.S. consultant will be required to assist the GOI to finalize the details of the training programs to be funded under Professional Resources Development I Project. USAID has proposed that this preliminary technical assistance be funded from PDSF and that the satisfactory completion of the consultancy be a Condition Precedent to any disbursements of loan funds for training.

The training activities will be implemented through a contract with a U.S. institution which will handle all arrangements for training and technical assistance with the exception of the initial consultancy described above.

The institution selected to handle this project should meet the following qualifications:

- Previous substantial experience in providing training for Indonesians and other Southeast Asian scholars.
- Particular expertise in education and training directed at the special problems which confront Indonesia, i.e. dealing with economic and social growth in a society that is comprised of varied racial groups, cultures, and religions.
- A special interest and expertise in the inter-relationships of the various Pacific nations.
- Access to strong academic programs in the various subject fields required in this project, such as:

- Development Planning
- Development Economics
- Development Administration

Financial Administration  
Regional Development  
Rural Development

- Access to facilities adequate to support the project; particularly library and documentation resources to support Indonesian studies and research programs.

The contractor will be responsible for:

- advising the participating agencies regarding the development and refinement of continuing long-range personnel upgrading programs;
- coordinating with the participating agencies of the GOI in designing short-term in-country training programs;
- analyzing in-country training facilities and advising as to their adequacy for meeting the training needs of the participating agencies; and
- coordinating with the participating agencies in selecting and placing long-term U.S. and third-country trainees.

The GOI has requested that the contract be a direct aid contract, in view of the multiple GOI agencies involved. See Annex 5 for justification.

The USAID Project Manager will be the principal U.S. advisor to the GOI Project Steering Committee. As the project involves several GOI agencies, he will assist the GOI with development of contract specifications and be an active participant in the ensuing contract negotiations.

Because the project deals with several GOI agencies, and because MENPAN has limited experience in contract negotiations, USAID has been asked to contract directly with a U.S. institution and to act as the GOI's agent in finalizing the contract.

Selection Process

For long-term training abroad to have maximum effectiveness, the trainees must be carefully selected. Each of the implementing agencies will form a screening committee to

evaluate all candidates for training. The screening committees will name those candidates who best meet the qualifications for each of the training activities. Those named will be reviewed by the SECCAB for final approval. Each candidate will be processed as a USAID participant with the standard biodata form but with a non-funding PIO/P. The contractor will advise the screening committees and assist with the selection process. He will be fully responsible for placing participants being sent abroad for training in suitable institutions.

Since reasonable fluency in the English language is a basic requirement for training abroad, the USAID Training Office will assist the GOI and the contractor in programs to upgrade English language skills. For nominees selected for academic training, normally the minimum "Teaching as a Foreign Language Test" (TOFEL) score of 500, accepted by most U.S. universities, will be used. Exceptions will be made when participants are to be sent to certain third countries. Special English training will be arranged at the binational center, the Lembaga Indonesia-Amerika, and at special intensive English centers established by the GOI for this purpose. The USAID Mission Training Office will help with the pre-screening of candidates using its standard testing programs in which the "American Language Institute of Georgetown Test (AGLIGU)" is given two times weekly.

B. Implementation Schedule

1. September 25, 1977      Project Authorization
2. January 10, 1978      Project Agreement will be signed by GOI
3. January 15, 1978      Request for Proposals sent to prospective contractors
4. April 1, 1978          Conditions Precedent to disbursements met
5. April 15, 1978        Contracts signed
6. April 15, 1978        Letter of Commitment issued
7. May 15, 1978          Letter of Credit opened
8. September 30, 1982    Terminal date for requesting disbursements
9. October 30, 1982      Final disbursement date

C. Evaluation Plan

1. Focus

Evaluation of this project will focus on the quality of training provided, the nature and scope of its relevance to the planning and implementation requirements of the Departments involved, the degree of retention and utilization of the planning principles, techniques and methods by the trainees upon their return from training and the nature and quality of planning and programming resulting therefrom.

2. Methodology

The primary means of project evaluation will be an annual preparation by the Project Steering Committee, USAID and the contractor of the USAID Project Evaluation Summary (PES) to assess institutional development within BAPPENAS, LAN and the DOF and to measure the development of an improved planning, programming and implementation capacity. Evaluation will utilize project and DOF records and will involve analyses of policies, plans or programs developed by those Departments assisted by this project.

At this point the PES as revised by this Mission appears to provide a fully adequate and analytical framework for our evaluation. We intend, nonetheless, in the interest of ensuring greater objectivity, to seek the services of one consultant for one month for the mid-term and one consultant for two months for the final evaluation of this project. Questionnaires and interviews will be prepared for use during the mid-term and final evaluations.

As this is a training project, follow-up activities can very well be integrated with the evaluation process. Each participant returning from overseas will be asked to complete a training evaluation form and will be interviewed by a training office staff member. He will be contacted at least once each six months during the life of the project to determine what position he is occupying, how his training may be helping him in his job, and what additional assistance he might need that could be provided under the project.

The information gained from these follow-up/evaluation activities will be applied to subsequent redesign of training programs and other project activities and to refine project aims and objectives so that they become

more realistic and more relevant to Indonesia's development needs.

We are also considering the feasibility of planning and conducting 2 - 3 field evaluations within a reasonable time after implementation of any policies or plans that are the outgrowth of this project to determine their direct impact on the rural population. We recognize that such field surveys will be necessary to demonstrate the validity of the linkages that are said to exist in this project between an effective planning capacity at central and provincial levels and an improved well-being for the multitudes of rural poor who are the project's intended beneficiaries. While we believe it is still too early to determine the modalities for such a field survey, we are estimating an expenditure of \$30,000 within the loan for such evaluations. To the extent that foreign consultants may be required for assistance in planning and implementing field evaluations, while at the same time creating an Indonesian capacity to carry out future such evaluations, we intend to request grant funds (PDSF) to support the consultancies.

### 3. Responsibilities

USAID and Project Steering Committee, which is primarily responsible for evaluation, will cooperate in preparing the PES on a yearly basis and the management of other types of evaluation decided upon during the course of this project.

#### D. Conditions and Covenants

##### 1. Conditions Precedent to Initial Disbursement

Unless A.I.D. otherwise agrees in writing, prior to the first disbursement or to the issuance of the first Letter of Commitment or other commitment document under the Loan, the Borrower shall furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of the Minister of Justice of the Borrower that the Loan Agreement has been duly authorized or ratified by, and executed on behalf of the Borrower and is a valid and legally binding obligation of the Borrower in accordance with its terms.

(b) A statement of the names of the person or persons who will act as representatives of the Borrower together with evidence of their authority and specimen signatures of each.

(c) Written assurance that the estimated annual expenditures for each year during which the Project is being conducted (other than the United States dollar costs to be financed under the loan) will be made available to permit the work of the Project to proceed on a timely basis, and a budgetary allocation for the Project will be made for the Indonesian fiscal year 1978-79.

(d) Evidence that the Project Steering Committee has been formally established and is prepared to assist in guiding and evaluating the project.

2. Conditions Precedent to Commencement of Training of Borrower's Government Agencies

Unless AID otherwise agrees in writing, prior to the first disbursement for training, the Borrower shall furnish to A.I.D. in form or substance satisfactory to A.I.D.:

(a) Evidence that BAPPENAS, LAN and DOF each have developed discrete training plans indicating the types and amounts of training to be included together with a justification as to how the training will strengthen the agency's institutional capacity to contribute to the achievement of national development goals.

(b) Evidence that criteria have been established to be used in selecting candidates for training under the loan.

(c) Evidence that a contract has been executed with a United States firm or organization to provide the technical services described in the project.

3. Borrower Covenants

(a) The Borrower shall ensure that financial and technical support is provided to effectively operate and maintain all aspects of the training program to be funded under the loan.

(b) The Borrower shall ensure that each participant, upon satisfactory completion of training,

will be guaranteed an appropriate position commensurate with his educational achievement in the agency that nominates him for training.

(c) The Borrower, the Contractor, and A.I.D. shall make an annual evaluation of the project.

"The Committee would have the Agency for International Development (AID) cut back funds for higher education, and the report in particular singles out a project in Indonesia, Professional Resources Development, to be dropped. I believe that such an action would be unfortunate.

"AID is seeking to develop nonformal and other kinds of education which bear directly on the needs of the rural poor. This does mean, in general, that emphasis on higher education should decline. But this necessarily varies from country to country as their needs are different.

"The Philippines has a high level of education. Its literacy rate is 85 percent. AID should not focus on higher education there and is not. Indonesia is at the opposite end of the spectrum. Only 275 individuals in a population of 140 million have Ph.D. degrees of any kind. The lack of higher education is a major impediment to training school teachers, and 60 percent of the children between 14 and 19 years of age are not in school. If the government of Indonesia is to provide greater benefits to the poor, it must have a larger group with higher education. Here, AID properly should devote part of its program to higher education."

Senator Edward W. Brooke  
Report 95-352 -- "Foreign Assistance and Related Programs Appropriation Bill, 1978" -- p. 155.

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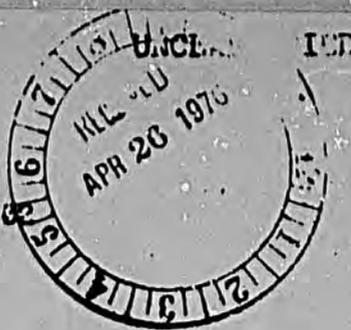
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## **ANNEXES**

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SUBJECT: MANPOWER DEVELOPMENT TRAINING PRP (DOLS 5.9 MILLION)

REFS: (A) REVISED PRP, DATED 3/5/76 (B) STATE 1600A

1. AID/W APPRECIATES TIMELY SUBMISSION OF REVISED PRP CONTAINING MUCH OF ADDITIONAL ANALYSIS REQUESTED REFTEL. PER PARA B REFTEL, FOLLOWING PARAGRAPHS PROVIDE SPECIFIC GUIDANCE TO USAID ON ISSUES TO BE ADDRESSED IN PREPARATION OF PP.

xbm

2. COMPLIANCE WITH CONGRESSIONAL MANDATE: AID/W WISHES TO REEMPHASIZE CONCERN THAT LOAN FUNDS BE FOCUSSED ON UPGRADING CAPABILITIES OF INSTITUTIONS AND AGENCIES WITH KEY ROLES IN NATIONAL DEVELOPMENT AND IN DELIVERING ESSENTIAL SERVICES TO INDONESIAN POOR MAJORITY. SENATE SUBCOMMITTEE HAS ALREADY CRITICIZED PROPOSED FY 76 TRAINING LOAN TO INDONESIA AS TRADITIONAL FORM OF ASSISTANCE THAT PRIMARILY SERVICES ELITE POPULATION AND IS ILL-ATTUNED TO NEEDS OF POOR MAJORITY. WHILE WE AGREE WITH USAID THAT THERE IS STRONG JUSTIFICATION FOR SUPPORTING HIGH-LEVEL HUMAN RESOURCE DEVELOPMENT

IN INDONESIA, OUR CASE BEFORE CONGRESS IS MORE PERSUASIVE IF WE CAN DEMONSTRATE THAT THE EMPHASIS OF OUR TRAINING LOANS IS NOT ON ENHANCEMENT OF SKILLS OF ALREADY EDUCATED/ADVANTAGED INDONESIANS BUT INSTEAD ON INSTITUTIONAL DEVELOPMENT AND THROUGH THESE INSTITUTIONS, ON EFFECTIVELY ADDRESSING BASIC NEEDS OF POOR MAJORITY.

3. CONCENTRATION OF LOAN RESOURCES: AS DETAILED IN PARA 3 REFTEL, REQUEST THAT PP IDENTIFY SUB-SECTORS, INSTITUTIONS, AND PROGRAMS ON WHICH LOAN FUNDS WILL BE CONCENTRATED, AND/OR DESCRIBE PROCESS AND CRITERIA BY WHICH THIS SELECTION WILL BE MADE, IDENTIFY PRIORITY HUMAN RESOURCE NEEDS IN THESE AREAS, AND DISCUSS COMPLEMENTARY ASPECTS OF TRAINING TO OTHER AID/FINANCED ACTIVITIES; WE RECOGNIZE NEED FOR SOME FLEXIBILITY IN RESPONDING TO NEW PROGRAMS AND UNANTICIPATED TRAINING REQUIREMENTS AS HIGHLIGHTED PAGE 6 OF PRP. SUCH FLEXIBILITY MIGHT BE INTRODUCED BY ALLOCATING PORTION OF LOAN TO READILY IDENTIFIABLE INSTITUTIONS AND PROGRAMS IN PP AND RESERVING BALANCE FOR OTHER INSTITUTIONS THAT WILL SUBSEQUENTLY BE IDENTIFIED ACCORDING TO AGREED-UPON PROCESS AND CRITERIA. ADDITIONALLY, SMALL

PERCENTAGE OF LOAN, E.G. 5 PER CENT, MIGHT BE FINANCED FOR SCHOLARSHIPS FOR INDIVIDUALS OF EXCEPTIONAL TALENT AND POTENTIAL, REGARDLESS OF INSTITUTIONAL BACK

4. GOI ADMINISTRATIVE CAPABILITY: PP SHOULD IDENTIFY GOI AGENCY RESPONSIBLE FOR MANAGING LOAN-FINANCED TRAINING PROGRAM, ANALYZE ADMINISTRATIVE CAPABILITIES OF THIS AGENCY IN ACCORDANCE WITH GUIDELINES CONTAINED APPENDIX GH OF AID HANDBOOK 3, PROVIDE FOR TECHNICAL ASSISTANCE AND TRAINING AS NECESSARY TO SUPPLEMENT AND FURTHER DEVELOP ADMINISTRATIVE CAPABILITIES, AND DESCRIBE PROCEDURES FOR MANAGING PROGRAM. AID/W PREFERENCE IS THAT GOI AGENCY, SUPPORTED AS NECESSARY BY SERVICE CONTRACTOR, TAKE FULL RESPONSIBILITY FOR PROCESSING AND ADMINISTERING PARTICIPANTS AND THAT USE OF AID OFFICE OF INTERNATIONAL TRAINING (OIT) BE HELD TO MINIMUM. IF OIT SERVICES NEEDED IN EARLY STAGES OF LOAN IMPLEMENTATION, PP SHOULD MAKE CLEAR HOW GOI AGENCY WILL GRADUATE FROM DEPENDENCE ON SUCH SERVICES.
5. GOI FINANCIAL CONTRIBUTION: PER PARA 4-REFTEL, REQUEST USAID ENCOURAGE GREATER GOI CONTRIBUTION TO AUGMENT TOTAL RESOURCES AVAILABLE FOR TRAINING AND EXPLORE POSSIBILITY OF GOI FINANCING INTERNATIONAL TRAVEL COSTS. IF INCREASED GOI FUNDING NOT POSSIBLE, PP SHOULD EXPLAIN WHY NEAR-MINIMUM CONTRIBUTION BY GOI CONSIDERED ACCEPTABLE
6. UNDERGRADUATE TRAINING: ON PRINCIPLE, DO NOT BELIEVE LOAN SHOULD FINANCE UNDERGRADUATE TRAINING, SINCE INDONESIAN UNIVERSITIES OFFER WIDE VARIETY OF UNDERGRADUATE PROGRAMS OF ACCEPTABLE QUALITY. IF EXCEPTIONAL CASES FORESEEN WHERE APPROPRIATE UNDERGRADUATE TRAINING NOT AVAILABLE IN INDONESIA, PP SHOULD PROVIDE FULL DISCUSSION AND RATIONALE.
7. HIGHER PER DIEM RATES: AID/W CONCERNED THAT HIGHER PER DIEM RATES PROPOSED ON PAGE 3 OF PRP WILL INEVITABLY RESULT IN COMPARISON OF RATES BETWEEN PARTICIPANTS FINANCED UNDER SUBJECT LOAN AND OTHER AID/FINANCED PARTICIPANTS AT SAME UNIVERSITIES TO THE LATTERS' DISSATISFACTION IF HIGHER PER DIEM RATES CONSIDERED NECESSARY, SUGGEST GOI AGREE TO FINANCE OVERAGE.
8. ROLE OF WOMEN: PP SHOULD ELABORATE ON DISCUSSION PRESENTED PAGE 7 PRP CONCERNING PARTICIPATION OF WOMEN IN SUBJECT PROJECT. IS THERE MEANS OF GIVING SPECIAL CONSIDERATION TO QUALIFIED WOMEN FOR OVERSEAS TRAINING?

BT

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ANNEX 5

**Subject:** Determination that A.I.D. will Contract Directly for Consultant Services: Professional Resources Development I.

Summary

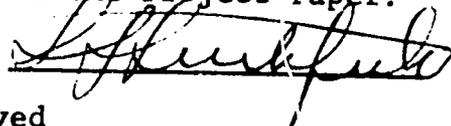
In accordance with the provisions of Section III of the attachment to AIDTO Circular A-564 dated 9-29-76, and on the basis of the exceptional circumstances described in the following paragraphs, it is recommended that consultant services for the Professional Resources Development I project be procured under an A.I.D. Direct Contract. The exceptional services are as follows:

1. Overall administration and management of the project will rest with the Department of State for Administrative Reform (MENPAN) and Secretariat of the Cabinet (SECCAB), and three separate GOI agencies will participate in the project. Neither SECCAB nor MENPAN have been involved in large-scale contracting with a foreign entity and do not have the administrative capability to manage a contract of the nature proposed for this project.
2. We propose that the contractor be selected on the basis of competitive selection criteria. Thus while we do not know who the contractor will be, it is likely that the most suitable type of an institution would be a U.S. university, probably a state university. Many U.S. universities do not have the authority to contract with foreign governments.
3. Host country contracting is usually much slower than A.I.D. direct contracting, particularly when the host country contracting entity has no experience with A.I.D.-funded contracts. In order to prepare candidates for long-term training to begin in the fall of 1978, it is essential that the contractor be selected and on board by April 15, 1978.

Recommendation

On the basis of the foregoing, it is recommended that you determine hereby that A.I.D. will contract directly for the procurement of consultant services for subject project, and that the exceptional circumstances cited together with your determination, be incorporated in the Project Paper.

Approved



Disapproved \_\_\_\_\_

Clearances:

PRO:WGBollinger 6613

MGT:RLBerrett 10

Project Title & Number

Professional Resource Development I

LOAN 497-0261

PROJECT DESIGN SUMMARY

LOGICAL FRAMEWORK

Life of Project  
From FY 77 to FY 82  
Total U.S. Funding:  
\$5,000,000  
Date prepared:  
July, 1977

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATOR	MEANS OF VERIFICATION	IMPORTANT ASSUMPTION
<p>Program or Sector Goal The broader objective to which this project contributed:</p> <p>Self-sustained Indonesian economic and social growth through the development of indigenous planning, managerial and technical capability to plan and implement development programs, directed at poverty, unemployment, health education services &amp; income inequity in rural areas.</p> <p>18 15 90 12 20</p>	<p>Measures of Goal Achievement:</p> <p>Primary emphasis during the Third Five Year Plan remains on the generation of employment, regional and equitable distribution of welfare, and social justice. Unemployment decreases while employment increases in rural areas. Education and health services of high quality are available to all Indonesians even at village level. Agricultural production increases at sufficient steady level resulting in reduction of basic food import requirements. Rural incomes increase more rapidly than inflation.</p>	<p>REPELITA II Records and Reports.</p> <p>Annual GOI Economic Data and statistics.</p> <p>Records of Departments of Finance, BAPPENAS, LAN.</p>	<p>Assumptions for achieving goal targets:</p> <p>Problem-solving within overall national Economic and Social Development is dependent upon managerial and technical capabilities. Increased training of manpower will help to solve current technical and managerial manpower shortages and as a result, additional development projects in the public and in the private sectors will be undertaken.</p> <p>image 6</p>

<p><b>Project Purpose:</b></p> <p>Create or significantly improve a core of skilled and motivated personnel in key development ministries who will enable the government bureaucracy to plan, manage, implement and evaluate development projects particularly related to employment generation, regional growth, increased agricultural production, and improved health and education services among the rural poor</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ul style="list-style-type: none"> <li>- Core of development planners and managers in BAPPENAS, LAN, Ministry of Finance actively engaged in project planning and implementation.</li> <li>- Identifiable projects underway or completed, and evaluated.</li> <li>- Efficient utilization of resources financial and manpower allotted by GOI or obtained from foreign donors for development programs, particularly in agriculture, health, education sectors.</li> </ul>	<p>GOI Manpower Statistics.</p> <p>GOI and USAID joint evaluations relying on (1) GOI, USAID, and Private Institutions records and reports (2) budgetary obligations (3) field observations of programs in operation.</p>	<p>Assumptions for achieving purpose:</p> <p>Overseas and in-country training can provide relevant skills and assist in developing high motivation necessary for filling current manpower shortcomings and lead to development of creation of additional self sustaining indigenous skilled manpower training institutions and facilities focused on National Priorities.</p> <p>In country training can be readily applied and adapted to the needs and requirements of Indonesian development.</p> <p>GOI Departments are committed to utilizing development resources to reach the rural poor with relevant and effective development programs.</p>
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Outputs:	Magnitudes of Outputs		Assumptions for achieving outputs:
<p>A. A cadre of trained Indonesians effectively utilizing their training in contributing to the management and problem-solving activities associated with the nation's developmental priorities.</p>	<p>A. <u>Training: No. &amp; Type:</u>      <u>Approx. Total:</u></p> <p><u>Over-seas</u>              65 academic      160M/Y</p> <p>                                 155 short-termers      465 M/M</p>	<p>GOI Manpower Statistics Training Records and Reports.</p> <p>GOI Personnel Statistics.</p>	<p>a. Candidates will return from training to be placed in responsible positions requiring the acquired skills, and</p>
<p>B. Stronger institutional administrative capability within the GOI to define needed positions within various ministries, to select personnel, and establish in-service training programs</p>	<p><u>In-Country</u>      100 courses      20,000 MM</p> <p>                                 2000 people</p>	<p>GOI Records</p>	<p>b. Will attend follow-up workshops and seminars to ensure effective utilization of these skills.</p>

<p>Inputs:</p> <p>USAID: - Dollar Loan</p> <ul style="list-style-type: none"> <li>- Assistance for Direct Training Costs.</li> <li>- Advisory/Consultancy</li> <li>- Assistance in conducting U.S. &amp; TCT training programs</li> <li>- in-country training.</li> </ul> <p>GOI: - Local currency</p> <ul style="list-style-type: none"> <li>- training selection, training placement, and follow-up and</li> <li>- evaluation</li> <li>- activities after training and after reassignment.</li> </ul>	<p>Implementation Target (Type and Quantity):</p> <p>\$6,000,000 Loan for finance of training costs</p> <p>\$3,600,000 equivalent local cost financing for support costs, trainee salary costs, plus other local currency expenditures.</p>	<p>USAID records and reports.</p> <p>GOI records and reports.</p>	<p>Assumption for providing inputs:</p> <p>USAID funding and consultancy advisory assistance is available on timely basis.</p> <p>GOI funding provided for an appropriate portion of the local costs requirements.</p> <p>Qualified candidates are available for training.</p>
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House 8.

LOAN AUTHORIZATION

Provided under: Section 105: Education and Human Resources Development

(Indonesia: Professional Resources Development Training)

Pursuant to the authority vested in me as Assistant Administrator, Bureau for Asia, Agency for International Development ("A.I.D."), by the Foreign Assistance Act of 1961, as amended, (the "Act") and the delegations of authority issued thereunder, I hereby authorize the establishment of a Loan pursuant to Part I, Chapter 1, Section 105 and Chapter 2, Title I, the Development Loan Fund, of said Act, to the Government of the Republic of Indonesia ("Borrower") of not to exceed Five Million Nine Hundred Thousand United States Dollars (\$5,900,000) to assist in financing the United States dollar and local currency costs of advanced training (United States, Third Country, and in-country) for the personnel of selected central GOI agencies, the Loan to be subject to the following terms and conditions:

1. Terms of Repayment and Interest Rate

Borrower shall repay the Loan to A.I.D. in United States dollars within forty (40) years from the date of the first disbursement under the Loan, including a grace period of not to exceed ten (10) years. Borrower shall pay to A.I.D. in United States dollars interest at the rate of two percent

(2%) per annum during the grace period and three percent (3%) per annum thereafter on the outstanding Unabursed balance of the Loan and on any due and unpaid interest accrued thereon.

2. Other Terms and Conditions

- a. Except as A.I.D. may otherwise agree in writing:
- (1) Goods and services financed under the Loan shall have their source and origin in countries included in A.I.D. Geographic Code 941 and Indonesia;
  - (2) Appropriate provision shall be made to the effect that, as conditions precedent to the use of loan funds for training programs to upgrade the participating agencies, BAPPENAS, LAN, and the Ministry of Finance, the Borrower shall submit detailed training plans indicating the types and amounts of training to be included together with a justification as to how the training will help the agency to carry out the GOI's development plans.
- b. The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

\_\_\_\_\_  
Assistant Administrator  
Bureau for Asia

\_\_\_\_\_  
Date

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Indonesia  
Project Title: Manpower Development Training -  
Funding: Retitled Professional Resources Development  
FY 77 - \$5.9 Million Loan  
Life of Project: 1977 - 1982

IEE Prepared by: Alan B. Jacobs, ASIA/TR/SDP 11/15/76  
November 8, 1976

Environmental Action Recommended: Negative Determination

Concurrence\*/: T. C. Clark, Jr. 11-15-76  
Clearance : T. C. Clark, Jr., Director, ASIA/TR Date  
ASD A. R. Love 11/19/76  
A. R. Love, Director, ASIA/PD Date

Threshold Decision by Assistant Administrator, Bureau for Asia  
(Approval/Disapproval of Negative Determination  
recommended on page 1 of IEE):

Approval: Donald D. Cohen Donald D. Cohen  
A-DAA/ASIA  
Disapproval: \_\_\_\_\_  
Date: 11/23/76

\*In the initial implementation of AID Environmental Procedures, IEEs for FY 77 projects are being done in AID/W rather than in Mission. Hence AID/W clearance appears here.

## INITIAL ENVIRONMENTAL EXAMINATION

### Manpower Development Training Indonesia

#### I. Examination of Nature, Scope, and Magnitude of Environmental Impacts

##### Description of Project

The proposed loan will finance costs of international travel; training (degree and non-degree) of Indonesians in the U.S.A. and in selected third countries; long- and short-term observation programs; and development of in-country training programs aimed at the district and sub-district levels of rural areas. The loan will be used predominantly for upgrading public sector manpower, although private sector participation will be encouraged. The GOI is looking to the private sector to generate the employment of skilled and semi-skilled labor.

##### Identification and Evaluation of Environmental Impacts

The project will have no environmental impact.

#### II. Recommendation for Environmental Action

The proposed action is not a major action which will have a significant effect on the human environment and is, therefore, an action for which an Environmental Assessment will not be required. It is recommended that a Threshold Decision of Negative Determination be made.

\*Based on PRP dated 3/5/76.