

PCAX945 398-0359
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

FEB 19 1988

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA AND NEAR EAST

FROM: ANE/PD, Ronald F. Venezia *Ronald Venezia*
SUBJECT: INDONESIA: Approval for a Regional Account, "Technical Collaboration - Indonesia" (398-0359), to Support Policy Dialogue Efforts

Action: Your approval is requested to establish a regional account entitled, "Technical Collaboration-Indonesia", with a total funding level of \$2.25 million comprised of reservations of \$750,000 per year out of the Operating Year Budgets (OYBs) in Fiscal Years (FYs) 1988, 1989 and 1990. These funds will be set aside in a regional account and not under the country program.

Background: USAID/Indonesia submitted an Action Memorandum in April 1987 to the AA/ANE which requested authorization of a project account to support policy dialogue efforts in Indonesia (Attachment A). AID/W responded in cable State 203114 in July 1987 (Attachment B) and approved the concept, but suggested that the funds be considered a last resort to be utilized only when advisors could not be funded under projects. In October 1987, the Mission responded to these AID/W concerns in cable Jakarta 16854 (Attachment C). This cable stated the strong need in the near term for four senior policy analysts. It provided rationale for the special fund and why in each case the use of project funds is not possible. AID/W approved the Mission's proposal in cable State 356341 dated November 16, 1987 (Attachment D).

The four positions for which the initial funds were requested and approved are an agricultural economist, a natural resources analyst, a health economist, and a trade, investment, and finance specialist. Illustrative scopes of work for three of these positions were described in the "Attachment" to the April 1987 Action Memorandum from Fuller to the AA/ANE.

The fourth position, the trade, industry and finance specialist, will assist the USAID Office of Employment and Enterprise Development with its increased emphasis on macro-economic policies aimed at promoting a more open and competitive economy. Specific areas of interest include trade, privatization, private resource mobilization and deregulation. A more detailed description of services to be provided by this analyst are contained in paragraph 2.D. of Attachment C.

As part of the CDSS Preparation process these four positions have emerged as central to the Mission's focus on policy initiatives with the GOI. They form the nuclei of an expanded Mission focus on more macro policy issues across the entire portfolio.

Discussion: Over the past three years, the Indonesia program has evolved to the point of active involvement in a number of substantive policy areas. In the process of fine tuning the portfolio to address key issues in the agriculture, health, education and private sectors, AID staff and consultants have gained open and free access to decision makers in government. This engagement in dialogue represents an enormous investment which is now threatened by constraints on staff resources available to undertake policy analysis and help carry the dialogue forward.

The Mission requires this regional account to fund analytical and technical expertise that will supplement AID staff resources. This will permit AID to fully capitalize on the Mission's investment in policy dialogue and to assure AID's continued role in selected sectoral and macro-policy exchanges with the GOI and other donors.

It is important that the Mission be able to obligate funds under this account for a three-year period (FY 1988-90) to assure sufficient funds to cover their policy analysis needs during the upcoming CDSS period and in assisting the GOI with policy analyses during Repelita V (GOI Development Plan). This approval of a regional account is flexible enough to permit the Mission to contract for services other than the four described above - services which might be identified later as critical to their policy dialogue efforts and CDSS objectives.

The first year's (FY 1988) \$750,000 funding will be provided as follows: ARDN - 50 percent, SDA - 25 percent, and Health - 25 percent. This account will carry a five-year validity period, i.e. a PACD of April 30, 1993. This will carry the Mission through the new CDSS period and Repelita V.

Justification to Congress: An Advice of Program Change is being sent to Congress.

Recommendation: That you sign below and approve the establishment of a regional account in the total amount of \$2.25 million to support policy dialogue efforts in Indonesia to be incrementally obligated over the three year period FY 1988-90.

Approved: _____

Disapproved: _____

Date: _____

Julie C. Black

3/9/88

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Attachments:

- A. Action Memorandum dated April 1987
- B. State 203114 dated July 1987
- C. Jakarta 16854 dated October 1987
- D. State 356341 dated November 16, 1987

Clearances:

DAA/ANE:JNorris	
ANE/PD:BOdell	<u>(Draft)</u>
ANE/PD/EA:JTennant	<u>(Draft)</u>
ANI/EA:RGomez	<u>(Draft)</u>
ANE/TR:BTurner	<u>(Draft)</u>
ANE/DP:PBenedict	<u>(Draft)</u>
ANE/DP/F:DFranklin	<u>(Draft)</u>
GC/ANE:HMorris	<u>(Draft)</u>

cc: PPC/PB:JPainter
FM/PAFD:EOwens
USAID/Indonesia

ANE/PD/EA/JMeenan/USAID/Jakarta:RRedman:jdl:1/15/88:79663:2221o

February 23, 1988

TO: ANE/PD, Ron Venezia

FROM: Julia Chang Bloch 

I don't have a problem with the proposal per se. In fact, I think it is innovative given mission requirements for a different mix of skills not easily found within AID. However, this regional account in essence gives the mission an additional four staff positions a year. During Indonesia Program Week we discussed the mission staffing issue. Jim Norris and I both have a sense that Indonesia is flush. Therefore, before I sign off on this, I'd like to know the implications for mission reorganization and overall reductions of mission staffing ceiling.

I recognize this is not OE. In fact, I'd like to know where the money comes from, as it is additional to the mission's OYB.

cc: ANE/EA
ANE/DP
ANE/Jim Norris

Attachment: Memo: Indonesia: Approval for a Regional Account
"Technical Collaboration - Indonesia" to Support Policy
Dialogue Efforts

MEMORANDUM

TO : James Meenan, ANE/PD

DATE: February 5, 1988

FROM : David Merrill, DIR

SUBJECT: Technical Collaboration - Indonesia Activity

REF. : Redman/Meenan telcon 1/26

1. Further to referenced telcon we understand ANE/GC has two questions to which he requests answers prior to providing his clearance of the Action Memo requesting AA/ANE authorization of the subject activity. They are:

a. Since the funds will be in a regional account and not under a bilateral grant agreement, what is the basis of our authority to obtain duty-free and other privileges normally afforded our personal service contractors funded under bilateral projects?

b. Audit Rights - These PSCs will be working directly for USAID, but due to the nature of their work, will be required to liaise with GOI officials. The direct contracts with USAID will provide USAID with audit rights to the PSC's records, but how can we assure the auditors access rights to the GOI agencies with which the PSC is required to liaise since, presumably, an important part of such audit would include the GOI agencies' evaluation of the effectiveness of the PSC's work?

We respond to these questions as follows:

a. This is not an issue in Indonesia. USAID has routinely obtained GOI approval of duty-free status for regionally funded contractors and obtains duty-free status for PSCs funded from OE funds as well. Indonesian cabinet level approval is required and obtained for all long-term technical advisors under established GOI procedures for approval of foreign experts coming to Indonesia "within the framework of technical cooperation/assistance." No distinction has been made between experts coming as part of a project being carried out under a specific bilateral project agreement and those coming to assist mission staff more generally in carrying out the bilateral assistance program.

b. Mission does not see this as an issue since Mission has excellent working relationships with all GOI agencies with which these PSCs would need to liaise, and Mission can facilitate auditors' access to these agencies. Again this is no different than regionally-funded projects under which similar questions might arise. In any case, the work product of these contractors will be coming to USAID, and we will be the ones to evaluate the quality of their work.

We trust the above is responsive to ANE/GC's concerns and that the approval of this important regional activity can proceed without further delay.

Clearance: PPS:MBonner (in draft)
LA:PScott (in draft)
DD:JAnderson (in draft)

PPS:Redman:hd

JAN 26 1988

HUMAN RIGHTS PROCEDURES MEMORANDUM

TO: STATE/HA, Larry Arthur
FROM: ANE/PD/PCS, Susan Bugg *SB*
SUBJECT: Human Rights Clearance on AID Projects

The following project:

Title: Indonesia Technical Collaboration
Number: 398-0359
Country: Indonesia
Amount: \$750,000

FILE

is to be authorized in AID/W [X] in the field []. This project was [X] was not [] among those reviewed by the Working Group in January 1988. Descriptive information is attached.

STATE/HA concurrence is requested. If we are not notified within 15 days, we will assume concurrence.

TO: ANE/PD/PCS, Susan Bugg
Room 3320A, N.S.
FROM: STATE/EA

- Proceed with authorization
- Request hold authorization pending further review.

David Burgess

DAVID BURGESS signature
HUMAN RIGHTS &
HUMANITARIAN AFFAIRS
Date *2/24/88*

Copy of the Memorandum w/o attachments to:
PPC/PDPR/SPD, Travis Horel
Room 3957, N.S.
ANE/TR, Annamaria Long (with attachment)

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

20 APR 1967

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR
ASIA AND NEAR EAST BUREAU

THRU : Mr. James P. Norris, Deputy Assistant Administrator,
Asia & Near East

FROM : William P. Fuller, Mission Director USAID/Jakarta

SUBJECT: Authorization for the Creation of a Project Account
to Support Policy Dialogue Efforts in Indonesia

PROBLEM: Over the past three years, the Indonesia AID program has evolved to the point of active involvement in a number of substantive policy areas. In the process of fine tuning the portfolio to address key issues in the agriculture, health, education and private business sectors, AID staff and consultants have gained open and frequent access to decision makers in government. This engagement represents an enormous investment which now is threatened by constraints on staff resources available to undertake policy analysis and help carry the dialogue forward. To fully capitalize on the Mission's investment in policy dialogue and to assure AID's continued role in selected sectoral and macro policy exchanges with the GOI and other donors, the Mission is requesting the creation of a project account to fund analytical and technical expertise that will supplement AID staff resources. Your approval is being requested to create the account and authorize the reservation of \$1,500,000 a year out of the OYE in FY's 1988 and 1989, for JCC type advisors and the funds to support their work.

DISCUSSION: Despite the fact that AID contributes less than 5% of annual donor flows to Indonesia, the Mission has been able to leverage effectively their investments in the policy area in the Health/Population, Agriculture, Education and Private sectors. Through careful selection of policy targets, capitalizing on past investments, supply of high quality advisors at the right times etc., the Mission has remained not only engaged but also influential in selected policy issues with the GOI.

At the present time the program is focussed on the following key areas:

A. In Agriculture

1. Agricultural Diversification: The Mission supports expansion and diversification of the sector beyond rice and the shift from a system of government controlled food production quotas and area targets toward more market determined levels of production appropriate to regional agro-climatic and marketing comparative advantage.

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2. Decentralization: The Mission is working with the GOI in revising budget procedures from a centralized system toward more direct allocation of funds to provincial level and ways to generate local resources for provincial and district development activities.

3. Pricing Policies: Reviews of government purchase prices for rice and other crops, fertilizer and pesticide subsidies, and options to stimulate a more productive agriculture are underway.

4. Agro-Processing: A new program is being designed to reduce restrictions that inhibit investments in agricultural processing and agricultural trade, such as, unnecessary formal licensing procedures and other pricing barriers that interfere with the movement of commodities from production areas to the markets, licensing procedures for establishing agro-processing facilities, the pricing structure and import restrictions for commodities which have an impact on the agricultural sector.

B. In Health/Family Planning

1. Health Sector Financing: The Mission is seeking more efficient allocation of budgetary resources so that preventive and promotive programs, which have the greatest impact on infant and child survival, can receive greater emphasis. The major policy issues are: (1) whether resources can be shifted away from hospitals, fixed facilities and drugs to preventive and public health programs which are difficult to finance privately, and (2) whether the MOH can modify its policies such that the burden for curative care and personal health services can gradually be shifted to the private sector and to social financing schemes.

2. Policies Affecting Programmatic Priorities: The MOH has justifiably assigned priority to Family Planning, Communicable Disease Control (EPI, diarrneal disease control), Nutrition, and Maternal Child Health to maximize impact upon reducing IMR and CMR. However, morbidity and mortality surveys have shown that acute respiratory infections (ARI) are the major causes of disease and death in the infant and childhood years. A major effort is to establish national policies to incorporate ARI treatment modalities into the integrated health and family planning programs.

3. Other Infectious Diseases: Mission is working with GOI to develop rational policies for prevention, treatment and control of hepatitis B and AIDS. Hepatitis B is hyperendemic in Indonesia with 15-20% of the population as chronic carriers; spread of this infection jeopardizes immunization efforts. Acquired Immune Deficiency Syndrome (AIDS) appearance and spread is inevitable in high concentration tourist areas among high risk populations; specific policies for surveillance are currently lacking.

4. Family Planning: The Mission is supporting policies to increase private sector family planning services coverage of acceptors from 20% to 80%

by the year 2000. This requires revision of current policies related to: (1) distribution of contraceptives by para medical workers; (2) GOI provision of free contraceptives to private doctor and midwife practices, to private clinics, and to hospitals; (3) establishing commercial sales networks to replace BKKBN logistics support; (4) the development of systems to grant public funds to private agencies to carry out programs for the general public; and (5) the delegation of public functions like medical supervision to private sector agencies.

C. In Education

1. Efficiencies of Education: To promote a more internally and externally efficient educational system at a cost which is manageable to the central government, the Mission is pursuing policy issues focused on decentralizing certain aspects of the system, involving the private sector in the attainment of educational objectives, and identifying alternate sources and channels for financing education.

2. Private Sector Participants: To meet high level manpower needs on a broader basis through overseas training, the Mission is exploring ways to expand the pool of prospective candidates to include a wider range of pre-service and in-service private sector employees.

D. In Support of Private Business

1. Investment: To increase the supply of local investment capital and to increase the relative rate of return on local investments, as compared to other forms of saving and investment, the Mission is designing a policy support program aimed at increasing resource mobilization and improving the efficiency of its allocation. To leverage GOI and donor funds for small business development by channeling them through private sector initiatives rather than government institutions, we are continuing demonstration efforts in Central Java small enterprise development.

2. Market Distortions: To eliminate policies which distort domestic, import and export costs of inputs and finished products, both in industrial and agricultural markets, we are providing technical assistance to the State Planning Agency under the Development Studies project.

RATIONALE: There is mounting evidence that the Mission is at risk of losing momentum in policy discussions rather quickly unless a way is found to supplement the quantity and quality of AID personnel involved in the process. GOI planners and policy-makers have become increasingly sophisticated under the direct tutelage of high quality macro policy advisors from such distinguished institutions as Harvard, Stanford, Lehman Brothers, Lazard Freres, as well as organizations of international repute such as the International Service to National Agriculture Research (ISNAR) and Iowa State University. Many of these organizations are in Indonesia under direct AID support. As the policy debate expands and matures to more sophisticated levels, Mission personnel levels

have decreased precipitously. Staff are required to give more of their attention to the normal paper workload. In addition, the analytical expertise of AID staff in many of these areas is limited. The Mission would like to supplement its core staff by contracting with senior professionals to help prepare analyses for discussion with government on policy issues and program implications.

Senior policy makers in the Government of Indonesia are receptive to good analyses and because of USAID's reputation for concern with conceptual issues and quality of thought, JCC-type resources can be used to build further on our relationship with key members of government.

The Senior advisors funded through this account will also be of assistance to the Mission in charting a course for Mission programs that evolve from the CDSS, particularly in the areas of food policy, decentralization, health, education and the environment. These are areas of major concern to the Mission and areas where additional support could be well used.

Illustrative scopes of work are attached.

RECOMMENDATION: That you approve the creation of a project account to support policy dialogue efforts in Indonesia not to exceed \$1,500,000 per year in FY's 88 and 89.

Approved: _____

Disapproved: _____

Date: _____

ATTACHMENT

Illustrative Scopes of Work:

The following illustrates more specifically how these advisors will be used:

- Natural Resources Advisor - More is expected of the Mission from Congress and AID/Washington on reviewing potential environmental impacts from development projects of the multidonor banks, and describing the environmental implications of the USAID existing portfolio. This JCC advisor would help the Mission in these two areas, as well as formulate environmental programs based on strategy analyses emanating from the new CDSS. This individual will be the focal point for dialogue within the Mission and with GOI ministries and other donors involved in environmental and natural resource issues. The JCC advisor will also assist in training one or more Indonesian professionals, who could eventually assume responsibility as the Mission Environmental Officer.
- Institutional Analyst - Decentralization is an underlying objective of AID's current institutional development strategy. As part of the look to the future, it is important to assess progress to date in this area and to determine whether AID should continue to support decentralization as part of overall program strategy. The advisor would look at such questions as: How has decentralization occurred? Is the process of decentralization seen as a positive force so that policy and practice are supportive? What is the focus that will drive and enhance the process of decentralization? What should AID's long-term role and expectations be in this area? Should the current approaches be continued or should a new strategy be devised? What specific program actions are needed?
- Agricultural Policy Analyst - Diversification of food crops will continue to be a cornerstone of the USAID/Indonesia agriculture strategy over the long term. The GOI will be putting much more emphasis in its next Five Year Plan on the development of non-rice food commodities in the non-irrigated areas of Java, as well as the outer islands of the country. This individual would assist the Mission in formulating a long-term agricultural development strategy to guide ARD programming and project development through the 1990's. The advisor would focus on: a) steps required to continue development of secondary food crop commodities especially in the Outer Islands, b) policies required to improve domestic resource allocation in support of commodity production programs, c) identification of constraints and remedial actions required to improve domestic production, processing and marketing, d) steps required to enhance development of domestic agro-processing

industries, and e) changes in policies, standards and procedures to link Indonesian agricultural producers and processors more effectively to the world market. In addition, the advisor would provide recommendations to AID on its potential involvement in these areas and long term structural changes in the Mission's program to accomodate them.

Health Economist - During the next 5 to 7 years, the Mission will be engaged in several projects which seek to influence resource allocation decisions within the GOI for health and population. During the period of development and implementation of the new policy related projects, the Mission is in need of a senior health economist who can assist the Mission with policy related discussions and analyses in the areas of health and family planning financing. For each of the projects, technical assistance advisors will be utilized, however, they will be concerned primarily with the project implementation actions and will not have the broader, intersectoral view of the policy changes which are the basis for both projects. The health economist would be most useful as an advisor directly to USAID to help the Mission and the GOI interpret the results of studies and experimentation conducted in the projects, help discuss the critical policy issues with senior government planners and policy makers, advise the Mission on when and how to engage the GOI in such discussions, and provide the necessary public finance policy skills currently lacking among the Mission's technical staff.

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SUBJECT: FUND FOR JCC-LIKE ADVISORS

REF: JAKARTA 23551

1. ANE HAS REVIEWED PROPOSAL FOR SETTING UP A FUND FOR JCC-LIKE ADVISORS FOR INDONESIA. WE SEE THE NEED AND WANT TO ACCOMMODATE THE MISSION. THERE ARE, HOWEVER, COUNTERVAILING PRESSURES WHICH SUGGEST THE SET-ASIDE BE AS SMALL AS POSSIBLE. THIS FUND SHOULD BE CONSIDERED A FUND OF LAST RESORT AND SHOULD ONLY BE UTILIZED WHEN ADVISORS CANNOT BE FINANCED UNDER PROJECTS. THIS MISSION SHOULD IDENTIFY WHICH OF THE ADVISORS AND WHAT TOTAL DOLLAR FUNDING COULD BE INCLUDED UNDER THE PROPOSED POLICY PROGRAM AND OTHER DA PROJECTS AS TECHNICAL PROJECT ADVISORS. PROJECT FUNDING IS STRONGLY PREFERRED OPTION.

2. AFTER MISSION IDENTIFIES OTHER AVENUES FOR OBLIGATION, IF THE REMAINING FIGURE IS RELATIVELY SMALL, AND HOPEFULLY, LESS THAN DOLS. 500,000, ANE WILL BE PREPARED TO SET UP THE PROPOSED MECHANISM.

INCLUDED IN THE COUNTRY ALLOCATION. AFTER CYB IS SET, EP WILL WITHHOLD THE AGREED UPON AMOUNT, AND THEREAFTER PROVIDE MISSION WITH A BUDGET ALLOWANCE FOR PURPOSES OF OBLIGATION.

4. IN FY 89 ANE WILL INCLUDE SET-ASIDE IN THE CP UNDER REGIONAL SUPPORT, NOT UNDER THE COUNTRY PROGRAM. AMOUNT WILL HAVE TO BE AGREED UPON AT TIME OF AFS.

5. PLEASE ADVISE. SEULTZ
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SUBJ: FUND FOR JCC-LIKE ANALYSTS

REF.: A. STATE 203114, B. ACTION MEMCRANDUM FROM FULLER TO NORRIS DATED APRIL 20, 1987

1. ALTHOUGH MISSION DISAPPOINTED AID/W UNABLE TO FULLY ACCCOMMODATE REF. B REQUEST FOR CREATION OF A PROJECT ACCOUNT TO SUPPORT OUR POLICY DIALOGUE EFFORTS, WE APPRECIATE AID/W ARGUMENTS FOR MAINTAINING AS SMALL A SET-ASIDE AS POSSIBLE AND FOR UTILIZING PROJECT FUNDS TO THE MAXIMUM EXTENT POSSIBLE FOR THIS PURPOSE. BASED ON REF. B MISSION HAS REVIEWED THE REQUIREMENTS FOR JCC-LIKE ANALYSTS AND HAS EXPLORED THE POSSIBILITY OF UTILIZING PROJECT FUNDS FOR EACH POSITION. THIS REVIEW RESULTS IN OUR DETERMINATION THAT THERE IS A STRONG NEED IN THE NEAR TERM FOR FOUR JCC-LIKE SENIOR POLICY ANALYSTS. WE ALSO FIND THAT IN EACH CASE USE OF PROJECT FUNDS IS NOT POSSIBLE OR WISE SINCE DUTIES WILL BE OUTSIDE THE SCOPE OF ANY INDIVIDUAL PROJECT. WE THEREFORE REQUEST THAT AID/W SET ASIDE DOLS 750,000 IN FY 1988 FOR THE FOUR POSITIONS DESCRIBED BELOW. THEY ARE: AN AGRICULTURAL POLICY ANALYST, A NATURAL RESOURCES ANALYST, A HEALTH ECONOMIST, AND AN ECONOMIST SKILLED IN TRADE, INVESTMENT, FINANCE AND RELATED FIELDS DESCRIBED BELOW. ILLUSTRATIVE SCOPES OF WORK FOR THREE OF THE POSITIONS ABOVE ARE DESCRIBED IN THE ATTACHMENT TO REF. B. THE FOURTH POSITION, TRADE, INDUSTRY AND FINANCE ECONOMIST, WILL ASSIST THE USAID OFFICE OF EMPLOYMENT AND ENTERPRISE DEVELOPMENT WITH ITS INCREASED EMPHASIS ON MACROECONOMIC POLICIES AIMED AT PROMOTING A MORE OPEN AND COMPETITIVE ECONOMY. SPECIFIC AREAS OF INTEREST INCLUDE TRADE, PRIVATIZATION, PRIVATE RESOURCE MOBILIZATION AND DEREGULATION. AS PART OF THE CBSS THESE FOUR POSITIONS HAVE EMERGED AS CENTRAL TO OUR FOCUS ON POLICY INITIATIVES WITH THE GOI. THEY FORM THE NUCLEI IN FOUR KEY OFFICES OF AN EXPANDED FOCUS ON MORE MACRO POLICY ISSUES ACROSS THE ENTIRE PORTFOLIO. THIS MACRO-POLICY EFFORT WILL BE COORDINATED BY THE USDR PERSON WHO WILL MANAGE THE AID POLICY SUPPORT PROGRAM. THE PERSON HAVING THAT FUNCTION WILL ALSO MANAGE THE COORDINATION OF THE JCCS. THE INTERRELATIONSHIP BETWEEN PROJECT POLICIES;

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JAKARTA 16854/21

SECTOR POLICIES; AND MACRO POLICIES; AND FORMULATE THE MISSION'S POLICY AGENDA. ALL UNDER THE DIRECTOR'S SUPERVISION.

2. FOLLOWING IS A DISCUSSION OF THE FOUR REQUIRED ADVISORS AND WHY IT IS NOT POSSIBLE OR APPROPRIATE TO UTILIZE PROJECT FUNDS FOR THEIR SERVICES.

A. AGRICULTURAL POLICY ANALYST: A NUMBER OF OPTIONS HAVE BEEN REVIEWED INCLUDING CONSIDERATION OF USING CONSULTANT SERVICES UNDER THE NEW AGRICULTURE AND RURAL SECTOR SUPPORT PROGRAM (ARSSP) (497-2357) AND THE USE OF CONSULTANT SERVICES ALREADY FIELDED UNDER THE AGRICULTURAL PLANNING PROJECT (497-2242) AND THE SECONDARY FOOD CROPS PROJECT (497-2304). OUR RATIONALE FOR REJECTING THESE OPTIONS FOLLOW:

(1) UNDER ARSSP, ONE LONG TERM PERSON WILL BE RECRUITED WHO WILL BE RESPONSIBLE FOR ESTABLISHING THE GOI POLICY AND BUDGET MONITORING COMPONENT INCLUDING ESTABLISHING A SYSTEM TO IDENTIFY AND MEASURE THE IMPACTS OF POLICY CHANGES AND SUPERVISE THE PREPARATION OF TOR'S AND IMPLEMENTATION OF THE SEVEN SHORT TERM CONSULTANCIES (12 PERSON MONTHS) REQUIRED UNDER THE PROGRAM. THIS TYPE OF PROGRAM MANAGEMENT WORKLOAD WOULD DRIVE OUT POLICY ANALYSIS TIME.

MORE IMPORTANTLY, THIS ANALYST WOULD BE NEEDED ON INTRA-AG SECTOR ISSUES EVEN IF WE HAD NO ARSSP (INDEED, WAS REQUESTED LONG BEFORE ARSSP WAS DESIGNED). THIS AG SECTOR ANALYST WOULD FOCUS ON SEPARATE ISSUES ASSOCIATED WITH MEDIUM TO LONG-TERM STRUCTURAL CHANGE WITHIN THE AG SECTOR. FOR EXAMPLE, WE HAVE ONLY ANECDOTAL EVIDENCE ON MAJOR CHANGES IN EMPLOYMENT PATTERNS ASSOCIATED WITH AGRICULTURE SINCE 1980. A MUCH CLEARER PICTURE IS REQUIRED TO DETERMINE THE IMPACTS OF PRICE AND SUBSIDY CHANGE ON FARM INCOME AND EMPLOYMENT. TO PROVIDE AID WITH INFORMATION TO MODIFY AND DESIGN PROGRAMS WITHIN THE SECTOR AND TO ASSIST IN OUR RESPONSE TO GOI POLICY INITIATIVES.

(2) RECRUITMENT OF A SENIOR AGRICULTURAL ANALYST WITH THE TYPE OF EXPERIENCE AID REQUIRES WILL TAKE A MINIMUM OF NINE TO TWELVE MONTHS. IF THE RESPONSIBILITIES OF THE SENIOR ANALYST AND ARSSP ADVISOR POSITIONS ARE MERGED IT

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IS UNLIKELY THE MISSION COULD RECRUIT A QUALIFIED ANALYST IN THE TIME FRAME REQUIRED BY THE ARSSP FOR THE NECESSARY MONITORING FUNCTIONS.

1. NATURAL RESOURCES ADVISOR (NRA):

1) THE NRA WILL PROVIDE USAID AND THE GCI WITH EXPERT ADVISORY SERVICES IN THE AREA OF NATURAL RESOURCES PLANNING AND MANAGEMENT. THE NRA'S MAJOR TASKS WILL BE C 1) PROVIDE TECHNICAL AND MANAGERIAL ASSISTANCE TO THE MISSION IN THE PLANNING, IMPLEMENTATION AND EVALUATION OF ACTIVITIES RESPONDING TO CONGRESSIONAL MANDATES (FAA, SECTIONS 117, ENVIRONMENTAL AND NATURAL RESOURCES, 118, TROPICAL FORESTS, AND 119. BIOLOGICAL DIVERSITY), AND 2) ASSIST IN THE ANALYSIS AND REVIEW OF THE POTENTIAL ENVIRONMENTAL IMPACTS OF MIP PROPOSED DEVELOPMENT PROJECTS (22 CFR 216, A.I.D. ENVIRONMENTAL PROCEDURES, AND HOUSE JOINT RESOLUTIONS 465 OF 1985 AND 738 OF 1986), AND 3) PROVIDE PRIMARY TECHNICAL GUIDANCE AND ANALYSIS TO SUPPORT IMPLEMENTATION OF THE MISSION'S NATURAL RESOURCES PROGRAM WHICH WILL BE CROSS-SECTORAL AND INVOLVE SEVERAL MISSION OFFICES AND PROJECTS.

THE MISSION CURRENTLY HAS AN ENVIRONMENTAL OFFICER (MEO) WITH OTHER FULL-TIME PROJECT MANAGEMENT RESPONSIBILITIES AND ONE OTHER USDF WITH EXPERIENCE AND TECHNICAL BACKGROUND IN NATURAL RESOURCES MANAGEMENT. AFTER DECEMBER 1987, THE PRESENT MEO WILL DEPART FROM POST AND THE FULL RANGE OF ENVIRONMENTAL RESPONSIBILITIES WILL BE SHIFTED TO THE REMAINING USDF, WHO IS INTENDED TO CONTINUE DEVOTING A SIGNIFICANT PORTION OF HIS TIME TO OTHER PROJECT MANAGEMENT RESPONSIBILITIES.

2) THE SERVICES OF A NRA ARE CONSIDERED PART OF THE MINIMUM ADDITIONAL STAFFING NEEDED TO CARRY OUT MISSION RESPONSIBILITIES IN ENVIRONMENT AND NATURAL RESOURCES MANAGEMENT AND TO IMPLEMENT A NATURAL RESOURCES MANAGEMENT PROGRAM WHICH EFFECTIVELY RESPONDS TO THE SIGNIFICANT ISSUES IN INDONESIA AND U.S. CONGRESSIONAL CONCERNS. FUNDING FOR THIS POSITION IS NOT AVAILABLE FROM ANY CURRENT PROJECT. THIS POSITION IS ESSENTIAL TO SUPPORT OUR EXPANDING ISSUE AND POLICY IDENTIFICATION EFFORT IN ENVIRONMENTAL PROGRAMS, AND TO ESTABLISH AID'S PRESENCE WITH INDONESIAN RESOURCE MANAGEMENT AGENCIES AND INSTITUTIONS.

3. HEALTH ECONOMIST: THIS PERSON WILL ASSIST THE MISSION IN THE DEVELOPMENT AND MONITORING OF TWO NEW PROJECTS, HEALTH SECTOR FINANCING AND PRIVATE SECTOR FAMILY PLANNING. BOTH PROJECTS WILL PROMOTE A SIGNIFICANTLY ENHANCED ROLE FOR THE PRIVATE SECTOR IN THE PROVISION OF HEALTH AND FAMILY PLANNING SERVICES AS WELL AS FOCUS ON THE ALLOCATIVE EFFICIENCIES OF PUBLIC SECTOR INVESTMENTS IN THESE AREAS. THE INDIVIDUAL IS NEEDED TO PROVIDE ADVICE AND GUIDANCE TO USAID DIRECTLY ON POLICY ISSUES AND PROGRESS ON POLICY REFORM WITH RESPECT TO BOTH ACTIVITIES. THIS IS NOT A FUNCTION THE GCI WILL WILLINGLY FUND FROM THE PROJECT.

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D. TRADE, INDUSTRY, AND FINANCE ECONOMIST: USAID
REGARDS THE NEED FOR A JCC DEREGULATION ECONOMIST AS A
HIGH PRIORITY FOR THE FOLLOWING REASONS:

1) SUCCESS TO DATE OF USAID'S PRIVATE SECTOR ACTIVITIES
HAS BOUGHT US TO AN IMPORTANT TURNING POINT. WE HAVE
DECIDED TO SHIFT OUR FOCUS AWAY FROM HANDS-ON PRIVATE
ENTERPRISE ASSISTANCE TOWARD A UNIFIED ATTEMPT TO IMPACT
MACROECONOMIC POLICIES AND STRUCTURAL REFORMS WE SEE AS
ESSENTIAL TO DEREGULATE AND OPEN UP THE INDONESIAN FORMAL
PRIVATE SECTOR. OVER THE PAST YEAR WE HAVE LAID OUT A
POLICY-ORIENTED AGENDA FOR THE FUTURE OF OUR PRIVATE
SECTOR OFFICE (EFD), WITH MUCH ASSISTANCE FROM THE
MISSION ECONOMIST. HOWEVER, WE HAVE REACHED THE STAGE
WHERE WE NEED MORE DETAILED PLANNING AND ANALYSIS ON A
WIDE RANGE OF ISSUES INVOLVING ELEMENTS OF TRADE,
INDUSTRY, INVESTMENT, TECHNOLOGY, EMPLOYMENT AND
FINANCE. THE MISSION ECONOMIST CANNOT COMMIT THE FULL
TIME NEEDED FOR THIS DETAILED PLANNING AND ANALYSIS, AND
THE EFD STAFF DOES NOT INCLUDE ANY OFFICERS WITH
SUFFICIENT QUALIFICATIONS IN MACROECONOMICS TO ADEQUATELY
ADDRESS THIS TASK. WHILE WE HAVE PROJECT FUNDS AVAILABLE
FOR POLICY RESEARCH IN SPECIFIC AREAS SUCH AS FINANCE, WE
HAVE NO SOURCE APPROPRIATE TO COVER THE BROAD NATURE OF
OUR NEED: NCR WOULD WE FEEL COMFORTABLE IN DELEGATING
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SUCH AN IMPORTANT AND PRIORITY TASK TO A PROJECT-FINANCED CONTRACTOR WITH INHERENT TIES TO OTHER PROJECT AGENDA AND ACTIVITIES.

(2) AS PART OF THE ABOVE PLANNING AND ANALYSIS RESPONSIBILITIES WE WOULD ENVISION THIS PERSON PLAYING A MAJOR ROLE IN EVALUATING AND SYNTHESIZING RESULTS FROM THE DEVELOPMENT STUDIES PROJECT (DSP).

THE DSP ECONOMIST TEAM, HEADED BY PROF. GUS PAPANEX, BOSTON UNIVERSITY, IS ENGAGED IN A THREE YEAR CONSULTANCY TO IMPROVE GOI TRADE, INDUSTRIAL AND EMPLOYMENT POLICIES. THIS TEAM WORKS DIRECTLY WITH THE NATIONAL PLANNING BOARD (PAPPENAS), AND IS ALREADY RESEARCHING MAJOR POLICY REFORM ISSUES WHICH SHOULD RESULT IN IMPORTANT POLICY IMPLEMENTATION ACTIVITIES, PARTICULARLY INVOLVING DEREGULATION OF TRADE AND INDUSTRY. THE JCC TRADE AND INDUSTRY ECONOMIST WOULD PLAY A KEY ROLE IN DETERMINING WHAT POLICIES USAID SHOULD FOLLOW UP, AND HOW WE COULD BEST ADDRESS SUCH NEEDS.

(3) WE WOULD ALSO RELY ON THIS INDIVIDUAL TO ASSIST US IN EVALUATING MORE DEEPLY POLICY PROGRESS ON DOMESTIC RESOURCE MOBILIZATION COMPONENT OF ARSSP. THIS EVALUATION WORK WILL REQUIRE CONSIDERABLE ANALYSIS OF THE MACROECONOMIC POLICY ENVIRONMENT WITHIN WHICH THE BANKING AND FINANCE POLICY AGENDA IS FRAMED.

3. ALL FOUR ANALYSTS WILL ALSO HELP US BUILD UP OUR VERY THIN CAPABILITY TO ANALYZE WORLD BANK AND ADB PROJECTS FROM THE ENVIRONMENTAL, MACRO-ECONOMIC, AGRICULTURAL, AND PRICING VIEW POINTS AND TO OFFER FIRST CLASS POLICY ADVICE TO IMPROVE THESE PROJECTS. THIS MISSION IS PRESENTLY NOT ABLE TO DO WHAT WASHINGTON EXPECTS IN THESE AREAS. TO GET AN EARLY, WELL INFORMED VIEWPOINT TO AID/W REQUIRES THE CAPABILITY.

4. BASED ON THE ABOVE, MISSION REQUESTS AID/W APPROVE A SET ASIDE IN THE AMOUNT OF DOLS 750,000 WHICH WE ESTIMATE TO BE THE MINIMUM AMOUNT WHICH WOULD PERMIT US TO GO FORWARD WITH THE FOUR JCC ANALYSTS. MISSION IS AWARE OF THE SENSITIVITY IN AID/W TO THE LEVEL OF THIS SET ASIDE AND PLANS TO RESTRICT THE USE OF THIS MECHANISM TO OUR MOST ESSENTIAL REQUIREMENTS. PLEASE ADVISE ASAP.

WOLFOWITZ
ET
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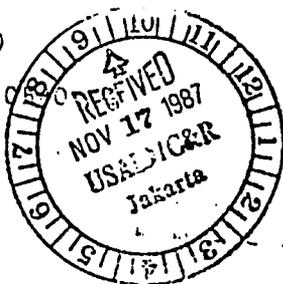
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UNCLAS STATE 356341



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lets notify
people.
LIST: AID

OFFICIAL FILE

ACTION COPY	
DATE DUE	11/19
ACTION TAKEN	N/A
DATE	11-18
BY:	REDMAN
RETURN TO:	C&R

AIDAC

E.O. 12356: N/A
TAGS:
SUBJECT: FUND FOR JCC-LIKE ANALYSTS

REF (4) JAKARTA 18854 (3) STATE 203114

- BUREAU APPROVES APPROACH OUTLINED IN REF A. FUNDING WILL BE FOR PSCS AND SELECTION PROCESS WILL TAKE PLACE IN USAID WITH SUPPORT FOR IDENTIFICATION OF CANDIDATES FROM BUREAU.
- OYB WILL BE REDUCED ACCORDING TO REQUESTED LEVEL INDICATED IN REF A. ANE/PD IS PREPARING ACTION MEMORANDUM AND OTHER REQUIRED DOCUMENTATION FOR THE AID/W SETASIDE FOR REGIONAL FUND.
- PLEASE NOTE THAT DUE TO EXPECTED BUDGETARY DELAYS, FUNDING WILL PROBABLY NOT BE AVAILABLE UNTIL FEBRUARY 1988.
- WILL NOTIFY IF FURTHER CLARIFYING DATA IS NEEDED.

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