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Washington, D.C.

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PACIFIC ARCHITECTS AND ENGINEERS, INCORPORATED & RESOURCES MANAGEMENT INTERNATIONAL, INC.

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JAKARTA SELATAN, INDONESIA
Tel. 715608 (5 lines) Cable: RESOURCES JKT Telex: 47129 PAE/RMI

15 January 1982

Mr. Michael Walden
Chief,
Agricultural Division
Resident Staff in Indonesia
THE WORLD BANK
P.O. Box 324 JKT
Jakarta

Dear Mr. Walden :

In accordance with procedures suggested and agreed upon by Mr. Beenhakker and also approved by Bpk. Bambang Sumantri, I request that our team be included in the list of "copies" for all appropriate correspondence between the World Bank and those government agencies and consultants involved in the implementation and/or coordination of the Trans II project.

In recent months we have had to spend an inordinate amount of time tracking down copies of correspondence which have been pertinent to Trans II implementation and for which we could have provided useful follow up - along the lines indicated in our projects' terms of reference and our current work plan.

Thank you for any actions you can take in response to this request.

Sincerely,

Lloyd J. Feinberg
Project Manager
Transmigration II
UNDP/OPE INS 79/001

cc : Bpk. Bambang Sumantri

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IMPLEMENTATION OF DECISIONS REGARDING FOREST UTILIZATION COMBINED
WITH LAND CLEARING

DOCUMENTS ATTACHED TO THIS BRIEF:

1. Minutes of Meeting with PLPT/World Bank/DITADA on 29/1/82.
2. Proposed Solution to Scheduling and Huge Quantities of Biomass Disposal Problems from Muara Wahau.
3. Proposal for PLPT to Include Forest Utilization in Land Clearing Contracts.
4. Discussion on Decision not to Allow Further Sawmills to be built so that Wood for Transmigration Areas can be disposed of Trans III.
5. Operational Methods for Combining Logging with Manual Land Clearing.

Ross
30/1/82

MINUTES OF MEETING WITH PLPT/WORLD BANK/DITADA

ON 29/1/82

PRESENT:	Deputy Director	PLPT and staff
	Mian	World Bank
	Dr Kebschull	GTZ
	Dr Davis	World Bank
	Ross	DITADA
	Fauzi	DITADA
	Panjaitan	PLPT
	Sujitno	DG Transmigration

DECISIONS:

(1) Maura Wahau

The problems of implementing the utilization of wood and land-clearing together were discussed. Two different thoughts:

- a) HPH should complete logging before land clearing;
- b) HPH should coordinate or become involved with landclearing contractor so that only those trees cut down during land clearing are recovered.

These questions were not resolved but PLPT would "think" about it and a meeting should be arranged with the PT Basuimex President Director on Monday 1 February at 1400 hours at PLPT.

(2) Sangkulirang

The meeting interpreted Mr Djamaludin's remarks that the land clearing contractor should dispose of the logs to mean that it was to become within the sphere of PLPT. This means utilization needs to be written into the land clearing contract.

Discussion centred on how to prepare tender documents and evaluate bids.

Suggested bid be broken into parts:

- a) land clearing - quoted
- b) utilization at 40 m³/ha
- c) utilization of any remaining timber.

Problem area centred around the minimum recovery required and how would PLPT become involved to ensure that utilization was in fact carried out.

Suggested that minimum quantity of 40 m³/ha be required for tender acceptance, and receipt of royalties and taxes on this amount be required to be seen by PLPT when accepting invoices for land clearing payments. Any additional biomass disposal done according to the accepted operational plan shall also be required to show documentary proof of completion.

Payment could either not be made completely until the document is produced, or PLPT could pay at a pre-agreed reduced rate.

Discussion did not reach any decision.

Another plan was put forward which assumed that the land clearing contractor would have an advantage over others if he was going to log also and thus the tender price would be lower. It still did not take into account that land clearing should be tied to utilization as was the interpretation of the Director Bina Production statement.

Meeting closed 1300 hours

(1200 World Bank/DITADA/PLPT

Next Meeting: 1400 hours on Monday at PLPT to which PT Basuimex President Director is to be invited after reference to Mr Djamaludin.

Ross
30/1/82

PROPOSED SOLUTION TO SCHEDULING AND HUGE QUANTITIES
OF BIOMASS DISPOSAL PROBLEMS FROM MUARA WAHAU

1. GENERAL

If land clearing is to occur at the planned rates, then the HPH PT Basuimex will be required to log over the project area in 3 years.

This means:

		* Vol.Recoverable Logs in m ³
SKP Wahau Timur	7110 ha in 1 year	427,000-1,066,000
SKP Pesab	6461 ha in 1 year	388,000- 969,000
SKP Pantun (approx.5000 ha in GP area)	1431.5 ha in 1 year	86,000- 214,000

(*at 60-150 m³/ha)

Of these quantities 40% approximately will be sinkers for which a method of transportation past the rapids at Batu Ampar does not exist so far. Time will be required to construct the road link.

If this timetable was followed, Basuimex would have to increase its logging operations five times over and as Basuimex themselves have indicated that the forest is likely to contain nearer 150 m³/ha instead of the 60 m³/ha estimated by TAD, the quantities that will be wasted are unacceptable. Thus it appears that there are only two options:

- 1) wait until the logging as been done and then proceed as for Sangkulirang, or
- 2) by some mechanism only log those areas which will have the land clearing done, i.e. logging and land clearing to be done in the same operation. (The technical aspects of this have already been discussed in Ross, M.S. Land Clearing for the Middle Mahakam Area, TAD, 1979).

Taking the second option as the desirable outcome, and taking into consideration that detailed location of land clearing areas are only known to the land clearing contractor, it seems sensible to do the logging when land clearing.

2.

1.1 These are the advantages:

- a. Use of roads will be for the benefit of the HPH owner and will also cause no friction as the land clearing contractor will be working together with the HPH owner.
- b. The actual quantity of logs produced will be limited by area to realistic levels - viz. maximum of 2844 ha/year for say SKP Wahau Timur, giving a log utilization between 170,000 and 430,000 m³/year. depending upon whether the area has been logged previously.
- c. Land clearing can proceed over 6 years instead of 3 years. thus allowing increased utilization of sinker logs providing a road link can be established between Batu Ampar and the project area.

1.2 Disadvantages

- a. Logging operations will start again after year 3 to clear area for tree crops. This will mean that log trucks will be using roads that transmigration uses, which is dangerous.

Answer: improve road standards of haul roads - line of sight increased, radius of curves, slope of roads etc. Ensure speed limits through settlement areas.

Comment: many public roads around the world are shared with log trucks, eg. Malaysia (Peninsular).

- b. It may be difficult to get the land clearing contractor to work with the HPH owner.

Answer: ensure that land clearing contractor has made agreement with HPH owner as a precondition for tendering.

Comment: this question should be raised with PT Basuimex.

2. OUTLINE PLAN

- 2.1 Land clearing contractor will join with HPH owner to conduct logging at the same time as land clearing.

3.

2.2 Roads will be constructed on alignments for the settlement plan and a payment of 50% will be allowed (compared to standard rates).

2.3 Land clearing schedule will be finished as planned in 6 years.

2.4 Tender documents will require utilization of forest at minimum rates. Evidence as in Sangkulirang plan.

3. IMPLEMENTATION

Land clearing prequalified tenderers will be issued guidelines as follows:

- a. Land clearing will be manual and linked to utilization
- b. Proposal shall be made for -
 - land clearing only
 - minimal wood utilization agreed to
 - any extra utilization

4. TENDER ACCEPTANCE

Tenders will be evaluated on the basis of best return to the GOI and the cost of land clearing.

5. OTHER CONDITIONS

Such as in Sangkulirang proposal.

Ross
30/1/82

PROPOSAL FOR PLPT TO INCLUDE FOREST UTILIZATION
IN LAND CLEARING CONTRACTS

A. ASSUMPTIONS:

1. PLPT is responsible to arrange biomass disposal but Bina Produksi will help on technical matters by providing list of potential purchasers. (Please see memo on discussion on decision not to allow further sawmills to be built so that wood from Transmigration Areas can be disposed of - Trans III).
2. A minimum quantity of the forest is required to be utilized.
For Muara Wahau unlogged 60 m³/ha
Sangkulirang logged 40 m³/ha
3. Single payments from PLPT are desired for land clearing contracts.
4. Standard tendering procedures should be followed as much as possible.
5. For Sangkulirang HPH has relinquished rights to the area and it has been taken back by GOI and is available for disposal by the land clearing contractor.
6. It is not necessary for wood for infrastructure for the project to come off the project area if other utilization is occurring.

B. TENDERING MECHANISM:

1. Prequalified contractors are issued documents outlining both land clearing schedules, method of land clearing and wood utilization details as follows (as well as other normal documents).
 - 1.1 Land clearing - individual location
 - locations to be completed per quarter
 - desired method of land clearing

2.

- 1.2 Wood utilization - copy of forest survey results
- minimum requirement of utilization - large sound logs
 - royalties and fees to be paid per species group size group
 - any additional incentives offered to utilize extra quantities of biomass.
- 1.3 Tenders should be made at least on minimum requirements.

C. TENDER EVALUATION:

Assumption:

As the land clearing contractor has the right to utilize the biomass each tender offer shall include a detailed operational plan on how the area should be cleared, what schedules, where the biomass is to be disposed, what incentives are to be expected, and what will be the minimum payments guaranteed to the Government that the land clearing contractor is prepared to offer. Each tender will have the forest utilization plan approved by KEHDA before submittal.

1. Each tenderer will bid for land clearing - say x\$US/ha.
2. Each tenderer will advise minimum offer for large logs, for example in Sangkulirang $40 \text{ m}^3/\text{ha} \times \text{current royalty, etc.}$

This equals

IHH (their basic royalty) = 6% of check price (see memo the need for domestic check prices is evident)

Reboisasi = Rp 2500

PPN = 2%

say approx. \$12/m³

3. If further utilization is to be offered, then the minimum amount to be utilized will be stated and a proposed fee per unit volume of the biomass that will be disposed of. This fee is to be paid to the Forestry Department.

D. SELECTION OF PREFERRED TENDERER

Selection will be made by evaluating the best return to the Government of Indonesia from paragraph C 1.2.3 above, and the offer which is in the best interests of the country not only in terms of visible returns but also invisible ones, such as better utilization, foreign exchange earnings, etc.

E. TENDER EVALUATION COMMITTEE

Because not only land clearing is involved here, and possibly vital provincial interests are at stake, it is recommended that the Tender Evaluation Committee is composed of interested and qualified parties from

PLPT

Bina Produksi Kehutanan

Gub. Provinsi, including KEHDA

Technical Advisers (maybe from DITADA, Forestry, etc.)

F. CONTROL MECHANISM BY PLPT

Because land clearing is only one component of this mechanism, it is important that PLPT will have control to penalize the contractor if he does not perform in accordance with his utilization plan.

This control mechanism concerns payment procedures.

Thus for payment purposes, it is suggested that the mobilization fee is paid as usual. On presentation of invoices for completed land clearing, evidence should be provided by the land clearer in the form of official receipt or some such letter indicating that utilization is occurring at the planned rate. This would be the responsibility of Bina Produksi. For royalty purposes, the receipt of the Forestry Department for payment of royalties at the minimum quantity per hectare shall be presented.

For other biomass disposal, bills of lading, sale receipts, etc. could be used.

The particular documents required will depend on a case by case basis.

Ross
30/1/82

DISCUSSION ON DECISION NOT TO ALLOW FURTHER SAWMILLS TO BE BUILT
SO THAT WOOD FROM TRANSMIGRATION AREAS CAN BE DISPOSED OF.

TRANS III

POSITION STATEMENT

1. As there is presently an industrial capacity of some 5.991 mill m³/pa round logs intake which is not connected to forest concessions, it has been decided that logs from Transmigration Land Clearing should be channelled into these facilities and no new facilities need be constructed.
2. Whilst this is the policy, the Director Bina Produksi will assist the implementation by providing a list of names and addresses of the individual mills concerned.

ADVANTAGES OF THE DECISION

- 3.a It is rational to utilize existing excess industrial capacity rather than construct new facilities. In this way, total national resources can be used in the most efficient way.
- 3.b In this way local industries are not harmed by introduction of competitive new infrastructure - can be solved by exporting the bulk of the production.

DISADVANTAGES

4. Selective Logging takes the best trees and leaves:
large defective trees
sinkers
very hard and very soft species
small trees.
These do not provide optimum logs for sawmills and plymills who are usually not equipped to take at least a few of the above classifications.

Loading on Ships is a problem for Sinkers

Cost of Domestic logs does not justify utilization

DISCUSSION

5. Although the principle is sound, we have come across some very good practical reasons why the implementation is going to be difficult. They are, in order, as follows:

5.1 On the whole, not a large proportion of logs coming off the areas which have been previously logged are of standard size, high grade, commercial species which float. It is accepted that for these logs, the policy decision is valid.

5.2 Many of the trees left are sinkers which attract premiums for transportation -

- increased loading costs because pontoons have to be used
- increased freight rates, because you can load less volume of sinkers than you can floaters on a given vessel
- increased discharging costs - again the vessel has to moor alongside unless pontoons are again used.

Thus the sinkers present a problem of cost as well as handling.

5.3 Small Logs

Many of the trees left, which could be utilized if transportation costs were negligible, cannot economically be utilized if they have to suffer an additional \$US 12-15/m³ freight charge.

In addition, smaller logs give less recovery which again reduces their value and hence the necessity for on site or close by processing.

5.4 Large trees

Many of the existing industries are not equipped to handle large logs - and thus if one has to send them to existing industries they will not be able to handle them, thus again reducing the number of trees that can be utilized.

- 5.5 Defective trees (this mainly applies to sawmills).
Some defects in logs do not exclude the bulk of the tree being used (such as piping, holes).
Many of these trees are also quite larger than the standard because the HPH does not want to pay royalties on defective trees. When clear felling occurs, these trees could be used by local sawmills but would be uneconomical to transport to other areas.
- 5.6 Hard species.
It is a fact that the hardest species are invariably sinkers. Thus, the techniques for sawing these logs are not the same as the existing industries. They are not suitable for peeling as they are too hard. Thus those industries already established have been sawing fairly soft species and would find it extremely difficult to switch over.

COST FACTORS

6. Due to the SKBTM Decree, there has been a large proportion of logs that were formerly for export now available for the domestic market. Thus prices have been considerably depressed. (From \$110/m³ for export FOB to \$30-50/m³ domestic logs depending upon location).
- Long term sales contracts could be the answer. But if there are dramatic changes in prices, long term contracts have been known to be broken. Thus there is no guarantee to the land clearer, even if he has a long term contract that it will be honoured. On the other hand, if he has his own infrastructure in which he has a financial stake,
- Profitability for logging
- | | |
|----------------------------|--|
| current domestic log sales | \$45-55 US/m ³ log CIF |
| less Royalties, taxes | 12.00 |
| less freight to Java | 12-15.00 |
| leaves | \$18-31/m ³ production cost for the logger. |
- It is highly doubtful that making the other service charges not mentioned that the operation could make a profit.

CONCLUSION

7. Taking into account technical difficulties already mentioned, it is suggested that the current policy is made flexible enough to consider exceptions providing sufficient technical justification is produced.

TITLE PAGE



LAND CLEARING FOR THE MIDDLE MAHAKAM AREA
DEVELOPMENT PROGRAMME

M. S. Ross
PT Austral Utama

14 July 1979
Samarinda
Kaltim, Indonesia

- final use of the land (specification of the land clearing contract);
- labour availability and skill of workers;
- area to be cleared and time in which the job needs to be done;
- availability or not of foreign exchange component;
- availability of back-up services;
- environmental factors.

For the upland areas, it is generally desirable for the soil that stumps/roots be left in the ground and that trees above 20 cm can be left to rot providing they are lying on the ground.

Manual land clearing: is done by hand and is broken down into various stages:

- underbrushing
- felling
- burning
- stacking for re-burning (may be repeated three times).
- Underbrushing

The purpose of underbrushing is to provide ease of access for further land clearing operations, and to prepare the smaller biomass for burning.

It requires -

- cutting as near to the ground as possible all grasses, vines and trees with a diameter of less than 10-15cm.
- the resultant debris should be left lying flat on the ground.
- the underbrushers should cut overhead vines to a height that can be reasonably reached with the implement used.
- no trees should be left hanging if possible
- best tools for underbrushing are long knives of various shapes.

- Felling

- can only begin when underbrushing is completed;
- during this operation all trees are felled as close as possible to the ground;
- trees with large buttresses should be felled immediately above the buttress;
- on slopes, it is desirable to fell the trees across the slope so that the trunks can act as partial barriers to erosion;
- Preferably trees should not be felled next to permanent streams for two reasons - firstly the risk of triggering erosion from the high run-off that can be expected from land not covered with vegetation and, secondly decaying vegetation in streams pollutes the water making it unsuitable for human consumption;
- if trees do fall in waterways, they should be removed as soon as possible.

- Burning

- the purpose is to remove the bulk of the vegetative matter;
- firstly, the vegetation should be burnt where it has fallen and later stacking and reburning should occur. It should only be done after sufficient drying has taken place.
- this can be determined practically when the bark begins to crack open, just before the leaves fall off.
- this can be between 2-5 months, depending upon insulation;
- however, periods over 3 months do present problems because of re-growth;^{*1}
- immediately prior to burning, it is desirable that no rain falls for at least one week.
- perimeter lighting is not satisfactory for burning as the fire advancement is too slow to create conditions suitable for a "fire-storm" to occur;

*1 Ross, M.S. TAD Monitoring 1979.

- fire storms are created when large areas are ignited simultaneously, creating a high demand for oxygen whereby a wind is created, the intensity of which increases with the size and temperature of the burn. This artificially created "storm" further excites the already fierce fire so that up to 95% of the vegetation can be consumed.
- controlled burning should be practiced where precautions are taken to prevent the fire spreading outside the planned area. It is unlikely that primary forest will burn spontaneously; therefore most precautions are taken to prevent ignition of areas insufficiently dried.
- thus burning is preceded by cutting walk-ways 50-100 metres apart across the whole area to be burned, parallel to the direction of the wind.
- when ready to burn, there is one person for each walk-way. Each person takes an "igniter" (say bamboo stick with oil soaked rags at the end) and keeping level with each other proceed against the direction of the wind, lighting the undergrowth every 10 metres or so.
- great care has to be taken, especially if the wind changes direction;
- at the end of the ignition period, the number of people involved should be checked to make sure every one is out of the area.
- igniters should have a "trial run" before their first job so that they can understand all the problems they may face.

- Stacking

- After the first burn, logs should be cut into lengths of not more than 2-3 metres and stacked together or on stumps for further burning;
- the stacking of large log pieces is impractical and usually they are left to rot in place.

- Re-burning

- the process of stacking and re-burning may take three operations and is essentially to clean up the area;
- immediately after the last burn, if possible a cover crop should be planted - such as peuraria, calapogonium or gliricidia.

ADVANTAGES AND DISADVANTAGES OF SUGGESTED LAND CLEARING METHOD - UTILIZING LARGE SOUND LOGS FOR EXPORT AND OTHERS FOR CHARCOAL (WITH COLLECTION OF ROTAN) & USING SOME TRANSMIGRANT LABOUR

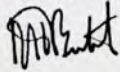
Operation	Produce & Max. Value	Advantages	Disadvantages
1. Underbrushing: by hand - 20 man days/ha	Rotan \$4 to \$90 (US) per hectare	1. Rotan can be collected. 2. Gives tree fellers unimpeded access to the trees. 3. Gives machine driver visibility on the ground so that they can pick different paths without destroying or compacting the soil too much. 4. Ensures smaller forest trees are cut. Makes available larger trees for rejection by defect and best possible recovery of logs.	1. Can be labour intensive. 2. Supervision can be by objective and self-discipline.
2. Felling of all trees above 50 cm Ø BHI - 2 chain saw days/ha - 2 man days/ha for assistants.			
3. Logging of sound trees by tracked vehicles and LGP high speed vehicles. (Defective logs remain where felled). Not skidders due to high ground pressure.	*Sound logs above 50 cm Ø value between \$2,934 US and \$10,678 as exported logs	1. These logs are highly prized on the export market yielding up to \$10,000 US/ha and \$3200 US in Royalties to the Government. 2. Logging is occurring whilst overhead canopy still exists.	1. There is bound to be some soil destruction but overhead cover should limit soil erosion. 2. Compaction can be avoided by only logging over previous skid trails and along future road/access track lines.
4. Felling by chain saw (all remaining trees) - 1 chainsaw/ha and - 1 man day/ha assistant.		1. Manual felling does far less damage to the soil than do shear blades and bulldozer blades. 2. Low foreign exchange component for chainsaws.	1. Requires skilled operators but still contains a safety risk to the operators. 2. Unless closely supervised, operators tend to cut trees off at waist height instead of as low as possible.
5. Drying (by wind and sun) No labour component.		1. By leaving trees where they fall, they still protect the soil from impact erosion. 2. Debris spread out receives more insulation and wind drying than if piled in windrows.	1. Wet season may interfere with drying. Thus timing of operations is important.
6. Burning 1 man day/ha		1. After short period of drying only leaves and twigs are burnt allowing access for chainsaw men to cut logs above 15 cm Ø into 1m lengths 2. "fire-storm" conditions not required thus eliminating damage of biology of topsoil.	1. Any burning interferes with biology of top soil.
7. Chainsawing into 1 metre lengths and stacking in 1m square piles up to 2m high. Larger defective trees should be split with an axe.	Wood for Charcoal (up to 300M ³ per ha)	1. Prepares wood for easy stacking and suitable lengths for charcoal kiln. 2. Stacking allows air drying to occur for indefinite periods to allow for surges in demand of charcoal producers. 3. Stacking operation can be done by transmigrant at his own pace. 4. Allows immediate cultivation of food or perennial crops.	1. Labour intensive. 2. Requires additional chain-sawing and therefore cannot be done by transmigrant alone.
8. Removal of wood for charcoal	Firewood for transmigrants	1. After 3 months and for a few years wood can be immediately ready for charcoal manufacture or firewood. 2. As wood will lose from 100-120% moisture content to approx. 25% it will be much lighter to handle.	

Source: Ross, M. S., TAD, July 1979.

* From Ross, M.S. et al, "Indications of the Value of Remaining Trees on Land Designated for Transmigration in PEBITA III in East Kalimantan."



INTER-OFFICE CORRESPONDENCE

TO : Review Committee, UNDP/OPE INS/79/001 DATE : 5.2.1982
FROM : D.A.P. BUTCHER, Team Leader  REF. :
SUBJECT : Team Leader's Observation on Project Status

GENERAL POINTS

Mode of Project Operation

1. RMI will adopt a team approach to all work tasks rather than have individual consultants work in isolation. This is because the work tasks are inter-related and activities complement and interlock with one another. Consultants assigned to work on the over-all programme will also assist the TRANS-II Project.
2. The proposed work programme together with man months already utilized amount to 241 expatriate, and 200 Indonesian. The remaining man months can be used as the need for additional services arise.
3. The RMI will work closely with the three GOI / World Bank Consultants. This will be facilitated by an exchange of TORs, Workplans and Reports.

Institutional Framework

4. The UNDP Consultants cannot work alone, and must be in a position to train Government staff within a recognized structure.

To enable the JMT to effectively carry out its Mandate and for the project to meet its objectives, the GOI should take urgent steps to re-organise the distribution of responsibilities within the Biro Tata Usaha of the JMT as a first step in the establishment of a Secretariat.

In particular the GOI will :

- i) create a section for Finance and Budget with three fulltime professionals to work on
 - a) forward financial planning ;
 - b) budget preparation ;
 - c) financial monitoring and in addition a full-time professional accountant to work on Trans-II .

ii) Create a section for dealing with technical matters with a minimum of four appropriately trained and qualified persons for :

- a) planning
- b) preparation
- c) development
- d) project appraisal and evaluation

iii) Expand the existing information section and obtain five professional staff to work on

- a) planning and programming ;
- b) implementation monitoring;
- c) impact monitoring and early warning;
- d) evaluation;
- e) reports distribution.

iv) Create a computer section to service all other parts of the JMT. Initially to work with UNDP provided Micro-Computer and subsequently on the mini computer to be purchased by the GOI.

Initially two potential programmers/operators to be selected through established aptitude tests.

N.B.: All staff to be fulltime on the above work and not given other assignment.

5. Further efforts will be made to strengthen the Trans-II Sub-Coordination Office by :

- i) accomodating the team of GOI staff and all consultants in one building ;
- ii) holding regular monthly meetings of GOI Trans-II staff and all consultants;
- iii) ensuring that the project Coordinator's office and Jakarta based PimPro attend the monthly Korwil Meeting in Jambi.

6. Monthly meetings to be held with RMI Consultants and counterparts to discuss issues and progress on the over-all programme.

Communication Gap

7. The Communication Gap will hopefully be overcome by the Committees suggested :

- i) regular monthly meetings
- ii) shorter reports in Bahasa Indonesia
- iii) adequate counterpart staff working together with RMI Consultants.

Physical Support

8. Very good support has been provided by the GOI in the form of vehicles, office furniture, equipment and travel. However, the Consultants now request the following :

- i) The use of the room designated for the Team Teknis on the third floor, of the JMT building as it is under utilized. The Team wish to develop this room as an information center, and would like to install the micro processor in it, and also house the above referred to professionals from the GOI to work with the Consultants.
- ii) If at all possible the Team Leader would appreciate a separate room where he can work and conduct small meetings without disturbing the other nine people in the room as at present.

9. The UNDP are requested to expedite the delivery of the micro computer.

Special Problem

10. The Consultants would like to extricate themselves from their participation in the Sekjen's Committee for Computerization. This has gone on longer than was foreseen and is now adversely affecting more urgent project work. We should be able to phase out or minimize further participation in three weeks time.

Contract Matters

11. RMI is prepared to provide additional man months of expatriate services over and above the 250 originally proposed if the GOI should wish, although this would lead to a reduction in the number of man months as a whole owing to the higher cost of expatriates.

12. RMI wishes to receive confirmation that they may complete the contract six(6) months later than originally agreed, but at no extra cost.

13. If the new Trans-II project sites are outside Jambi province, additional consultants may be required over and above those to be provided under the contract and at additional cost.

Copies to :

1. Mr. Soedjino, Staf Ahli
2. Ms. Gloria Davis
3. Mr. Abdul Hameed
4. Mr. Djoko Hartono
5. Mr. Sudarto

cc to : Mr. Bambang Sumantri

Mr. A. Hamdy, UNDP Res.Rep.

Mr. Walden

Mr. Rosenberg UNDP/OPE, New York

Mr. Bouchard, OPE Bangkok



INTER-OFFICE CORRESPONDENCE

TO : Review Committee, UNDP/OPE INS/79/001 DATE : 5.2.1982
FROM : D.A.P. BUTCHER, Team Leader REF. :
SUBJECT : Team Leader's Observation on Project Status

GENERAL POINTS

Mode of Project Operation

1. RMI will adopt a team approach to all work tasks rather than have ~~individual consultants work in isolation. This is because the work tasks are inter-related and activities complement and interlock with one another.~~ Consultants assigned to work on the over-all programme will also assist the TRANS-II Project.
The project provides for 250 expatriate & 250 domestic
2. The proposed work programme together with man months already utilized amount to 241 expatriate, and 200 Indonesian. The remaining man months can be used as the need for additional services arise.
3. The RMI will work closely with the three GOI / World Bank Consultants. This will be facilitated by an exchange of TORs, Workplans and Reports.

Institutional Framework

4. The UNDP Consultants cannot work alone, and must be in a position to train Government staff within a recognized structure.

To enable the JMT to effectively carry out its Mandate and for the project to meet its objectives, the GOI should take urgent steps to re-organise the distribution of responsibilities within the Biro Tata Usaha of the JMT as a first step in the establishment of a Secretariat.

In particular the GOI will :

- i) ~~create~~ ^{expand} a section for Finance and Budget with three fulltime professionals to work on
 - a) forward financial planning ;
 - b) budget preparation ;
 - c) financial monitoring and in addition a full-time professional accountant to work on Trans-II ;

*wihin Biro
tata usaha*

*Kepala
Kantor
Wilayah
Majon
Kor.
Dati
Kor lapansan
RGT
FIELD*

ii) Create a section for dealing with technical matters with a minimum of four appropriately trained and qualified persons for :

- a) planning
- b) preparation
- c) development
- d) project appraisal and evaluation

iii) Expand the existing information section and obtain five professional staff to work on

- a) planning and programming ;
- b) implementation monitoring;
- c) impact monitoring and early morning
- d) evaluation
- e) reports distribution

iv) Create a computer section to service all other parts of the JMT. Initially to work with UNDP provided Micro-Computer and subsequently on the mini computer to be purchased by the GOI.

Initially two potential programmers/operators to be selected through established aptitude tests.

N.B.: All staff to be fulltime on the above work and not given other assignment.

5. Further efforts will be made to strengthen the Trans-II Sub-Coordination Office by :
- i) accomodating the team of GOI staff and all consultants in one building ;
 - ii) holding regular monthly meetings of GOI Trans-II staff and all consultants;
 - iii) ensuring that the project Coordinator's office and Jakarta based PimPro attend the monthly Korwil Meeting in Jambi.

iv) appointing a full time team leader. →

6. Monthly meetings to be held with RMI Consultants and counterparts to discuss issues and progress on the over-all programme.

Communication Gap

7. The Communication Gap will hopefully be overcome by the Committees suggested :
- i) regular monthly meetings *with Mr. Sueino for Trans II & overall.*
 - ii) shorter reports in Bahasa Indonesia
 - iii) adequate counterpart staff working together with RMI Consultants.

3A -
Reorganization -
Budget
UNDP June - March 1983
Recognize that domestic staff are working on overall program
Dwito -
1. Recrs
2. Recruitment through UNDP
3. Room computer
Room -
Funas.
Mr. Butcher
Status of the project & actions

Physical Support

8. Very good support has been provided by the GOI in the form of vehicles, office furniture, equipment and travel. However, the Consultants now request the following :

- i) The use of the room designated for the Team Teknis on the third floor, ~~of~~ the JMT building as it is under utilized. The Team wish to develop this room as an information center, and would like to install the micro processor in it, and also house the above referred to professionals from the GOI to work with the Consultants.
- ii) If at all possible the Team Leader would appreciate a separate room where he can work and conduct small meetings without disturbing the other nine people in the room as at present.

9. The UNDP are requested to expedite the delivery of the micro computer.

Special Problem

10. The Consultants would like to ~~extricate themselves from~~ ^{limit} their participation in the Sekjen's Committee for Computerization. This has gone on longer than was foreseen and is now adversely affecting more urgent project work. We should be able to phase out or minimize further participation in three weeks time.

Contract Matters

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1. no obj principle -
2. ~~can be done~~
3. practice

Daryono

Copies to :

1. Mr. Soedjino, Staf Ahli
2. Ms. Gloria Davis
3. Mr. Abdul Hameed
4. Mr. Djoko Hartono
5. Mr. Sudarto

cc to : Mr. Bambang Sumantri

Mr. A. Hamdy, UNDP Res.Rep.

Mr. Walden

Mr. Rosenberg UNDP/OPE, New York

Mr. Bouchard, OPE Bangkok

UNDP/OPE INS/79/001

BRIEF STATEMENTS ON THE ACTIVITIES OF EACH CONSULTANT

Team Leader . D.A.P Butcher Contract Completion : JULY 1983

Job description as in original RMI proposal.
Will give personal attention to information system, organizational matters, planning and sequencing.

Deputy Team Leader . Suryo Sediono. Contract Completion: APRIL 1983

As in RMI proposal and will ^{give} personal attention to training, evaluation, coordination and O and M .

Information System team

Information Scientist. Alan Hodkinson. Contract Completion: AUGUST 1983

Develop information system(s) in an integrated manner and give technical leadership in computerization and management science.

Computer Specialist. Tun Shwe. Contract Completion: AUGUST 1982

To develop computer programmes for information, budget and financial control systems. Conduct on-the-job training.

Management Scientist. John Lahey. Contract Completion: JANUARY 1983.

To develop information linkages between the JMT and executing agencies as an integral part of the information system. To assist with O R problems as they arise.

Evaluation Specialist. Vaughn Evans. Contract Completion: NOVEMBER 1982.

To assist in carrying out current mid-term Repelita III evaluation, and in further studies to be decided by the JMT Evaluation Team (Committee).

Manpower & Training Specialist. David Watson, Contract Completion 6 FEBR. 1982
(~~to be extended by~~ six months)

To prepare job description for key staff in coordination roles and to develop and participate in training activities.
To assist PLPT of DGT in initial activities of its new project.
Also assess Ministry of Education activities in Transmigration sites.

Finance & Budgeting Specialist. George Beddoes, EOD. Mid February 1982
(2 x 4 months)

To assist in finalization 1982/83 DIPs, develop financial monitoring systems for over-all and Trans II, assess and improve accounting system for Trans II. Make suggestions for further improvement of budgeting process for 83/84.

Agricultural Engineer. John Gander. Contract Completion: AUGUST 1983.

To improve coordination of planning process and standards of land clearing in relation to cropping systems and soil conservation.

Agricultural Economist. Soedarsono. Contract Completion: /SEPTEMBER 1982./

Will work with John Gander on planning and implementation standards.
Will also assist the MOA in identifying constraints to input supply.

Agriculture Inputs Supply Specialist. A. Nother (orang lain) to be recruited - 18 months.

To analyse the flow of agricultural services and inputs and make recommendations for their improved supply.

General Economist. Amy Grossman. Contract Completion: APRIL 1982
(second tour to be with Trans II)

To analyse and document constraints facing Agraria and other agencies involved in preparation in providing services to Transmigration and to provide assistance in coordinated planning. To identify major constraints to provision of inputs by Cooperatives and Health.

==

TRANS-II SUB-COORDINATION OFFICE, JAKARTA

Project Manager Lloyd Feinberg Contract Completion: JUNE 1983.

Job description as in RMI proposal, i.e. to develop monitoring sub systems for Trans-II, and to coordinate and supervise the Trans-II consultants within the UNDP/OPE project.
To assist in the planning process.

Financial Economist. Nicholas Owens. Contract Completion: JUNE 1983.

To develop procedures in collaboration with Beddoes for budgeting and financial control. Also to prepare guidelines for these activities and also for procurement and World Bank fund withdrawal procedures. To carry out training as necessary. Also to assist the MOA in identifying and overcoming supply difficulties. Will assist over-all programme 20% of time. Assist with assessment of Trans-IIB alternatives for development.

Accountant. A.N. other (orang lain) to be recruited. Estimated - 18 months.

To assist the Trans-II accountant of JMT in preparing budgets, financial monitoring and maintenance of such Trans-II accounts kept by the JMT Sub-Coordinator's Office.

General Economist. Amy Grossman. 4-5 months timing to be determined

To work with Tim Babcock in the design of benchmark surveys/studies of transmigrants in Kubang Ujo and other areas, and to assist with economic analysis of the results.

would you ask ~~to TORs from~~ if the domestic consultants ~~do~~ not have TORs, & if ~~so~~ ~~how~~ not could

TRANS-II REGIONAL COORDINATION OFFICE

Government Relations Specialist. Moestadjab. Contract Completion: APRIL 1983

To assist Korwil, Trans-II (Jambi) in setting up the office and Secretariat. To assist in coordination and, ensuring a smooth flow of information from the field to the Korwil and Sub-Coordinator. Will assist with budgeting, finance, and procurement activities within the province.

Agricultural Systems Specialist. Suppyo. Contract Completion: APRIL 1983.

To render assistance to all agencies of the MOA in Jambi and at the project sites in budgeting, planning and delivery of services and inputs.

Social Scientist. Tim Babcock. Contract Completion: APRIL 1983.

To assist in improving the field level reporting system and in designing benchmark surveys/studies for "benefit monitoring" of transmigrants; to be field tested and written up in manual form for application elsewhere.

To assist and advise the Korwil on request.

Will examine relevant socio-cultural aspects of transmigration.

OFFICE MEMORANDUM

TO: Ms. Gloria Davis

DATE : March 8, 1982

FROM: T. Prins

SUBJECT: Trans II - JMT Project Supervision

Please find enclosed Minister Martono's instruction to a supervision team under TOR I never reviewed. This exercise is thus to be considered purely as a JMT initiative, with many angles we do not know anything about yet. It was a good thing that we asked JMT to do the supervision, it made it very clear to the different agencies that something drastic had to be done in the field of coordination to make even a simple supervision work.

The TOR may appear ambitious; apparently there were sub teams dealing with engineering, agriculture, and socio economic development issues. Let us wait for eventual reports coming through, and see what the prospects are to continue in this manner. I do not think it would help much when we start putting the pressure on, the team is under sufficient pressure under the present conditions.

Encl.

TPrins/nb

Instruction from Junior Minister of Transmigration/Chief SATDALTRANS No. INS 19 /Mm/1982 regarding formation of Transmigration II Project's Supervision Team, the names henceforth mentioned on the attached letter.



MENTERI MUDA
URUSAN TRANSMIGRASI

Walden
for info
04 MAR 1982
Cops to Mrs. J. Davis.

I N S T R U K S I
MENTERI MUDA URUSAN TRANSMIGRASI/
KETUA SATDALTRANS

NOMOR: I N S 19 /Mm/1982

T E N T A N G :

PEMBENTUKAN TEAM SUPERVISI PROYEK TRANSMIGRASI II

MENTERI MUDA URUSAN TRANSMIGRASI/
KETUA SATDALTRANS

- MENIMBANG :
1. Bahwa pelaksanaan Proyek Transmigrasi II Bantuan Bank Dunia perlu dilihat dengan teliti perkembangannya dan permasalahannya yang ada.
 2. Untuk itu perlu dibentuk Team Supervisi.

- MENGINGAT :
1. Undang-Undang NO.: 3 Th. 1972.
 2. Keputusan Presiden R.I. NO.: 59/M Th. 1978.
 3. Keputusan Presiden R.I. NO.: 70/M Th. 1978.
 4. Keputusan Presiden R.I. NO.: 13 Th. 1978.
 5. Keputusan Presiden R.I. NO.: 26 Th. 1978.

- MEMPERHATIKAN:
1. Hasil pembicaraan dalam Review Meeting on UNDP/OPE Project INS/79/001 ("Transmigration Management Development and Monitoring Services") pada tanggal 2 Februari 1982.
 2. Pembicaraan dengan Missi Post Appraisal dari Bank Dunia.

MENGINSTRUKSIKAN:

MENGINSTRUKSIKAN:

- PERTAMA : Membentuk Team Supervisi Proyek Transmigrasi II yang susunan keanggotaannya seperti dalam lampiran Instruksi ini.
- KEDUA : Menugaskan kepada Team untuk:
1. Mengadakan penelitian perkembangan pelaksanaan Proyek Transmigrasi II.
 2. Mengidentifikasi masalah-masalah yang berhubungan dengan pelaksanaan Proyek Transmigrasi II.
 3. Memberikan saran-saran pemecahan masalah-masalah yang ada.
- KETIGA : Dalam menjalankan tugasnya, Team berpedoman pada Terms of Reference (TOR) terlampir.
- KEEMPAT : Team memberikan laporan hasil pelaksanaan tugasnya kepada Menteri Muda Urusan Transmigrasi/Ketua Satuan Pengendali Transmigrasi.
- KELIMA : Semua biaya yang timbul akibat ditetapkannya Instruksi ini dibebankan pada:
Anggaran Sub Sektor Transmigrasi dari Instansi Instansi yang terkait dalam penyelenggaraan Transmigrasi.
- KEENAM : Instruksi ini mulai berlaku sejak dikeluarkan sampai tanggal 28 February 1982.

DITETAPKAN DI: JAKARTA
PADA TANGGAL: 16-2-1982.

MENTERI MUDA URUSAN TRANS-
MIGRASI/KETUA SATUAN PE-
NGENDALI



MARTONO

Tembusan Kpd. Yth.:

1. Sdr. Menteri Tenaga Kerja dan Transmigrasi/Ketua BAKOPTRANS.
2. Sdr. Sekretaris Jenderal, Departemen Tenaga Kerja dan Transmigrasi.
3. Sdr. Inspektur Jenderal, Departemen Tenaga Kerja dan Transmigrasi.

4. Sdr. Direktur Jenderal Transmigrasi/Sekretaris SATDALTRANS.
 5. Sdr. Para Direktur Jenderal, yang bersangkutan.
 6. B A P P E N A S, di Jakarta.
 7. Sdr. Gubernur/Ketua SATBIN I Propinsi Jambi.
 8. Sdr. Kepala Kantor Wilayah DIT. JEN. Transmigrasi Prop. Jambi.
 - ⑨ World Bank - RSI, di Jakarta.
 10. Team Leader UNDP/OPE Project INS/79/001.
 11. Para Anggota Team.
 12. A r s i p.
-



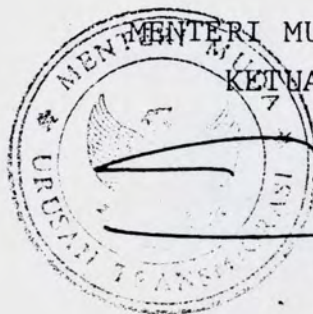
**MENTERI MUDA
URUSAN TRANSMIGRASI**

LAMPIRAN: Instruksi Menteri Muda
Urusan Transmigrasi
Ketua Satuan Pengenda-
li Transmigrasi.

Nomor : 19/Mm/1982

Tanggal: 16 - 2 - 1982

NO.	INSTANSI	NAMA	STATUS
1.	Sekretaris Menteri Muda U- rusan Transmigrasi/Sub Koordinator Proyek Transmi- grasi Bantuan Bank Dunia.	BAMBANG SUMANTRI	K e t u a .
2.	Staf Ahli Menteri Muda U- rusan Transmigrasi.	Drs. SOEDJINO HS.	Wk. Ketua I.
3.	Kepala Kantor Wilayah DIT. JEN. Transmigrasi Propinsi Jambi.	S O E K A M T O B.A.	Wk. Ketua II.
4.	Staf Menteri Muda Urusan Transmigrasi.	Ir. VERIES SIMANDJUNTAK	Sekretaris.
5.	Konsultan UNDP/OPE	SOERYOSEDIONO S.E.	Anggota.
6.	Konsultan UNDP	N.D. ABDUL HAMEED	Anggota.
7.	Konsultan UNDP/OPE	LLOYD J. FEINBERG	Anggota.
8.	Konsultan	Drs. DJOKO HARTONO	Anggota.
9.	Konsultan	S O E D A R T O M.A.	Anggota.
10.	Konsultan	Ir. S O E J I T N O	Anggota.



MENTERI MUDA URUSAN TRANSMIGRASI/
KETUA SATUAN PENGENDALI

[Signature]
MARTONO

TERMS OF REFERENCE
FOR TRANSMIGRATION II'S SUPERVISION TEAM
February 10 - March 9, 1982

I. MANAGEMENT

a. Review the Organization of Transmigration II

- (i). To discuss with each prime executing agencies (TKTD, PLPT, DGT, DGFA, AGRARIA, DGLS, DGC) how they set-up their organizational arrangement for the running operation of Transmigration II both at Jakarta, Provincial and Site Level;
- (ii). To describe clearly the responsibility and authority for each executing agencies at various level (Jakarta, Jambi and Sites);
- (iii). Identify the urgently for the appointment of full-time Team Leader for Transmigration II, following the World Bank recommendation mentioned in the Transmigration III White Cover Appraisal Report December 18, 1981 - Section 4.15.
If a Team Leader should be appointed, what is their responsibility and authority to facilitate properly the implementation function;
- (iv). Identify clearly the responsibility and authority of KORWIL and KORLAP of each Settlement Locations;
- (v). Identify problems obstructing effective coordination between executing agencies and discuss with them acceptable solution to overcome such obstruction, if any;
- (vi). Identify problems within executing agencies which are creating delays in implementation of project, and try to find out solution to overcome such delays.

II. FINANCE AND BUDGET

- (1). Review the status of allocation of TRANS. II Loans and vis a vis each executing agencies and their respective activities;
- (2). Identify the amounts of Loans already disbursed and committed for expenditure by each agencies;

- (3). Propose the formulation of re-allocation of Schedule 1 of the Development Credit Agreement 919-IND based up on Current Committments;
- (4). Provide assistance to executing agencies needed in order the rate of disbursements can be accelerated;
- (5). Identify the existing procedures for processing withdrawal applications and propose recommendations for any necessary modifications in order to facilitate the JMT's Monitoring of the Financial status of the Project.

III. ENGINEERING

The Team responsible for Engineering, Site Preparations and Civil Work

- a. Review existing land-clearing progress in Kubang Ujo:
 1. Especially the site plan, final settlement capacity.
 2. Determine whether or not Contract Terms require revision.
- b. Review status of civil work construction on its preparation and implementation:
 - + Road, bridge and culvert;
 - + Public facilities, houses and migrants;
 - + Shallow well and pumping;
 - + Base-camp at Bangko.
- c. Examine status of air strip and submit recommendation for the use of the land already appropriated for that purpose.
- d. Ascertain the suitability and availability of new areas under consideration in Jambi Province, especially for the dry land and small package of settlement.
- e. Ascertain current state of coordination between Agraria, TKTD and PLPT vis a vis TRANS. II site investigations with respect to timing, budgets and concurrence of area location, source maps and division of responsibilities.
- f. Identify possible areas out side Jambi which might be suitable, available and appropriate for inclusion in TRANS. II.
- g. Review and check the progress activity of PLPT supervision Consultant TRANS ASIA, ascertain whether or not the conditions of its contracts are being followed.

IV. AGRICULTURAL ISSUES

The Team responsible for Agricultural Issues will:

- a). Review the status of preparation/implementation of the Singkut

Up-grading project, especially with respect to:

- i). delegation of responsibilities to appropriate implementing agencies;
 - ii). status of implementation agencies's budgets, manpower and material resources;
 - iii). insuring that all responsible units of agencies involved in up-grading are aware of procedures required by the World Bank.
- b). Review all aspects of the planned livestock component of the TRANS. II Project, especially with respect to:

discussed 'draft' tender invitation with Dept. Have not learned anything yet. Nice shop-price list, full of nonsense, typical shown for the boys to Australia. ridiculous health specs. will remain strict, will remain affect the price.

- i). status of budget, planning and preparedness of the quarantine at Padang harbour, RDC at Margoyoso, Holding Grounds and the recipient transmigrants especially in Singkut;
 - ii). status of preparation of the process of cattle procurement;
 - iii). re-examination of the timing of cattle arrival with respect to settlement dates.
- c). Review agronomic status of existing settlers in Kubang Ujo, especially with respect to:
- i). agricultural in-puts packages;
 - ii). extension services status of RECS, personnel and personnel support;
 - iii). amount of land cultivated and condition of crops;
 - iv). efficiency of distribution system for seeds, pesticides and fertilizers.
- d). Observe status of trial farms and check the findings.
 - e). Report on extent of coverage with cover crop.
 - f). Ascertain insect and pest problems and preparedness of PPB in Margoyoso.
 - g). Review implications of alternative cropping systems on agric. institutions.
 - h). Check the status and the activities of EUROCONSULT Consultant in the field.

V. SOCIO ECONOMIC DEVELOPMENT

The Team responsible for Socio-Economic Development Issues will:

- a). Ascertain status of Transmigrants vis a vis:

- i). Health problems vis a vis services and facilities;
 - ii). Educational facilities, furnishing and manpower;
 - iii). Status of individual land holdings vis a vis kavling;
 - iv). Degree to which standard provisions have been received;
 - v). Indigenous population, especially with respect to the compensation issue;
 - vi). Community composition, organization and leadership issues.
- b). Ascertain level of planning and implementation of DG Cooperatives' activities, especially vis a vis Singkut

16 MAR 1982



PACIFIC ARCHITECTS AND ENGINEERS, INCORPORATED & **RESOURCES MANAGEMENT INTERNATIONAL, INC.**

Please Reply To.

Jl. Melawai VI/8, Kebayoran Baru,
JAKARTA SELATAN, INDONESIA

Tel. 715608 (5 lines) Cable. RESOURCES JKT Telex : 47129 RMIJKT

16 March 1982

Ms. Gloria Davis
Agriculture Division 4
Projects Department
E. Asia & Pacific Region
1818 H. Street N.W.
Washington D.C.
U.S.A.

Dear Gloria,

Thank you for your letter of 22 February. Your hand written comments were well received and although terse, they were to the point! Unfortunately your letter arrived just after I had sent off the new work programme and job descriptions, (in which there are still unfortunately a number of typographical errors.)

I think the two sets of papers together reflect what was requested of us at the review. Although we have not yet had much opportunity to systematically discuss them as a whole with Bambang or Soedjino we have made some progress on a one by one basis. Everyone has been busy with Bakoptrans revising the 1981/82 programme after excluding forest land from 80 sites; the approval of the 82/83 programme; Trans II Supervision and the DIP process. However we have discussed what should be done by Consultants as the matters have arisen, eg. we asked Martono to delegate someone responsible for checking the status of new Trans II land in respect of TKTD work, Agraria, Forestry etc. This was readily agreed to, and Soeyitno was given the job to be assisted by John Gander; also Evans' work has been set by the Evaluation Committee and Beddoes is getting plugged into Finance through Manurung.

Similarly General Bambang has agreed to set up a number of meetings on various subject matters raised in our latest monthly report, and I think the Job Descriptions will fit. On the subject of the "Communication Gap", we have not yet had a team meeting with Bambang and Staf Ahli. Also your proposal for us to have Soedjino as a main contact was misunderstood for a month, and we found we could not do anything at all without him. As it was impossible for him to be present at all the meetings of team members in different locations at once, things slowed down. Finally Martono said we could approach anybody we liked under Satdal-trans, and we can refer to Bambang or Soedjino if we have problems in meeting people or obtaining information from them.

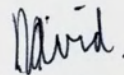
On the subject of the information system you will note in the February report that we have spelled out a specific line of action to ensure what we are doing is what is wanted and needed. I have already talked to Sayuti Hasibuan about what Bappenas wants monitored, and it is the 81/82, 82/83 Jadwal Pelaksanaan.

We are carefully monitoring the modus operandi of the new UNDP Coordination Adviser Project vis a vis our project as that seems to be a divergence of expectations by Mr. Hamdy, Abdul Hameed and Soedjino, who is probably to be one of the National Coordinators financed by the UNDP. I hope it works itself out. Meanwhile Hameed is also trying to run the FAO project until Mr. Khan, the o.i.c. gets back from leave.

..../

As the contents of this letter are not personal, it is better
I send a copy to Mike Walden.

Yours sincerely,



D.A.P. Butcher
TEAM LEADER
UNDP/OPE INS/79/001

cc. Mr. Michael Walden

DB/rm

March 24, 1982

Mr. Amnon Golan
Assistant Director
AEP
Room A-600
World Bank
Washington, D.C.

4/12 Mr Hussain
Pls review para 3 and send a reply to RSD

4/13 Miss Davis AG
for comment to David

Dear Amnon:

Transmigration I - Loan 1318-IND
February Supervision

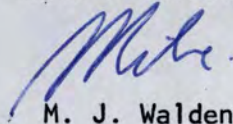
1. Please find enclosed the original of the February 1982 supervision report of Transmigration I. John Russell who was visiting Indonesia on a points trip joined the mission to review the farm system research and practices in the project. We would be pleased if you could send us six copies of the completed report.

2. We expect that the project will be completed by the end of 1982 when PNP X will complete about 400 ha rubber planting at Baturaja. We have agreed with a proposed final reallocation of loan proceeds reducing the village completion category by \$ 1 million, and the unallocated category by \$ 0.5 million, and increasing the rubber development category by \$ 1.5 million, which will enable PNP X to complete its obligations under the project.

*//

3. In the event the expectations regarding project completion come true the PMU will have to prepare a PCR by June 1983. I am thinking to have the project visited once or twice more and inject ideas in the PMU to be covered in the PCR. You may wish to think about which points or topics would be of main interest to be covered in the PCR since there may be "lessons to be learned" from this project.

Yours sincerely,



M. J. Walden
Chief, Agriculture Division
Resident Staff in Indonesia

Transmigration I Monitoring and Evaluation Component

Under the Transmigration I project about US \$1.0 million was provided for long term monitoring and evaluation. The SAR specified that this contract was to go to IPB and it was agreed that the monitoring and evaluation team would be headed by Dr. Tjondronegoro one of Indonesia's most important ~~social~~ social scientists and the ~~head of the DGT~~ founder and head of the DGT Training and Research Center in the mid 1970's. Both the commitment to long-term monitoring and the choice of IPB/Tjondronegoro appeared very sound at appraisal but this component has been among the weakest in the project.

Major problems encountered in implementation were as follows:

- a) prolonged delays in budgeting, contracting and mobilization severely curtailed the scope of work and actual study time was reduced from 5 to about 2 years; the cost, however, was reduced only from US 1.0 to US \$600,000.
- b) Scope of work proposed by IPB was far too ~~excessive~~ ^{ambitious} and resulted in massive data collections ~~extensive~~ which could not be analyzed in the time available;
- c) ~~disagreements~~ topics for research were determined by the needs of researchers and students rather than ~~implementing~~ ^{implementing} officials and policy makers; ~~evolving questions about the viability of transmigration;~~
- d) ~~lack~~ ^{absence} of full time staff ~~had~~ resulted in ~~poor~~ partial supervision of work, weak analysis and delayed reports.

Because of these difficulties the IPB contract was not continued under the project extension but a monitoring and evaluation unit was established within the PMU.

due in part to the availability of large amounts of money

The MET Team consisted of 7 core team members (mainly IPB faculty), 10 assistants and four coordinators. In addition 12 enumerators and 2 field coordinators were employed in ~~the~~ ~~field~~ on site. The main topics for investigation were: baseline study, agricultural adaptation, agricultural marketing leadership and locational analysis. ~~Data were to be~~ ~~to be computerized~~. Very detailed materials were collected and computerized but analysis to date has been largely descriptive. From this work 2 faculty ~~have~~ ^{will} obtain Ph.D's and 6 students will complete their master's level dissertations. MET also proposes to encourage students to use these materials when the project is complete, a proposal to which we have no objections. Under the project the ability of IPB to undertake social analysis was improved and the academic community undoubtedly benefited, ~~to some degree~~. but within the content of the work, nor the structure for ongoing investigation ~~have~~ ^{been} ~~provided much~~ ^{are} satisfaction.

Lessons learned: ~~In the future:~~

~~experimenting should be a function of implementation~~

- a) In developing countries such as Indonesia the multiple responsibilities of academics make it difficult for them to effectively prepare proposals, follow through on contracting procedures and mobilize study teams. This suggests that more attention is required to the organizational support for research at appraisal;
- b) all aspects of the investigation (number of people, data collection etc) were too ambitious and academic suggesting the need for agreement on very concrete TORs in such a situation; and conservative assumptions about the amount of money which can be effectively utilized;

c) The divergent objectives of the academics/^{and the} implementers and policy makers suggests that either full time consultants or in house monitoring capability is to be preferred to the arrangements in trans I.

Transmigration I

Project Management

The existence of a PMU which has the authority to contract for all goods and services has been a major focus of interest in the project.

Under the Transmigration I project all funds were allocated to the DGT for site preparation, settlement, agricultural development and tree crop development, and most activities were carried out by contractors to the PMU. This permitted close coordination of activities and considerable flexibility in implementation.

Another advantage of the PMU and, in fact, an extended DGT presence in all sites is that the necessary staff in agricultural extension, education and health can be lifted from the transmigrant population and provided with honoraria until staff positions can be created in the local agencies and suitable candidates can be placed. Although the local agencies are ^{generally} opposed to this practice as it frequently results in the ^{utilization} ~~placement~~ of sub-standard staff, ~~this~~ it has provided a useful bridging mechanism in Transmigration I and accelerated the provision of agricultural and social services. For example, after project start-up the PMU recruited 18 extension workers, 1 per village, in Way Abung and arranged ~~intensive~~ on-the-job training in cooperation with local research staff. As this exceeds the number ~~not~~ permitted for the Kecamatan 6 have been absorbed by the Department of Agriculture in WA and the others relocated ~~to~~ in other settlements. Similarly virtually all teachers were initially hired by DGT and all are still receiving only DGT honoraria.

Some inefficiencies have also been introduced by this system. For example, fertilizers have been purchased from the DG FCA at an inflated price and ~~the crop~~ the PMU has paid a very high price for tree crop development for which PTPX is the sole supplier. Quality control has also posed ^{some} problems.

The main question is whether the system is replicable. The PMU employs more than 200 staff (check) in Baturaja, ~~most of which~~ most of whom are not permanent residents of the area. Government has used this to argue against the PMU system in the past, but the loss in productivity of the farmers and security have yet to be fully analyzed.

1978 - Data on Way Abung

1978

1983

Average land in production

1.21

1.3

Average /family yield

558

Consumption Rp 1,348 /day late 1981

Caloric level of 1276/day below 1918 required

Jan-June Rice - 1094

Mango - 71

Cassava - 2030

Peanut - 20

para 3.07 production of all farmers = 662 kg
dried unhulled rice

510 of WA farmers BIMAS

OFFICE MEMORANDUM

TO: Mr. M. Altaf Hussain, Chief, AEPA4

DATE: April 19, 1982

FROM: Gloria J. Davis, AEPA4

SUBJECT: Recommendations from the JMT Evaluation Team

1. Mr. Vaughan Evans of RMI has completed evaluation of the transmigration program for the Junior Minister of Transmigration. You may be interested in the recommendations included on the draft report which I have copied below:

Recommendations

The Evaluation Report's essential recommendations, as opposed to minor, supporting recommendations are:

- a) the transmigration program is in need of further large investment of finance and professional manpower in properly scheduled and implemented planning, or of significant deceleration in the scale of the program, or otherwise;
- b) crash planning and crash settlement will continue to lead to debatable (pending Phase II investigation) quality of settlement, large degrees of slippage, high incidence of financial and technical wastage and accumulated pembinaan programs of managerially different magnitude; and
- c) in the absence of deceleration, the program is likely to come up against the determining constraints of land availability/suitability, maybe sooner than later; until that stage, optimal utilization of this scarce and finite natural resource should be the primary economic objective.

With regard to specific recommendations on planning procedures, the following are suggested:

- a) flexibility of land development strategy;
- b) the advisability of incorporating 'end user' agencies into the normal planning process (e.g. Agriculture, Dalam Negeri, DGT);
- c) the need for thorough screening of land availability (with regard to land use/land tenure) before expensive surveys are started; and
- d) the vetoing of Phase II studies on land not yet freed from all claims.

With regard to recommendations as to improving the implementation and coordination (which is not evaluated to be a major constraint on progress) of the program, the Report recommends:

- a) the exercise of some degree of budgetary control and financial monitoring over agencies by JMT, via

- b) an extended greenlight system for critical activities in the sequencing of the program; and
- c) the rationalization and strengthening of the Jadwal Waktu Pelaksanaan in order to make it a dynamic, up-to-date tool for planning, monitoring and coordinating the transmigration program."

2. These findings are generally consistent with those of Bank staff and we should carefully monitor the progress of this report to see what reception it gets and to reinforce these principal points.

cc: Messrs. Golan (AEP) and R. Stern (AEA), Walden (RSI)

GJDavis/cjc

TRANSMIGRATION REPELITA-III SIAP AS AT DECEMBER 31, 1981

	RP. BILLION			
	Budget (Total DIP)	Realisation (Expenditure SPJ)	Realisation (%)	SIAP
<u>1979/80 Programme</u>				
DG Transmigration	73.02	64.68	89	8.34
DG Bina Marga	44.89	43.99	98	0.90
DG Food Crops	8.77	4.22	48	4.55
DG Agraria	1.78	1.66	93	0.12
DG Cipta Karya	3.76	3.62	96	0.14
Other DGs	4.75	2.92	61	1.83
T O T A L	136.97	121.09	88	15.88
<u>1980/81 Programme</u>				
DG Transmigration	147.24	117.04	79	30.20
DG Bina Marga	141.03	130.50	93	10.53
DG Food Crops	13.81	5.89	43	7.71
DG Agraria	7.56	5.17	68	2.39
DG Cipta Karya	8.57	8.12	95	0.45
Other DGs	7.99	5.72	72	2.27
T O T A L	326.20	272.44	84	53.76
<u>1981/82 Programme</u>				
DG Transmigration	192.33	37.52	20	154.81
DG Bina Marga	109.46	28.24	26	81.22
DG Food Crops	13.65	1.28	9	12.37
DG Agraria	12.10	4.44	37	7.66
DG Cipta Karya	8.68	3.49	40	5.19
Other DGs	10.88	3.33	31	7.55
T O T A L	347.10	78.30	23	268.80
(x 3/4 =	260.32	78.30	30	182.02)
<u>REPELITA - III 1979/80/1981/82</u>				
DG Transmigration	412.59	219.24	53	193.35
DG Bina Marga	295.38	202.73	69	92.65
DG Food Crops	36.23	11.39	31	24.84
DG Agraria	21.44	11.27	52	10.17
DG Cipta Karya	21.01	15.23	72	5.78
Other DGs	23.62	11.97	51	11.65
T O T A L	810.27	471.83	58	338.44
(@ 3/4 1981 =	723.49	471.83	65	251.66)

Source: i) JMT Monthly Report, February 1982 (Annex III)
 ii) DGT direct
 iii) PLPT direct

D R A F T

OFFICE MEMORANDUM

TO: Mr. M. Altaf Hussain (Chief, AEPA4)

FROM: J. P. Baudelaire (AEPA4)
Comments on

SUBJECT: INDONESIA: /Project Brief on Pematang Pamggang Second Stage
Development Project

17 May 1982
 could you pl. discuss
 with J.P. if
 necessary we can all
 discuss further when
 needed

1. Road Component. A proposal has been made to construct a new main road across the project area that, in addition to providing improved access to settlements in North Lampung and South Sumatra, would also reduce the distance between the two provincial capitals by approximately 200 km. This new main road would originate in the locality of Menggala (Lampung Province) and terminate on the Palembang-Martapura main road in the vicinity of Kayu Agung (South Sumatera). Initial investigations suggest that about 170 km of new alignment and 60 km of existing road alignment will have to be studied. The new alignment will also necessitate a study of several major river crossings and may encounter areas of swamp. The construction of this new road will be a major undertaking which goes beyond the usual framework of agricultural project for several reasons: First, because of its size and technical characteristics; second, because of the benefits accruing from agricultural and non-agricultural sources and third, because it may imply the remodeling or up-grading of other road sections leading to or departing from the new road which are not contemplated in the study. It is therefore suggested to seek the assistance of the East Asia Transportation Division to review the terms of reference drawn up by the CP and see how this new road fits within the overall road plan of Sumatera.
2. Agricultural Development. Rehabilitation and expansion of rubber plantation will be one of the major agricultural components of the project although the initial settlement project has had an unfavorable experience with this crop. The only reason given in the CP report is the absence of extension advice which has led to a lack of maintenance of the trees. It is believed that before embarking on a large scale rehabilitation and expansion programme it would be worthwhile reviewing thoroughly the problems facing this tree crop including agronomic, social and economic constraints. It is suggested that a specific study of rubber plantation should be included in the CP's outline on Agricultural Development (Working Paper 1, Annex 5).

3. Project Cost. The CP report does not give any indication as to the project cost. Though it is too early in the project cycle to compute detailed cost estimates it would nevertheless be useful to provide the GOI and WB with an order of magnitude of total project cost.
4. Project Preparation. Project preparation will be the responsibility of the BAPPEDA of South Sumatera. The organization of the studies comprise the setting up of two steering committees at Central Government and provincial levels, the assignment of a project preparation "core team" and the establishment of task forces for each main component, each assisted by an advisory panel. The organization of these various bodies is likely to be time consuming and it is feared that the delay of **one** year to carry out the studies, to feasibility level, as indicated in Chart II (Working Paper 1), will not be sufficient. Moreover the CP report does not give the estimated cost of project preparation and does not indicate whether sufficient funds and staff are available to carry out the studies. It would be necessary to request the CP to estimate in a separate paper the detailed cost and staff requirement for project preparation. It is most likely that upon the presentation of this paper to GOI, the delay for project preparation will have to be increased.

*we should
show them
attending
QED*

cc. Mr. J. Caparas
Ms. Davis



FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Via delle Terme di Caracalla, 00100 - ROME

Cables: FOODAGRI ROME

Telex: 61181 FOODAGRI

Telephone: 5737

Ref. BK 103/2.12 INS

14 APR 1982

Letter No.: 00042

Dear Marius,

INDONESIA: Pematang Panggang Second Stage
Development Project

... I have pleasure in enclosing 8 copies of the report prepared
by our recent mission on transmigration second stage development.

With kind regards,

Yours sincerely,

Maurice Fenn
Chief, Service II
FAO/World Bank Cooperative Programme
Investment Centre

RECEIVED

APR 26 1982

Mr. Marius Veraart
FAO and IFAD Coordinator
Agriculture and Rural Development
Department, CPS
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

cc: Messrs Hussain (4)
Stern (1)
Coulter (1)

13 April 1982

W/L/ APRIL 14, 1982

INDONESIA

PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT

PROJECT BRIEF AND WORKING PAPERS

FAO/WORLD BANK COOPERATIVE PROGRAMME

INVESTMENT CENTRE

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

ROME

Doc # 200.688

INDONESIA

PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT

PROJECT BRIEF AND WORKING PAPERS

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Project Brief

Project Area Map

Working Paper 1

- Project Preparation Guidelines
- Annex Outlines
- Project Cost Estimates Guidelines

Working Paper 2

- Draft Application for Technical Assistance Funds
- Draft Terms of Reference for Road Study
- Draft Instructions to Consultants Submitting Proposals

INDONESIA

PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT

Initial CP Project Brief

Sector:	Agriculture
Project Code:	7INSADO3P
Project Cost:	Not yet determined
Appraisal Date:	Not yet fixed
Related Documents:	BTO dated 30 March 1982 and IC Report dated 22 January 1982
Date of this Brief:	8 April 1982
Reporting Officer:	L. N. Robertson

A. Sectoral Context

1. The Transmigration Programme is one of the largest and most complex rural development programmes in the world. For the third five-year plan (1979/80 to 1983/84) the Government's target is to move a total of 500,000 families or 2.5 million people from the overcrowded inner islands of Indonesia to the much less crowded outer islands as a means of achieving several of the nation's development objectives. These include contributing to regional development and social integration, improvement of population distribution, generation of gainful employment, increasing food production and strengthening national security. By early 1982 the monthly rate of settlement had risen to over 8,000 families (or almost 50,000 persons). Although GOI is being increasingly successful in moving progressively larger numbers of new settlers and in meeting their immediate needs for housing, land and essential infrastructure, concern is being expressed over the long-term future of transmigrants within their new communities. Observations at a considerable number of sites indicate that, especially in upland areas, the potential for generating surplus agricultural production is not being realised and, even 5 to 10 years after settlers' arrival, output remains at levels which more or less match the subsistence needs of the expanding population.

2. The main source of concern relates to the agricultural production of transmigrants settled in upland rainfed areas, on red-yellow podzolic soils. Free inputs given to settlers in the initial years ensure that they quickly meet their subsistence needs but observations at a number of sites suggest that subsequently food production declines because settlers are unable to sustain from their own resources the high rates of fertilizer application necessary to maintain yields. The lack of any component in the initial development package for establishing tree crops to generate agricultural surpluses and provide settlers with cash incomes means that many communities are, within 5 to 10 years, locked into a subsistence agricultural system which offers little prospect for generating higher standards of living for a rapidly expanding population. Without surpluses there is no basis for diversification of the settlement economies.

3. Economic growth is also constrained by the poor accessibility of many of the transmigration project areas. Until production increases it is difficult to justify the very heavy expenditure required for road upgrading, yet, without all-weather access, the costs and unreliability of transporting agricultural inputs and production in and out of remote transmigration projects become prohibitive.

4. A further problem facing transmigration settlements after the initial phase of development is that, having been planned and initially administered directly by central Government, they tend to be isolated administratively, economically and socially from the regions in which they are located.

B. Project Origin

5. In late 1981, at the instigation of the Minister for Manpower and Transmigration, an FAO Investment Centre Mission ^{1/} visited Indonesia to assist Government in making a preliminary examination of the development needs and prospects of transmigration settlements in the long term. Proposals made by that mission included a suggested approach to planning and implementing "second stage" transmigration development projects which would involve provincial governments. BAPPENAS suggested that this approach should be tested in the formulation of a project for the further development of Pematang Panggang Block I, in Southern Sumatera, the Province which has received most transmigrants under Repelita III (47,000 families, or about 25% of the total programme by end 1981).

6. Settlement in Pematang Panggang began in 1974 and by the end of 1982 is expected to involve 10,800 families. A further 35,000 families are scheduled to be resettled from South Lampung to the area of North Lampung which lies adjacent to Pematang Panggang on the southern bank of the Mesuji River. Further settlement is envisaged in the tidal swamp areas on the Mesuji and in upland areas to the north east of the existing settlement of Pematang Panggang. (See map).

C. Project Rationale and Concept

7. Responsibility for transmigration settlements is normally handed over by the central Government to local Government authorities after about 5 years. While this hastens administrative integration, local Government agencies simply do not have access to financial resources on the scale required to make the investments still needed to promote the emergence of viable economies in the settlement areas and to integrate these with the local community. This project would be designed to strengthen the managerial and financial capacity of the Provincial Government of South Sumatera to address the further development needs of transmigration settlements for which it is becoming administratively responsible and to accelerate their integration in the local and regional economy. An underlying purpose of the project is to develop a system for coping with the second generation problems anticipated to arise from the transmigration programme which would be replicable both in South Sumatera and other transmigration receiving Provinces.

^{1/} See Draft Report 2/82 DDC INS 33, 22 January 1982.

8. The project would be focussed principally on Pematang Panggang I, a settlement of 3,500 families which was handed over to local authorities in 1981. Although farms are above average in size (5 ha), the level of development is fairly typical of transmigration settlements on upland red-yellow podzolic soils. Farmers have between 1 and 2 ha under cultivation with annual crops, producing little more than their subsistence needs. Although rubber has been planted on about 0.5 ha per farm (with WFP assistance), in the absence of extension advice, this has not been maintained.

9. For this population the emphasis of the project would be upon increasing settlers' sources of cash income, principally through tree crop planting (part rubber and part multi-layer mixed tree crops) and through promoting diversification into small-scale secondary industries. Up-grading to all-weather standards of the existing main access road would also be expected to contribute in the short-term to the area's economic development. Improvements to domestic water supplies, which are normally insufficient for the expanding population's needs in the 3 months from June to September, would also form a key component of the project. Although needs for improvements in social services (e.g. education, health, family planning) can be recognised, it is considered that these would be more appropriately tackled through the Government's regular programmes than through an externally financed project.

10. In contrast to the initial phase of transmigration, the project would also seek to promote the development - on an equal footing - of the local Mesuji "marga" which made lands available for transmigration. Incomes from traditional sources - forestry and fisheries - are declining with the encroachment on the area's forest resources, and the need is recognised to develop alternative employment in agriculture. By opening up opportunities for the local population to participate in the same development programmes as those being offered to the transmigrants, the project would counteract tendencies for the settlers to receive special treatment and hence contribute to social and economic integration.

11. It is also envisaged that the project would assist the Provincial Governments of South Sumatera and Lampung in improving their transportation systems so that these could meet the demands posed by the vastly increased population expected to settle in their border areas. Apart from providing vital access to the new settler population, the construction of a road traversing the settlement area centred on Pematang Panggang, if proved feasible, would bring other important regional benefits: it would shorten the distance between the two provincial capitals (Palembang and Teluk Betung) by about 200 km and would open up a new transport corridor (linking up to Jambi) in eastern Sumatera. This, in turn, would provide a major incentive for spontaneous migration.

D. Project Description

12. While general agreement has been reached between the FAO/WB CP mission and the Government on the concept of the project (see C above), details of the components can only be defined after a number of field studies have been completed and after decisions have been taken by the South Sumatera Provincial planning authority, BAPPEDA, which will be

mainly responsible for project preparation. In advance of final proposals from BAPPEDA, however it is foreseen that the project will probably contain the following main elements.

Transportation

- (a) Immediate improvements to road access by up-grading the existing road from Petanggan to Pematang Panggang to all-weather standards (50-60 kms). This would also include resurfacing roads and some bridge reconstructions in Pematang Panggang I settlement.
- (b) Construction of a new main road (160-180 km) to traverse the settlement areas of the Pematang Panggang sub-region and northern Lampung, which would also provide a more direct route between the provincial capitals of Palembang and Teluk Betung.
- (c) Construction of small jetties on the Way Hitam and Mesuji rivers.

Agriculture 1/

- (a) Rehabilitation and expansion of rubber production, and expansion of mixed commercial tree cropping on both settler's holdings and in the marga villages: this would be promoted by credit, linked to strengthened technical support services.
- (b) Re-forestation, particularly for fuel-wood supply.
- (c) Continuation of on-farm trials programmes.

Non-Agricultural Activities

- (a) Promotion (through credit, training and technical assistance) of small-scale industries in the private and cooperative sectors (e.g. cassava processing, brick and tile manufacture).

Local Infrastructure

- (a) Construction of small dams mainly for domestic water supplies and possibly for fish culture and minor irrigation.
- (b) Construction of additional staff housing and administrative buildings as required.

Others

- (a) Establishment and protection of reserve areas for wild-life (particularly elephants).

1/ Note: Although preliminary studies by Electroconsult (financed under Irrigation XV, Credit No. 995) suggest that 18,000 ha in Pematang Panggang may be suitable for irrigation development, the mission has found no evidence of the availability of land for such large-scale irrigation (See Wyatt's Back to Office report, dated 18 March 1982).

12. A component covering cooperatives and self-help groups has not been considered as this is expected to be covered under bilateral arrangements made on behalf of the Netherlands Government by the International Labour Organisation.

13. No estimate of project costs can be made at this stage.

E. ISSUES

14. Project Management Arrangements. While there is general agreement within the Government on the project concept and on the approach to preparation, both represent important departures from previous practice in Indonesia. Precedents for international financing of regional projects exist both in the WB-financed Urban Development and Jogjakarta Rural Development Projects and in USAID's Provincial Development Project. It will be necessary, however, to modify the mechanisms developed for these projects to ensure a smooth transition for transmigration settlements from central to provincial government control. Particular attention will have to be given during project preparation to defining budgetary arrangements which give the provincial authorities a maximum of autonomy and to instituting coordinating mechanisms at various levels in the administrative hierarchy.

15. Agricultural Technical Services. The project's emphasis on mixed farming, led by tree crops, is also expected to pose institutional problems, the solution of which will depend on the preparation team's ability to devise a means for technical staff from the various Directorates General of the Ministry of Agriculture to work together.

16. Financing Road Feasibility Study. While most project preparation is expected to be carried out by provincial staff mobilised by BAPPEDA (South Sumatera) and funded from its annual budgets and those of the line ministries involved, other funding will have to be sought for the study of the new main road linking Lampung and South Sumatera. Immediate attention will also have to be given to defining the arrangements whereby BAPPEDA could request such funding. The present suggestion is that it could apply for technical assistance funds held by BAPPENAS under a previous World Bank project.

F. Project Status and Follow-up Actions

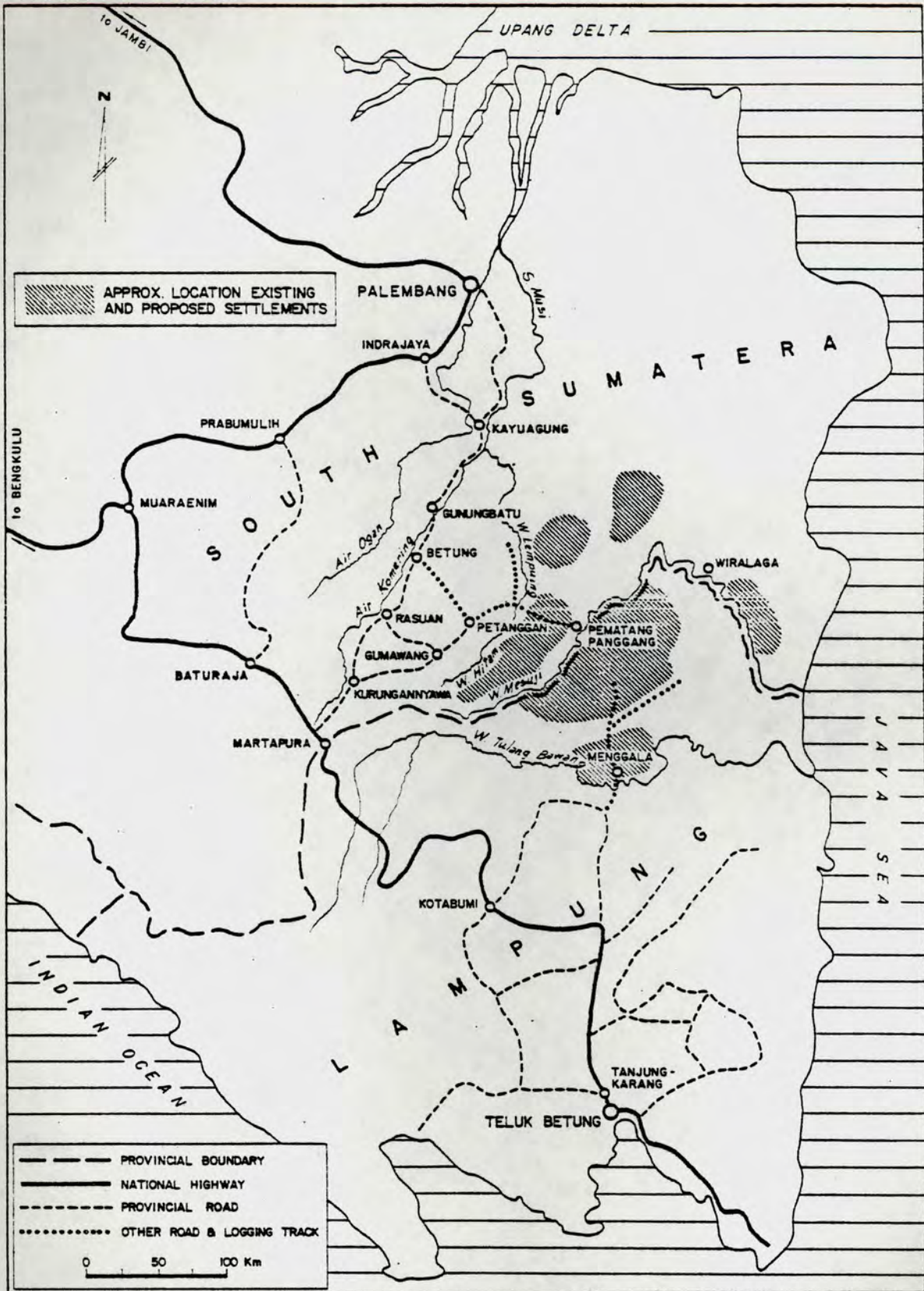
17. The Office of the Junior Minister of Transmigration has indicated it would call together the main agencies responsible for the proposed project, particularly BAPPENAS, Ministry of Home Affairs and the Provincial Government of South Sumatera, to confirm arrangements for preparation of the project. Complete guidelines on project preparation, which were discussed in draft with the provincial Government, and draft terms of reference for the main road study for which BAPPEDA (South Sumatera) is expected to apply for financing from the WB Technical Assistance Credit, (held by BAPPENAS) have been finalised and are being forwarded to Government.

18. The mission is satisfied that the full involvement of the provincial authorities in project preparation - even though it may involve

delays - will lead to a project which will suffer from fewer implementation problems than one planned either centrally or externally.

19. A small CP mission will return to Indonesia to guide preparation in the second half of June, 1982 when present GOI restrictions on travel have been lifted. It will then be possible to determine whether the February 1983 target date, tentatively set for completing project preparation, is still attainable.

INDONESIA — PEMATANG-PANGGANG SECOND STAGE DEVELOPMENT PROJECT
PROJECT AREA



INDONESIAPEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECTGUIDELINES ON PROJECT PREPARATIONIntroduction

The purpose of this note is to suggest a possible approach to preparing a Second Stage Development Project for Pematang Panggang I and the surrounding sub-region, to provide guidelines on the preparation of a feasibility study for presentation to the World Bank, and to indicate the field work and surveys required as an input into the feasibility study.

Approach

The BAPPEDA of South Sumatera Province is expected to assume lead responsibility for the preparation of the project. Guidance on certain policy, technical and organizational issues would be sought from central government agencies (e.g. Ministry of the Interior, JMT/DGT, Bina Marga (PU), etc.), but the bulk of the detailed preparatory work would be carried out by staff of the involved agencies at provincial and kabupaten levels. Some external consultant assistance might be arranged for any major surveys (e.g. inter-provincial road feasibility study) if required. The FAO/World Bank Cooperative Programme would be able to provide periodic assistance to the BAPPEDA throughout the course of project preparation.

Project preparation is expected to involve the following actions:

1. Designation of steering committees and assignment by BAPPEDA of a "core team" for project preparation.
2. Evaluation of Pematang Panggang I project.
3. Interagency consultations leading to the preparation of an "Outline Plan". This Plan would:
 - Define development strategy;
 - List the main components intended for inclusion in the project;
 - Identify main issues to be resolved in the course of project preparation;
 - Define reporting requirements (see below);
 - Nominate the agencies/individuals responsible for the preparation reports, and establish coordinating arrangements;
 - Set a schedule.

4. Establishment of task forces for each main component, each assisted by an advisory panel ^{1/}.
5. Assembly of existing data, studies, surveys, etc.
6. Commissioning of additional surveys and studies.
7. Preparation of first draft of annexes, review and finalization.
8. Completion of project preparation report.

Possible organisational arrangements for project preparation are set out in Chart I, while Chart II presents a tentative project preparation timetable.

The Project Preparation Report

A project preparation report for presentation to the World Bank conventionally consists of a short (25 to 30 pages) "Main Report", supported by a number of "Annexes". Since the "Main Report" is essentially a summary document, it is most easily prepared after the Annexes have been completed and agreement has been reached on the detailed features of the project. Detailed guidelines on the presentation of the main report will be given at a later stage in project preparation.

It is convenient to distinguish between three types of Annexes: those which:

- describe the pre-project situation (e.g. the characteristics of the project area);
- justify and define the components of the project;
- summarise costs, details of economic evaluation, etc.

Where very detailed source material is available this may usefully be presented in a summary form in the Annexes but placed on record in "working papers" or "project files" for subsequent reference.

Until a conclusion has been reached on project components, it is not possible to provide more than generalised guidelines on the types of annexes and supporting studies required. The following tentative suggestions must, therefore, be seen simply as a first approximation, to be refined as project preparation proceeds.

^{1/} Advisory panels would be made up of individuals considered as authorities on subjects of concern to the task force. For example, in the case of agriculture, it is suggested that scientists such as Dr. Suryatne Effendi (Director of Sembawa Research Station), Mr. Ernest Abeyaratne (FAO Agronomist and staff of the Faculty of Agriculture, University of Sriwijaya, be invited to participate in the panel.

INDONESIA: PEMATANG PANGGANG SIXTH STAGE DEVELOPMENT PROJECT

SUGGESTED ARRANGEMENTS FOR PROJECT PREPARATION

Working Paper 1
CHART 1

Central Level

Ministry of Home Affairs
Directorate General
for Regional Development

Inter-Agency Policy
Committee

Provincial Level

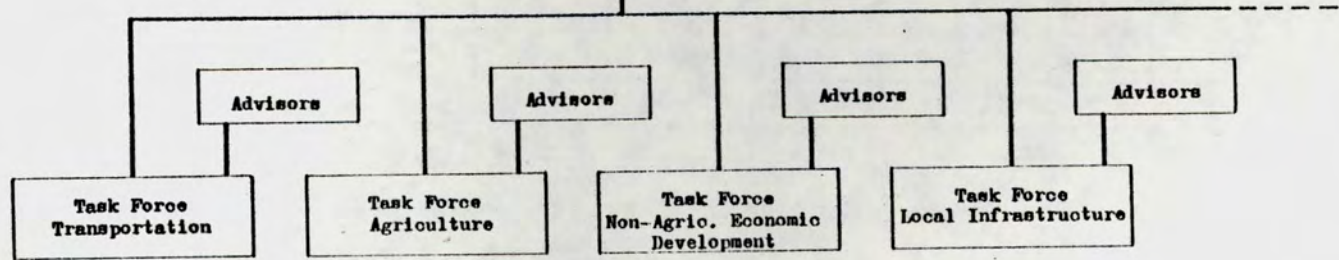
Governor
South Sumatera

BAPPEDA

Steering Committee
(Agency Heads, OKI
Kabupaten Staff etc.)

FAO/World Bank
Cooperative
Programme

Project Core Team



INDONESIA

PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT

Tentative Project Preparation Schedule

Task	1982									1983		
	April	May	June	July	August	September	October	November	December	January	February	March
Set up project preparation arrangements	_____	_____										
Evaluation Pematang Panggang I		-----	-----									
1st selection project components			_____									
Field studies				_____	_____	_____	_____					
2nd approximation project components							_____	_____				
Completion of detailed proposals								_____	_____	_____		
Review and finalisation report										_____	_____	
<u>Main Road Feasibility Study</u>												
Apply for T/A funds	_____											
Invite proposals		_____										
Select consultants/negotiate			_____									
Field studies/report preparation				_____	_____	_____	_____					
<u>FAO/World Bank CP Missions</u>			_____				_____			_____	_____	

INDONESIA

PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT

PROJECT PREPARATION REPORT

SUGGESTED LIST OF ANNEXES

<u>Annex No.</u>	<u>Title</u>
1	Evaluation of Pematang Panggang I
2	Pematang Panggang - Sub-Regional Context
3	On-going Development Programmes
4	Transportation
5	Agricultural Development
6	Diversification and Economic Development outside the Agricultural Sector
7	Local Infrastructure and Services
8	Organisation and Management
9 <u>1/</u>	Summary of Costs
10 <u>1/</u>	Economic and Social Evaluation

Maps and Plans

1/ No outline provided.

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PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT

SUGGESTED OUTLINE FOR ANNEX 1

Suggested Title: Evaluation of Pematang Panggang I

- Purpose:
1. To assess the performance of Pematang Panggang I in relation to its original objectives.
 2. To identify the underlying causes of success or failure, and the extent to which these could affect the design of a second stage project.
 3. To provide base-line data for the planning and subsequent monitoring and evaluation of the proposed second stage project.

An indirect purpose of the evaluation exercise would be to enable the staff concerned with project preparation to develop an appreciation of the problems and potential of the project area.

Suggested Outline

Project history: origins, planning, implementation, institutional responsibility.

Original objectives and targets.

Achievements - a description of the present situation and its relation to targets, combined with an assessment of the underlying reasons for success or failure. This evaluation could be related to:

- The population
 - Origins;
 - Demographic characteristics and trends (total population, age structure, family size, density etc.);
 - Health, nutrition and family planning;
 - Education and literacy;
 - Housing and amenities (e.g. water, electricity);
 - Employment (including role of women);
 - Incomes and expenditures.
- Production and trade
 - Agriculture, livestock and fisheries: land use, farm size, crops cultivated (area, condition, yields, production), livestock numbers and production, technology employed, marketing arrangements, prices, land tenure, factors restricting expansion;

- Non-agricultural production: types, output, employment, equipment and technology, markets and prices;
- Commerce: wholesale and retailing activities, goods traded, size of establishments, adequacy of service.
- Infrastructure
 - Transportation;
 - Water supply;
 - Markets, etc.
- Institutions
 - Farmer institutions (kelompok, cooperatives, etc.);
 - Government services: e.g. education, health, input delivery, credit, marketing, agricultural extension, research, etc.;
 - External institutions: e.g. WFP.
- Integration in sub-regional economy
- Environmental impact

Conclusions: Implications for second stage project design.

Tables

Supporting Surveys

It is suggested that the evaluation be carried out under the guidance of the Directorate of Planning of the Directorate General of Transmigration by members of the BAPPEDA core team responsible for project preparation, since this would enable them to familiarise themselves with conditions in the project area and identify its development potential. The aim would be to arrive at qualitative judgements on the performance of the first project, and to support these with some quantitative data. A simple approach to the evaluation could involve:

- Preparation of historical background, maps, basic data on project, questionnaires (by DGT);
- Visit to project area by a team of about 7 persons (one per village);
 - Day 1: general familiarisation tour, meetings with local staff and leaders;
 - Day 2 & 3: carry out socio-economic survey (not necessarily statistically accurate but including possibly 10 farms randomly selected in each of the 7 villages);

- Day 4: Survey cooperatives, farmer institutions, non-agricultural sources of employment and marga community;
- Day 5: Seminar to formulate conclusions.
- Analysis of data and preparation of evaluation report by team leader.

Assistance in the design of questionnaires could be sought from FAO/UNDP Project INS/78/012 which has carried out socio-economic surveys of this type in the past.

Source Material

Pematang Panggang - development plan prepared for GOI/FAO/UNDP by Huszar Brammah (1974);
WFP project documents;
Various "monographies" prepared by DGT;
National population census 1981;
LP3 research results.

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PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT

SUGGESTED OUTLINE FOR ANNEX 2

Suggested Title: Pematang Panggang - Sub-Regional Context

- Purpose:
1. To provide background information on the resources of the southern South Sumatera - North Lampung sub-region, relevant to the preparation of the proposed project.
 2. To offer an assessment of the area's development potential and its implications on project design.

Suggested Outline

Note: It is suggested that the text be kept extremely short, but that it be amply supported by tables, diagrams and maps. The text should emphasise those features which are relevant to project design.

Geographical features

- Location;
- Geology and minerals;
- Land form, topography, drainage systems;
- Soils;
- Climate (rainfall, temperature, wind, humidity);
- Vegetation;
- Wildlife (particularly endangered species).

Socio-economic situation

The population

- Origins, culture, language, religion, social organization;
- Numbers, family size, age structure, trends;
- Education, health, employment, living standards, incomes;
- Land tenure.

Administration

- Economic activities;
- General features and trends;
- Land use;
- Agriculture;
- Forestry;
- Fisheries;
- Other primary activities;
- Industry;
- Trade.

Infrastructure and services

- Settlement pattern;
- Transportation - rivers, roads, railway;
- Private and public sector services (e.g. transport, medical, educational, agricultural services).

Development potential and constraints

- An assessment of the main opportunities for development, and of the limitations of the area (referring to the earlier description of resources, environment, accessibility, etc.)

Development plans and programmes (Cross reference to Annex 3)

- Outline the general strategy for development of the sub-region, and the content of provincial development plans.
- Identify proposed development actions, in both private and public sectors (e.g. transmigration and re-settlement; sugar projects; tidal lands' reclamation; road betterment and railway upgrading programmes; forest concessions and reserves, etc.). Forecast their impact on land use, population distribution (especially on the hierarchy of settlements), regional economy, etc.

Implications for project design

Tables, plans, maps

Supporting Surveys

It is believed that this annex can be prepared by BAPPEDA staff largely as a desk exercise, drawing on existing material in Palembang, Teluk Betung and Jakarta. Some additional relevant material on conditions in the sub-region will be gathered in the course of the proposed main road feasibility study (see Annex 4 outline), which will include a socio-economic evaluation and also a study of potentially vulnerable endangered wildlife species, the habitats of which could be adversely affected by the road and related settlement programmes in the sub-region.

Source material

Pertamina mineral resource surveys;
National climatic records;
Soil surveys (LPT, Bogor);
Population census (1981);
TKTD draft regional plan Southern Sumatera (under preparation);
Regional studies;
Provincial development plans (Lampung and South Sumatera).

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PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT

SUGGESTED OUTLINE FOR ANNEX 3

Suggested Title: On-going Development Programmes

Purpose: To describe all on-going projects and programmes in the sub-region which have direct relevance to the proposed project.

Suggested Outline

For each project or programme prepare a brief summary, covering:

- Objectives/targets;
- Components;
- Financing;
- Organisational arrangements;
- Achievements;
- Implications for proposed project.

Among the programmes to be reviewed are the following:

- BIMAS/INSUS;
- Cattle distribution schemes;
- WFP food for work projects;
- LP3/FAO cropping systems studies;
- MOA conservation farming studies;
- National Extension Project;
- Smallholder Rubber Development Project;
- Irrigation Study Programme;
- Mesuji Tidal Swamp Reclamation Projects;
- ILO Cooperative Development Project.

Source Material

- Relevant project documents;
- Socio-economic survey (see Outline for Annex 1).

INDONESIAPEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECTSUGGESTED OUTLINE FOR ANNEX 4

Suggested Title: Transportation

Purpose: To define and justify the project components for improving road and river access to the project area.

Suggested Outline:

It is proposed that the Annex be prepared in two parts. Part A would cover the project components for improving the existing access road and river transport system: this would be prepared by the BAPPEDA team with the full involvement of the Road Betterment Office and LLASDP staff and their consultants. Part B would refer to the proposed new inter-provincial road and would be derived from the feasibility study to be completed by consultants (see separate draft terms of reference).

Part A: Improvements to Existing Road and River Access

Existing Situation

The existing road network serving the transmigration area:

- Main features;
- Road and bridge inventory of transmigration road between Petanggan and Pematang Panggang village (tabulated);
- Condition (indicating frequency when impassable);
- Alignment (vertical and horizontal), drainage, soils and sub-grade, bridges, culverts, maintenance standards and arrangements, and availability of materials;
- Traffic volumes, commodity movements and loads: discuss routes to major markets and administrative centres (Belitang, Martapura, Kayu Agung, Palembang), noting travel time and costs (for both people and goods), comparing if possible with other major agricultural production areas in South Sumatera.

The role of river transport:

- The river transport network (Way Hitam and Mesuji River);
- Traffic (boat sizes, movements), loads, costs;
- Port facilities.

Constraints

Referring to the description of the existing situation, summarize the problems posed by the existing transportation network, particularly the implications on costs of inputs, price formation, availability of services.

Options for Improving Access

Examine alternative solutions to the access problems, assessing respective roles of road and water transport; alternative routes (e.g. transmigration access road via Cahaya Tani, or logging concession road) and the options for standards to be adopted for road surface, bridges, drainage, taking into account both capital costs and maintenance implications.

Evaluate the alternatives (taking into account the proposal to provide new main road access to the area, see Part B) and recommend a course of action to be supported by the project.

Project Components

Summary description of project works, referring to tabulated specifications (expected to include up-grading of Petanggan-Pematang Panggang road and construction of landing stages/storage areas on Way Hitam and Mesuji River). Specify maintenance equipment.

Cost Estimates and Phasing

Capital costs of project works, shown by years.

Organization and Management

Responsibility for detailed design and construction (roads and landing stages), indicating proposed contractual arrangements.

Maintenance responsibilities and procedures.

Benefits

Economic rate of return, giving details of underlying assumptions on capital and maintenance costs, forecasts of volumes transported, vehicle operating costs, etc.

Part B: Inter-Provincial Road from Kayu Agung to Menggala

See draft terms of reference for consultants' study.

Arrangements for Preparation:

Part A

RBO Palembang (assisted by their consultants) to be requested by BAPPEDA to undertake:

- Preparation of road inventories;
- Completion of any necessary surveys (topographical and/or soils);
- Design for road upgrading;
- Preparation of quantity estimates;
- Preparation of contract documents (if not to be up-graded by force account).

DPUP to establish maintenance procedures. Bina Marga (Palembang) in conjunction with LLASDP to locate and design landing stages.

Part B

While main responsibility for preparation of the feasibility study would be sub-contracted to consultants, the terms of reference indicate that the Government would supply the consulting firm with certain background information. To avoid delays, compilation of this information should commence immediately. In particular RBO Palembang should be requested to prepare:

- Data on vehicle operating costs and user charges;
- Unit costs for construction based on analysis of recent bids;
- A compilation of available traffic data (road, rail and water);
- Up-to-date base mapping of possible road routes;
- Aerial photograph mosaics (possibly available from TKTD).

Counterpart personnel should also be identified at an early stage.

Source Material

Feasibility study Palembang-Perabumulih road;
Pematang Panggang transmigration studies: (e.g. original plan by Huszar Brammah for FAO/UNDP; recent plans for Pematang Panggang II and III; studies (by Halcrows) prepared for TKTD to identify additional settlement areas in South Sumatera);
Plans for resettlement in North Lampung;
Preliminary studies (prepared by Kabupaten OKI roads office) for new access road to Pematang Panggang;
Bina Marga traffic counts;
Dinas LLASDP Palembang and Tanjung Karang road and water traffic data;
Population census 1981.

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PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT

SUGGESTED OUTLINE FOR ANNEX 5

Suggested Title: Agricultural Development

- Purpose:
1. To examine the options for further agricultural development in Pematang Panggang I and on the lands of the Mesuji Marga community;
 2. To present and justify the agricultural development programme to be financed by the project.

Suggested Outline

Background: national agricultural policies and objectives, and their implications for transmigration; the rôle of government institutions in the agricultural sector.

The project area: short description, with cross references to Annexes 1 and 2.

Constraints and development options: a considered review of the constraints to agricultural development in the area (soils, topography, labour shortages, inaccessibility), and of the advantages and disadvantages of various approaches to agricultural development (the options for short-term crops, tree crops (mixed and pure stand), live-stock etc.). This section should refer to farmer experience and relevant research work, and also take full account of the impact which the improved communications to be provided by the project will have on the area's agricultural potential.

Project actions:

- The agricultural development strategy to be adopted by the project.
- Targets, expressed in terms of areas and numbers of farmers to be affected by the project, as well as in forecast output.
- The components to be financed (in terms of, for example, credit for farm development and processing, strengthening of technical services expansion of applied research, storage facilities, etc.).

Project costs: See explanatory note at end of guidelines.

Organisational arrangements: (Cross reference to Annex 8). Define organisational and staffing arrangements for agricultural support services, including extension, input supply, credit, marketing etc. The rôle of local institutions, especially cooperatives, should be explained.

Farm models: Illustrate the main types of farm development proposed by the use of farm models, showing proposed changes in land use, input levels and costs, yields, production, output value, credit requirements, debt servicing and cash flow. Because labour availability would be a serious constraint, monthly labour profiles should be included in the model. (A specimen farm model which could be used as a guide for table layout is given as Attachment 1).

Markets and prices: Examine the market prospects (and constraints) for the main commodities for which increased production is forecast, referring to current production, domestic demand and consumption, imports and exports, and World market situation. Justify price assumptions, taking into account seasonal variations and the differences between local prices and those prevailing elsewhere in Indonesia. Give details of support prices. Indicate probable impact of improved communications on price formation and marketability of local produce, possibly by analogy to similar areas (e.g. Baturaja, Way Abung).

Supporting Surveys

The following surveys are recommended:

Tree crops in Marga villages: A survey designed to identify existing and potential tree crop areas in villages of the Mesuji Marga. This would involve an inventory of existing tree crops (species, area, condition, productivity, ownership); identification of land for re-planting or expansion of tree crops; assessment of farmer interest in crop expansion and setting of village-specific planting targets.

Rubber survey: A survey in Pematang Panggang I settlement area to identify for each plot the area under immature rubber, its condition and requirements for rehabilitation. The survey would also assess farmers' interest in rehabilitation of existing rubber, expansion of rubber planting and in cultivation of other tree crops.

Nursery survey: An inventory of nurseries to identify areas available and utilised, state of infrastructure (roads, water supply, buildings), availability of skilled staff and possibilities for expansion.

Mixed farming study: A systematic agro-economic survey of existing mixed farms in upland areas of Sumatera. The purpose of this survey would be to identify farming systems tested over a long period by local inhabitants for possible application in Pematang Panggang. The survey would identify preferred crop mixes and the role of livestock (and fisheries), variations in land use practices, levels of purchased input labour utilisation, production, home consumption, sales and incomes. The survey would also identify farmer perceptions of problems and constraints.

The first three surveys could probably be carried out by a 2-3 man team from DG Estate Crops over a period of about 3 weeks. The fourth survey could either be performed by a team of tree crops, food crops and livestock staff from the provincial level offices of the Ministry of Agriculture, or be sub-contracted to a university or institute.

Source Material

- World Bank Smallholder Rubber Development Project, Report No. 2721-IND. (This covers rubber development in South Sumatera). (Also NES Project Reports).
- Report of FAO Investment Centre Mission for Assessing Long-Term Development of Transmigration Settlements in Indonesia Vol. II, Working Paper I.
- Screening Studies Phase II and III for Transmigration Settlement Pematang Panggang XXII E and F (TKTD).
- Survei dan Pemetaan Kapabilitas Tanah Daerah WPP XXII Pematang Panggang - P3MT. Bogor.
- World Bank Transmigration II Project Report No. 2349b-IND.
- WFP Report No. 2260 dated 28 January 1982 (extension of food for work programmes in Pematang Panggang Block I).
- FAO/UNDP/LPPP applied research in Pematang Panggang.
- Recent survey by LPT Bogor of soils in the area (Nov. 1981).
- P4S Study of the Mesuji tidal lands area.
- Irrigation study for the Pematang Panggang area (Electroconsult).

INDONESIA: PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT

Specimen Farm Model

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RONDONIA RURAL DEVELOPMENT PROJECT

Model 1 Area - yield and production

Years.....												
	0	1	2	3	4	5	6	7	8	9	10	11	12 onward
Cropping Pattern (ha)													
Rice	2.0	3.0	3.0	3.0	3.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Maize	0.5	1.0	1.0	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Beans	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Manioc	0.1	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Pasture (C)	0.5	0.5	0.5	1.5	3.0	1.5	1.5	1.5	1.5	3.5	5.5	7.5	9.5
Pasture (A)	-	-	1.5	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Coffee	-	-	3.0	3.0	3.0	7.0	7.0	9.0	13.0	13.0	13.0	13.0	13.0
Poultry No.	15	30	30	30	50	50	50	50	50	50	50	50	50
Pigs No.	-	2	6	2	3	4	4	4	4	4	4	4	4
Cattle No.	-	-	-	-	-	2	3	3	3	3	3	3	3
Land Clearing: Annual	2	3	2	2	2	2	2	4	2	2	2	2	2
: Cumulative	5	8	10	12	14	16	18	22	24	26	28	30	32
Yields (t/ha)													
Rice	1.50	1.50	1.65	1.75	1.90	2.00	2.10	2.20	2.30	2.30	2.30	2.30	2.30
Maize	1.60	1.60	1.65	1.70	1.75	1.80	1.85	1.90	2.00	2.00	2.00	2.00	2.00
Beans	0.40	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Manioc	15.00	15.00	16.00	17.50	19.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Coffee	-	-	-	0.17	0.80	1.90	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Production (tons)													
Rice	3.00	4.50	4.95	5.25	5.70	2.00	4.20	4.40	4.60	4.60	4.60	4.60	4.60
Maize	0.80	1.60	1.65	2.55	3.50	3.60	3.70	3.80	4.00	4.00	4.00	4.00	4.00
Beans	0.40	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Manioc	1.50	7.50	8.00	8.75	9.50	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Coffee	-	-	-	0.51	2.40	5.70	7.50	3.75	7.55	8.75	10.65	15.05	16.25

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Model 1 - investment plan

Year.....				
	1	2	3	4	5
	(Cr\$'000)				
<u>Livestock</u>					
Chickens	-	-	2.7	-	-
Weaners <u>1/</u>	2.1	-	-	-	-
Sows <u>2/</u>	-	7.0	-	3.5	-
Boar <u>3/</u>	-	-	5.0	-	-
Cows <u>4/</u>	-	-	-	40.0	20.0
Sub-total	2.1	7.0	7.7	43.5	20.0
Fencing, Buildings etc. <u>5/</u>	-	5.0	10.0	42.0	23.0
<u>Crops</u>					
Sprayer	-	3.0	-	-	-
Farm tools <u>6/</u>	-	-	5.0	-	-
Coffee drying floor	-	-	-	-	50.0
Total	2.1	16.0	22.7	85.5	93.0
Physical contingencies (10%)	0.21	1.6	2.3	8.6	9.3
Total investment	2.31	17.6	25.0	94.1	102.3

-
- 1/ 2 at Cr\$1,050 each including purchase expenses and medicines.
 - 2/ At Cr\$3,500 each.
 - 3/ At Cr\$5,000 each.
 - 4/ At Cr\$20,000 each.
 - 5/ Pigs: 20 m² farrowing shed at Cr\$220/m² plus approx. 260 m fences at Cr\$40/m.
 Cows: Trough at Cr\$5,000, equipment at Cr\$2,000, roof at Cr\$2,000, 1,400 m fences at Cr\$40/m.
 - 6/ Cutlass, hoe, axe etc.

Specimen Farm Model

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RONDONIA RURAL DEVELOPMENT PROJECT

Model 1 - costs and returns

<u>Gross Value of Production</u>Year.....												
	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12 Onward</u>
	(Cr\$'000)												
Rice	24.0	36.0	39.6	42.0	45.6	16.0	33.6	35.2	36.8	36.8	36.8	36.8	36.8
Maize	4.4	8.8	9.1	14.0	19.3	19.8	20.4	20.9	22.0	22.0	22.0	22.0	22.0
Beans	12.0	12.0	13.5	15.0	16.5	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Manioc	0.9	4.5	5.3	5.7	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Coffee	-	-	-	24.0	112.8	267.9	352.5	176.3	354.9	411.3	500.6	707.4	763.8
Poultry ^{1/}	4.1	8.3	8.3	8.3	13.6	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Pigs ^{2/}	-	5.8	17.4	28.7	28.7	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5
Cattle ^{3/}	-	-	-	-	-	13.1	15.6	15.6	28.4	26.1	26.1	26.1	26.1
Total gross value	45.4	75.4	92.7	137.3	242.2	403.3	508.6	334.5	528.6	582.7	672.0	878.8	935.2
<u>Family Consumption</u>	20.2	20.2	20.2	20.2	20.2	20.2	20.2	20.2	20.2	20.2	20.2	20.2	20.2
Off-farm income	50.1	36.0	-	-	-	-	-	-	-	-	-	-	-
Cash income	75.3	91.2	72.5	117.1	222.0	383.1	408.4	314.3	508.4	562.5	651.8	858.6	915.0
Investment costs	-	2.31	17.6	25.0	94.1	102.3	-	-	-	-	-	-	-
<u>Operating Costs</u>													
Rice	3.76	6.09	6.58	7.10	7.67	2.76	5.97	6.44	7.05	7.05	7.05	7.05	7.05
Maize	0.09	0.20	0.23	0.39	0.59	0.67	0.76	0.86	0.97	0.97	0.97	0.97	0.97
Beans	1.53	1.68	1.84	2.02	2.21	2.43	2.43	2.43	2.43	2.43	2.43	2.43	2.43
Manioc	0.14	0.74	0.79	0.84	0.90	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96
Coffee	-	-	19.40	5.74	6.34	48.84	33.00	21.38	29.70	11.88	8.45	-	-
Poultry ^{4/}	2.11	4.22	4.22	4.22	6.34	8.45	8.45	8.45	8.45	8.45	8.45	8.45	8.45
Pigs ^{5/}	-	1.25	3.76	9.92	12.36	14.80	14.80	14.80	14.80	14.80	14.80	14.80	14.80
Cattle ^{6/}	-	-	-	-	-	2.05	2.53	2.53	2.50	2.50	2.50	2.50	2.50
Sub-total	7.63	14.18	36.82	30.23	36.41	80.96	68.90	57.85	66.86	49.04	45.61	37.16	37.16
Hired labour	-	-	-	8.70	7.05	35.70	23.40	10.80	21.60	-	-	-	-
Land clearing	2.00	3.00	2.00	2.00	2.00	2.00	2.00	4.00	2.00	2.00	2.00	2.00	2.00
Mainten. fences and build. ^{7/}	-	-	-	0.50	1.50	5.70	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Misc. and taxes ^{8/}	0.69	1.44	2.16	3.77	6.11	9.81	12.27	7.92	12.77	14.12	16.36	21.53	22.94
Total operating costs	10.32	18.62	40.98	45.20	53.07	134.17	114.57	88.57	111.23	73.16	71.97	68.69	70.10

Footnotes overleaf.

Footnotes

- 1/ Full development: approx. 1,300 eggs at Cr\$2.5 each.
50 poultry at Cr\$100 each.
- 2/ Full development: 15 porkers, each kg. 58, approx at Cr\$50/kg.
- 3/ Full development: approx. 960 litres milk at Cr\$10/litre,
260 kg carcass at Cr\$63/kg.
- 4/ Value of approx. kg. 1,530 of maize at Cr\$5.5/kg at full development.
- 5/ Full development: approx. kg. 2,600 maize at Cr\$5.5/kg, plus
sanitary and veterinary expenses.
- 6/ Weed control, veterinary remedies, minerals, etc.
- 7/ 10% of capital cost.
- 8/ 2.5%/year of cash income (FUNRURAL)
1.0% of credit value (PROAGRO)
0.25% on value of land (Cr\$250/ha).

Specimen Farm Model

BRAZIL

RONDONIA RURAL DEVELOPMENT PROJECT

Model 1 - Cash flow projections

Year.....												
	0	1	2	3	4	5	6	7	8	9	10	11	12
	(Cr\$'000)												
<u>Cash Inflow</u>													
Gross revenues	75.30	91.20	72.50	117.10	222.00	303.10	488.40	314.30	508.40	562.50	651.80	858.60	915.00
Long term loan 1/	-	-	87.45	61.22	26.23	-	-	-	-	-	-	-	-
Short term loan 2/	-	10.50	-	-	-	-	-	-	-	-	-	-	-
Total inflow	75.30	101.70	159.45	178.32	248.23	303.10	488.40	314.30	508.40	562.50	651.80	858.60	915.00
<u>Cash Outflow</u>													
Investment costs	-	2.31	17.60	25.00	94.10	102.30	-	-	-	-	-	-	-
Operating costs	10.32	18.62	40.98	45.20	53.07	134.17	114.57	88.57	111.23	73.16	71.97	68.69	70.10
Total outflow	10.32	20.93	58.58	70.20	147.17	236.47	114.57	88.57	111.23	73.16	71.97	68.69	70.10
Cash balance before debt service	64.98	80.77	100.87	108.12	101.06	146.63	373.83	225.73	397.17	489.34	579.83	789.91	844.90
<u>Debt Service</u>													
Long term loan outstanding	-	-	(87.45)	(148.67)	(174.90)	(174.90)	(131.17)	(87.44)	(43.71)	-	-	-	-
Long term loan repayment 3/	-	-	-	-	-	43.73	43.73	43.73	43.71	-	-	-	-
Short term loan outstanding	-	(10.50)	-	-	-	-	-	-	-	-	-	-	-
Short term loan repayment	-	10.50	-	-	-	-	-	-	-	-	-	-	-
Total debt service	-	10.50	-	-	-	43.73	43.73	43.73	43.71	-	-	-	-
Cash balance after debt service	64.98	70.27	100.87	108.12	101.06	102.90	330.10	182.00	353.46	489.34	579.83	789.91	844.90
Inor. cash balance	-	5.29	35.89	43.14	36.08	37.92	265.12	117.02	288.48	424.36	514.85	724.93	779.92

1/ Cr\$58,300/ha over three years.

2/ Cr\$10,500/ha.

3/ Three years grace period, four years repayment period.
Assume no interest payment, see para. 3 Annex text.

RONDONIA RURAL DEVELOPMENT PROJECT

Model 1 - financial rate of return (Cr\$'000)

<u>Year</u>	<u>Investment Costs</u>	<u>Operating Costs</u>	<u>Gross Revenues</u>	<u>Balance</u>	<u>Incremental Balance</u>
0	-	10.32	75.30	64.98	-
1	2.31	18.62	91.20	70.27	5.29
2	17.60	40.98	72.50	13.92	(51.06)
3	25.00	45.20	117.10	46.90	(18.08)
4	94.10	53.07	222.00	74.83	9.85
5	102.30	134.17	383.10	146.63	81.65
6	-	114.57	488.40	373.83	308.85
7	-	88.57	314.30	225.73	160.75
8	-	111.23	508.40	397.17	332.19
9	-	73.16	562.50	489.34	424.36
10	-	71.97	651.80	579.83	514.85
11	-	68.69	858.60	789.91	724.93
12	-	70.10	915.00	844.90	779.92

FRR = >50%

Sensitivity analysis: half of value of coffee
FRR = 50%

INDONESIA

PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT

SUGGESTED OUTLINE FOR ANNEX 6

Suggested Title: Diversification and Economic Development outside the Agricultural Sector

Purpose: To examine the potential and main options for the development of non-agricultural activities, particularly in the small-scale manufacturing, processing and trading sectors;

To define a strategy for non-agricultural economic development;

To describe the actions to be taken under the project to promote non-agricultural development.

Suggested Outline

Present Situation (cross reference to Annexes 1 and 2)

- Existing industries, trading establishments (main activities, level of technology, capital invested, employment, output, marketing, etc.);
- Resource availability;
- Local demand for services and industrial products.

Potential for Development and Constraints

- An assessment of the main opportunities for the further development of industry, trade and services;
- A review of problems and constraints (e.g. inaccessibility and high transport costs, lack of electricity, lack of skilled manpower, etc.).

Possible Development Strategies

- A careful assessment of the various options for development in the non-agricultural sector, and of the alternative means of stimulating this (potential role of private sector and cooperatives, requirements for credit, training, etc.), leading to the selection of the approach(es) to be supported by the project. This should acknowledge the impact of improved communications expected to result from the project.

Proposed Project Actions

- Definition of the project components to support non-agricultural development (e.g. land grants, licencing for mineral exploitation, credit, training, marketing support, etc.)
- Estimate of costs (cross reference to Annex 9).

Proposed Organization and Management (cross reference to Annex 8)

- Define organizational responsibilities, especially within the public service (e.g. for promotion, training, credit, marketing, etc.).
- Indicate staffing implications.

Production, Markets and Prices

- Summarise forecast output of the industries to be established by the project;
- Demonstrate the financial viability of the proposed investments (with reference to models indicating investment levels, forecast production and sales, operating costs, etc.).
- Examine the markets for the principal products and justify the forecasted prices used in the projections.

Project Justification

- Assess economic benefits;
- Summarise other benefits (especially creation of employment opportunities).

Attachments

Models/feasibility studies for any major industry and for minor industries if these are to be replicated at several sites.

Arrangements for Preparation

It is suggested that proposals be prepared by a team to be set up by BAPPEDA and including representatives of the KADIN, Department of Small Industries, Department of Estate Crops, Lands and the Department of Cooperatives.

Supporting Surveys

See Annex 1 suggested outline.

INDONESIAPEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECTSUGGESTED OUTLINE FOR ANNEX 7

Suggested Title: Local Infrastructure and Services (other than roads)

Purpose: Describe present infrastructure and services in the Pematang Panggang sub-region. Justify need for additional and/or improved facilities. Describe components to be included in proposed project.

Suggested Outline

Describe in detail current position regarding:

- Domestic water supplies in (a) Pematang Panggang I settlement and (b) the Marga;
- Educational facilities;
- Health (including family planning);
- Other community facilities (e.g. markets). (Cross reference to Annex 1).

Discuss problems or constraints affecting development of local infrastructure and services.

Examine possible solutions.

Make specific proposals for project actions with clear specifications and quantities for all components. (Support with design and quantity estimates for typical structures).

Estimate costs with references to similar work being carried out within the province.

Outline organisational arrangements for construction, staffing and maintenance.

Summarise expected benefits.

Supporting Surveys

No supporting surveys are expected to be necessary but a good local knowledge of the area will be required.

Source material

Reference could be made to recent World Bank projects on kampung improvement and rural development (e.g. Yogyakarta Rural Development Project, Report No. 2336 - IND May 18, 1979).

Draft report on water supplies of Mr. G. Gutierrez-Frias (FAO Consultant to LP3).
Studies by SCET consultants for water supplies in Baturaja Transmigration Project (Transmigration I).
INPRES Programme allocations for area.

INDONESIAPEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECTSUGGESTED OUTLINE FOR ANNEX 8

Suggested Title: Organisation and Management

Purpose: To describe the organisational arrangements for the project (which would be broadly replicable in other Provinces).

To give the details of any legal changes required for project implementation.

To summarise the staffing implications of the project, and the needs for staff-related facilities.

Suggested OutlinePresent Organisational Arrangements

The respective roles of central and local Government in transmigration settlement development and administration (referring particularly to the provisions of Decree 26 (1978), the hand-over arrangements and the changing nature of services required as settlements develop).

Problems Posed by Current Arrangements

For example, the lack of forward planning at time of hand-over from central to local Government; the lack of financial provision for continuing development process; the absence of any overview of the implications of transmigration on regional development, etc.

Options for Addressing Problems

An examination of alternative organisational arrangements (e.g. continuation of current arrangements; extension of period of central Government management; strengthening of local Government capacity to assume development and administrative responsibilities, etc.)

Proposed Arrangements for Project

Main features (especially role of local vis-à-vis central Government, respect for standard administrative hierarchy, etc.).

Proposed organisational arrangements (highlighting changes, new responsibilities, etc.) for:

- planning;
- implementation coordination (lead agency, coordinating committees, project management staff, etc.);
- procurement, award of contracts, supervision of contractors;
- monitoring;
- training;
- any special arrangements for provision of services in the project area (e.g. integrated agricultural PMU).

Finance and budget - Definition of budgetary mechanisms (including system for drawing on external financing).

Legal matters - Identification of any legislative changes required.

Staffing Implications

List additional or up-graded posts required: (a) for project management; (b) for sectoral components (recapitulated from Annexes 4-7).

Define terms and conditions of service (including special allowances).

Technical assistance requirements.

Supporting facilities (staff housing, offices, equipment, etc.).

Summary of staff-related capital and incremental operating costs.

INDONESIAPEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECTPROJECT COST ESTIMATESIntroduction

Set out below are some brief notes on the estimation of project costs. Much time can be saved in the preparation of a complex project report (possibly by several teams working more or less independently) if costs are set out according to agreed principles and if a standard format is used. Specimen tables are, therefore, also attached for the guidance of the project preparation team.

These notes do not relate to economic or financial analysis, since consideration of these topics is premature.

Explanatory notes

(1) It is necessary to distinguish between:

- Project costs;
- Investment (or capital) costs;
- Recurrent (or operating) costs.

Project costs conventionally include all investment costs plus the incremental recurrent costs directly associated with project implementation during a defined "disbursement period" (probably 5 years in this case).

Investment costs are usually defined as those expenditures which generate a continued flow of benefits over a sustained period. In the case of investments partially financed by credit, the total costs (i.e. both the credit element and costs borne directly by the entrepreneur/farmer) are regarded as the "investment costs".

Incremental recurrent costs are those which are forecast to occur over and above the "without project" costs of providing an input or service. They usually include such items as the cost of extra staff salaries, the cost of operating and maintaining equipment purchased under the project, etc. Thus, if the annual cost of operating a service was to increase from Rp1 million in the "without project" situation, by Rp100,000 per year over the five years of the disbursement period the total incremental recurrent costs would be as follows.

	<u>Total Costs</u> (Rp million)	<u>Incremental Costs</u> (Rp million)
Without Project	1.0	-
Year 1	1.1	0.1
Year 2	1.2	0.2
Year 3	1.3	0.3
Year 4	1.4	0.4
Year 5	1.5	0.5
		<hr/>
	Total Incremental Costs	<u>1.5</u>

Where equipment items are being purchased under the project it is convenient to make a note (in tabular form) of the year in which each item is to be replaced. This will simplify subsequent economic analysis.

(2) All financial costs should normally be estimated at current pre-project price levels (e.g. mid-1982 prices). An allowance for the effects of inflation (or "price contingency") can be included as the "bottom line" in the estimation of total project costs, but should be excluded from the cost estimates for each component.

(3) It is conventional in estimating project costs to show the division between local costs and foreign exchange costs. Foreign exchange costs are considered as the costs of any wholly imported goods or services as well as the approximate import component of any locally produced or assembled goods. For items for which part of national demand is met from local sources and part from imports, it is considered that (since the project increases the marginal demand) all project-related requirements are imported.

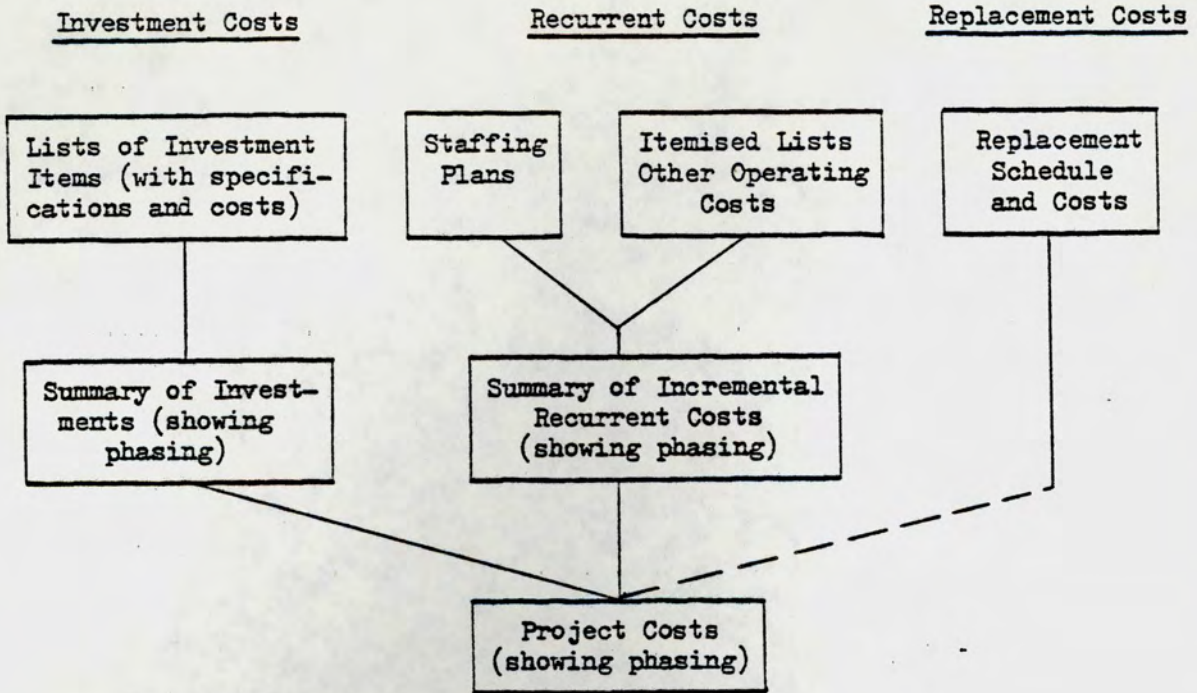
Note, however, that the foreign exchange component of a wholly imported item is seldom more than 85-90% of its value since the cost of the item delivered on site includes local handling and transport charges.

Since most items imported specifically for externally financed development projects are exempt from import duties, this should be taken into account in estimating costs.

Local costs are total project costs minus foreign exchange costs.

Suggested Table Layouts

There are many ways of laying out tables to summarise the various items which make up the costs of a project. Attached are several examples which could be used to promote standardisation. The linkages between different types of cost tables are shown below.



This suggested group of tables can be prepared for each main project component (e.g. transportation, agriculture, etc.), and these can subsequently be summarised using the same formats in proposed Annex 9.

Suggested Table LayoutInvestment Cost Estimates (with summary specifications)

Item and Specification	Unit	No. of Units	Unit Cost Rp'000	Total Cost		Foreign Exchange	
				Rp'000	US\$'000	(%)	US\$'000
Culverts (60 cm diameter)	metres	650	14.5	9,425	14.6	20	2.9
Gravel (2 cm)	m ³	5,000	8.4	42,000	65.1	12	7.8
etc.							
Total							

This type of table is useful for listing down large numbers of minor components with specifications.

Suggested Table Layout

Investment Cost Estimates (showing phasing)

Item	Unit	No. of Units	Unit Cost Rp'000	Year	Year	Year	Year	Year	Total Cost US\$'000	Foreign Exchange (%)	Exchange US\$'000	
				1	2	3	4	5				
Road surfacing	km	23	21,000	63.0	105.0	105.0	105.0	105.0	483.0	748.8	15	112.3
Bridges (\pm 20 m)	each	4	27,500	-	27.5	27.5	27.5	27.5	110.0	170.5	30	51.2
etc.												
<hr/>												
Total												
<hr/>												

Suggested Table Layout

Staffing Plan (showing phasing)

Staff Category	Salary/ year Rp'000.	Without Project	Year 1	Year 2	Year 3	Year 4	Year 5	Incre- mental
	 Number of staff						
P.P.S.	10,000	1	1	1	1	1	1	-
P.P.M.	7,000	1	1	1	1	1	1	-
P.P.L.	5,000	14	18	22	28	30	30	16
etc.								
Total		16	20	24	30	32	32	16
Total (incremental)		-	4	8	14	16	16	-

Suggested Table Layout

Recurrent Costs (showing phasing)

Item	Without Project	Year 1	Year 2	Year 3	Year 4	Year 5	Total Years 1-5	Total Incremental Costs	US\$'000
 Rp million								
Agricultural extension staff ^{1/}	87.0	107.0	127.0	157.0	167.0	167.0	725.0	290.0	449.6
Vehicle operating costs ^{2/}	32.0	48.0	64.0	88.0	96.0	96.0	392.0	232.0	359.6
Demonstration materials	7.0	15.0	25.0	35.0	40.0	40.0	155.0	120.0	186.0
etc.									
Total	126.0	170.0	216.0	280.0	303.0	303.0	1,272.0	642.0	995.2
Total (incremental)	-	44.0	90.0	154.0	177.0	177.0	642.0		

^{1/} For details, see Table (staffing plan).

^{2/} Estimated at Rp8 million per vehicle year.

Suggested Table Layout

Replacement Schedule and Cost Estimates

Item	Life (Years)	Unit Cost Rp million	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9 ^{1/}
Jeeps	7	10.0	-	-	-	-	-	-	-	10.0	30.0
Bicycles	5	0.3	-	-	-	-	-	1.5	1.5	-	-
Etc.											
Total											

^{1/} Continue for each year of "life" of project (possibly 20-25 years).

INDONESIA

PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT - MAIN ROAD COMPONENT
(Consultancy Services for a Feasibility Study for Proposed
South Sumatera/Lampung Inter-provincial Road)

Suggested Draft Request from BAPPEDA (SumSel) to BAPPENAS
For Use of Technical Assistance Credit Funds

Application for Technical Assistance Credit

Introduction

1. In agreement with BAPPENAS, the Ministry of Home Affairs and the Ministry of Manpower and Transmigration, the Provincial Government of South Sumatera is to assume the lead responsibility for preparing a project, under consideration for partial World Bank financing, for the further development of the Pematang Panggang Transmigration Project Area in its wider regional context. This project is considered important since its preparation and implementation are expected to set precedents for similar "second-stage" transmigration development programmes, not only in South Sumatera but also in other major transmigration recipient provinces.

2. While the Provincial Government has the financial resources to cover most of the costs associated with project preparation, it seeks supplementary funds to pay for the feasibility study of a new road, intended to link the Pematang Panggang area more directly both with OKI Kabupaten Centre of Kayu Agung and with Palembang. Extension of the road into Lampung Province will improve access into the major resettlement area lying to the north of Menggala and significantly shorten the route from Palembang to Teluk Betung. It is envisaged that the capital costs of constructing this road would be financed as part of the Pematang Panggang Second Stage Development Project.

The Proposed Road

3. Currently, development of the Pematang Panggang area is seriously constrained by poor access. The existing road from Gumawang/Belitang is only useable in dry weather and the route provides the area with a long and indirect linkage to both the area's administrative centre (Kayu Agung) and its main potential market (Palembang). While up-grading the existing access road to all-weather standards (also a proposed project component) will provide an immediate solution to the area's inaccessibility, it will incur both high maintenance costs and high transportation operating costs. Since the Government's current plans for settlement propose that, by 1985, there will be a transmigrant population of about 250,000 persons in the southern South Sumatera/North Lampung sub-region centred on Pematang Panggang it has become urgent to examine more comprehensive medium-term solutions.

4. Apart from providing immediate benefits to the settler and local marga, a new main road traversing this area would:

- Reduce the travel distance from Palembang to Teluk Betung/Tanjung Karang by about 200 km, thus providing significant vehicle operating cost savings together with reduced road maintenance costs;
- Open up a new east-coast main road corridor for southern Sumatera, which, among its various effects, would promote an increased spontaneous migration flow and hence could save investment in the official transmigration programme.

Both the Provincial Governments of South Sumatera and Lampung place high priority on construction of an all-weather access road to this area. Indeed both Provinces are independently planning access roads to serve the area under consideration but using alignments which are incompatible and not consistent with their mutually agreed strategic objectives. To prevent resource wastage by duplication of effort and abortive planning (and even possible construction), it is essential that the necessary surveys for the full length of the new road be conducted in the context of a single comprehensive study.

5. The two Provincial Governments concerned agree that this study should be sub-contracted by the Provincial Government of South Sumatera to a firm of consulting engineers, to be supervised technically by the staff of the Road Betterment Office, Palembang, who in turn, would have access to technical back-stopping from the Directorate General of Highways, Ministry of Public Works. The Directorate of Tata Kota dan Tata Daerah of Cipta Karya would advise the consultants on regional planning aspects. Additional supervisory assistance would be provided on a periodic basis by the FAO/World Bank Cooperative Programme, as part of its project preparation assistance to BAPPEDA (SumSel).

The Study

6. Draft terms of reference for the study are given in Attachment 1. The study is expected to be carried out over a period of 6 months by a team of experienced consultants with the disciplines and approximate man-months listed below:

Discipline	Consultants (man-months)	
	Expatriate	local
Project manager	6	
Highway engineer	5	12
Soils and material engineer	2	6
Hydrology/drainage engineer	2	6
Traffic engineer	3	6
Agronomist	1	4
Transportation economist	4	2
Structural engineer	3	12
Cost estimator	1	3
Regional planner	1	6
Chief surveyor	3	4
Wild life specialist	1	-
Unallocated specialists	2	
Junior engineers	-	8
Surveyors	-	8
Technical support staff	-	20
	---	---
	34	100
	===	=====

7. - Total manpower requirements are estimated at 134 man-months of which about 75% is assumed to be local and 25% foreign. Costs are provisionally estimated at about Rp425 million, of which above 50% will be in foreign exchange. Expenses estimated at a further Rp25 million would be incurred by BAPPEDA and RBO in local supervision costs.

8. In order to take full advantage of the dry period from July to October 1982 for field work, proposals should be invited from consulting firms (see Attachment 2) and the selection process initiated as soon as possible. BAPPEDA, in consultation with the Ministry of Public Works, will establish a committee to review the proposals submitted by consulting firms and to recommend the award of contracts.

INDONESIA

PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT

Consultancy Services for a Feasibility Study
for Proposed South Sumatera/Lampung Inter-Provincial Road

Draft
Terms of Reference

1. Under the country's Third Five Year Development Plan (Repelita III) commencing 1st April 1979, the transmigration programme has a target of settling 500,000 families. The area lying along the boundary between South Sumatera and Lampung and approximately centred on Pematang Panggang has been identified as a major reception area and already some 40,000 persons have been settled there. Current plans envisage up to 250,000 persons being settled in the area by 1985. Development of the settlement areas and their integration into the regional economy is constrained, in particular, by poor road accessibility. Roads are impassable in rainy weather and the routes followed are long and devious. While accessibility problems can be alleviated in the short-term by up-grading the existing roads to all weather standards, the Government has decided to examine the feasibility of constructing a new and more direct main road traversing the settlement area. In addition to providing improved access to settlements in North Lampung and southern South Sumatera, this road could reduce the distance between the two provincial capitals by as much as 200 km, and open up an eastern traffic corridor (connecting up to Jambi) in southern Sumatera. Preliminary studies carried out by local authorities suggest that such a road would originate in the locality of Menggala (Lampung Province) and terminate on the Palembang-Martapura main road in the general vicinity of Kayu Agung (South Sumatera).
2. It is intended that, if proved feasible, construction of this road would be carried out in the context of a project, under consideration for World Bank financing, which would include other components for the promotion of "second-stage" development in the Pematang Panggang I transmigration project area and the surrounding local community.
3. Initial investigations suggest that about 170 km of new alignment and 60 km of existing road alignment will have to be studied. The former will necessitate a study of several major river crossings and may encounter areas of swamp. The latter will involve an assessment of upgrading and general road improvement needs.
4. The objectives of the proposed study are to examine alternative alignments for this road and to assess the feasibility of the preferred alignment on the basis of engineering, economic and environmental criteria.
5. The study is to be completed within a six month period and is expected to involve a total of approximately 134 man-months of professional staff input of which about one quarter would be expatriate consultants. Local consultants would be involved in compliance with government regulations.

6. Subsequent to identifying all possible alignment alternatives it is anticipated that the consultant will select at pre-feasibility stage one or more alternatives for further investigation and development to feasibility level.

7. The consultants shall:

- (i) Review previous reports and studies relevant to the project area on transport infrastructure and development aspects: inter alia these would include the original studies for Pematang Panggang I and II transmigration projects; studies commissioned by TKTD and P4S for further transmigration settlement in the area to be served by the road; regional plans for Southern Sumatera prepared for Cipta Karya; studies on highways, railways and river transport; preliminary road designs prepared by Kabupaten OKI and the provincial government of Lampung etc.
- (ii) Coordinate with the national, provincial, and kabupaten planning agencies and utilize the findings of their studies.
- (iii) Perform field studies in the project area in order to:
 - (a) Assess conditions of the existing road network (including bridges) and the general status of the network wherein the project road is located.
 - (b) Conduct necessary road traffic surveys.
 - (c) Assess levels of utilisation of alternative means of transport.
 - (d) Assemble locally available data on economic activity.
 - (e) Identify all possible route alignments.
 - (f) Identify any possible adverse impact on the environment and wild-life.
- (iv) Select the most feasible alignment on the bases of technical criteria and economic viability; complete the engineering designs and estimates of quantities and define the optimum implementation schedule with estimates of construction costs.

8. The Government shall provide data and services outlined hereafter, but the consultant shall remain solely responsible for assessing the accuracy of the data, for the supervision of all field surveys, investigations and laboratory testing and for the findings and recommendations arising therefrom and published in its reports.

9. The study shall be performed in accordance with accepted professional standards, utilising sound engineering and economic evaluation practices. The consultant's scope of work will cover but not necessarily be limited to the items listed in the subsequent paragraphs.

Engineering Studies

10. In consultation with the relevant Government authorities the consultant shall:

- (i) Review road and bridge design practice including current standards, specifications and construction methods that have been adopted locally.
- (ii) Develop appropriate design criteria for geometric, pavement and structural design, taking cognizance of economic and local engineering considerations.
- (iii) Identify alternative route alignments, undertaking all surveys necessary to supplement available maps and aerial photography to permit selection of the preferred route alignments.
- (iv) Initiate and conduct necessary field investigations, including topographical surveys and geo-technical investigations and testing (both field and laboratory), in order to gather data for the preparation of earthworks, foundation design and sub-base evaluation.
- (v) Study the hydrological conditions and provide appropriate recommendations and design criteria for the size and location of structures with necessary protection works.
- (vi) Conduct bridge site surveys, for structures in excess of 30 meter spans, to ensure that the optimum bridge location is identified. At all river crossings take cognizance of existing and potential river transportation requirements. Study geological conditions at each bridge site and submit recommendations and design criteria to permit proper foundation design. Study the extent and possibility of tectonic movements, ensuring that probable seismic effects, if any, are taken into account in formulating design standards.
- (vii) Conduct surveys to identify preferred location for ferry operations, if necessary.
- (viii) Investigate alternative construction methods suitable for the project areas. The consultant should recommend the optimum construction method for each project component.
- (ix) Identify right of way requirements for the ultimate expansion of the road. Identify any additional areas required for staged construction, working space, temporary detours and interim access to ferry crossings.
- (x) Estimate, to feasibility level accuracy (plus or minus 20%) and on the basis of preliminary designs, the principal quantities involved in the road construction and the total costs of each component of the project, taking into account experience of recent bids. Cost estimates will indicate not only costs of construction, but also engineering and supervision fees, acquisition of right of way and physical

contingencies. Maintenance costs, for both roads and bridges, and separated into routine and periodic costs, will be calculated and distributed throughout the economic life of the project. All costs will be expressed in constant 1982 prices and maintenance costs (also in 1982 prices) will be on a "with and without" basis and included in the evaluation as a separate item.

- (xi) Classify the construction cost estimates into local and foreign currency components, duties and taxes. The foreign currency component (direct and indirect) will include inter alia, equipment, operating costs, and the costs of materials and supplies for which Indonesia is a net importer, wages of foreign personnel and overhead and profit of foreign firms. The local currency component will include the acquisition of the right of way, cost of local materials and supplies, local wages etc.
- (xii) Prepare a programme for phased construction of the project road taking account of traffic demand, engineering requirements and available funding (which will be indicated by the Government).
- (xiii) Provide a realistic time schedule for implementing the project considering advantages of staging development and allowing sufficient time for procedural matters, designs, award of contracts and mobilisation. Moreover consider the capacity and capability of local contractors to undertake the project components. Discuss with Government a policy on contract size and local contractor involvement.

Economic Studies

11. The consultant shall conduct additional traffic surveys as required to establish traffic projections for the economic life of the project. For traffic projections, the consultant will take into account existing and potential traffic generating sources based upon national, regional and sectoral plans, including plans for other transport modes and other factors significantly contributing to traffic growth such as:

- (i) Population growth, including that in the proposed transmigration settlement areas, and changes in rural and urban population distribution.
- (ii) National and regional economic growth and per capita income growth.
- (iii) Development of agricultural, fishing and forestry resources.
- (iv) Development of manufacturing and processing industries and extraction of mineral resources.
- (v) Development potential in areas with untapped resources.
- (vi) Planned infrastructure development.
- (vii) Development of vehicle fleet.

(viii) Likely traffic diversion from and to other transportation modes and also within the existing network.

12. Vehicle operating costs, on a "with" and "without" project basis, should be determined by the consultant for different vehicle types with the assistance of Bina Marga.

13. For economic evaluation purposes, the project road should be broken down into an appropriate number of homogeneous road sections (in terms of traffic, geometry and pavement conditions etc). Each major river crossing shall be treated as an individual section. Costs should be determined to plus or minus 20% accuracy at 1982 prices, for each homogeneous section and for the entire project.

14. The consultant will estimate the economic benefits for suitably defined homogeneous sections and for the project road as a whole. Benefits will include, inter alia:

- (i) Reduction of road user transport costs suitably sub-divided into normal, diverted and generated traffic components, including benefits derived from cost savings for higher load capacity for trucks and buses.
- (ii) Reduction in road maintenance and repair costs where relevant.
- (iii) Induced economic activity generated by the project (to be taken into account on a net output basis).

15. After consideration of all the factors mentioned above, the consultant shall perform economic analysis of each homogeneous road section and major river crossing and for the project road as a whole. In general the economic analyses will be performed on a "with" and "without" basis by determination, among other things, of the following economic indicators: (i) Internal Rate of Return; (ii) Net Present Value and (iii) Benefit-Cost Ratio. The opportunity cost of capital to be assumed in calculating (ii) and (iii) above will be 10%, 15% and 20% per annum.

16. All economic indicators and all basic parameters (i.e. traffic growth factors, project costs, vehicle operating costs etc.) will be subjected to sensitivity analyses of sufficient range and detail to permit examination of possible implementation alternatives (both of scale and timing).

17. Evaluation of stage construction, where appropriate, for single lane or two lane bridges should also be carried out. At major river crossings, the alternative to bridges of vehicular ferry operations should be evaluated.

18. Social benefits will also be defined and quantified to the extent possible, and both quantifiable and non-quantifiable benefits will be discussed in the light of their importance to the national economy and socio-economic objectives of the Government; with particular reference to the two provinces influenced by the project road. In this context due consideration should be given to the socio-economic impact of the project road and to identifying (i) the beneficiaries; (ii) the relative income status and socio-economic characteristics of the beneficiaries; (iii) the

pattern of distribution of the benefits; and (iv) any other element having an important influence on the well-being of the local inhabitants. In particular, the consultant will indicate clearly how these benefits resulting from improved access to and from the markets for agricultural products and inputs, increased employment and mobility and improved access to health and educational facilities are expected to accrue to transmigrant families, small farmers (including tenants), landless labourers and other under-privileged groups. In addition, the consultant shall identify to the extent possible, the increase in spontaneous transmigration resulting from improved accessibility and quantify the benefits.

19. The consultant will assess the environmental and wild life impacts of the project road, giving particular attention to its effects. Recommendations, including estimates of costs, should be made on any conservation measures considered necessary.

20. The consultant shall prepare the following reports (in English with summaries in the Indonesian language).

- (i) An Inception Report is to be submitted within one month of the starting date (5 copies to the Government, 2 copies to the World Bank RSI and 2 copies to the FAO/World Bank CP) containing the consultant's work programme and the study methods to be adopted. The report would explain the design of surveys and investigations to be completed during the study period as well as a draft layout of the forms to be used for various investigations, surveys and calculations.
- (ii) Monthly Progress Reports are to be submitted to the Government (on or before the seventh day of the following month) at the end of each month following submission of the Inception Report. The monthly progress report, in letter format, should summarise the work performed during the reporting period (indicating any revisions to the work schedule presented in the Inception Report), outline the work to be performed during the next reporting period, provide preliminary views of the consultants, and show any deviations from the methodology presented in the Inception Report. Details of personnel employed, their starting and termination dates, equipment ordered and delivered and any sub-contracts entered into during the reporting period should be reported.
- (iii) A Status Report is to be submitted within three months of the starting date (5 copies to the Government, two copies to the World Bank RSI and 2 copies to the FAO/World Bank CP), containing the consultants' initial evaluation of the alternative route alignments and nominating a shortlist for further study. The Status Report should include a brief description of each possible road alignment and its salient features; identify major constraints and/or opportunities, provide first order of magnitude cost estimates and discuss significant benefits and dis-benefits. A simplified evaluation procedure should be devised to rationalise the solution of the short-list. A reappraisal of the work schedule presented in the Inception Report should be included to identify

any amendments needed for proper investigation of the short-listed alternative(s).

- (iv) A Draft Final Report, summarizing the methodology adopted and data used, and presenting the consultants' detailed recommendations is to be submitted within 5 months of the starting date. (10 copies to the Government, two copies to the World Bank RSI and 2 copies to the FAO/World Bank CP). The report shall include inter alia, complete information on the economic and engineering data evaluated and also discussions on methodology, assumptions, analysis and procedures employed, maps, standards and special designs employed. It shall contain a summary of all major findings and recommendations of the consultant and include maps showing the location of the project on a regional basis and indicating (1) route alignments studied and (2) recommended alignment. The estimates of costs and benefits and all economic and social analyses which support the consultant's conclusion shall be presented in sufficient details to permit checking of all calculations or to allow recalculation with modification of major assumptions without recourse to supplementary data. A separate volume containing all plans and engineering designs is to be submitted. The report shall be carefully edited and complete so that production of the Final Report can proceed without delay.
- (v) A Final Report, organised as the Draft Final Report shall be submitted within 30 days of receipt of comments on the Draft Final Report from the Government and the FAO/World Bank Cooperative Programme. The number of copies will be specified later.

1.///////All reports and documents relevant to the study (maps, field survey notes, computer programmes etc.) shall become the property of the Government.

Economic, Traffic and Technical Data

22. The Government shall provide the consultant to the extent possible, with the following information and data:

- (i) The present organisation and function of Government Ministries and other agencies responsible for transport.
- (ii) The organisation and functions of sub-units of Government or local government, or of other agencies concerned with highways or the transport sector.
- (iii) The economic development plans of Indonesia, national, regional and provincial.
- (iv) Maps of the country relating to the study area and its transport network, including the existing road and bridge inventory.
- (v) Vehicle operating costs for the consultant's review and

further calculation.

- (vi) Costs for land and property acquisition or compensation.
- (vii) Available data on current prices for construction derived from recent contracts in the area.
- (viii) Traffic survey and enumeration data.
- (ix) Previous studies sponsored by the Government on transportation and development which are relevant to transport in the project area.
- (x) Copies of available aerial photography (scale 1:20,000) and mapping (scale 1:50,000) for the study area.
- (xi) Current road and bridge design standards being adopted by Bina Marga.

Cooperation of Government Agencies and Counterparts

23. The Provincial Government of South Sumatera, through BAPPEDA, is responsible for preparing the 2nd Stage Development Project at Pematang Panggang Transmigration Area, and, for this, will be assisted by periodic missions from the FAO/World Bank Cooperative Programme. As an executing agency for BAPPEDA, Bina Marga Road Betterment Office, Palembang, and its consultants are to provide liaison and be responsible for providing local services required for the completion of the study.

24. The Government is to assign counterparts, on a full time basis, to work with the consultants for the purposes of liaison, training and participation in the review of findings and recommendations. The counterpart staff will include a project manager, engineers, economists, planners and topographical surveyors.

Facilities and Supporting Staff

25. The Government is to provide the following facilities and staff to help the consultants in performing their services in Indonesia:

- (i) Suitably furnished office accommodation, including utilities, telephone and telex, office equipment and supplies in Palembang.
- (ii) Administrative and clerical personnel as follows:
 - administrative officer
 - project secretary
 - translator
 - research assistants
 - project accountant
 - typists
 - clerks
 - book-keeper
 - draftsmen
 - print operator
 - drivers.

(iii) Professional, technical and support personnel as follows:

- for traffic survey
- for topographical survey
- for soils and material survey
- worker and helpers (as required).

(iv) Transportation:

- 4 wheel drive vehicles for field work (4)
- office vehicles (4)
- air fares for local transportation.

26. The Government recognises that the consultant may prefer to assume responsibility for some or all of the above facilities and support services. The consultant should specify in the financial proposal his interpretation of the obligations of the Government and define the facilities and support services to be supplied by the consultant.

INDONESIA

PEMATANG PANGGANG SECOND STAGE DEVELOPMENT PROJECT

Consultancy Services for a Feasibility Study for Proposed
South Sumatera/Lampung Inter-provincial Road

Instructions to Proposers

Form of Proposal

1. The proposal should be submitted in two separate envelopes, one for the Technical Proposal and one for the Financial Proposal.

Number of Copies

2. Five copies of the proposal should be submitted to the chairman of BAPPEDA (SumSel). Two additional copies should be sent for information directly to the World Bank RSI and two copies to the FAO/World Bank Cooperative Programme at the following addresses:

- (1) Director
World Bank Resident Staff in Indonesia
Arthaloa Building, 8th Floor
2 Jalan Jendral Sudirman
Jakarta
Indonesia
- (2) The Director
FAO/World Bank Cooperative Programme
C/o FAO Representative in Indonesia
UNDP Office
Jalan Thamrin
Jakarta
Indonesia

Date of Submission

3. Proposals should be submitted before noon (local time) on
1982.

Method of Evaluation

4. The proposals will be ranked by BAPPEDA (Sumsel) in consultation with the Directorate General of Highways and other Provincial Government Agencies, in order of technical merit taking into account:

- (a) Qualifications and experience of the proposed staff;

- (b) Plan of work and utilization of manpower;
- (c) Qualification and experience of the firm.

Local Consultants

5. The proposal must comply with PD14a/1980 with regard to the employment of local consultants.

Costs of Proposal

6. All costs incurred by the consultant in preparing the proposal must be borne by the proposer. BAPPEDA and DGH staff will be available to provide additional information on the scope of the project and consulting services. They will also assist in making administrative arrangements for any field trips the consultant may wish to undertake in connection with the proposal.

Technical Proposal

7. The technical proposal should be submitted in the following order to facilitate evaluation:

- (a) General Appreciation
- (b) Work Plan
- (c) Proposed Organisation
- (d) Time Schedule
- (e) Curricula Vitae
- (f) Firm's Experience

The proposal should describe, in detail, the services which the consultant will provide to achieve the objectives and requirements set out in the Terms of Reference and include inter alia:

- Comments or suggestions on the Terms of Reference.
- A detailed description of the manner in which the work would be executed.
- Work schedules in the form of flow charts and/or bar charts.
- The composition of the team of experts nominated for the project and the tasks to be assigned to each.
- Detailed curricula vitae of team members.
- Firm recommendations as to the man-months considered necessary to undertake the services, with a bar chart showing the man-months required for each expert.

- An organisation chart.
- A brief description of the firm and an outline of its experience on projects of a similar nature.

Financial Proposal

8. This should present complete details of cost expressed in both foreign and local currencies. Details should be furnished for salaries and allowances, international and local travel, subsistence, supplies, equipment, printing, and other reimbursable expenses.

9. A fixed rate per month for each expert is to be proposed. A breakdown should be given for the monthly rates showing, as a percentage of basic salary, the requirements for social charges, overheads, fees, overseas allowances, etc. (see appended forms).

10. The financial proposal should take into account the following:

- (a) The project office will be located in Palembang.
- (b) Some consultations and meetings may be held in Jakarta and Teluk Betung.
- (c) Office accommodation, vehicles and local transportation in Palembang are to be provided by the Government.
- (d) Housing for staff in Palembang is to be provided by the consultant.
- (e) Government guest houses in the project area will be made available, if possible, for short visits by experts. Accommodation for longer duration trips and for survey crews will be the responsibility of the consultant.
- (f) A project officer duly authorised to make and implement decisions on organisational, logistical, administrative and other similar needs will be appointed by the Directorate General of Highways.

11. The proposal should include a detailed listing of the amount and type of local facilities and support staff required by the consultant, such as office space and equipment, vehicles, office staff, survey assistants, plan reproduction, etc, as well as an estimate of the costs which would be charged by the consultant for providing these facilities should the Government be unable to do so.

12. Remuneration to the consultant will be on the following basis:

- (a) A man-month rate for each consultant covering the period actually assigned to the project. Rates would include fees for home office support, overheads etc.
- (b) A housing allowance for expatriate consultants at a monthly rate to be mutually agreed during contract negotiation.

Ms Davis

OFFICE MEMORANDUM

TO: Mr. M. Walden, Agric. Div. Chief, Jakarta

FROM: J. F. A. Russell, Rainfed Crops Adviser, AGR

SUBJECT: Food Crop Production in Transmigration I

DATE: May 18, 1982

1. During my participation in the February Supervision mission to the Transmigration I Project, I particularly focussed on annual food crop production, as reflected in my contributions to the Supervision Report and my Back-to-Office Report of March 25. Following discussions with yourself and Mr. Prins, I also agreed to write a short overview paper on my principal conclusions: hence, this memorandum, together with comments from Mr. Coulter on the final draft.

A. Background

2. The low fertility, shallow, erodable red/yellow podzolic soils of the Transmigration I area have presented a very great challenge on which to develop a permanent food cropping system. The first five years of the Transmigration I Project, which have provided considerable collective experience from the Central Research Institute for Agriculture (CRIA) trials, initial extension activities, and settler practices, have all contributed to a better understanding of what can and cannot be achieved. The data on which current findings, which are partially contradictory are based would, however, bear close scrutiny and analysis; a follow up program of further essential continued research and extension activities (which it is encouraging to know will be addressed in Transmigration III) should be derived from such analysis. In essence the basis of a possible permanent farming system has been developed by CRIA and project staff, but for various reasons connected with cost and risk, it has only been fully adopted by 3-5% of farmers, and partially by perhaps 15/20%. While more time is needed for more widespread adoption, the constraints are such that is broad adoption by the majority of farmers has to be questioned. At present the majority of farmers are cultivating only cereal (rice and maize) and cassava crops usually without adequate soil conservation practices and often also without critical inputs. Their yields are declining due to both fertility loss and increased weed build up. Without prompt remedial action, their future will have to depend principally on trees crops and livestock, or as is possible at present but maybe less so in the future, on off-farm employment.

3. The challenge for the next five years is to see if a further 40-50% of farmers (in addition to the existing 20%) will or will not be able to sustain an annual food crop system on part of their land. In this context there is a need to redirect research and extension to a wider clientele of settlers, rather than the tendency (natural at the initial stages of a complex program) to concentrate on the better farmers and more favorable soil/topography situations. It is already apparent in view of the risks involved, that at the most annual food cropping should be directed at only trying to secure subsistence food needs, as cash returns are more readily to be satisfied by perennial tree crop and livestock farming systems. The CRIA researchers have already recognized the importance of trying to minimize the constant soil erosion hazard, and to

involve more tree crops in the farming system. I would further suggest that unless 67-80% of farmers are adopting appropriate practices on which annual food cropping can be sustained, it is not a system which should be widely advocated in Transmigration Schemes.

B. The Improved Farm System

4. In view of the desire of both farmers and the Government planners to produce most of their staple food, rice, it is the farm system involving rice (CRISA's farming system - pattern A) that is being mainly adopted. This consists of growing a mixture of predominantly rice with some maize at the start of the rains (late October/early November) and relay cropping cassava into alternate maize rows after about 45 days. Following the maize, rice harvest (late March/April), groundnut is interplanted with the cassava and matures in the late part of the rain season. (It has been shown that groundnuts can be direct seeded through the rice straw mulch with no loss in yield, but virtually no farmers are adopting this zero-tillage practice, which saves labour and reduces erosion hazards, and so it should be subjected to further multilocational testing on farmers fields). Following the groundnut harvest, the cassava is left to mature, and either a rice bean or cowpea crop is interplanted during the dry season (July-September).

5. A second recommended farm system (pattern C) has also been developed by CRISA, and is being tried with a few farmer cooperators. This has a maize/soyabean mixture during the early rains, followed by maize with mung beans or sweet potatoes in the late rains, and cowpeas are planted with the remaining sweet potatoes in the dry season. While this system also appears sustainable, and could possibly be used in seasonal rotation with system A, since it does not include the farmers favoured food crop rice, it is always likely to play a minor role in practice if indeed it is adopted at all.

C. Constraints to Greater Adoption of Improved System

6. The major constraint to greater adoption remains the high cost of inputs per ha (Rp. 150,000 - Rp. 200,000) for the improved system compared to the existing farm system (Rp. 16 - 60,000) and the risks involved. While under research conditions, it has been shown that gross income per ha may reach Rp. 1 million, in practice this may be halved or reduced to 30%, which does not warrant the cost of inputs plus the cost of additional labour involved. Labour averages about 500 mandays (at Rp. 600 per manday= Rp. 300,000) compared to 160-200 mandays under the traditional farm system.

The reasons for the reduced performance are as follows:

- (a) The lack of sufficient improved seed. For rice, resistance to Blast is important, yet many of the local varieties used by farmers are not resistant, and yields in some fields looked to be reduced by 30-50%. A variety, C22 which is more resistant is becoming available, but seed bulking has been

concentrated on IR36 (50% of rice sown for seed this year) which is not, and which has now found to be unsuitable for upland cultivation, though it performs well in the few irrigable valley bottom areas.

- (b) Insufficient legume in the rotation. Legume seed has been in particularly short supply, and in fact only 5% of land planted to rice is followed by a groundnut crop (ranging from only 1-4% in Units 3 - 5, 8% in Units 1+2, up to 10-12% in Units 7, 9 and 19% in Unit 10). The legume, and use of mulch is a key ingredient of improved farm system, and can lessen the need for expensive brought in nitrogen, but in the majority of the settlement farms little legume is being grown. The reasons for this urgently need indepth study.
- (c) Pest and disease problems Wild pigs are a major menace, and have reduced farmers' willingness to grow cassava, as well as damaged other crops. As more of the land in the area is brought under cultivation, be it tree crops, pasture or annual crops, this problem should diminish together with the problem of alternate host plants in the bush for other pests. However, it remains a major risk and is thus a serious disincentive at present.
- (d) Lack of draft power/weeding. Some settlers have not managed to utilize their cattle for ploughing; and others, who have hired tractors to open new land for them have run into a bottleneck at weeding time. The need for close spacing to reduce erosion necessitates all weeding being done by hand; and all farmers reported the length of time from opening new land, increased the need to weed from once in the first year up to three times in the third and subsequent years. Contrary to much debate, alang-alang (*imperata cylindrica*) is not a problem after the land has been opened providing it is kept under cultivation each year; however, other weeds particularly digitaria grass and certain broad leaved species become the major problem.
- (e) Inadequate attention to soil conservation practices. The need for terracing or a system of contour bunding and water ways dependent on slope is not widely appreciated. Some farmers were opening bare ridges down the slope for planting watermelon in mid rains (February) which is obviously an extremely hazardous practice. The soils are very shallow, and tillage is often unnecessarily deep. Furthermore, the advantages of mulching and minimum or zero tillage practices where appropriate is not widely understood or practiced (see my memo of April 6 concerning work on minimum tillage). More work is needed on improved implements; even CRIA staff at Baturaja did not have access to some improved implements being tried at Way Abung.

- (f) Occasional drought periods. These certainly add greatly to risk when considering the high input recommendations. In 1976 Mr. Prins did a careful evaluation of each of the major crops comparing periods when moisture stress would have a significant bearing on crop performance with 25 year rainfall records, and from this extrapolating a risk factor that was then applied to "normal" yields. As an example he found for maize that critical moisture stress of over 50% in November/December occurred in 3 years out of 25 causing total loss, and it also occurred in 5 other years in November alone, and 2 in December alone causing a 50% yield loss due to reduction in tillering. This led to the need to apply a factor of 75% to "normal" yields to redefine what could be expected in an average year. Similar conclusions were found for rice, less dramatic ones for cassava, groundnuts and beans.
- (g) Labour availability. While labour availability has not been seen as a major constraint, it becomes one for many farmers, who find alternative crop or off-farm employment more rewarding than additional effort spent on annual food cropping. The University of Bogor's monitoring and evaluation survey indicates that this should not be a constraint as for most families 80 to 90 mandays per month is potentially available, but only 30-40 was used per month on farming activities. This indicates that the more progressive farmer with better resources that reduce his risks can readily manage the improved farm system, but the traditional farmer who is not willing to take the risks involved, finds a more secure income from off-farm activities, even if he is self-employed such as in carting or making tiles. The key problem at present is to find a foodcropping system that a higher percentage of farmers will readily adopt. For the majority the risks remain too great at present; and with the need to start tapping his rubber, a new constraint will appear on the time available for food cropping. Since risks and returns to rubber are more favourable, it would seem that for the majority, the safest and most permanent farming system will maximize the area under tree crops, which also includes more of the fruit and nut trees (coconut, clove, bananas, mango etc.) interplanted with food (bean and vegetables) crops as well as rubber, and a reduction on land under annual food crops. In view of the good performance of fodder legumes and grasses on bunds, field boundaries and in pasture, as well as the possibility of using legumes as a live mulch, livestock integration is also important and offers good returns. The returns to all these enterprises both to land and labour input need further review; as well as the returns to alternative existing off-farm enterprises, which are so important for the majority of settlers at present.

D. Recommendations for Future Program

7. To minimize the risks to the farmers more attention should be given to:

- (a) timely availability of fertilizer + pesticides through the cooperative structure;
- (b) better quality and timely provision of improved seed, and provision of appropriate seed dressing and inoculum;
- (c) reviewing the cost of packages, and ensuring non-essential items are not included - is K always a constraint? Phosphorus is almost always needed, but lower levels of N especially where more legumes are introduced should be a possibility. This was borne out following discussions with Dr. Suryatna Effendi, Coordinator of Cropping Systems Research, who agreed the levels of fertilizer recommendation could and should be modified;
- (d) more emphasis on improved soil conservation practices, including use of mulch and FYM;
- (e) the research trials on improved varieties should be stepped up, and promising lines tested on seed farms as well as on research plots in second year, prior to further trials on farmers fields. Better provision of the best available varieties would be an immediate benefit to farmers, and give better assurance of adequate returns;
- (f) expanding promising trials on minimum and zero tillage, and introducing it to farmers at least for crops following the early rain season rice;
- (g) green manuring gives obvious benefits, but is unlikely to be attractive to the majority of farmers. As an alternative the potential of growing a permanent living mulch crop (on which work is being done by IITA in Nigeria and Sri Lanka) into which cereals would be cropped could be further investigated. In addition to cowpeas Stylosanthes hamata could be tried for this as it does so well in this environment, but other legumes such as centrosema or Puerria could be tried;
- (h) while I was impressed with the collaboration between research and extension staff, from the DGFC and Transmigration, and care with which the annual programs were drawn up, I think they need to be more specific for different types of settlers. While more advanced systems can be introduced to the best cooperators and early adopters, new approaches are needed for the non-adopters, which need to be based on a few key improved practices;

- (i) more attention needs to be given to marketing problems of cassava and legumes; and
- (j) monitoring and evaluation studies need to analyse the various returns to labour offered by different on-farm and off-farm enterprises, for this is a key question in projecting the likely wider adoption of the improved annual foodcrop system. In this context of particular concern is the possible concept of smallholders producing latex rubber for sheet processing rather than cup rubber for crumb processing. In view of the considerable increase in additional time spent in tapping, it would appear it is much more in the smallholders' interest to produce cup rubber than latex, quite apart from the difficulty of having to institute a more complex tapping process.

8. It is evident that there is a need to intensify both research and technology transfer in the Transmigration III Project to see what place annual food crop production can eventually play in the farm system of the majority of settlers. This will require careful monitoring and evaluation of results, both agronomic and economic, between settlers with and without access to draft power, and different types of settler. To be more widely adopted the package of improvements for the improved farm system has to be made cheaper, less demanding in labour and with more assured input supply especially for seed. This paper shows there is scope for improvement on all these fronts. However, for the majority of settlers it would seem that a farm system placing more emphasis on tree crops and livestock will have greater benefit at less risk, and the Bank should be more cautious in recommending systems heavily based towards annual food cropping in Indonesia's Transmigration schemes, atleast for the moment.

cleared with and cc: Mr. D. C. Pickering

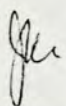
cc: Messrs. Yudelman, Christoffersen, Coulter, Green, Golan, Hussain,
Wadsworth, Sengupta, Prins, Soehendro, Cheetham
Ms. Davis

JR:mm

OFFICE MEMORANDUM

TO: Mr. John Russell

DATE: May 14, 1982

FROM: John K. Coulter SUBJECT: Food Crop Production in Transmigration I

I think that your paper covers all of the important points pretty well. There is undoubtedly a good deal of useful information emerging from the experiences in this project.

It seems to me that there are four areas where additional research could be very useful.

- 1) Soil fertility management. My impression is that CRIA has done rather little on this and that they have used a standard fertiliser recommendation which, as you point out may be over-generous. I think that there is very little information on P residues, on the need for K for each crop, on the proper use of N and on the need for lime. I feel that this lack of knowledge is important in leading to the high costs of inputs.
- 2) Soil conservation. There is obviously a need to develop cultivation practices which might combine various forms of strip cropping, zero tillage, and perhaps tree crops.
- 3) Improved Seed. This is a key area, especially in rice where as you state "blast" is a particularly serious problem. Varieties like IR36 grown under upland conditions can be wiped out by the disease. They might be better off with some of the West African or Brazilian material. There is also a need for improved seeds of perennials e.g. coconut and fruit trees and for legumes.
- 4) Weeds. These will become more serious and I would have thought that there is a good deal of scope for developing methods of weed control including the use of "wiping".

I have not been to this project area for some years but I have the impression that the AARD is putting rather little resources into research for the transmigration areas. It seems important to emphasise that what is needed is improved technology for an intensive annual food production system on these fragile soils. Transmigration III provides funds for such a research program but it is being argued that there are plenty of financial resources in Research I and II to do the necessary work if AARD was so inclined.

I have suggested to Gloria Davis that perhaps we should put forward the idea of a seminar in Indonesia on the management of these soils to which we could probably invite some of the people from IITA and the North Carolina project in Peru. Perhaps this would make the Indonesians more aware of the problems and stimulate them to more innovative approaches.

cc: Mr. D.C. Pickering

JKCoulter/sm

OFFICE MEMORANDUM

TO: Messrs. Altaf Hussain and R. Wadsworth (AEP)

FROM: A. Golan (Asst. Director, AEP)

SUBJECT: INDONESIA: Preparation of Agriculture PCRs

DATE: June 14, 1982

*Pls. give copies to
Messrs. Lucca & Singeup
Mrs. Sufido*

Mr. Kordik and I met today to discuss the preparation of agriculture PCRs in Indonesia during FY83. The list presently includes the following six PCRs to be completed in FY83:

INS-National Food Crop	Ln. 1267	←
Tea	Cr. 400	←
Fisheries	Cr. 480	←
Agriculture Research	Ln. 1179	←
Transmigration I	Ln. 1318	←
Jatiluhur Irrigation V	Cr. 514	

In consultation with Mr. Kordik we have agreed that an abbreviated PCR could be prepared for the following projects:

INS-Tea (Cr. 400)	←
Fisheries (Cr. 480)	←
Irrigation V (Cr. 514)	

In preparing the abbreviated PCRs you should ensure that the following topics are covered adequately:

- (a) Economic rate of return and, where applicable, financial rate of return.
- (b) Implementation highlights.
- (c) Differences in design/implementation from previous projects in the same series.
- (d) An analytical evaluation of the projects' success or, where applicable, failure and lessons learned or to be learned.

For the remaining projects I would expect you to prepare a normal PCR, though once again I would like to emphasize that the PCR should be as short as possible, analytical rather than descriptive and the total manpower to be spent on it should be limited to 10 staffweeks.

cc: Mr. Kordik
AGolan:ss

*We have budget for Fisheries & Ag. Extension.
We can do the others using the Forestry
appraisal budget.*

So

RAM

To: Mr. Gloria Davis

Date: 16 June 1982

From: Lloyd Feinberg

- Approval
- Handling
- Note & Destroy
- Note & Return
- Per Your Request
- Your Comment
- Your Information
- Your Signature
- Your File

Gloria;

We hope to be able to have a chance to sit down and discuss research possibilities with you at some point.

Therefore, I am sending along three items for your information.

One is a brief from Tim concerning his ideas on research needs. The ~~xxx~~ second is a note and attached proposal for livestock/forage research from Joel Levine; and the third is a note to Nick from LP₃ES. Nick had a good bit of contact with

RAMI

To: Mr.

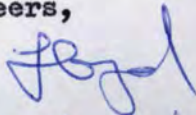
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- Note & Return
- Per Your Request
- Your Comment
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- Your File

them when working on an earlier project proposal, and recently he, Tim, David Watson and I have participated in various discussions concerning their interest in Transmigration, both from a training/development perspective, as well as soc-ec research.*

Cheers,



* also enclosing a corporate description of their group.

DRAFT

Tim G. Babcock
UNDP/OPE INS/79/001
Jambi, June 1, 1982

RESEARCH CONCERNING LOCAL SOCIETIES
IN THE NEIGHBORHOOD OF TRANSMIGRATION PROJECTS:
some notes

Background

Keputusan Presiden 1/1978 arranges for opportunities to be given to local people to voluntarily move into transmigration projects located in their own or adjacent kabupatens. A maximum of 10% of the land in project areas is to be allocated for local settlers, who are to be treated the same as regular transmigrants in terms of allotment of farmland and access to community facilities.

The aims of this policy are not made explicit in the KepPres, except to say that it is a response to local requests. It appears, however, that it is intended as a means of promoting integration and harmony between regular transmigrants and the local society, two groups of people with often divergent cultures, socioeconomic systems and agricultural practices. It is further sometimes mentioned that local farmers, commonly practicing extensive agricultural systems, will thus learn more "modern", intensive farming systems (and therefore better their lives?). The possibility should also not be forgotten that regular transmigrants, set down in an entirely new physical environment, may be able to learn from indigenous farmers in their midst how to make more successful agricultural adaptations than they otherwise might.

Even these aims, however, are rather vaguely defined and not "operationalized", and in terms of policy, at least, dealing with local settlers as transmigrants appears to be quite mechanical, limited mainly to achieving quantitative targets of placement.

The World Bank Trans II Staff Appraisal Report (esp. para. 3.19) pays particular attention to the question of local settlers. The GOI (c.q. DGT) agreed to carry out research into the socioeconomic systems, needs and desires of local settlers, with a view to being better able to provide suitable approaches and services for local people who move into transmigration projects. TORs for such research were to be submitted to the World Bank for approval. To our knowledge, however, no such TORs have been drawn up to date, and there are no funds in the 1982/83 DGT Trans II budget for such research.

Below, then, are some notes concerning the type of research required in this area.

Purposes of the Research

The research will be of a practical nature, designed to provide information needed to modify current policies and to improve services to and integration of local people in and around transmigration projects. The final product of the research will be a picture of selected aspects of local society plus a series of concrete recommendations of direct relevance to project and program implementation.¹

Among the types of information to be gathered are the following:

1. agricultural patterns: including sizes of farmland worked, patterns of work organization, familiarity with and acceptability of intensive cropping systems
2. other occupations, skills: degree to which nonfarming skills (and nonagricultural income) are present that would be useful for diversification of project economy
3. family size and patterns: needed for planning house sizes, food allocations, other inputs, facilities, etc.; labor availability
4. organizational patterns: formal and informal local groups -- can and should these be reconstituted among local settlers in trans. projects?
5. needs and desires: e.g. in housing types, village layout, farming systems; motivations for joining projects (compensation? land?)
6. experiences with local settlers in other transmigration projects: incidence of leaving project, and causes; extent of land cleared, production levels, and types of crops grown; problems of communication among groups and with officials; knowledge, preparedness and attitudes of project staff towards local settlers; levels of integration with regular settlers, types and quality of interactions; technology transfer both ways;

¹ Much of this information would be directly useful in training project staff, e.g. KUPTs, in how to deal creatively with local settlers. KUPT staff also need similar information on how to approach army transmigrants.

Survey of linear vs. circular nucleated patterns & # of years & cleared & farmed

Methods

- intensive interviewing of local settlers in transmigration projects and in the general area, UPT staff, regular transmigrants, sectoral agency staff as necessary;
- small sample survey questionnaire as needed;²
- review of ODM data on the area

Local settlers in transmigration projects are to be found in Singkut (64KK), Pamenang Units I - IV (46, 70, 42, 42 KK respectively), and in Rimbo Bujang Units VIII and XI (138, 100 KK respectively).³

These areas would all be suitable for the purposes of this research. Local settlers in and around the Hitam Ulu and Kuamang Kuning locations should also be included, since many of them will be eligible to become local transmigrants.

It may be possible to combine this research with efforts to spread understanding among the local communities of the transmigration projects (Kuamang Kuning, Hitam Ulu) under construction and to explain procedures for and implications of becoming local transmigrants. (A separate proposal for an information campaign is currently being drawn up.)

The research should be kept brief and clearly focussed. A two-man team consisting of a social scientist and an agriculturalist, plus possibly some assistants for interviewing, will be sufficient. Involvement of the KanWil Transmigrasi staff could be considered, as well. Cooperation with the EuroConsult team in Bangko should be explored.

The research should be carried out under the auspices of:

Approximate length of time:

Costs: depends on who does it

2. Useful ideas may be gained from PAE/RMI SESTADP Occasional Paper No.3, "Tolaki Farming Systems in Kecamatan Wawotobi of Southeast Sulawesi", n.d., n.p.

3. KanWil DitJen Transmigrasi Jambi, Ikhtisar-Statistik Transmigrasi Tahun 1981.

MEMORANDUM

TO: Lloyd Feinberg
FROM: Joel Levine
SUBJECT: Research funds for Transmigration

June 9 1982

OUR FILE:

YOUR FILE:

Lloyd:

Would like to ask a favor if Gloria Davis is in Indonesia this month. Enclosed is a proposal from colleagues at Gadjah Mada who would like to do research in S.E. Sum. on the problem of providing feed/forage to transhumant cattle - an area that needs work nation-wide. Note this is not a ranching scheme but something to be managed in a village communally - maybe by the KMD. Have also sent a copy of proposal to Collier and asked him to talk to Gloria - I hear from Bell there still may be unused research funds from Trans I. We have no budget nor brief for research in SISTAD which is most unfortunate.

I hope to be back to Jakarta again around July 1 - see you then.

Regards

Joel Levine

Butcher

FORAGE PRODUCTION
SUPPORTING DRAFT ANIMAL
IN SOUTH EAST SULAWESI
TRANSMIGRATION PROGRAM

INTRODUCTION

Lack of labour in most transmigration areas was one of the constraints faced by the people in developing their agricultural products. Draft animals might help solving this problem and the government has already a program of improving draft animals in those areas.

Approximately 40% of the South East Sulawesi province is covered by alang-alang grasslands with soil pH of 4.2 - 5.5, low of phosphorus and organic matter.

The nutrient supply problem that could be expected is insufficiencies for high performance of protein and phosphorus especially for imported cattle (Brahman).

OBJECTIVE OF STUDY

The objective of study is to supply forage which high in protein and possibly phosphorus as legumes to sustain cattle (Brahman) requirement for work and reproduction by providing legume pastures for the community.

METHOD OF PROCEDURES

Fifteen hectares of selected lands in a community of a hundred of transmigrant householders will be developed as a legume pasture. Four pastures of fifteen hectares will be developed in four different locations. Two of the pastures will be restricted grazed by draft animals as a supplementary feeding, whilst the other two will be cut and carried for the purpose of feeding the cattle in stalls along with alang-alang.

Legumes sown are stylo, calopo, centro, siratro, puero and glycine at rate of 5 kilograms of seed mixture per hectare. The planting will be conducted without intensive land preparation. The seed will be coated using lime, arabic gum, mixed peat inoculant.

MEASUREMENTS

Parameters measured will be:

1. forage: adaptability, persistency and botanical composition.
2. animal: reproduction rate, cattle change in weight as compared to surrounding village cattle which are not provided with legume pastures.

EXPANSION OF PROGRAM

Upon successful of the pasture development program, when there is an indication of mineral deficiencies, mineral supplementation trials will be carried out; either by fertilizer-trial or by feed-supplementation trials.

ESTIMATION OF BUDGET

For 60 ha of land:

Seed needed 300 kg of Rp. 20,000.-	= Rp. 6,000,000.-1)
Seed coating and labour	Rp. 500,000.-2)
Labour for sowing: oneman hour 50 m ²		
60,000 m ² : 50 =		
1200 manhours		
of Rp. 200.-		
per hour	= Rp. 240,000.-3)
Transportation of counterparts:	per 1200 hours	
Rp. 220,000.- ticket + Rp. 350,000 lumsum		
= Rp.570,000 .-/ man/ trip		
Two men two trips = 4 x Rp. 570,000.-	= Rp. 2,280,000.-4)
Local counterparts/ workers		
4 persons 12 months = 48 x Rp. 10,000.-		
	= Rp. 480,000.-5)

Salary:

Local labour:

4 x Rp. 30,000 x 12 months = Rp. 1,440,000.-6)

Investigators:

2 UGM + 2 SESTAD:

4 x Rp. 30,000.- = Rp. 1,440,000.-7)

Grand total: 1) + 2) + 3) + 4) + 5) + 6) + 7) =

Rp.12,380,000.-8)

Supplies

paper, stationaries, smallskills,

constigencies etc.

Rp. 2,620,000.-9)

Budget 8) + 9)

= Rp.15,000,000.-

=====

= \$23,077.-

Smallholder Pasture/Forage
Production Research Proposal
in a Transmigration Area

— Request for assistance
by Faculty of Animal Husbandry
Universitas Gadjah Mada

contact: DR. Soekanto ~~ed~~
Leblosoekojo

office - tel: 0274-8868

(Yogyakarta)

ext. 684

LP3ES

Lembaga Penelitian, Pendidikan dan Penerangan Ekonomi dan Sosial
Institute for Social and Economic Research, Education and Information

Mr. Nick Owens
Resources Management
International, Inc.
Jl. Melawai VI/8, Blok M
JAKARTA SELATAN

Jakarta, June 2, 1982
106/DIR/VI/82 mf

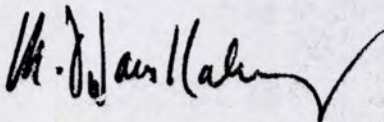
Dear Mr. Owens,

This is to acknowledge receipt with thank of your letter together with materials on transmigration which is quite useful for us in pursuing further information on this subject.

We think that it would be more appropriate for us to focus on problems most relevant to our approach and specializations which are in : (a) training needs for transmigration program (b) community development in transmigration settlements and (c) promotion of "transmigrasi swakarsa". About the later case I would be interested to discuss with Dr. Gloria Davis.

We appreciate your helpful effort very much.

Sincerely yours,



M. Dawam Rahardjo
Director

2.2. Institute For Economic And Social Research,
Education, and Information (LP3ES)

Background

The Institute for Economic and Social Research, Education, and Information (LP3ES) was established in August, 1971; by the Indonesian Association for the Advancement of Economic and Social Knowledge (BINEKSOS) with the assistance of the Friedrich Naumann Foundation. The Institute is organized as a private, non-profit organization, under Ministry of Justice Letter of Decision No.Y.A.5/36/12 of 22 January, 1973.

The Institute was established with the following objectives :

1. To promote the development of economic and social sciences in Indonesia;
2. To improve the knowledge of and understanding about the problems of development among the Indonesian people;
3. To help develop the human resource capabilities of the Indonesian people;
4. To improve the understanding of development problems in Indonesia within the International community, and to promote and foster relationships with non-Indonesian organizations.

Program Activities

LP3ES since its inception has engaged in four basic program activities designed to meet the objectives of the Institute.

These program activities include :

Research

The Institute has engaged in numerous long and short term research programs on the economic and social problems of both rural and urban development. Specific research areas have included human resource development, community development, and media and communication studies.

Small-Scale Industry Development Program

LP3ES' initial activities in this field include extensive surveys on the potential and prospect for handicraft industries in Java and Bali in 1972/1973. Since then the activities of LP3ES have expanded to include technical assistance, training, extension services, and marketing assistance. The Institute utilizes two basic approaches for its work in this field. The first is to identify individual products and assist with the development of small industrial centers and production areas for the particular commodity. The second has been to offer sectoral assistance over a wider range of enterprises.

Community Development Program

Since 1973 LP3ES has been involved in a program designed to promote participatory development within rural communities through an indigenous social institution called Pondok Pesantren. Pesantren is a traditional social and cultural center for Moslem communities in rural Java where both adults and young people come to study Islam and its accompanying social system. The Institute has been working with the Pesantren in training people in community participation techniques and self-help approaches to rural development.

Publishing Program

The Institute has since 1971 been publishing English and Bahasa Indonesia editions of Prisma, the monthly journal on socio-economic development issues in Indonesia. The Institute also publishes general books on socio-economic development affairs, technical manuals and reports, and assists other institutions with the production and distribution of books and magazines in economic and social affairs.

Organization and Staff

LP3ES is organized as the executing body of the BINEKSOS Association. The Institute's Board of Directors are from BINEKSOS and are elected by the bi-annual council meeting of the association's members. The Board of Directors is responsible for setting and supervising the general policy guidelines for the institute's program activities. Day to day operations are handled by an Executive Director, at present Mr.M. Dawam Rahardjo, and two Deputy Directors.

The Institute currently employs about 120 people on a full or part time basis. Included in the full time staff are approximately seventy professional staff people with experience in social science research, sociology, economics, training, and education. In addition, the Institute maintains full time administrative and support staff including accountants, project administration specialists, secretaries, drivers, etc. The Institute maintains a policy of requiring new professional staff to undergo a preliminary two month training course, including extensive field work, about the Institute's present operations.

Facilities

LP3ES maintains headquarters in the Slipi area of West Jakarta. The Institute has 1350 M² of office space on grounds of 3750 M² and operates a fleet of eleven vehicles and twenty three motor vehicles. The Institute also has complete printing and reproduction equipment as well as a full range of office equipment and furniture.

Institute For Economic And Social Research, Education, And Information

During its eleven year history, the Institute has undertaken a wide variety of projects relevant to the CEDP. These projects have been executed by the Institute itself or in association with Government Agency's, International Donors, such as the World Bank, and other private institutions.

Projects LP3ES has worked on include study and research, training and education, and development and planning projects in the fields of rural development, small and village enterprise including handicraft development, community development, appropriate technology, and kampung improvement. In addition, the Institute has since 1971 published Prisma, a monthly journal on socio-economic development issues in Indonesia as well as numerous other university text books and general books on Indonesian development problems and issues.

Listed on the following pages are summaries of LP3ES project activities relevant to the CEDP.

1. Program for the Development of Small and Village Industries

This particular program has become the top priority program for the Institute, and is becoming the "Trade Mark" by which LP3ES is known. LP3ES' work on this program began in 1973 when the Institute conducted a survey on small and village industries in East and West Java. This was followed by a study of small industry design in Java and Bali in the same year. The Institute has since implemented a full Small and Village Industry Development Program with projects located in DKI, Jakarta, Kabupaten Klaten (Central Java), and Tegalwangi (West Java).

Resources Management International, Incorporated

In general, the method adopted by LP3ES in providing small and village enterprise development assistance is as follows :

1. Formulate, define and test an appropriate model for enterprise development;
2. Through implementation of this model expand employment opportunities and raise per capita incomes.

Particular projects on which LP3ES has worked include :

1.1. Development of Small Industries in DKI Jakarta

This project has two main components :

- a. Three projects financed by the Fridriech Naumann Foundation including :
 - i. Tin can production (60 businesses with 500 workers)
 - ii. Maple wood processing (505 businesses with 3025 workers)
 - iii. Wood carving (400 businesses with 2000 workers)
- b. Five projects financed by the Institute for Coordination of Capital Investment, DKI Jakarta. The Institute was responsible for coordinating and guiding capital investment in small enterprises in five locations within DKI Jakarta. Over 1,100 small scale enterprises and 6,000 workers are covered by this particular project component.

The project is providing technical assistance in the following fields through 18 extension workers recruited and trained by the Institute :

1. Feasibility studies;
2. Extension services;
3. Training in management, new technologies, new alternative production techniques, product design, bookkeeping, and promotion and marketing;
4. Developing standardization of production;
5. Providing access to credit facilities;
6. Assisting with the creation of business cooperative associations.

The overall project objectives include increased output and production, in turn leading to enterprise expansion and employment creation.

1.2. Village Industry Development Project-Kabupaten Klaten,Central Java

This project has been on-going since 1977, with financing coming from the Friedrich Naumann Foundation (FNF) and counterpart assistance from the local government. The project has focussed on the development of village industries through :

- a. Provision of technical assistance in production, techniques, management skills, and marketing services to small industries;
- b. Organizing entrepreneurs/artisans /businessmen into cooperatives/ working groups for problem solving, marketing services, training, and so on;
- c. Engaging in trials and experiments with alternative production technologies and processes;
- d. Provision of credit service and facilities.

To date approximately 3000 industries in fifteen Kecamatan have been assisted. At present, there are seven small industry extension workers, working on the project, who were trained by the Institute.

1.3. Small-Scale Rattan Industry Development Project, Tegalwangi, Cirebon

This project was begun in 1976 with funding from the FNF. From 1978 the project has been funded and sponsored by the Ministry of Industry.

The project involved the placement of three enterprise extension workers in Tegalwangi to offer the following services to small-scale rattan industries :

- a. Providing training in such areas as management, bookkeeping, production technology, product design, and so on;
- b. Assisting entrepreneurs/artisans/businessmen with forming cooperative groups with particular emphasis on providing marketing assistance including the establishment of a show-room and outlet in Jakarta;
- c. Provision of field extension services.

1.4. Study About the Functions of a Service Center for Development of Small and Village Industries

Carried out for the Ministry of Industry with the purpose of :

1. Obtaining a small industry sector profile;
2. Assessing sector growth potential.

The conclusions of this study were used as input for the development of a model service center for the Small Industry Guidance and Development Program (BIPIK).

1.5. Evaluation Study of BIPIK

Conducted in 1977/78 for the Ministry of Industry, this study :

1. Evaluated the effectiveness of the BIPIK program;
2. Analyzed alternative factors intended to improve the effectiveness of BIPIK, and;
3. Formulated specific recommendations based on the above activities for improving the BIPIK program.

1.6. A Social and Economic Study on the Development of Small Industries in Rural Areas : Case Study of Kabupaten Klaten

With funding from FNF, the Institute undertook a three year study of small scale industrial development in rural areas using Kabupaten Klaten as a case study. Through the study the Institute formulated a general small industry development model designed for replication in other rural areas by the Institute or by the government.

1.7. Study of Small Industry Development Policy : A Case Study of the Rattan and Tanning Industries

This study, conducted between 1978 - 1980 with funding from the FNF, evaluated the consistency and impact of government policies in meeting the needs of small industries, using small scale Rattan and Tanning industries as a case study.

1.8. Study of the Potential for Small-Scale and Home Industries in Madura

This study was conducted for the Ministry of Industry. The purpose of the study was to inventory existing small scale/home industries in Madura and assess development potential.

Industries reviewed included such industries as buck making, batik, roof tile production, and lime production. The final product of the study was the design of a development assistance and training program for implementation by the BIPIK program.

2. Program for Village Technology Development

This program was begun in 1978 to support the activities of the Institute in the field of village development. The program is designed to identify solutions to village level technical problems and thus increase productivity and employment opportunities.

Particular projects include :

2.1. Village Technology Research

This research was conducted in six villages in Java and Madura in 1979 with assistance from the Asia Foundation. The purpose of the research was to compile types of village technologies as well as formulate a model for development of these technologies in alternative locations.



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2.2. Village Technology Inventory

A three year study from 1979 through 1982 designed to inventory village technologies throughout Indonesia, including information on types of technologies, guidelines on their use, and information on how to develop them. The final results of the study will be published in book form. The study was financed by the Asia Foundation.

2.3. Training in the Use of Village Technology

This activity involved training a staff of 24 cadres from 18 desas/pesantren in Java and Madura in the uses of appropriate village technologies. The purpose was to distribute knowledge about low cost technologies useful in village development. The training was conducted in 1980 with assistance from the Japan Center for International Exchange.

2.4. Village Technology Development

This program involves :

1. Training villagers in appropriate technologies to then serve as AT cadres;
2. Carrying out experiments and demonstrations in appropriate technology designed to meet the needs of villagers.

Since 1980 this program has trained 177 villagers as AT cadres from 41 desas in 7 pesantren in Java and Madura.

Training has included instruction in such things as how to make fiber-cement (117 cadres trained), composting techniques (2 cadres trained), and how to build village water lines (2 cadres trained).

Since 1982 this project has been carried out with assistance from the Asia Foundation.

3. Program for Cooperative Development

One strategy for small and village industry development is the establishment of functioning cooperatives. Work in this area by the Institute includes :

3.1. Cooperative Development in DKI Jakarta, Klaten and Tegalwangi

As part of the small and village enterprise development program activities in the above areas, the Institute has assisted with the development of small industry cooperatives.

3.2. Cooperative Development for Pondok Pesantren in Java and Madura

This involved the development of a model for Pesantren cooperatives as part of the community development program, being implemented through the Pondok Pesantren, since 1976.

3.3. Cooperative Training

The Institute, through its various programs, has since 1979 conducted a number of cooperative training courses such as training villagers to serve as cooperative development cadres.

Resources Management International, Incorporated.

3.4. Survey on Factors Leading Successful to Cooperative Development

Done together with the Cooperative Institute of Indonesia and the DG Cooperative of the Ministry of Trade and Cooperatives in 1981. The survey focused on analyzing factors that contributed to successful cooperative development programs. The results of the survey were used as the base data for a cooperative development program.

3.5. Study of Cooperative Development in DKI Jakarta

This involved the study of four cooperatives in DKI Jakarta during a six month period in 1981. Cooperatives studied included Koperasi Peternakan DKI (KOPERDA), Koperasi Produksi Tahu/Tempe (KOPTI) Jakarta Selatan, Koperasi Jasa Angkutan Jakarta, and Koperasi Serba Usaha "Sejati Mulia", Jakarta Selatan. The study reviewed the development problems of these cooperatives and formulated several possible assistance programs.

3.6. Study of the Development of Cooperative Credit Program in

Pekalongan and Cooperative Women in Development Program in Malang
 Conducted with funding from the Institute for Development Studies, the study evaluate the above two projects with the intent of developing a general model for use in replicating similar projects elsewhere.

4. Kampung Improvement Program (KIP) Monitoring and Evaluation Program

Financed by the World Bank and DG Cipta Karya. The purposes of the study are to :

1. Collect baseline data on the socio-economic impact of KIP;
2. Evaluate the short and long term socio-economic impact of the KIP Program;
3. Formulate alternative policies for implementation of future KIP Projects.

The study is a four year project, expected to be completed in 1983/84.

The overall program involves five separate studies :

1. Community Impact Analyses;
2. Monograph Studies;
3. Short Term Evaluation;
4. Longitudinal Impact Studies;
5. Policy Studies.

The study is being implemented in five cities : Jakarta, Surabaya, Semarang, Solo, and Ujung Pandang.

5. Study on Community Based Delivery of Social Services

This two year study was implemented in 1981 with funding from the International Development Research Center, Canada. Two locations, DKI Jakarta and Ujung Pandang are being evaluated
In terms of :

- a. The extent to which social services reach the general population in large Indonesian cities;
- b. The general impact of these services;
- c. The types of community participation in the social service programs.

6. Area Development Program

In 1975 and 1976 the Institute undertook several area development studies in Java and Madura including :

- 6.1. Study of rural community participation in social development Madura : a study focusing on the problem of participation in government programs and means to improve the level of participation.
- 6.2. Area development study - Indramayu : a study of problems related to the development planning process in Indramayu.

OFFICE MEMORANDUM

TO: Ms. Gloria Davis, AEP

DATE: August 4, 1982

FROM: John K. Coulter, Agricultural Research Adviser, AGR

SUBJECT: FAO Working Paper on Rock Phosphate and Lime in Transmigration Areas, Indonesia

1. This is an interesting paper bringing together a number of findings which highlight some of the issues of soil and crop management in these areas. However, there are a number of misconceptions and erroneous recommendations that will be dealt with in the course of this note.

2. It is obvious that there are a number of institutional and logistics issues which have afflicted these projects but I will confine my remarks to the technical problems.

Rock Phosphate

3. In the introduction there is a serious misconception in para 3 where the objective of the consultancy is stated to be "to determine the merits of rock phosphate against lime as a basal soil dressing" I fail to see how anyone could seriously believe that rock phosphate can substitute for lime in raising the pH of the soil nor, on the other hand, that lime can substitute for phosphate on P deficient soils. In view of this misconception it is perhaps worthwhile re-iterating the premises on which the recommendations for application of rock phosphate were made. These included:

- a) that P was the most seriously limiting factor on these soils and that the highest benefit-cost return would be obtained by using phosphate. This is dramatically demonstrated by Table 13, page 47 where the yield in the absence of P, but with all other nutrients present is only 290 kg/ha, 10% of the maximum. On the other hand the yield in the absence of lime is 64% of the maximum. This would surely indicate that where resources are limited, amelioration of P deficiency must have the highest priority.
- b) That rock phosphate of the proper quality, i.e. high citric solubility, proper crystalline structure, would be effective on these acid soils and that it would be cheaper, per unit of effective P, than TSP. There is ample evidence from many parts of the world that this is so and the graph attached is but one clear example of this, showing the enormous differences among rocks of differing origins. Table 3 in the document shows the variability, particularly the low quality of the Jordanian rock and the calcined Al-phosphate from Christmas Island. Page 14 states that "a large proportion of the deposits in Western Java has little or no agronomic value" and the report also points out the opportunities for adulteration. It hardly makes sense therefore to condemn the use of rock phosphate if the well known criteria for selecting good rock were ignored.

There is another area of confusion about price. Present FOB price for TSP is about \$150/ton, that for Gafsa rock, \$45/ton. The prices indicated on page 6 and page 41 (Rs. 100/kg) is equivalent \$160/ton for rock and \$112/ton for TSP. All of the TSP is imported, I believe. Clearly the prices are being distorted, presumably by subsidies amongst other things.

- c) That rock phosphate would have a strong residual effect on these soils and that therefore it could be treated as a capital investment which would give the settlers a "boost" early in the development project. Unfortunately the paper contains quite a lot of old fashioned and out of date soil chemistry in the discussion on phosphate "fixation" and "quenching" of aluminum which perpetuates some of the myths about strong "fixation" of phosphate in tropical soils. Some of the conclusions, based on experiments presented in the paper, seem ill-founded. For example, the experiments described on page 23 and table 4 and on page 37 and table 9 do not specify what extractant was used to measure the amount of P "fixed" after incubation. It was certainly not the 25% HCl mentioned on page 22 (in fact this is a poor determinant of "available" P). The report states that the P "fixation" capacity of these soils can be extremely high due to the presence of amorphous hydrated oxides of iron and aluminum in relatively large quantities (page 23) then goes on to state on page 26 that liming is necessary to prevent phosphate fixation. The fact of the matter is that liming has no effect on the amounts of amorphous oxides (these of course do carry pH dependent changes).

4. It is perhaps worth noting very briefly the principles of P reaction in tropical acid soils which have been known for many years. Little, if any P is "fixed" by precipitation of iron or aluminum phosphates. The formation of these compounds, e.g. strengite requires pH values below 3, seldom attained in such soils. Most of the P is in fact held by adsorption on the surface of the amorphous hydrated oxides, which in these soils forms a coating of the kaolinitic clay minerals. The lower the saturation of P on the adsorptive complex, the more strongly the P is held. Amorphous hydrated oxides form a large proportion of the clay fraction of soils formed on weathering recent basic or intermediate volcanic ash. These require large quantities of P to saturate the adsorption sites in order to release P easily for crops. However, the red-yellow podzolic soils have comparatively low anion adsorptive capacity and indeed the evidence points to the fact that comparatively small dressings of P, as for example the small amounts of TSP advocated in the report are effective and that there is a residual effect as well.

5. In view of this I would suggest that the author's conclusions that rock phosphate is not effective in these soils is unjustified, particularly the statement at 11, page 65. High quality rock phosphate will be effective and should be cheaper than TSP.

Liming

6. The high levels of exchangeable aluminum and the consequent limiting effect on plant growth has always been recognised on these soils. It has also been recognised that liming would ameliorate the Al toxicity - the problem remains on how the small farmer with no transport can deliver and distribute two tons of lime to his isolated field.

7. Considerable thought has been given to ways of mitigating the need for liming. One way is the use of Al-tolerant species or Al-tolerant varieties. Thus oil palm, coconut, rubber, many of the indigenous fruit trees, bananas, cover crops like Pueraria and Centrosema, cassava, are tolerant and flourish in the absence of liming. Maize, sorghum, groundnuts, soya bean, upland rice (to a lesser extent) are susceptible and require higher pHs for good growth. However, there are considerable opportunities for selection of varieties for Al tolerance within these species. A classic example is that for wheat in Brazil. However, it is only to be expected that varieties, selected a Bogor, will have a low Al tolerance.

8. A second aspect of the question is that the ash from the burnt jungle supplies something like 400 kg/ha of Ca CO_3 equivalent and probably at least as much potassium, which also has a neutralising effect. An application of 500 kg rock phosphate supplies about the same amount of calcium 400 kg Ca CO_3 . Properly managed these should delay the need for liming. The ash should have the particular value of raising the pH in the subsoil which according to Table V is considerably higher; ground limestone, because of its low solubility, moves very slowly into the subsoil and takes several years to affect the pH at depths beyond 15-20 cm.

9. Clearly there is a great need for a proper study of liming requirements, including the timing, the quantities, the method of application for small farmers and the residual effects.

Organic Matter

10. Organic matter plays a very important role in the fertility of these soils but the main problem as always is how to supply it (in both the physical and economic context) and how to maintain high levels. Incidentally there is a rather strange statement at the bottom of page 33 about the opened lands in shifting cultivation being left for two years to "cure" before planting upland rice. Any land that I have seen has been planted by dibbling the seed as soon as the ash is cool. Surely leaving such lands for two years will result in a vigorous growth of secondary forest.

11. I have little doubt about the agronomic soundness of the settler planting a leguminous cover crop and using it as a mulch but cover crops seeds are expensive, they demand labour for planting and weeding after establishment and their use as a mulch or green manure brings no immediate financial return. Digging them in as a green manure adds to the labour burden and is less useful than mulching. If the farmer could utilise his crop for livestock it would be a somewhat different proposition and makes it more attractive.

12. However, I would not accept the recommendation at 7 on page 65 that green manuring is "vital", to maintain the natural fertility nor would I accept that at 14 on page 66 that limestone and green manure be substituted for rock phosphate. I do agree that organic matter has a very important role, that mulching could improve the productivity and that ways of including this in the farming system need to be sought.

13. A useful section of the report is that at page 54 et seq on liming, including a summary of the costs and supply situation.

14. In conclusion I would strongly support the author in his statement on page 50 about the need for long term experiments on liming and fertilisers. Until we have a well planned and well executed program, poorly supported and expensive advice, costly to the settler and to the country will continue to be given.

cc: Mr. D.C. Pickering

JKCoulter/sm

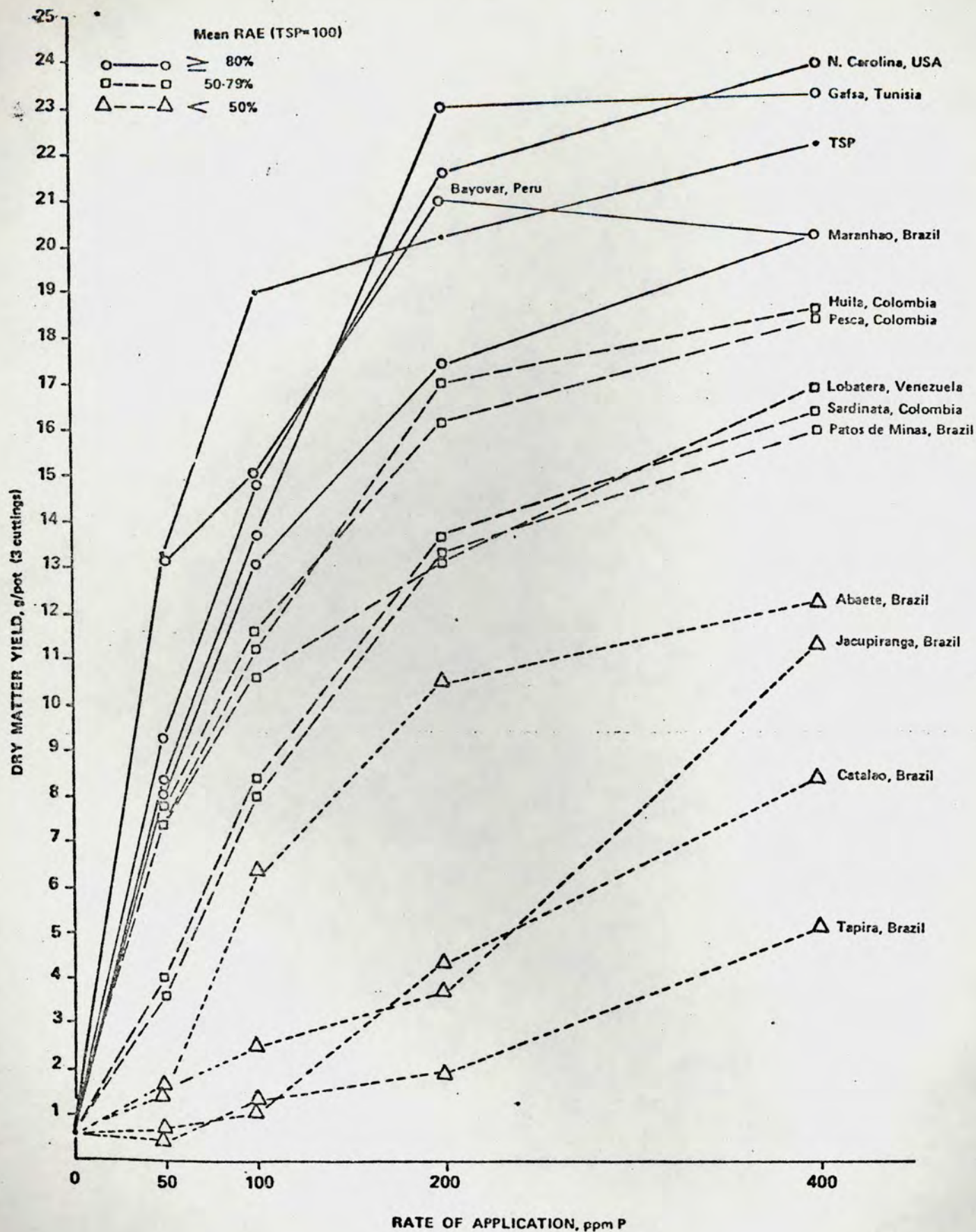


Figure 5. Greenhouse Comparisons of Various Phosphate Rocks Using Maize as the Test Crop.

OFFICE MEMORANDUM

DATE : August 6, 1982

TO: Files

FROM: I. Zincir 1.2

SUBJECT: Mr. A. Golan's Meeting with Dr. Sayuti Hasibuan

Mr. A. Golan and myself met on August 3, 1982 with Dr. S. Hasibuan, Deputy Chairman of BAPPENAS. This note summarizes major conclusions of the discussion:

(1) The discussion centered on an appropriate role for the Bank in the transmigration sector now that appraisal of Transmigration III and IV has been completed. One option is to continue with projects such as Transmigration I, II and IV. This approach, however, has proven to be cumbersome and costly and to have a limited impact on the program as a whole. A more effective approach would be to involve the Bank with general assistance in project preparation (i.e., Transmigration III), leave the actual land clearing and settlement of transmigrants to Government and thereafter focus the Bank assistance on upgrading agricultural production in the settlement areas. Thus the new style projects would emphasize agriculture development (foodcrops and/or tree crops) roads, water supply, schools, health centers and marketing facilities (coops). It was agreed that in all areas, agriculture activities, coops and roads should be provided as an absolute minimum. Other services should be supplied on a selective basis. Mr. Golan undertook to explore this approach in the Bank and to inform GOI of our suggested approach before starting work on the next transmigration project.

(2) Whatever package is preferred, the program cannot however be successfully implemented without an effective coordination among the GOI agencies concerned. How could we strengthen coordination? Dr. Hasibuan's view was that involvement of local governments is necessary in implementation of national programs. He therefore suggested that in addition to the coordinator at the national level who is at present the Junior Minister, GOI should assign provincial and kabupaten level coordinators reporting to governors and bupati or their assistants, but working closely together with local Bina Marga, agriculture, Cipta Karya units and coops. One should start practicing this system at least in two or three provinces such as Riau and East Kalimantan. Dr. Hasibuan emphasized that GOI is presently reviewing these options and until they reach a decision they would not like to proceed with strengthening of the JMT's office as proposed in the Transmigration IV SAR.

(3) Dr. Hasibuan felt that for political and psychological reasons, the target for families to be settled during REPELITA IV would probably remain at least at the level of 500,000 families as under REPELITA III.

Cleared with and c.c. Mr. A. Golan

c.c. Messrs. Cheetham, Walden, Prins, Mullan, Jeurling (o/r),
Altat Hussain, D. Morrow, R. Stern

File: Transmigration General

OFFICE MEMORANDUM

TO: Files

DATE : August 9, 1982

FROM: I. Zincir 1.2

SUBJECT: Mr. A. Golan's Meeting with Mr. Ginandjar Kartasasmita (Team 10)

Mr. A. Golan and myself met on August 5, 1982 with Mr. Ginandjar Kartasasmita, Assistant to the Minister/Secretary of State for State Administrative Affairs, to review some procurement matters giving concern to the Bank. Major topics of our discussion have been summarized below:

Consultant Billing Rates

Mr. Golan had written two letters to Mr. Ginandjar on the subject and explained that the growing number of complaints from firms and embassies regarding GOI's handling of billing rate was a major issue which must be resolved soon. Mr. Ginandjar stated that Team 10 Committee has recently reviewed the matter but without reaching a decision. He explained further that it was the responsibility of BAPPENAS and Bank Indonesia to determine what rates would be appropriate for consultants. Mr. Ginandjar confirmed that GOI's position was not rigid. As a matter of fact, when warranted and justified, rates higher than Bank Indonesia rates were approved. Mr. Golan inquired whether the suggestions made in our letter for using salaries instead of billing rates as a guide in the evaluation of consultants proposals was acceptable to GOI. Mr. Ginandjar said he would appreciate it if we could review these matters and the adequacy of existing rates with BAPPENAS (Saleh Afiff and Almatsier) and Bank Indonesia (Dr. J.E. Ismael). We agreed. In the meantime Mr. Ginandjar would inform both Afiff and Ismael during the next meeting of Team 10 (which was scheduled in the afternoon of our meeting) of our understanding.

In connection with the use of prices in the evaluation of proposals from consultants, Mr. Golan explained the Bank's Guidelines on the subject. For simple contracts, price could be used as evaluation factor but proposals for complex assignments should be evaluated on their technical merits. Referring to GOI's wish to take price into account in evaluating proposals, Mr. Golan said that one solution which was acceptable to the Bank would be to indicate a price ceiling for the assignment in the invitation letter and ask the consultants to submit a proposal outlining the services they would provide for that price. Mr. Ginandjar did not comment on this point.

KEPRES 18A (Use of Indonesian Vessels for Transport of Goods to Indonesia)

Mr. Ginandjar explained that this Decree was being misinterpreted. The Decree does not require the use of vessels carrying Indonesian flag but rather shipment of goods using Indonesian shipping companies which could hire ships from other countries. This was common practice followed by many other countries. KEPRES 18A had not really introduced any drastic change from the existing procedures. Mr. Golan was not sure whether this was the way in which the implementing agencies were interpreting the Decree; he would have another look at the Decree and write to Mr. Ginandjar, if necessary.

Standardized Contract Forms

Mr. Ginandjar said he had not seen the draft of the standardized contract forms prepared by a working group established under the construction industry study. We said we would ensure that he would receive these drafts as soon as possible. Reacting to Golan's explanation that the drafts also included some formula on price escalation for multi-year contracts, Mr. Ginandjar said he would also have a look at them and comment thereafter.

Centralized Procurement Units

In reply to Golan's inquiry whether or not he would favour establishment of centralized procurement units within directorates general to ensure better coordination and standardization at least within their Ministry, Mr. Ginandjar said that this would be up to the Ministry concerned. As far as he knew, there were already such units in several DGs.

Delays in Procurement of Office Equipment

Mr. Ginandjar stated that there was really no serious problem. Some agencies were exaggerating it. GOI was sometimes deliberately delaying purchases of office equipment for individual agencies so that orders for bulk purchases could be placed which would help local industries make long-term plans. Such a policy had the objective of giving support to local manufacturers which has high priority for GOI.

Raising the Ceiling of Contracts approved by Team 10

Mr. Ginandjar had once proposed to raise the ceiling to Rp. 1.0 billion from Rp. 500 million, but the Government turned down his proposal.

Future of Team 10

Mr. Ginandjar believes that Team 10 would function at least for another year. He does not know how GOI will decide about its future status but he personally favours discontinuation of Team 10 within about 18 months or so because: (a) GOI agencies have now better knowledge about contracting; (b) Team 10 approves about 30-40 contracts per week and although it has improved the review process, ~~its work still adds about two months to the tendering process~~; and (c) in the long run, the staff involved in reviewing contracts on behalf of Team 10 may not be able to resist corruption offers. //

Cleared with and c.c. Mr. Golan

c.c. Messrs. Cheetham, Jeurling (o/r), Walden (5), Mullan, Hanna, Rao, Nehru, R. Stern (4), EAP Projects Division

File: Procurement
IZincir/w