

PD-ABF-947

U N C L A S S I F I E D

23462

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D.C. 20523

PROJECT PAPER SUPPLEMENT

AND

PROJECT AUTHORIZATION AMENDMENT NO. 1

INDONESIA

STRENGTHENING INSTITUTIONAL DEVELOPMENT (PVO CO-FI III)

497-0364

U N C L A S S I F I E D

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE: C A = Add, C = Change, D = Delete
 Amendment Number: 1
 DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Indonesia

3. PROJECT NUMBER: 497-0364

4. BUREAU/OFFICE: ASIA

5. PROJECT TITLE (maximum 40 characters): Strengthening Institutional Development (PVO Co-Financing III)

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY 09 30 97

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4):
 A. Initial FY 91 B. Quarter C. Final FY 95

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

A. FUNDING SOURCE	FIRST FY <u>91</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(300)	(3,050)	(3,350)	(2,600)	(27,400)	(30,000)
(Loan)	(-)	(-)	(-)	(-)	(-)	(-)
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)					10,000	10,000
TOTALS	300	3,050	3,350	2,600	37,400	40,000

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ARDN	200	290		3,300				3,300	
(2) HE	500	590		2,050				2,050	
(3) EHR	600	790		3,000				3,000	
(4) SDA	700	920		6,650				6,650	
(5) DP/TOTALS				15,000/30,000				15,000/30,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODES

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

A. Code	PVOs	BR	BU	BL		
B. Amount						

13. PROJECT PURPOSE (maximum 480 characters)

The purpose of this project is to enhance the participation of independent PVOs in the areas of advocacy, democratic institution development and broad based development.

14. SCHEDULED EVALUATIONS

Interim	MM YY	MM YY	Final	MM YY
	04 93			06 95

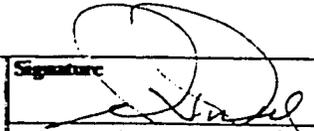
15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ pag: FP Amendment.)

This amendment secures additional A.I.D. funding in the amount of \$15 million for advocacy-related sub-grants awarded under the Project.

17. APPROVED BY

Signature: 

Title: Charles F. Weden
Mission Director
USAID/Jakarta

Date Signed: MM DD YY 04 13 93

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

PROJECT AUTHORIZATION AMENDMENT NO. 1

INDONESIA

STRENGTHENING
INSTITUTIONAL
DEVELOPMENT

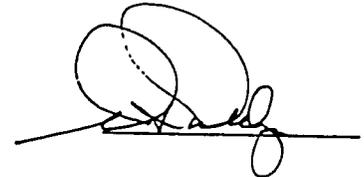
PROJECT No. 497-0364

1. Pursuant to the Foreign Assistance Act of 1961, as amended, the Strengthening Institutional Development Project was authorized on March 12, 1991. That Authorization is hereby further amended as follows:

Paragraph 1 is amended to authorize total obligations of not to exceed \$30,000,000 in grant funds for the Project. The additional funding authorized herein is planned for obligation in FYs 1993 through 1996, subject to availability of funds in accordance with the A.I.D. OYB/allotment process.

2. Prior to the execution of the Grants the Congressional Notification waiting period shall have expired without objection and USAID/Indonesia shall have received a cable notification that funds have been allotted.

3. Except as hereby revised, the project authorization is unchanged and, as amended, remains in full force and effect.



Charles F. Weden
Mission Director

4/13/93
Date

Clearances:

HIRD/VHP:TMThein	<u>JMD</u>	date	<u>3/29</u>
HIRD:JCarney	<u>JC</u>	date	<u>3/29/93</u>
PPS: NGreeley	<u>MG</u>	date	<u>4/13/93</u>
FIN: CChristensen	<u>CC</u>	date	<u>4/13/93</u>
^{CM} ^{Redier} RLA: PScott	<u>PS</u>	date	<u>4/13/93</u>
DD:PMGary	<u>PMG</u>	date	<u>4/13/93</u>



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

ACTION MEMORANDUM FOR THE DIRECTOR, USAID/INDONESIA

FROM: John Rogosch, Director, HIRD *[Signature]*
THROUGH: Philip-Michael Gary, DD *[Signature]*
SUBJECT: Supplemental Authorization for the Strengthening Institutional Development (PVO Co-Financing III) Project 497-0364

ACTION: You are requested to authorize a \$15.0 million grant supplement to the Strengthening Institutional Development (SID) project thereby raising the total life-of-project (LOP) funding to \$30.0 million. Subject to availability, the additional \$15.0 million will be incrementally obligated in FY 1993 through FY 1996.

BACKGROUND: SID was authorized in March, 1991 as a six-year, \$15.0 million follow-on project to the PVO Co-Financing (Co-Fi) I and II projects. Predecessor Co-Fi projects (especially Co-Fi II) achieved significant results establishing and strengthening indigenous advocacy and local action groups by providing seed money for a diverse set of small local PVOs working in a broad array of activities. By the final years of Co-Fi II (1988-1990), the Indonesian political climate had begun to ease for PVOs/NGOs and the Government of Indonesia (GOI) had started to address the socio-economic needs of the rural population with a more positive attitude towards private sector involvement and support. Designed in this more favorable climate, the SID project responds to new opportunities to strengthen the institutional capacity of PVOs. The SID project also embodies the Mission's renewed determination to better target its program funds on specific strategic objectives. SID is less management-intensive than its predecessor projects. Its management burden will be reduced by awarding fewer and larger grants within limited topical areas.

DISCUSSION: The rationale to increase the project's LOP has five elements: (1) elevation of democracy issues as a strategic objective for the Mission, (2) current indications of SID project success, (3) streamlining of the Mission portfolio, (4) accommodation of centrally and regionally funded initiatives, and (5) ratification of the Operational Program Grant (OPG) approach. These five elements are discussed below.

Elevation of Democracy Issues to a Strategic Objective for the Mission:

At the time of SID authorization in 1991 an overall revision to Mission objectives was well under way. In its final form the Mission's new "Vision Statement" had three Main Objectives and two Supporting Themes:

Main Objectives:

- Foster the private provision of public goods and services within a responsible, regulatory framework.
- Strengthen Indonesia's competitiveness in world markets.
- Enhance the quality of human resources.

Supporting Themes:

- Sustain the natural resource base and protect the environment.
- Encourage the open participation of citizens within a more pluralistic framework.

The second "supporting theme" of the Mission's 1991 Vision Statement was reflected in SID's project purpose: "to enhance the participation of independent PVOs in the areas of advocacy, democratic institution development and broad-based development". However, as a **supporting** theme greater citizen participation was not one of the main objectives of the Mission in 1991.

In the fall of 1992 the Mission redefined its developmental strategies with the assistance of a PRISM team. Four "strategic objectives" were endorsed for USAID/Indonesia:

- Improved balance in public and private provision of basic services
- Wider adoption of proven policies & practices in natural resource management & environmental conservation
- Increased promotion of individual and broad-based community rights and good governance
- Broadened and increased private trade and investment.

As a result of the PRISM exercise, the Mission's concern for individual rights and good governance was elevated to a central strategic objective. We sense that the climate of "openness" to new ideas from the private sector will continue to prevail during the VIth Five-year planning period. The need for an increased level of PVO activity is heightened by the prospect that openness will remain the hallmark of the GOI's dialogue with the private sector. Heightened interest in this development objective calls for expanded support and a modest restructuring of the Mission staffing pattern to manage the broader array of advocacy activities. Hence, the primary purpose of this Action Memorandum is to address the need for increased levels of activity in this increasingly important "democracy" sector. Concurrently, the Mission is establishing a Democracy Office to focus its management efforts in support of the new strategic objective.

Current Indications of SID Project Success:

Partnerships between U.S. PVOs and local PVOs have proven successful, but there remains a serious need to strengthen local PVOs so they may become more self-reliant. During February and March, 1993 a Director's Implementation Review (DIR) provided detail insights into the conduct of the SID project. It found that the demand for local PVO support was high and that there was strong interest in the prescribed topical areas. The advocacy-oriented grantees had often been successful in promoting a wider debate on public issues. Yet, the DIR also concluded that local PVO leadership was thin and that grantees warranted higher levels of USAID staff monitoring. The DIR recognized that the Mission had to focus limited resources on those topics of greatest concern and needed to award grants to those PVOs most likely to expand the private-public dialogue on advocacy issues. Following this DIR, which included visits to four eastern locations, we are confident that additional funds are needed and can well serve SID objectives.

Based on grant monitoring to date, the Mission is confident that SID has successfully supported a range of advocacy and representational activities over the past several years. This confidence is borne of newspaper reports, evaluations of the grants themselves, discussions with the PVOs themselves and the donor community, plus the recent DIR. Confidence is reinforced by the flexible structure of project design, which has enabled SID grant activities to adjust to changing conditions, respond to new opportunities and reflect emerging Mission priorities.

A mid-term evaluation is scheduled to coincide with the arrival of the Director for the new Democracy Office. This evaluation will assess to what extent SID has contributed positively to the performance of the independent sector in Indonesian development and whether the current implementation processes are the most appropriate to enhance PVO participation in advocacy, democratic institution development, and broad-based development.

Streamlining of the Mission Portfolio:

Thanks to the PRISM exercise and a reassessment of priorities within the portfolio, a number of new starts or amendments have been dropped. Five new projects under consideration have been set aside: Training for Private Sector Development (497-0366), Privatization of Educational Support Services (497-0370), Microenterprise Promotion (497-0377), Private Enterprise Technology (497-0378), and Family Planning Sector Support (497-0379). Likewise, the Mission has agreed not to amend four ongoing activities in FY 93: Health Sector Financing (497-0354), Higher Education Development Support (497-0358), Financial Markets (497-0360), and Agribusiness Development (497-0368). The streamlining of the USAID/Indonesia program has freed up sufficient funds to allow for a more robust SID project. Budget projections indicate that SID will be able to accommodate an average of \$4.0 to \$5.0 million in grant awards each year primarily in the area of advocacy presuming current OYB levels are maintained.

Accommodation of Centrally and Regionally Funded Initiatives:

It is noteworthy that during FYs 91 and 92 nine grants were obligated by the Mission through SID to Indonesian and U.S. PVOs in response to special Agency priority activities such as the Asia Democracy Program. These central and regional initiatives totaled approximately \$1.7 million dollars and often received co-funding support directly from SID. Therefore, one additional element arguing for a supplemental authorization is to enable SID to absorb central and regional initiatives under its authorization ceiling. For example, activities such as the proposed "Outer Island Wind Power Project" to be funded by an OYB transfer from the Agency's contribution to the Global Environmental Fund is expected to help Indonesian PVOs provide off-grid power to remote island communities.

Formal Documentation of the Operational Program Grant (OPG) Approach:

An omission in previous SID documentation has been explicit recognition that SID is functioning on an Operational Program Grant (OPG) basis. This approach is a direct derivative from the Co-Fi I and II projects which provided grants to PVOs to strengthen their institutional abilities to implement multiple local activities. Specifically, Annex C of the Co-Fi Project Paper notes that "Proposals ... will be reviewed in accordance with the guidance offered in Appendix 6A ("Procedures for PVO's on Operational Program Grants -- OPG's) of AID Handbook 3 ("Project Assistance")." SID's approach to soliciting and awarding grants is a derivative of its predecessor projects' OPG review system.

CONCLUSION:

During SID's first year of implementation, the Mission received 87 concept papers in response to its first request for applications. Many of these were strong contenders, and all were reflective of serious development needs. SID awarded only ten grants to U.S. and indigenous PVOs in four priority areas that first year. In FY 1992, SID's second year of implementation, only two major new grants were awarded. Given the various calls on the SID program, over \$12.8 million has already been obligated equivalent to over 85% of the authorized LOP.

Within our existing portfolio, SID is the best project vehicle available to increase our support for advocacy programs. The requested supplemental funding level will permit the Mission to implement the SID strategy of carefully-targeted, high impact activities in support of individual and community rights and good governance. As funding allocations permit, the Mission will also support activities in conjunction with its other strategic objectives.

The supplemental authorization for SID will not change the nature of the project as originally designed. Its Project Assistance Completion Date of September 30, 1997 need not be extended and its purpose and scope of will remain unchanged.

AUTHORITY: In 92 STATE 402137, dated December 15, 1992, the DAA/ASIA concurred in your exercising standing delegated authority to amend the SID project to add \$15.0 million for a total authorized life-of-project funding of \$30.0 million.

CONGRESSIONAL NOTIFICATION:

A Congressional Notification is required for this project supplement since its life-of-project funding is increased.

RECOMMENDATION: That you approve Supplement No. 1 to the SID Project to raise the total authorized level of assistance under the Project to \$30.0 million by signing this Action Memorandum, the attached Project Data Sheet Amendment, and the Supplement to the Project Authorization.

Approved:



Disapproved:

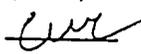
Date:

4/13/93

Attachments:

- Project Data Sheet Amendment
- Supplement to Project Authorization

Clearances:

JCarney, HIRD	(draft)	date: 3/23/93
ESetianto, PED/UDP	(draft)	date: 3/22/93
ISusanto, PPS	(draft)	date: 3/22/93
NGreeley, PPS	(draft)	date: 3/22/93
PShirk, CM	(draft)	date: 3/22/93
CChristensen, FIN		date: <u>4/13/93</u>

drafter:GBricker/TMThein:PPS:3/22/93