

Growth through Investment and Trade (GIAT)

Scope of Work

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**Economic Growth Team
USAID/Jakarta**

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Growth through Investment and Trade (GIAT)

I. Summary

The Growth through Investment and Trade (GIAT) activity continues a long tradition of USAID policy support to key executive and legislative branch economic institutions in Indonesia. However, its focus will shift noticeably toward much greater emphasis on supporting trade and investment reforms needed for increased economic growth and jobs; capacity building within the government, policy think tanks, and private sector associations; the mobilization and utilization of Indonesian talent; and the provision of flexible, demand-driven policy assistance.

The GIAT activity will assist the Government of Indonesia (GOI) to (i) develop and institutionalize analytical and advisory capacity in key executive and legislative branch institutions, think tanks, and complementary private sector associations, (ii) formulate carefully reasoned responses to urgently needed trade and investment and related high priority policy issues, (iii) prepare in-depth analyses and assessments of policy options for longer-term trade and investment and related development issues, and (iv) implement key policy decisions already taken. The GIAT activity will support SO11 – “foundations set for rapid, sustainable and equitable growth” – by promoting “sound economic policy and institutions” (IR1).

Although the GIAT will represent a continuation of policy support directed largely toward GOI executive branch institutions, it will represent a perceptible break with the past in several important respects. It will differ most importantly (i) in its focus on flexible, demand-driven assistance, (ii) in its use of diverse groups to provide input on policy priorities, (iii) in its use of Ad Hoc Task Forces that flexibly draw on project resources to meet high priority demands, (iv) in its provision of economic policy analysis assistance for the legislature, think tanks, and private sector associations, (v) in its emphasis on the mobilization, utilization and improvement of Indonesian talent, and (vi) in its focus on an explicit, institution-by-institution negotiated strategy for capacity building. The GIAT strategy is premised on the proposition that high quality economic policy analysis and advice is essential for Indonesia to meet both its current and future nation building needs and has ultra high payback if focused on the highest priority issues that ultimately affect large scale resource allocation. High quality policy analysis primarily focused on critical trade and investment issues will be essential if Indonesia is to continue its recovery from the 1997-98 Asian financial crisis and to provide jobs for its expanding labor force. It will be even more essential if Indonesia is to successfully meet the challenges of the longer-term reforms necessary for it to successfully make the transition to rapid, sustainable and equitable economic growth.

The anticipated full Period of Performance for the GIAT contract is on/about August 2003 through on/about August 2006. This consists of a two-year base period plus a one-year option. USAID’s approval of the one-year option is dependent upon: (i) successful performance of the contractor during the initial two-year base period; (ii) extension of USAID’s economic growth strategy (SO11) beyond the current end-date of September 30, 2004; and (iii) availability of funding.

Successfully meeting many of the highest priority trade, investment, and related policy challenges will inevitably provide strong support to the momentous social and political transition underway in Indonesia, which in turn should positively impact on future economic growth rates. Nevertheless, the battle for good policy is a never-ending one that must be fought both now and in the future. It is the intent of this activity that the battle be fought well and that it be won by the best that Indonesia can bring to bear.

The GIAT activity will provide assistance in two broad areas: (i) policy analysis and advice and (ii) capacity building. GIAT will deliver policy analysis and advice through the work of advisors and counterparts assigned to work with Policy Analysis Units located in participating governmental, legislative, and think tanks and Ad Hoc Task Forces that can flexibly draw from both inside and outside government for critical policy analyses. A Policy Advisory Council (Council) that draws its membership from key participating executive and legislative branch institutions, policy think tanks, and private sector associations will provide recommendations for key policy issues to be addressed. The Chief of Party will direct the long term and short-term advisors in providing policy assistance, in cooperation with the recipient institutions and USAID.

Capacity building and institutionalization efforts will focus on Policy Analysis Units located in the participating executive and legislative institutions and think tanks. They will draw heavily on a closely mentored learning-by-doing approach that will be complemented by a structured program of seminars, workshops and short training courses. Training will be delivered primarily by GIAT Indonesian and expatriate staff and will focus on the implementation of negotiated capacity building and institutionalization strategies. Each participating institution will be expected to implement negotiated changes in incentive, personnel and training policies on a timely basis.

USAID inputs over the initial 24-month base period will consist of (i) up to 7 long-term expatriate advisors, (ii) up to 36 person months of short-term technical assistance per year, (iii) up to 7 long-term Indonesian professional staff, (iv) up to \$500,000 for subcontracts with Indonesian think tanks, other policy-oriented private sector institutions, and consultants, (v) training materials and equipment, seminars and workshops, (vi) support personnel, (vii) up to 24 person-months of short-term training abroad for Indonesians, and (viii) office equipment, furniture, supplies and repairs, and vehicles for GIAT and Policy Analysis Unit offices.¹ If the one-year option is approved, USAID inputs will continue at the same level.

USAID will reach agreements or understandings to ensure the following GOI, legislative, and private sector inputs: (i) assignment and funding of high quality full-time personnel to each analytical unit in participating executive and legislative branch institutions, (ii) appointment and funding of top GOI advisors to the Policy Advisory Council, (iii) funding of external research by Indonesian think tanks, other private sector policy institutions, and consultants, (iv) provision of office space, furnishings and equipment for

¹ USAID will transfer all non-expendable equipment and 4 vehicles to the new project from the current PEG project. Therefore, no vehicles and only limited office furniture and equipment should need to be purchased by the GIAT contractor. See attached inventory.

Policy Analysis Units and advisors, and (v) provision of appropriate facilities, including furnishings, for conducting seminars, workshops and short-term training courses.

GIAT outputs will include (i) development or strengthening of up to five Policy Analysis Units (three located in key executive branch institutions, one in support of the legislature, and one to work with think tanks), (ii) provision of timely analyses and advice to key executive and legislative institutions and think tanks and other policy-oriented private sector institutions to address urgent high priority trade, investment, and related policy issues, (iii) provision of in-depth analyses and assessments of policy options for the highest priority longer-term trade, investment and related policy issues and (iv) provision of timely policy implementation assistance.

In preparing proposals in response to this request for proposals, potential contractors are encouraged to propose alternative technical and management approaches that they believe may be more effective in achieving the overall activity purposes. The responsibilities, qualifications, and numbers of professional and support staff and project outputs and deliverables should be considered as illustrative.

II. Background

USAID has provided significant economic policy support to GOI executive branch departments over the years. This support included the Development Studies II Project (DSP II) in 1987 that provided short and long-term advisors and other assistance to the Planning Board (Bappenas) and the Central Bureau of Statistics (BPS). DSP II was subsequently extended in 1992 for another 3 years, and expanded to include assistance to the Ministry of Industry and Trade (MOIT) and the Bank of Indonesia (BI).

After a lapse of 3 years, USAID initiated the design of the Partnership for Economic Growth Activity (PEG), which originally was intended to be a closeout program that would be focused on fostering long-term partnerships between U.S. and Indonesian institutions working on Indonesian policy issues. However, before the contracting process was completed the onset of the Asian financial crisis changed USG views on a phase-out and the PEG activity was expanded to include provision of 11 long-term advisors and substantial short-term technical assistance. The PEG activity as ultimately designed, included a large grants component to foster U.S.-Indonesian partnerships, a small grants component and the provision of technical assistance.

The technical assistance component of the PEG activity provided short and long-term advisors from late 1998 to mid-2002 to six different organizations, including Bappenas, MOIT, BI, BPS, the Coordinating Minister (MENKO) and the Ministry of Finance (MOF). It also assisted the Ministry of Communications and Technology and several agencies concerned with promoting small and medium enterprises. The rapid ramp-up in advisory assistance was intended to assist the GOI to weather the resultant economic and financial crisis triggered by the Asian financial crisis and to assist in the stabilization and recovery effort. Much of the effort of the various advisors was focused on immediate policy urgencies, although as the economic situation stabilized greater attention was focused on research involving medium and long-term policy issues. The PEG activity was extended for one additional year in mid-2002 to June 30, 2003. PEG is being

implemented by the Nathan-Cheechi Joint Venture, which is eligible to compete for the proposed GIAT activity.

Although informal capacity building and skills upgrading occurred in some of the assisted institutions through collaborative research and the on-going working relationships between expatriate advisors and Indonesian counterparts over the years, the results generally appear to have been uneven and diffuse. No explicit strategy was ever developed to focus on developing analytical and advisory capacity within specific specialized executive branch economic policy units. Similarly, although efforts have been made by some executive branch economic institutions to establish research and analytical capabilities within their institution, results have varied.

Since September 2001, USAID/ECG has also provided technical assistance for economic policy analysis for the Parliament's Secretariat Commission IX for the Economy and the Budget Committee through the USAID cooperative agreement with the Institutional Reform and the Informal Sector at the University of Maryland (IRIS) for the Parliamentary Support Project. This project ends June 30, 2003.

III. Problem Statement

Current Situation – Although the economic crisis stemming from the Asian financial crisis of 1997-98 appears to have stabilized, with a gradual but persistent recovery underway, Indonesia continues to face extremely large development challenges and the economic and political situation remains very fragile. Much of the most recent progress has been due to prudent macroeconomic management and the timely assistance of the donor community. Some has been due to modest progress on structural adjustment reforms. However, continued declines of trade and investment have undermined GDP growth essential to expanding jobs and reducing poverty. In addition, the Bali bombing and the SARS scare have provoked declines in tourism export receipts, GDP growth and foreign direct investment. These are likely to have at least modest short to medium-term impact, depending on how quickly and forcefully the security situation is improved. These repercussions can only further weaken an already tenuous economic and political situation and, hopefully, make clear the necessity for Indonesia to move quickly forward in its reform agenda, especially in the trade and investment areas, if investor confidence and rapid export and GDP growth are to be restored.

Policy Context – Indonesia had one of the best economic growth and poverty reduction records in the world for three decades. GDP growth averaged 7 percent from 1967 to 1997 and the percentage of the population falling below the poverty line declined from 60 percent to 19 percent. Production of food doubled and trade volume of exports grew at 8 percent. Much of this was due to generally good macro-economic management and a fair amount was due to measures taken to liberalize and open up the market environment, including essential reforms that dramatically reduced tariffs and non-tariff barriers on international commodity trade. Although no one thought the policy reform task was finished, incomes were growing and the economic well being of most was improving.

This was brought to a crashing halt with the Asian financial crisis of 1997-98. Within the space of about 2 years GDP in current US\$ fell by over 29 percent, the US dollar

equivalent value of the stock exchange index declined at one point by 90 percent and the nominal Rupiah-U.S. Dollar exchange rate plummeted by 80 percent. A financial and banking sector collapse was narrowly averted through massive infusion of donor assistance and the subsequent issuance of some \$60 billion in government bonds to the floundering banking sector. Major corporations went bankrupt and virtually all large enterprises went into default on their hard currency-denominated debt. The price of rice rose sharply and the percentage of the population below the poverty line rose from 19 percent to 27 percent. The fiscal deficit more than doubled, rising from 0.7 percent to 1.6 percent of GDP, and Government debt rose from 24 percent to 98 percent of GDP. In less than 3 years, Indonesia, by many measures, went from boom to bust.

Although the Asian financial crisis clearly precipitated and contributed importantly to the financial, economic and political crisis faced by Indonesia 1997-2000, many long standing issues and factors contributed to the extreme depths of the crisis and the subsequent difficulties involved in the still on-going recovery effort. These importantly included major weaknesses in the supervision and regulation of the banking and financial sector, the continuing dominance of state and military-owned enterprises in the economy, the corrupt and dysfunctional legal and judicial system, the rampant corruption of powerful public and private sector officials, and the extent of public disgust with the 30-year political rule of President Soeharto.

Taken together, these and other factors contributed to an economic and financial crisis that went deeper and has lasted longer than in any other affected country in Asia. Capital flight was enormous and direct foreign investment levels have yet to recover. The effect of political turmoil surrounding the presidency, widespread ethnic and religious violence and separatist movements in outlying provinces has been to create enormous uncertainty in the minds of asset holders and investors. These factors combined with weak institutions, inadequate regulations, poor policies and widespread corruption, have been more than enough to offset the positive effects of economic stabilization in the minds of investors. Nevertheless, the economic-political situation undoubtedly would be worse in the absence of the successful stabilization efforts.

In addition to the above, government actions to stabilize the economic and political situation has created a whole new set of problems that also weigh on an uncertain investment climate. The effort to save the financial and banking sector resulted in the issuance of enormous amounts of government bonds in return for non-performing bank debt and state acquisition of huge assets. Government efforts to sell off the private debt and dispose of the assets have only managed to recover a small fraction of the value of bonds that were issued, leaving the public with a massive public debt to ultimately pay through tax revenues.

The significant growth in public debt overhang since the beginning of the Asian financial crisis also tends to constrain the macroeconomic policy options realistically available to stimulate the economy. This in turn throws much greater pressure on the government to take the reform actions necessary to significantly improve the private sector investment climate, if the economy is to be reinvigorated. Related to these issues is the need for major reduction in the inventory of state owned assets, an essential step

for improving asset performance, reducing public debt, reducing the annual subsidy drain on the budget and unshackling macroeconomic policy options.

In addition to the above, the Indonesian Government undertook a relatively sudden and massive decentralization effort on January 1, 2001, as part of its effort to calm the political waters. This, in turn, has created its own unique set of problems, including local taxes and restrictions on trade; mandated resource transfers that leave the national government with few discretionary resources; and, richer localities receiving more. As a result, the degree and extent of Indonesia's policy challenges are much greater now than in earlier years, because of the radical nature of the political, administrative, fiscal and economic decentralization. Not only is basic reform needed across many policy issue areas, the need to effectively implement reforms at lower levels of government and improve capacities takes on much greater urgency. Although decentralization offers significant opportunities if effectively implemented, in the near to mid-term it threatens to undermine the relative economic stability provided by good macro management.

Indonesia appears, at varying times, willing to tackle some of the seemingly intractable issues that stymie several of the key reform areas. However, the breadth, depth and overwhelming nature of the needed reforms and the lack of experience, necessary knowledge and political will, results in reformers losing heart and easily being swept aside. Without donor assistance, prospects of fundamental reform in many areas appear weak and, without reform, stability is likely to be only temporary.

Although Indonesia is not considered in a state of crisis at the moment, its economic and political situation is very fragile and contains identifiable elements of potential future crisis and destabilization. Indonesia cannot afford a hiatus in its reform effort. Some observers feel that Indonesia must continue to move forcefully ahead in its reform measures or face eventual economic and, implicitly, political crises within the next 3-5 years. In the economic area, many of the needed reforms are termed "structural" but continuation of sound macroeconomic management also will be an essential ingredient.

Structural reforms in support of increased trade and investment are critical to restoring the competitiveness of the economy, accelerating GDP growth, and expanding job opportunities. Enhanced compliance with international trade regulations and agreements, including bilateral (Patriot Act), regional (AFTA), and global (WTO) agreements is critical to turning around Indonesia's export and investment performance in the near term. Hence, the GIAT activity will focus its policy advisory assistance on trade and investment reform, especially major trade agreements. In addition, GIAT will address complementary policy issues, including reducing barriers to domestic trade and competition, reforming customs, tariffs, and trade taxes, improving fiscal sustainability and the investment climate through tax reform, containing inflation, and stabilizing the exchange rate.

Capacity Building Context – The Indonesian government has invested heavily in professional, high level human resources over the last 15 years. The numbers of MA and Ph.D. economists are far greater now than in the past in many of the key economic ministries. In theory, there should be far greater institutional capacity to provide good policy analysis and advice. In practice, institutional capacity has improved. However,

too often the best and the brightest of Indonesian economists may not be brought to bear on important policy issues for a wide range of reasons. Although institutions may be well endowed with high level resources on paper, in fact the best people tend to be chronically busy outside their own offices attending seminars, conferences and workshops, giving speeches, travel on per diem, appearing on television, providing op-ed pieces to the press and so forth. Incomes are also supplemented by outside employment, consulting and serving on private corporate boards.

There are also problems with the present system of advanced degree training. Some government employees tend to be rewarded more for loyalty and seniority rather than ability. Advanced degree training tends to be provided relatively late in a career, with MAs earned in the late 20s or early 30s and PhDs earned in the late 30s or early 40s. Complicating matters further, Indonesians tend to retire early, beginning at age 55, resulting in short payback periods on investment. To make matters worse, the proximity of pending retirement and the marketability of an advanced degree, tends to result in greater outside consulting and employment by professionals and upper echelon staff.

It is believed that considerable skill erosion occurs following the earning of advanced degrees because many returnees do not use their newly acquired skills upon return. Most new Ph.D.s are promoted to administrative positions or non-related work areas that don't allow retention or advancement of their technical policy analysis skills. Analytical work is generally not considered the best career move or financially as rewarding as moving into an administrative position. This is because an official's income is related more to the number of projects that are managed than to level of knowledge or technical proficiency.

To build capacity for high quality policy analysis and advice inside the government probably ultimately requires confronting the intractable issue of administrative and civil service reform. In the interim, Indonesia is faced with second or even third best solutions, yet the need to build the capacity for delivering good policy analysis and advice can hardly wait. Hence, the approach adopted here is to strengthen capacity both inside and outside and interlink them. Enough capacity must be built inside government to deal with daily issues and appreciate, use and contract for outside analyses and recommendations on the deeper problems and issues. Outside institutions must be strengthened and involved more deeply in providing advice to government. Building capacity outside is a much easier task. **Therefore, building capacity for high quality analysis and advice for public policy involves strengthening capacity inside and outside government in a way that encourages government to draw more effectively upon independent capacity outside of itself.**

A third area of concern, beyond incentive structures and training policies, is the relative lack of policy coordination within the government. The emergence of democracy has tended to change power relationships and coordinating ministers do not have the power they once had under Soeharto. This is because individual ministers no longer necessarily owe their allegiance to the same political party and can afford to go their own way if they have a strong enough patron. Although expatriate advisors spread among various economic ministries tend to effect their own coordination to the degree possible and be a channel of information to other ministries, this is obviously a second

best in the longer-term when advisors are no longer present. It is not unusual to see ministries at cross-purposes and to see one ministry essentially undoing a good policy measure of another ministry with a new ruling or regulation. There appears to be need for mechanisms, such as task forces and regular communications, to bring high-level capacity to bear on priority issues across ministry domains.

Lack of coordination is not limited to between ministries, however. It is also a problem between the executive branch and the legislature and within ministries. Coordination within ministries tends to occur only at the top, with little communication between directorates at the lower levels. This tends to lead to inadequate knowledge at the technical levels if vertical communication is not adequate within a directorate. Hence, analytical capacity that exists in an individual directorate or among directorates in ministries and between executive and legislative branches must communicate between themselves so that technical issues are resolved and policy differences narrowed..

IV. Activity Purpose

The GIAT activity will assist the Government of Indonesia to (i) develop and institutionalize analytical and advisory capacity in and linkages between key executive, legislative, and external policy-oriented institutions, (ii) formulate carefully reasoned responses to urgent, high priority trade and investment and related policy issues, (iii) prepare in-depth analyses and assessments of policy options for the highest priority longer-term trade and investment and related issues, and (iv) implement key policy decisions already taken. The GIAT activity will support SO11 – “foundations set for rapid, sustainable and equitable growth” – by promoting “sound economic policy and institutions” (IR1).

V. Assistance Strategy

The GIAT assistance strategy is based on the proposition that good analysis and advice counts and that each country should have the indigenous capacity to consistently deliver that analysis and advice to its decision makers. The GIAT activity is designed to both deliver these analyses and advice in the interim and to develop and institutionalize that capacity for the future. The strategy lays great stress on the provision of timely, high quality analyses and advice and in mobilizing and utilizing a broad array of Indonesian talent to work hand-in-hand to attain that end. GOI and legislative staff will be mobilized and retained through agreements or understandings between each cooperating institution and USAID. Agreements will encourage the use of think tanks and private sector associations and the strengthening of their capacities. Indigenous talent outside the government will be drawn more intimately into the policy debate on a regular basis. Think tanks and private sector associations will be encouraged to more effectively engage the government in policy dialogue and collaborative priority setting. A joint expatriate-Indonesian team approach to analysis and problem solving will be the hallmark of the activity.

In the course of this effort, it is the intent of the GIAT activity to systematically upgrade and expand the skills of Indonesian professional staff both in government and outside by mentored learning-by-doing and through the implementation of structured seminars,

workshops and short-term training. An effort will be made to institutionalize capacities that will be developed by the GIAT activity by working with cooperating institutions to establish incentive structures sufficient to attract and retain the best of Indonesian talent and encourage attractive career paths that have their start in the Policy Analysis Units.

In addition to establishing and institutionalizing analytical and advisory capacity, GIAT will work to improve national economic policy coordination. GIAT will sponsor a Policy Advisory Council that will provide recommendations on priority policy issues to be addressed and on how to enhance cooperation amongst the participating governmental and legislative institutions, think tanks, and private sector associations. A series of Ad Hoc Task Forces will be created to draw together scarce Indonesian and expatriate advisory resources, both inside and outside government, to focus on the highest priority policy issues. Hopefully the use of task forces will help to resolve existing conflicts in policies between institutions or the intent to establish such policies. It is intended that coordination will also be improved within ministries by encouraging Policy Analysis Units to deliver policy and analytical services to and across all directorates.

Coordination and information flows also may be improved by the potential overlapping memberships within the Policy Advisory Council, the Policy Analysis Units, and flexible Ad Hoc Task Forces. Involvements in Task Forces should also tend to improve coordination, widen horizons and improve knowledge depth, not only on the issue between studied, but also in general terms.

The GIAT activity will in general coordinate and cooperate with relevant activities of other donors and multilateral institutions and other USAID projects. In particular, the GIAT will help USAID regional universities efforts by providing materials on policy issues for dissemination through their networks and being available to help, as time and resources allow, with training and mentoring efforts for the regional universities.

VI. Project Components

The GIAT activity will meet both urgent and longer-term high priority trade and investment and related policy needs and build the needed Indonesian analytical and advisory capacity within selected governmental and legislative institutions, think tanks, and private sector associations. Although the GIAT activity has two clear and distinct objectives, they are deeply interrelated and success in achieving one will tend to reinforce and support the achievement of the other. This is because Indonesians will bear the greatest share of the workload and will be engaged in an extensive, on-going learning-by-doing exercise that will focus on analyzing current high priority problems and delivering quality policy analyses and assessments to their superiors.

Expatriate and Indonesian senior advisors will closely mentor younger Indonesian staff in their daily work assignments as well as deliver a structured staff development program consisting of seminars, workshops and short-term training. Senior expatriate and Indonesian advisors will collaborate to meet urgent policy needs and bring younger but advanced Indonesian staff into the effort both as inputs and as a learning exercise. The senior advisors will separately or jointly lead longer-term policy assessment teams that will include Indonesians staff of varying experience, with the objective not only to

provide the end product but also to build the necessary skills under the tutelage of the senior advisory staff. A flexible, joint expatriate-Indonesian team approach is to be the hallmark of both the capacity building effort and the delivery of high quality policy analysis and advice.

Although potential opportunities for staff development and skills building will be considered as a matter of course as new assignments arise, the quality and timeliness of analysis will not be compromised. Judgement on the best work strategy and team combination will be made for the Policy Analysis Units by their Directors with the advice of the assigned Policy Analysis Unit Advisors and the GIAT Chief of Party. Better qualified individuals requiring less supervision and oversight would be assigned as necessary for the most urgent of tasks. Normal oversight and senior advisor input, combined with a less pressured work schedule, should allow maintenance of standards and production of high quality output for less urgent tasks.

In addition to junior and mid-level staff upgrading, advanced seminars, workshops and short-term training will be provided for senior Indonesian staff. These will be provided largely by long-term expatriate and Indonesian advisors but will also be provided by short-term specialists in conjunction with specific work assignments or as specific training assignments, as deemed appropriate. Opportunities for relevant short-term overseas training also will be provided to staff of the Policy Advisory Units and think tanks.

Emphasis will be given to team effort and joint product, but each individual will be evaluated on their merits and receive training and work opportunities appropriate to their abilities. Scholarships for short-term training abroad will be provided to the most promising younger staff. A long-term Training Advisor will work closely with expatriate and Indonesian senior advisors to evaluate training needs for each of the Policy Analysis Units. The Training Advisor will develop and monitor structured training programs appropriate for each institutional unit, with assistance of the senior expatriate and Indonesian advisors.

Policy Analysis and Advice Component – Policy analysis and advice will be provided by up to five individual Policy Analysis Units located within key executive and legislative branch institutions and think tanks, and by flexible Ad Hoc Task Forces addressing cross-institutional policy issues. Private sector associations will be encouraged to participate in policy dialogue with the government. GIAT policy assistance will be delivered from either the Policy Analysis Units or flexible Ad Hoc Task Forces that may temporarily draw on staff resources from the Policy Analysis Units and outside institutions or consultants. The Policy Analysis Units will also be the focus of intensive staff development and the long-term institutionalization of analytical and advisory capacity.

The GIAT activity will meet immediate and longer-term policy needs by focusing on the highest priority trade, investment, and related policy issues. Inputs for deciding priorities will be provided by a Policy Advisory Council (Council) that will meet on a quarterly basis. The Council will be small, consisting of no more than 12 members. The membership will be drawn from among high-level advisors in the participating executive

and legislative branch institutions, NGO think tanks, private sector associations, the contractor, and USAID. It is anticipated that each executive and legislative branch institution will designate a senior advisor to serve on the Council. It is anticipated that up to 6 representatives of think tanks and private sector associations will also hold membership.

The Council generally will operate within the economic reform framework negotiated between the GOI, IMF and/or CGI. The Council and the GIAT staff will collaborate and cooperate with other donors in determining priority policy issues to be addressed. While the Council will be free to suggest work on any urgent policy formulation or implementation issue, the bulk of the assistance provided will be directed at trade and investment issues. Brief concept papers will be used to help the Council recommend specific long-term policy research.

The core GIAT staff will be supplemented by specialized short-term Indonesian or expatriate technical assistance (TA) as needed. To maintain flexibility in the program, the GIAT COP will make recommendations on the use of short term TA with the inputs from the advisers, Directors of the Policy Analysis Units and the Council to the GIAT CTO on a quarterly basis. These requests will be demand driven by the Indonesian counterparts, private sector partners and civil society stakeholders participating in the GIAT activity, as well as, address US Foreign policy objectives as identified by USAID/Indonesia. The GIAT will clear all requests for short term TA with the CTO. . Discussing together priorities and short-term TA should help to improve policy coordination between institutions and to focus scarce advisory resources against recognized highest policy priorities.

The allocation of professional staff to tasks will be made on the basis of three related, but competing, priorities. A share of personnel time will be allocated to longer-term highest priority policy assessments. A probable greater share of personnel time will be allocated on the basis of immediate or near-term policy urgencies that can be expected to occur and/or be identified on a much more frequent basis. A third use of personnel time will be devoted to the training and staff development of personnel in Policy Analysis Units. The allocation of professional staff time, including the time of the COP, might be something like 50:30:20 for urgent policy assistance, longer-term research and staff development, respectively. Nevertheless, although the personnel inputs devoted to the training and upgrading of Indonesian staff are likely to be relatively fixed, the allocation of staff between high priority urgencies and longer-term research is expected to be fluid and dependent on the evolving economic and political environment. It is expected that high priority urgencies will on occasion be met by Ad Hoc Task Forces staffed temporarily by personnel engaged in longer-term research or by the use of short-term technical assistance.

The allocation of Policy Analysis Unit personnel against high priority policy urgencies and longer-term policy assessments will be made by the COP with the advice of the sponsoring executive, legislative, think tank, and private sector institutions and the concurrence of USAID. Since Ad Hoc Task Forces work may center on problems within any economic institution, it can be expected that the Task Forces and Policy Analysis Unit personnel will regularly cooperate and collaborate on specific tasks where

appropriate. Because Policy Analysis Unit Indonesian staff should deliver progressively better quality analyses and research as a result of GIAT staff development efforts, the overall impact on policy analysis and advice should continually improve with time.

Capacity Building Component – Significant Indonesian analytical and advisory capacity needs to be developed and institutionalized. Considerable progress toward this objective should be demonstrated by GIAT. For example, by the end of two-year base period, the Policy Analysis Unit Indonesian staff should be able to prepare high quality briefing memoranda that are used by senior policy makers with limited guidance from GIAT advisors. The staff should also be making progress toward independently managing contracts for think tank policy research and preparing high-level briefings based upon the research. An explicit strategy to accomplish this will be jointly developed by the contractor and each participating institution inside and outside government within three months of contractor mobilization. GIAT will meet its commitment to building necessary Indonesian analytical and advisory capacity for the future in several ways.

First, the USAID and GIAT advisors will meet with executive and legislative branch institutions and key external think tanks and private sector policy-oriented associations to determine their staff and institutional development needs and willingness to implement needed reforms. Following these assessments, an outline of a long-term capacity building and institutionalization strategy will be jointly developed by the GIAT advisors working with each institution desiring assistance. Clear written benchmarks and timelines will be explicitly laid out. If minimum conditions necessary to establish or strengthen and institutionalize an analytical and advisory unit are judged to be met and firm commitments to its implementation are made in agreements with USAID, assistance will be provided. Explicit commitment will be required in terms of (i) recruiting and assigning appropriately qualified high quality personnel, (ii) establishing incentive systems sufficient to attract and retain high quality personnel, (iii) revising training, personnel and management policies to make service within Policy Analysis Units an attractive career path option, (iv) looking to the Policy Analysis Units by top management for analyses and recommendations, and (v) cooperating with other institutions on analyzing policy issues. USAID, with input from the advisors, will make the final determination on whether minimum conditions have been met for assistance.

USAID discussions with potential GIAT partners both within and outside of government indicate that the most probable sites for the up to five proposed Policy Analyses Units and associated Advisors are as follows: (i) Bappenas, Deputy for the Economy; (ii) Ministry of Industry and Trade, Agency for Research and Development of Industry and Trade and the Directorate General for International Cooperation; (iii) Ministry of Finance /Coordinating Ministry for Economy, Bureau for Fiscal Analysis and Technical Team on Tariffs and Export Taxes; (iv) Secretariat to the Legislature, Commission IX on the Economy and the Budget Committee; and (v) across several think tanks, such as, the Center for Strategic International Studies (CSIS), Institute for Economic and Social Research (LPEM) at the University of Indonesia, Danareksa Research Institute, and the Economics Faculty at Gadjah Mada University. While private sector associations will not be eligible to receive the intensive capacity building efforts associated with the Policy Analysis Units, they may be assisted with contracts to strengthen their policy analysis capacities or to prepare specific policy analyses.

Second, once agreement with USAID is reached with an institution to develop or upgrade a Policy Analysis Unit, the assigned GIAT Advisors, their principal technical counterparts and the Training Advisor will develop a detailed staff development plan and specific curriculum and materials. Although certain training programs and materials are likely to be common requirements across each Policy Analysis Unit, others can be expected to materially vary because of differing functions of the participating institutions. Thus, strategies and materials for developing a core set of skill requirements probably could be agreed upon between all Policy Analysis Units but specific skill requirements would need to be developed unit by unit.

Third, each GIAT Advisor assigned to a Policy Analysis Unit will follow an agreed upon capacity building strategy that emphasizes an appropriate mix of (i) learning-by-doing, (ii) skills building workshops, (iii) seminars, and (iv) short-term training. Short-term overseas training will also be considered where appropriate. The normal work of the sponsoring institution will be the primary focus of the capacity building strategy and the specific subject matter of the lessons to be learned. Policy Analysis Units will be expected to provide day-to-day policy analysis and advisory support to their respective ministers and director generals and legislators on the priority issues facing each institution. Policy Analysis Unit Advisors will be expected to personally mentor Policy Analysis Unit professional staff and engage in staff development as well as serve as policy advisors. It is anticipated that senior Indonesian advisors will serve as co-mentors with the Policy Analysis Unit Advisors and that other Indonesians may serve as instructors where appropriate.

Fourth, the development and institutionalization of Policy Analysis Units will be closely monitored in terms of the agreed upon strategies and appropriate steps will be initiated to remedy noted problems. The Training Advisor will review quarterly and annual progress reports prepared by each Policy Analysis Unit Advisor and meet with the Policy Analysis Unit Directors and Policy Analysis Unit Advisors to reach consensus on needed changes to achieve agreed upon staff development and institutionalization objectives. Progress reports will be provided to the respective Policy Analysis Units, the Chief of Party and the USAID CTO. An overview and summary set of recommendations to remedy noted problems in each Policy Analysis Unit will be prepared by the Training Advisor and provided to the Policy Analysis Unit, COP, and the USAID CTO. An annual determination will be made by USAID on whether progress warrants continuation of support to each Policy Analysis Unit.

Fifth, scholarships for short-term economic training abroad will be provided to the most promising younger staff of the Policy Units and think tanks. Each institution will nominate candidates for training based on demonstrated abilities during the GIAT activity. Each candidate will be evaluated on their merits, including their native intelligence, appropriateness of prior training, work performance, their English language proficiency and their age. A committee consisting of a Policy Advisory Council member, the Training Advisor, COP, and the USAID CTO will make the final nominations to USAID for final selection. Competition for these scholarships will extend across all eligible units and no minimum or maximum number of successful candidates need be allocated to any given unit.

Sixth, all short-term training returning candidates will be required to work within a Policy Analysis Unit or think tank for a minimum of one year upon return to Indonesia and meet other GOI requirements for training abroad. English proficiency must meet the minimum standards of U.S. or other appropriate universities at the point that candidates are nominated for consideration. A program of voluntary English language training, including relevant attention to technical language needs, will be developed and offered by or under the direction of the Training Advisor.

Finally, policies that encourage rotation of staff between and within Policy Analysis Units will be encouraged to broaden and extend staff experience. An appropriate mix of younger, mid-level and senior professional staff will be encouraged, with appropriate attention to laying out well-defined career paths.

VII. Project Inputs

USAID inputs over the initial 24-month base period will consist of (i) long-term expatriate advisors, (ii) long-term Indonesian advisors, (iii) short-term expatriate and Indonesian technical assistance, (iv) Indonesian support staff, (v) funds for contracts or purchase orders with Indonesian think tanks, private sector associations, and consultants (vi) training materials and equipment, seminars, and workshops, and (vii) office furniture, equipment, supplies, and repairs for GIAT and Policy Analysis Unit staff. Specifically, the GIAT activity would finance up to 7 long-term expatriate advisors, up to 7 long-term Indonesian advisors, Indonesian support staff, up to 36 person-months of short-term technical assistance per year, up to 24 person-months of short-term training abroad, up to \$100,000 of training materials and equipment, up to \$200,000 for seminars and workshops, and up to \$300,000 for office furniture, equipment, supplies, and repairs². It also would provide up to \$500,000 for contracts and purchase orders with Indonesian think tanks, selected private sector associations, and/or consultants. If the one-year option is approved, USAID inputs will continue at the same levels.

GOI inputs will include (i) recruitment, assignment and funding of high quality personnel to each of its Policy Analysis Units, (ii) assignment and funding of senior Indonesian advisors to the Policy Advisory Council, (iii) funding of activities with Indonesian think tanks and consultants, (iv) provision of adequate office space and utilities for GIAT Policy Analysis Units and Ad Hoc Task Forces' professional and support personnel, and (v) provision of appropriate space, furnishings, utilities and equipment for conducting seminars, workshops and short-term training courses. Specifically, the GOI will assign approximately 10 high quality professional staff of varying experience to each Policy Analysis Unit, including the director and deputies. Finally, the GOI should be prepared to fund contracts with Indonesian think tanks and consultants during the contract period of performance. Similarly, the Secretariat to the Legislature and the participating think tanks will be expected to commit high quality professional and support staff for their Policy Analysis Units, senior Indonesian advisors to the Policy Advisory Council, and appropriate office space and utilities for their Policy Advisory Units. Participating

² USAID will transfer all non-expendable equipment and four vehicles to GIAT from the current PEG project. See attached inventory.

Indonesian private sector associations will also provide senior advisors to serve on the Policy Advisory Council.

Because development and institutionalization of each Policy Analysis Unit is a central purpose of the GIAT activity, it is considered essential that the GOI, Legislative Secretariat, and participating think tanks will provide their inputs at the outset of the GIAT activity, just as USAID will be prepared to provide its inputs. This will apply with particular force to the assignment of appropriate personnel and the provision of adequate facilities, furnishings and equipment. These allocations should not be looked upon as temporary but rather as long-term arrangements that should include appropriate siting of facilities and functioning of Policy Analysis Units.

Expatriate Staff Requirements – The following is a brief description of what the GIAT activity will be looking for in terms of expatriate staff and their illustrative duties:

- **Chief of Party (COP)** – This is an administrative and technical position. He/she will have overall responsibility for the GIAT activity. The Chief of Party (COP) is expected to be a senior policy advisor who can effectively coordinate the activities of GIAT team members and professionally present GIAT policy issues, analyses, and policy recommendations to senior Indonesian policymakers. This is a leadership position where ultimate authority will depend both on recognized expertise and on the ability to move easily among staff, key counterparts and ministerial level counterparts. It is essential that the COP candidate be of sufficient stature and disposition that host country counterparts will freely bring their priorities to his/her attention. The COP is expected to play an active role in dealing with policy urgencies and long-term priorities that are brought to the attention of the Policy Advisory Council and the Policy Analysis Units. The COP will work with the USAID CTO to convey major US Foreign policy objectives to the policy advisors team. The COP will be responsible for all contract management, commodity and equipment purchases, especially arranging the acquisition of short-term technical assistance, administering the think tank contract fund, recruiting and managing the Indonesian support staff, general record keeping and reporting, and other assignments as required by the COP. The COP will also be responsible for overseeing all capacity building activities for the Policy Analysis Units, including supervision of an Indonesian Training Advisor, record keeping and reporting, and other assignments as required by the COP. The COP must qualify as a SEGIR Level 1 Economist. A Ph.D. in Economics from a leading university and in developmentally relevant fields is preferred. He/she should be up to date with the best practices of policy reform programs for developing countries, especially in the areas of trade and investment reform, and should be familiar with the Indonesian economic reform effort. The COP candidate should demonstrate extensive experience in managing successfully large TA team and have an excellent track record in successfully collaborating with both host government and expatriate colleagues. Familiarity with Indonesia and a working knowledge of Bahasa Indonesian are a plus.
- **Policy Analysis Unit Advisors** – Up to six Policy Analysis Unit Advisors (four to work with the government, one to work with the Parliament, and one to work with participating think tanks) will be responsible for capacity building in their respective

units and providing economic analysis, research and advice. Policy Analysis Unit Advisors are expected to train, develop and mentor unit staff. They will work with the Policy Analysis Unit Director and the COP and/or Training Advisor to assess staff capabilities and to develop a detailed staff development strategy. They will develop and lead seminars, workshops, and short-term training courses. They will be the leading edge of the effort to develop and institutionalize strong analytical and advisory capabilities within the participating ministries, Secretariat to the legislature, and think tanks. One of the Policy Analysis Advisors will be assigned to proactively develop working relationships with various Indonesian think tanks in an effort to build policy analysis capacity in these institutions and effective linkages between the them and the participating governmental and legislative institutions. This policy advisor will also assist selected private sector associations to engage the government and legislature in policy dialogue. This assistance may include contracts and purchase orders to support policy analyses and dialogue with the government and legislature. The Advisors must qualify as either SEGIR Level 1 or 2 Economists or equivalent. In addition, they should have Ph.D.s in Economics or equivalent, with areas of specialization that include trade and investment and related fields. Experience in teaching university-level economics courses, or delivering advanced economic seminars, workshops or short-term training in developing countries would be a strong plus. Work experience in Indonesia and a working knowledge of Bahasa Indonesian is highly desirable. Proven ability to work in a team setting, whether as team leader or as team member, is also highly desirable.

The skills of the Policy Unit Advisors and the COP should complement one another such that most of the trade and investment policy analysis needs of the participating executive, legislative, and think tank institutions can be met. Although gaps in specialization can be covered by short-term technical assistance, all these Advisors taken together should be able to deal with trade and investment policy issues and related issues, including trade agreements (WTO, APEC, ASEAN FTA, the proposed US-Indonesian FTA), export processing zones, trade finance, customs, tax policy, monetary and exchange rate management, fiscal and budgetary policy, barriers to domestic competition, etc.

- **Short-term Technical Assistance** – Up to 36 person months of short-term technical assistance will be provided during each year of the activity. The COP and USAID CTO will make the final determination on what short-term assistance to provide. Short-term technical assistance will generally be expected to work with Policy Unit staffs and/or Ad Hoc Task Force study teams, although individual assignments may be made as appropriate. Short-term technical assistance generally should be available for all policy areas that are the responsibility of the GIAT and should include capabilities in trade, investment and related policy formulation as well as policy implementation. They must qualify as SEGIR Level 1 or 2 Economists or other relevant specialists. Contractor proposals will be judged on the breadth of relevant experience offered, the quality of personnel, the extent of relevant overseas experience and specific Indonesia based experience. Firm commitments on contractor ability to ensure timely delivery of short-term assistance will be taken into consideration in the evaluation of proposals.

Indonesian Staff Requirements – The following is a brief description of what the GIAT activity will be looking for in terms of Indonesian staff and their illustrative duties:

- **Training Advisor** - He/she will be responsible for guiding capacity building activities for the Policy Analysis Units in the participating governmental, legislative, and think tank institutions. The Training Advisor will work with the Policy Analysis Unit Advisors and their GOI counterparts to assess staff development needs and the basic requirements to institutionalize new capacity. The Training Advisor will assist in preparing capacity building strategies. He/she will subsequently work with assigned Policy Unit Advisors and their counterparts to develop detailed staff development plans that will include curriculum, materials, seminars, workshops and short-term domestic and overseas training. He/she will develop core materials and staff development approaches that can be used across all Policy Analysis Units as well as those specific to a given institution. He/she also will develop and oversee English language training designed to prepare for overseas training, with particular attention paid to technical language needs. The Training Advisor will have on-going monitoring responsibilities that include review of quarterly and annual progress assessments prepared by all Policy Analysis Unit Advisors. He/she will prepare a summary overview of the progress reports and make specific recommendations for actions to be taken for each activity.

Minimum qualifications for this position include 5 years relevant work experience, including as a training advisor or academic instructor, a graduate degree in economics or related field from a respected overseas university. The Training Advisor must be fluent in English and Bahasa Indonesia, have excellent drafting skills in both languages, and have strong computer skills

- **Senior Economic Advisors** – Up to 6 Indonesian economic advisors will serve as an integral part of the Policy Analysis Units and Ad Hoc Task Forces, working closely with the expatriates to provide necessary analyses and advice. Senior Economic Advisors should be of sufficient experience and stature that their advice is readily accepted by senior GOI and legislative staff and officials. Advisors must be prepared to lead or serve as part of Ad Hoc Task Force Teams, to work on assignments alone and to assist with staff training. Advisors should be knowledgeable about and have access to executive and legislative branch institutions, think tanks, and university economic institutions. A minimum of 10 years relevant work experience and advance degree, preferably a Ph.D. in economics, from a respected overseas university are required. Advisors must be fluent in English and Bahasa Indonesia, have excellent drafting skills in both languages, and have strong computer skills.
- **Support Staff** – Indonesian Support Staff will provide administrative, secretarial and logistic support to the governmental, legislative, and think tank Policy Analysis Units. They will be located in the individual Policy Analysis Units and a central administrative office. The contractor will assess the GIAT functions and propose an appropriate staffing pattern with due attention to providing the necessary skill levels implied. Support Staff are an integral part of the activity and should be appropriately qualified to work with senior staff.

Think Tank Contracts – The COP will manage a \$250,000 per year fund to be used for contracts and purchase orders with Indonesian think tanks, private sector associations, and short-term consultants. The GOI will be responsible for managing its own funds for activities with the think tanks and outsider advisors. The two funds will not be commingled. The Indonesian advisors will be identified as a normal outgrowth of identification of policy priority needs and the subsequent decisions by the COP of the skills required to put together appropriate Ad Hoc Task Force teams. Advisors will be viewed as a resource to be drawn upon to complete missing skill areas. The need for their use may arise because necessary skills do not exist within the Policy Analysis Units or because high priority workloads have simply overwhelmed Ad Hoc Task Forces. Indonesian think tank advisors and individual consultants may be used in conjunction with Expatriate Short-term Technical Assistance and/or Ad Hoc Task Forces. Selected Indonesian private sector associations may be encouraged through contracts that utilize their policy analysis and dialogue capacities.

Training Abroad – The GIAT Training Advisor will provide opportunities for the most promising younger staff of the Policy Analysis Units to attend a total of up to 12 person-months of training activities per year in the United States or appropriate third countries. These typically will be economic development training programs at universities for several months. Candidates for training will be judged on work performance, native intelligence, prior academic preparation, proficiency in English and age. All successful candidates must meet standard English proficiency requirements. Policy Analysis Unit Staff accepting these training scholarships will be required to serve at least one year in a Policy Analysis Unit upon completion of the training.

Training Materials and Equipment – The GIAT Training Advisor will provide training materials and equipment, including texts, software, small technical library, internet access, laptop projectors, supplies and materials. Training materials and equipment needs will be identified at the outset of the GIAT activity and as needs are noted by the Training Advisor, Policy Analysis Unit Advisors and COP. Training will be an ongoing activity throughout the GIAT activity life and acquisitions should be made accordingly.

Office Furniture, Equipment and Supplies and Vehicles – The GIAT activity will provide necessary office furniture, equipment and supplies and vehicles for Policy Analysis Unit Advisors and GIAT Support Staff. This will include necessary office furniture, files, desktop computers, laptop computers, printers, scanners, and communication equipment that are determined as necessary by the COP. All expendable and non-expendable equipment and supplies, including four vehicles, currently used by the PEG project will be transferred to GIAT (see attached inventory). Hence, no vehicles and only limited expendable and non-expendable purchases by GIAT are expected to be necessary. While the GOI, Secretariat to the legislature, and participating think tanks are expected to equip their professional and support staff in each Policy Analysis Unit, up to \$50,000 per Unit will be provided by GIAT during the first year for additional needed office equipment, furniture, repairs, etc.

VIII. Project Outcomes,

GIAT outcomes will include (i) development and institutionalization of up to five Policy Analysis Units within key executive, legislative branch, and think tank institutions, (ii) provision of timely analyses and advice to key executive and legislative branch economic institutions to address urgent high priority trade, investment, and related policy issues, (iii) provision of in-depth assessments of high priority longer-term trade, investment, and related policy issues, and (iv) provision of timely policy implementation assistance for high priority decisions already taken. The contractor will develop specific annual benchmarks and expected results for each outcome as part of the annual work plan.

Capacity Building

Agreements with each of the host country policy units and GIAT with USAID concurrence will lay out clear benchmarks, processes and results to be achieved in building capacity in each unit within a set time frame. Achievement of capacity building will be documented by quarterly and annual progress reports to be prepared for each Policy Analysis Unit and accompanying summary reports to be prepared by the Advisors. Significant Indonesian analytical and advisory capacity needs to be developed and institutionalized within the Policy Analysis Units. Considerable progress toward this objective should be demonstrated by GIAT by the end of the initial two-year base period. The Policy Analysis Unit Indonesian staff should be able to prepare high quality briefing memoranda that are useful to senior policy makers with limited assistance by GIAT advisors. The staff should also be making progress under the guidance of GIAT advisors toward independently managing policy research contracts with think tanks/consultants and preparing high-level briefings of the research for senior policy makers. Policy Analysis Unit personnel policies and procedures should be in place to encourage continued staff upgrading and retention. Capacity building activities amongst participating think tanks should increasingly allow them to conduct high-quality policy research under contract to Policy Analysis Units in the government and with the Secretariat to the Legislature. Private sector associations should also be demonstrating enhanced capacity to conduct policy analyses and present their findings and recommendations to senior policy makers.

By the end of the option year of GIAT, the policy analysis and research management skills of the Policy Analysis Units staff should be sufficiently institutionalized so they can continue to effectively function without continued technical assistance on an ongoing long-term basis. The staff should be fully able to independently prepare high quality briefing memos and manage policy research contracts. Personnel policies should continue to encourage staff upgrading and retention. The participating think tanks should be fully capable to produce quality policy analyses for governmental and legislative policy makers. Finally, participating private sector associations should be able to independently conduct policy analyses and enter into effective policy dialogue with senior policy makers.

Policy Achievements

Benchmarks and specifics of policy and policy implementation achievements will be agreed to annually by GIAT and USAID. Achievement of the policy outcomes will be

measured in part by Advisors' policy studies, policy analysis reports, briefing memoranda focused on trade and investment issues and quarterly and annual reports prepared under the direction of the Chief of Party. These will cover significant contributions to such critical policy issues as those dealing with compliance with and expanding trade opportunities within international trade agreements; customs, tariff, and tax reform; reduction of tariff and non-tariff barriers to international trade; fiscal, monetary, exchange rate policies in support of financial stability and sustainability essential for expanding trade and investment; elimination of tax and other governmental barriers to free domestic trade and competition; etc.

Illustrated results include, for example:

- More open economy through reduction in tariff rates, tariff dispersion and non-tariff barriers.
- Increased non-oil and gas exports.
- Moderation of local governments' constraints on trade.
- Indonesia in compliance with WTO requirements.
- Indonesia actively and constructively participating in the Doha round of negotiations.
- Increased private domestic and foreign investment.
- Improved telecommunication regulatory regime encouraging foreign investment.
- National treatment and market access achieved for foreign investment in services.
- Tax administration improved.
- Customs administration improved.
- Fiscal deficit reduced.
- Inflation reduced.
- Exchange rate relatively stable and competitive.
- Public debt managed well.
- Labor policy administrated well.
- Private sector and other civil society groups actively participating in trade and investment policy discussions and decisions.

IX. Reports and Deliverables

Deliverables and reports will include the following: (i) Annual work plans approved by USAID for the project and individual long-term advisors within one month of project start date and the beginning of the second year of the contract; (ii) Assessment reports of the staff and institutional development needs of the proposed Policy Analysis Units by the end of month two; (iii) Capacity Building Strategy Reports for each of the Policy Analysis Units by the end of month three; (iv) Quarterly and Annual Reports on capacity building progress of the Policy Analysis Units within one month following the period covered; (v) at least 10 skill-building workshops and/or short-term courses and 24 person-months of overseas short-term training for Policy Analysis Unit staff during the initial two-year base period of the contract; (vi) Quarterly and Annual Reports of the policy analysis and advisory assistance and associated policy outcomes within one month following the period covered; (vii) at least 25 major policy study reports (requiring at least 3 per months level of effort), 25 analysis reports (requiring at least one month level of effort), and at least 50 briefing memoranda and materials that have been delivered to participating governmental or legislative policy makers during the two-year base period; and (viii) at least 20 Policy Seminars or Workshops on GIAT analyzed issues for Indonesian policy analysts and advisors, policy makers, and private sector leaders during the initial two-year base period. If the one-year option year is approved by USAID, activity outputs are expected to increase more than proportionately.

When preparing proposals in response to this RFP, potential contractors are encouraged to propose alternative technical and management approaches that they believe may be more effective in achieving the overall activity purpose. The responsibilities, qualifications, and numbers of professional and support staff and project outputs and deliverables discussed above should be considered as illustrative and subject to revision.

X. Gender Analysis

The gender analysis prepared during the development of the Mission's Strategic Plan makes a strong case for integrating gender concerns into policy reform activities. Prior to the 1997-98 economic crisis, women comprised 55 percent of the labor force working in the formal and informal sectors. The female labor force provided a primary means by which the Indonesian economy responded to changes in global demand. A USCAP study showed that a one percent increase of gross domestic product was associated with a 1.96 percent increase in women's participation in non-agricultural employment.

As the GOI carries out its comprehensive economic reform program, it is vital that women's concerns and interests be represented in economic decision making processes and institutions. This is essential if Indonesia is to set the foundations for rapid, sustainable, and equitable growth. Women's participation and gender concerns need to be integrated in the policy formulation and implementation process that define the terms and set the goals and new economic policies.

Clearly, with GIAT focused on trade and investment and related policy reforms, it is essential that the activity carefully integrate gender concerns into its policy analyses and

advice. Hence, GIAT will include the following activities to incorporate women's interests into efforts to return to rapid, sustainable, and equitable growth:

- Improve economic data on women and men;
- Promote gender appropriate economic policies for micro, small, and medium enterprise development, including women's access to commercial credit;
- Promote understanding of and involvement in issues of gender, poverty, and regional access;
- Promote women's participation in public hearings on economic policy and legislation: and,
- Strengthen media analysis and reporting of gender concerns in economic policy issues.

GIAT's emphasis on capacity building within the Policy Analysis Units located in governmental institutions, the Secretariat to the Legislature, and think tanks offers further opportunity to address gender concerns. As personnel policies are reformed within these Policy Analysis Units, GIAT will encourage policies that provide women with equal access to employment opportunities. GIAT will make sure that all activity supported training activities provide equal access and opportunity for women. In addition, the GIAT contractor will provide equal access for women to opportunities as long-term and short-term advisors, support staff, and subcontractors.

The contractor will maintain appropriate records documenting all its gender related activities and progress, including those associated with policy analyses, Policy Analysis Units' personnel policies, and GIAT training programs, staffing, and subcontracting.

XI. Submission Requirements

Proposals should not exceed 15 pages in length, excluding annexes for CVs, organizational charts, budgets, etc. The proposals should include budgets for the initial two-year base period of the contract and for the one-year option period.

XII. Evaluation Criteria

A USAID-GOI evaluation committee will utilize the following technical criteria to evaluate proposals.

A. Technical Criteria Points

Personnel Qualifications (40 points)

- Demonstrated professional capabilities and appropriate academic credentials of proposed professional staff for the capacity building roles, including teaching, mentoring and effectively dealing with gender concerns.
- Demonstrated quality of proposed key personnel, including the COP and other long-term international advisors, for policy advisory roles.

- Well-rounded team of international and local advisors with high-level trade and investment policy expertise.

Soundness of the technical approach (30 points):

- Innovation and flexibility in approaches to problem solving and provision of advisory and capacity building services
- Structure and comprehensiveness of activity format and design; and
- Creative and flexible approaches for dealing with gender issues

Record of past performance on similar contracts (15 points):

- Past performance references on activities of a similar complexity;
- Statement outlining the offeror's history of reasonable and cooperative behavior, commitment to customer satisfaction, and business-like concern for the interest of the customer; and
- A demonstration of the offeror's record of providing competent personnel to work on contracts of a similar size and complexity.

Management Approach (15 points):

- Effectiveness of proposed management systems, including subcontracting, accounting, staffing, and project reporting.

TOTAL – 100 points

B. Best Value Procurement

Award will be made to the offeror whose proposal offers the best value to the Government. Best value is defined as the expected outcome of a procurement that, in the Government's estimation, provides the greatest overall benefit in response to the requirement.

For this RFP, technical proposal merits are considered significantly more important than cost relative to deciding who best might perform the work. Cost realism and reasonableness will however be important criteria and may be the determining factor in the event that the offeror receiving the highest ratings are closely ranked. Therefore, after the final evaluation of the offers, the Contracting Officer will make the award to the offeror whose proposal offers the best value to the Government considering both technical and cost factors.

C. EVALUATION

Technical, cost and other factors will be evaluated relative to each other, as described herein.

- (a) The technical proposals will be scored by a technical evaluation committee using the criteria shown in this Section.
- (b) The cost proposals will be scored by the method described in this Section.
- (c) The selection criteria below are presented by major category, with relative order of importance, so that applicants will know which areas require emphasis in the

preparation of proposals. The criteria below reflect the requirements of this particular RFP. Offerors should note that these criteria:

- (1) serve as the standard against which all proposals will be evaluated,
and
 - (2) serve to identify the significant matters which offeror should address in their applications.
- (d) Prospective offerors are forewarned that an offer with the lowest estimated cost may not be selected if award to a higher priced offer affords the government a greater overall benefit. All evaluation factors other than cost or price, when combined, are significantly more important than cost. However, estimated cost is an important factor and the estimated cost to the Government increases in importance as competing offer approach equivalence and may become the deciding factor when technical proposals are approximately equivalent in merit.
- (e) Cost estimates will be analyzed as part of the proposal evaluation process. Proposed costs may be adjusted, for the purposes of evaluation, based on results of the cost analysis and its assessment of reasonableness, completeness, and credibility.