

REQUEST FOR PROPOSALS

TECHNICAL ASSISTANCE FOR THE

**RESTRUCTURING AND REGULATORY REFORM FOR CIVIL AVIATION
AUTHORITY**

Submission Deadline: 4:00 PM, October 26, 2009

LOCAL TIME (JAKARTA, INDONESIA)

Submission Place:

**Ministry of Transportation
Directorate General of Civil Aviation
Karsa Building 5th Floor
Jl. Merdeka Barat No. 8
Jakarta, Indonesia 10110
Phone: 62-21-350-5137**

**SEALED PROPOSALS SHALL BE CLEARLY MARKED AND RECEIVED PRIOR TO
THE TIME AND DATE SPECIFIED ABOVE. PROPOSALS RECEIVED AFTER SAID
TIME AND DATE WILL NOT BE ACCEPTED OR CONSIDERED.**



REQUEST FOR PROPOSALS

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Section 1: INTRODUCTION

The U.S. Trade and Development Agency (USTDA) has provided a grant in the amount of US\$341,000 to Indonesia's Directorate General of Civil Aviation (DGCA) ("Grantee") in accordance with a grant agreement dated June 23, 2009 ("Grant Agreement"). USTDA has provided the DGCA access to funding in order to hire a qualified U.S. company ("Contractor") to provide technical assistance associated with the restructuring and regulatory reform of the DGCA's operations. The intent of USTDA's funding is to provide the DGCA with recommendations that can be implemented to strengthen the safety and security oversight of the aviation industry (the "Project") in Indonesia ("Host Country"). The Grant Agreement is attached at Annex 4 for reference. The Grantee is soliciting technical proposals from qualified U.S. firms to provide expert consulting services to perform the Technical Assistance.

1.1 BACKGROUND SUMMARY

DGCA is an executive department of the Ministry of Transportation (MOT), responsible for regulating safety, security and operational integrity of the aviation sector while the MOT develops overall aviation policy and oversees operations of the sector including airlines and airports. As a regulator, DGCA is expected to function independently, issuing licenses, setting safety and security standards, certifying aircraft and ensuring industry compliance with international requirements. Under the current organizational structure, DGCA falls under the direction of MOT which has vested interests with the airport and airline industries. In order to strengthen DGCA's oversight capabilities, the USTDA grant will fund an assessment of the Directorate's current organizational and operational capabilities and make pragmatic recommendations to reinforce its effectiveness as an independent aviation safety regulator. Restructuring and strengthening DGCA's regulatory capabilities will foster continued growth in Indonesia's aviation sector and lead to commercial opportunities for the export of U.S. goods and services.

As a large archipelagic country – made up of 17,508 islands and population over 200 million – Indonesia's aviation demands have expanded significantly over the past decade. This growth has strained the sector and from 2006-2008, 12 aviation accidents were reported, resulting in loss of life for several hundred passengers. The frequency and gravity of these accidents prompted assessments and audits by the U.S. Federal Aviation Administration (FAA) and International Civil Aviation Organization (ICAO) who have identified this Technical Assistance program as a priority for the sector and economy.

In addition to this USTDA activity, the Indonesian government has received guidance from other international organizations to address the points raised by FAA and ICAO related to safety and security. ICAO has agreed to work with the Government of Indonesia to create a \$5 million "Civil Aviation Transition Team" (CATT) to implement a blueprint of more than 70 key activities/projects required to comply with international requirements. Other governments have also stepped forward: Australia, offering a multi-million dollar Indonesia Transportation Safety Assistance Package (ITSAP) for capacity building for aviation planning and services; the Dutch government targeting aircraft operations and air worthiness; and the Japan International



Cooperation Agency (JICA) offering support for air navigation systems. The Government of Indonesia has taken independent steps to increase the number of safety inspectors, introduce new regulations, increase safety compliance regulation and create a ranking system to check airline performance. Despite these efforts and in order for these programs, and specifically CATT, to be successful the DGCA must assess their current operational structure and make reforms to comply with international aviation governance standards.

A background Definitional Mission is provided for reference in Annex 2.

1.2 OBJECTIVE

DGCA has specifically requested USTDA funding to hire a U.S. expert who can review DGCA's current structure, functions and operations; identify gaps in DGCA's capabilities and operations; recommend a strategy to restructure DGCA; and develop the specific requirements and implementation steps needed to undertake the restructuring. The assistance will include specific recommendations for a safety oversight system that promotes efficient air transportation through regulation. This reorganization is considered critical to Indonesia's aviation sector in order to support ongoing economic growth for the country. Prior to international restrictions, Indonesia had the fastest growing aviation sector in the world. Some 39 million people traveled by air in Indonesia in 2007 - more than India - up from 12 million in 2002. The proposed technical assistance will help DGCA make necessary reforms to overcome regulatory barriers in order to continue working with international partners to pursue priority aviation sector projects.

The Terms of Reference (TOR) for this Technical Assistance are attached as Annex 5 and are also found in the signed Grant Agreement in Annex 4.

1.3 PROPOSALS TO BE SUBMITTED

Technical proposals are solicited from interested and qualified U.S. firms. The administrative and technical requirements as detailed throughout the Request for Proposals (RFP) will apply. Specific proposal format and content requirements are detailed in Section 3.

The amount for the contract has been established by a USTDA grant of US\$341,000. **The USTDA grant of US\$341,000 is a fixed amount. Accordingly, COST will not be a factor in the evaluation and therefore, cost proposals should not be submitted.** Upon detailed evaluation of technical proposals, the Grantee shall select one firm for contract negotiations.

1.4 CONTRACT FUNDED BY USTDA

In accordance with the terms and conditions of the Grant Agreement, USTDA has provided a grant in the amount of US\$341,000 to the Grantee. The funding provided under the Grant Agreement shall be used to fund the costs of the contract between the Grantee and the U.S. firm selected by the Grantee to perform the TOR. The contract must include certain USTDA Mandatory Contract Clauses relating to nationality, taxes, payment, reporting, and other matters. The USTDA nationality requirements and the USTDA Mandatory Contract Clauses are attached at Annexes 3 and 4, respectively, for reference.



Section 2: INSTRUCTIONS TO OFFERORS

2.1 PROJECT TITLE

The project is called Restructuring and Regulatory Reform for Civil Aviation Authority.

2.2 DEFINITIONS

Please note the following definitions of terms as used in this RFP.

The term "Request for Proposals" means this solicitation of a formal technical proposal, including qualifications statement.

The term "Offeror" means the U.S. firm, including any and all subcontractors, which responds to the RFP and submits a formal proposal and which may or may not be successful in being awarded this procurement.

2.3 DEFINITIONAL MISSION REPORT

USTDA sponsored a Definitional Mission to address technical, financial, sociopolitical, environmental and other aspects of the proposed project. This Mission reviewed other projects in addition to the Restructuring and Regulatory Reform Technical Assistance. The relevant portions of this report, specific to this project, are attached at Annex 2 for background information only. Please note that the TOR provided in the Definitional Mission report are different from the TOR that govern the use of USTDA's funding. The Offeror should reference only the TOR found in the Grant Agreement attached here as Annex 4 and also provided redundantly as Annex 5 as part of the RFP.

2.4 EXAMINATION OF DOCUMENTS

Offerors should carefully examine this RFP. It will be assumed that Offerors have done such inspection and that through examinations, inquiries and investigation they have become familiarized with local conditions and the nature of problems to be solved during the execution of the Technical Assistance.

Offerors shall address all items as specified in this RFP. Failure to adhere to this format may disqualify an Offeror from further consideration.

Submission of a proposal shall constitute evidence that the Offeror has made all the above mentioned examinations and investigations, and is free of any uncertainty with respect to conditions which would affect the execution and completion of the Technical Assistance.



2.5 PROJECT FUNDING SOURCE

The Technical Assistance will be funded under a grant from USTDA. The total amount of the grant is not to exceed US\$341,000.

2.6 RESPONSIBILITY FOR COSTS

Offeror shall be fully responsible for all costs incurred in the development and submission of the proposal. Neither USTDA nor the Grantee assumes any obligation as a result of the issuance of this RFP, the preparation or submission of a proposal by an Offeror, the evaluation of proposals, final selection or negotiation of a contract.

2.7 TAXES

Offerors should submit proposals that note that in accordance with the USTDA Mandatory Contract Clauses, USTDA grant funds shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in the Host Country.

2.8 CONFIDENTIALITY

The Grantee will preserve the confidentiality of any business proprietary or confidential information submitted by the Offeror, which is clearly designated as such by the Offeror, to the extent permitted by the laws of the Host Country.

2.9 ECONOMY OF PROPOSALS

Proposal documents should be prepared simply and economically, providing a comprehensive yet concise description of the Offeror's capabilities to satisfy the requirements of the RFP. Emphasis should be placed on completeness and clarity of content.

2.10 OFFEROR CERTIFICATIONS

The Offeror shall certify (a) that its proposal is genuine and is not made in the interest of, or on behalf of, any undisclosed person, firm, or corporation, and is not submitted in conformity with, and agreement of, any undisclosed group, association, organization, or corporation; (b) that it has not directly or indirectly induced or solicited any other Offeror to put in a false proposal; (c) that it has not solicited or induced any other person, firm, or corporation to refrain from submitting a proposal; and (d) that it has not sought by collusion to obtain for itself any advantage over any other Offeror or over the Grantee or USTDA or any employee thereof.



2.11 CONDITIONS REQUIRED FOR PARTICIPATION

Only U.S. firms are eligible to participate in this tender. However, U.S. firms may utilize subcontractors from the Host Country for up to 20 percent of the amount of the USTDA grant for specific services from the TOR identified in the subcontract. USTDA's nationality requirements, including definitions, are detailed in Annex 3. The Grantee has provided a list of Host Country subcontractors listed below in 2.20.

2.12 LANGUAGE OF PROPOSAL

All proposal documents shall be prepared and submitted in English, and only English.

2.13 PROPOSAL SUBMISSION REQUIREMENTS

The **Cover Letter** in the proposal must be addressed to:

Mr. Herry Bakti
Director General of Civil Aviation
Ministry of Transportation
Directorate General of Civil Aviation
Karsa Building 5th Floor
Jl. Merdeka Barat No. 8
Jakarta, Indonesia 10110

An Original and eight (8) copies of your proposal must be received at the above address no later than 4:00 PM, on October 26, 2009.

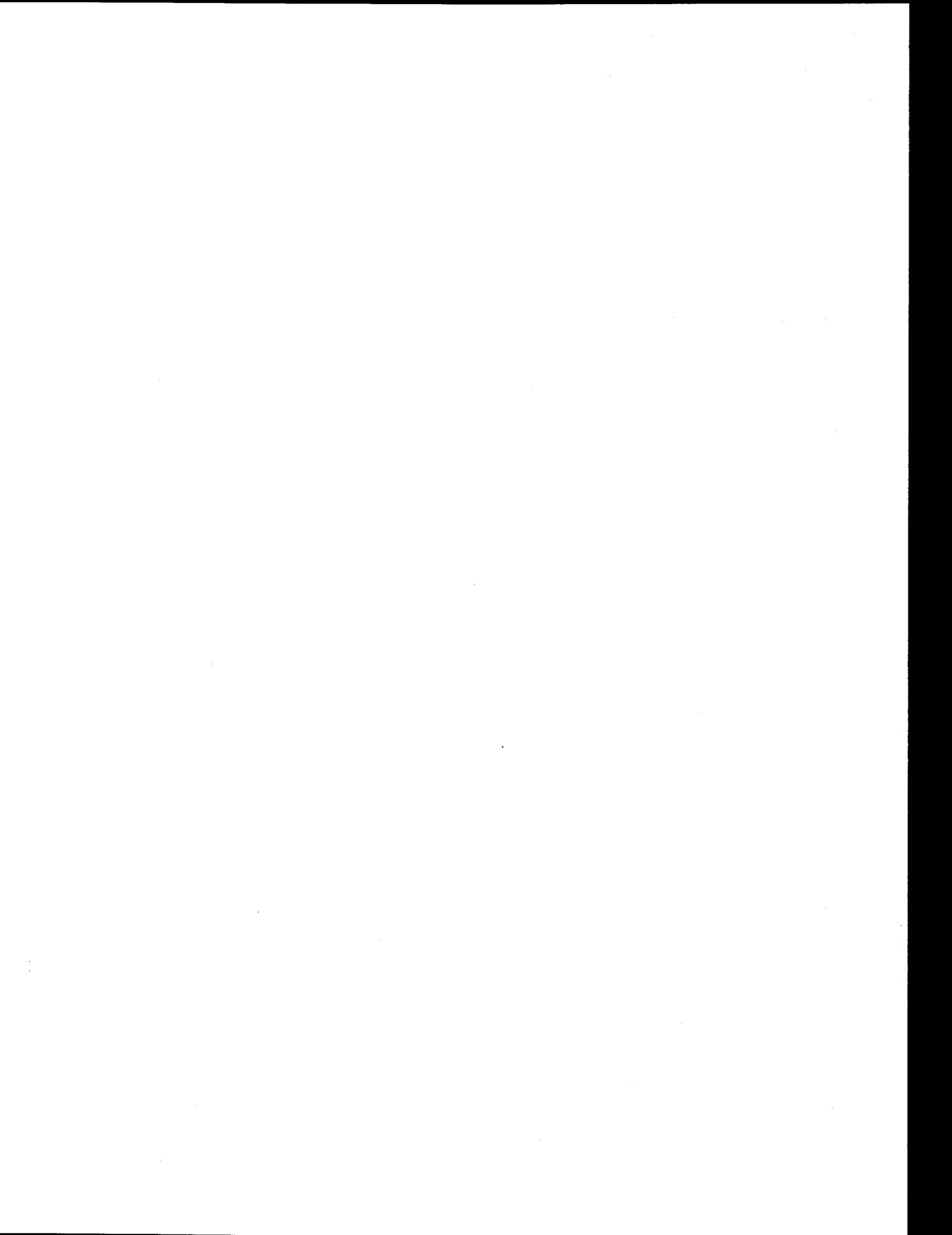
Proposals may be either sent by mail, overnight courier, or hand-delivered. Whether the proposal is sent by mail, courier or hand-delivered, the Offeror shall be responsible for actual delivery of the proposal to the above address before the deadline. Any proposal received after the deadline will be returned unopened. The Grantee will promptly notify any Offeror if its proposal was received late.

Upon timely receipt, all proposals become the property of the Grantee.

2.14 PACKAGING

The original and each copy of the proposal must be sealed to ensure confidentiality of the information. The proposals should be individually wrapped and sealed, and labeled for content including "original" or "copy number x"; the original and eight (8) copies should be collectively wrapped and sealed, and clearly labeled.

Neither USTDA nor the Grantee will be responsible for premature opening of proposals not properly wrapped, sealed and labeled.



2.15 AUTHORIZED SIGNATURE

The proposal must contain the signature of a duly authorized officer or agent of the Offeror empowered with the right to bind the Offeror.

2.16 EFFECTIVE PERIOD OF PROPOSAL

The proposal shall be binding upon the Offeror for ninety (90) days after the proposal due date, and Offeror may withdraw or modify this proposal at any time prior to the due date upon written request, signed in the same manner and by the same person who signed the original proposal.

2.17 EXCEPTIONS

All Offerors agree by their response to this RFP announcement to abide by the procedures set forth herein. No exceptions shall be permitted.

2.18 OFFEROR QUALIFICATIONS

As provided in Section 3, Offerors shall submit evidence that they have relevant past experience and have previously delivered advisory, Technical Assistance and/or other services similar to those required in the TOR, as applicable.

2.19 RIGHT TO REJECT PROPOSALS

The Grantee reserves the right to reject any and all proposals.

2.20 PRIME CONTRACTOR RESPONSIBILITY

Offerors have the option of subcontracting parts of the services they propose. The Offeror's proposal must include a description of any anticipated subcontracting arrangements, including the name, address, and qualifications of any subcontractors. USTDA nationality provisions apply to the use of subcontractors and are set forth in detail in Annex 3. The successful Offeror shall cause appropriate provisions of its contract, including all of the applicable USTDA Mandatory Contract Clauses, to be inserted in any subcontract funded or partially funded by USTDA grant funds.

The Grantee has provided the following list of Host country subcontractors:

PT. AMETHYS UTAMA

Address : Jl. Pancoran Barat XI-D No. 29

Jakarta Selatan (12550)

Telephone/Fax: (+62 21) 7692740

E-mail: amethysutama@yahoo.co.id



PT. BILLY CONSULTANT

Address : Komplek Perkantoran Stadion Lebak Bulus Lt-1 SOS 105
Jl. Raya Jagorawi No.1, Lebak Bulus, Jakarta 12440
Telephone/Fax:(+62 21) 7692740 / (+62 21) 7692740
E-mail: billyconsultant@hotmail.com

PT. INSAN MANDIRI KONSULTAN

Address : JL. Tegal Parang Selatan I No. 7B
Jakarta Selatan 12790
Telephone/Fax: (+62 21) 7940747 / Fax (+62 21) 79196295
E-mail: mandiriinsan@yahoo.co.id

PT. REKADAYA SENTOSA

Address: Jl. Sultan Iskandar Muda Kav. 2, Kebayoran Lama Selatan
Kebayoran Lama, Jakarta Selatan (12240)
Telephone/Fax: (+62 21) 74709107 / (+62 21) 74710439
E-mail: reksent_jkt@yahoo.com

PT. Santika Consulindo

Address: Jl. Karang Jaya No. 7, Jati Padang
Pasar Minggu, Jakarta 12540
Telephone/Fax: (+62 21) 7801713 / (+62 21) 7801803
E-mail: sancon@plasa.com

2.21 AWARD

The Grantee shall make an award resulting from this RFP to the best qualified Offeror, on the basis of the evaluation factors set forth herein. The Grantee reserves the right to reject any and all proposals received and, in all cases, the Grantee will be the judge as to whether a proposal has or has not satisfactorily met the requirements of this RFP.

2.22 COMPLETE SERVICES

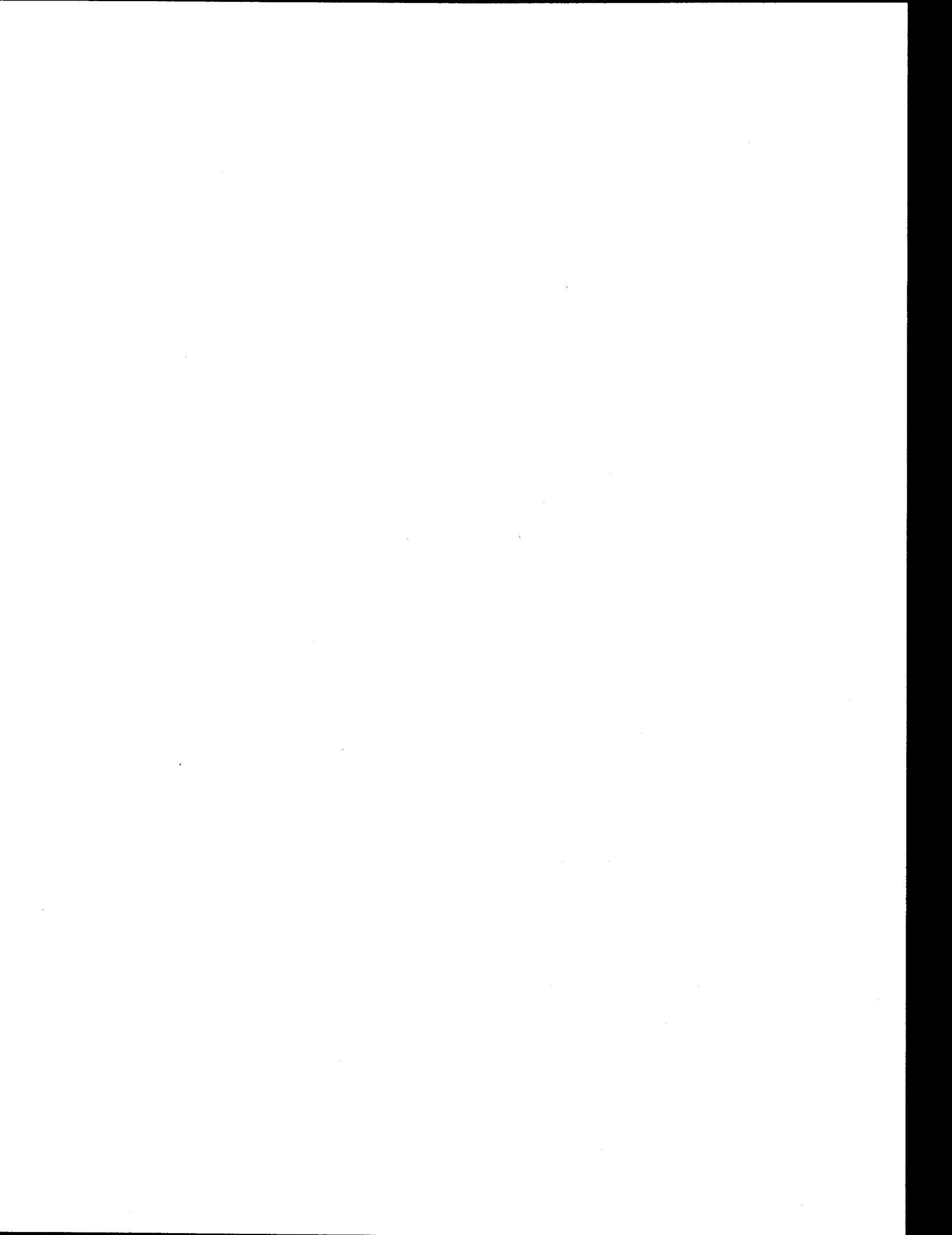
The successful Offeror shall be required to (a) provide local transportation, office space and secretarial support required to perform the TOR if such support is not provided by the Grantee; (b) provide and perform all necessary labor, supervision and services; and (c) in accordance with best technical and business practice, and in accordance with the requirements, stipulations, provisions and conditions of this RFP and the resultant contract, execute and complete the TOR to the satisfaction of the Grantee and USTDA.

2.23 INVOICING AND PAYMENT

Deliverables under the contract shall be delivered on a schedule to be agreed upon in a contract with the Grantee. The Contractor may submit invoices to the designated Grantee Project Director in accordance with a schedule to be negotiated and included in the contract. After the



Grantee's approval of each invoice, the Grantee will forward the invoice to USTDA. If all of the requirements of USTDA's Mandatory Contract Clauses are met, USTDA shall make its respective disbursement of the grant funds directly to the U.S. firm in the United States. All payments by USTDA under the Grant Agreement will be made in U.S. currency. Detailed provisions with respect to invoicing and disbursement of grant funds are set forth in the USTDA Mandatory Contract Clauses attached in Annex 4.



Section 3: PROPOSAL FORMAT AND CONTENT

To expedite proposal review and evaluation, and to assure that each proposal receives the same orderly review, all proposals must follow the format described in this section.

Proposal sections and pages shall be appropriately numbered and the proposal shall include a Table of Contents. Offerors are encouraged to submit concise and clear responses to the RFP. Proposals shall contain all elements of information requested without exception. Instructions regarding the required scope and content are given in this section. The Grantee reserves the right to include any part of the selected proposal in the final contract.

The proposal shall consist of a technical proposal only. **A cost proposal is NOT required because the amount for the contract has been established by a USTDA grant of US\$341,000, which is a fixed amount.**

Offerors shall submit one (1) original and eight (8) copies of the proposal. Proposals received by fax cannot be accepted.

Each proposal must include the following:

- Transmittal Letter,
- Cover/Title Page,
- Table of Contents,
- Executive Summary,
- Company Information,
- Organizational Structure, Management Plan, and Key Personnel,
- Technical Approach and Work Plan, and
- Experience and Qualifications.

Detailed requirements and directions for the preparation of the proposal are presented below.

3.1 EXECUTIVE SUMMARY

An Executive Summary should be prepared describing the major elements of the proposal, including any conclusions, assumptions, and general recommendations the Offeror desires to make. Offerors are requested to make every effort to limit the length of the Executive Summary to no more than five (5) pages.



3.2 COMPANY INFORMATION

For convenience, the information required in this Section 3.2 may be submitted in the form attached in Annex 6 hereto.

3.2.1 Company Profile

Provide the information listed below relative to the Offeror's firm. If the Offeror is proposing to subcontract some of the proposed work to another firm(s), the information below must be provided for each subcontractor.

1. Name of firm and business address (street address only), including telephone and fax numbers.
2. Year established (include predecessor companies and year(s) established, if appropriate).
3. Type of ownership (e.g. public, private or closely held).
4. If private or closely held company, provide list of shareholders and the percentage of their ownership.
5. List of directors and principal officers (President, Chief Executive Officer, Vice-President(s), Secretary and Treasurer; provide full names including first, middle and last). Please place an asterisk (*) next to the names of those principal officers who will be involved in the Technical Assistance.
6. If Offeror is a subsidiary, indicate if Offeror is a wholly-owned or partially-owned subsidiary. Provide the information requested in items 1 through 5 above for the Offeror's parent(s).
7. Project Manager's name, address, telephone number, e-mail address and fax number .

3.2.2 Offeror's Authorized Negotiator

Provide name, title, address, telephone number, e-mail address and fax number of the Offeror's authorized negotiator. The person cited shall be empowered to make binding commitments for the Offeror and its subcontractors, if any.

3.2.3 Negotiation Prerequisites

1. Discuss any current or anticipated commitments which may impact the ability of the Offeror or its subcontractors to complete the Technical Assistance as proposed and reflect such impact within the project schedule.
2. Identify any specific information which is needed from the Grantee before commencing contract negotiations.



3.2.4 Offeror's Representations

If any of the following representations cannot be made, or if there are exceptions, the Offeror must provide an explanation.

1. Offeror is a corporation [*insert applicable type of entity if not a corporation*] duly organized, validly existing and in good standing under the laws of the State of _____. The Offeror has all the requisite corporate power and authority to conduct its business as presently conducted, to submit this proposal, and if selected, to execute and deliver a contract to the Grantee for the performance of the Technical Assistance. The Offeror is not debarred, suspended, or to the best of its knowledge or belief, proposed for debarment, or ineligible for the award of contracts by any federal or state governmental agency or authority. The Offeror has included, with this proposal, a certified copy of its Articles of Incorporation, and a certificate of good standing issued within one month of the date of its proposal by the State of _____.
2. Neither the Offeror nor any of its principal officers have, within the three-year period preceding this RFP, been convicted of or had a civil judgment rendered against them for: commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a federal, state or local government contract or subcontract; violation of federal or state antitrust statutes relating to the submission of offers; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, violating federal or state criminal tax laws, or receiving stolen property.
3. Neither the Offeror, nor any of its principal officers, is presently indicted for, or otherwise criminally or civilly charged with, commission of any of the offenses enumerated in paragraph 2 above.
4. There are no federal or state tax liens pending against the assets, property or business of the Offeror. The Offeror, has not, within the three-year period preceding this RFP, been notified of any delinquent federal or state taxes in an amount that exceeds \$3,000 for which the liability remains unsatisfied. Taxes are considered delinquent if (a) the tax liability has been fully determined, with no pending administrative or judicial appeals; and (b) a taxpayer has failed to pay the tax liability when full payment is due and required.
5. The Offeror has not commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law. The Offeror has not had filed against it an involuntary petition under any bankruptcy, insolvency or similar law.

The selected Offeror shall notify the Grantee and USTDA if any of the representations included in its proposal are no longer true and correct at the time of its entry into a contract with the Grantee. USTDA retains the right to request an updated certificate of good standing from the selected Offeror.



3.3 ORGANIZATIONAL STRUCTURE, MANAGEMENT, AND KEY PERSONNEL

Describe the Offeror's proposed project organizational structure. Discuss how the project will be managed including the principal and key staff assignments for this Technical Assistance. Identify the Project Manager who will be the individual responsible for this project. The Project Manager shall have the responsibility and authority to act on behalf of the Offeror in all matters related to the Technical Assistance.

Provide a listing of personnel (including subcontractors) to be engaged in the project, including both U.S. and local subcontractors, with the following information for key staff: position in the project; pertinent experience, curriculum vitae; other relevant information. If subcontractors are to be used, the Offeror shall describe the organizational relationship, if any, between the Offeror and the subcontractor.

A manpower schedule and the level of effort for the project period, by activities and tasks, as detailed under the Technical Approach and Work Plan shall be submitted. A statement confirming the availability of the proposed project manager and key staff over the duration of the project must be included in the proposal.

3.4 TECHNICAL APPROACH AND WORK PLAN

Describe in detail the proposed Technical Approach and Work Plan (the "Work Plan"). Discuss the Offeror's methodology for completing the project requirements. Include a brief narrative of the Offeror's methodology for completing the tasks within each activity series. Begin with the information gathering phase and continue through delivery and approval of all required reports.

Prepare a detailed schedule of performance that describes all activities and tasks within the Work Plan, including periodic reporting or review points, incremental delivery dates, and other project milestones.

Based on the Work Plan, and previous project experience, describe any support that the Offeror will require from the Grantee. Detail the amount of staff time required by the Grantee or other participating agencies and any work space or facilities needed to complete the Technical Assistance.

3.5 SECTION 5: EXPERIENCE AND QUALIFICATIONS

Provide a discussion of the Offeror's experience and qualifications that are relevant to the objectives and TOR for the Technical Assistance. If a subcontractor(s) is being used, similar information must be provided for the prime and each subcontractor firm proposed for the project. The Offeror shall provide information with respect to relevant experience and qualifications of key staff proposed. The Offeror shall include letters of commitment from the individuals proposed confirming their availability for contract performance.

As many as possible but not more than six (6) relevant and verifiable project references must be provided for the Offeror and any subcontractor, including the following information:



Project name,
Name and address of client (indicate if joint venture),
Client contact person (name/ position/ current phone and fax numbers),
Period of Contract,
Description of services provided,
Dollar amount of Contract, and
Status and comments.

Offerors are strongly encouraged to include in their experience summary primarily those projects that are similar to or larger in scope than the Technical Assistance as described in this RFP.



Section 4: AWARD CRITERIA

Individual proposals will be initially evaluated by a Procurement Selection Committee of representatives from the Grantee. The Committee will then conduct a final evaluation and completion of ranking of qualified Offerors. The Grantee will notify USTDA of the best qualified Offeror, and upon receipt of USTDA's no-objection letter, the Grantee shall promptly notify all Offerors of the award and negotiate a contract with the best qualified Offeror. If a satisfactory contract cannot be negotiated with the best qualified Offeror, negotiations will be formally terminated. Negotiations may then be undertaken with the second most qualified Offeror and so forth.

The selection of the Contractor will be based on the following criteria:

1. Experience in aviation regulation, regulatory design and reform 25%
2. Experience with similar projects in the region 5%
3. Experience with similar projects 25%
4. Technical approach 25%
5. Experience in safety and security regulations 10%
6. Experience in institutional design and organizational development 10%

Proposals that do not include all requested information may be considered non-responsive.

Price will not be a factor in contractor selection.



ANNEX 1
FEDBIZOPPS ANNOUNCEMENT



Mr. Herry Bakti, Director General of Civil Aviation, Ministry of Transportation, Directorate General of Civil Aviation, Karsa Building 5th Floor, Jl. Merdeka Barat No. 8
Jakarta, Indonesia 10110, Phone: 62-21-350-5137, Fax: 62-21-350-5139

2009-31039A – Indonesia: Restructuring and Regulatory Reform for Civil Aviation Authority

POC: John Kusnierek, USTDA, 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901, Tel: (703) 875-4357, Fax: (703) 875-4009. Indonesia Restructuring and Regulatory Reform for Civil Aviation Authority Technical Assistance. The Grantee (Directorate General of Civil Aviation) invites submission of qualifications and proposal data (collectively referred to as the "Proposal") from interested U.S. firms that are qualified, on the basis of experience and capability, to provide technical assistance to review DGCA's current structure, functions and operations; identify gaps in DGCA's capabilities and operations; recommend a strategy to restructure DGCA; and develop the specific requirements and implementation steps needed to undertake the restructuring.

DGCA is an executive department of the Ministry of Transportation (MOT), responsible for regulating safety, security and operational integrity of the aviation sector. As a regulator, DGCA is expected to function independently, issuing licenses, setting safety and security standards, certifying aircraft and ensuring industry compliance with international requirements. In order to strengthen DGCA's oversight capabilities, the USTDA grant will fund an assessment of the Directorate's current organizational and operational capabilities and make pragmatic recommendations to reinforce its effectiveness as an independent aviation safety regulator.

The assistance will include specific recommendations for a safety oversight system that promotes efficient air transportation through regulation. This reorganization is considered critical to Indonesia's aviation sector in order to manage its growth and support ongoing economic growth for the country. The proposed technical assistance will help DGCA make necessary reforms to overcome regulatory barriers in order to continue working with international partners to pursue priority aviation sector projects.

The Terms of Reference (TOR) for the Technical Assistance include the following tasks:

- 1) Review the Grantee's current structure, functions and operations;
- 2) Conduct a needs assessments based on the Grantee's function as well as the FAA and ICAO reports;
- 3) Develop and recommend a strategy for restructuring;
- 4) Provide specific requirements for the implementation of recommendations;
- 5) Assess the development impacts of the implemented reforms and the TA;
- 6) Provide a Final Report and presentation.

The U.S. firm selected will be paid in U.S. dollars from a \$341,000 grant to the Grantee from the U.S. Trade and Development Agency (USTDA).

A detailed Request for Proposals (RFP), which includes requirements for the Proposal, the Terms of Reference, and a background definitional mission report are available from USTDA, at 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901. Requests for a mailed hardcopy version of the RFP may also be faxed to the IRC, USTDA at 703-875-4009. In the fax, please include your firm's name, contact person, address, and telephone number.

Some firms have found that RFP materials sent by U.S. mail do not reach them in time for preparation of an adequate response. Firms that want USTDA to use an overnight delivery service should include the name of the delivery service and your firm's account number in the request for the RFP. Firms that want to send a courier to USTDA to retrieve the RFP should allow one hour after faxing the request to USTDA before scheduling a pick-up. Please note that no telephone requests for the RFP will be honored. Please check your internal fax verification receipt. Because of the large number of RFP requests, USTDA cannot respond to requests for fax verification. Requests for RFPs received before 4:00 PM will be mailed the same day. Requests received after 4:00 PM will be mailed the following day. Please check with your courier and/or mail room before calling USTDA.

Only U.S. firms and individuals may bid on this USTDA financed activity. Interested firms, their subcontractors and employees of all participants must qualify under USTDA's nationality requirements as of the due date for submission of qualifications and proposals and, if selected to carry out the USTDA-financed activity, must continue to meet such requirements throughout the duration of the USTDA-financed activity. All goods and services to be provided by the selected firm shall have their nationality, source and origin in the U.S. or host country. The U.S. firm may use subcontractors from the host country for up to 20 percent of the USTDA grant amount. Details of USTDA's nationality requirements and mandatory contract clauses are also included in the RFP.

Interested U.S. firms should submit their Proposal in English directly to the Grantee by 4:00 PM (local time in Jakarta, Indonesia), October 26, 2009 at the above address. Evaluation criteria for the Proposal are included in the RFP. Price will not be a factor in contractor selection, and therefore, cost proposals should NOT be submitted. The Grantee reserves the right to reject any and/or all Proposals. The Grantee also reserves the right to contract with the selected firm for subsequent work related to the project. The Grantee is not bound to pay for any costs associated with the preparation and submission of Proposals.

ANNEX 2
BACKGROUND DEFINITIONAL MISSION REPORT





Consultants for Resources Evaluation

DEFINITIONAL MISSION REPORT

REGIONAL SOUTH AND SOUTHEAST ASIA: AVIATION SECTOR PROJECTS IN INDONESIA AND THE PHILIPPINES

REVISED ON NOVEMBER 24, 2008

November 24, 2008



This report was funded by the U.S. Trade and Development Agency (USTDA), an agency of the U.S. Government. The opinions, findings, conclusions, or recommendations expressed in this document are those of the author(s) and do not necessarily represent the official position or policies of USTDA. USTDA makes no representation about, nor does it accept responsibility for, the accuracy or completeness of the information contained in this report.

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The U.S. Trade and Development Agency

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment.

USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

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A. EXECUTIVE SUMMARY

As part of its ongoing activities in the aviation sector worldwide, in May 2008, the U.S. Trade and Development Agency (USTDA) selected CORE International to carry out an aviation sector definitional mission to Indonesia and the Philippines to identify aviation projects that meet USTDA criteria for funding. Shortly after contract award, USTDA provided CORE International with considerable background information and contacts including key contacts in the aviation sector in Indonesia and the Philippines as well as the Federal Aviation Administration (FAA). In addition, USTDA facilitated contacts with the Commercial Service sections at the American Embassies in Jakarta and Manila. CORE International began background work and proceeded to organize a schedule of meetings with key officials in the two countries. The Commercial Service sections of the two embassies prepared a comprehensive schedule of meetings with key aviation sector officials. In addition, CORE contacted the FAA to obtain key information in the two countries. CORE also prepared a brief and sent it to the embassies to share with the key officials in the two countries in order to facilitate meaningful discussions and maximize the value of the field meetings. Prior to conducting the field mission, CORE continued to provide briefings to USTDA officials and also submitted a Pre-Mission Brief, which include a detailed schedule of meetings and an analysis of key issues.

A team consisting of Vinod K. Shrivastava, Mission Leader, and Ed Timm, Aviation and ATC Expert, visited Singapore, Indonesia, and the Philippines during the period June 28-July 13, 2008. The Team conducted more than 30 meetings during the mission and FCS officials participated in a number of meetings in both Indonesia and the Philippines. Ms. Mary Walsh of FAA, Singapore participated in the meetings in Singapore and Indonesia. CORE International provided briefings to American Embassy officials both in Jakarta and Manila upon arrival and prior to departure. Section P of the report provides a listing of all contacts and Annex I includes the schedule of meetings as well as contact information in Jakarta and Manila.

Key objectives of this definitional mission were as follows:

- Review all background information on key aviation sector issues and priorities in Indonesia and the Philippines prior to the field mission.
- Hold discussions with aviation sector officials in the U.S., Japan, and Singapore prior to the field mission.
- Contact members of the contractor and vendor communities active in the two countries to gain their insights into the aviation sector needs and priorities.
- Conduct a field mission to identify and evaluate various projects that have host country priority and commitment and also fit with the funding criteria of USTDA.

During the field mission, CORE International communicated to USTDA officials key findings and initial conclusions. Based on the understanding of the issues, priorities, and extensive discussions with various officials in the two countries, CORE International has recommended the following activities for USTDA consideration in the two countries which are provided within the context of the aviation sector background and priorities in the two countries and the objectives of USTDA as described in the solicitation for the Definitional Mission.

Indonesia Civil Aviation Sector Priorities and Recommendations:

Indonesia is the world's largest archipelagic country comprising of 17,508 islands. Air travel between the islands has become a crucial mode of transportation in order to move people and goods around the country. The Ministry of Transportation of the Government of Indonesia (GOI) is the country's primary entity that is responsible for developing the overall aviation sector policy and overseeing the operations of the sector. The aviation sectors include a number of key entities engaged in different functions. The Directorate General of Civil Aviation (DGCA) is an executive department in the Ministry of Transportation and is generally assigned the overall responsibility for the sector including regulating the sector as its principal responsibility. In addition to the DGCA, the Ministry includes a relatively new, parallel, Directorate General for Accident Investigation with the responsibility of accident investigation and the Directorate General for Training, responsible for managing the training needs in the aviation sector as well as other modes of transportation. The management and operations of the country's various airports have been placed under two airport enterprises – Angkasa Pura I and Angkasa Pura II that operate as independent state enterprises.

The DGCA's current roles and organizational setting is somewhat mixed in that, as an executive department within the GOI, it operates under the usual administrative machinery of the Government. At the same time, it is required to function as an independent regulator in the aviation sector with all of the traditional responsibilities vested with a regulator. These two functions combined into one entity directly under a ministry pose both real and perceptual difficulties for the DGCA to be perceived as a truly independent aviation sector regulator.

The restructuring of the aviation industry in Indonesia over the last decade has resulted in the development of a number of air carriers to meet both domestic and international passenger and cargo demand. The combined fleet of these carriers includes a wide variety of aircraft from different aircraft manufacturers. This continued growth in the sector as well as an increasing rate of aviation incidents and accidents have placed an enormous demand on the limited resources of the DGCA and have raised the need for a fresh look at the DGCA structure, functions, and operating approaches.

In recent years, the country has suffered from several aviation incidences and accidents resulting in fatalities. Of the 11 fatal airline incidents in the first part of 2006, two were Indonesian operated aircraft that crashed within the country, killing 123 people. The final report that Indonesia released in March 2008 in response to the AdamAir Boeing 737-400 accident that killed all 102 passengers revealed the struggles that the country is facing in their airline industry. Given these aviation incidences and accidents, both the International Civil Aviation Organization (ICAO) and the Federal Aviation Administration (FAA) are engaged with the DGCA in the areas of aviation safety and security, an urgent priority of the DGCA in light of the recent downgrading of Jakarta International Airport to CAT-II from CAT-I by the FAA and the blacklisting of Indonesia by the European Union.

The civil aviation sector in the country is facing many challenges such as poor pilot training, ineffective flight coordination, poorly maintained equipment, and inadequate data management. Accordingly, safety, skills development, and efficient operations have become the most critical needs and highest priorities of the Government of Indonesia. As a result of these developments, the GOI is aggressively exploring avenues for the reform of the aviation sector including specific initiatives such as (i)

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modification of the Aviation Act to empower the functions of the airport enterprises – Angkasa Pura I (AP-I) and Angkasa Pura II (AP-II), (ii) beefing up the functions of the DGCA, and (iii) establishing a new Directorate General of Accident Investigation, and (iv) massive mobilization of aviation sector training.

During discussions with a large number of aviation sector officials, consultations with the FAA, Singapore and other donors in the country, especially the Australian Government, the DM concluded that two of the highest priorities of the GOI are (i) strengthening of the DGCA to enable it to function as an effective regulator to ensure that the airline industry and the sector in the country function in accordance with the highest standards of safety and security and (ii) provision of adequate training of pilots. The GOI strongly believes, and the DM agrees, that these functions need to be addressed urgently in order to ensure that the GOI and the airline industry comply with all international standards and regulations to which the GOI is a signatory and continue to develop a trained workforce to manage its civil aviation activities. Accordingly, the DM has recommended the following two actions for consideration by USTDA.

1. Technical Assistance to the Director General of Civil Aviation (DGCA), Indonesia on Restructuring and Regulatory Reform

B. PROJECT DESCRIPTION

Indonesia and the Philippines are unique in their nation's geographic characteristics of large archipelagos. This geographic dimension creates certain challenges for the countries transportation system and the vitality of the airline industry. Air transport is the only viable mode of transport to reach certain population segments in these countries. Therefore, an efficient, safe, and reliable transport system is key to economic growth and social services in the two countries.

1. Civil Aviation Sector Setting in Indonesia

Indonesia is the world's largest archipelagic country comprising of 17,508 islands. Air travel between the islands has become a crucial mode of transportation in order to move people and goods around the country.

The Ministry of Transportation of the Government of Indonesia (GOI) is the country's primary entity that is responsible for developing the overall aviation sector policy and overseeing the operations of the sector. The aviation sectors include a number of key entities engaged in different functions. The Directorate General of Civil Aviation (DGCA) is an executive department in the Ministry of Transportation and is assigned the overall responsibility for regulating the civil aviation sector in the country. These responsibilities include licensing aircraft and airlines, issuing various types of certifications, promulgating safety and security standards, ensuring compliance by the civil aviation industry, and implementing the GOI policy for the civil aviation sector. In addition to the DGCA, the Ministry of Transportation includes a relatively new, parallel, Directorate General for Accident Investigation with the responsibility of accident investigation and the Directorate General for Training, responsible for managing the training needs in the aviation sector as well as other modes of transportation. The management and operations of the countries various airports have been placed under two airport enterprises – Angkasa Pura I and Angkasa Pura II that operate as independent state enterprises.

The DGCA's current roles and organizational setting are mixed when compared to international governance standards. As an executive department within the GOI, it operates under the usual administrative machinery of the Government. At the same time, it is required to function as an independent regulator in the aviation sector with all of the traditional responsibilities vested with a regulator. More importantly, international benchmarks require that the regulator function independently without political interference from other parts of the government. These two functions combined into one entity directly under a ministry pose both real and perceptual difficulties for the DGCA to be perceived as a truly independent aviation sector regulator. In addition to a lack of operational independence, the DGCA lacks financial independence. Currently, its operational budget depends upon the overall Government budget which is treated in the same manner as any other ministry or department in the Government. This structure is contrary to international best practices in aviation sector regulation. Typically, it is desirable in regulatory structures for the regulators to be financially independent. This is usually achieved by ensuring that the operations costs of the regulators are financed through revenues from licensing fees, inspection fees, and revenue streams from other functions such as training,

In recent years, the restructuring of the aviation industry in Indonesia has resulted in the development of 28 new air carriers to meet both domestic and international passenger and cargo demand. However, some of these air carriers are barely operational and are struggling. The combined fleet of these carriers includes a wide variety of aircraft from different

of specific programs targeted at training aviation inspectors, (ii) demanding that the air carriers, including PAL, fully comply with aircraft inspection requirements and report to the CAAP, and (iii) implement a comprehensive training program to improve the skills of aviation inspectors and technicians.

4. The Philippines Congress has authorized funding for the operations of the CAAP that includes the upgrade of the IT systems, provision of training to the current staff, and the addition of new staff and managers in order for the CAAP to significantly enhance its effectiveness as the regulator of the aviation industry in the country.

While the issues related to the FAA downgrade dominated the meetings, the CAAP did not request any specific assistance from the DM in this area. At the same time, the need for the development of an international airport at the Clark Air Base was stressed by many entities. Accordingly, the recommendation made by the DM team for USTDA assistance to the Philippines is consistent with the priorities expressed by key aviation sector personnel in the Philippines and the USTDA goals and objectives as included in the scope of work for the DM.

3. Summary of Discussions during the Field Mission in Indonesia and the Philippines

During the field mission to Indonesia and the Philippines, the DM Team held discussions with a large number of civil aviation officials in the two governments, as well as well, airport enterprises, airlines, and other key stakeholders in the aviation sector. Annex I includes a list of contacts in the two countries as well as FAA officials in the U.S., Singapore, and Tokyo.

While the purpose of the DM was not to address the FAA downgrading of the two countries to CAT – II by the FAA and blacklisting of Indonesia by the EU, the aviation sector officials in the two countries were naturally preoccupied with these developments. Nonetheless, the DM focused on the broader set of issues related to aviation sector priorities in the two countries in addition to discussions on the FAA and EU actions. The following is a summary of the key aviation sector issues in the two countries which are quite similar.

Summary of Key Aviation Sector Issues in Indonesia

The key issues that were common and of high priority in almost all of the meetings in the Philippines included the following:

- A dire need for the strengthening of the capacity and effectiveness of the DGCA, an entity seen by much of the aviation industry as ineffective.
- An immediate need to address the safety problems in the sector – the accident and incidence record of the country is of major concern to both Indonesia and the countries participating with Indonesia in aviation cooperation.
- The aviation sector security at the country's airports.
- An enormous need for both technical and managerial training of civil aviation sector managers and technicians throughout the full chain of aviation sector operations.
- Specialized training for inspectors and maintenance personnel consistent with international standards and in conformance with the FAA and ICAO standards and requirements.
- A major concern in the country regarding the survivability of many of the airlines that were recently created as part of the aviation sector reform in the country.

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- The potential need for reevaluating the roles and functions of Angkasa Pura – 1 and Angkasa Pura – the two airport enterprises in Indonesia responsible for the management and operations of the country's airport.

5.1: Technical Assistance to the Director General of Civil Aviation (DGCA), Indonesia on Restructuring and Regulatory Reform

The Directorate General of Civil Aviation (DGCA) is an executive department in the Ministry of Transportation of Indonesia and is assigned the overall responsibility for regulating the aviation sector. The DGCA's current roles and organizational structure are mixed in that, as an executive department within the GOI, it operates under the usual administrative machinery of the Government. At the same time, it is required to function as an independent regulator in the aviation sector with all of the traditional responsibilities vested with a regulator. These two functions, combined into one entity directly under a ministry, pose both real and perceptual difficulties for the DGCA to be perceived as a truly independent aviation sector regulator.

In recent years, the restructuring of the aviation industry in Indonesia has resulted in the development of a number of air carriers to meet both domestic and international passenger and cargo demand. The combined fleet of these carriers includes a wide variety of aircraft from different aircraft manufacturers. This continued growth in the sector as well as an increasing rate of aviation incidents and accidents have placed an enormous demand on the limited resources of the DGCA and have raised the need for a fresh look at the DGCA structure, functions, and operating approaches.

Both the GOI and the international donor community have recognized the need for infusion of additional resources and skills to meet the growing demands in the sector. Currently, the DGCA is closely working with the Australian Government, which has provided support to address a number of aviation sector requirements of the DGCA. The Australian Technical Assistance Support Project (ATASP) is a \$22 million assistance that includes capacity building of the DGCA in a number of areas including aviation planning, air navigation services reform, safety and security assessments, training for air traffic controllers and technicians, etc. In addition, Japan International Cooperation Agency (JICA) is assisting DGCA with new approaches for air navigation systems, and the Dutch Government is providing assistance in the areas of aircraft operations and aircraft worthiness. Also, both the ICAO and the U.S. FAA are engaged with the DGCA in the areas of aviation safety and security, an urgent priority of the DGCA in light of the recent downgrading of Jakarta International Airport to CAT-II from CAT-I and the blacklisting of Indonesia by the European Union.

In order to address the demands of the sector, the Government has designed a program entitled the "Civil Aviation Transition Team" (CATT) in collaboration with ICAO. CATT is \$5 million project designed to develop a blueprint of key activities required to reform the sector. A concept paper for CATT has been prepared and it includes some 70 specific projects that need to be undertaken in parallel to address the pressing requirements of aviation sector reform. While, at the operational level, CATT has begun some activities, the program needs to be formally established. To this end, a ministerial Decree has already been drafted and it is expected that CATT will soon be operational. In order for the CATT to be fully operational, there is a need to conduct an assessment of the current organization, structure, and functions of the DGCA and recommend a design for restructuring the DGCA consistent with international best practices in aviation sector regulation and governance.

Accordingly, the DGCA has requested USTDA assistance for a Technical Assistance to conduct a restructuring study of the DGCA so that it can become a strong, capable, and independent aviation sector regulator and regulate the sector to achieve operational efficiency and enhanced safety and security. Specifically, the objectives of this Technical Assistance will be as follows:

- Current ("as is") Review of the Structure, Functions, and Operations of DGCA
- Identification of Gaps in the DGCA's Capabilities and Operations
- Development of a Recommended Strategy for Restructuring DGCA
- Development of Strategy Implementation Requirements

The DM discussed this need with the DGCA, the representatives of the Australian team, and the ICAO Advisor, and concluded that this offers USTDA a strategic opportunity to support the strengthening of the aviation sector governance in Indonesia. According, the DM has selected this project for potential USTDA assistance. More details about this proposed Technical Assistance are provided in the Terms of Reference developed for this Technical Assistance and included in Annex II.

C. PROJECT SPONSORS' CAPABILITIES AND COMMITMENT

Both the Governments of Indonesia and the Philippines are fully committed to improving their aviation safety and security, and to regaining their status with the FAA and the EU. The central planners in the two countries also have commitment to ensuring that their respective economies do not suffer adverse impacts due to unsafe aviation sector and services.

This DM Report is recommending three grants to three different entities within the Governments of Indonesia and the Philippines. The potential grants and recommended grantees are as follows:

1. Technical Assistance to the Director General of Civil Aviation (DGCA), Indonesia on Restructuring and Regulatory Reform – to the DGCA, Indonesia
2. Feasibility Study for the Development of a Center of Excellence in Aviation Training in Indonesia – to the Indonesian National Air Carriers Association
3. Feasibility Study for the Diosdado Macapagal International Airport (DMIA) Terminal II and Clark-Metro Manila High-Speed Railroad Project – to Clark International Airport Corporation (CIAC)

The prospects for these potential grants were discussed with each one of these potential grantees during the field mission. DGCA, INACA, and CIAC are all fully committed to these projects. Executives for INACA, DGCA and CIAC are familiar with USTDA grant process and are fully capable of implementing foreign grants. They are currently working with many donors and implementing many grants. INACA has not received any grants from the USTDA in the past as it is a relatively new organization. The Chief Executive Officer of Garuda, the national Indonesian air carrier, and the current President of INACA has expressed his full commitment to the grant proposed for INACA.

All three of the potential grantees, however, have the capability to implement the grants recommended as part of this DM Report. The recommended activities fit well with the mandates of the potential grantees and were developed as a result of the needs identified by the respective grantees in terms of their priority and mandate. The following discussion provides further details regarding the capabilities and commitments of the three sponsors who have requested USTDA assistance.

1. Proposed Project 1: Technical Assistance to the Director General of Civil Aviation (DGCA), Indonesia on Restructuring and Regulatory Reform – to the DGCA, Indonesia

DGCA is a well established organization within the GOI and has the confidence of the GOI, the FAA, ICAO, and the donor community in terms of its capability to implement the type of Technical Assistance proposed for potential USTDA support. Specifically, the following additional information confirms that DGCA is capable and fully committed to implementing the proposed Technical Assistance:

- DGCA has identified the current needs for its capacity building and restructuring in order to address the growing regulatory requirements, especially with regard to developing and issuing additional aviation safety standards.

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- DGCA has also realized that it needs a better organizational structure aligned with international best practices in order to improve industry compliance with safety regulations.
- The strong pressure from the ICAO and FAA, as well as their current engagement with DGCA, provide the DGCA additional capacity and capability to implement the proposed Technical Assistance.
- DGCA has a considerable prior track record in implementing Technical Assistance projects funded by many donors, including having successfully implemented one of the largest aviation sector Technical Assistance provided by USTDA in the late 1980s.
- The commitment expressed by DGCA to implement reform has its roots directly in the highest levels of the GOI. Both the President and the Minister of Transportation have issued instructions to the DGCA to rapidly move forward to improve the aviation safety in the country.

Based on these observations, the DM is satisfied that DGCA has the required capability and is fully committed to this Technical Assistance. Accordingly, USTDA should provide the proposed Technical Assistance to the DGCA.

D. IMPLEMENTATION FINANCING

1. Potential Sources of Financing Aviation Sector Technical Assistance, Feasibility Studies, and Projects

Typical sources for financing the costs of Technical Assistance, training, project feasibility studies, and loans related to infrastructure development in emerging economies and developing countries include the following:

- **Budget Allocations from the Governments:** While some of the emerging economies and a few developing countries are able to finance Technical Assistance and feasibility study activities from their internal budgets, many are unable to do so as the budget must first address the critical needs of the society before any funds can be allocated to activities that fall in the general area of planning. Secondly, even if some governments are able to finance such activities, they prefer donors to finance them as that provides the countries access to foreign expertise and more advanced technology.
- **International Financial Institutions (IFIs):** The two most active IFIs in Indonesia and the Philippines are the World Bank and the Asian Development Bank. While both of them have active programs in both countries across many sectors, neither of them customarily funds aviation sector Technical Assistance and project loans. Discussions with the two institutions confirmed that they will not be able to fund any of the identified activities even though they strongly endorse the need for the strengthening of the aviation sectors both in Indonesia and the Philippines. The private sector arms of these organizations (International Finance Corporation – IFC in the case of the World Bank and Private Sector Unit in the case of ADB) generally provide both debt and equity investments in selected projects and these sources could be available for financing selected elements of the projects resulting from the proposed grants.
- **Bilateral Donor Agencies:** Numerous bilateral agencies (JICA, Japan; SIDA, Sweden; DfID, U.K., GTZ, Germany; USTDA and USAID, U.S.A. and others) are active worldwide and provide Technical Assistance and capacity building support to government agencies and state enterprises in a number of sectors. In some cases, the assistance is driven purely by the development needs of the host country/agency while, in other cases, the assistance is linked to increasing trade and export relationship between the donor country and the host country. A large number of bilateral donors are involved both in Indonesia and the Philippines including the USTDA and USAID.
- **The Export-Import Bank of the United States (Ex-Im Bank):** The Ex-Im Bank provides direct loans to foreign buyers with competitive, fixed-rate financing for their purchases from the United States. The Ex-Im Bank also provides working capital guarantees to cover 90% of the principal and interest on commercial loans to creditworthy small and medium-sized companies that need funds to buy or produce U.S. goods or services for export. For project financing, long-term Ex-Im Bank guarantees of commercial loans are available for major projects, large capital goods acquisitions, and project-related services. Other countries have similar agencies (e.g., the Ex-Im Bank Japan; OECF, Japan; HERMES, France; KfW, Germany, and

others) that provide tied credits and financing for infrastructure projects in various sectors including civil aviation.

- **The Overseas Private Investment Corporation (OPIC):** Provides project financing through direct loans and loan guarantees that provide medium-to long term funding for ventures involving significant equity or management participation by U.S. businesses. Since project financing looks for repayment from cash flows generated by projects, OPIC carefully analyzes the economic, technical, marketing and financial soundness of each project prior to providing the required funding and insurances.
- **The Multilateral Investment Guarantee Agency (MIGA):** Part of the World Bank Group, MIGA and OPIC both provide political risk insurance for U.S. exporters involved in international transactions. OPIC insurance is available for investments in new ventures or expansions of existing enterprises and can cover assigned inventory or equipment, exporters' and contractors' exposures, and advance payment and other guarantees posted in favor of foreign buyers. MIGA programs are designed to encourage foreign investment by filling gaps in investment insurance against non-commercial risks in developing countries.
- **International Investment Banks and Capital Markets** always look for financing private sector projects with reasonable and acceptable rates of return. For example, the CIAC project for terminal II and the high-speed railroad connection between Clark and Metro Manila would be of interest to private capital markets for both debt and equity financing.

2. Potential Financing Requirements for the proposed Projects and Sources of Financing

As part of this Definitional Mission, CORE has identified, evaluated, and recommended three activities consistent with the aviation sector needs and priorities in Indonesia and the Philippines and the USTDA criteria for funding grants. The following discussion provides estimates of the costs of implementation of each of the projects and indicates likely financing sources that may be tapped by the governments.

Technical Assistance to the Director General of Civil Aviation (DGCA), Indonesia on Restructuring and Regulatory Reform

The first grant to the DGCA, Indonesia is a Technical Assistance (TA) activity aimed at strengthening the overall capacity and capability of the DGCA to be a strong and effective aviation regulatory authority. The DGCA needs to move to the next level of governance and capability as warranted by the significant growth in the civil aviation sector in Indonesia and in accordance with best international practices in aviation safety, security, and operations. The proposed TA will identify and discuss specific follow-on activities that will need to be implemented by the DGCA over the next several years. These activities may include (i) developing revised licensing procedures, (ii) developing revised standards for aircraft worthiness, safety inspections, and maintenance procedures, (iii) promulgating new standards for airport security, baggage inspections, and passenger inspections, and a variety of other standards and procedures in accordance with the various annexes of ICAO and FAA rules and procedures.

The implementation of these activities will require the DGCA to have additional budget from the GOI. It is anticipated that the volume of new activities to be implemented by the DGCA will

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require an additional budget of approximately \$1 million per year for the next 5 years. In addition, the DGCA will need basic office IT systems, computers, printers, and general office support systems. Most of these items can be purchased in Indonesia from local suppliers. Therefore, this project is not expected to result in any exports.

The DGCA has assured the DM that the Government will allocate the licensing fees as well as additional budget to enable the DGCA to implement the recommendations of the proposed TA. Given that the GOI understands the critical need for the strengthening of DGCA in the face of the downgrading by the FAA and the ban by the EU, the DM is convinced that the necessary funds for the implementation of the recommendations of the proposed Technical Assistance will be available through a combination of government budget and donor grants.

E. U.S. EXPORT POTENTIAL

This section provides (i) estimates of the investments required for the projects resulting from the three proposed activities and (ii) estimates of the likely exports that may result if the projects are implemented by the grantees.

1. POTENTIAL INVESTMENT REQUIREMENTS AND EXPORTS

Project 1: Technical Assistance to the Director General of Civil Aviation (DGCA), Indonesia on Restructuring and Regulatory Reform

This project is a Technical Assistance activity aimed at restructuring and strengthening the DGCA and transforming it on a path to become a state-of-the-art aviation regulator in Indonesia. Specifically, as discussed in detail in the Terms of Reference developed for the Technical Assistance and included in Annex II, the proposed Technical Assistance will design a reformed structure for the DGCA and discuss all key functions and responsibilities of the DGCA as a new and modern regulator. Some of these functions will include licensing, certification, inspections, compliance verification, rules and standards and other regulatory responsibilities related to ensuring that the airline industry in Indonesia complies with all national and international requirements of aviation safety and security. While the proposed Technical Assistance will significantly strengthen the DGCA's capabilities and capacity, it is not expected to lead to any major direct exports. The DGCA will, however, need to procure some software and IT technology that will be required to ensure that the operations of the DGCA with respect to rule-making, inspections and certifications, licensing for new airlines, aviation safety and security standards, and overall air navigation and communications services will be significantly improved. Some of the key items of export over the next 5 years will include the following:

POTENTIAL ITEMS NEEDED BY DGCA	APPROXIMATE VALE
1. Basic Office IT Systems and Software	\$1 Million
TOTAL DIRECT EXPENDITURES	\$5 MILLION (OVER 5 YEARS)

The type of IT systems to be procured by the DGCA will include desktop and laptop computers, printers, networked telecommunications system, internet, and other general office equipment. All of these items can be easily and inexpensively procured from domestic suppliers. Accordingly, no exports are anticipated as a result of this activity.

Discussions with the two airport enterprises, AP-I and AP-II, indicate that as the DGCA moves forward to tighten regulations and issue new standards the two enterprises will also need to enhance their systems and capabilities for complying with new requirements. These requirements may, and very likely will, include better and safer airport operations and management, flight arrival/departure control, air traffic services, ground services, aircraft maintenance, and related activities. Accordingly, the following types of additional airport equipment may need to be purchased by the two airport enterprises:

- Airport communications systems (Ground-to-ground systems).
- Additional safety and security equipment at the airports – x-ray machines, metal and explosives detectors, baggage screening systems, etc.
- A variety of equipment and instruments for performing routine aircraft inspections and checks in between operations.
- Equipment for servicing aircraft in between operations.

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- Equipment for major aircraft maintenance.

It is not possible to estimate exactly what equipment will be purchased as a direct result of this Technical Assistance until one knows what the precise new and strengthened regulations are developed by the DGCA. However, it is important to note that regulations are the biggest creators of markets for new equipment and services. As the DGCA tightens and expands regulatory requirements, the industry will need to get prepared to comply with these new regulations. This will, in turn, require addition of new systems and equipment to the operations of airports and airlines. Therefore, the proposed TA will indeed create an environment for additional exports of equipment and systems. U.S. industry is competitive in all of these areas and has a track record for providing aviation equipment and services.

2. LIST OF U.S. FIRMS CONTACTED DURING THE DM

The DM solicitation required that the DM Contractor contact a few U.S. firms to seek their potential interest in pursuing the types of project being considered for potential USDA support. Accordingly, within the limited scope of work, the DM experts contacted a number of firms that will most likely pursue the projects recommended under this DM. This small survey confirmed overwhelming support by the industry for the three projects. Many of the companies, especially Boeing, that have been engaged in pursuing markets in Indonesia and the Philippines, confirmed that these projects are not only crucial in assisting the civil aviation authorities in the two countries, but also important for the U.S. aviation industry as they will open new markets for export of goods and services.

Annex IV includes a list of companies contacted during the DM.

EXHIBIT II: POTENTIAL U.S. SUPPLIERS OF EQUIPMENT, TECHNOLOGY, AND SERVICES FOR THE DMIA AIRPORT AND HIGH-SPEED RAIL PROJECT

NO.	TYPE OF EQUIPMENT AND SYSTEMS	REPRESENTATIVE U.S. SUPPLIERS
1.	<p>AIRPORT COMPONENT OF THE COMBINED DMIA TERMINAL II AND HIGH-SPEED RAIL PROJECT</p> <p>Airport Ground Equipment and Passenger Terminal</p>	<ol style="list-style-type: none"> 1. Air Cargo Equipment 2. American Manufacturing Company 3. FMC 4. Kersey America LaFrance 5. Lantis 6. Transact International 7. Tug Manufacturing 8. United Tractor Company 9. Watkins Aircraft Support
	<p>Cargo Handling Equipment</p>	<ol style="list-style-type: none"> 1. American Manufacturing Company 2. Customer Conveyor Company 3. Blue Giant Equipment 4. Metric Systems 5. Transact International 6. Watkins Aircraft Support
	<p>Airport Maintenance and Hanger Equipment</p>	<ol style="list-style-type: none"> 1. Advanced Ground Support Equipment CA 2. Air Research 3. Butler Aviation 4. Carrier (Air Compressors) 5. Dabaco 6. Hobart 7. Jetway Systems 8. Stearns Airport Equipment 9. Trane
	<p>Airspace Management Technology and Equipment</p>	<ol style="list-style-type: none"> 1. AAI/ACL Technologies 2. Aerospace Control Products 3. Aerotech/Excaliber 4. Barfield Inc.

NO.	TYPE OF EQUIPMENT AND SYSTEMS	REPRESENTATIVE U.S. SUPPLIERS
		5. Central Engineering International, Inc. 6. Habco Inc. 7. Precision Torque Products 8. Regent Manufacturing, Inc. 9. U.S. Industrial Tools and Supply
	Airport Communications and Information Processing Technology and Systems	1. AT&T 2. UNYSIS 3. Raytheon 4. Westinghouse 5. Hughes 6. GTE Sylvania
2.	RAILROAD COMPONENT OF THE PROJECT A variety of Technology and Equipment	1. Xinfra Railway Equipment 2. R& D on diverse products for railway equipment: 0510-85212068 3. Dymax Railway Equipment & Tools 4. Custom grapples, undercutters, buckets, couplers, platforms, tampers. 5. United Railroad Services 6. Track Construction, Repair, Removal Railroad Materials and Equipment 7. Brown Railroad Equipment, Inc 8. Western Railroad Equipment Company 9. Colorado Railroad Museum - Golden, Colorado 10. Address Engineering 11. Trackmobile Mobile Railcar Movers New, Used, Rebuilt, and Rentals 12. Railroad Gear 13. Machines Trains 14. Tioga Central Railroad

F. FOREIGN COMPETITION AND MARKET ENTRY ISSUES

U.S. firms face stiff competition from foreign aviation and railroad equipment and service suppliers, especially European and Japanese firms. This section discusses potential competition that U.S. firms face in each of the three activities recommended as part of this DM.

1. Technical Assistance to the Director General of Civil Aviation (DGCA), Indonesia on Restructuring and Regulatory Reform – to the DGCA, Indonesia

A number of international firms provide consulting services in the area of aviation regulation and U.S. firms face stiff competition from mostly European firms as EU has made considerable progress in harmonizing its aviation standards across the EU countries in accordance with both ICAO and the U.S. FAA regulations. The U.S. FAA is considered a worldwide leader in developing sound aviation regulations. Accordingly, most U.S. firms involved in this area of business have strong experience in regulatory consulting by virtue of their past and ongoing involvement in the FAA programs. Nonetheless, they face some competition from the following firms in Europe and elsewhere:

1. LuftConsult, Germany
2. Thompson – CSF, France
3. Philips, Netherlands
4. Adam Smith International, U.K.
5. KPMG, U.K.
6. University of London, Business School
7. INSEAD, France
8. IMD, Switzerland

This is just a representative list of rather well-known organizations providing aviation regulatory consulting services. A number of smaller firms throughout Europe, Australia, Canada, and Japan also provide similar services, but they do not pose stiff competition to the U.S. industry.

G. DEVELOPMENTAL IMPACT

1. Anticipated Development Impacts from the Proposed Project

The DM Team has recommended the following three activities for USTDA's consideration:

1. Technical Assistance to the Director General of Civil Aviation (DGCA), Indonesia on Restructuring and Regulatory Reform – to the DGCA, Indonesia
2. Feasibility Study for the Development of a Center of Excellence in Aviation Training in Indonesia – to the Indonesian National Air Carriers Association
3. Feasibility Study for the Diosdado Macapagal International Airport (DMIA) Terminal II and Clark-Metro Manila High-Speed Railroad Project – to Clark International Airport Corporation (CIAC)

All of three activities will have a variety of development impacts. Therefore, the DM Team has included a task on development impact assessment in each of the three scopes of work included in this DM Report.

The reform and strengthening of the DGCA in Indonesia will increase the level of aviation activity in the country and improve the overall aviation safety and security. This will give rise to increased tourism and the associated industry need to meet the increased demand for tourism. Accordingly, over time, the development impacts will include increased employment, new industry development, a more rational income distribution, and an overall increased contribution to the country's GDP.

The implementation of the proposed training center in Indonesia will add new employment as well as increase the overall aviation safety and security. Therefore, this project will also have development impacts in Indonesia along the lines discussed above.

The third activity is aimed at the development and potential implementation of a combined airport and railroad project in the Philippines. The development and construction of any airports in the Philippines would cause positive development impacts in and around the airport in terms of satellite industry, small enterprise, and additional jobs at the airport.

Exhibit III provides a list of the types of development impacts expected from the proposed activities. In the event that the proposed activities are funded by USTDA, the selected contractors shall be required to measure the development impacts of the project in detail as per the Scope of Work developed for the proposed Technical Assistance.

2. Approaches to Tracking Development Impacts

Identifying and tracking development impacts of Technical Assistance, training, and feasibility study grants is a tedious process as experienced by most donors. With respect to tracking and reporting development impacts of the three proposed activities, the following suggestions are offered for USTDA's consideration:

EXHIBIT III: POTENTIAL DEVELOPMENT IMPACTS OF THE PROPOSED ACTIVITIES

Proposed Activity for USTDA's Consideration	Type of Impact	Description of the Impact
	<i>Infrastructure Related Impact</i>	The proposed Technical Assistance will not have any direct infrastructure-related impacts as it is aimed at restructuring and strengthening the DGCA, Indonesia.
	<i>Market-Oriented Reform</i>	The reforms proposed for the DGCA and the strengthening of the DGCA will create a more competitive and efficient aviation and airline market. Better safety and security standards will push the airport enterprises and airlines to provide better services to the consumers and improve the overall market performance and market efficiency.
1. Technical Assistance to the DGCA, Indonesia on Restructuring and Reform	<i>Human Capacity Building</i>	The proposed project will involve engineers and technicians at the DGCA to carry out regulatory functions in keeping with international best practices. This project will have direct impacts on human capacity building and improving the productivity of the DGCA personnel.
	<i>Technology Transfer and Productivity Enhancement</i>	The regulatory strengthening of the DGCA will require the implementation of communications technology and hardware and software needed for the DGCA to design safety and security standards as well as standards for airline and aircraft operations. DGCA will need to adapt modern technology in its operations. Therefore, this TA will have positive technology transfer impacts.
	<i>Other</i>	A stronger DGCA will result in an overall safer aviation sector resulting in a number of other social and developmental impacts such as tourism, small and medium satellite industry, and an

USTDA'S FINAL GRANT BUDGET ESTIMATE

TASK	TASK DESCRIPTIONS		LABOR IN PERSON DAYS		LABOR RECAP BY TASK		TRIP RECAP BY TASK		
	DISCIPLINE	TASK NAME	Team Leader, Expert	Aviation Regulatory Expert	IT Expertise	TOTAL DAYS	LABOR COST	TRIPS	TRIP DAYS
1	Review of Current Structure, Function, Operation		10	15	5	45	\$45,000	2	25
2	Needs Assessment		10	10	2	17	\$16,200		
3	Develop and Recommend Restructuring Strategy		10	20	5	55	\$55,000	3	70
4	Implementation Plan		10	20	5	55	\$55,000		
5	Conduct Assessment of Development Impacts		10	10	2	20	\$20,000		
6	Final Report		10	10	2	32	\$36,200	2	20
LABOR IN PERSON DAYS			40	85	19	224	\$236,400	7	115
Total Labor Cost									
Total Trips and Days									
Total Trip costs									

LABOR INCLUDING OVERHEAD & GENERAL ADMINISTRATIVE

Daily Rate*	\$1,500	\$1,000	\$1,000	\$600
TOTAL LABOR	\$60,000	\$85,000	\$80,000	\$11,400
				TOTAL LABOR COST
				\$236,400

Local Expert	Task 1, 2, 6 = 75 days	\$600	Totals
Local Expertise		\$45,000	
Subtotal Other Direct Costs		\$45,000	

TOTAL PROJECT COST	\$341,000
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Other Direct Costs	Number	Cost /Unit	Totals
Total Outside Consultants			\$45,000
Air Fare	6	\$4,200	\$25,200
Per Diem Location	100	\$233	\$23,300
Local Travel & Interpreter			\$3,000
Ground Transportation	6	\$500	\$5,000
Production/Binding	20000	\$0.25	\$1,000
Shipping	5	\$200	\$600
Visa	6	\$100	\$600
Misc. Inc. Tel & Fax	6	\$260	\$1,500
TOTAL ODC's			\$104,600

- * Primary Contractor (Employee) Labor Costs = Salary + Overhead + Benefits (no fee or profit).
- ** Non-Employee Labor Cost = Salary + Overhead + Benefits + Reasonable Fee or Profit.
- *** Purchased Services/Contracts may include engineering drawings, lab work, surveys, translation, etc., which would not be included in Non-Employee Labor Cost above.

ANNEX IV: LIST OF U.S. COMPANIES CONTACTED DURING THE DM

As per requirements in the Scope of Work of the Definitional Mission, the DM Team contacted a number of firms that will likely have an interest in the projects proposed for USTDA support. Our purpose in making these contacts with the industry was to both seek their views on the soundness and desirability of the proposed technical assistance and feasibility study projects and their interest in potentially pursuing these activities if funded by the USTDA.

The aviation sector industry in the U.S. is large and clearly it will not be possible to contact even a fraction of such a large population of companies within the scope of the DM. Therefore, the DM Team restricted its sample to those types of firms that are in the areas of the proposed actions and where our past experience indicates that the firms will very likely be interested in the proposed projects.

Accordingly, we contacted the following firms and organizations in the aviation industry to seek their interest in the proposed projects:

1. Service Tec International, INC
Suite 220
11400 Commerce Park Drive
Reston, VA 2019
703-259-4000
(Did not succeed in talking to any one after repeated attempts)

2. KPMG
Arlington, Virginia
Dr. Ashley Steel, New Projects

3. L-3 Communications
10 Commerce Way
Woburn, MA 01801
781-938-7800
(Did not succeed in talking to any one after repeated attempts)

4. ARINC
2551 Riva Road
Annapolis, MD 21401
1 800-633-6882
Dale Kirby, Dir, Sales & Marketing
770-780-8335
(Did not succeed in talking to any one after repeated attempts)

5. Bradford Airport Logistics
Bruce Class, VP Sales
Houston, TX 77251
1 713-869-9000
(Did not succeed in talking to any one after repeated attempts)

6. Crown Consulting, Inc.
1130 Connecticut Ave, NW Suite 830
Washington, DC 0036
David Budin, VP Corporate Development
1 202-785-2600, Extension 3022

7. CSC
15245 Shady Grove Road
Suite 2
Rockville, MD 20850
301 921-3200
Harry Part, VP Transportation solutions.

8. EDS
13600 EDS Drive
Herndon, VA 20171
J. J. Chou
703 742 1926

9. ATCA
1101 King St, Suite 300
Alexandria, VA
703 229-2430
Peter Dumont

10. The Boeing Co
460 Herndon Parkway
Herndon, VA 20170
703-467-2516
Michael Lewis, Director, Business Development

11. General Dynamics
8201 E. McDowell Rd
Scottsdale, AZ 85257
877-449-0600
(Did not succeed in talking to any one after repeated attempts)

12. Lockheed Martin
9231 Corporate Blvd
Rockville, MD 20850
301-640-2266
Julian Warrick, Dir, Bus Dev.

13. The Mitre Corporation
7515 Colshire Drive
McLean, VA 22102
703-983-5912
Francis Hoover

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14. Northrop Grumman Corporation
21240 Burbank Blvd
Woodland Hills, CA 91367
818-712-6133
Peggy Scott

15. OST
2001 M Street NW
Washington, DC 20036
202-467-7678
Ron Rhodes

16. RVA, Inc
1601 NW Expressway, suite 850
Oklahoma City, OK 73118
John Hunter
703-362-5067
john.hunter@rvainc.com

17. SERCO Aviation
4355 Bridgeview Drive
North Charleston, SC 29405
David Spence 843-820-2400
dave.Spence@serco-na.com

18. SRA International Inc
4300 Fair Lakes Ct
Fairfax, VA 22033
Allison Patrick, Director, Business Development
703-284-6629
Patrick Allison
Allison_patrick@sra.com

19. The Washington Consulting Group
4915 Auburn Ave, suite 301
Bethesda, MD 20814
Sabra Morgan
843-742-1695
Jeff Griffiths, VP
Jeff.griffith@washcq.com
Ned Reese ned.reese@washcq.com
405 973 8729
VP Air Traffic Programs
Edmond Ohio 73025

20. Transtech Airport Solutions, Inc.
600 Hayden Station Road
Windsor, CT 06095
Debbie Sive
860-285-0387

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21. UOP LLC
Richard Morris
847 391-2000
(Did not succeed in talking to any one after repeated attempts)

22. Global Knowledge Training LLC
919 461-8650
9000 Regency Parkway
suite 500
Cary, NC 27511
Diane Hicks, Project Development

22. Lockheed Martin Services Inc
Michael Stewart
703 916-9521
(Did not succeed in talking to any one after repeated attempts)

23. Management Options Inc.
202 293-6880
Jason Clawson, Business Development

24. Decision Analysis Partners, LLC
Bernard Markowicz
Managing Director
703 691 0380
Janet Nichols
Director of Government Services
jnichols@decisionanalysis.net
Fairfax, VA 22030
104000 Eaton Place, suite 315

25. AVMARK Inc.
415 Church St
Vienna, VA 22180
Deepak Agarwal, Business Development
Daagarwal@avmarkinc.com

26. AROTEC Infrastructure Group, Inc
Albert C Young
Project director
401 Ponderosa Trail
Bunker Hill, WV 25413

A N N E X 3
USTDA NATIONALITY REQUIREMENTS





**U.S. TRADE AND DEVELOPMENT AGENCY
Arlington, VA 22209-2131**

NATIONALITY, SOURCE, AND ORIGIN REQUIREMENTS

The purpose of USTDA's nationality, source, and origin requirements is to assure the maximum practicable participation of American contractors, technology, equipment and materials in the prefeasibility, feasibility, and implementation stages of a project.

USTDA STANDARD RULE (GRANT AGREEMENT STANDARD LANGUAGE):

Except as USTDA may otherwise agree, each of the following provisions shall apply to the delivery of goods and services funded by USTDA under this Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from host country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for implementation of the Study and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to Study support (e.g., local lodging, food, and transportation) in host country are not subject to the above restrictions. USTDA will make available further details concerning these standards of eligibility upon request.

NATIONALITY:

1) Rule

Except as USTDA may otherwise agree, the Contractor for USTDA funded activities must be either a U.S. firm or a U.S. individual. Prime contractors may utilize U.S.



subcontractors without limitation, but the use of host country subcontractors is limited to 20% of the USTDA grant amount.

2) Application

Accordingly, only a U.S. firm or U.S. individual may submit proposals on USTDA funded activities. Although those proposals may include subcontracting arrangements with host country firms or individuals for up to 20% of the USTDA grant amount, they may not include subcontracts with third country entities. U.S. firms submitting proposals must ensure that the professional services funded by the USTDA grant, to the extent not subcontracted to host country entities, are supplied by employees of the firm or employees of U.S. subcontractor firms who are U.S. individuals.

Interested U.S. firms and consultants who submit proposals must meet USTDA nationality requirements as of the due date for the submission of proposals and, if selected, must continue to meet such requirements throughout the duration of the USTDA-financed activity. These nationality provisions apply to whatever portion of the Terms of Reference is funded with the USTDA grant.

3) Definitions

A "U.S. individual" is (a) a U.S. citizen, or (b) a non-U.S. citizen lawfully admitted for permanent residence in the U.S. (a green card holder).

A "U.S. firm" is a privately owned firm which is incorporated in the U.S., with its principal place of business in the U.S., and which is either (a) more than 50% owned by U.S. individuals, or (b) has been incorporated in the U.S. for more than three (3) years prior to the issuance date of the request for proposals; has performed similar services in the U.S. for that three (3) year period; employs U.S. citizens in more than half of its permanent full-time positions in the U.S.; and has the existing capability in the U.S. to perform the work in question.

A partnership, organized in the U.S. with its principal place of business in the U.S., may also qualify as a "U.S. firm" as would a joint venture organized or incorporated in the United States consisting entirely of U.S. firms and/or U.S. individuals.

A nonprofit organization, such as an educational institution, foundation, or association may also qualify as a "U.S. firm" if it is incorporated in the United States and managed by a governing body, a majority of whose members are U.S. individuals.



SOURCE AND ORIGIN:

1) Rule

In addition to the nationality requirement stated above, any goods (e.g., equipment and materials) and services related to their shipment (e.g., international transportation and insurance) funded under the USTDA Grant Agreement must have their source and origin in the United States, unless USTDA otherwise agrees. However, necessary purchases of goods and project support services which are unavailable from a U.S. source (e.g., local food, housing and transportation) are eligible without specific USTDA approval.

2) Application

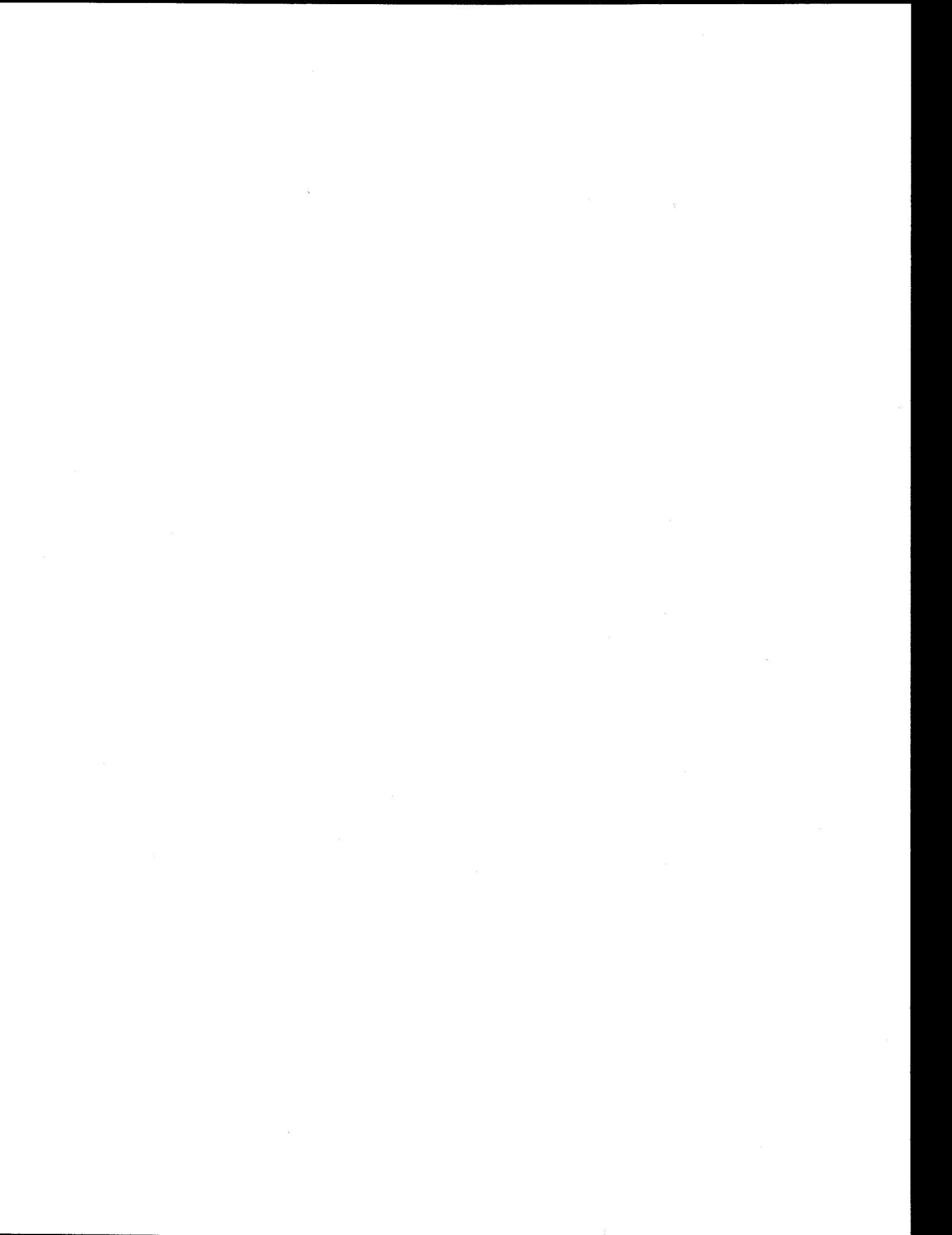
Accordingly, the prime contractor must be able to demonstrate that all goods and services purchased in the host country to carry out the Terms of Reference for a USTDA Grant Agreement that were not of U.S. source and origin were unavailable in the United States.

3) Definitions

"Source" means the country from which shipment is made.

"Origin" means the place of production, through manufacturing, assembly or otherwise.

Questions regarding these nationality, source and origin requirements may be addressed to the USTDA Office of General Counsel.



ANNEX 4
USTDA GRANT AGREEMENT, INCLUDING MANDATORY CONTRACT
CLAUSES



GRANT AGREEMENT

This Grant Agreement is entered into between the Government of the United States of America, acting through the U.S. Trade and Development Agency ("USTDA") and the Directorate General of Civil Aviation, under the Ministry of Transportation ("Grantee"). USTDA agrees to provide the Grantee under the terms of this Agreement US\$341,000 ("USTDA Grant") to fund the cost of goods and services required for technical assistance ("TA") on the proposed Restructuring and Regulatory Reform for Civil Aviation Authority Project ("Project") in Indonesia ("Host Country").

1. USTDA Funding

The funding to be provided under this Grant Agreement shall be used to fund the costs of a contract between the Grantee and the U.S. firm selected by the Grantee ("Contractor") under which the Contractor will perform the TA ("Contract"). Payment to the Contractor will be made directly by USTDA on behalf of the Grantee with the USTDA Grant funds provided under this Grant Agreement.

2. Terms of Reference

The Terms of Reference for the TA ("Terms of Reference") are attached as Annex I and are hereby made a part of this Grant Agreement. The TA will examine the technical, financial, environmental, and other critical aspects of the proposed Project. The Terms of Reference for the TA shall also be included in the Contract.

3. Standards of Conduct

USTDA and the Grantee recognize the existence of standards of conduct for public officials, and commercial entities, in their respective countries. The parties to this Grant Agreement and the Contractor shall observe these standards, which include not accepting payment of money or anything of value, directly or indirectly, from any person for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the TA.

4. Grantee Responsibilities

The Grantee shall undertake its best efforts to provide reasonable support for the Contractor, such as local transportation, office space, and secretarial support.

5. USTDA as Financier

(A) USTDA Approval of Competitive Selection Procedures

Selection of the U.S. Contractor shall be carried out by the Grantee according to its established procedures for the competitive selection of contractors with advance notice of the procurement published online through *Federal Business Opportunities* (www.fedbizopps.gov). Upon request, the Grantee will submit these contracting procedures and related documents to USTDA for information and/or approval.

(B) USTDA Approval of Contractor Selection

The Grantee shall notify USTDA at the address of record set forth in Article 17 below upon selection of the Contractor to perform the TA. Upon approval of this selection by USTDA, the Grantee and the Contractor shall then enter into a contract for performance of the TA. The Grantee shall notify in writing the U.S. firms that submitted unsuccessful proposals to perform the TA that they were not selected.

(C) USTDA Approval of Contract Between Grantee and Contractor

The Grantee and the Contractor shall enter into a contract for performance of the TA. This contract, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing. To expedite this approval, the Grantee (or the Contractor on the Grantee's behalf) shall transmit to USTDA, at the address set forth in Article 17 below, a photocopy of an English language version of the signed contract or a final negotiated draft version of the contract.

(D) USTDA Not a Party to the Contract

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of the contract and any amendments thereto, including assignments, the selection of all contractors, the Terms of Reference, the Final Report, and any and all documents related to any contract funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of funding the TA and shall not be construed as making USTDA a party to the contract. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties to the contract or any subcontract, jointly or separately, without thereby incurring any responsibility or liability to such parties. Any approval or failure to approve by USTDA shall not bar the Grantee or USTDA from asserting any right they might have against the

Contractor, or relieve the Contractor of any liability which the Contractor might otherwise have to the Grantee or USTDA.

(E) Grant Agreement Controlling

Regardless of USTDA approval, the rights and obligations of any party to the contract or subcontract thereunder must be consistent with this Grant Agreement. In the event of any inconsistency between the Grant Agreement and any contract or subcontract funded by the Grant Agreement, the Grant Agreement shall be controlling.

6. Disbursement Procedures

(A) USTDA Approval of Contract Required

USTDA will make disbursements of Grant funds directly to the Contractor only after USTDA approves the Grantee's contract with the Contractor.

(B) Contractor Invoice Requirements

The Grantee should request disbursement of funds by USTDA to the Contractor for performance of the TA by submitting invoices in accordance with the procedures set forth in the USTDA Mandatory Clauses in Annex II.

7. Effective Date

The effective date of this Grant Agreement ("Effective Date") shall be the date of signature by both parties or, if the parties sign on different dates, the date of the last signature.

8. TA Schedule

(A) TA Completion Date

The completion date for the TA, which is May 11, 2011, is the date by which the parties estimate that the TA will have been completed.

(B) Time Limitation on Disbursement of USTDA Grant Funds

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this Grant Agreement for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

9. USTDA Mandatory Clauses

All contracts funded under this Grant Agreement shall include the USTDA mandatory clauses set forth in Annex II to this Grant Agreement. All subcontracts funded or partially funded with USTDA Grant funds shall include the USTDA mandatory clauses, except for clauses B(1), G, H, I, and J.

10. Use of U.S. Carriers

(A) Air

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

(B) Marine

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

11. Nationality, Source and Origin

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the TA and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to TA support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

12. Taxes

USTDA funds provided under the Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in Host Country. Neither the Grantee nor the Contractor will seek reimbursement from USTDA for such taxes, tariffs, duties, fees or other levies.

13. Cooperation Between Parties and Follow-Up

The parties will cooperate to assure that the purposes of the Grant Agreement are accomplished. For five (5) years following receipt by USTDA of the Final Report (as defined in Clause I of Annex II), the Grantee agrees to respond to any reasonable inquiries from USTDA about the status of the Project.

14. Implementation Letters

To assist the Grantee in the implementation of the TA, USTDA may, from time to time, issue implementation letters that will provide additional information about matters covered by the Grant Agreement. The parties may also use jointly agreed upon implementation letters to confirm and record their mutual understanding of matters covered by the Grant Agreement.

15. Recordkeeping and Audit

The Grantee agrees to maintain books, records, and other documents relating to the TA and the Grant Agreement adequate to demonstrate implementation of its responsibilities under the Grant Agreement, including the selection of contractors, receipt and approval of contract deliverables, and approval or disapproval of contractor invoices for payment by USTDA. Such books, records, and other documents shall be separately maintained for three (3) years after the date of the final disbursement by USTDA. The Grantee shall afford USTDA or its authorized representatives the opportunity at reasonable times to review books, records, and other documents relating to the TA and the Grant Agreement.

16. Representation of Parties

For all purposes relevant to the Grant Agreement, the Government of the United States of America will be represented by the U. S. Ambassador to Host Country or USTDA and Grantee will be represented by the Director General of Civil Aviation. The parties hereto may, by written notice, designate additional representatives for all purposes under the Grant Agreement.

17. Addresses of Record for Parties

Any notice, request, document, or other communication submitted by either party to the other under the Grant Agreement shall be in writing or through a wire or electronic medium which produces a tangible record of the transmission, such as a telegram, cable or facsimile, and will be deemed duly given or sent when delivered to such party at the following:

To: Mr. Herry Bakti
Director General of Civil Aviation
Ministry of Transportation

Directorate General of Civil Aviation
Karsa Building 5th Floor
Jl. Merdeka Barat No. 8
Jakarta, Indonesia 10110

Phone: 62-21-350-5137
Fax: 62-21-350-5139

To: U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, Virginia 22209-3901
USA

Phone: (703) 875-4357
Fax: (703) 875-4009

All such communications shall be in English, unless the parties otherwise agree in writing. In addition, the Grantee shall provide the Commercial Section of the U.S. Embassy in Host Country with a copy of each communication sent to USTDA.

Any communication relating to this Grant Agreement shall include the following fiscal data:

Appropriation No.: 119/101001
Activity No.: 2009-31039A
Reservation No.: 2009310055
Grant No.: GH2009310011

18. Termination Clause

Either party may terminate the Grant Agreement by giving the other party thirty (30) days advance written notice. The termination of the Grant Agreement will end any obligations of the parties to provide financial or other resources for the TA, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the written notice of termination.

19. Non-waiver of Rights and Remedies

No delay in exercising any right or remedy accruing to either party in connection with the Grant Agreement shall be construed as a waiver of such right or remedy.

20. U.S. Technology and Equipment

By funding this TA, USTDA seeks to promote the project objectives of the Host Country through the use of U.S. technology, goods, and services. In recognition of this purpose, the Grantee agrees that it will allow U.S. suppliers to compete in the procurement of technology, goods and services needed for Project implementation.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Government of the United States of America and Directorate General of Civil Aviation, each acting through its duly authorized representative, have caused this Agreement to be signed in the English language in their names and delivered as of the day and year written below. In the event that this Grant Agreement is signed in more than one language, the English language version shall govern.

For the Government of the United States of America

For the Directorate General of Civil Aviation

By: 


By: _____

*Cameron R. Hume
U.S. Ambassador to the
Republic of Indonesia*

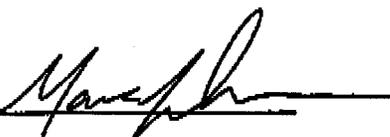
*Herry Bakti
Director General
Directorate General of Civil Aviation
Ministry of Transportation*

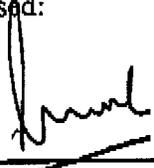
Date: June 23, 2009

Date: June 23, 2009

Witnessed:

Witnessed:

By: 


By: _____

*Mark Dunn
Regional Manager for Asia
U.S. Trade and Development Agency*

*Santoso Eddy Wibowo
Head of Planning Bureau
Ministry of Transportation*

Annex I -- Terms of Reference

Annex II -- USTDA Mandatory Clauses

Annex I

Terms of Reference

Background

The Grantee is an executive department within the Ministry of Transportation (MOT), responsible for regulating the aviation sector which includes airport enterprises and the airline industry. Parallel to the Grantee, the Directorate General for Accident Investigation is responsible for accident investigation activities while a third department, the Directorate General for Training, is responsible for managing the training needs in the aviation sector among other modes of transportation. The management and operations of 23 of the country's airports have been placed under two airport enterprises – Angkasa Pura I (AP-I) and Angkasa Pura II (AP-II) that operate as independent state enterprises but are regulated by the Grantee. AP-I and AP-II also provide various air navigation services.

As part of its regulating authority the Grantee issues licenses, sets safety and security standards, develops rules and standards for maintenance, aircraft certification, and generally ensures industry compliance with all International Civil Aviation Organization (ICAO) and other appropriate international agreements, guidelines and requirements. As a regulator, DGCA is expected to function independently. However falling under the direction of MOT may pose a possible conflict of interest with regard to regulation of the aviation sector in the Host Country. Additionally, the growth of the domestic and international passenger and cargo demand, creation of new airline carriers, coupled with an increased community expectations for safety and security, have placed a strain on the limited resources of the Grantee. As such, the Grantee seeks to review their structure, functions, and operating approach in order to respond to the new sector demands and meet international standards for aviation oversight and regulation.

To-date the Government of Indonesia has worked towards reform initiatives that include an initial restructure of current functions, modifying the Aviation Act to improve the legal powers of the Grantee, setting up a separate independent airworthiness agency with reduced dependency on the State budget, establishing a single air navigation service provider, empowering the airport enterprises, strengthening the functions and resources of the Grantee, establishing a new and independent Directorate General of Accident Investigation, and expand training opportunities across all fields of discipline.

The Government has also established a program, in collaboration with ICAO, entitled "Civil Aviation Transition Team" (CATT), which is a \$5 million project designed to coordinate a number of reforms across the sector. This program is intended to provide oversight of the restructuring process rather than provide resources to help make the necessary changes. As such, the Grantee has requested USTDA grant funding technical assistance to review and assess the current organization, structure, and functions and recommend how to reform and restructure the Grantee consistent with international best practices.

The Technical Assistance work shall be coordinated with the CATT program, Grantee Officials, the MOT, other relevant Directorates within the MOT, Angkasa Pura I, Angkasa Pura II, and the various donors conducting work with the Grantee and the National Transportation Safety Committee (KNKT).

The TA will result in the creation of an operational document that the MOT and Grantee can use to implement regulatory reform in the aviation sector in an effort to comply with international standards. In addition to an assessment of development impacts and a final report the TA will generally include the following:

- Review of the Grantee's current structure, functions, and operations;
- Identification of gaps in capabilities and operations;
- Recommendations and strategies to rectify gaps as well as steps the Grantee needs to take to obtain the necessary capabilities; and
- Implementation Plan as well as cost benefit analysis of implementing the plan.

Task 1: Review of Grantee Current Structure, Functions, and Operations

The Contractor shall conduct a detailed review of the legal foundation, organization, and function of the Grantee. The Contractor shall review the new Indonesian Aviation Act, any current draft laws and all related active or in draft decrees, laws and regulations to assess the policy background and regulatory system for the sector. In addition, the Contractor shall conduct meetings with key officials of the MOT, Grantee, relevant aviation Directorates within the MOT, Ministry of State Owned Enterprises, among others, to gather information on the roles, responsibilities, and functions of the Grantee. The Contractor shall collect information and report on the following, at a minimum:

- The status of Ministerial decrees and regulations required to be established by the new Aviation Act;
- Statutory authority of the Grantee and its overall roles and responsibilities;
- Regulatory functions and responsibilities of the Grantee;
- Current organizational structure of the Grantee and the functions of the departments and divisions within the Grantee;
- Current practices of the Grantee with respect to information and data collection and decision making;
- The Host Country legal framework as it relates to authorizing and conducting ICAO State obligations;
- The status of ICAO Universal Safety Oversight Audit Program (USOAP) and Federal Aviation Authority (FAA) Technical Review reports and needs that have already been corrected or are outstanding;
- Current assistance programs being provided by other entities;
- Past assistance programs that have been provided in support of ICAO and FAA standards;
- Activities that Grantee is undertaking to meet international aviation standards;
- Staffing capacity and skills; and,

- Any other information on the Grantee's operations such as limitation, challenges, difficulties, neglected functions, etc.

Deliverable: The Contactor shall document all findings as part of a Regulatory Assessment Report. In addition, the Contractor shall develop a detailed schedule for the completion of the TA including a staffing plan and work performance schedule.

Task 2: Needs Assessment

ICAO and FAA, in separate reports, have outlined safety and operation areas in Host Country's aviation sector that need to be strengthened. The Contractor shall become intimately familiar with these reports and identify the areas within the Grantee's structure, organization and function that need to be strengthened and more effective per international requirements. The areas identified by the Contractor shall be discussed with the Grantee, as well as any other stakeholders identified by Grantee.

The Contractor shall then conduct a detailed analysis of the Grantee's capabilities and operations. The Contractor shall provide a function-by-function analysis of Grantee's current operations, how that relates to the ICAO/FAA findings, and recommendations to overcome any discrepancies between the two. Additionally, the Contractor shall provide a comparison of Grantee's operations in relations to one other country in the region with aviation operations/sector growth comparable to The Host Country as well as the FAA and U.S. National Transportation Safety Board (NTSB) operations. This comparison will include looking at corporate governance practices that would be expected to be adopted by the Grantee, the Air Certification Directorate and the new Air Navigation Service Provider (ANSP).

The function-by-function analysis and Needs Assessment shall also take into account and include a review of all other Grantee led and foreign assisted programs that are being developed, underway, or concluding in relation to the aviation sector.

Deliverable: The Contractor shall submit a draft Needs Assessment Report to the Grantee which incorporates all of the above, including the function-by-function analysis, research and analysis methodology, and which details the areas needing attention and anticipated steps to further review, analyze and recommend how to improve these areas.

Task 3: Develop and Recommend a Strategy for Restructuring

The Contractor shall develop and recommend a comprehensive strategy to fill each of the needs identified in Task 2 and per the function-by-function analysis provided. The recommended strategy shall provide a detailed plan to address all areas identified in the ICAO USOAP and FAA Technical Review reports. At a minimum, the Contractor shall include the following as part of the recommended strategy:

- Proposed decrees, regulations, laws and/or procedures required to strengthen the regulatory process that includes collection of industry data, regulatory impact

analyses, how to document results of regulation, monitoring industry compliance, collecting and gathering stakeholder input, and related activities.

- Steps needed to overcome any possible conflict of interest between the Grantee and other operations within the government of The Host Country's aviation industry.
- Proposed options and strategies for identifying and addressing training and development needs.
- Forecasted level of staff and skills needed across the immediate, medium and long terms.
- Anticipated list of new skills and expertise required to meet changes in technology, aircraft types, aircraft operations or operational environments.
- Corporate governance best practices that encourage fairness, accountability, and transparency.
- Revised standards for aircraft airworthiness, aviation safety, runway safety, airport and terminal safety and security, air navigation services, accident investigation, and all other key regulatory area certifications.
- New standards, training, qualifications and experience requirements for inspectors, licensing staff, pilots, technicians, and air traffic controllers.
- Revised procedures for air route and slot agreement regulation and procedures for air carriers in the country.
- Recommendations on the role of the Grantee in future aviation sector development planning with particular focus on next generation technologies for air navigation and communication, air traffic services, and aviation safety and security.
- Modifications to current, pending and future regulation to meet the demands of ICAO/FAA standards as well as future demand and growth.
- Recommendations for any new information management systems (hardware/software) needed to improve operational efficiency.

Deliverable: The Contractor shall provide a Strategic Action Plan, which will incorporate all of the above, and present the findings to Grantee and MOT. The Contractor will also provide the technical content and information needed for Grantee to draft proposed decrees, regulations, laws, procedures and standards. The Grantee will be responsible for the drafting and submission of any decrees, regulations, or policy procedures and standards.

Task 4: Implementation Plan

The Contractor shall develop and provide specific requirements for the implementation of each recommendation identified in Task 3. At a minimum the implementation plan shall include:

Timeframe for implementing the Strategic Action Plan: The Contractor shall develop a detailed list of all actions accompanied by a composite schedule for the implementation of each recommendation. The actions shall then be grouped and divided into three

categories – (i) Immediate term (i.e., 1-2 years), (ii) Medium term (i.e., 2-5 years), and (iii) Long term (i.e., 6 to 15 years).

Resource Requirements: The Contractor shall develop a resource assessment (i.e., additional personnel, IT systems, and any training of Grantee staff) required for the implementation. The resource requirements shall also be grouped into three categories – as noted above under timeframe. The resource requirements shall be detailed in such a way that Grantee can use the information for budget requests and authorizations, however, it will be Grantee's responsibility to complete any necessary paperwork/forms/etc. to estimate, request and submit budget requests.

Additional Work Requirements: The Contractor shall detail and recommend additional work that is required to help Grantee meet international standards. The Contractor shall provide all necessary scopes of work/budget estimates to accompany each additional work requirement. This information will allow Grantee to either complete the additional work using internal resources or hire a third party consulting company.

Specifications for the Recommended Information Management Systems: The Contractor shall identify information management systems needed to meet international standards and best practices for information management and operations. The Contractor shall develop specifications and budget estimates for the IT systems recommended by the Contractor as well as a list of potential vendors.

Deliverable: The Contractor shall provide an Implementation Plan incorporating all of the above.

Task 5: Conduct an Assessment of the Development Impacts

The Contractor shall assess the development impacts of the TA and implementation of the Implementation Plan. The Contractor shall provide a methodology for measuring the impacts in the immediate, medium and long-term. The Contractor shall focus on the categories listed below and develop a methodology for assessing each of these impacts over time. The Contractor shall identify how USTDA could reasonably expect to be able to obtain information in the future and make suggestions as to where USTDA should look to obtain this information (e.g. the Grantee, ICAO, FAA, trade statistics, or U.S. Embassy in Indonesia). The Contractor shall only list impacts in the categories that are applicable to this TA and the recommendations that may be implemented as a result of the TA Final Report. The categories of development impacts to be considered are as follows:

Infrastructure: Improvements in physical infrastructure that would result from the Projects. Estimate the scale of construction/installation expected and comment on the capabilities of any recommended infrastructure improvements. Examples include hardware and software IT infrastructure as recommended in the needs assessment, strategic plan, and implementation plans.

Human Capacity Building: Estimate the number and type of jobs that may be created if the Contractor's recommendations are implemented. The Contractor shall distinguish between temporary jobs and permanent jobs that would be created or sustained in the long term (or the number of jobs that would be lost due to labor-saving technology or processes).

Technology Transfer and Productivity Impacts: Discuss any commercial contracts for licensing new technology, or consulting services, as well as the expected productivity benefits of any such licenses. More generally, discuss the expected efficiency gains related to the recommendations, such as improved systems or processes that enhance productivity or result in the more efficient use of resources.

Market-oriented Reform: Discuss any market-oriented reforms that would result if the TA is implemented per the recommendations of the Final Report. Market oriented reforms include prices liberalization, aviation sector operations, privatization of previously state owned assets, or increased competition in the aviation sector. The Contractor shall provide a thorough analysis of the results of this TA as it relates to the ICAO and FAA reviews.

Other: Discuss prospective indirect development impacts of the key recommendations, such as enhanced economic benefits (including increases in tourism, investment, indirect job creation, regional economic development, etc.) that are not captured in the four categories listed above.

Deliverable: The Contractor shall provide a Development Impacts Statement Report.

Task 6: Final Report

The Contractor shall prepare and deliver to the Grantee and USTDA a substantive and comprehensive final report of all work performed under these Terms of Reference ("Final Report"). The Final Report shall be organized according to the above tasks, and shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement.

The Contractor shall present the findings of the TA and Final Report recommendations to top-level Host Country Government agencies as well as other stakeholders such as the airline industry, consumer groups, and local authorities, as identified by the Grantee. This presentation shall take place at the conclusion of the TA and will require only one presentation by the Contractor.

Notes:

- (1) The Contractor is responsible for compliance with U.S. export licensing requirements, if applicable, in the performance of the Terms of Reference.

- (2) The Contractor and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.
- (3) The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work product that is developed under these Terms of Reference.

Annex II

USTDA Mandatory Contract Clauses

A. USTDA Mandatory Clauses Controlling

The parties to this contract acknowledge that this contract is funded in whole or in part by the U.S. Trade and Development Agency ("USTDA") under the Grant Agreement between the Government of the United States of America acting through USTDA and Directorate General of Civil Aviation, under the Ministry of Transportation ("Client"), dated _____ ("Grant Agreement"). The Client has selected _____ ("Contractor") to perform the technical assistance ("TA") for the Restructuring and Regulatory Reform for Civil Aviation Authority project ("Project") in Indonesia ("Host Country"). Notwithstanding any other provisions of this contract, the following USTDA mandatory contract clauses shall govern. All subcontracts entered into by Contractor funded or partially funded with USTDA Grant funds shall include these USTDA mandatory contract clauses, except for clauses B(1), G, H, I, and J. In addition, in the event of any inconsistency between the Grant Agreement and any contract or subcontract thereunder, the Grant Agreement shall be controlling.

B. USTDA as Financier

(1) USTDA Approval of Contract

All contracts funded under the Grant Agreement, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing in order to be effective with respect to the expenditure of USTDA Grant funds. USTDA will not authorize the disbursement of USTDA Grant funds until the contract has been formally approved by USTDA or until the contract conforms to modifications required by USTDA during the contract review process.

(2) USTDA Not a Party to the Contract

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of this contract and amendments thereto, including assignments, the selection of all contractors, the Terms of Reference, the Final Report, and any and all documents related to any contract funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of financing the TA and shall not be construed as making USTDA a party to the contract. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties to the contract or any subcontract, jointly or separately, without thereby incurring any responsibility or

liability to such parties. Any approval or failure to approve by USTDA shall not bar the Client or USTDA from asserting any right they might have against the Contractor, or relieve the Contractor of any liability which the Contractor might otherwise have to the Client or USTDA.

C. Nationality, Source and Origin

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the TA and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to TA support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

D. Recordkeeping and Audit

The Contractor and subcontractors funded under the Grant Agreement shall maintain, in accordance with generally accepted accounting procedures, books, records, and other documents, sufficient to reflect properly all transactions under or in connection with the contract. These books, records, and other documents shall clearly identify and track the use and expenditure of USTDA funds, separately from other funding sources. Such books, records, and documents shall be maintained during the contract term and for a period of three (3) years after final disbursement by USTDA. The Contractor and subcontractors shall afford USTDA, or its authorized representatives, the opportunity at reasonable times for inspection and audit of such books, records, and other documentation.

E. U.S. Carriers

(1) Air

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

(2) Marine

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

F. Workman's Compensation Insurance

The Contractor shall provide adequate Workman's Compensation Insurance coverage for work performed under this Contract.

G. Reporting Requirements

The Contractor shall advise USTDA by letter as to the status of the Project on March 1st annually for a period of two (2) years after completion of the TA. In addition, if at any time the Contractor receives follow-on work from the Client, the Contractor shall so notify USTDA and designate the Contractor's contact point including name, telephone, and fax number. Since this information may be made publicly available by USTDA, any information which is confidential shall be designated as such by the Contractor and provided separately to USTDA. USTDA will maintain the confidentiality of such information in accordance with applicable law.

H. Disbursement Procedures

(1) USTDA Approval of Contract

Disbursement of Grant funds will be made only after USTDA approval of this contract. To make this review in a timely fashion, USTDA must receive from either the Client or the Contractor a photocopy of an English language version of a signed contract or a final negotiated draft version to the attention of the General Counsel's office at USTDA's address listed in Clause M below.

(2) Payment Schedule Requirements

A payment schedule for disbursement of Grant funds to the Contractor shall be included in this Contract. Such payment schedule must conform to the following USTDA requirements: (1) up to twenty percent (20%) of the total USTDA Grant amount may be used as a mobilization payment; (2) all other payments, with the exception of the final payment, shall be based upon contract performance milestones; and (3) the final payment may be no less than fifteen percent (15%) of the total USTDA Grant amount, payable upon receipt by USTDA of an approved Final Report in accordance with the specifications and quantities set forth in Clause I below. Invoicing procedures for all payments are described below.

(3) Contractor Invoice Requirements

USTDA will make all disbursements of USTDA Grant funds directly to the Contractor. The Contractor must provide USTDA with an ACH Vendor Enrollment Form (available from USTDA) with the first invoice. The Client shall request disbursement of funds by

USTDA to the Contractor for performance of the contract by submitting the following to USTDA:

(a) Contractor's Invoice

The Contractor's invoice shall include reference to an item listed in the Contract payment schedule, the requested payment amount, and an appropriate certification by the Contractor, as follows:

(i) For a mobilization payment (if any):

"As a condition for this mobilization payment, the Contractor certifies that it will perform all work in accordance with the terms of its Contract with the Client. To the extent that the Contractor does not comply with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA. "

(ii) For contract performance milestone payments:

"The Contractor has performed the work described in this invoice in accordance with the terms of its contract with the Client and is entitled to payment thereunder. To the extent the Contractor has not complied with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(iii) For final payment:

"The Contractor has performed the work described in this invoice in accordance with the terms of its contract with the Client and is entitled to payment thereunder. Specifically, the Contractor has submitted the Final Report to the Client, as required by the Contract, and received the Client's approval of the Final Report. To the extent the Contractor has not complied with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(b) Client's Approval of the Contractor's Invoice

(i) The invoice for a mobilization payment must be approved in writing by the Client.

(ii) For contract performance milestone payments, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the Contractor have been performed satisfactorily, in accordance with applicable Contract provisions and the terms and conditions of the USTDA Grant Agreement."

(iii) For final payment, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the Contractor have been performed satisfactorily, in accordance with applicable Contract provisions and terms and conditions of the USTDA Grant Agreement. The Final Report submitted by the Contractor has been reviewed and approved by the Client. "

(c) USTDA Address for Disbursement Requests

Requests for disbursement shall be submitted by courier or mail to the attention of the Finance Department at USTDA's address listed in Clause M below.

(4) Termination

In the event that the Contract is terminated prior to completion, the Contractor will be eligible, subject to USTDA approval, for reasonable and documented costs which have been incurred in performing the Terms of Reference prior to termination, as well as reasonable wind down expenses. Reimbursement for such costs shall not exceed the total amount of undisbursed Grant funds. Likewise, in the event of such termination, USTDA is entitled to receive from the Contractor all USTDA Grant funds previously disbursed to the Contractor (including but not limited to mobilization payments) which exceed the reasonable and documented costs incurred in performing the Terms of Reference prior to termination.

I. USTDA Final Report

(1) Definition

"Final Report" shall mean the Final Report described in the attached Annex I Terms of Reference or, if no such "Final Report" is described therein, "Final Report" shall mean a substantive and comprehensive report of work performed in accordance with the attached Annex I Terms of Reference, including any documents delivered to the Client.

(2) Final Report Submission Requirements

The Contractor shall provide the following to USTDA:

(a) One (1) complete version of the Final Report for USTDA's records. This version shall have been approved by the Client in writing and must be in the English language. It is the responsibility of the Contractor to ensure that confidential information, if any, contained in this version be clearly marked. USTDA will maintain the confidentiality of such information in accordance with applicable law.

and

(b) One (1) copy of the Final Report suitable for public distribution ("Public Version"). The Public Version shall have been approved by the Client in writing and must be in the English language. As this version will be available for public distribution, it must not contain any confidential information. If the report in (a) above contains no confidential information, it may be used as the Public Version. In any event, the Public Version must be informative and contain sufficient Project detail to be useful to prospective equipment and service providers.

and

(c) Two (2) CD-ROMs, each containing a complete copy of the Public Version of the Final Report. The electronic files on the CD-ROMs shall be submitted in a commonly accessible read-only format. As these CD-ROMs will be available for public distribution, they must not contain any confidential information. It is the responsibility of the Contractor to ensure that no confidential information is contained on the CD-ROMs.

The Contractor shall also provide one (1) copy of the Public Version of the Final Report to the Foreign Commercial Service Officer or the Economic Section of the U.S. Embassy in Host Country for informational purposes.

(3) Final Report Presentation

All Final Reports submitted to USTDA must be paginated and include the following:

(a) The front cover of every Final Report shall contain the name of the Client, the name of the Contractor who prepared the report, a report title, USTDA's logo, USTDA's mailing and delivery addresses. If the complete version of the Final Report contains confidential information, the Contractor shall be responsible for labeling the front cover of that version of the Final Report with the term "Confidential Version." The Contractor shall be responsible for labeling the front cover of the Public Version of the Final Report with the term "Public Version." The front cover of every Final Report shall also contain the following disclaimer:

"This report was funded by the U.S. Trade and Development Agency (USTDA), an agency of the U. S. Government. The opinions, findings, conclusions or recommendations expressed in this document are those of the author(s) and do not necessarily represent the official position or policies of USTDA. USTDA makes no representation about, nor does it accept responsibility for, the accuracy or completeness of the information contained in this report."

(b) The inside front cover of every Final Report shall contain USTDA's logo, USTDA's mailing and delivery addresses, and USTDA's mission statement.

Camera-ready copy of USTDA Final Report specifications will be available from USTDA upon request.

(c) The Contractor shall affix to the front of the CD-ROM a label identifying the Host Country, USTDA Activity Number, the name of the Client, the name of the Contractor who prepared the report, a report title, and the following language:

“The Contractor certifies that this CD-ROM contains the Public Version of the Final Report and that all contents are suitable for public distribution.”

(d) The Contractor and any subcontractors that perform work pursuant to the Grant Agreement must be clearly identified in the Final Report. Business name, point of contact, address, telephone and fax numbers shall be included for Contractor and each subcontractor.

(e) The Final Report, while aiming at optimum specifications and characteristics for the Project, shall identify the availability of prospective U.S. sources of supply. Business name, point of contact, address, telephone and fax numbers shall be included for each commercial source.

(f) The Final Report shall be accompanied by a letter or other notation by the Client which states that the Client approves the Final Report. A certification by the Client to this effect provided on or with the invoice for final payment will meet this requirement.

J. Modifications

All changes, modifications, assignments or amendments to this contract, including the appendices, shall be made only by written agreement by the parties hereto, subject to written USTDA approval.

K. TA Schedule

(1) TA Completion Date

The completion date for the TA, which is May 11, 2011, is the date by which the parties estimate that the TA will have been completed.

(2) Time Limitation on Disbursement of USTDA Grant Funds

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this contract for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

L. Business Practices

The Contractor agrees not to pay, promise to pay, or authorize the payment of any money or anything of value, directly or indirectly, to any person (whether a governmental official or private individual) for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the TA. The Client agrees not to receive any such payment. The Contractor and the Client agree that each will require that any agent or representative hired to represent them in connection with the TA will comply with this paragraph and all laws which apply to activities and obligations of each party under this Contract, including but not limited to those laws and obligations dealing with improper payments as described above.

M. USTDA Address and Fiscal Data

Any communication with USTDA regarding this Contract shall be sent to the following address and include the fiscal data listed below:

U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, Virginia 22209-3901
USA

Phone: (703) 875-4357

Fax: (703) 875-4009

Fiscal Data:

Appropriation No.: 119/101001

Activity No.: 2009-31039A

Reservation No.: 2009310055

Grant No.: GH2009310011

N. Definitions

All capitalized terms not otherwise defined herein shall have the meaning set forth in the Grant Agreement.

O. Taxes

USTDA funds provided under the Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in Host Country. Neither the Client nor the Contractor will seek reimbursement from USTDA for such taxes, tariffs, duties, fees or other levies.

ANNEX 5
TERMS OF REFERENCE



Annex I

Terms of Reference

Background

The Grantee is an executive department within the Ministry of Transportation (MOT), responsible for regulating the aviation sector which includes airport enterprises and the airline industry. Parallel to the Grantee, the Directorate General for Accident Investigation is responsible for accident investigation activities while a third department, the Directorate General for Training, is responsible for managing the training needs in the aviation sector among other modes of transportation. The management and operations of 23 of the country's airports have been placed under two airport enterprises – Angkasa Pura I (AP-I) and Angkasa Pura II (AP-II) that operate as independent state enterprises but are regulated by the Grantee. AP-I and AP-II also provide various air navigation services.

As part of its regulating authority the Grantee issues licenses, sets safety and security standards, develops rules and standards for maintenance, aircraft certification, and generally ensures industry compliance with all International Civil Aviation Organization (ICAO) and other appropriate international agreements, guidelines and requirements. As a regulator, DGCA is expected to function independently. However falling under the direction of MOT may pose a possible conflict of interest with regard to regulation of the aviation sector in the Host Country. Additionally, the growth of the domestic and international passenger and cargo demand, creation of new airline carriers, coupled with an increased community expectations for safety and security, have placed a strain on the limited resources of the Grantee. As such, the Grantee seeks to review their structure, functions, and operating approach in order to respond to the new sector demands and meet international standards for aviation oversight and regulation.

To-date the Government of Indonesia has worked towards reform initiatives that include an initial restructure of current functions, modifying the Aviation Act to improve the legal powers of the Grantee, setting up a separate independent airworthiness agency with reduced dependency on the State budget, establishing a single air navigation service provider, empowering the airport enterprises, strengthening the functions and resources of the Grantee, establishing a new and independent Directorate General of Accident Investigation, and expand training opportunities across all fields of discipline.

The Government has also established a program, in collaboration with ICAO, entitled "Civil Aviation Transition Team" (CATT), which is a \$5 million project designed to coordinate a number of reforms across the sector. This program is intended to provide oversight of the restructuring process rather than provide resources to help make the necessary changes. As such, the Grantee has requested USTDA grant funding technical assistance to review and assess the current organization, structure, and functions and recommend how to reform and restructure the Grantee consistent with international best practices.



The Technical Assistance work shall be coordinated with the CATT program, Grantee Officials, the MOT, other relevant Directorates within the MOT, Angkasa Pura I, Angkasa Pura II, and the various donors conducting work with the Grantee and the National Transportation Safety Committee (KNKT).

The TA will result in the creation of an operational document that the MOT and Grantee can use to implement regulatory reform in the aviation sector in an effort to comply with international standards. In addition to an assessment of development impacts and a final report the TA will generally include the following:

- Review of the Grantee's current structure, functions, and operations;
- Identification of gaps in capabilities and operations;
- Recommendations and strategies to rectify gaps as well as steps the Grantee needs to take to obtain the necessary capabilities; and
- Implementation Plan as well as cost benefit analysis of implementing the plan.

Task 1: Review of Grantee Current Structure, Functions, and Operations

The Contractor shall conduct a detailed review of the legal foundation, organization, and function of the Grantee. The Contractor shall review the new Indonesian Aviation Act, any current draft laws and all related active or in draft decrees, laws and regulations to assess the policy background and regulatory system for the sector. In addition, the Contractor shall conduct meetings with key officials of the MOT, Grantee, relevant aviation Directorates within the MOT, Ministry of State Owned Enterprises, among others, to gather information on the roles, responsibilities, and functions of the Grantee. The Contractor shall collect information and report on the following, at a minimum:

- The status of Ministerial decrees and regulations required to be established by the new Aviation Act;
- Statutory authority of the Grantee and its overall roles and responsibilities;
- Regulatory functions and responsibilities of the Grantee;
- Current organizational structure of the Grantee and the functions of the departments and divisions within the Grantee;
- Current practices of the Grantee with respect to information and data collection and decision making;
- The Host Country legal framework as it relates to authorizing and conducting ICAO State obligations;
- The status of ICAO Universal Safety Oversight Audit Program (USOAP) and Federal Aviation Authority (FAA) Technical Review reports and needs that have already been corrected or are outstanding;
- Current assistance programs being provided by other entities;
- Past assistance programs that have been provided in support of ICAO and FAA standards;
- Activities that Grantee is undertaking to meet international aviation standards;
- Staffing capacity and skills; and,



- Any other information on the Grantee's operations such as limitation, challenges, difficulties, neglected functions, etc.

Deliverable: The Contactor shall document all findings as part of a Regulatory Assessment Report. In addition, the Contactor shall develop a detailed schedule for the completion of the TA including a staffing plan and work performance schedule.

Task 2: Needs Assessment

ICAO and FAA, in separate reports, have outlined safety and operation areas in Host Country's aviation sector that need to be strengthened. The Contactor shall become intimately familiar with these reports and identify the areas within the Grantee's structure, organization and function that need to be strengthened and more effective per international requirements. The areas identified by the Contactor shall be discussed with the Grantee, as well as any other stakeholders identified by Grantee.

The Contactor shall then conduct a detailed analysis of the Grantee's capabilities and operations. The Contactor shall provide a function-by-function analysis of Grantee's current operations, how that relates to the ICAO/FAA findings, and recommendations to overcome any discrepancies between the two. Additionally, the Contactor shall provide a comparison of Grantee's operations in relations to one other country in the region with aviation operations/sector growth comparable to The Host Country as well as the FAA and U.S. National Transportation Safety Board (NTSB) operations. This comparison will include looking at corporate governance practices that would be expected to be adopted by the Grantee, the Air Certification Directorate and the new Air Navigation Service Provider (ANSP).

The function-by-function analysis and Needs Assessment shall also take into account and include a review of all other Grantee led and foreign assisted programs that are being developed, underway, or concluding in relation to the aviation sector.

Deliverable: The Contactor shall submit a draft Needs Assessment Report to the Grantee which incorporates all of the above, including the function-by-function analysis, research and analysis methodology, and which details the areas needing attention and anticipated steps to further review, analyze and recommend how to improve these areas.

Task 3: Develop and Recommend a Strategy for Restructuring

The Contactor shall develop and recommend a comprehensive strategy to fill each of the needs identified in Task 2 and per the function-by-function analysis provided. The recommended strategy shall provide a detailed plan to address all areas identified in the ICAO USOAP and FAA Technical Review reports. At a minimum, the Contactor shall include the following as part of the recommended strategy:

- Proposed decrees, regulations, laws and/or procedures required to strengthen the regulatory process that includes collection of industry data, regulatory impact



analyses, how to document results of regulation, monitoring industry compliance, collecting and gathering stakeholder input, and related activities.

- Steps needed to overcome any possible conflict of interest between the Grantee and other operations within the government of The Host Country's aviation industry.
- Proposed options and strategies for identifying and addressing training and development needs.
- Forecasted level of staff and skills needed across the immediate, medium and long terms.
- Anticipated list of new skills and expertise required to meet changes in technology, aircraft types, aircraft operations or operational environments.
- Corporate governance best practices that encourage fairness, accountability, and transparency.
- Revised standards for aircraft airworthiness, aviation safety, runway safety, airport and terminal safety and security, air navigation services, accident investigation, and all other key regulatory area certifications.
- New standards, training, qualifications and experience requirements for inspectors, licensing staff, pilots, technicians, and air traffic controllers.
- Revised procedures for air route and slot agreement regulation and procedures for air carriers in the country.
- Recommendations on the role of the Grantee in future aviation sector development planning with particular focus on next generation technologies for air navigation and communication, air traffic services, and aviation safety and security.
- Modifications to current, pending and future regulation to meet the demands of ICAO/FAA standards as well as future demand and growth.
- Recommendations for any new information management systems (hardware/software) needed to improve operational efficiency.

Deliverable: The Contractor shall provide a Strategic Action Plan, which will incorporate all of the above, and present the findings to Grantee and MOT. The Contractor will also provide the technical content and information needed for Grantee to draft proposed decrees, regulations, laws, procedures and standards. The Grantee will be responsible for the drafting and submission of any decrees, regulations, or policy procedures and standards.

Task 4: Implementation Plan

The Contractor shall develop and provide specific requirements for the implementation of each recommendation identified in Task 3. At a minimum the implementation plan shall include:

Timeframe for implementing the Strategic Action Plan: The Contractor shall develop a detailed list of all actions accompanied by a composite schedule for the implementation of each recommendation. The actions shall then be grouped and divided into three



categories – (i) Immediate term (i.e., 1-2 years), (ii) Medium term (i.e., 2-5 years), and (iii) Long term (i.e., 6 to 15 years).

Resource Requirements: The Contractor shall develop a resource assessment (i.e., additional personnel, IT systems, and any training of Grantee staff) required for the implementation. The resource requirements shall also be grouped into three categories – as noted above under timeframe. The resource requirements shall be detailed in such a way that Grantee can use the information for budget requests and authorizations, however, it will be Grantee's responsibility to complete any necessary paperwork/forms/etc. to estimate, request and submit budget requests.

Additional Work Requirements: The Contractor shall detail and recommend additional work that is required to help Grantee meet international standards. The Contractor shall provide all necessary scopes of work/budget estimates to accompany each additional work requirement. This information will allow Grantee to either complete the additional work using internal resources or hire a third party consulting company.

Specifications for the Recommended Information Management Systems: The Contractor shall identify information management systems needed to meet international standards and best practices for information management and operations. The Contractor shall develop specifications and budget estimates for the IT systems recommended by the Contractor as well as a list of potential vendors.

Deliverable: The Contractor shall provide an Implementation Plan incorporating all of the above.

Task 5: Conduct an Assessment of the Development Impacts

The Contractor shall assess the development impacts of the TA and implementation of the Implementation Plan. The Contractor shall provide a methodology for measuring the impacts in the immediate, medium and long-term. The Contractor shall focus on the categories listed below and develop a methodology for assessing each of these impacts over time. The Contractor shall identify how USTDA could reasonably expect to be able to obtain information in the future and make suggestions as to where USTDA should look to obtain this information (e.g. the Grantee, ICAO, FAA, trade statistics, or U.S. Embassy in Indonesia). The Contractor shall only list impacts in the categories that are applicable to this TA and the recommendations that may be implemented as a result of the TA Final Report. The categories of development impacts to be considered are as follows:

Infrastructure: Improvements in physical infrastructure that would result from the Projects. Estimate the scale of construction/installation expected and comment on the capabilities of any recommended infrastructure improvements. Examples include hardware and software IT infrastructure as recommended in the needs assessment, strategic plan, and implementation plans.



Human Capacity Building: Estimate the number and type of jobs that may be created if the Contractor's recommendations are implemented. The Contractor shall distinguish between temporary jobs and permanent jobs that would be created or sustained in the long term (or the number of jobs that would be lost due to labor-saving technology or processes).

Technology Transfer and Productivity Impacts: Discuss any commercial contracts for licensing new technology, or consulting services, as well as the expected productivity benefits of any such licenses. More generally, discuss the expected efficiency gains related to the recommendations, such as improved systems or processes that enhance productivity or result in the more efficient use of resources.

Market-oriented Reform: Discuss any market-oriented reforms that would result if the TA is implemented per the recommendations of the Final Report. Market oriented reforms include prices liberalization, aviation sector operations, privatization of previously state owned assets, or increased competition in the aviation sector. The Contractor shall provide a thorough analysis of the results of this TA as it relates to the ICAO and FAA reviews.

Other: Discuss prospective indirect development impacts of the key recommendations, such as enhanced economic benefits (including increases in tourism, investment, indirect job creation, regional economic development, etc.) that are not captured in the four categories listed above.

Deliverable: The Contractor shall provide a Development Impacts Statement Report.

Task 6: Final Report

The Contractor shall prepare and deliver to the Grantee and USTDA a substantive and comprehensive final report of all work performed under these Terms of Reference ("Final Report"). The Final Report shall be organized according to the above tasks, and shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement.

The Contractor shall present the findings of the TA and Final Report recommendations to top-level Host Country Government agencies as well as other stakeholders such as the airline industry, consumer groups, and local authorities, as identified by the Grantee. This presentation shall take place at the conclusion of the TA and will require only one presentation by the Contractor.

Notes:

- (1) The Contractor is responsible for compliance with U.S. export licensing requirements, if applicable, in the performance of the Terms of Reference.



- (2) The Contractor and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.
- (3) The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work product that is developed under these Terms of Reference.



ANNEX 6

COMPANY INFORMATION

A. Company Profile

Provide the information listed below relative to the Offeror's firm. If the Offeror is proposing to subcontract some of the proposed work to another firm(s), the information below must be provided for each subcontractor.

1. Name of firm and business address (street address only), including telephone and fax numbers:
2. Year established (include predecessor companies and year(s) established, if appropriate).
3. Type of ownership (e.g. public, private or closely held).
4. If private or closely held company, provide list of shareholders and the percentage of their ownership.
5. List of directors and principal officers (President, Chief Executive Officer, Vice-President(s), Secretary and Treasurer; provide full names including first, middle and last). Please place an asterisk (*) next to the names of those principal officers who will be involved in the Technical Assistance.
6. If Offeror is a subsidiary, indicate if Offeror is a wholly-owned or partially-owned subsidiary. Provide the information requested in items 1 through 5 above for the Offeror's parent(s).
7. Project Manager's name, address, telephone number, e-mail address and fax number .



B. Offeror's Authorized Negotiator

Provide name, title, address, telephone number, e-mail address and fax number of the Offeror's authorized negotiator. The person cited shall be empowered to make binding commitments for the Offeror and its subcontractors, if any.

C. Negotiation Prerequisites

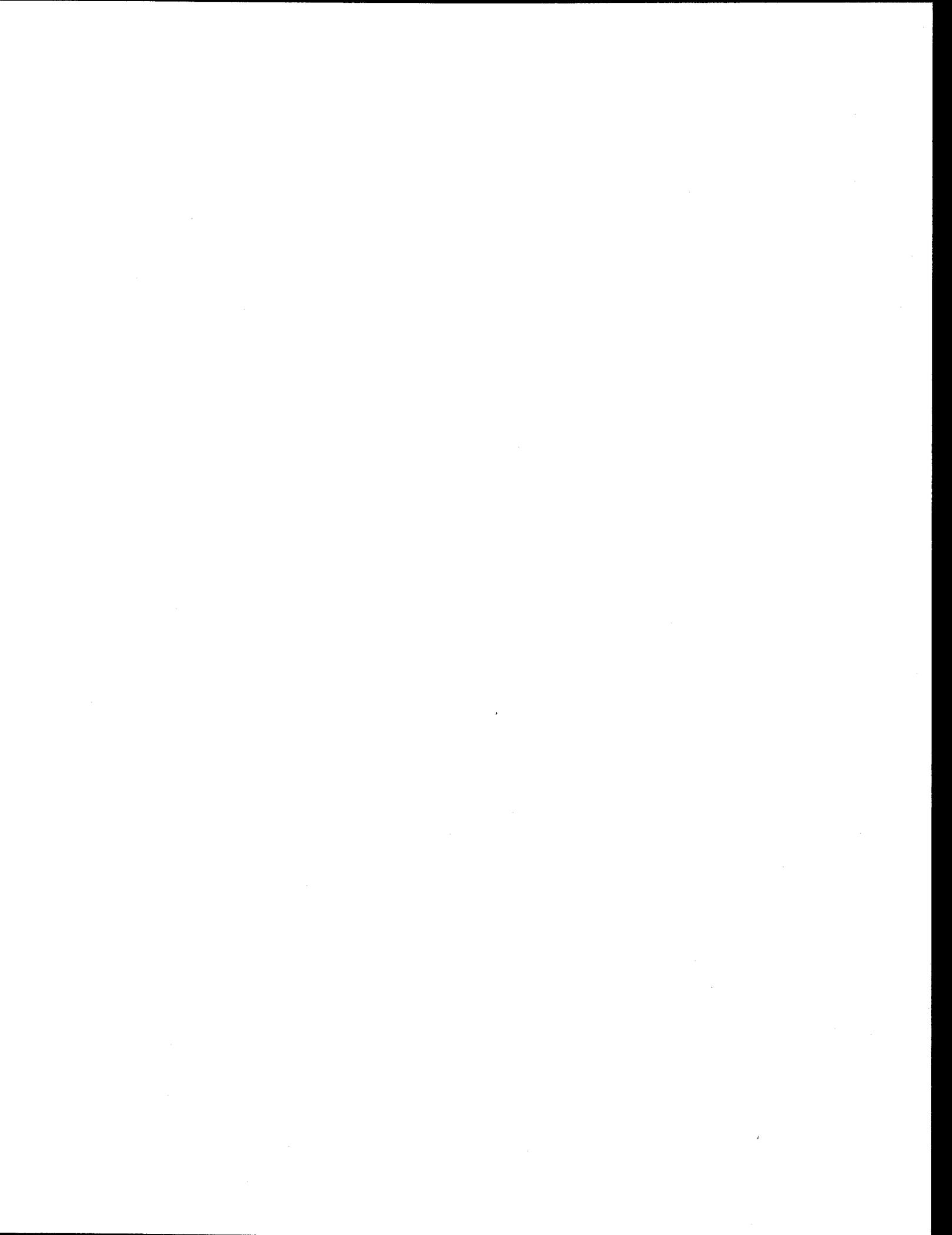
1. Discuss any current or anticipated commitments which may impact the ability of the Offeror or its subcontractors to complete the Technical Assistance as proposed and reflect such impact within the project schedule.

2. Identify any specific information which is needed from the Grantee before commencing contract negotiations.

D. Offeror's Representations

Please provide exceptions and/or explanations in the event that any of the following representations cannot be made:

1. Offeror is a corporation [*insert applicable type of entity if not a corporation*] duly organized, validly existing and in good standing under the laws of the State of _____. The Offeror has all the requisite corporate power and authority to conduct its business as presently conducted, to submit this proposal, and if selected, to execute and deliver a contract to the Grantee for the performance of the Technical Assistance. The Offeror is not debarred, suspended, or to the best of its knowledge or belief, proposed for debarment, or ineligible for the award of contracts by any federal or state governmental agency or authority. The Offeror has included, with this proposal, a certified copy of its Articles of Incorporation, and a certificate of good standing issued within one month of the date of its proposal by the State of _____.
2. Neither the Offeror nor any of its principal officers have, within the three-year period preceding this RFP, been convicted of or had a civil judgment rendered against them for: commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a federal, state or local government contract or



subcontract; violation of federal or state antitrust statutes relating to the submission of offers; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, violating federal or state criminal tax laws, or receiving stolen property.

3. Neither the Offeror, nor any of its principal officers, is presently indicted for, or otherwise criminally or civilly charged with, commission of any of the offenses enumerated in paragraph 2 above.
4. There are no federal or state tax liens pending against the assets, property or business of the Offeror. The Offeror, has not, within the three-year period preceding this RFP, been notified of any delinquent federal or state taxes in an amount that exceeds \$3,000 for which the liability remains unsatisfied. Taxes are considered delinquent if (a) the tax liability has been fully determined, with no pending administrative or judicial appeals; and (b) a taxpayer has failed to pay the tax liability when full payment is due and required.
5. The Offeror has not commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law. The Offeror has not had filed against it an involuntary petition under any bankruptcy, insolvency or similar law.

The selected Offeror shall notify the Grantee and USTDA if any of the representations included in its proposal are no longer true and correct at the time of its entry into a contract with the Grantee. USTDA retains the right to request an updated certificate of good standing from the selected Offeror.

Signed: _____
(Authorized Representative)

Print Name: _____

Title: _____

Date: _____

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