Chronological file - 1985 (2)

Archives
30084763
A2011-001 Other #: 353987B
Gloria Davis - Chronological file - 1985 - 2

A.N.U. CENTRAL ADMINISTRATION TELEX FORM NATUNI - 62760

TO: (TELEX NO. IF KNOWN) 45159

(ANSABACK CODE, IF KNOWN)

(FULL ADDRESS) NAME: Dr. M.A. Soegito,

STREET: Biro Pusat Statistik

SUBURB:

CITY: Jakarta

COUNTRY: (for overseas) INDONESIA

MESSAGE

YOUR REF:

ATTENTION: For Soegito copy Sri Budianti

In processing tapes for the transmigrant income survey we find that we do not have adequate documentation on the coding system for the 1984 Susenas tape.
Could you please forward copies of the Pedoman Pengolahan (if you have it), and a questionnaire which is filled out to indicate which questions were tabulated and their positions on our Susenas tape.
This information should be forwarded directly to Mr. Ross Muir in the Australian Embassy, Jakarta with the request that he pouch it directly to Ray Byron, Statisties Department, ANU.
We would be most grateful for your assistance in order to complete our preliminary Bank sector review.

With thanks,

SIGNED: Gloria Davis/ Ray Byron

☐ The Australian National University
Canberra, Australia*

*(Please tick box if required as part of signature)

NOT FOR TRANSMISSION

FROM: (NAME) Dr. R.P. Byron DEPARTMENT: Statistics

SCHOOL: Faculty of Economics and Commerce DATE: 7/8/85

FOR OPERATOR'S USE ONLY:

MSG. NO.	TIME SENT	DATE	INITIALS

f) Any other use of the tape (s) deviating from the above terms and conditions can only be undertaken with the prior written approval of the CBS. Inquiries should be addressed to the Director General of CBS.

IV. This document is a binding legal agreement. All data and information contained in tape (s) (as specified above) are confidential and are the property of the CBS.

For the Central Bureau of Statistics	For the Receiver (as in I above)
SUGITO M.A.	MRS. GLORIA DAVIS
Typed Name	Typed Name
DEPUTY DIRECTOR GENERAL	TRANSMIGRATION TEAM LEADER SECTOR REVIEW
Title	Title
JULY 27, 1985	JULY 27, 1985
Date	Date

Letter of Agreement for
the Use of Computer Data Tape (s) of

TRANSMIGRATION DATA

NO. 07 - 1985

1. This Letter of Agreement for the Use of Computer Data Tape (s) is signed-by the Central Bureau of Statistics (CBS), Goverment of Indonesia, as the Provider of the computer data tape (s) and WORLD BANK ..... as the Receiver of the computer data tape (s). In the following paragraphs the computer data tape (s) are abbreviated as the tape (s).

II. The Central Bureau of Statistics, Government of Indonesia, agrees to provide tape (s) of TRANSMIGRATION AND SUSENAS DATA ..... at cost to the Receiver with the terms and conditions as mentioned in paragraph III.

III. The Receivers agrees to the use of the tape (s) under the following terms and conditions,

a) the Receiver will not make a copy of the tape (s) for use of any other person or organization.

b) the Receiver will make use of the tape (s) only for the purpose of research and data analysis so as to gain further understanding about the Indonesian economic & sosial condition and highest benefit could be drawn by the Indonesian Government/the Receiver as well as researchers in the advancement of science.

c) the Receiver will make every effort to include the participation of Indonesian nationals in the analysis of the data.

d) the Receiver agrees to send at least two (2) copies of any report resulting from research using the tape (s) to the CBS, Jakarta-Indonesia.

e) for any research paper or report where the main sources of data are drawn exclusively from the tape (s) it is required that approval be obtained from the CBS on the content of the report prior to publication. In such a situation the CBS agrees to send the comments within 60 days, otherwise it is considered approved. Such research papers or draft papers should be addressed to the Director General of the CBS.

(Over)

H3091

F-7052 SUS844

F-7053 SUS843

F-7050 TRANSMIG 1

F-7051 MIGSUS

Three Susenas tapes
Standard IBM format
Block size 9000
Record length 90.

Migsus — susenas on transmigrant households
SUS843 — susenas — Java 1
SUS844 — " — Java 2.
described in Susenas — A04232

=

One Transmigrant tape
Transmig 1.
Standard IBM format
Block Size 10550
Record length 211

In the case of the transmigrant tape you can work out the field contents from the questionnaire (which you have)

cols 1–18 on each record correspond to the items on page 1 (ending with no. fam. members in cols 16–17)
the first record then continues through to col 155 on page 3.

the second record type [02] page 3 has the same identifiers in cols 1–18 and then has one item per 3 cols to col 137.

I switched to free format with a , separator but all the information is there

I include a typical read check program for the transmigration file

To read the 3 susenas tapes just change the Open + Format ~~statements~~ to 9000 and A90.

Good luck!

ORM NO. 80
(5–84)

THE WORLD BANK/IFC
MESSAGES

DATE 7/8

TIME 10:05

TO G. D.

FROM Brad Babson

DEPT./OFFICE

PHONE EXTENSION

- ☐ CALLED
- ☐ CAME TO SEE YOU
- ☐ RETURNED YOUR CALL
- ☐ CALL BACK
- ☐ WILL CALL AGAIN
- ☐ REQUESTS APPOINTMENT
- ☐ URGENT

REMARKS

Re: Letter - Nuna
Tenggara.
(what happened to it?)

RECEIVED BY

— Original — / Annexes

↓ pouch —

Paul Harrison
M. Basam

Dick
Ritlinger
Wads.

Louis Berger
331-7775

CARTER BRANDON

MAYBE IN NY

CALL PAT QUINN IN D.C.
TO TRACK HIM DOWN

FORM NO. 80
(5–84)

THE WORLD BANK/IFC
MESSAGES

DATE 7/10

TIME 2.02

TO CP

FROM Mr. P. Quinn

DEPT./OFFICE

PHONE 331-7775 EXTENSION

- [x] CALLED
- [ ] CAME TO SEE YOU
- [ ] RETURNED YOUR CALL
- [x] CALL BACK
- [ ] WILL CALL AGAIN
- [ ] REQUESTS APPOINTMENT
- [ ] URGENT

REMARKS

RECEIVED BY

Transmigration Sector Review

Economic Analysis -

1. Economics of various modules and the program as a whole

2. Economics
   a. Costs & benefits of upland, swamps, tree crops
      Marris work
      Mac Donald's work
      Cost figures - Repelita III - check
      Budget figures -
   b. Budgetary tradeoffs - Sponsored / Spontaneous / Rehabilitation ← tree crops / swamps / upland

2. Employment implications
   Cost / Amount

3. Income Analysis - Ray Bryon - BPS

Background
- Why it works
- Like it does
- Land tenure questions — Davis

Impact

Constraints
1. Land Availability
2. Organizational / Institutional Constraints - Davis
3. Financial / Budgetary Considerations

1. Food Security
2. Regional Development
3. Migrant Welfare - Davis
4. Population Impact. - Garrison
5. Economic Analysis

Investment Options ← Spontaneous

Soegito

Underway

Income Study - Ray Byron / Darrio Welfare -

Demographic Impact - Helen

Budgetary Implications - Nicki

Land Availability - LROC

To be Done

Economics Chaudhri

Economic Analysis — program
farm module
options within trans
options outside
Employment Implications

Chris Manning?

Institutional Aspects - Davis - M&E
Land tenure

Tree Crop Investment - Fox

Chris Barry

What we don't have

Agronomist

Regional Development Impact

Need - Infrastructure
Rehabilitation

Employment -

employment costs in various sectors

Business Advisory Service

Industrial Subsector Studies

$8,500

Michael Walton

Chris Manning

ANU people → BEIS Recent Economic Developments

not Peter Macalley -

[illegible] - Anne Boothe -

check

- Mark Laverson's study

- and Dipak Mazumdar - DRD

Incomes

Second Stage Development

- Investment Options -

- Is it enough -

- How many bucks -

Security clearances

mm

- relationship
- plot existing and proposed projects
- assurance on

short-list

Mission Assess
Foreign
- IFAD I - + Deaths of cows +

100% for ex

Project Coordinating Committee

taxes

← draw-up - bidding document
← review & agree by GOI ~~agreement~~ - Bank
← evaluation system
← bidding doc
short list

John Raeburn

Mission leader, Lanc I		
~~Gloria~~ Inst ~~22~~ Const	Harris	22
Employment	Chaudri /	8
Economic Analysis		8
Income	Ray Byron	8 5
Demographic	Garrison	8 5
Tru Crops	Fox	4
Land Availability	Cons	4
	Misc.	4
		70

MET

Want to do comparative work -
6 students completed / Work under this project (means Drs.)
Also supported
2 students from Lampung have requested help
2 Ph.D.s
Can they use material
Cut from 5 years to 2 years
too much room on organizing

- ? Core team members
- 10 assistants
- 4 coordinators

12 enumerators
2 field coordinators

Basuni studies
day to day monitoring most substantial Nov '80 - Oct 81
training, questionnaires, took one year to prepare
before census, stratification.

trend? 62 families on BR - 7.000 families
48 on WA -

Sub teams Basuni -
Marketing -
Ag adaptation -

Baseline Survey
Agricultural Adaptation
Ag. Marketing
Leadership - 300-400 informal leaders inexperienced (Microgeneous, neighborhood most viable)
Location Analysis - distribution of facilities not
facilities underutilized because of lack
of staff & material
Langgar
Spatial arrangements designed according
to nodality concept
hierarchy
linear settlement

want to achieve US $1000

MET

Wan Abung US $600 ~ low inputs / low productivity, low bargaining

how to break into agric

concentrate on home gardens in first year

fertilizer

Need 240 kg

Rubber 1 ha small livestock in early years ~ chickens first grow faster provide early returns

large livestock later

feed not developed

After 1st year improve L.U.I.

Less than 50% of available labor

50 HK/family/month

11	12	1	2	3	4	5	6	7	8	9	10
55	41.4	34	25.3	56	27	16.8	33.4	28.6	20.9	(124.0)	56.9

10% use for drought

no plows, no extension

improve soil conditions

Factories do not plant because

can work off farm and plant cassava

1980 20,000

1983 24,000

Sisipan work with better off farmers or village elite.

200 people/day in WA II

have to look at entire production

Kesehatan - each village has Balai Pengobatan with staff

3 Puskesmas - Panarangan Jaya
Daya murni
Tatakarya

Anwar Aziz has to tell us how many were built

all replaced by health officials

built too many Balai, couldn't get teachers

P.P.L.E. - transmigration -

originally
- 18 dari transmiarasi
- 2 dari Pertanian one per kecamatan
- 3 LPPP

→ 6 taken by agriculture and all sent elsewhere

now had 6 PPL people. 1 PPM -

2 for tree crops

10 moved to other places by have gone off to work for PTP Nusantara & HUM

Project will keep buildings

Livestock -

Rubber -

Cooperatives

Kambing Program - started with 15 goats

3 times / week

Jumaat / Selasa big market

7-8000 rp/market

~~Rp~~ 50 ~~Kiosk~~ toko — 42 toko 1982

~~Rp~~ 25 ~~stalls~~ kiosk dalam — 129 kiosk dalam

~~Rp~~ 15 stalls (emparan) — 97 emparan —

1980

Toko	—	12
Kiosk	-	85
Stall	-	100

1980

1981

November

toko	—	24
Kiosk	-	75
Stall	-	63

1982

Toko		42
Kiosk		129 ✓ move
Stall		97

/ 40% Minggu
10% Barat ~~1982~~
Jawa
Jawa traders
transmigran —
major items

Purbasanti Raka — Saptu
K. Rahaja " — Sabtu
Tatakarya Kemis — Minggu
Purung K Kemis — Minggu

Tanjung Karang
20% increase 2,900 / 2,850
daily needs almost same
mean semis semen —
Bandar Jaya — Sepeda motor
~~semen~~

Taranaya 4,362 kiwa 798 KK

526 KK at Kiot 1972 - 70 KK Spontan -

Taranaya, Parbasakti, Kuta Rahaja -

Tenaga harian - 38 -

Everyone works on farm.

Taranaya 1.75

Most own 200 Sapi

Credit 198.000 ekor 8 years

4 years 360,000 642.000 bunaga

- 120,000 2 ekor -

75% peladangan

25% too high for sawah bari dapat sawah

no one wants

Pertanian Baik

All following BIMAS

Kena penyakit yellowing leaves

Kena 30%

don't know what it is 800s

tumpang sari

Cacang tanah Kedelai

- 60% -

Petani	2049				
Pedagang	117				
Industri	59	Tempe, Tahu,			
Perkahangan	71	kayu & Batu			
Pegawai	80				
ABRI	18				

STK	18	22	#	Guru	BPertanian 2
SD	389	406	3	1	They trained him -
SMP	194	60	2	13	Irrigation -
Madrasah	27	21	5	3	Sapi -
Pengajian	218	205	25	1	50% better
SMA	60		1		

BR

Contracting

budget reduced -

13 contractors working

7 under rp 50,000,000

6 over rp 50,000,000

Jamunan tidup

+1 Ibadah

Pekarangan	0.25
LU I	1.00
LU II	1.25
Prp x	1.00

Unit 12 •

350 KK yang ditempatkan ex Galunggung - 477 settled
planned 98 KK local

Unit

55 KK Galunggung - 243 settled, planned 72 local

420,000 1090

rp 130,000 tetang 7 ha cleared by this group

50,000 KUD 2 bulan 6-7

2/3 paid 1/3

10 people 15 days 14 ha 1 ha 130,000

5,000 - KUD ~~KUD~~ 125,000

23 blok Wakins now rp 375,000

- plan to plant tobacco -

1,000 rp.

200 kg - Chili's new rp 80

Cabbage rp. 15.

Census 18 Unit Desa 12,842 KK Tatakarya
djiwa 72,395 Bangun sari
Bumi Restu
people in (Bumi Agung, Bumi Raharjo, Sidomukti)
Purbasakti

- Pendikum -

S.M.P. Mulyo Asri 1 ~~240~~ 349

3 S.M.P under project

Daya Murni } 2 rp 300 / tahun - ~~240~~ } 664
Marga Kencana } ~~200~~
~~Panaragan Jaya~~

S.M.P. Swasta Mulyo Asri in afternoon 100 pay for classes
Daya Murni rp 1,500 / satu bulan 80
Panaragan Jaya 294
Tatakarya ≈ 400

~~SMA~~ - students

S.M.T.A. Daya Murni 217
S.F.M.A. Pulung Kencana 240
Swasta Daya Murni 1 tahun -

2 S.L.T.A. under project

S.M.A. needs 3 S.M.P. needs 6 S.D.

S.D. 49 S.D. Negeri needs 8 S.M.P and 3. S.M.A.
L - 8,430
W 7,061 5-9 - no S.D's.
15,491

Problem getting teachers accepted
SMA 11 stilling getting honoraria
SMP 25 hor. ~~stilling~~ getting honoraria
15 Panaragan Jaya honoraria
Mulyo Asri

Bumi Wara -
Multi Agra - 500-1,000 nagi
Bumi Lampung Permai
500 - 1,000

WAY ABUNG

P.T. Gunung Madu
1975 Way Abung
Pemerintah Daerah
Agreement Kerja Sama
There is a written agreement
Can attract extra laborers
8,000 laborers
Use laborers
~~TBS~~ Maintenance 1,500 laborers
Harvesting 8,000 laborers 13,000 from
Will reduce labor this year
~~Bobin~~ rp 1,000 - 2,000/day wages
rp 650/day minimum but they can earn more
24 rp hari bonus 3,000
Tulang Bawang -
1 May - Oct end 300,000 tons 70 ton/ha
can get 800,000 ton
14,500 shall be planted -

average 6.5 ton/ha
last year estimate 5.5 ton/ha
100 ton/ha irrigated
1,100 ~~kg~~ kg/ha
Lirung 6 ton/ha each year - 3 times ratoon 4% rendemen

~~Harian~~ laborers 1,600 -
harian 3,000 -
tebang 8,000 -
labor campaign
40 trucks Unic
mobile sent from here

8
13
8

$ 78,600 jiwa - Way Abung
54,000 Tulang Bawang
120,000

May make an agreement

buruh more difficult to find
economy had been increase
Can live on income from farming alone
Maybe will have farmers plant
6,000 ton a hari
Pabrik Ketapang 10,000ha
- 1984 -
~~farmer~~ 6,000 jiwa that live here -
12,000 jiwa -
2 weeks one day
60 - 70 %
30 elephants
50 liter -

PT Multiagro

5,400 ha

Planted Cashews

Too much hujan

40% of the trees blew over

basic kurang

maintenance always

Planting Cassava as

25 ton/ha 450 TSP KCL

Rock Phosphate 400 ton

Rp 51/kg ex factory - under capacity

discussed with KUD rp 45-50,000/truck - Batu manta -

shortage of transport capacity 45 tons

WA Supply to factory gate -

1800 laborers - 1300 daily laborers -

500 living here

corn, groundnuts, Java -

little competition 6 months little resource

Umpan - stock pump

due to 40% 20%

of throughput from outside one half of this

from Way Abung -

16,000 tons from Way Abung - New factory

3 factories - this one more serious about land development -

5,000 ha for oil palm break even rp 650-900 labor

100 ton per day now
400 ton per day maximum
20% achi
10 tons

5, 6, 7, 8 400%
2rp/kg transport-
4-5 ton

- 160 people work here all from Way Abung
  → 175 rp/karung
  40

Muloadi

Factories — people from W.A.

Bandar Jaya - Menggala

1. P.T. Gunung Madu -
2. Tunas Bros Citric Acid Factory skilled persons 10-15
3. Umas Jaya -Taiwan- Planned Canning Factory Barracks 300
   now nursery and extension- pineapples 4,500 + 3,000 ha
4. Also cassava factory also buy 200 tons?
4. P.L.P. Bumi Lampung Permai - Cassava Factory 400 + 5,000 ha buy as much as they can 400 tons
5. Multi Agro
6. Huma Indah Makar - 5,000 ha 500 skilled from P.J. unskilled from Pen.
   only just opening and building a factory
7. Bumi Waras

8. Sumakai - planning and building | P.T.P XXI Kelapa Pang Gula [illegible] 50 skilled

9. PTP X - Planted 2,500 ha 400 masih dipakai
   In competition with PTP X, farmers should work with PTP X

Another citric acid factory is planned - P.T. Bumi Waras
up 900-1000 /day
Some are assisting in Tulang Bawang - maybe 100 carpenters

N459

To: Sulekha Patel, N460

Age and sex structure of transmigrant population /1000 families

	Females	Males	Total
0-4	4970	4750	9720
5-9	4000	4390	8390
10-14	2400	3000	5400
15-19	2460	208	454
20-24	3000	300	600
25-29	2500	250	500
30-34	2000	200	400
35-39	750	100	175
40-44	250	50	75
[illegible]	2233	2322	4555
[illegible]	%	% of total	
[illegible]			

for all provinces same age structure.

forced migration.

In order to look at the impact of transmigration on sending provinces Mike and I suggest the following 1980 /1990 comparisons

Scene 1 ✓ 1. Population growth in the absense of migration of any type

D/Patel/Sadoyama/ Scene 2 ✓ 2. Pop Growth assuming in-migration at historical levels (1970-1979 mig data)

---

3. Pop growth assuming sponsored migration (previous data sheet) and no additional migration (i.e. backflow = spont in-migration)

4. Sponsored (forced) migration plus net spontaneous (in program) migration of 2% each year for 10 years i.e. 10% each period

5. Sponsored (forced) migration plus net spontaneous migration of 5% each year for 10 years

all totals will come from Gloria

only this age dist have to deal with her big chart for project... is not change too.

adjust the migration age structure - for sendy areas subtract Gaves + vice versa

Gloria 74215

~~1979-8~~ Repuits I · B-F 1980-85 · C - G
H - L
G-k
L-P M-Q
Q-V R-V

B23

30

38 B 12

40 ~~B 14~~ 43 ~~84~~

B 55 103 ~~154~~

163

W331 · AA 332

G-E

L-G C384

Q-L

V-O

18976

W214

W214 - AA254 A 375 · T · 424

W 274 - AA 314

W 334 - AA - 374 C384 - 3.5

A 4

	Male	Female
0-4	101	90
5-9	85	69
10-14	72	42
15-19	42	62
20-24	59	85
25-29	78	69
30-34	68	38
35-39	33	26
40-44	34	13
45-49	15	11
50-54	16	7
55-59	7	3
60-64	1	1
65-69	2	-
70-74	1	-
	614	516

10810
8930
1880

1130

+ 21 w/out ages 21

Total 1151

INDONESIA

TRANSMIGRATION V PROJECT

(Site Planning and Settlement)

WORKING PAPER C-2

FARM MODELS USED FOR THE EVALUATION OF PRODUCTION AND FOR ECONOMIC ANALYSES OF INDONESIAN TRANSMIGRATION PROJECTS

Table of Contents

Page No.

APPENDIX

FARM MODELS USED FOR THE EVALUATION OF PRODUCTION AND FOR ECONOMIC ANALYSES OF INDONESIAN TRANSMIGRATION PROJECTS

1. Introduction

Estimations of the overall economic and social benefits from the very large investments of the Government of Indonesia (GOI) in transmigration schemes require a knowledge of the likely production of food and other agricultural commodities from the schemes. Estimates are also required of labor requirements and the cost of creating employment opportunities relative to other possible alternatives.

Basic to these calculations are the farm models used to design the settlements. These have evolved over the years according to the general policies of the government and experience in previous schemes. There are now two basic models for upland and lowland sites:

(a) Upland model of 3.5 ha which includes a 0.25 ha houseplot (home garden), 1.0 ha food crop area and 2.25 ha for subsequent development of tree crops. These areas may be split such that the houselots are adjacent to each other, the food crop land is within a limited distance from the houselot and all the tree crop areas are in a compact block again within a limited distance from the village center.

(b) Lowland model of 2.25 ha which includes a 0.25 ha houseplot and 2.0 ha of land suitable for bunded rainfed rice.

In both models, the houseplots and 1.0 ha of land are prepared to various degrees of readiness before the arrival of the settlers. During the first year the farmers are supported by the provision of food, tools, seed and seedlings and fertilizer and pesticides for 3 years.

2. Previous Studies

Many previous reports contain estimates of production from the basic farm models. These estimates vary over a fairly wide range depending on assumptions made as to detailed management practices and the availability of fertilizers and labor. A selection of key references is attached but there are many other reports, particularly of Phase II and Phase IIIA studies carried out by consultants which were not readily available at the Bank.

In the following sections, an attempt is made to identify and discuss the various sources of variation (of which some are site-specific) and develop a general methodology which can be used to calculate realistic production values and economic assessments.

Ideally, the various parameters should be incorporated in a computer model such that any subsequent refinements based on field observations could be easily incorporated and sensitivity analyses made in relation to changes in fertilizer labor, new varieties, diseases and pests and so on.

3. Major Sources of Variation

Farm models include many assumptions of which the following have significant effects on production and economics:

(a) rate of development of the farm - which may be location-specific;

(b) output from the home garden with or without the inclusion of poultry, large and small animals, fruit trees or speciality high value crops such as tobacco, coffee, cloves and fruits;

(c) the cropping patterns and intensity used in the food crop area with and without animal power;

(d) yield estimates in relation to fertilizer and pesticide inputs;

(e) manpower availability to the average transmigrant family and the matching of this manpower to the cropping pattern and intensity; and

(f) social factors and marketing opportunities which affect cropping patterns (particularly important for cassava).

Each of the factors will be discussed briefly, giving some indication of the approach and values which have been used in other reports. The largest variations seem to occur in (d) and (e). The text includes an outline of the basic reasoning and assumptions used for the farm models in the Transmigration V Staff Appraisal Report.

4. Rate of Farm Development

A basic aim is for the family to be self-sufficient in food after the first year. Most transmigrants initially plant the 0.25 ha of home garden with annuals (rice, cassava, vegetables) and perennials (bananas, fruit trees, coconut, etc.). They do not have time to plant in addition the full 1.0 ha of food crops. This area may require additional clearing of timber, burning and stump removal. Most reports take account of this although some do not. All assume the houselot is fully planted in the first year. The Trans II and III models assume that 0.5 ha of the food crop area is planted the first year and 1.0 in the second. For Trans V models, it is assumed that 0.5 ha is planted the first year, 0.75 ha in the second and 1.0 ha in the third and subsequent years.

For development of the tree crop area (2.25 ha) most reports assume transmigrant labor is available whether or not it is block-planted by a contractor or planted by the farmers themselves under a Project Management Unit (PMU). To take account of labor shortages, in the Trans V models, this development is assumed to start in year 4 with the first tapping in Year 11.

The bunded rainfed rice (sawah) model assumes the development of an extended house lot of 0.25 ha in addition to the house lot around the house (0.25 ha) plus the development of 0.4 ha of 'field plot' in the first year. The field plot is then extended to 1.0 ha in the second year, 1.40 ha in the third year and 1.75 ha in the fourth year (Swamp Reclamation Project II).

5. Output from the Home Garden

There seems to have been no consistent method used to determine output or net income from this 0.25 ha of land. Most reports assume a cropped area of 0.20 ha with 0.05 ha for the house and paths. Some authors have calculated output as the same as for the food crop area for the first few years with increasing amounts of tree crop products (Transmigration Program Review). Others have used a multiple of the food crop area output assuming better management and higher value produce. Scholz describes a farm profile for a mature transmigrant area in Lampung in which the output of coconut, cloves, fruit and bananas from the 0.21 ha 'kebun' is equivalent to 1.5 times the same area of food crops. The Transmigration II appraisal shows a net value of garden produce 2.8 times that of the 1 ha of field crops "at full agricultural development" but only the same during the first 5 years before the tree crops are in production. This report seems to be the most detailed with estimates of production from 6 or more vegetable and 8 tree species.

For the Transmigration V models twice the output from the food crop area has been used for all project years.

The value of animal products, particularly poultry, which are found on most holdings within 1 or 2 years, and small animals (goats and sheep) has not been calculated and included in most models. They are included in the Transmigration V model, and prove quite an asset. Large animals also are rarely considered. In some Transmigration V models a large animal is assumed to arrive in year 4, as envisaged in the Smallholder Cattle Development Project. The effect of cattle introduction on farm labor requirement is discussed later.

6. Cropping Patterns and Intensities in the Food Crop Areas

6.1 Upland Model

No attempt is made here to review and summarize all the relevant background information. It is sufficient to say that most studies result in a cropping pattern which is midway between that recommended as a result of the research of the Central Research Institute for Food Crops (CRIFC - formerly known as the Central Research Institute for Agriculture or CRIA) and the traditional farmers cropping pattern. This "improved" pattern is basically intercropping of upland rice and maize during the wet season, with a relay crop of cassava planted 1 to 1.5 months after the maize/rice. After the rice and maize harvest, a legume crop (groundnut, soyabean, cowpea) is planted to grow through into the dry season. The CRIFC model includes a further short-term legume (mungbean or cowpea) but this is usually omitted from transmigration farm models because of labor constraints.

There is some confusion about definitions of cropping intensity in mixed or intercropping cropping situations. Intensity is usually defined as the area of crops harvested annually per unit land area. With mixed or inter-cropping the spacial arrangement used is usually related to standard spacings of the crops. The spacings recommended by CRIFC (see Oughton, 1984) give the following areas when related to 'standard' spacings: rice 0.75 ha, maize 0.25 ha, cassava 0.50 ha, legume 0.75 ha; total 2.25 ha or cropping intensity 225%.

Areas of the different crops harvested from 1 ha of mixed-cropping in different models and observed by Sholz (1982) in transmigration sites are shown in Table 1.

	CRIFC model	Modified CRIFC (Oughton)	Traditional farms	Trans II model	Trans profile (Sholz)/b	Trans V model
			(ha)			
Upland rice	0.75	0.75	0.93	1.00	0.75	0.80
Maize	0.25	0.25	0.07		0.20	0.20
Cassava	0.50	0.50	0.12	0.40	0.34	0.20
Legume	0.75	0.75	-	0.50	0.05	0.50
Other crops /a	0.75	-	-	0.10	0.05	
Total	3.00	2.25	1.12	2.00	1.39	1.70

/a Second legume or sweet potato or vegetables.

/b This observed profile includes one third of the land bunded for paddy.

7. Yield Estimations and Fertilizer Use

Yields of the different crops, which have a major effect on the farm economics, are the most controversial aspect of the different models. They depend very much on these upland soils on the level of fertilizer inputs of urea, triple superphosphate and potassium chloride used. In the following discussion, no attempt has been made to distinguish the individual effects of the different nutrients N, P_2O_5 and K_2O. There are insufficient experimental data to do this. Therefore effects of total weights of the three components are added together to give a total fertilizer input.

The CRIFC research data were obtained with a total fertilizer input of about 750 kg/ha/year. The modified CRIFC model requires 525 kg/ha. Transmigrant families used to be provided with 400 kg of fertilizer each year for the first three years but this has been progressively reduced to 300 kg and is now only 200 kg. All of this is usually assumed to be used on the food crop area.

In most models, it is assumed that the farmers continue to use fertilizers at the same rate as supplied free for the first three years. Other models assume lower fertilizer inputs.

No attempt seems to have been made to relate yields to fertilizer inputs by means of response curves, even though experimental data is available

at least for the zero and 750 kg rates. In this Trans V model, approximate response curves have been drawn for the major crops, upland rice, bunded rice, maize, cassava and legumes. These are shown in Figure 1 and are based on as much experimental data as was available. They indicate clearly that maize and cassava yields are very sensitive to the levels of fertilizer inputs, particularly at lower rates. Rice and legume yields are also significantly affected. Such response curves enable sensitivity analysis to be made with various rates of fertilizer in the same basic model. It should be clearly understood that these are estimated average response curves for upland soils. In reality, there should be a family of curves depending on soil, variety and weather conditions. It could be argued that for a model one should use not average but 'dependable' crop response curves which would supply say 9 years of 10 (this approach is normally used for 'dependable' rainfall which is about 75% of the average).

This simplistic approach does not take into account two other factors which affect yields over a period of time. These are firstly, the residual effects from year to year of phosphate and potash. For phosphate a 'rule of thumb' method of estimating residual effects is to assume that the effects of a single application are valued at one third in the following year, one ninth in the next year and so on. Therefore, after several years, the annual applications of phosphate can be reduced by one third. For potash, residual effects depend on the balance between that applied and that removed by the crops since leaching losses are small. These effects have been disregarded in the Trans V model, although rough calculations show that potash offtakes could be larger than potash applied leading to eventual potash deficiencies depending on soil type.

In order to estimate yields from the response curves for a total annual application of fertilizers to 1 ha of mixed cropping, the Trans V model assumes that 2/3 of the nitrogen (urea) is applied to the rice/maize and 1/3 to the cassava/legume. All of the phosphate (TSP) and potash (KCl) has been assumed effective on the rice/maize when applied at planting and (as residual P and K) on the cassava/legume.

The second factor (which has been included in the model) is the increased yields due to mixed or intercropping as opposed to monocropping. There is much evidence in the literature that although intercropping reduces the yield of each crop on an area basis, the combined yields are usually larger by about 20% due to a more efficient use of light, water and nutrients (in agronomist jargon, a "land equivalent ratio" of 1.2). However, each crop may not be affected equally in a given combination; one crop is usually dominant, e.g., in the model it is likely that cassava would be dominant over the intercropped legume (experimental results are required). This latter effect has been disregarded in the model and all yields have been assumed to increase by 20% over the estimated monocrop yields due to intercropping.

8. Manpower Availability and Requirements

8.1 Availability

Total man-days per year is the product of the number of labour units

times the days worked. Estimates in different models vary between 350 and 600 man-days/annum depending on variations in both labor units and the number of days worked. Most models assume 1.5 labor units from the transmigrant and his wife at entry and about 0.1 units for the children at entry increasing to 0.5 units after 5 years. The number of days worked range from 20 to 24 per month. The Ministry of Transmigration Bina program guidelines for consultants recommend 1.36 labor units/family and 25 working days/month or 408 man-days/annum. Oughton (1984) uses 456 available man-days at entry but this increases over 5 years to 600 as the children grow up and work full time on the farm. In the Trans V model, 400 man-days/annum has been used with no increase over the years. Most reports emphasize that these average figures take no account of variations in labor demand at peak times such as primary cultivation, planting and harvest. Estimates of labor demand on a monthly basis related to the cropping pattern have been included in some reports.

8.2 Requirements

For the houselot, the labor requirement has been estimated at the same per ha as the foodcrop area (see later) or more. For the cropping pattern used for Trans V this would be 53 or more man-days.

In the Swamp Development Project II 67 man-days has been used. Therefore, to take account not only of field labor but also time required for house repairs, marketing, etc. 70 days has been used for the Trans V model (this gives a value return for labor equal to that for the food crop area).

For the foodcrop areas of 1 ha it has been assumed that manual primary cultivation for the rice/maize requires 80 man-days (estimates in other reports range from 40 to 107 man-days). For planting rice/maize, estimates range from 3 to 42 man-days with the lower figure probably assuming broadcast seeding for the rice and the higher line planting (in the literature, about a 10% increase in yield from line planting, c.f. broadcast seed has been measured, but there are also many other papers which show no differences in yield). In the Trans V model 10 man-days for line planting 1 ha of rice and 10 days for maize have been assumed. An extra 40 days has been assumed for preparation of the land for the legume and cassava. Taking into account the proportion of the different crops in the mixed-crop sequence, a total of 218 man-days would be required on the 1 ha foodcrop area. The following Table 2 shows the details.

Table 2: MAN-DAYS LABOR REQUIRED FOR 1 HA OF MONOCROP PRODUCTION

	Upland rice	Maize	Cassava	Legume	Total
Primary cultivation	80	(80*)	40	(40*)	
Sowing	10	10	5	20	
Maintenance	30	(30*)	30	(30*)	
Harvest & postharvest	60	40	20	40	
Area grown (ha)	0.80	0.20	0.20	0.75	
For mixed crops (omitting *)	144	10	19	45	218

For bunded wetland transplanted rice, estimated labor requirements in the reports range from 150 to 342 man-days/ha. The Trans V model without animal power assumes 195 man-days made up from 5 days seedbed preparation, 80 days primary cultivation, 20 days transplanting, 30 days weeding/spraying, 50 days harvest and post harvest and 10 days bund maintenance.

As already mentioned, although family labor man-days are constant throughout the year, the demands of the cropping pattern are seasonal with peak demands in the primary cultivation and planting, and the harvesting seasons. If it is assumed that cultivation and planting must occur within one month at the start of the rainy season, 90 man-days would be required, but only 33 man-days are theoretically available. Therefore, the farmer must hire labor, work considerable overtime or reduce the area planted. Most reports and surveys agree that using only family labor, not more than 0.75 ha can be fully utilized.

9. The Effects of Introducing Cattle on Transmigrant Holdings

Cattle have been introduced as part of the input package on a number of transmigration sites. Recently these have beeen linked to the Smallholder Cattle Development Projects (SCDP). The objective is to provide both animal draft power to increase the area cultivated and a source of income from the sale of offspring after the credit commitment has been repaid. Usually a female of breeding age is provided with one bull for 10 heifers. They are introduced at least 2 years after settlement of the transmigrant family (the Trans V models assume introduction in year 3).

9.1 Cattle Productivity

In the models for Trans V a calf is assumed to arrive in the first and after each subsequent 2 years and is valued as a cash sale at birth although the schemes usually plan for sale or redistribution at 18 months after birth with a corresponding increase in value. (In SCDP II farm budgets, the value of annual liveweight gains are used for economic analysis.)

9.2 Effects on Manpower Requirements

Animal power with only a plough available can be substituted for manual labor only for land preparation before planting and (if a cart is available) for transport. If it is assumed that one pair of animals reduces the man-days required for primary cultivation by 90%, then for the upland crop model 108 man-days are saved, or 54 man-days per animal (Table 2 data). For the lowland bunded rice model, 36 man-days/animal/crop are saved. Theoretically these 'saved' man-days would enable the cropped area to be increased by 24% in the upland model and by 10% in the lowland model. These estimates roughly correspond to those used in the 'with' and 'without' models in the SCDP reports. However, the latter also include an estimate of increased yields due to more timely land preparation in the limited period available because of the rainfall distribution pattern, and the availability of animal manures. These factors have not been included in the Trans V models.

10. Social Factors Affecting Cropping Patterns

10.1 Food Requirements and Preferences

The average food requirement for a 5-member family is usually taken to be 1,000 kg of "rice equivalents" based on dry hulled rice (beras). Rice yields are normally given as unhulled dry rice (gabah) with an average hulling percentage of 65. Maize (corn) dry grain in the model is considered equivalent to beras as are the legume crops (except groundnut yields which are usually quoted as unshelled nuts with a shelling percentage to grain of 60%). For cassava, there is a wastage on processing (peeling, etc.) of 20% and a dry matter content of 38%. The conversion to 'rice equivalents' from fresh harvested tubers is therefore 30%.

In the model, rice equivalents have been calculated from the yields of the crops as gabah (paddy) x 0.65 + corn + legume + cassava x 0.3. Because of the many uncertainties and assumptions in the model, further refinement in terms of calories, protein, fats, essential minerals, vitamins is not really justified.

The transmigrants generally prefer a rice-based diet and will try to fulfill their rice needs as a priority, with their next priority being legumes, corn vegetables and fruit (bananas, coconuts and others). Cassava is of lower priority and is grown as a food reserve. This means that although up to 0.5 ha of cassava may be planted in the CRIFC model, this is seldom required for the family itself and will only be grown if there is a sales outlet at a reasonable price at harvest time. Some sun-dried chips may be produced and stored but this is not possible with more than a few quintals. For these reasons, only 0.20 ha of cassava per ha of mixed-crops per annum has been used in the model.

10.2 Other Social Factors

Another very important social factor influencing cropping patterns and areas cultivated is whether or not there are opportunities for the transmigrants for outside employment. Surveys have shown that in a developing area

up to 40% of the transmigrants may obtain wage employment at rates considerably higher than the return to labor from food crop production. In most farm models, this factor has not been included, although it could reduce the average man-days available for farm work for a settlement village by at least 10%.

It is commonly observed that within one year of settlement of a transmigration scheme, there are wide variations between holdings depending on:

(a) the quality of the land (a matter of chance);
(b) the competence and industry of the family;
(c) special skills of the family leading to outside employment;
(d) special interests leading to intensive production of speciality crops;
(e) family food-crop preferences.

When family food requirements are met, and the models show that this is possible on much less than 1 ha of food-crop land, a tendency is for the family to maximize cash income.

11. Development of a Spreadsheet Computer Model for the Transmigration V Project Analyses

A standard Lotus 1-2-3 spreadsheet program on an IBM PC with 640 K RAM has been used to calculate the economic rate of return, production and labor requirements for various farm models using various crop combinations with and without rubber development and animal power. The models assume 200 kg of fertilizer are applied annually, but sensitivity tests of the effects of increasing or decreasing fertilizer inputs can easily be made.

12. Conclusions and Proposals for Further Study

In preparing this review and developing the computer program it has been clear that a far more comprehensive analysis of all the Transmigration and other literatures of Indonesian agriculture is required. It is especially necessary to obtain more factual survey and experimental data to refine the crop yield/input relationships, the labor availability and requirements and the amount of variation which occurs between holdings on a single transmigration site in the different Outer Islands.

Studies to gather this and other information are proposed to be financed under the Transmigration V loan.

Attached as Appendix 1 is Annex 6 of the Staff Appraisal Report which summarizes the results of the economic analysis. Attached as Appendix 2 is a representative printout of one run of the computer model. The models show that family food requirements can be met from rather smaller areas than are now allocated to each settler, provided fertilizer inputs are adequate. They also show the importance of maximizing the area of wet rice, the introduction of animal power as early as possible and the great dependence of production on labor availability, especially in the peak seasons.

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FORM NO.75
(11-84)

THE WORLD BANK

ROUTING SLIP	DATE : August 20, 1985
NAME	ROOM NO.
Mr. M. Altaf Hussain (AEPA4)	E-624
Ms. Gloria Davis (AEPA4)	E-624
cc: Mr. Klempin	

	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	CLEARANCE		PER OUR CONVERSATION
	COMMENT		PER YOUR REQUEST
	FOR ACTION		PREPARE REPLY
	INFORMATION		RECOMMENDATION
	INITIAL		SIGNATURE
	NOTE AND FILE		**URGENT**

REMARKS :

Please find enclosed a copy of the letter from Mr. Atar Sibero/DG Bangda to Bappenas on the budget allocation for the preparation of the implementation of NTASP.

Regards,

FROM :	ROOM NO.	EXTENSION:
Wiranto S.	RSI	517316/274

DEPARTEMEN DALAM NEGERI
REPUBLIK INDONESIA

Jakarta, 9 Agustus 1985.

Nomor : 193/2461/Bangda.
Sifat :
Lampiran :
Perihal : Persiapan pelaksanaan NTASP kerjasama Bank Dunia dan UNDP.

Kepada
Yth. Sdr. Deputy V Ketua BAPPENAS
di -
J A K A R T A.

Dalam rangka pelaksanaan Nusa Tenggara Agricultural Support Project (NTASP) kerjasama dengan Bank Dunia yang ditunjang pula UNDP dalam kaitannya dengan pelaksanaan PPIPD phase II perkenankanlah kami **menginformasikan langkah-langkah yang sudah diambil sebagai berikut :**

1. Dalam tahun anggaran 1985/1986, telah disiapkan sejumlah Rp. 34 juta lewat DIP sektoral Departemen Dalam Negeri untuk menunjang kegiatan persiapan pada tingkat Pusat (embrio PIU) yang akan digunakan pada kegiatan antara lain :
   - pemantapan usul 1986/1987;
   - monitoring dan evaluasi pelaksanaan proyek-proyek 1985/1986 pada kedua area percobaan (experimental area development di Lembor - Nusa Tenggara Timur dan Lombok Selatan, Nusa Tenggara Barat serta kabupaten-Kabupaten lain dalam lingkup NTASP.
2. Dalam tahun anggaran yang sama lewat dana on top Inpres Tingkat I kepada Nusa Tenggara Timur dan Nusa Tenggara Barat telah disiapkan pula masing-masing Rp. 150 juta untuk membiayai kegiatan pada tingkat Daerah antara lain :
   a. Pemerintah Daerah Tingkat I up. BAPPEDA Tk. I sebagai embrio Project Management Unit (PMU) berupa :
      - monitoring dan evaluasi pelaksanaan proyek-proyek 1985/1986 pada kedua experimental area development dan Kabupaten-kabupaten lain dalam lingkup NTASP yang dibiayai dari dana APBN, APBD dan Inpres-Inpres

- Penyusunan .....

- Penyusunan DUP 1986/1987 dengan segala kegiatan yang sifatnya koordinatif,
- Review hasil-hasil PPIPD phase I,
- Pelaksanaan proyek-proyek yang sangat prioritas pada kedua experimental area development berdasarkan rekomendasi PPIPD phase I.

b. Persiapan-persiapan pada Pemerintah Daerah Tingkat II up. Bappeda Tk. II (sebagai embrio PMU Tk. II) berupa :

- Pemantapan usul-usul 1986/1987 dalama rangka bottom up planning,
- Fact finding sebagai masukan untuk mereview hasil PPIPD phase I,
- Memonitor pelaksanaan proyek-proyek pada Kabupaten-kabupaten lingkup NTASP.

3. Untuk menjajagi kesiapan pihak Pemerintah R.I. dalam rangka pelaksanaan NTASP tersebut pada tanggal 26 dan 27 Juli 1985 Dr. GLORIA DAVIS didampingi Dr. COLLIN Mc. ANDREW bersama-sama dengan Ketua/Staf Bappeda Tingkat I Nusa Tenggara Barat dan Nusa Tenggara Timur, Wakil dari Departemen Pertanian, National Project Coordinator (Sdr. Ir. ACA SUGANDI Cipta Karya) dan Bappenas telah mengadakan rapat dengan kesimpulan :

a. Untuk mengkoordinasikan seluruh kegiatan komponen-komponen dalam NTASP perlu dibentuk suatu Sekretariat Steering Committee dipimpin oleh seorang Sekretaris yang dijabat oleh Direktur Bina Program Ditjen BANGDA, Sdr. WARSITO RASMAN, MA. Sekretaris tersebut membawahi Project Implementation Unit (PIU) yang khusus menangani Experimental Area Development dan menjadi partner Ditjen Cipta Karya dalam pelaksanaan PPIPD phase II, serta melakukan koordinasi terhadap komponen yang terlibat dalam NTASP (bagan terlampir).

b. Untuk membantu Secretaris Steering Committee dalam memonitor dan mengkoordinasikan pelaporan komponen-komponen dalam NTASP ditunjuk Saudara Drs. T. HUTAPEA, Kasubdit V (Bidang Evaluasi dan Pelaporan) pada Direktorat Bina Program.

4. Dilaporkan pula bahwa kedua Pemerintah Daerah Tingkat I NTB dan NTT serta Kabupaten-kabupaten Daerah Tingkat II pelaksana NTASP dan pelaksana Experimental Area Development yakni Dati II Lombok Selatan dan Dati II Lembor telah siap untuk membentuk PMU dengan segala kelengkapannya (ruang kantor, personil dan fasilitas-fasilitas lainnya) dalam rangka pelaksanaan kerjasama tersebut.

5. Untuk pencairan dana on top tersebut, pada tanggal 2 - 3 Agustus 1985, Staf Ditjen BANGDA bersama-sama dengan Mr. COLLIN Mc. ANDREW konsultan PPIPD, memberikan asistensi khusus kepada Bappeda Tingkat I Nusa Tenggara Barat untuk menyusun usul 1986/1987 yang akan dibawa dalam RAKORBANG

Tingkat I Nusa Tenggara Barat pada tanggal 5 Agustus 1985. Sedangkan untuk Nusa Tenggara Timur dengan mekanisme yang sama pula akan men - diskusikannya dalam RAKORBANG Tingkat I Nusa Tenggara Timur akhir Agustus 1985. Pada kesempatan asistensi tersebut Staf BANGDA sekaligus meneliti Lembaran Kerja DIP dana on top 1985/1986. Asistensi yang sama oleh Staf Ditjen BANGDA dilanjutkan pula kepada Bappeda Tingkat I Nusa Tenggara Timur pada minggu berikutnya.

6. Untuk menangani PIU dan sekaligus sebagai partner Cipta Karya dalam PP-IPD phase II ditunjuk Saudara Drs. S.K. MANGIRI (Kasubdit I, Bina Perencanaan Pembangunan Daerah) Direktorat Bina Program sebagai Deputy National Project Coordinator. Saudara Drs. S.K. MANGIRI ditunjuk sebagai Deputy NPC, karena Saudara tersebut sudah terlibat sejak awal SPRS, PPIPD phase I sampai sekarang. Mengingat Saudara Drs. S.K. MANGIRI sebagai Kasubdit yang tidak mungkin full time secara terus-menerus maka pada tahun pertama dan kedua, Saudara tersebut dapat mempersiapkan dan membina seorang tenaga full time yang dapat mengambil-alih tugas NPC selanjutnya.

7. Untuk menampung kegiatan-kegiatan baik PIU maupun Sekretariat Committee telah dipersiapkan suatu ruangan yang kiranya memadai dalam Gedung Ditjen BANGDA Jalan Kramat Raya Nomor 132 Jakarta sekaligus dengan peralatan seperlunya sambil dilengkapi secara bertahap bila proyek ini sudah beroperasi.

Demikianlah langkah-langkah yang telah diambil oleh Direktorat Jenderal Pembangunan Daerah dalam rangka menyambut pelaksanaan proyek kerja - sama tersebut untuk mohon dimaklumi dan perhatian seperlunya.

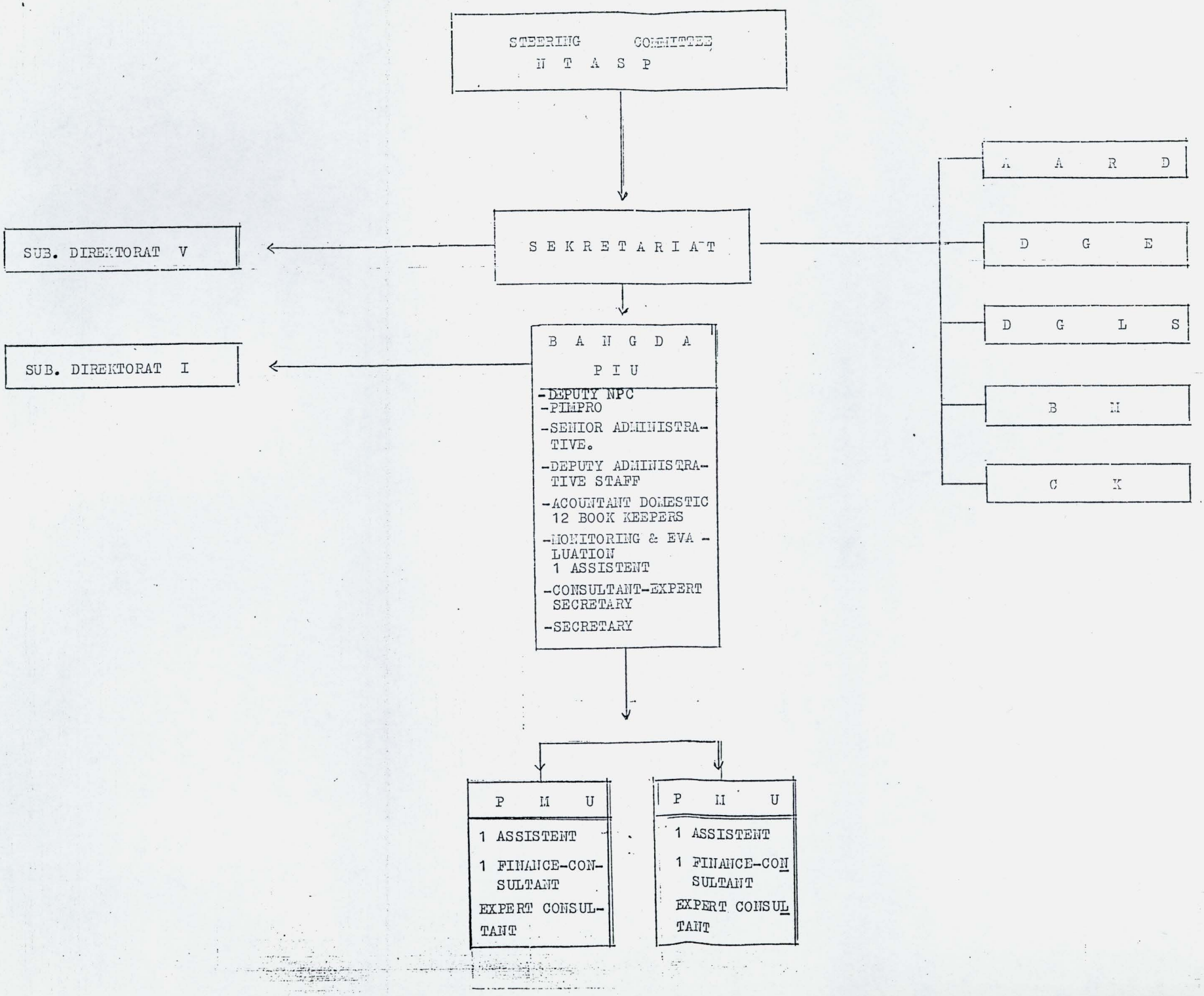
A.n. MENTERI DALAM NEGERI
DIREKTUR JENDERAL PEMBANGUNAN DAERAH,

DEPARTEMEN DALAM NEGERI ★ REPUBLIK INDONESIA ★

AMAR SIBERO.

TEMBUSAN :

1. Yth. Bapak Menteri Dalam Negeri sebagai laporan.
2. Yth. Sdr. Deputy I Ketua Bappenas di Jakarta.
3. Yth. Sdr. Dirjen Cipta Karya di Jakarta.
4. Perwakilan Bank Dunia di Jakarta.
5. Perwakilan UNDP di Jakarta.
6. A r s i p .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SUB. DIREKTORAT I
S E K R E T A R I A T
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B A N G D A
P I U
-DEPUTY NPC
-PIMPRO
-SENIOR ADMINISTRATIVE.
-DEPUTY ADMINISTRATIVE STAFF
-ACOUNTANT DOMESTIC 12 BOOK KEEPERS
-MONITORING & EVALUATION 1 ASSISTENT
-CONSULTANT-EXPERT SECRETARY
-SECRETARY
P M U
1 ASSISTENT
1 FINANCE-CONSULTANT
EXPERT CONSULTANT
P M U
1 ASSISTENT
1 FINANCE-CONSULTANT
EXPERT CONSULTANT

MINISTRY OF TRANSMIGRATION
TRANS IV/IBRD MANAGEMENT AND MONITORING CONSULTING SERVICES
PT. PLANARS & ENEX CONSORTIUM 346
FAKHRUDDIN BUILDING. Jl Fakhruddin Kav 11-13 No 35. Phone 3806873. TELEX 48390 UNISA IA. CABLE PLANARS JAKARTA

To : a. Heads of Bureaus
Secretariat General MOT,

b. D.G. Settlements Preparation
and Directors of PANKIM
Directorates, MOT,

c. D.G. Mobilisation and
Development and Directors
of RAHBIN Directorates, MOT.

4 September 1985.

A - 7/PE/1985

Gentlemen,

NOTES TO ACCOMPANY DISCUSSIONS ON THE IMPLEMENTATION OF MANAGEMENT AND MONITORING (CONSULTING) SERVICES UNDER THE WORLD BANK TRANS IV LOAN.

1. Following a contract award on 29th June 1985 for the above project the Consultants commenced mobilisation for a 2 to 3 year period on 15th August. While the consultant team comes under the direction of the Coordinator for World Bank Group Assisted Projects, they will need to have close liason with a number of other specialised Bureaus, Directorates and section within MOT in order to carry out their assigned functions.

2. The duties of the Consultants in general terms are :

I. General Institutional Development and program planning:
- formulation of manangement recommendation for the new Ministry structure.
- development of intregated program planning and budgeting.
- continuing the development and expansion of the program financial monitoring system.

II. Management Information System Development and operation :
- continuing the development of computerized information systems as begun under the UNDP/OPE project.
- expanding the system to cover monitoring of project preparation and physical progress.

III. Socioeconomic Benefit Monitoring and Evaluation :
- continuing the preparation for and implementation of the National Survey of Transmigrant Income.
- designing and developing socioeconomic monitoring & evaluation systems.

IV/.....

IV. Management Development and Monitoring Services for World Bank Assisted Project :
- strengthening general management, including financial and physical planning,
- implementing standarized monitoring methods.
- assisting in the solution of management problems as they arise.

An organisation chart showing the breakdown of responsibilities within the task areas outlined in I to IV above. While the major part of the team will work from Jakarta, a special Project Management/Implementation Monitoring Unit will be located in Kalimantan Timur to assist with the supervision of the Trans IV settlement projects in East - Kalimantan and to develop and evaluate Project Management Monitoring systems in a field situation.

3. The objectives of these meetings are to

a. introduce Key Members of the Consultants team to Members of the MOT,

b. to provide a short briefing on the structure of the team and the Consultants Work plan,

c. to identify counterparts and liason staff within the Directorates and Bureaus who can inform the Consultant team of organisational and operational proce - dures and, where appropriate, indicate likely problem areas in the Management or Monitoring sectors.

In Annex 2 attached the assessed counterpart agencies for each of the Consultant team sections are shown.
In addition, for each section, other agencies within MOT , whose work is likely to impact on the work of the Consul - tant team, are also listed. The Consultants are hopeful that there Meetings will identify persons, within those agencies, who can provide the appropriate access to assist the Consultants in their enquiries and Monitoring programmers development.

4. The Consultants comprise a consortium of Indonesian and New Zealand consultancies. The two firms are :

P.T. Planars as lead consultants,
and ENEX Consortium 346

The Team Leader is David Ives and the Deputy Team Leader is Ir. Soeyitno who is well known in the MOT.

The Consultants/.....

The Consultants have offices on the 4th floor MOT building in Jl. H. Agus Salim and at the address shown above.

Thank you for your attention.

Your sincerely,

David Ives

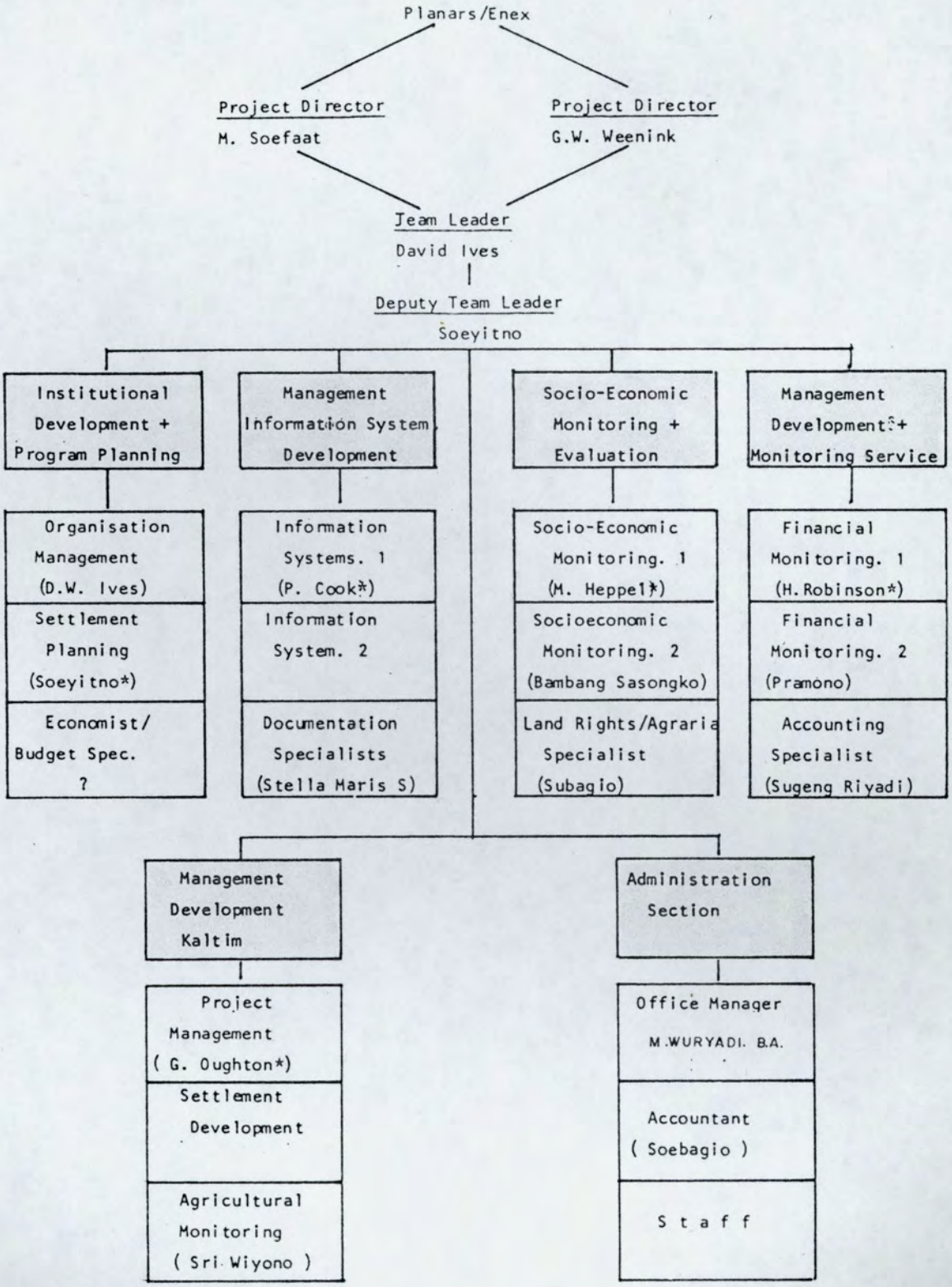
David Ives
(Planars/ENEX Trans IV).

DI/y

OUTLINE ORGANISATION

ANNEX 1

PLANARS / ENEX TRANS IV



Doug Vermillion
New York State College of Agriculture and Life Sciences
a Statutory College of the State University
Cornell University

Department of Rural Sociology
(Graduate Field of Development Sociology)
Warren Hall, Ithaca, N. Y. 14853
Telephone: 607-256-3163

September 4, 1985

Dr. Gloria Davis
Room E624 The World Bank
1818 H St. NW
Washington, D.C. 20433

Dear Dr. Davis,

I don't know if you will remember me calling you a few years ago before I went to Indonesia to do my field research. You suggested that I consider the Dumoga Valley in North Sulawesi as a likely research site. I did and stayed there for eighteen months, returning in 1983. I will be having my Ph.D. defense on September 11th and presently am looking at the job possibilities in the area of rural development in third world countries. My field is Development Sociology at Cornell and my chairman is Walt Coward.

As you probably know, the Dumoga Valley is the location of the Dumoga Irrigation Project, several transmigration villages, and a forestry convervation project--each of which were at least partly funded by the World Bank. I did an intensive analysis of the operation of two water users' groups through two seasons, with special attention given to the processes and effects of water allocation. In doing this I used both sociological as well as physio-technical data (i.e., water balance analysis). I identified what the farmer criteria were for obtaining access to both permanent rights and temporary, supplemental rights to given shares of water. Briefly, I found that although the bulk of water allocation activity was done informally, the general effects were to mitigate (though not entirely counteract) the spatial differences in water adequacy imposed by the physical inequalities in the systems. Through the seasons observed the intensity of water allocation activity varied inversely with water supply, although it was also effected by stage of the season and the existence of return flow in parts of the system.

Also I identified numerous cases where farmers had altered, destroyed, or neglected to use irrigation structures built by the government. I elicited from the farmers what their own criteria were for such design changes and identified the implications of such changes on water allocation and relations among farmers.

Also I interviewed settlers in several villages, both those who were and were not government-sponsored transmigrants, in order to obtain data on modes of access to land, family resource use, land use preferences, and family wealth. I found that both the quest for agricultural diversification by some and the limited modes of access to land for others were causing rapid deforestation of the water catchment area of the irrigation

system in the valley floor. Both deforestation (which was decreasing the water supply to the irrigation system) and the desire to diversify agriculture (at the household level) were causing a slow and modest increase in new sawah.

So my interests and experience have been related both to water management and resettlement. My research has given me an understanding of the problems of deforestation and crop and production diversification in resettlement areas. Also it has given me experience with the problems connected with the formation of new irrigation systems and water users associations, including the questions of the viability and capability of farmers in participating in certain ways in the design and operation of irrigation systems. The proper relations between bureaucracies and farmers in resettlement and irrigation are important issues which are of great interest to me.

I would like to do more work overseas. However I am willing to consider work outside of Southeast Asia and even perhaps work in the USA or elsewhere, if suitable. I am willing to consider either short or long-term assignments and either research, administration, or training. I hope you will inform me about any job possibilities.

At this point I expect to go down to Washington in two or three weeks. I will try to set up an appointment to meet with you briefly if you are available. Thank you for your consideration.

Respectfully yours,

Doug Vermillion

Doug Vermillion

Record Removal Notice

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File Title	Barcode No.
Gloria Davis - Chronological file - 1985 - 2	30084763

Document Date	Document Type
31 July, 1985	CV / Resumé

Correspondents / Participants
Douglas Lynn Vermillion

Subject / Title
Curriculum Vitae

Exception(s)
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Additional Comments

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THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE September 12, 1985

TO Mr. Bradley O. Babson, AEAIN

FROM K. Stichenwirth, PPDPR

EXTENSION 75348

SUBJECT INDONESIA - Nusa Tenggara Agricultural Support Project
Loan Committee Review

1. On behalf of Mr. S. Shahid Husain, OPSVP, we have cleared for negotiations the documents of the above project on September 11, 1985, but wish to point out several matters which we feel impair the quality of the project and the project documentation.

2. The project is very complex and difficult to grasp for a reader who is not intimately familiar with its aspects. Consequently, the project should be designed to leave no doubt about its feasibility in the reader's mind, and the project reports, in particular the President's Report, which is the main document for the Board of Executive Directors, should be written in an unambiguous way so that the reader develops a clear understanding of the project and its implications. The following paragraphs try to explain those aspects of the project which we feel require additional thought or clarification and are therefore more detailed than usual. They follow the paragraph sequence of the President's Report.

3. (a) Project Description. We think that the reports should speak of livestock development and not distribution;

(b) the second paragraph of the Project Description of the Summary should be entitled "Risks";

(c) the cost estimate should not mention "provincial components" but rather what these components consist of;

(d) paragraph 33 creates doubt about the wisdom of creating a multi-component project mainly because "only modest investment would be justified in the (cotton) crop until technical problems were resolved". Does GOI really agree to the project design as now proposed?

(e) a similar question arises in paragraph 34. Do the Indonesians really concur with the plan to have most of the project activities carried out by the sectoral agencies and have the provincial governments implement only supporting programs? Should the project have been designed on a smaller scale within the capabilities of the provincial governments?

(f) PR 37. Kindly mention what ADAB's technical support consists of;

(g) PR 41. Please clarify some of the aspects of cattle development, in part along the lines of the SAR. Who exactly would purchase the cattle, who would sell them and to whom would they be distributed? What are the credit arrangements of the Smallholder Cattle Development Project? In the cattle fattening program, how would farmers repay capital and interest in case they do not sell the cattle?

(h) PR 42. It would be interesting to learn about the organization and quality of the road maintenance organization in the project area. An assurance on adequate maintenance may not be sufficient. Also, are the 40 km of rural road financed by ADB and the roads mentioned in para. 44 in addition to the 150 km mentioned in this paragraph? Furthermore, line 9 on page 16 PR seems to include a misstatement (" . . . would supervise construction for consultant services");

(i) PR 43. What exactly is a "line of funds" in this context? How limited would be the assistance to NGOs? How much of the proposed Bank loan would be involved in the 20% set aside for disbursing against recurrent costs?

(j) PR 44. How much in funds would be made available for area development schemes identified under PPIPD I? What is involved in "social infrastructure"?

(k) PR 46. This paragraph mentions that funding for the road consultants is being made available from Ln 2404-IND whereas Annex I, Table 4 of the SAR mentions Ln 2083-IND. Are these the same consultants?

(l) PR 50. Is the financial weakness of the PTPs detrimental to the project and its implementation? How can the finances be strengthened? Should the financial analysis of PTP XXVI and XVII included in the project have been carried out as part of the project appraisal?

(m) PR 51. We are not sure if the local procurement procedures are really uniform throughout the country and, what is implied, all sectors. Kindly check with your front office procurement adviser. But in any case it is irrelevant whether they are widely used in Bank-assisted projects. Have they

been reviewed and are they acceptable to the Bank? Are the domestic consulting services acceptable to the Bank with respect to quality and their resources? With respect to the procurement table, consulting services should not be included in ICB or LCB. For them, proposals are invited on the basis of the Bank's guidelines for the use of consultants;

(n) PR 52. The first sentence does not mention ADB. Also, we wonder about the significance of the Indonesian financial system permitting payments for only one year after budget allocation with respect to shortening the disbursement period of the loan;

(o) PR 60. Have we satisfied ourselves that the national resource survey is advanced to a degree that receipt of the report and background material is assured by May 1, 1986? Incidentally, we can not find a covenant to this effect in the Loan Agreement; and

(p) PR 61. The paragraph is silent about the progress reports the Bank should receive. Also we would urge the Region to think to institute a formal "mid-term review" on project implementation.

4. With respect to the Loan Agreement we would like to point out that the wording of paragraph 1 of Part C of Schedule 4 is worded in an unusual manner which does not seem to be acceptable. As already explained in paragraph 3 (m) above, it does not matter at all if the Borrower's local procurement procedures are "in effect at the date of this Agreement" but if they are acceptable to the Bank.

cc: Messrs. Clements/Kopp (SVPOP), Russell (AGRPT),
Davar, Zincir (AEPDR), K.G.V. Krishna, P. Sun (AEPA4),
Mead (LEGEP)
Mss. G. Davis (AEPA4), Nordlander (LEGEP)
East Asia Information Center

535/3

Relationship between Subdistricts and Settlements

Each line below gives the subdistrict followed by settlement and number of households in that settlement (in pairs).

	140102,	60 - 20	
	140104,	61 - 20, 62 -20	Teluk Kuamtan
	140106,	51 - 20, 52 -20, 53-20, 54-20, 55 - 20, 56 - 20, 57 - 20, 58 - 20, 59 - 20	Belias
Tidal	140202,	2-19,	Sei Ratch
Tidal	140205,	1-20,	
Estate	140404,	63 - 20	PIR PROJECT-Tapung tandon
	160109,	15-20, 16-20, 17-20, 81-20	Baturaja
	160110,	78-20, 79-20, 80-20	
	160171,	13-20, 14-20	
	160203,	75-20, 76-20	
	160204,	3-20, 5-20, 7-20, 8-20, 9-20, 10-1, 11-20, 64-20, 65-20, 66-20 ,67-20	Pematang Panggang
	160205,	4-20, 6-20, 10-20, 12-20, 68-20, 69-20, 70-20, 71-21, 72-20, 73-20, 74-20, 77-20	
Tidal	160212,	87-19, 88-20, 89-21, 90-20, 91-20, 92-20	Air Sugihan
	160374,	93-20, 94-20, 95-19 Sunggai Waras	
Tidal	160605,	82-20, 83-20, 84-21, 85-20, 86-20	
Tidal	160607,	18-20, 19-20	Upang
Central kalimantan			
	620102,	110-20, 111-20	Kumai
	620203,	109-20	Hanjalipan
Tidal	620401,	96-20, 97-20, 98-20, 99-20, 100-20, 101-20	Terusan Tengah
Tidal	620413,	102-20, 103-20, 104-20, 105-20, 106-20, 107-20, 108-20	Pankoh
	630210,	112-20, 113-19, 114-20, 115-19, 116-20, 117-20, 118-20, 119-20, 121-20	Batu Licin
	630211,	120-20	
Tidal	630403,	123-20	Sunggai Muhur
Tidal	630408,	122-20	Saka Lagon
East kalimanten Tidal	640104,	126-20	Tamah Groqot
	640109,	124-20, 125-20	Babulu Darat
	640215,	127-20	
	647101,	20-20,	Sepaku
Tidal	720314,	21-20, 22-20, 23-20, 24-20, 25-20	Malonas
	740307,	127-1, 128-20, 129-20, 130-20, 131-20, 132-19, 133-19	Lahumbuti
	740314,	134-20, 135-20	Lahumbuti (?)

E7 + G7 + I7 + K7 + M7
F7 + H7 + J7 + L7 + N7

UNITED NATIONS
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN

24 September, 1985

Dear Ms. Davis,

As I indicated by phone last Friday I will be glad to comment on any materials prepared for the Bank's review of transmigration in Indonesia. This activity is of particular interest to me as a member of the IBSRAM committee on land clearing, since outside the Amazon region the prime area of deforestation is Indonesia. Should you need further inputs from me requiring extended time or travel I would need to seek authorization to work with the Bank, in the same way as my participation on the Agriculture Department's working paper on "Economics of Land Clearing".

I am enclosing a copy of the draft recommendations made to the Indonesian Minister of Agriculture by the Land Clearing Workshop in its meeting at Bukittinggi on September 2. I am also attaching a copy of the paper I presented at this workshop which may be of interest.

With best wishes.

Sincerely,

Michael Nelson

Michael Nelson
Chief
Division of Natural Resources
and Energy

Ms. Gloria Davis
World Bank
1818 H Street, N. W.
Washington, D. C. 20433
U. S. A.

MAILING ADDRESS: CASILLA 179 D — SANTIAGO, CHILE PHONE: 485051 TELEX 340295, 441054, 240077 CABLE: UNATIONS

DRAFT

STATEMENT OF THE INTERNATIONAL WORKSHOP FOR THE INDONESIAN MINISTER OF AGRICULTURE

In accordance with the request made by H.E. Achmad Affandi, the Minister of Agriculture of the Republic Indonesia, in his opening speech at the International Board of Soil Research and Management Workshop on Land Clearing and Development for Sustained Agricultural Productivity, the ~~members of the~~ Workshop (participating) would like to respectfully draw the attention of the Minister to the following points:

1. Agricultural development by opening up frontier lands requires careful planning and implementation due to the nature of the climate, soils and proposed beneficiaries. It was noted that effective monitoring and evaluation of the agricultural settlement process has been undertaken. However, it was felt that the Government should pay special attention to ensuring that the information gained through monitoring and evaluation be fed into the planning and implementation process.

2. As a first stage in agricultural development projects, emphasis should be placed on preparation of appropriate economic analysis for farm models. Past experience suggests that greater attention should be paid to formulation of models which can be sustained by the resource base, within management and market constraints, since too many units have been established on marginal lands. In addition, there is a need to broaden the context of project design for effective incorporation of environmental considerations.

3. Criteria for deciding on appropriate land clearing methods should incorporate: sustainability of subsequent agriculture; employment generation for settlers in the development phase; employment generation outside agriculture associated with settlement ; and conservation requirements related to clearing and post-clearing management. Many participants in the workshop considered manual methods to be more appropriate than mechanical methods in many situations.

4. Land clearing cannot be conducted in a vacuum. It must be seen as an element in a coordinated development process which includes land settlement as part of overall development of the region Those responsible for land clearing must understand the need for and requirements of subsequent agricultural development if it is to be sustained. In achieving regional development goals and exploiting multiplier effects on income and employment generation, more attention needs to be given to the appropriate balance between government sponsored settlement, spontaneous settlement (for both agriculture and non-agriculture purposes), and the capabilites and aspirations of the local people. The Workshop considers that greate emphasis should be placed on the dynamics of regional development in planning and implementation. This could be achieved, perhaps, through phasing, whereby sufficient surpluses are created to increase purchasing power of settler households for a wider range of goods a services and to generate opportunities for agro-processing and forest industries.

5. To achieve initial benefits from agricultural and associated activities, effective extension support activities are required. The view was expressed that the quality and quantity of these services should be upgraded.

6. In planning for the future, the workshop was of the opinion that an increased focus on settlement of degraded lands might yield high dividends in socio-economic development terms. Such an approach, with concurrent research and development for rehabilitation and farming systems for alang-alang, tidal and other degraded habitats, would minimize the need to clear primary forests.

7. The members of the workshop would like to thank the Minister for the kind hospitality afforded them whilst in Indonesia.

INTERNATIONAL WORKSHOP FOR LAND CLEARING AND DEVELOPMENT
Bukittinggi, Sumatra
September 2, 1985

INSTITUTIONAL/ECONOMIC ISSUES IN DEVELOPMENT OF HUMID TROPICAL LANDS

by Michael Nelson *

Natural Resources Division
Economic Commission for Latin America and the Caribbean (ECLAC)
Santiago, Chile

Paper prepared for workshop of the Land Clearing and Development
Soil Management Network (IBSRAM)
Jakarta, August 23-September 3, 1985

* The views expressed herein are those of the author and are not necessarily held by ECLAC.

August 23, 1985

INTRODUCTION

Over the past 15 years one has heard progressively more strident voices of protest raised against unnecessary damage to the world's renewable resource endowment in humid tropical regions. These voices have emanated largely from the scientific community and from environmental lobbies who have been most vocal in non-tropical countries of the "North". The message conveyed is that there is a widening gap between what is happening to the forests and soils of these regions and what scientists say should be happening in the inexorable process of increasing pressure on the resource base as a consequence of expanding economic activity and population. It is widely held that the technology exists to resolve these problems and that capital and technically trained manpower are not real constraints to a process which, at least, could progressively narrow the gap. Thus, if the answers exist but are not being acted upon it must be concluded that decision-makers don't agree either with the specifications of the nature of the problem, or with the viability of the solutions proposed. If this were so, then perhaps scientists are not addressing the relevant questions.

These general premises are taken as a point of departure for sketching part of the economic/institutional context of on-going and future land clearing and development decisions, which hopefully may contribute to the workshop's deliberations on where and how relative emphasis should be placed in an international cooperative effort (land clearing and development soil management network).

The principal focus of the paper is on public policy which, by design or default, influences how much, where, by whom, for what and how new lands are cleared and subsequently managed. The purpose of introducing the institutional dimension, and certain related economic considerations, is not to complicate the network, but rather to offer some additional criteria which may be useful in screening potential activities for the future. Brief mention will be made as to how economic analysis may contribute to: the formulation, selection and implementation of policy instruments and design of research, or related monitoring and evaluation, oriented to expansion and intensification of agriculture in humid tropical zones. The techniques are embarrassingly simple - benefit-cost (B/C) or cost-effectiveness (C/E) - around which an infinitely complex set of calculations may be woven to obtain "appropriate" social values in monetary terms. This essentially mathematical approach applied to management of tropical soil and forest resources, presupposes that someone is in a position to do the managing.

It is this supposition which is examined in the bulk of the paper. The unease, referred to above, about the widening gap between theory and practise in tropical land development seems to derive from a passivity or inertia in public policy in coming to grips with what appears to be a continuing, and even worsening, process of patently self-evident mismanagement of resources. Little attention is paid to the order of magnitude of the issues to be addressed, which dictates that broad-based action be taken within the financial, technical and administrative constraints which exist. It is argued that the only way to mount effective programmes on the necessary scale within these constraints is through systematic mobilization of local knowledge i.e. participation of local institutions and beneficiaries.

The crucial issue is how to get many government institutions out of a risk-averse mode which leads to a piecemeal approach, recourse to endless detailed studies or pilot projects and a consistent unwillingness to involve the local populace in the decision process. Mismanagement of resources is all too clear, and effective action does not require finely honed studies of rates of erosion, forest destruction, species loss, etc. Quibbling about such rates is tantamout to watching a forest fire raging out of control and saying "Well, we ought to do something about the fire, but first let's find out more about the nature of the fire". Should some of these assertions be true, one might infer that institutions responsible for policy formulation and implementation may themselves create or be a significant part of the problem.

In conclusion, the discussion of economic/institutional issues is used as a basis for reflection on the strategy and tactics which may be adopted by the land clearing and development network.

1. FRAMEWORK FOR ANALYSIS

The approach adopted here calls for expansion of the context within which one may assess technical options to improve the process of area selection, forest clearing, land rehabilitation and subsequent management of crops and soils for sustained production. As a point of departure it is held that in order to influence the course of development of the humid tropics, it is necessary to understand the dynamic interactive process between the actors involved in their use of organization, power and values and their compatibility with the characteristics of the ecosystem (Norgaard 1984). It is now proposed to introduce a new "actor" into the system, an international network, whose task is to generate, accumulate and disseminate information which, if applied, can be expected to change system performance.

Performance of the system may be judged by four indicators - productivity, stability, sustainability and equity. Productivity is measured by physical yield or the internal rate of return; stability by the short-run variability of production or income; sustainability by the ability to recover productivity after unpredictable disturbances; and, equity by the distribution within society of costs and benefits derived from use of the ecosystem (Conway 1984).

Conflicts inevitably arise where there are various objectives, as illustrated in Table 1 by the indicators for four technologies applied in the humid tropics. Improved performance in terms of sustainability or equity is achieved with a sacrifice in productivity.

Table 1

MANAGEMENT PERFORMANCE SCENARIOS UNDER SELECTED TECHNOLOGY OPTIONS IN THE HUMID TROPICS

Agricultural technology	System performance indicator			
	Productivity	Stability	Sustainability	Equity
Slash-and-burn	Low	Low	High	High
Traditional crops	Medium	Medium	High	Medium
High technology	High	Low	Low	Low
Compromise intermediate technology	Medium	High	High	Medium

(Conway 1984, p. 11)

These general concepts may be used to examine the network's strategic and tactical options towards improved forest, crop and soil management. Strategy will be dependent on the relative weight assigned to the four indicators of performance. Primary emphasis has been placed on sustainability where culturally and financially viable post-clearing management systems applied on appropriate areas, are taken as necessary conditions. By focussing on technology suited to smallholders equity becomes a second strategic variable. Tactics comprise the measures for reaching the target population and areas - applied research, action research, agroecosystem analysis, policy analysis, networking, horizontal cooperation, technical assistance, training, etc. This framework is used to examine how incorporation of economic/institutional dimensions may condition perceptions of the nature of the tropical land development problem, and how strategy and tactics may be structured to address the problem.

2. ECONOMIC ISSUES

Economic analysis as an aid to decision on management of humid tropical lands - i.e. selection of areas and choice of techniques for clearing, rehabilitation and agricultural and forestry production, rests basically on the use of B/C or C/E techniques. The usefulness of such analysis depends on four fundamental conditions:

(i) ability to: identify the key physical relationships, subject to management intervention, which influence the productivity, stability and sustainability of agriculture established after forest clearing or rehabilitation in specific agroecosystems; and, predict system behavior in terms of these three indicators of agricultural performance;

(ii) ability to identify the institutional relationships which would enable a "management" authority to use incentives and regulations to change decisions by key actors on area selection and use of technology to improve performance measured by one or more to the four indicators;

(iii) ability to predict the economic and financial costs and benefits associated with management interventions in the physical system which changes its performance; and

(iv) ability to assess the viability and transaction costs of alternative institutional arrangements which would enable formulation and implementation of management interventions to improve system performance.

It is not proposed to deal with ecological questions and simulation modelling associated with identifying the critical physical relationships, or with econometric and statistical procedures for projecting economic and financial prices for system inputs and outputs which stem from these physical relationships. Having dismissed these estimating issues, one must hasten to add that it is precisely the expectation that such estimates have a degree of validity that lends credibility to economic analysis in the decision makers' praxis. It is evident that with the exception of monetization and price forecasting (point iii) these conditions must be fulfilled by disciplines other than economics.

Assuming the physical cause-effect relationship can be adequately predicted, resource management options may be devised to improve system performance. Each option, in terms of public policy, involves an initial public investment, incremental operation and maintenance (O & M) expenditures, or costs in implementing regulations or incentives and disincentives for private decision makers, such as restrictions of property rights or administration of credit, price, tax and subsidy interventions. The financial outlays, whether they be incentives to farmers to adopt certain techniques, regulation of resource use (zoning), engineering works, etc., are readily monetized at current or projected prices and constitute part of the cost side.

The application of these policy instruments then translate into an expected set of physical consequences over time which yield a flow of costs and benefits. It is the monetization of this latter set of costs and benefits, "with" and "without", and "before" and "after", implementation of the management option over a 20-50 year period, which is the key to economic analysis. It is axiomatic that the point of departure must be recent and existing market prices. How such prices are predicted for financial analysis, or adjusted, in the case of labor, foreign exchange or interest rates to reflect social costs for economic analysis, is beyond the scope of this paper. An extensive literature exists on the inappropriateness of using the market mechanism as a basis for resource management decisions, on grounds of equity, environmental quality, problems of valuing non-market benefits such as human life and health, and difficulties of making long-run price projections which take due account of risk and government market regulations. (Randall 1983). In cases where monetization makes little sense, societal values clearly must condition the analysis, changing it from

a B/C calculation to C/E of meeting required conditions. The C/E procedure would apply if any of the three performance indicators, other than financial or economic productivity, were introduced as decision variables.

The above discussion of economic elements contributing to decisions on management of humid tropical lands has assumed that: (a) some sort of structure exists for making these decisions; and (b) this structure will costlessly (aside from investments and O & M) implement the decisions. Thus, institutional dimensions, conditions (ii) and (iv) above for useful economic analysis, must be introduced.

3. INSTITUTIONAL ISSUES AND PROBLEM SPECIFICATION

The problem?

One might say the problem is self-evident - the basic premises adopted are: (i) development and use of resources in humid tropical zones does not constitute sound resource management when measured by such criteria as internal rate of return, income distribution, employment generation or sustainability of the natural system's capacity to provide material and amenity inputs for current and future generations; (ii) prejudicial consequences of large-scale removal of the forest cover for agricultural purposes result from the destruction of valuable forest resources, possible irreversible loss of genetic materials, destruction of soil resources through laterization and erosion and downstream effects of changed flow regimes and accelerated siltation; and (iii) the long-run capacity of renewable natural resources to supply humankind with material inputs and amenity services is equally deserving of a nation's or the international community's concern as is the short-run increase in food supply.

While general agreement may be expected on these premises, the current "state" of dialogue is in sharp contrast being characterized by three conflicting themes. Perhaps the most prevalent view focuses on unnecessary degradation of natural resources - "Vast areas of land are being developed in the tropics with a hope to meet demand for food ... Some schemes are successful while the majority have failed because of rapid soil degradation ... as a result of inappropriate methods of land clearing and subsequent development. The net result is the prevalence of vast tracts of unproductive barren lands where once lush green forest prevailed". (IITA 1982). An opposing view, manifested in the tropical land development policies of many countries, holds that the only method of stemming the tide of accellerated rural-urban migration and providing needed food and shelter to both the rural and urban poor is land settlement on a massive scale. Since manual clearing is regarded as slow, inefficient and costly it follows that the rate of development dictated by the urgency of the situation can only be accomplished through use of heavy machinery for deforestation. The intermediate view which attempts to reconcile the foregoing positions, holds that massive land clearing can be undertaken without creating wastelands if advanced technology is used in post-clearing management to protect the soil from erosion and restore or build soil fertility.

The foregoing suggests two sources of conflict on what is the nature of

the problem, which in turn influence identification of viable options for solution. The first is merely one of conflicting multi-objectives - short-run increase in food supply and employment or geopolitically motivated territorial occupation, versus long-run sustainability of the ecosystem's productive capacity. Assessment of conflict in this case hinges on a value judgement of how much degradation is "acceptable" given short-run food requirements for survival, coupled with the expectation that technological advance will eventually evolve economically viable means: (a) to reverse what is currently considered an irreversible loss of resource productivity; (b) to increase production from resources which are not irreversibly degraded; and, (c) to reduce the demand for primary products by reduction of post-harvest loss, more efficient marketing and slower population growth.

The second source of divergence is considerably more complex and has its roots in the perceptions of institutions at various levels ranging from the farm household through village organizations, and project or regional administrations to the central government; international beaurocracies might be included among the institutional forces that confer or withdraw credibility or legitimacy to perceptions. Superimposing the institutional system on the natural and economic systems provides a basis for more rigorous treatment of the risks and uncertainties encountered when attempting to orient, or manage, the course of events in the dynamic process of expanding, intensifying and abandoning economic activity based on humid tropical soil and forest resources. The process of devising more appropriate technical and institutional vehicles for resource management has been termed "sociosystem and ecosystem coevolution" (Norgaard 1981).

Role of institutions:

Institutions may be defined as "the rules of society or of an organization that facilitate coordination among people by helping them form expectations which each person can reasonably hold in dealing with others. They reflect the conventions that have evolved in different societies regarding the behaviour of individuals and groups ... In the area of economic relations they have a crucial role in establishing expectations about the rights to use resources in economic activities and about the partitioning of the income streams resulting from economic activity" (Ruttan and Hayami 1984). In this paper the institutional dimension is taken to include the concepts of institution and organizaton i.e. the conventions which govern behavior: (i) within economic units such as the farm household, a corporate enterprise or government bureaucracy; (ii) among economic units such as rules affecting market relationships; and (iii) between economic units and their environment, as in the case of the relationship between a farmer or corporate entity and an agency of government responsible for policy implementation. The discussion focuses primarily on organizational structures in society, public and private, which influence decisions on land clearing and agricultural practices.

In order to place in perspective the role of institutions in tropical land development, the overall sociosystem - ecosystem interrelationship may be disaggregated into a series of hierarchical subsystems, as shown in Figure 1. The intention here is not to attempt an overall review of the enormous range of institutions which could interact with an equally wide range of

technological options and heterogeneous resource situations, which themselves differ according to endowments of natural, human and capital resources. The aim is to illustrate that perceptions of institutions on the nature of the problem, and therefore the prescription of solutions, are frequently divergent and contradictory. This being so, these diverse or conflicting views constitute a challenge, and at the same time impose constraints and offer opportunities to any initiative aimed at improving resource management in the humid tropics through a network activity among "relevant" actors.

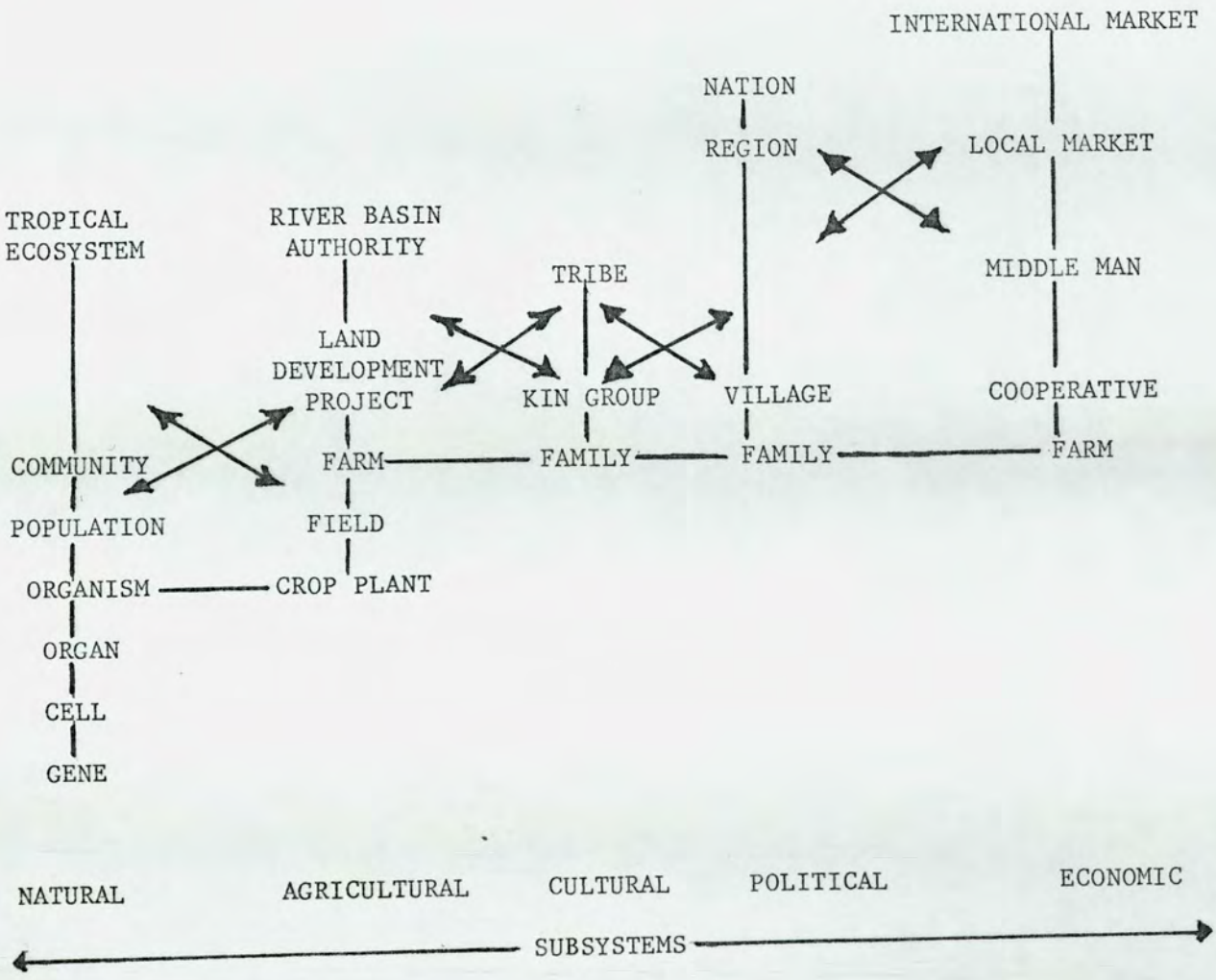
The economic subsystem contains the institutions which bear on the supply of material inputs to the agricultural production process and on the distribution of commodities which enter the market. Accordingly, both inbound and outbound from the farm, there is a hierarchy of actors (institutions) engaged in collection, transport, storage, transformation and distribution of inputs and products which may range from the village through regional and national levels to the international market. How far one extends the total system will be determined by the point of origin in the case of inputs, or the point of final consumption in the case of farm products.

The political-administrative sub-system contains the institutions which are the principal focus of this paper. These institutions aside from being hierarchical within the sub-system itself - e.g. from the national government down through regional and project levels to the village and farm household - also exert influence, through policy, on the economic, cultural and agricultural production sub-systems. The cultural sub-system is similarly hierarchical in the form of religious, tribal or kinship institutions which condition the farm household's perceptions of risk and uncertainty, work ethics, appropriate techonology, cooperative activities, income distribution, etc., which in turn influence land clearing and farm management decisions. Within the agricultural production sub-system, there may be an institutional hierarchy above the farm level in the form of such organizational structures as farmer irrigation associations, main system irrigation administrations, development project entities (e.g. land settlement) or river basin authorities, most of which have direct connections to regional or national institutions within the political-administrative sub-system. Below the farm level are the sub-system components which link with the natural sub-system (ecosystem). It is the way these latter linkages are manipulated, where there are backward cause-effect linkages and self-reinforcing feedback loops with institutions in the other four sub-systems, which determines the quality of management of humid tropical ecosystems.

The proposed network, among its prime objectives, will seek to "transfer existing ... (and new) information on land clearing and development and soil management to those responsible for such activities" (IBSRAM 1985), in the expectation that this information will change decisions now being made in absence of such information. Thus, introduction of the institutional dimension leads to a more rigorous specification of those responsible for these decisions, and thence to the question of their perceptions (performance criteria) which determine how they may use this additional information.

Figure 1

Subsystem Hierarchies Influencing Management
of a Tropical Ecosystem



Adapted from Conway (1983 p. 25).

Where in this interactive hierarchy of institutions and subsystems will the additional information be introduced? At one extreme, the position may be taken that agricultural research institutions would be the target. They would progressively develop technical fixes for increasingly fine-grained eco-subsystems - solutions which would be significantly superior to current management practices in terms of one or more of the four measures of system performance. Underlying the approach is that the rationalities and perceptions of institutions within the system, other than those engaged in research, would lead them to incorporate these superior techniques into their planning, policy formulation and implementation decisions.

The issue of divergent perceptions may be illustrated by speculating on the optic through which some of the actors in the tropical land development system view the problem and the options for solution. The smallholder invariably faces severe resource constraints in land and capital; he may also be short on knowledge and management capacity. Relative to other resources he is long on labour. His agricultural practises will be governed largely by his resource endowment, opportunities to use labour and capital in non-agricultural pursuits, culture, access to markets and perceptions of risk and uncertainty. This latter factor may lead him to give greater weight to stability than productivity. As far as he is concerned, equity is a non-issue since there are no readily discernible vehicles through which he might exert pressure to increase resources at his disposal. The key issue of sustainability is again a non-issue, as he must be fatalistic on this score. If the pressure of population on resources is forcing shorter bushfallow periods, he must adjust to this situation. Population pressure or carrying capacity is not a problem, it is a fact of life. In absence of capital, management and energy-intensive technology, which he may be unwilling to adopt even if the knowledge and capital resources were to be made available, he has no viable option to progressive degradation of his land asset until reaching the threshold where he must migrate.

At the other end of the spectrum in tropical land management is the set of central government institutions concerned with macro policy - food security, balance of payments, rural-urban migration rates, debt servicing and geopolitics. To some of these institutions population pressure and carrying capacity of land may be seen as a problem. Short-run productivity is of critical importance, but stability, sustainability and equity are probably not specified as performance criteria. The institutions need annual indicators such as tons incremental production, number of families settled in new areas, ha of forest cleared, area into agriculture, or a change of population density in areas of geopolitical concern. These perceptions are transmitted to government agencies (national, regional or project) responsible for implementation of policy e.g. research and development (R & D), physical infrastructure, social and productive services or enforcement of incentives and regulations. It is likely that each of these agencies will develop its own view of these macro-perceptions. R & D institutions may gauge their performance by demonstrating incremental yields on the best lands with advanced technologies, both of which may be largely irrelevant to the settlers or project administrators in frontier areas, and to achievement of stability, sustainability or equity. Project authorities

may measure performance by rate of land clearing or rate of infrastructure construction, without regard for productivity or sustainability of the agricultural system subsequently established. For an irrigation agency performance might be assessed by volume and regularity of water deliveries to secondary or tertiary canals, regardless of the productivity or sustainability of downstream irrigated agriculture.

The solution?

Accepting this anarchic interpretation of institutional perceptions, the solution might be simply to integrate throughout the system and establish a uniform set of performance criteria.

The technocratic approach to the issue of managing tropical land and forest resources, typically would ignore most of the institutional dimensions discussed above. First, the problem is assumed to be self-evident mismanagement, and implicitly all actors in the system must be in agreement on this fact. Second, what is required is systematic application of scientific method to ascertain the physical facts - identify all components of the system; establish the dynamic processes whereby the components interrelate in sustaining or transforming the system; quantify the rates of these processes; and isolate the key processes to which existing or new technology should be applied to improve management performance. Third, it is assumed that a management system exists which will take this new information and implement necessary actions. Such a utopian approach might be viable if it where not for a number of elements which characterize the tropical land development scene. The humid tropics probably reflects the greatest degree of resorce heterogeneity of any ecosystem and has its full share of cultural, economic and institutional diversity. Thus, there is wide uncertainty about the "facts" of system behavior. Even on the physical side the heterogeneous nature of the system greatly reduces the usefulness of generalized solutions. This uncertainty enables institutions to generate credibility for their own perceptions of the way the system works, the nature of the problem, rationalities for action and expectations of the results of action. The facts simply do not suffice to reconcile rival policies; in consequence institutions can stick to their positions on appropriate performance criteria without losing credibility (Thompson and Warburton 1985).

4. THE NETWORK PREPROPOSAL REEXAMINED

Proposal specification:

The institutional perspective on opportunities and constraints in tropical land development offers one of the many lenses through which the preproposal may be assessed. Its specifications may be interpreted as follows:

> Problem: "A considerable body of research information now exists on appropriate methods for land selection, land clearing ... (and post-clearing crop and soil management) in the humid and subhumid tropics". However, "lack of mechanisms of communication has hindered transfer of information ... to those responsible for such activities.

... Because planners and decision makers lack this modern knowledge ... vaste areas of tropical forest land are being degraded" (IBSRAM 1985).

Goal: Strenghen and support formulation and implementation of government policies which will result in development of those tropical areas most suited to agriculture using both appropriate land clearing technology and self-sustaining cropping and soil management systems which, by definition, must be culturally and economically viable and therefore attractive to the smallholder.

Means: (i) Strenghen applied research in a broad range of agro-environments to test and validate technologies for - selection of areas suitable for development, clearing of selected lands, rehabilitation of degraded land and, post-clearing, post-rehabilitation utilization of these lands - which are, at the same time, sustainable, ecologically compatible and economically and culturally acceptable to small farmers. The vehicles for strenghening research will be: support for training of scientists in national research institutions; dissemination of information on research methods and standardized procedures and measurements (to facilitate transfer of research results from one site to another) and validated technologies, through workshops, training courses, newsletters, etc.; and, provision of external support services to national institutions, e.g. consultants. (ii) Strenghen the technical and managerial capacity of national institutions responsible for the formulation and implementation of policies which guide or determine the selection of areas to be developed or rehabilitated, the choice of land clearing or rehabilitation technology and the post-clearing, post-rehabilitation cropping and soil management systems adopted by farmers. The vehicles for support will be the same as those applied to research institutions.

Measures of goal achievement: The performance of the network would be judged by the extent to which a direct or indirect cause-effect relationship is established betweeen its activities and changes in the following indicators of resource management in humid and subhumid tropical areas:

- percentage area of land cleared which is unsuitable for the type of agriculture subsequently adopted, or is incompatible with downstream resource use;
- percentage of area cleared by methods which are incompatible with sustainable and financially viable agriculture or downstream resource use;
- percentage of degraded lands rehabilitated to sustainable and financially viable agriculture;
- unit costs of clearing and production under sustainable crop and soil management systems;

- productivity (physical and financial input-output relationships), stability, sustainability and equity of the crop and soil management systems adopted in the post-clearing or post-rehabilitation stage.

Strategy: The overall strategy calls for:

- development of sustainable agriculture on those areas where technology can be delivered which is financially productive and culturally viable for smallholders

- preservation of forest, for logging, or as reserve, on those areas where establishment of financially and economically viable crop and soil management systems is not an option.

Thus, the priority criteria for performance is sustainability where a necessary condition is productivity i.e. financially viable soil and crop management systems. Equity is introduced through the requirement that technologies must be financially and culturally viable for smallholders.

Tactical issues:

If one adopts the positions developed above on strategy, performance criteria and divergence in institutional perceptions, an initial tactical question becomes: should R & D on tropical land clearing and development be adapted to the institutional constraints, aim at modifying institutional perceptions or ignore the issue of policy implementation at the outset and concentrate on planning and agricultural techniques. Depending on how this question is resolved one must then move to definition of who are "those responsible" for decisions on selection of areas, land clearing technology, etc. A distinction should be made between directed colonization and rehabilitation, spontaneous smallholder settlement, and land development by large-scale enterprises (public and private). The fact that reduction in "damaging soil compaction by heavy equipment" is listed as one of five potential benefits of the network, suggests that mechanized clearing is a matter of prime concern. This being so, the institutional focus leading to mechanization-related decisions, would be on development by large enterprises and on government projects for smallholder settlement or land rehabilitation. Another benefit of the network is seen as "reduction in clearing of areas unsuitable for the type of agricultural production intended". This implies an emphasis on spontaneous settlement. Reinforcing this emphasis is the estimate that annual clearing by shifting cultivators (colonists and existing farmers) in tropical regions is 10 million ha (Couper et al. 1981) of which about half is bush-fallow and half constitutes conversion of forest to the swidden agriculture system (FAO 1983).

There will be a degree of overlapping of institutions in the three types of land development. However, it is to be expected that, in large measure, the key actors will be different. In the event that land were classified and zoning regulations existed and were implemented, the regulatory agency(s) would be the same in all cases. However, spontaneous smallholder colonization would be heavily influenced by highway construction

and subsequent productive or social services provided by the state. Large enterprises may provide their own infrastructure and draw heavily on state subsides (Sawyer 1982). In the case of directed settlement or rehabilitation one would expect most of the decisions, up to the stage the land is put into production, to be made by government project authorities.

It has been argued that if the network is to achieve the goal established, "those responsible" for tropical land development cannot be regarded merely as the passive recipients of information, upon which they will be expected to act. This suggests a tactic where R & D is adapted to the institutional constraints and may seek to modify some of the perceptions held by key organizations. How, then can the network address the practical challenges which explicit recognition of institutional constraints pose for R & D activities? This question raises a series of subsidiary tactical issues: development of low versus high-input technology; development of technical packages with wide adaptability versus targeting specific ecosystem and cultural-institutional situations; narrow in-depth R & D focus versus a broad-based systems approach; emphasis on research versus research methodology; and, physical science and engineering versus management. Clearly, these issues do not constitute mutually exclusive alternatives, nor are they independent of each other. They are presented in this fashion to place the challenge in designing R & D activities, in a somewhat sharper focus.

If the premises of heterogeneity of tropical ecosystems and the role of institutions in land development are accepted, an approximation of network tactics might be: development of targeted technical packages: emphasis on research methodology placing heavy reliance on local institutions engaged in research and development implementation to undertake needed adaptive research and monitoring and evaluation of operating experience; and strong emphasis on management leaving physical science and engineering to national and international research organizations largely outside the network. Implementation of such tactics dictates adoption of a broad-based systems approach.

Potential extra dimensions:

Three inter-related concepts would appear to be relevant to a management-oriented R & D effort which attempts to identify and build on interactions between resource endowments, technical change and institutional change as vehicles for developing a more productive, sustainable and equitable agriculture in the humid tropics: agroecosystem analysis, institutional development, and policy management.

Agroecosystem analysis addresses the question of designing a range of technical options which are relatively fine-tuned to the requirements of agriculture in specific ecological and socio-economic situations (Conway 1983, 1985). The approach is multidisciplinary and rests on the principles of systems analysis. Its basic assumptions are: (i) relevant analysis for management does not require knowledge of all potential linkages in the system; (ii) prediction of system behavior requires knowledge of only a few key processes; and (iii) improvement in system performance requires changes in a few management decisions affecting selected key processes. Through

assessment of techniques within a multi-objective framework, the aim is development of technology packages and supporting policies. Of necessity the procedure is applied in a target situation - a particular ecological, economic and institutional niche. However, its fundamental characteristic is the focus on key processes and decisions. While on the surface the procedure may appear highly atomized, if systematically applied to a range of situations within a network, it offers an opportunity to accumulate information which should greatly streamline the process in terms of both avoidance of duplication and facilitation of innovation.

Ruttan and Hayami (1984) have postulated that institutional innovation, internally generated, is an economic response to changes in resource endowments and technical change. Within this general concept, specific activities, which would support change in organizations responsible for managing, implementing or supporting programmes for development of tropical lands are action-research and monitoring and evaluation (Korten 1980, 1981). Action research aims at understanding important properties of the system and response (in terms of one or more performance indicators) to management interventions, i.e. in executing development programmes actions are specifically designed to test hypotheses on system behavior. This approach has been widely used in research on management of irrigated agriculture by the Internatonal Rice Research Institute and the International Irrigation Management Institute.

The World Bank (1983) has found that performance of development projects is at least as much affected by external macro policies as it is by implementation of internal project components. These macro policies apply to such areas as: foreign exchange, prices, taxes, subsidies, tariffs, public service salaries, allocation of public capital investment, procedures by which investment projects are executed, O & M of infrastructure and decentralization of decision making. It is evident that a network on tropical land development would not concern itself with most of these macro issues, except insofar as they constitute exogenously determined constraints. Nevertheless, the nature of much of the tropical land development process - low technology, dispersed, small scale, people-centered, remote from centres of political power and decision, heterogeneous ecological and socio-economic situations, high degree of uncertainty on social objectives and means for achieving them - suggests that a more rigorous specification of linkages between field activities and the management of selected macro policies could be crucial to the network's effectiveness. It has been suggested that, at all levels, "beaurocracies need to be reoriented from administering regulations towards managing development, planning agencies from drafting comprehensive blueprints towards selective interventions backed by policy analysis, and accountants and auditors from preoccupation with financial rules to obtaining value for money" (Landell-Mills 1983). Improved management of policy formulation and implementation along these lines in areas such as O & M, public services, subsidies and land use regulation, would appear to be necessary conditions for more effective use and conservation of tropical forest and soil resources. Policy objectives, as they apply to tropical lands, should be specified in terms which enables monitoring and evaluation of their achievement.

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THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE September 25, 1985

TO AEN Regional Staff

FROM Attila Karaosmanoglu AK.

EXTENSION 74503

SUBJECT Regional Objectives

Please find attached the Region's FY86 objectives which have been discussed and agreed by the Regional Management Team. I would welcome any comments on these directly or to Robert Calderisi.

Attachment

RCalderisi:nra

EAST ASIA AND PACIFIC REGION

REGIONAL OBJECTIVES FOR FY86

Background

FY85 was a year of excellent performance for most countries in the Region. Economic reforms in China led to unprecedented increases in agricultural and industrial productivity and the market-oriented countries -- with the exception of the Philippines where the financial crisis continued -- took advantage of the recovery in international trade. They achieved high rates of production and exports and reduced their current account deficits.

The highlights of Regional activities during FY85 included the following:

Total lending had to be revised downwards during the year due to country situations. Thirty-nine loans and credits totalling $3.1 billion were committed compared with the planned figure of 38 operations of $3.6 billion.

The pipeline of new projects was considerably strengthened; the quality of our work improved; and there was some reduction in project processing costs.

The Region participated in policy reform discussions in China with a major economic report greatly appreciated by the Chinese authorities.

Clear procedures were established and implemented for the planning, monitoring and follow-up of country economic and sector work.

The agriculture divisions were reorganized and consolidated in response to the changing demands for their services, and some staff were redeployed. The decision to merge the two transportation divisions was also carried out.

Looking ahead to FY86, the Region will need to ensure that its planned economic and sector work, as well as the projects already identified and appraised, are finalized on schedule -- and, if possible, ahead of schedule. This is important to ensure that the Bank continues to be regarded as responsive and efficient, even in difficult circumstances. We plan to deliver an expanded lending program this year with fewer staff than in FY85, which already implies that there must be important efficiency gains during the year. Furthermore, the world economic outlook and, with it, the short-term prospects for our countries, have deteriorated in recent months, hence increasing the need for flexibility in our lending and a timely response in our analytical work to support appropriate policy discussions. This will entail new opportunities and challenges in deepening our dialogue with the member countries. In the light of these circumstances, a series of central objectives for the Region are set out below.

Regional Objectives for FY86

I. Lending

Volume. We have set an objective of 41 projects, totalling $3.0 billion in IBRD lending and $400 million in IDA lending for FY86. We shall attempt to maintain stable programs in Korea and Indonesia and increase the China and Malaysia programs.

Pipeline. We shall continue our efforts in strengthening the lending pipeline for FY87 and developing a substantial number of dependable standby projects. One measure of success in this direction would be to have all appraisal missions for regular FY87 projects completed, or in the field, by the end of June 1986.

Agriculture. We should continue our efforts to identify sound investments in agriculture, especially in non-traditional areas. This is important because it remains the key productive sector in most of our borrowing countries and is crucial to income generation and better distribution of wealth in the rural areas. To this end, we should field at least two agricultural assessment missions during FY86.

Loan Processing. There should be a conscious effort to reduce loan processing times without sacrificing quality. Upstream work and staff discussion should be intensive enough to limit the number of project issues which need to be reviewed by regional managers late in the cycle.

Implementation. We intend to improve implementation of our ongoing projects by identifying common problems and dealing with these systematically. In Indonesia, we need to translate good suggestions already made for improving implementation into concrete results.

Programming. We must improve the dependability of our programming, both for lending and economic and sector work, particularly in China and Malaysia, and be more creative and selective in our operations in the smaller countries, such as Papua New Guinea and the Pacific Islands.

II. Aid Coordination and Cofinancing

OECF and ADB. The Region should continue its close collaboration with Japan. In particular, we should seek to increase working-level contacts with OECF and JICA offices in Washington, Tokyo and the field, transmit our final economic reports routinely to both agencies and exchange information on our respective programs in areas of mutual interest. We should also continue to liaise closely with the ADB and clarify possibilities for joint or parallel financing with the ADB in other countries than the Pacific Islands.

Cofinancing. We have set an objective of 17 projects with over $500 million of cofinancing for FY86, compared with 12 projects and about $450 million in FY85. In working towards this objective, we should try to blend concessional and Bank funds to obtain improved terms for our borrowers and explore possibilities for increased EEC, WFP and bilateral assistance. We should continue discussions with our creditworthy borrowers of possibilities for increased export credit and commercial cofinancing. Prospects for introducing non-concessional cofinancing look reasonably promising in China, given the scale of the investment program and the nature of expected Bank projects.

III. Country Economic and Sector Work

Country Reporting. In the light of the deteriorating short-term outlook and increased uncertainties, we shall aim at brief and timely analysis in our country economic memoranda.

Sector Work. Most of our project divisions have already appointed lead sector economists with explicit functions. We shall make similar appointments in the remaining divisions as part of an overall effort to improve sector work.

Special Topics. In addition to continuing emphasis on public investment reviews, we shall begin strengthening the Region's work on trade and industrialization policies and on banking sector reform. A workshop will be held during FY86 to discuss and evaluate the ongoing work on trade and industrialization policies in the member countries of the Region. The need to strengthen the Region's capacity for financial sector and banking reform analysis will be considered in the context of staff development.

Project Financed Studies. To improve the benefits from studies financed under our loans, guidelines will be issued regarding the planning, supervision and final use of such studies.

IV. Internal Management Issues

Staff Development and Training. We shall continue to emphasize staff development and training at all levels. In particular, we shall enhance opportunities for staff reassignment, where appropriate, between disciplines and departments. We must also give special attention to staffing objectives with respect to women and the representation of developing country nationals within the Region.

Quality Control. We have made significant progress in controlling and enhancing the quality of Regional work. We must continue to be vigilant and to set high standards for ourselves in this respect. Among other things, we should aim at more concise documents and more limited distribution lists.

Management Information System. FY85 saw the gradual introduction of a new management information system with understandable teething pains. During FY86, as parts of the system become fully operational, we need to deepen our familiarity with it and begin testing and adapting it as a guide to cost-effectiveness. We also need to manage the introduction of additional elements of this system - e.g., the portfolio review module - as carefully as possible.

Office Move. If current planning holds up and outstanding issues are resolved, we shall be moving to the "I" building in the Spring of 1986. In effecting this move, we must try to minimize the disruption which it will entail in our work and make our working environment as pleasant and as conducive to productivity as possible. We should also try to maximize efficiency gains arising from the introduction of new office technology.

September 25, 1985
AENVP

Indonesia Marks 20th Year With Suharto as President

Continued From First Page

independence against the Dutch — and revered today for that reason — would die in 1970 under virtual house arrest at age 69.

The largest communist party outside China and the Soviet Union was crushed within five months. The pro-Chinese party, known by its Indonesian initials PKI, claimed more than two million members and was President Sukarno's frequent ally in a constant power struggle against the military and fundamentalist Moslem groups.

Although an academic debate on the players and motives behind the coup attempt continues without complete satisfaction, the Suharto government and most scholars put the PKI in the middle of the scheming. The military immediately blamed the PKI, and by the end of October a fierce anti-PKI campaign, led by soldiers and Moslem youth groups, had begun in the countryside. Religious and racial tensions expl[redacted] with ethnic Chinese singled out. [redacted]ear. A [redacted]nge of [redacted]s were [redacted]re held [redacted]rs. Som[redacted]s convicted of various political crimes remain in prison today. Three ex-PKI leaders were executed in July, provoking outcries from human rights groups and the Parliament of the European Community. Yet curiously the government also recently announced that ex-PKI members would be allowed to vote in the next electio[redacted] The party remains banned, however.

Foreign Policy Reversed

The fall of Sukarno and the PKI and the rise of Suh[redacted]led to a reversal of a leftist, pro-China [redacted]ign policy and the adoption of a centrist, pro-West course. China, formerly a staunch ally, was blamed for backing the coup attempt and diplomatic ties with Peking were suspended in 1967. The two countries resumed direct trade this year, but the restoration of diplomatic relations isn't expected soon. Indonesia also turned to the U.S., Japan and Europe for aid, and ended the Soviet Union's substantial role in the country's external financing, especially for military hardware.

Mr. Suharto also quickly halted a costly two-year war with neighboring Malaysia that had divided the military. Indonesia helped found the anti-communist Association of Southeast Asian Nations in 1967 and rejoined the United Nations. The creative acronyms and slogans that spiced Mr. Sukarno's fiery anti-imperialist oratory ended.

Among the most famous — and most ...ient — slo... Ka...

Educating and finding jobs for these people are the government's two biggest challenges, Minister Salim says. "They've done a hell of a job over the past 20 years," says the national manager of a foreign bank in Jakarta, "but the short-term outlook isn't so good. They face a difficult oil market, terms of trade are deteriorating, and they suffer from industrial overcapacity.

"Yet they've demonstrated over the years a flexibility that has allowed the country to develop at a good pace through difficult times. They have an adaptability based on political stability that's kept them in good stead," the banker says.

Few 'Safety Valves'

Stability is the hallmark of the Suharto government, and it is the first word of praise used by businessmen and diplomats. Yet that stability has come at the price, many argue, of political freedom. Even moderate dissidents can find themselves threatened with subversion charges and jail. Despite the confidence that might come with its 20 years in power, the government keeps a tight lid on political activity, and there are few "safety valves" for social [redacted]it easier to put on controls than to take them off," says a Western diplomat.

Mr. Suharto has largely succeeded in ending most of the regional, religious and political factionalism that wracked the country during its first 20 years and threatened to tear apart the 13,000-island archipelago. Today, the government faces only two small, albeit tenacious, independence movements, in East Timor and in Irian Jaya.

Looking to Succession

Mr. Suharto also has built government institutions and organizations that are carefully controlled by a loyal military and that most believe will survive him and ensure a peaceful succession, whether Mr. Suharto dies in office or retires.

"It is far less a system that revolves around one man than it was 20 years ago

Cycle & Carriage Of Singapore Says Its Chairman Quit

SINGAPORE (AP-DowJones) — Chua Boon Peng resigned as chairman and director of Cycle & Carriage Ltd., the company announced.

Cycle & Carriage gave no reasons Monday for Mr. Chua's Sept. 25 resignation, and company officials were unavailable for comment.

Some observers believe the resignation came as a result of Mr. Chua's involvement with Lamipak Industries Pte. Ltd. and Panther Pte. Ltd., two companies that last week went into voluntary liquidation owing creditors around S$140 million (US$55 million).

Mr. Chua serves as chairman of Panther and a director of both Lamipak and Panther.

Under a recent addition to Singapore corporate law, a person is barred from being involved in the management of any company for five years, if two other companies in which he held directorships are liquidated within five years of each other.

Chua Boon Yew, another member of the family that controls Cycle & Carriage, also resigned his directorship of the car distributor.

Chua Boon Unn assumed the post of chairman. He is also group managing director of Cycle & Carriage.

Tan Sri Datuk Haji Basir Ismail, who serves as executive director of Bank Bumiputra Malaysia Bhd., Malaysia's largest bank, and chairman of United Plantations Bhd., was appointed a director of Cycle & Carriage.

Japanese Po...

Continued From First Page

stimulate the economy. The most prominent anti-spending forces are the Ministry of Finance and the *Keidanren*, the very influential voice of Japanese big business. They point to the huge budget deficits that Japan has run since the "oil shocks" of the 1970s. And they are the strongest voices, along with Mr. Nakasone, for fiscal austerity.

Channeling more of Japan's huge pool of savings into the domestic economy is one way to deal with the situation. A specific idea is to remove the tax incentives for savers in Japan's $400 billion postal savings system, and let the government spend the revenue. But the postal system is a powerful, entrenched bureaucracy, and small savers are expected to rebel if their tax breaks disappeared.

On the pro-expansionist side are a growing number of prominent Japanese politicians who want more economic expansion and more government spending, and are willing to suspend the government's fiscal austerity program for a few years to pump up the economy.

"Government spending has been flat for three years, and there are a lot of frustrations for the politicians," says Teruhiko Mano, general manager of economic research and a director at Bank of Tokyo. "There's no room for the manipulation of political powers. Some smoke is coming out of these frustrations," he says.

The Price of Growth

Susumu Nikaido, vice president of the ruling Liberal Democratic Party, recently said that Japan should take drastic measures to stimulate domestic demand. Mr. Nikaido added that, even if this means a delay of two or three years in Japan's fiscal restructuring plan, Japan should accept this as the price of growth.

Some expansion-minded politicians are beginning to insist that Japan spend more

Behind the Words at the World Bank

By James Bovard

WASHINGTON — As some 9,000 interested parties gather in Seoul this week for the World Bank's annual meeting, accolades will be heard for the bank's new awareness of the private sector, and its crucial role in spurring international development. But what changes the bank has made in recent years don't add up to an improvement.

Bank President A.W. Clausen often praises private enterprise these days, but the vast majority of World Bank loans still go to strengthen government bureaucracies and reinforce their control over the economy. Loans to communist countries alone have increased fourfold since 1981 and will constitute 13.4% of the bank's 1985 lending. The bank has been the driving force behind the nationalization of oil and natural gas throughout the Third World. And all the while, it has shown too little concern for human-rights violations in its projects.

Set Crops on Fire

The bank has given the government of Indonesia more than $600 million to remove—sometimes forcibly—several million people from the densely populated island of Java and resettle them on comparatively barren islands elsewhere in Indonesia. Despite reports of violence, the bank continues lauding the project as "the largest voluntary migration" in recent history.

The London-based Anti-Slavery Society for Human Rights reported to the United Nations that at least one supposedly vacant island being given to the migrants was already inhabited—and that the Indonesian army cleared the island by setting the original inhabitants' crops on fire. Indonesia is sending hundreds of thousands of migrants to the island of Irian Jaya—and the island's original inhabitants claim they are being driven from their lands by the Indonesian army. The Indonesian government is also resettling Javanese on the island of East Timor—which the army seized in 1975. According to a 1983 Washington Post account quoting relief workers, an estimated 150,000 of the island's 700,000 inhabitants were killed or left to die of starvation in the ensuing strife.

The transmigration project is supposed to make the migrants more productive. But the project mainly moves poor farmers from small amounts of good land to large amounts of nearly worthless land. The government often fails to honor its promises to provide water, roads, schools and tools. It costs about $6,000 to move each family, yet most families that are moved end up making little or no income from their new habitats, and many who previously supported themselves in Java have gone on welfare.

The Polonoroeste project in Brazil is a similar fiasco. The bank has poured almost half a billion dollars into a scheme to move landless farmers into cleared areas in the Amazon tropical forests. But about all the project succeeded in doing was building a road and encouraging tens of thousands of people to move to an area with terrible farm land and almost no infrastructure. The project has pointlessly cut down hundreds of square kilometers of rain forests and engendered much violence between the new arrivals and the indigenous Indians. The bank specified in the original loan agreement with Brazil that the Indians' rights must be respected, but then did nothing when the Indians' lands were trampled. After two years' uproar by U.S. environmental groups and extensive congressional hearings, the bank has temporarily stopped funding the project.

To its credit, the bank has contributed funds to help privatize a few government corporations in Africa and Asia. But at the same time the bank is spending a few million dollars to resurrect private companies that previous bank loans often helped nationalize, it is pouring billions into maintaining state-owned enterprises (SOEs) throughout the Third World.

The bank's latest kick is "public sector improvement loans"—basically, transferring the cost of socialist inefficiency from the recipient government to the World Bank's donors. Morocco received $200 million for "actions to improve public investment planning and the functioning of the public enterprise sector." Chile received $11 million to help the government "orient and guide the process of resource allocations" among SOEs. Ecuador received $14 million "to increase the public sector's contribution to economic growth by improving the management of key public enterprises."

The bank's biggest socialistic binge is occurring in energy projects. Most World Bank energy loans either displace foreign private investment or deter the development of private companies in recipient countries. World Bank 1985 energy loans include $92 million to the Yugoslavian government for oil and gas exploration, $233 million to the Pakistani government oil companies, $248 million to the Indian government for coal-mine development, and $110 million to the Bangladesh government for natural gas exploration. These loans do nothing to increase development—but only add to the size of Third World governments, breeding more bureaucrats and fewer entrepreneurs.

Mr. Clausen wants a larger role in managing the international debt crisis—which would be like putting Mao Tse-tung and Chiang Kai-shek in charge of reunifying China.

The biggest change at the bank since Mr. Clausen took over in 1981 is the huge increase in lending to communist countries. Since 1981, China, Romania, Ethiopia, Yugoslavia and Hungary have received more than $6 billion—including almost $2 billion in 1985. Even though China has easy access to commercial credit, Mr. Clausen favors doubling World Bank lending to China from the current $1 billion a year. Nor is World Bank financing being used to pry China away from socialism—the bank gave China a $47 million zero-interest, 50-year loan for the development of its state farms.

The bank also is busy subsidizing America's trade competitors. South Korea received $556 million in World Bank loans this past year for purposes like providing "much needed capital for economically and financially viable industrial projects" and enhancing rail capacity in the Seoul industrial corridor. South Korea is better managed than most World Bank borrowers—but, like most borrowers, it has long had easy access to commercial credit and need not rely on the bank's subsidies.

The bank, like most international organizations, has tried to use the African famine to drum up support to boost its own budget. Though much of Mr. Clausen's rhetoric is devoted to Africa's dire straits, barely 10% of the bank's 1985 loans have gone to sub-Saharan Africa. And the biggest beneficiary was Ethiopia.

Boosting the Budget

This past year, much to the bank's embarrassment, its loan volume fell 7%. A classified internal World Bank memo late last year outlined plans to relax all types of loan requirements in order to spur borrower demand. The bank subsequently abolished its one-quarter percent "handling fee" on loans. The bank currently has $17 billion in unlent cash reserves.

Despite the bank's inability to meet its loan goals, Mr. Clausen wants to expand. Earlier this year he said he hoped to request a $40 billion increase in callable capital (existing total: $55.8 billion), though he may be retreating from that goal now. Whatever, Mr. Clausen wants the bank to have a larger role in managing the international debt crisis —which would be akin to putting Mao Tse-tung and Chiang Kai-shek in charge of reunifying China.

Mr. Clausen and his predecessor, Robert McNamara, beat the bushes to encourage more commercial lending to Third World governments. Now we have a debt problem that is indeed serious, and foolish American banks are in trouble. But if the U.S. wants to bail out its banks it should give them the money directly and not launder the handouts through the World Bank and Third World governments.

Mr. Clausen's term as bank president expires in mid-1986. The U.S., as the bank's largest shareholder, has effective power to appoint a new bank president. One hopes the Reagan administration will find a replacement, but in the meantime the funding issue must be addressed.

The bank can sustain a lending level of $13 billion a year simply by relying on its principal repayment and interest earnings. Its 1985 lending amounts to $14.4 billion. That's more than enough to cover good projects to well-managed countries that do not have access to commercial credit. A poorer bank would be a wiser bank—and a better friend to the Third World.

Mr. Bovard is a Washington-based free-lance journalist.

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HWWA
HAMBURG

Ohne Begleitschreiben an

Transmigration in Indonesia
Part I and II

Mr. Hewson
AEPA 4
World Bank

Best Regards
Dr. Kebschull

Hamburg, den 17.10.85

- ○ mit Dank zurück
- ○ zur Kenntnisnahme
- ○ gem. Schreiben vom
- ○ wie besprochen

Mit der Bitte um:

- ○ Anruf
- ○ Erledigung
- ○ Prüfung und Stellungnahme
- ○ Rückgabe
- ○ Rücksprache
- ⊗ Weiterleitung an:
  Miss Gloria Davis
- ○ Irrläufer
- ○ zum Verbleib

Food crops three types recommends
1, steps to be taken to ameliorate
2. Options for Growth
agriculture
off farm work
Second stage develop
3. Implications for future

Upland Farming Systems
Low input
Low input with cow

~~INTRO~~
~~CHPT I - Background~~

PART I ASSESSMENT of the transmigration Program to Date
1. Background Rationale & Objectives
2. Impact of the transmigration on the nation
Demographic
Employment Generation
Regional Development
Environment
Summary
3. Impact on the ~~migrant Families~~ transmigrants
Subjective Reports
Incomes
Other indicators
4. Economic Analysis

By Dec 6

Part II - Factors Affecting Program Future
5. - Agricultural Development the Potential for
Upland tree crops
Tidal Conclusion

By Dec 6

6. The Role of Spontaneous Migration
7. Institutional Issues Constraints

Part III - Major Development Options

Tree Crops

Performance to date – # moved return
rates of financial
returns
to settlers
encourage government's
to seek ways to
expands

Options for develop

Types of models

knowledge

Possible constraints

Marketing

~~Finance~~ Finance

Institutional Capacity

Projected Program Options constraints

Educ - MD & Training
Trans - Trans & Tree Crops
- Housing Sector -

~~Copies of AGP to Brad~~

Sectors -

- Education → OED / M

Farah -
Mark -
JVHP -
Mike Walton
Geoffrey -

Helen
Gloria

SECTOR REPORTS TIMETABLE AS OF END OCTOBER 1985

RUN DATE: 10/24/85

SECTION I : HEADING INFORMATION

ID AND NAME : 7INSSR015-TRANSMIGRATION
COUNTRY : INDONESIA
MNG. OFFICER:

FY AND STATUS : 86-
MANAGING DIV : 176/16
PBD CODE : 7INSAYSY6

SECTION II : DESCRIPTIVE DATA

TOPIC CODE :

FINAL COVER : G

AUDIENCE CODE: TWS

MAJOR SECTOR:AY %100 MINOR SECTOR: %0

DESCRIPTION :

REVIEW OF TRANSMIGRATION PROGRAM

SECTION III: PROCESSING STAGES AND SCHEDULE

CORE STEPS	FY86 ORIG.PLAN	FY86 REVISED PLAN	LOCAL STEP NAME	FY86 REVISED PLAN
1. INIT. MEMO :	09/14/84	09/14/84		
2. MAIN MISSION:	07/15/85	10/01/85		
3. WHITE COVER :	12/15/85	02/15/86		
4. YELLOW COVER:	03/15/86	03/15/86		
5. GREEN COVER :	06/15/86	06/15/86		
6. GOVERM. DIS.:	07/11/86	07/11/86		
7. GRAY COVER .:	09/15/86	09/15/86		

SECTION IV: MANPOWER COST SUMMARY (IN STAFFWEEKS)

	TOTAL	OF WHICH DIV H.L.	DIV ASST.	DIV CONS.	VP-OTHER	OTHER
ACTUAL TO FY86	.0	.0	.0	.0	.0	.0
FY86 ORIG PLAN	70.0	55.0	.0	10.0	5.0	.0
FY86 REV PLAN	70.0	42.0	.0	22.0	6.0	.0
FY86 ACTUAL	16.3	7.7	.0	8.6	.0	.0
FY87 REV PLAN	.0	.0	.0	.0	.0	.0

SECTION V: DOLLAR COST SUMMARY (IN THOUSANDS OF $)

	TOTAL	OF WHICH STAFF	CONSULTANT	TRAVEL
ACTUAL TO FY86	.0	.0	.0	.0
FY86 ORIG PLAN	4.8	4.8	.0	.0
FY86 REV PLAN	5.7	5.7	.0	.0
FY86 ACTUAL	.0	.0	.0	.0

Factors Affecting the Development of the Future Program

A. Land Availability

B. Agricultural Potential in Transmigration Sites

sat.

Upland Food Crop Production

Inherent limitations on the productivity of rainfed agriculture / market

Strategies for overcoming natural & market limitations – manual clearing, fertilizer input incl liming, terracing, bunding, seed production, improved services particularly extension, market intervention

Farmer strategies under rainfed conditions / ~~Steps to~~

Limitations. ~~Constraints~~ implied by recent surplus prod.

implications

Conclusion In past assume aim for maximum food crop production

can only be accomplished costly measures

Swamp Reclamation

~~Tidal Agriculture~~

Marketing prospects – particularly constrained serious road deterioration

Sunday

Tree Crop Development

monday – wednesday

Financial Considerations and the role of

~~Income earning Potential of Transmigration Areas~~

~~Possibilities Promoting~~

~~Potential~~ for/Spontaneous Migration

~~Employment Generation and~~

~~Organiz~~ Institutional Factors ~~Issues~~ Affecting Transmigration thurs

Environ~~mental~~ and Equity Considerations

~~Issues Regional Development Considerations~~

The remaining areas consist of dissected uplands, ultra basic ~~rocks~~ soils and coastal swamps which will be very costly to develop. Similarly, in Maluku, ~~there does not appear to be any~~ new settlement is unlikely after Repelita IV

20. Irian Jaya. Major problems of land suitability are being encountered in most of the target areas, and schedules through Repelita IV to VI are purposely kept at a modestly realistic level, in view of the other constraints of lack of infrastructural development, remoteness, inactivity in the tree crop sector, and social-anthropological problems. New settlements will progress at a steady rate and at a cost verging on the unacceptable, both in wetlands and upland, and tree crops will again dominate. The modest projected rates would, however, permit continued rates of settlement to beyond Repelita VI, probably for one further five-year period only. Sites will become increasingly remote, isolated and limited in area during Repelita VI.

VISIT OF TRANSMIGRATION SECTOR REVIEW MISSION
KEY POINTS ARISING FROM MEETINGS 7 OCTOBER 1985

1. Meeting with Drs. Hartono (D.G. PANKIM)

   a. Team sought clarification of allocation of land to settlers in relation to new policy

      (i) wetland model
      (ii) dryland food crops model
      (iii) dryland tree crops model

      DG explained a proposal to reduce the area cleared under (ii) and use the savings to fund additional fertiliser and lime inputs.

   b. Under a question from Gloria Davis the DG said that he was still optimistic that Repelita IV will reach its targetted number of migrants resettled despite the slow start.

   c. DG confirmed that KAKANWIL could now contract for land clearing and house building aspects of site preparation but the Minister still retained the right to award larger contracts.

   d. DG reported that consideration was being given to setting-up a large - about 10,000 KK - settlement contract in Irian Jaya. This would involve site clearing, construction, establishment of tree crops and supervision of settlement development on a "turn-key" or estate development basis.

2. Meeting with Bina Programme DG PANKIM.

   - Mr. Widarbo not available. Those attending were Mr. Simatupang and David Donald of TAG.

a. Key issues suggested by Miss Davis were

(i) situation regarding spontaneous transmigrants

(ii) income generating capacity of transmigrants

b. Simatupang explained that careful consideration was being given to the level of assistance to spontaneous transmigrants. He outlined a scheme to reserve a proportion of each scheme for spontaneous transmigrants - it was pointed out though that this would raise the cost/KK of settling "planned transmigrants" since the infrastructure for total number of transmigrants (planned plus spontaneous) would be a cost on the planned transmigrants only.

c. Mr. Chaudri asked for copies of any studies conducted on why spontaneous transmigrants migrated and the effects on their lifestyle.

d. Simatupang discussed the problems related to programmed planning which he felt was the most important issue - e.g.

(i) initial programme says an SKP of 1800 KK - funds allocated and approved for 1800 KK

(ii) final design and/or land clearing work indicates suitability only for 1500 KK

(iii) insufficient flexibility to allow adjustment to programme so 1800 KK settled - of this 300 KK on unsuitable land.

e. Mr. Simatupang agreed with Miss Davis that roading was a problem - roads were designed to last 3 years but it was 5 years before Transmigration handed them over to PU and no allowance had been made for maintenance.

f. The problem of small inexperienced contractors was dis

cussed and the need for larger contracts with expe - rienced contractors stressed.

g. A major issue was seen by Simatupang and TAG as the conflict over who had the right to land. Kehutanan or Transmigrasi. The problems of map scales were outlined and the procedures for resolving differences outlined.

h. Gloria Davis - said that she wanted feedback on the following issuess -

(i) comment from Bina programme on the World Bank projections of the impact of transmigration on population distribution over the next 35 years.

(ii) a review and discussion on the economicsof the proposed form models.

(iii) a review of actual costs for programmes implemented in relation to budgets.

3. Items likely to Be Discussed More Fully Later

(a) Objectives of Transmigration Policy and its impact on population redistribution in the long term.

(b) Procedures for award of land clearing and related contracts and particularly the opportunities for "turn-key contracts" for total development transmigrant settlements in concert with estate or other development.

(c) Levels of assistance likely to be provided to spontaneous transmigrants.

(d) Need for coordination and agreement at the highest levels between Forestry, Transmigrasi and Bappenas on

a. exact location of boundaries between land preserved for forest exploitation and reserves and other land

b. release of more suitable land to Transmigration in exchange for less suitable land.

VISIT TO WORLD BANK TRANSMIGRATION SECTOR REVIEW MISSION
MEETINGS 8 OCTOBESR 1985

1. Visit to D.G. Mobilisation and Development.
Mr. Maat Judolaksono
(Present, Ir[2] Ilyas, Soedirdja, Wibowo, 1 other).

a. The DG said that within their objectives which included

* stabilisation of Nations population growth
* distribution of results of present programmes throughout Indonesia,

they had several sectors in which assistance was needed.

(i) road improvement (as a means of achieving economic growth)

(ii) marketing - a programme did exist for assistance in this sub-sector

(iii) consultancies to assist at the central and project site levels in -

* economic development
* education - need for teachers and training
* health - field level medical staff training

(iv) support for youth and women programmes

* advice
* training and technology

(v) training and technology transfer

* training transmigrants
* training of staff

b. DG indicated that present training levels of staff for support activities - e.g. Health, Agricultural Extension were not satisfactory and felt that a return to the old

.....2/

system where MOT provided all the supporting services, temporarily, could be advantageous in building-up trained staff.

c. Miss Davis asked if the large number of contracts to be coordinated by the KAKANWIL were a problem. The DG admitted that originally this had been a problem but not any longer.

d. DG expressed his concern at the problems and conditions in swampland development areas and stressed the need for attention (and finance) for public health programs and provision of clean water.

2. Visit to Mr. Sayuti Hasibuan, BAPPENAS
Also present, Mr. Hasi (?)

a. Miss Davis said that some of the aspects of the programme which the mission would give attention to were -

(i) what means were available for giving encouragement to Spontaneous Transmigrants - as they saw this as one of the ways to reduce costs.

(ii) as a consequence could a simple means of providing land title (without encumberances) for Spontaneous Transmigrants be devised.

(iii) examine the non-production benefits of transmigration.

b. Mr. Hasibuan - said they were keen to isolate (and identify) those factors of success and which led to higher incomes in contrast to those factors contributing to low income levels. Perhaps the World Bank could help in this area. In his opinion SITE MANAGEMENT is one of the key factors.

..... 3/

c. Miss Davis asked what opinion BAPPENAS had on awarding large "turnkey"-type contracts as a means of speeding up the rate of development. Mr. Hasibuan replied that while these had definite merit they were concerned about how such integrated developments - based on Government policy, but coordinated by a private contractor(s) - could be fitted back into direct Government control in the longer term. It was however one means of ensuring sound project management.

d. In reply to Miss Davis, Mr. Hasibuan said the Government was also interested in planning and budgetting efficiency and also -

(i) the Government were conducting land clearing experiments in Riau, Jambi and South Sumatra at 5 sites.

(ii) striving for better coordination at the lower levels - through Ministerial Decree 31)

(iii) Training of officials and transmigrants

(iv) Through the use of production targets to measure progress in scheme development

(v) reviewing the standard packages of inputs provided to transmigrants to make them more suited to site requirements

e. Mr. Hasibuan was confident that the target of moving 750,000 KK under R. IV would be achieved but would not comment on the ratio of aided to spontaneous transmigrants.

f. Mr. Hasibuan spoke about the importance of establishing non-transmigrant type activities for income generation in transmigration. His concern derived from the replace

..... 4/

ment of local labour with transmigrants - but was not sure if the problem yet existed.

g. He outlined their position on having 60% of the settlement members of a KUD by the end of the 6th year after settlement.

h. BAPPENAS did not feel that the programme was at all constrained as there was still excess money available.

3. Key Points Likely to be Raised in Future Discussions.

a. Possibilities of assisting with programme development in RAHBIN through

(i) funding road improvement and maintenance programmes

(ii) technical assistance packages to assist with marketing, teacher and third level medical training, training of rural development instructors, and assistance with packages for womens and youths activities.

b. They will be particularly keen to knowof problem associated with the Swampland development programmes.

c. What ways are there to provide partial assistance to Spontaneous Transmigrants - especially -

* land titling
* agricultural support packages
* assistance with settlement of family and friends.

d. Possibility of structuring and coordinating large integrated development packages through private contractors - held to performance targets - in order to avoid delays and management problems inherent in letting many small contracts.

..... 5/

e. What is Government policy on encouraging concurrent non-tranmigrant development in the area of settlement schemes to provide a source of subsidiary employment for transmigrants - and how will this be implemented.

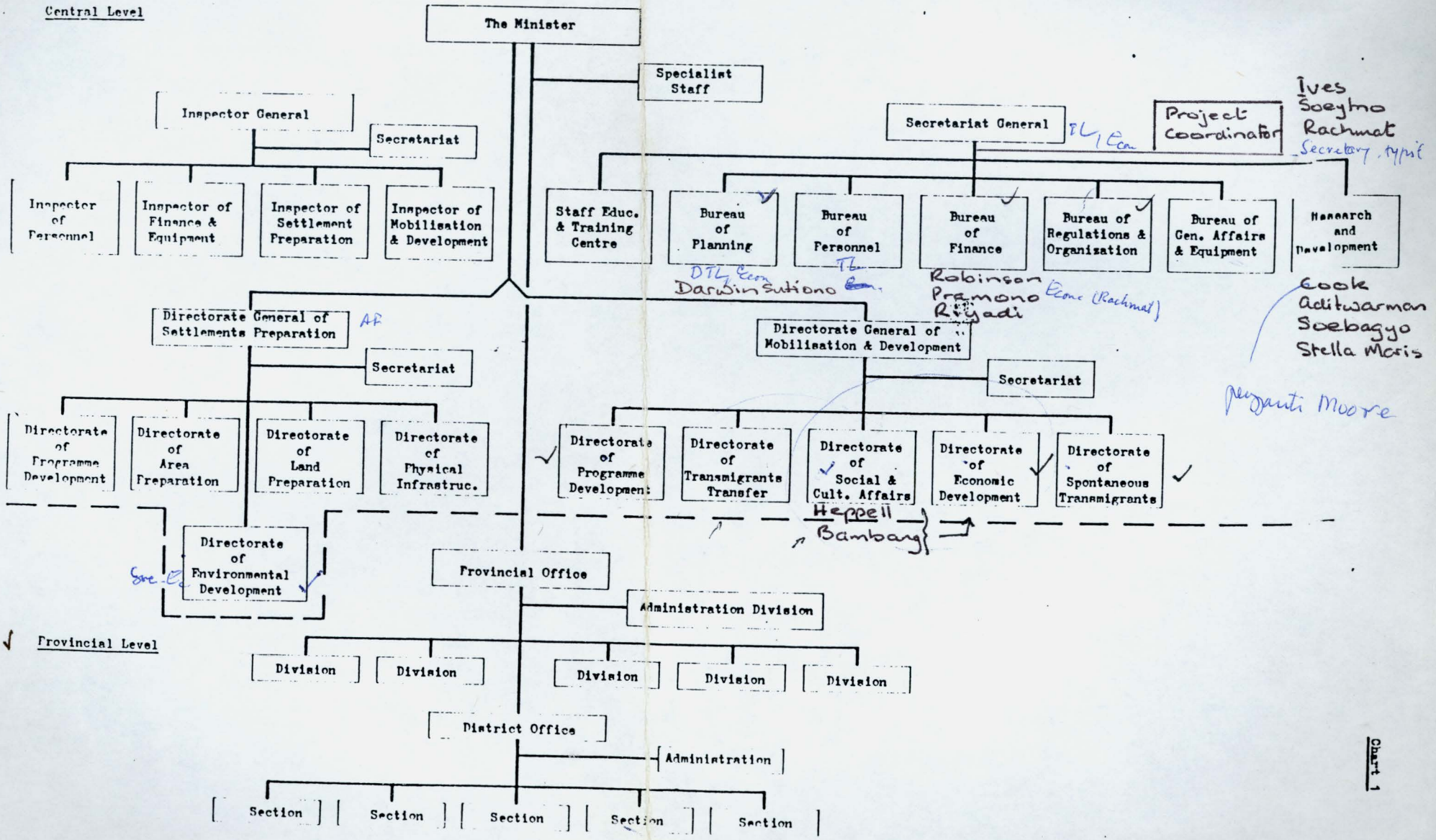
f. Will the R. IV target of 750,000 be achieved - if not, why not.

INDONESIA

TRANSMIGRATION VI PROJECT

(SECOND STAGE DEVELOPMENT)

Organizational Structure of the Ministry of Transmigration



Source: "Organization and Procedures of the Ministry of Transmigration". Ministerial Decree No. 055.A/Men/1983.

Chart 1

4776/ MENT/85/17/10

DEPARTEMEN LUAR NEGERI
REPUBLIK INDONESIA

Jakarta, 17 Oktober 1985

Nomor : R-0922/X/85/06
Lampiran : 1 (satu) berkas
Perihal : Transkripsi Konperensi Pers Duta Besar Australia untuk Indonesia.

Kepada Yth :

1. Bapak Menteri Dalam Negeri
2. Bapak Menteri Transmigrasi
3. Bapak Menteri Pendidikan dan Kebudayaan

di -

Jakarta

Bersama ini dengan hormat kami sampaikan kepada Bapak Menteri copy transkripsi konperensi pers Duta Besar Australia untuk Indonesia, Tuan Bill Morrison, di Port Moresby pada tanggal 15 September 1985 sebagai info.

Demikian untuk dimaklumi, dan atas perhatiannya diucapkan terima kasih.

a.n. Menteri Luar Negeri
Direktur Jenderal HUBSOSBUDPEN
u.b.
Sekretaris Ditjen

H.R. DJAP SURATMAN
NIP. 020000532

Tembusan :

1. Yth. Bapak Menteri Luar Negeri
   (sebagai laporan)
2. Yth. Sdr. Direktur Jenderal Hubsosbudpen
   (sebagai laporan)

DJHSBP.

DRAFT TRANSCRIPT : PRESS CONFERENCE GIVEN BY AUSTRALIAN AMBASSADOR TO INDONESIA, MR BILL MORRISON AT THE PORT MORESBY TRAVELODGE SUNDAY 15 SEPTEMBER.

Media Representatives Present: Trevor Watson (ABCTV and Radio), Melissa Roberts (the Australian), Weni Moka (NBC), Francis Iaubihi (NBC), Noel Pascoe (PNG Post-Courier), Alfred Sasako (Niugini Nius), Graig Skehan (AAP), Roger Crabb (Reuters, Hong Kong), Mark Baker (The Age).

Morrison: First of all this is an unusual situation. I'm here as a guest of the Papua New Guinea Government and that goes back to my association with Papua New Guinea over ten years ago, in the three years moving through self-government to independence when I was the Australian minister responsible. So I have a keen interest, in fact an affection and an attachment to Papua New Guinea. Currently I'm the Australian Ambassador in Indonesia and I see it as one of my tasks, my roles, given that there are differences of opinion, and it would be silly to say that there weren't differences of opinion between Australia and Indonesia, between Indonesia and Papua New Guinea. Because of my own familiarity with this area I see it as one of my tasks, one of my responsibilities to at least know what it happening in the three countries. Dealing with it pragmatically, dealing with it in terms of what the facts are, because one tends to feel that a lot of the reporting ..., and I'm not just making a comment here about the press I think it goes through politicians as well, is based more on emotion than on fact, and I believe it's very important that any assessments that any of our three countries make be made on the basis of fact, that we leave the emotion and the propaganda out, and so I think it's very very important that each of us - Papua New Guinea, Indonesia and Australia - should seek to understand each other. That doesn't mean to say that we agree with each other. But I think its very important that we should seek to understand each other. So that, I suppose, is one of the main reasons that, having heard that several of you were interested in talking to me about Irian Jaya, that I accepted that invitation. Now as far as Irian Jaya is concerned I've only been in Indonesia four-and-a-half months as the Ambassador but my association with Indonesia goes back over thirty years. The first time I went to Indonesia was some thirty years ago. And I've been a frequent visitor in various capacities to Indonesia in that period, and equally of course I've been a frequent visitor to Papua New Guinea and every now and again I get a chance to revisit Australia. But it is important I think to

understand that Indonesia regards Irian Jaya as province of Indonesia and it has set out to develop Irian Jaya as a province of Indonesia. My own trip which I just finished the day before yesterday was ten days in Irian Jaya, which is a fairly long tour for heads of mission to any province. There are 27 provinces in Indonesia. We had available to us a RAAF Caribou aircraft which the Indonesians quite willingly accepted we could take into Irian Jaya and we visited Jayapura, Sorong, Manokwari, Wamena, Tanah Nerah, Merauke, then back into Jayapura. During that time we had the opportunities of discussions, very detailed, very frank discussions with the Governor of Irian Jaya who happens to be in this hotel at the moment, Isaac Hindom. He is a member of the Indonesian delegation to the PNG anniversary celebrations. Also with the Military Commander of the Indonesian Forces, General Simantundjak. And also with the , they're the district commissioners of the various or districts in Irian Jaya. The discussions, as I say, were detailed detailed and long. I had a big team with me from the Australian Embassy. I had the Defence Attache, the Air Attache, the Political Counsellor, the ADAB (Aid) Counsellor, the Cultural Attache and a Second Secretary. So it was rather a large team going through. And we certainly got all the facilities made available to us by the Provincial and Indonesian Government, so I have absolutely no reservations that we had an adequate opportunity to see what we wanted to see and talk to who we wanted to. So in that sense I feel it was, in the ten days ... there are lots of places one doesn't get to, probably things one would like to have done that one didn't get around to doing, but certainly in the ten days I got an impression of Irian Jaya. I know this side of the border very well from my previous time in Papua New Guinea. The other side of the border this was the first time I'd had the opportunity to get there. Now the things that occur to one coming in to Irian Jaya, I suppose there's three things that impressed me on the way in to Jayapura and didn't change much over my whole time in Irian Jaya. One is space, the other's churches and the other's schools. In many ways that first fleeting impression does typify a great deal about Irian Jaya. It's sparsely populated, the total population of Irian Jaya is about 1.2 million people. It's an area as large as Spain and when one starts to think about transmigration, must be clear the Indonesians did not invent transmigration. Transmigration started well before Indonesian control. Both official transmigration and voluntary or spontaneous transmigration in the

Dutch period had been going on, particularly from the areas of
So there had been a large number of people coming in to that area well before the Indonesians took over control, formally in 1969 but as from about 1963 under the United Nations transfer arrangements. So when one thinks about transmigration, let me say quite clearly that the Indonesians regard transmigration as an internal matter, and the transmigration ... I suppose looking at it from the viewpoint of a politician, there is a compelling attraction to politicians in the notion that there's 1.2 million people in an area as large as Spain. On the island of Java, one-third of that size, there are one hundred million people and many of the people of Java, Central Java particularly, have no land. They're landless peasants and one of the main purposes of the transmigration within the national character of Indonesia is the transfer of population from the very crowded areas of Central Java particularly to other provinces. Now the figures on transmigration ... I think we're dealing with facts ... as I'm saying we're trying to get away from millions and millions of people coming in or whatever may be the conventional wisdom in other parts of the world, but up to date there has been something of the order of eighty thousand official transmigrants into Irian Jaya. There has been something of the order ... and it's very hard to get the figures on this ... something in the order between a hundred thousand and a hundred and fifty thousand of spontaneous migrants. These are people - a lot of them are cassowaries, a lot of people from the come in. Under the present plan the replete of four, that is the national plan of Indonesia between 1984 and 1989, the target, and I say target, is 137,800 families. Now this in terms of souls, is about 660,000. It is also important to keep in mind that under the transmigration scheme in Irian Jaya there is a notional 25 per cent of the total transmigration who are what are called translocks, that's people who actually live in Irian Jaya. Now they don't have to be Irian Jayanese per se, they could be people who are registered as residents of Irian Jaya. So this would mean that in that period 1984-89 what the plan is looking at is a net addition of about five hundred thousand people from outside Irian Jaya. Now I don't think here I'm making a value judgement but it's based very much on what we saw, that that target is going to be achieved. And there's several reasons why our assessment that it won't be achieved ... I think the Indonesians are now being much more careful in the selection of transmigration sites. There have been some transmigration sites that were selected just because they happened to be flat

ground and cleared. I think anybody who knows anything about agriculture, when you see flat ground and no trees you can bet your bottom dollar the soil's not good. And that, as it turned out, was one of the cases that those areas that were very easy to bring into production weren't suitable for intensive agricultural production. So I think that the Indonesians, being far more selective now in the selection of sites, and they're certainly doing a lot more in the preparation of sites. So I would suspect that there's going to be a shortfall - 30% or so - in the total transmigration target. The next thing one looks at is the question of the army and how many soldiers are in Irian Jaya. Now we had the opportunity of talking with the commander of the defence force there. The command of Irian Jaya also covers There has been a reorganisation of the Indonesian defence forces that have come into effect just recently and the , that is the military district of Irian Jaya in fact also includes . The forces on the ground in Irian Jaya, and in fact they're very thin on the ground, comprises four battalions. There's three infantry battalions and one airborne infantry battalion. And that gives a total of something of the order of 2,700 soldiers in Irian Jaya. They don't have much in the form of dedicated naval and air support, in fact there is no Indonesian naval ships stationed in Irian Jaya. The airforce dedicated to Irian Jaya is in fact very small. In Jayapura there is literally only one helicopter there for the use of the commander, and in fact I found that one of the ironic things was that a lot of the soldiers including the commander move around the province in the missionary aircraft. So certainly the army is very thin on the ground and doesn't have a greaty deal of dedicated transport. And one has to recognise ... I suppose the change I noticed coming across the border the other day in the aircraft was roads, you get these first impressions, the first thing coming across the border into Papua New Guinea was roads running into Vanimo and Wewak. There is very little coming out of Jayapura, that's probably about a hundred kilometres of the north-south road which is going to take a long time to build between Jayapura and Merauke. Places like Wamena in the Baliem Valley where population of 340,000 is the largest concentration, this is in the high valleys. Wamena is not unlike Mount Hagen. There is no real communication with any other party of the province, it's isolated. Wamena is completely isolated from the rest of the province. The only communication is in fact by air. No roads, no

no rivers, nothing gets anybody else to Wamena unless it's by air. So road communications are not well developed. There are a lot of plans for the north-south road, various other roads in Irian Jaya, but the road communication in Irian Jaya is far less than the road communication in Papua New Guinea. So any army operations has got this enormous problem of communication. I thought I'd just mention a bit about the OPM. It certainly has a decreasing influence in Irian Jaya. I would suspect that most members of the OPM are probably in the cross border camps on PNG territory - Blackwater and other places. Talking to the missionaries we had, as usual on these occasions, the official line from the Indonesian authorities that, as representative of the Australian government we tend to cross check our information. But the missionaries were pointing out that a number of villagers close to the border areas, that the villagers themselves are now informing the Indonesian authorities of when OPM people come into the village and this they see as a marked change. I think the villagers become sick and tired of being the meat in the sandwich, where if the Indonesian patrols come through and they've had anything to do with the OPM then they're in difficulties, the OPM come through and the Indonesian patrol's been before them, then the poor villagers - they're getting it both ways. And I think, certainly our assessment, talking with both government officials and with missionaries, is that the people just want a quiet life and they see the OPM as disrupting that quiet life. Also, the views that we got from some of the missionaries who have had contacts with the border crossers in the camp, a lot of the border crossers won't come back, but they're prevented from doing so because of OPM control of those camps, and also the possibility that there will be repercussions back in Irian Jaya from the Indonesians. Now whilst I was in Jayapura I made representations on behalf of Amnesty International. Amnesty International had given us the names of seven people who they had reason to believe something had happened to. I raised this question with the governor and he undertook to get the details of what happened. Now the seven people - we got this report. Three had been arrested on return to Irian Jaya, one was a deserter from the Indonesian armed forces and the Indonesians made it very clear that any people who have got a criminal record when they returned, or if they returned to Irian Jaya, will be charged and placed under arrest and brought to trial. Now one of the people named had been a member of the Indonesian armed forces and was a deserter and he's been tried as

a deserter. Two others had, or alleged to have committed criminal offences - robbery and so on - and they are also in jail awaiting trial. One of those named died and we are informed it was from natural causes. His widow is in fact free and living in a village in the border area. Two of the others named are free and are living in the same village as the widow of the person who I said died of natural causes. The other person they just had no record of. As far as we can understand the Indonesian position the border crossers, the simple peasants going across, they can come back and they will be assisted in resettling in Irian Jaya. Those who have a record of OPM activities will be arrested and they will be charged. So I think it becomes a question of assessment of how many have been active OPM operators. They certainly will be charged and tried. Those others, and I would suspect probably the vast majority of the simple folk, who have by various threats or propaganda or feelings, have moved across the border, certainly as we're told, they can come back into Irian Jaya and just take up life as they left it. I think that's a broad coverage, I've tried to touch on a number of points there that are based on our actual observations whilst we were there. There are some issues I know you'll probably want to ask me about, I'll have to resile from making any statements on Australian government policy, if you want Indonesian government policy you can certainly get it from General Soerono who is here on the Indonesian side, and for Papua New Guinea government policy I suggest you ask Michael Somare. But I would be happy to elucidate or expand on some of the factual points and it's what we're dealing with here, the factual situation as we saw it in Irian Jaya.

Q. Would there be any chance of a separate interview for us ...

Morrison: I'd rather get this out of the way now.

Q. Mr Morrison, what is your single lasting impression of Indonesian administration of Irian Jaya?

Morrison: Well Indonesia regards Irian Jaya as a province of Indonesia, certainly the dynamic of the Indonesian society is towards national integration, forging a national identity and this is very much a statement of the Indonesian position. They regard all of Indonesia as one nation. The motto of Indonesia is "unity through diversity," except that there are diversities in the various cultures. It's certainly not

"Javanisation." We do seem to have a misconception. It's not the Javanese language that is spoken thoughout Indonesia, its Bahasa Indonesian which is not Javanese. There are many many many different groups and cultures whose cultures are respected, so I suppose my lasting impression is that Irian Jaya is regarded as a province of Indonesia and it fits in with the overall pattern of Indonesia towards national integration.

Q: Were you convinced that the Melanesian culture is being respected Sir?

Morrison: Yes, in several ways. I suppose that one of the predominant features, and of course when you're talking about Melanesian culture I think there's another thing we have to go back to. That was under challenge from a hundred years back when the Christians came. Irian Jaya has got a population, notionally anyhow, eighty percent Christian. Now that's not necessarily a feature of a Melanesian society but its a feature of the Irian Jayanese society. So its eighty percent Christian. The language used is Bahasa Indonesian, but I think it would be absurd to regard this as a Javanese Indonesian imperialism because it happened to be the lingua franca of the area long before the Indonesians came there. And if you didn't have Bahasa Indonesia or Pidgin Indonesia or English you'd have to invent one because there are 250 languages in Irian Jaya and so one does require, and if one didn't have one invent one, a language so Bahasa Indonesia is the lingua franca, it's the form of comunication. Other features of the society, certainly as far as the cultural patterns, the overt cultural patterns of song, dance, handycrafts and so on, they are being supported and sponsored, but it is becoming more and more a part of the very large and very distinct groupings within Indonesia

crossing the border. I think basically it is that change is taking place, change has been taking place, that there is an uncertainty amongst the individual people how they fit in, they're very susceptible to propaganda and I think that's where the OPM has its advantage.

Q: So you saw no evidence that would support various allegations, including allegations from Amnesty International of human rights .....

Morrison: No we saw none of those and as I say I took up the issues of the Amnesty International, it was the only thing that Amnesty International asked us to do. I was quite happy to do that, and I think the response we got from the Indonesian authorities was such that within their legal processes they believe they were doing the right thing, and so I'll pass that back to Amnesty International.

Q. If you were then satisfied with Indonesian administration of Irian Jaya Sir, how do you explain the ten thousand refugees, supposedly now on this side of the border, or reportedly on this side of the border.

Morrison: Well, that's what I was seeking to explain, the power, it seems to me that people have gone across. I think its been directly through the activities of the OPM and they have gone across the border. Simple folk, perplexed by changes that are taking place and feeling that they just can't fit in. In the areas, some of the tribal groups in the border areas we saw are a very simple, I suppose one can use , one shouldn't but one does use the word primitive, and I think they are perplexed by the situation, where there was an Indonesian situation or that situation or even a Papua New Guinean situation and it is a continuing problem and I think the, certainly I found a high degree of sensitivity by some of the Indonesian administrators. But one of the points I should have made was that Indonesian administrators there are largely Christian. The General, the Batak General, is a Christian. The Governor is a Christian. There are a number of Irianese now in the administration. Five of the nine parties, that's five of the nine district officials, are Irianese. Given that Indonesia is what, over 90 percent Muslim, there is an extraordinary number, well out of proportion to any representtion, of Christians, Indonesian Christians in the administration of the province.

Q. What did you learn of OPM activity, Sir, if anything?

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Morrison: Well we talked both to the military. The military had pointed out that in the area that's central to, just south of the central area, there had been a lot of OPM activity. The Christian missionaries both CAtholic and Protestant, we spoke to gave us some insight into the activities of the OPM. But I think that certainly within Irian Jaya now, moving once one gets away from the immediate border area certainly over in the Bird's Head area, there is no mention of OPM, no activities whatsoever, and I would suspect that most OPM activities now are probably in the border camps.

Q: Are you suggesting that there are OPM guerrillas operating from the PNG side of the border?

Morrison: No, I don't know that, and I'd think you'd have to ask the PNG authorities of that assessment, but it does seem to me that the influence carried out, the influence exerted in the border camps is in fact OPM.

Q: How you you be certain, you said earlier that you said that your view was that OPM was certianly a declining influence, now how can you be sure of that?

Morrison: In, well in Irian Jaya. Mainly from the observations that the missionaires have made, their contacts and they've got people actually in these villages, msisionaries in these villages, and it was their assessment that the influence of the OPM in the villages was declining. And in fact there is a growing feeling and I'm taking this fact from one of the Catholic mission's, that the people are resenting the presence of OPM and are in fact reporting when OPM people come into their village.

Q: Why do the people resent the activities of the OPM Sir?

Morrison: I think essentially that people basically want a quiet life, and the OPM attract the attention of the Indonesian authorities and the villagers, a lot of the OPM members are their wantok. So they feel, I suppose, a certain affiliation with them, but its increasingly getting to the stage where because of their presence, and the fact that then attracts the Indonesian attention, that they're caught in between, and they just don't want to do that.

Q: You also said that indicated that the OPM was bringing pressure to bear on people first to cross the border and then once they're in the camps not to go back. What kind of pressure are they bringing?

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Morrison: Well, I've just had reports of, within the Blackwater Camp, that a lot of people want to get back, but they can't. They are stopped by the OPM, but I think if you ask the Papua New Guinea authorities they would probably be in a better position to give you details of it.

Q: What did you learn Sir, of military activity against the OPM, Indonesian military activity?

Morrison: Well, very little. In the province of Mindiptana, was an area where the military commander in Miraka, said that they were having difficulties there. But what I gather of the activities against the OPM is they're tending to take a cordon sanitaire approach of just leaving them in particular areas, and preventing them in fact from moving out from those areas.

Q: Did you learn anything of the fate of those border crossers who have chosen to return to Irian Jaya?

Morrison: Well, the six particularly who took up from the Amnesty International yes. Others have gone back to villages, but we were just following up a very specific example that we were asked to follow up, so I can really only talk definitively about those particular six.

Q: You mentioned one who died, reportedly of natural causes, what evidence were you given of the actual cause of his death?

Morrison: Well, he'd suffered a fever, and that he'd come back with his wife, I didn't talk with his wife, but that he had died of natural causes, and that his wife was living freely in a village.

Q: So, you've based the ..... on the Indonesian authorities say so.

Morrison: Sure

Q: There is report carried here on the NBC only last week, that a British human rights group, based in London had said that the transmigration program was a form of genocide. Is there anything you saw that could ah ....

Morrison: What does that mean? What is a form of genocide - what does it mean?

Q: Well, they were saying that it was it was destroying the local culture and perhaps killing local people - driving local people out of the country - Melanesian people. They are not paying for the land which is traditionally Melanesian -

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Morrison: Well there are difficulties in that area. You know when they use these phrases like genocide, what I've been trying to say that in order for our three governments to comprehend what's happening we should really be looking at facts and once these emotive words come in I think we destroy out attempt to understand them. Now I'm not saying that I agree as an Australian with everything that's happening in Indonesia, or in Papua New Guinea or for that matter in Australia, but I think it's very important that we settle down to understand what is the situation. Those areas where we have a legitimate degree of concern, and those matters that we should through our diplomatic processes bring to the attention of the other government, and that is as I see my role.

Q: Mr Morrison, on that very point, one of the problems with Irian Jaya, it seems to me over the years, is that there hasn't been enough outside monitoring or close enough outside monitoring of the situation since the United Nations accepted the Indonesian vote in 1960. Do you see a need for a greater relaxation of, you've made a short visit, you've only had access to the Indonesian side, not so much to the Melanesian side, there and the OPM

Morrison: Oh no. no - come off it, Ive - as I said five of the nine parties are Melanesian -

Q: But in a wider sense, do you see a need for a Indonesia to relax its restrictions on people from the outside looking at what is going on in Indonesia?

Morrison: Well, I suppose with - access is a matter of government policy. I'm concerned we don't have more Australian journalists in Indonesia. I've made this point very clear to the Indonesian authorities, seeking border representation by Australian journalists in Indonesia. These were points I've taken up directly with the government leaders in Indonesia. That's essentially a point with the Indonesian authorities. We can only get that through diplomatic representation. That certainly is something I'm seeking to do in Indonesia.

Q: Would you like to see the United Nations, greater direct United Nations involvement for example in any repatriation program where the United Nations were involved in the Irian Jayan side, to monitor what was going on with people ...

Morrison: Well, I don't a country like Australia would accept a United Nations presence in dealing with Australian aborigines and I'm one of the strong critics of our policy towards aborigines. As I say, Indonesia regards Irian Jaya as a province of Indonesia, and as any national government has reservations about

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the presence of other authorities dealing with what it considers to be its own internal affair. As I say we would raise very strong objections to a United Nations' mission reporting on Australian aborigines. Certainly I'm not happy, and I suspect a lot of us around here are not happy with our treatment of aborigines in Australia.

Q: Sir, this might sound like self interest, but did you take up the issue perhaps of the ABC's correspondent in Indonesia.

Morrison: Well this happens to be a, I think if you've looked at 1983 report of our parliamentary delegation to Indonesia there's about two and a half pages on that particular question.

Q: What has been the response of the Indonesian authorities?

Morrison: I don't think that ABC would win a hit parade in Indonesia.

Q: Sir, during your discussions with the authorities in Irian Jaya did you by any chance raise the question of the killing of Arnold Ap which the Indonesian Government has never admitted doing so.

Morrison: Yes, I didn't - previous Ambassadors. We've had a number of visits into Irian Jaya over the last three or four years and one of my predecessors had raised that an in talking with the Indonesians, the position they put is that Arnold Ap was under arrest, that there was an escape and that he was shot during the escape.

Q Do you accept that?

Morrison: I've just- I was not there, so I've got no other evidence. I'm just telling you what was told to us by the Indonesians.

Q: I was sent photographs reportedly of Arnold Ap which showed signs of torture and mal-treatment before ...

Morrison: I can't comment on that. I didn't know Arnold Ap and I certainly wasn't in Indonesia when this took place.

Q: Another border question. You said earlier on that villages in Irian Jaya could become the meat in the sandwich so to speak and you said that an Indonesian patrol arrived and the village people had something to do with the OPM they could be in trouble. What sort of trouble.

Morrison: Well, I think they would be you know asked to report on what has been happening and if the OPM was still

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there I'm sure that the Indonesian authorities would take moves against the OPM.

Q: Would that include the Dongis - getting mixed up with the OPM. How can you tell one Melanesian apart from another one.

Morrison: I think the the OPM people are fairly well known in the villages and I say the villagers are now reporting that the OPM are reporting to the Indonesian authorities the presence of OPM members.

Q: How confident are you after a ten day visit of being able to judge the attitude of Melanesians in Irian Jaya towards transmigration?

Morrison: Well, unless I talk to the 870,000 individually, I couldn't be. But what one has to do on occasions like this is to use one's own experience is assessing situations, talking with the Irianese, with the Indonesians, and making the best judgements one can make.

Q: How do the local people actually feel, I mean you said anything for a quiet life. Is it simply that they want the shooting to stop or is that they like the Indonesians?

Morrison: Well, it's a multi-racial society. I found for instance amongst some Irianese not a concern about the Javanese, but of concern about the Makasaris. In fact there was an incident a few months ago when two Makasaris - traders - had been killed in a market just out out of Jayapura, and that really had nothing to do with any more than the Makasaris had been ripping off the Irianese in some trading arrangement, and they just got completely frustrated by this and killed the Makasaris. In a number of the transmigration camps we went to, there were a stipulation that up to 25% of the members of the transmigration camp should be locals. Now this can be residents, it is not necessarily ethnic Irianese. But people who had investment in the territory for a long time, and as I said the Indonesians didn't invent transmigration. The Dutch had been doing it long before. And some of the places, particualy one outside Jayapura the Irianese the transloks, that's other groups who are resident plus Javanese, were working together in the site, certainly in judgements, they're all judgements, the relations seem very good. No doubt as in Australian towns, when you're talking about ..... and find the neighbourhoods under attack by Greeks or Italians or Vietnamese or whatever, you have a resistance to it. I'm not saying that this doesn't happen. Multi-racial societies are very difficult to operate in

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any event. But certainly in the three, four transmigration sites we saw, where people are working together I reckon the race relations are about as good as one can expect from a multi-racial grouping.

Q: Sir, from what you've observed, can Indonesia do anything to stop the border crossers.

Morrison: Well, I think - I suppose one of the problems and there is a very big problem, both for Indonesia and Papua New Guinea is what one does about the border camps. And there are ten thousand plus as I understand it in border camps. Those who have been guilty of what the Indonesians regard as sedition against Indonesia which is OPM seeking to overthrow the government of Indonesia, they certainly would be charged and jailed if they return to Irian Jaya. But I think it becomes a question - their border talks are going to be taking place in Rabaul in next week I think, and this is a matter that both Indonesia and Papua New Guinea are giving great attention to of how to resolve the problem of the 10,000 and those going back across the border. The Indonesians have said, and its a statement of their policy that they're happy to organise the return of the border crossers to Irian Jaya. But they've made it equally clear and I think the report we got on that select group of six, shows that those who the Indonesians have regarded as undertaking anti-Indonesian programs will be charged. But I would think - I don't know - the numbers of people in a place like Blackwater who that would apply to. Whether it's 90% who would have no record whatsoever, they've just come across with the mob. They could easily go back, but those who have and active OPM members and those who have deserted from the armed forces. they certainly would be and the Indonesia Government has made it very clear that they will be charged and tried. So this will give them some hesitation about going back.

Q: Did youhave any desire to meet with OPM people in Irian Jaya. Did you request to do so, and would you have got a more even picture ...

Morrison: I wish - that the last question had been a bit more pertinent. You just don't go along and say I want to meet an OPM guy. I suppose if I wanted to I could go into Blackwater camp but that's not in my area of responsibility.

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Q: .... on the Indonesian side?

Morrison: Well, how does one go about it?

Q: Do you think that that weakens your assessment .....

Morrison: ..... we had, were very predictable about their aims and their objectives, I would think that the aims and the objectives of the OPM are fairly well known, they want an independent Irian Jaya. The Indonesian Government is not prepared to contemplate that possibility and so they are regarded as they are acts of sedition against the Indonesian authorities. So I don't think that a conversation with the OPM would be reveal much more than that.

Q: Can you foresee the OPM perhaps staying in the bush and doing what they're doing for another generation or so?

Morrison: All these things are possible.

THE END.

Original to Mr. Mead (LEG)
cc: Mr. Quintos (LOA)
Miss Davis (AEPA4)
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JAKARTA, OCTOBER 21, 1985
NO.TLX-99/MK/1985

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FOR D.C RAO. FURTHER TO SANKARAN'S TELEX OF OCTOBER 1 REGARDING MY PROPOSED VISIT. EYE WOULD ALSO WISH TO USE THE OCCASION TO DISCUSS WITH YOU, APPROPRIATE MISSION STAFF AND, IF CONVENIENT, RELEVANT INDONESIAN OFFICIALS ISSUES CONCERNING TRANSMIGRATION. AS YOU KNOW, THE BANK HAS BEEN THE TARGET OF INCREASING PUBLIC CRITICISMS IN THE MEDIA AND LEGISLATURES IN THE UNITED STATES AND WESTERN EUROPE ABOUT ITS ROLE IN TRANSMIGRATION. WE IN IPA HAVE BEEN RESPONDING TO THE MORE VIRULENT AND MISGUIDED ACCUSATIONS, THE LATEST OF WHICH APPEARED IN YESTERDAY'S WALL STREET JOURNAL. IN DISCUSSING THESE MATTERS EYE WOULD LIKE TO EXPLORE SOME IDEAS ABOUT HOW WE MIGHT WORK WITH THE INDONESIAN AUTHORITIES AND OTHERS IN TAKING A MORE PROACTIVE AS OPPOSED TO REACTIVE POSTURE. EYE APPRECIATE THAT A RATHER LARGE AND IMPORTANT BANK MISSION WILL SHORTLY BE IN THE FIELD TO REVIEW TRANSMIGRATION PROGRESS AND EYE AM ATTEMPTING TO ADJUST MY TRAVEL TO TRY TO OVERLAP IF POSSIBLE AT THE END OF THAT MISSION. HOWEVER, SINCE EYE MUST BE IN BEIJING FOR THE OPENING OF THE NEW MISSION ON OCTOBER 25 IT MAY NOT BE POSSIBLE TO OVERLAP. NONETHELESS EYE WOULD STILL LIKE TO DISCUSS THE ISSUE WITH YOU AND YOUR COLLEAGUES.

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PAGE 2 OF 2

OFFICIAL DEPT/DIV ABBREVIATION: IPAPA

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

BEST REGARDS. BLINKHORN, INFORMATION AND PUBLIC AFFAIRS.

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX TELEX NO.: 44456 DATE: 10/02/85

SUBJECT:

DRAFTED BY: T. Blinkhorn:md EXTENSION: 77591

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature): Thomas A. Blinkhorn, Chief, PAD

DEPARTMENT: IPA

SECTION BELOW FOR USE OF CABLE SECTION

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*6z_
WORLDBANK MS SYSTEM

WORLDBANK MS SYSTEM

ZCZC AINP0341 RCA0851
AEAIN
REF : TCP HC

RCA0851
248423 WORLDBANK

TO: GLORIA DAVIS
     AEAIN
     WORLD BANK

ATTN: GLORIA DAVIS, AEAIN. TWO COPIES OF PRELIMINARY REPORT
SENT TO WORLD BANK JAKARTA ON 5TH OCTOBER. DID YOU RECEIVE
THEM? IF SO, WOULD LIKE YOUR REACTIONS AS WOULD LIKE TO GET
WHOLE THING OUT OF WAY SOON.   BEST REGARDS
SGND: RAY BYRON
21,10,85

248423 WORLDBANK
NATUNI AA62760

=10210141

=10210537

NNNN

WORLDBANK MS SYSTEM

"62--
WORLDBANK MS SYSTEM

WORLDBANK MS SYSTEM

ZCZC AINP0341 RCA0851
AEAIN
REF : ICP HC

RCA0851
248423 WORLDBANK

TO: GLORIA DAVIS
AEAIN
WORLD BANK

ATTN: GLORIA DAVIS, AEAIN. TWO COPIES OF PRELIMINARY REPORT SENT TO WORLD BANK JAKARTA ON 5TH OCTOBER. DID YOU RECEIVE THEM? IF SO, WOULD LIKE YOUR REACTIONS AS WOULD LIKE TO GET WHOLE THING OUT OF WAY SOON. BEST REGARDS
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21.10.85

248423 WORLDBANK
NATUNI AA62760

=10210141

=10210537

NNNN

(7717-744 or 111E-218 '731)

WORLDBANK MS SYSTEM

DEPARTEMEN PERTANIAN
BADAN PENELITIAN DAN PENGEMBANGAN PERTANIAN
PROYEK PENELITIAN PERTANIAN MENUNJANG TRANSMIGRASI
Jl.Ir.H. Juanda No.98
B O G O R

Bogor, 23 Oktober 1985

Kepada Yth.

Bapak Ketua Tim Koordinasi Program Transmigrasi
Departemen Pertanian
u.p. Bapak Ir. Djatijanto Kretosastro
Jl. Imam Bonjol 29
di
JAKARTA

SURAT PENGANTAR

Nomor : 319 /P3MT/X/85

Nomor	Macam yang dikirim	Banyaknya	Keterangan
1.	**Studi Pendahuluan Pola Usahatani Pekarangan di daerah Transmigrasi Sarolangun-Bangko, Jambi.**	1 eks	**Disampaikan dengan hormat untuk diketahui dan digunakan sebagaimana mestinya.**
2.	**Studi Pendahuluan Pola Usahatani pekarangan di daerah Transmigrasi Batumarta-Sumatera Selatan.**	1 eks	
3.	**Proceeding Pertemuan Teknis Penelitian Pola Usahatani Menunjang Transmigrasi.**	1 eks	
4.	**Laporan Penelitian Pengelolaan Lahan di Semboja II (Kaltim)**	1 eks	

To ~~PRO~~ Miss. GLORIA DAVIS
% Room #1414.
SARI PACIFIC HOTEL

Tanda terima :

Nama terang :

A l a m a t :

Tanda tangan :

Proyek Penelitian Pertanian
Menunjang Transmigrasi
Ketua Unit Administrasi,

BADAN PENELITIAN DAN PENGEMBANGAN PERTANIAN
Proyek Penelitian Pertanian Menunjang Transmigrasi

Ismangun
NIP.0800.05882

Sender Mr Djatijanto Kretosastro

Need Baird
Swamps II
Phase I - evaluation

Get a copy of Baird's Report from Shiraz

1. What about reduction in area to be given to migrants

2. Production - Follow-up on tran contribution to incremental ric production Pacu gabah

3. Ecology: Whitten should see someone working on ~~the~~ forestry

4. Regional Development: follow-up with Agraria on land titling

5. Ken. footnote # 18 in "Muraeli Case"

6. For Ecology - Get following papers from Colin:
   M. Dove + A. Hansen

7. Does BPS have any way of calculating poverty index per capita?

Income studies from Euroconsult
Kebschull's study

FACSIMILE TRANSMITTAL FORM

Gloria Davis

24 OCT 1985

Date : October 25, 1985

Number of Pages: 2

From : Gloria Davis - World Bank

To : Ray Bryon

44456 IBRD JKT
829873 WORLDBK

ZCZC DJAK2312 WBB086
WDIAL
REF : AEPA4
IBRDJAK
BT
WASHINGTON DC 23 OCT 85
PAGE 1 OF 1
INTBAFRAD, JAKARTA, INDONESIA FOR GLORIA DAVIS VMU. PER YOUR
REQUEST HERE ARE HOME, OFFICE, TELEX AND FAX NOS. FOR RAY BRYON.
(H) 011-61-62-[illegible]70, (O) 011-61-62-[illegible]300, TELEX, NATUNI AA62760
AND FAX 61-62-489062. REGARDS, KRISHNA.

=10232245

NNNN

44456 IBRD JKT
829873 WORLDBK

Trans Sector Review

INDONESIA Project
Loan/Cred. No. -INS
Assigned to:
Reply/No Reply: (date)
Letter/telex
Filed: Asia Files/Div. Files

ZCZC DIST6529 JWS0773
AEPA4 AEAIN ADMCB
REF ! TCP HC

JAK1189
AEPA4
.IBRDJAK
INTBAFARD JAKARTA, INDONESIA, OCTOBER 29, 1985
ATTN. GLORIA DAVIS (AEPA4-RM.E624)
HAVE WORKED WITH TEAM KHUSUS THE LAST TWO DAYS TO PREPARE THE
DATA YOU REQUESTED. AS I SUSPECTED MUCH OF THE DATA IS NOT
AVAILABLE AND THEREFORE HAS TO BE RESEARCHED. HOPE TO COMPLETE
AND FAX YOU BY THURSDAY. IN MEANTIME WOULD YOU PLEASE FAX THE
TABLE YOU MENTIONED THAT HELEN HAS WHICH I GATHER GIVES KK'S
BY PROVINCE PAST AND FUTURE. THANKS AND REGARDS, GEOFF FOX

Ms Davis

=10290852

ALT RTD FROM:AA4M

NNNN

Gloria

DESCRIPTION OF LAND AREA POTENTIAL FOR SETTLEMENT IN PROVINCES IN THE OUTER ISLANDS

(Prepared by D. Donald and Derek Holmes)

October 1985

SUMATRA

1. North Sumatra. North Sumatra has already reached a high state of tree crop development. Some sites are still being developed under the transmigration program but an increasing proportion of settlers will be "local." The rate of new estate development in North Sumatra will reduce as most of the best land has been taken up. Remaining underutilized uplands are severely degraded, while most of the swamps cannot be reclaimed. Low grade rubber is quite extensive and part of the settlement capacity will be found by tackling this problem. In the very long term agricultural development will probably be insufficient to absorb more than local population expansion and as far as population movement out of Java is concerned numbers will only be of the sort resulting from family relationships. As mass movement from Java is already at a low level this is likely to be negligible.

2. Aceh. A few sites are still under study and implementation, but in general terms there is no land remaining of a reasonable standard for new settlement. Few of the remaining swamps can be reclaimed, but there would still be some potential for expansion of tree crops into the mountains locally.

3. West Sumatra. As for Aceh, probably lower potential.

4. Riau. The remaining areas suitable for arable use, as either dry land or wetland, are now under study and will be settled by the end of Repelita IV. Trans V studies will cover most of the remaining land that is available for tree crop development and this will be the major mode of resettlement through Repelita V. Arable infilling will continue to be quite extensive however, especially if problems of land reform are tackled in areas of low grade rubber. In Repelita VI, expansion of tree crops will continue into the mountains, with continued infilling in the plains, principally by "local" settlers (families of transmigrants). Further agricultural settlement beyond Repelita VI cannot be envisaged.

5. Jambi. As for Riau but on a smaller scale.

6. South Sumatra. The future of new agricultural settlement after Repelita IV will be dependent almost entirely upon the GOI's readiness to tackle the socioeconomic problems of extensive privately-owned low grade rubber. The forecast settlement schedule will be achieved only through this means. A substantial proportion of the new settlement on rubber lands may be using an arable model. After Repelita VI, no further transmigration can be envisaged, any resettlement being entirely local in origin, and mainly confined to infilling.

7. Bengkulu. After completion of the projects now under implementation, any future development will be confined to tree crops on steep land, which will carry high capital and running costs. There is already a movement of "local transmigrants" from Lampung, with the risk of the sort of serious watershed degradation that has already occurred in the Ogan-Komering watersheds. Transmigration from Java is likely to cease early in Repelita V.

8. Lampung. Ongoing resettlement into Repelita V will consist entirely of "local" settlers from transmigrant stock. Any remaining "new" lands will have been utilized well before the end of Repelita V.

KALIMANTAN

9. West Kalimantan. Most new settlement will be on land that is already under shifting cultivation, and degraded to a certain extent. Trans V will be a test case of the feasibility of settling this land, and GOI's willingness to tackle the socioeconomic problems involved. Although the issues are less sensitive than those involved in rubber land, a marked reluctance to accept reform will probably need to be overcome. A more rational attitude to planning by the forestry authorities will also be required than prevails at present (grasslands classified as Limited Production Forest without prospect of release).

10. Assuming successful implementation of these social reforms, there are considerable areas of low-grade lands available for development, principally under tree crops, and transmigration from Java should proceed well into Repelita VI. Beyond this, the requirement for local settlement is likely to seal off opportunity for further inter-insular arrivals, although infilling should proceed to beyond Repelita VI.

11. However, the estate crop sector will need to play a much bigger role than it has hitherto in the development of Kalimantan in general.

12. The peat swamps of West Kalimantan and elsewhere are still rated as inherently unsuitable for agriculture, and even if models for their utilization are developed (such as charcoal brickets), the impact on new settlement is likely to be small.

13. Central Kalimantan. The total capacity for this province is believed to be as high as or higher than any other. It remains to be seen whether this is an illusion gained from the fact that this is the only province on which Phase Ib studies have been completed so far. However, the potential will be realized only if land under forestry status is released, if social problems of existing land use (mainly close to the river) are overcome, and if the estate sector becomes heavily involved in the development. The latter constraint is unlikely to be removed until infrastructure has been improved.

14. A sharp increase in settlement rates are scheduled from 1986/87, but this will depend heavily upon resolution of these constraints. Most of the development will be under tree crops in areas which are presently remote, though some dryland and wetland settlement will continue throughout in the coastal areas. High levels of settlement can probably continue through Repelita VI, almost entirely from Java. Beyond Repelita VI, settlement rates are likely to fall sharply, and the proportion of local resettlement will increase, and any further developments can take place only in montane areas.

15. The question of the near-coastal infertile drylands remains open. Even tree crops require very high nutrient inputs, but proximity to future markets could provide the incentive for the kind of intensive arable cropping that is the alternative option. The scheduled targets include development of this zone, but not of the adjacent peat swamp.

16. East Kalimantan. This province is very similar to Central Kalimantan in the scale of its potential, the emphasis on tree crops and the nature of the present constraints. Tree crops will dominate the development throughout. Forestry status, undeveloped infrastructure and the lack of implementing agencies in the estate sector are constraints that must be resolved. Development of the proposed industrial complex at Sesayap in the northeast (based on wood pulp industry) will be a major boost for new settlement in this region. All the upland area damaged by the 1982-83 forest fires should be developed, mainly under tree crops, during Repelita V or earlier.

17. Beyond Repelita VI, settlement rates are likely to drop rapidly, being confined to remote submontane areas and infilling, and with a high proportion of local resettlement.

SULAWESI AND MALUKU

18. Sulawesi and Maluku. As early as 1979 CIDA were forecasting that there was sufficient land in Sulawesi to accommodate only the surplus population from within the island. The settlement of 21,000 families from Java during Repelita IV will only serve to verify this forecast now. Remaining areas for development consist of degraded uplands, ultrabasic soils and coastal swamps that are both marginal and very costly to develop.

19. In Maluku also, further potential for new settlement would be unlikely after Repelita IV targets are met.

IRIAN JAYA

20. Irian Jaya. Major problems of land suitability are being encountered in most of the target areas, and schedules through Repelita IV to VI are purposely kept at a modestly realistic level, in view of the other constraints of lack of infrastructural development, remoteness, inactivity in the tree crop sector, and social-anthropological problems. New settlements will progress at a steady rate and at a cost verging on the unacceptable, both in wetlands and upland, and tree crops will again dominate. The modest projected rates would, however, permit continued rates of settlement to beyond Repelita VI, probably for one further five-year period only. Sites will become increasingly remote, isolated and limited in area during Repelita VI.

ROUTING SLIP

DATE: 11/1

FILE: _____

~~Krishna, K. G. V.~~
~~Caparas, J. T.~~
Hewson, R.
Baudelaire, J.-P.
~~Boyer, P.~~
~~Cackler~~, M.
Chaudhri, F.
Davis, G.
Eisa, H.
Garrison, H.
~~Gunaratnam~~, D.
Khan, A.
Kramer, E.
~~Sengupta, K.~~
Sinha, T.
Sun, P.
Tanchoco, C.
Clark, C.

_____ Action

_____ Discard

_____ File

_____ Return

_____ Info

Note:

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THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE October 23, 1985

TO AEP Asst. Directors, Division Chiefs, and AARG Members

FROM Ralph Wadsworth (Chief, AEPA1)

EXTENSION 74218

SUBJECT Regional Review - Compliance with Audit Covenants as of June 30, 1985

The results of the last Regional review, showing compliance with audit covenants as of December 31, 1984, was circulated on May 23, 1985. These reviews are carried out every six months. Detailed analysis of compliance status as at June 30, 1985, prepared on the same basis as the previous statement is given in Table 1 and summarized below:

	Loan/Credit Commitment: ($ Million)	Total No. of Sub-projects	Sub-projects in compliance	(iii) as a % of (ii)	(Dec. 31) %
Country:	(i)	(ii)	(iii)	(iv)	
Laos	53.2	4	0	0	0
Malaysia	892.1	21	9	43	(26)
Thailand	1,488.3	34	15	44	(69)
Vietnam	60.0	1	0	0	(0)
Philippines	2,243.0	49	2	4	(51)
China	1,560.1	8	4	50	(25)
Korea	2,472.8	37	16	43	(90)
Indonesia	5,369.0	171	53	31	(24)
Pacific Is.	134.2	7	5	71	(100)
	14,272.7	333	104	31	(40)
(12/31/84)	(13,670.8)	(292)	(118)	(40)	

Sectors	(i)	(ii)	(iii)	(iv)	(Dec. 31) %
Agriculture	5,479.8	203	66	33	(29)
Education	1,748.4	19	2	11	(31)
Energy	2,782.8	23	18	78	(81)
Transportation	1,201.7	12	2	17	(33)
IDF	1,507.1	21	9	43	(94)
Urban & Water Supply	1,552.3	55	7	13	(50)
	14,272.7	333	104	31	(40)
(12/31/84)	(13,670.8)	(292)	(118)	(40)	

Laos and Vietnam have not submitted any Accounts. While audit performance of Indonesia and Malaysia has improved slightly, the performance of Philippines has deteriorated (only 4% compliance compared with 51% at December 31, 1984. On a sectoral basis, while there is improvement in Agriculture, Education, Transport and Urban and Water Supply have deteriorated. These results are affected in part by the basis adopted for the analysis which does not result in uniform grace periods for projects with different accounting dates for submitting audited accounts (see para. 1 of Regional Review 12/31/84). However, the trend is clear. The following table analyses these three sectors by country:

	Education			Transportation			Urban & Water Supply		
	----------Number of Sub-Projects----------								
Country	Total (i)	In compliance (ii)	% (iii)	(i)	(ii)	(iii)	(i)	(ii)	(iii)
Malaysia	1	0	0	1	0	0	-	-	-
Philippines	2	0	0	1	0	0	15	0	0
Thailand	2	2	100	2	1	50	-	-	-
China	1	0	0	1	0	0	0	0	0
Korea	4	0	0	5	1	20	15	3	20
Indonesia	8	0	0	2	0	0	22	4	18
PNG & Pac. Is.	1	0	0	-	-	-	-	-	-
	19	2	11	12	2	17	55	7	13

Non-compliance in these sectors is concentrated in Philippines and Indonesia.

The following Tables analyse the extent of the audit arrears by country and by sector:

		Audit in arrears/(No. of Sub-Projects)		
Country	Total	1-year's A/cs	2-years' A/cs	3 years' & over
Laos	5	1	1	3
Malaysia	12	10	2	0
Thailand	19	13	4	2
Vietnam	1	0	0	1
Philippines	47	32	12	3
China	4	4	0	0
Korea	21	18	3	0
Indonesia	118	83	15	20
PNG & Pacific Is.	2	2	0	0
	229	163	37	29
(12/31/84)	(174)	(128)	(25)	(21)

Sector

Agriculture	137	95	19	23
Education	17	14	1	2
Energy	5	3	2	0
Transportation	10	5	5	0
IDF	12	11	1	0
Urban & Water Supply	48	35	9	4
	229	163	37	29
(12/31/84)	(174)	(128)	(25)	(21)

Conclusions

While compliance continues to be satisfactory in Energy and IDF and there is slight improvement in Agriculture, performance in the Education, Transportation and Urban and Water Supply sectors is far below the regional average. Laos and Vietnam are once again the poorest performers, having not submitted any accounts for any period. It is too soon since the December 31, 1984 returns to expect any significant improvement from actions taken, hence Regional Compliance continues to be less than satisfactory.

In response to the Regional Review of December 1984, the following actions are being taken, (a) Mr. Walden is reviewing in the field the problem of Indonesian audit arrears and the suggestions made at AARG meeting on 6/10 to determine whether the task involved should not be included in the TOR of consultants engaged under the Accounting Development Project, and (b) Audit arrears will be taken up as one of the issues during the next Country Project Implementation Reviews scheduled for Malaysia (November 1985), Thailand (January 1986) and Philippines (not scheduled). The results of the regional review and what further actions can be taken to improve matters will be considered at the next meeting of the Regional Accounting and Auditing Review Group.

Distribution

Messrs. Turnham, Blaxall, Davar, Walden (AEPDR), Wadsworth (AEPA2), Smith (AEPA3), Krishna (AEPA4), Burmester (AEPED), Sabeti (AEPTR), Nayyar (AEPEN), Colaco (AEPID), Sud (AEPUW), Price (AEFIN), Ranganathan (AEPA2), Deshpande (AEPA3), Sinha (AEPA4), Sung (AEPED), Thomas, Hoehenwarter (AEPTR), Bhatnagar (AEPEN), Su (AEPID), Van Vugt (AEPUW), Ms. Velji (AEPUW), Ms. Kulsrethsiri

ARanganathan:jm (D-8:015)

Table 1a

EAST ASIA AND PACIFIC REGION

Audit Covenant Compliance - Status Report as of 06/30/85

A. Country Analysis

	Total loans ($ Mln)	Total No. of loans/ credits	Loans/credits with audit covenants	Subprojects with audit covenants /a Total	Less than one year old	Requiring audit during period	Audit not in arrears	Audit in arrears	Analysis of Arrears: One year's accounts	Two years' accounts	More than two years' accounts	Audited projects as of % of total
LAO PDR												
Agriculture	38.2	4	4	4	0	4	0	4	1	0	3	0
Energy	15.0	1	1	1	0	1	0	1	0	1	0	0
Subtotal	53.2	5	5	5	0	5	0	5	1	1	3	0
MALAYSIA												
Agriculture	542.1	17	14	14	0	14	8	6	4	2	0	57
Energy	206.3	3	3	3	0	3	0	3	3	0	0	0
Education	78.6	2	1	1	0	1	0	1	1	0	0	0
Transportation	13.0	1	1	1	0	1	0	1	1	0	0	0
IDF	52.1	1	1	2	0	2	1	1	1	0	0	50
Subtotal	892.1	24	20	21	0	21	9	12	10	2	0	43
THAILAND												
Agriculture	753.5	15	15 /b	23	2	21	6	15	12	1	2	29
Education	110.0	2	2	2	0	2	2	0	0	0	0	100
Energy	365.6	5	5	5	0	5	5	0	0	0	0	100
Transportation	116.7	3	2	2	0	2	1	1	0	1	0	50
IDF	30.0	1	1	1	0	1	1	0	0	0	0	100
Urban & Water Supply	112.5	4	4	8	5	3	0	3	1	2	0	0
Subtotal	1,488.3	30	29	41	7	34	15	19	13	4	2	44
VIETNAM												
Agriculture	60.0	1	1	1	0	1	0	1	0	0	1	0
PHILIPPINES												
Agriculture	1,045.6	21	21	22	1	21	1	20	10	8	2	5
Energy	58.0	1	1	1	0	1	0	1	0	1	0	0
Education	162.4	3	2	2	0	2	0	2	0	1	1	0
Transportation	67.0	1	1	1	0	1	0	1	0	1	0	0
IDF	407.0	5	5	9	0	9	1	8	8	0	0	11
Urban & Water Supply	503.0	10	9	16	1	15	0	15	14	1	0	0
Subtotal	2,243.0	41	39	51	2	49	2	47	32	12	3	4
CHINA												
Agriculture	365.3	7 /c	7	7	3	4	3	1	1	0	0	75
Education	574.4	5	3	3	2	1	0	1	1	0	0	0
Transportation	220.0	1	1	1	0	1	0	1	1	0	0	0
Energy	145.4	1	1	1	0	1	1	0	0	0	0	100
Urban & Water Supply	80.0	1	1	1	1	0	0	0	0	0	0	ERR
IDF	175.0	1	1	1	0	1	0	1	1	0	0	0
Subtotal	1,560.1	16	14	14	6	8	4	4	4	0	0	50
KOREA												
Agriculture	416.3	7	7	7	0	7	7	0	0	0	0	100
Education	200.0	2	2	4	0	4	0	4	4	0	0	0
Transportation	695.0	5	5	5	0	5	1	4	3	1	0	20
Energy	115.0	1	1	1	0	1	1	0	0	0	0	100
IDF	415.0	4	4	5	0	5	4	1	0	1	0	80
Urban & Water Supply	631.5	8	8	17	2	15	3	12	11	1	0	20
Subtotal	2,472.8	27	27	39	2	37	16	21	18	3	0	43
INDONESIA												
Agriculture	2,215.4	32	32	140	13	127	38	89	66	8	15	30
Education	562.7	10	10	10	2	8	0	8	7	0	1	0
Transportation	90.0	2	2	2	0	2	0	2	0	2	0	0
Energy	1,847.0	9	9	9	0	9	9	0	0	0	0	100
IDF	428.6	3	3	3	0	3	2	1	1	0	0	67
Urban & Water Supply	225.3	6	6	24	2	22	4	18	9	5	4	18
Subtotal	5,369.0	62	62	188	17	171	53	118	83	15	20	31
PAPUA NEW GUINEA												
Agriculture	31.8	3	3	3	2	1	1	0	0	0	0	100
Education	55.3	2	1	1	1	0	0	0	0	0	0	ERR
Subtotal	87.1	5	4	4	3	1	1	0	0	0	0	100
PACIFIC ISLANDS												
Fiji Energy:	30.5	2	2	2	0	2	2	0	0	0	0	100
Solomon Islands Education:	5.0	1	1	1	0	1	0	1	1	0	0	0
Vanuatu Agriculture:	2.0	1	1	1	0	1	1	0	0	0	0	100
Western Samoa Agriculture:	9.6	2	2	2	0	2	1	1	1	0	0	50
Subtotal	47.1	6	6	6	0	6	4	2	2	0	0	67
Total	14,272.7	217	207	370	37	333	104	229	163	37	29	31

/a Number of subprojects and/or support components into which each project is divided for implementation/loan allocation purposes.
/b Includes two irrigation projects which have no audit covenant, but have agreed to submit audited accounts.
/c Excludes two IFAD credits.

EAST ASIA AND PACIFIC REGION

Audit Covenant Compliance - Status Report as of 06/30/85

B. Sector Analysis

	Total loans ($ Mln)	Total No. of loans/ credits	Loans/credits with audit covenants	Subprojects with audit covenants /a Total	Less than one year old	Requiring audit during period	Audit not in arrears	Audit in arrears	Analysis of Arrears: One year's accounts	Two years' accounts	More than two years' accounts	Audited projects as of 1 of total
Agriculture												
Laos	38.2	4	4	4	0	4	0	4	1	0	3	0
Malaysia	542.1	17	14	14	0	14	8	6	4	2	0	57
Thailand	753.5	15	15 /b	23	2	21	6	15	12	1	2	29
Vietnam	60.0	1	1	1	0	1	0	1	0	0	1	0
Philippines	1,045.6	21	21	22	1	21	1	20	10	8	2	5
China	345.3	7 /c	7	7	3	4	3	1	1	0	0	75
Korea	416.3	7	7	7	0	7	7	0	0	0	0	100
Indonesia	2,215.4	32	32	140	13	127	38	89	66	8	15 /d	30
Papua New Guinea	31.8	3	3	3	2	1	1	0	0	0	0	100
Vanuatu	2.0	1	1	1	0	1	1	0	0	0	0	100
Western Samoa	9.6	2	2	2	0	2	1	1	1	0	0	50
Subtotal	5,479.8	110	107	224	21	203	66	137	95	19	23	33
Education												
Malaysia	78.6	2	1	1	0	1	0	1	1	0	0	0
Philippines	162.4	3	2	2	0	2	0	2	0	1	1	0
Thailand	110.0	2	2	2	0	2	2	0	0	0	0	100
China	574.4	5	3	3	2	1	0	1	1	0	0	0
Korea	200.0	2	2	4	0	4	0	4	4	0	0	0
Indonesia	562.7	10	10	10	2	8	0	8	7	0	1	0
Papua New Guinea	55.3	2	1	1	1	0	0	0	0	0	0	ERR
Solomon Islands	5.0	1	1	1	0	1	0	1	1	0	0	0
Subtotal	1,748.4	27	22	24	5	19	2	17	14	1	2	11
Energy												
Laos	15.0	1	1	1	0	1	0	1	0	1	0	0
Malaysia	206.3	3	3	3	0	3	0	3	3	0	0	0
Thailand	345.6	5	5	5	0	5	5	0	0	0	0	100
Philippines	58.0	1	1	1	0	1	0	1	0	1	0	0
China	145.4	1	1	1	0	1	1	0	0	0	0	100
Korea	115.0	1	1	1	0	1	1	0	0	0	0	100
Indonesia	1,847.0	9	9	9	0	9	9	0	0	0	0	100
Fiji	30.5	2	2	2	0	2	2	0	0	0	0	100
Subtotal	2,782.8	23	23	23	0	23	18	5	3	2	0	78
Transportation												
Malaysia	13.0	1	1	1	0	1	0	1	1	0	0	0
Thailand	116.7	3	2	2	0	2	1	1	0	1	0	50
Philippines	67.0	1	1	1	0	1	0	1	0	1	0	0
China	220.0	1	1	1	0	1	0	1	1	0	0	0
Korea	695.0	5	5	5	0	5	1	4	3	1	0	20
Indonesia	90.0	2	2	2	0	2	0	2	0	2	0	0
Subtotal	1,201.7	13	12	12	0	12	2	10	5	5	0	17
IBF												
Malaysia	52.1	1	1	2	0	2	1	1	1	0	0	50
Thailand	30.0	1	1	1	0	1	1	0	0	0	0	100
Philippines	407.0	5	5	9	0	9	1	8	8	0	0	11
China	175.0	1	1	1	0	1	0	1	1	0	0	0
Korea	415.0	4	4	5	0	5	4	1	0	1	0	80
Indonesia	428.6	3	3	3	0	3	2	1	1	0	0	67
Subtotal	1,507.7	15	15	21	0	21	9	12	11	1	0	47
Urban & Water Supply												
Thailand	112.5	4	4	8	5	3	0	3	1	2	0	0
Philippines	503.0	10	9	16	1	15	0	15	14	1	0	0
China	80.0	1	1	1	1	0	0	0	0	0	0	ERR
Korea	631.5	8	8	17	2	15	3	12	11	1	0	20
Indonesia	225.3	6	6	24	2	22	4	18	9	5	4	18
Subtotal	1,552.3	29	28	66	11	55	7	48	35	9	4	13
Total	14,272.7	217	207	370	37	333	104	229	163	37	29	31

/a Number of subprojects and/or support components into which each project is divided for implementation/loan allocation purposes.
/b Includes two irrigation projects which have no audit covenant, but have agreed to submit audited accounts.
/c Excludes two IFAD credits.
/d Indonesia: Agriculture

Irrigation	905.0	14	14	50	13	37	19	18	6	4	8	51
NES/Smallholder Dev	824.9	10	10	64	0	64	14	50	47	2	1	22
Transportation & Others:	485.5	8	8	26	0	26	5	21	13	2	6	19
Subtotal	2,215.4	32	32	140	13	127	38	89	66	8	15	30

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE November 1, 1985

TO Distribution Below

FROM K.G.V. Krishna, Chief AEPA4

EXTENSION 72145

SUBJECT INDONESIA - Professor Timmer's Seminar On Indonesia Agricultural Policy Issues

1. As proposed in Mr. Fateh Chaudhri's memorandum dated September 20, 1985, Professor Peter Timmer, now at the Harvard Graduate School of Business Administration, has agreed to discuss Agricultural Policy Issues in Indonesia at a seminar to be held at 10:00 a.m. on Thursday, November 7, 1985 in Conference Room C-610. Mr. Adi Davar will Chair the Seminar and Messrs. Karcher and Chaudhri will act as discussants. We would welcome your participation.

2. Professor Timmer's draft memorandum is being distributed herewith. If you need additional copies of the attached note, please contact Mr. Fateh Chaudhri (Room E-624, ext. 76271).

Distribution:

Messrs: Karaosmanoglu, Yenal (AEN), Kirmani, Davar, Turnham, Karcher (AEP), Kaji, Linn (AEA), Baird, Bale (AEAIN), Schuh, Pickering, van Holst Pellekaan, Greenwood (AGR), Barghout (OPS), Altaf Hussain (EAP), Rao, Price (RSI)

Mrs: Hamilton (AEAIN)
AEPA4 Staff

FChaudhry:ms:sc

September 13, 1985
Revised, October 31, 1985

To: M. Altaf Hussain
From: C. Peter Timmer
Subject: Agricultural Policy Issues in Indonesia

I have just returned from Jakarta where Wally Falcon, Scott Pearson, and I prepared a major report for the government on rice policy in Indonesia. Current surpluses are causing a full-scale reexamination of agricultural strategy, and our report is designed to address both the short-run stock and financial problems facing BULOG as well as the longer-run strategic role of rice in the rural economy. Since our conclusions with respect to diversification and government investment priorities speak directly to World Bank project selection, I am enclosing a draft copy of the team's report for your information. I must emphasize that the report has not been released by the government, even internally, and so this copy must remain confidential. However, an "informal" copy has been delivered to D.C. Rao (or will be shortly), so the Jakarta field office staff should be fully informed. They were also briefed by our team on September 2.

Based on your letter of July 8, 1985, my terms of reference are to describe the current policy issues and help you think about how the Bank should engage the government in policy analysis and design. The enclosed report covers the first part of these tasks to the best of my ability at the

moment; the rest of this memorandum is designed to speak more directly to the Bank's role in sorting out the key policy issues and helping the government move in the right directions. In order to keep this brief, only the key points will be raised here. More detail is possible in my briefing in Washington in November and, of course, much of the Bank's potential role is discussed implicitly in the report.

My colleagues and I feel strongly that the Bank's most important contribution to the development of a new direction in agricultural policy will be to reinforce the necessity to move toward further integration of the rural and urban economies. Diversification away from rice, especially on Java, is an obvious component of the process of structural adjustment in agriculture, but this shift can happen only if there are strong market linkages connecting non-rice agriculture to non-agricultural activities in the rural areas, and the rural economy to the urban economy. Such linkages depend critically on low-cost marketing and rapid communications. Developing them has both policy and investment components, to both of which the Bank can make major contributions.

There is also considerable concern expressed in the report that infrastructure investments for rice, especially irrigation, and varietal research efforts be maintained at roughly their current levels. My analysis of the factors contributing to increased rice production over the past 15

years suggests that between one-third and two-thirds of the growth rate was stimulated by increased financial incentives in the form of gabah price supports and fertilizer subsidies. Even if incentives are held constant at their present levels, future growth in rice production will not have this stimulus. More worrisome, domestic rice prices should be lowered somewhat to lessen the incentives to smuggle cheap foreign rice into the Outer Islands. Ultimately, fertilizer prices should be raised. These changes would have a negative effect on rice production for several years.

After BULOG stocks are brought down to desired levels in the next year or so, rice production will need to grow about 3 percent per year for domestic production to match the trend growth in consumption. If area continues to expand at the historic rate of 1 percent per year, yields will have to grow by 2 percent per year. Without the stimulus of continuously rising financial incentives, this policy places a heavy burden on better irrigation and improved seeds. Consequently, it is hard to see how investments in these two areas can be reduced from their historic trends. An additional, and worrisome, factor is the current vulnerability of existing varieties, particularly IR-36 and Cisadane, to new bio-types of insect pests. Present pest management approaches in Indonesia are badly out of date relative to current understanding of the dynamics of rice pest outbreaks. Development of an integrated pest management approach is urgently needed but will be

difficult bureaucratically and very expensive in the start-up phases.

From the perspective of the Bank, the key agricultural policy issues include the following topics:

(1) Short-run adjustment policies to cope with the current rice surplus. These will include important financing changes for BULOG as well as pricing changes for gabah and fertilizer to be announced late in October. Our report discusses these issues in considerable detail.

(2) Longer-run rice pricing and investment issues that address the role of rice in the Indonesian rural economy. As our report stresses, there is a very serious lack of knowledge about the current role of rice in providing incomes and employment, and an even greater problem in knowing what the substitutes might be for the historic "rice-led" growth of the 1970s. The Bank's considerable comparative experience and research capacities should be put to work on these issues as soon as possible.

(3) A more diversified rural economy is essential to any long-run hopes for higher rural incomes. Despite investments in roads, electricity, communications, and port facilities, Indonesia's marketing system remains very high cost relative to its international competitors, especially in Asia. Reducing real marketing costs will be essential to stimulating diversification away from rice as well as to continuing the development of the rural service and industrial activities that provide the real long-run hope for most of the

rural population. Some of the high marketing costs are due to restrictive government policies; some are due to poor physical infrastructure. The Bank can contribute to breaking both bottlenecks.

Your letter of September 19 raises a number of questions about the importance of low-cost marketing and improved communications to the rapid diversification of the Indonesian agricultural economy. Why is it critical now? If it is so critical, what has the Government done to improve the situation and why is it not sufficient? How could rice develop so successfully without it? These are all appropriate questions to which full answers are not possible in this memorandum. Some of the factors in a response would include the following:

(a) Rice was able to develop so rapidly without an integrated marketing and communications system in place because much of the increase in production was consumed within the producing household or nearby villages. The price incentives so crucial to stimulating the adoption of the new rice technology could be implemented by relatively small purchases on BULOG account to provide a floor for regional rice markets that were only poorly linked to each other. Much of the financial incentive was realized through the fertilizer subsidy, which required a reasonably efficient private marketing system to deliver the fertilizer to village kiosks. But this type of marketing was already relatively better developed than output marketing because of traditional

Why muck around with other food crops whose returns are only marginally better than those from rice? Horticulture offers the only chance of income and employment performance required in Java.

demand on the part of Java's farmers for manufactured goods such as clothing, utensils and other household items. Lastly, BULOG really did make a difference with its price policy, at least until 1985, but rice is quite different than any other commodity. I happen to think that it would be a strategic mistake to try to implement a meaningful floor price for soybeans or corn, much less cabbages and potatoes. For the secondary staple crops the important issue is trade policy and exchange rate policy (see item (4) below), not a physical procurement program by BULOG. The Stanford Corn Project has examined this issue in considerable detail.

(b) The issue of low-cost marketing and improved communications is crucial now precisely because rice can no longer provide significant growth impetus to the rural economy. For a combination of reasons, including rapid production growth for rice, reduced demand growth, and the need to break year-round cultivation patterns as part of an integrated pest management scheme, alternative sources of income growth in the rural areas must be found. Migration to the cities is a long-run hope, if even then, so much of the burden falls on alternative crops and on the non-agricultural part of the rural economy. If we believe that farmers are basically rational, as I do, then we must ask why they are not already fully diversified. The answers are no doubt complicated, but some of the reasons are the high (now artificial) returns from rice, the lack of suitable (i.e. profitable) technologies for

Plus probably a large export-oriented, integrated growing/processing/marketing operation to produce the quantum leap required. Question? How do you get access to enough land on Java?

the other crops, the perceived thinness of the local market demand for surpluses of secondary staples (especially a problem for corn), and the attendant high price risks associated with these crops. The price and yield risks are compounded for the high-value horticultural products that offer the best long run home for many of Java's farmers. They simply do not have timely and adequate information on the market conditions for those products if they live more than 20-30 miles from major urban centers such as Jakarta or Surabaya, and often not even then. Marketing and information are crucial to the rapid development of the horticultural side of agriculture. This is obviously true for any potential export demand for these products as well.

(c) Government efforts to improve the marketing system and information flows to the rural areas have been haphazard at best. At heart, few Government officials trust a private agricultural marketing system. That is one of the reasons that BULOG receives such strong official support despite the obvious problems with its performance. Consequently, private marketing participants receive very mixed signals about their expected role and so they invest in modernization efforts in only a limited way. I think the Government needs a coherent marketing *strategy* for agricultural products before it or the Bank starts investing in marketing and communications projects. Exactly what role will the Cooperatives play? At the moment I think they are part of the problem rather than part of the solution (and I have told the Minister of

Cooperatives the same thing). Now would be an excellent time for a full-scale review of the Cooperatives' role in rural marketing, either as part of a review of Cooperatives strategy or as part of a broad review of the entire agricultural marketing strategy.

(4) As the last paragraph of the "Falcon Report" emphasizes, the best way to help agriculture out of its present dilemma is for the rest of the economy to grow rapidly. There are real constraints on the potential rate of growth in services and industry, of course, especially if oil prices continue to weaken. But as the Bank notes in its 1985 Indonesian Economic Report, current industrial policy is moving in a dangerous direction in terms of building the low-cost, efficient industrial base that will help agriculture with its problems of structural adjustment. The links between industrial/trade policy and agricultural policy are much stronger than policy makers in Jakarta realize, and should be even stronger still. One important role for the Bank is in clarifying the nature of these links and focusing attention on the implications for rural welfare of current and proposed trade bans and domestic subsidy or protection measures for industry.

(5) Lastly, the implications for the Bank's project portfolio need to be incorporated into the policy analysis. Considerable concern was expressed by Bank staff in Jakarta that no agricultural commodities looked very attractive as investment opportunities, which calls in question virtually all of the

Outer Island projects organized around transmigration. Our team agrees that much of the underlying rationale for the transmigration projects is in jeopardy, but that continued investments in port facilities, roads, and communications systems will not depend for their payoff on any individual commodity outlook. Building much more flexibility into crop choices available to farmers, both on Java and on the Outer Islands, will be essential to their long-run income growth, and providing general purpose rural infrastructure is one important step in building flexible production responses.

November 4, 1985

7

K. G. V. Krishna, Chief, AEPA4 72145 176/16

INTBAFRAD
Jakarta, Indonesia
Ms. Jane Hadju,VMW

INDONESIA - Transmigration Sector Review

Could you kindly give the attached to Anthony Whitten, consultant for Indonesia Transmigration Sector Review, and tell him that David Mead, Bank Staff member, will be in Jakarta starting Nov. 4 and would be glad to see him.

HGarrison/yw

Ms. G. Davis (AEPA4)

K. G. V. Krishna, Chief, AEPA4

H. Garrison E-624

TO: World Bank, Tokyo, Japan

FROM: K.G.V. Krishna, Chief, AEPA4

Please hold for pick up by Mike Douglass, Bank consultant (tel. 812-2111 or 442-7177).

For Mike Douglass. The information we expected this week from GOI on numbers of KK to be settled with tree crops has been delayed so we have not rerun the final transmigration projections as promised for you. The physical land limitations provided by David Donald are about the same as the intermediate scenario in Helen's Demographic Impact of Transmigration paper, but some provinces differ considerably (notably Aceh, West Kalimantan, East Kalimantan and Irian Jaya). To reflect these differences, the attached tables are revised from the Demographic Impact paper (Aceh increases 250%, W. Kalimantan is 50% of previous estimate, E. Kalimantan is 70% of previous estimate, and Irian Jaya is 50% of previous estimate) and you should use these numbers in lieu of our final projections.

These projections can be seen as taking into account return flows of sponsored and spontaneous migrants to the inner islands, because the spontaneous migration assumption (.5 and .75, respectively) is based on historical data that also reflect return flows. Bear in mind, however, that the population projections do not reflect other migration flows.

Tables one and two attached show the number of sponsored transmigrants (KK) moved under the low and intermediate scenario, with the above-mentioned adjustments to Aceh, W. Kalimantan, E. Kalimantan, and Irian Jaya. The age structure of these KK is assumed to be that in footnote 2 of the Demographic Impact paper. Table 3 shows the demographic impact of the sponsored settlers, their offspring and associated spontaneous movement. Table 4 shows the proportion of the population under the scenarios in Table 3 of working age by sex, from 1985 to 2020 to calculate incremental labor force. Letter to follow containing this information in case you have difficulty reading attached.

LEVELS OF SPONSORED TRANSMIGRATION FROM 1980 TO 1999 UNDER TWO SCENARIOS
(numbers refer to families and exclude locals settled in transmigration sites)

TABLE 1 - LOW SCENARIO

	TOTAL FAMILIES (Excluding Locals)
REPELITA III	286564
REPELITA IV	225000
REPELITA V	127350
REPELITA VI	0

Receiving Provinces	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99
Aceh	2322	3352	3951	781	1750	1750	0	0	0	0	0	0	0	0	0	0	0	0	0
North Sumatra	770	1787	977	3045	1800	1800	900	900	900	0	0	0	0	0	0	0	0	0	0
West Sumatra	1800	357	936	1225	900	900	900	450	450	0	0	0	0	0	0	0	0	0	0
Riau	609	11057	6766	5118	5200	5200	4500	4500	4500	3500	3500	2500	2500	2500	0	0	0	0	0
Jambi	3765	3416	2326	7615	7200	7200	7200	5850	4000	3000	3000	2000	2000	2000	0	0	0	0	0
South Sumatra	20653	22206	16346	10698	9000	7200	7200	6300	4500	3500	3500	2500	2500	2500	0	0	0	0	0
Bengkulu	2336	1511	3250	2693	1600	900	450	450	450	0	0	0	0	0	0	0	0	0	0
Lampung	4684	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	36939	43686	34552	31175	27450	24950	21150	18450	14800	10000	10000	7000	7000	7000	0	0	0	0	0
West Kalimantan	1689	5778	5830	7250	3600	3600	3600	2750	2750	2750	2750	1750	1750	1500	0	0	0	0	0
Central Kalimantan	2005	3665	4302	6689	6700	6700	5500	4700	4700	4500	4500	4500	4500	4500	0	0	0	0	0
South Kalimantan	5192	6330	3308	2683	2700	1800	1800	1200	1000	1000	0	0	0	0	0	0	0	0	0
East Kalimantan	1892	2568	2299	5301	3780	4410	4410	4200	4200	4200	4200	3150	3150	3150	0	0	0	0	0
Subtotal	10778	18340	15739	21923	16780	16510	15310	12850	12650	12450	11450	9400	9400	9150	0	0	0	0	0
South Sulawesi	585	675	1098	1876	1800	1100	900	0	0	0	0	0	0	0	0	0	0	0	0
Central Sulawesi	2135	5024	2946	3147	2700	1800	900	900	450	0	0	0	0	0	0	0	0	0	0
S.E. Sulawesi	3535	5306	4130	2749	2700	1800	900	900	450	0	0	0	0	0	0	0	0	0	0
N. Sulawesi	1094	1500	329	608	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Moluku and T.T.	1347	1796	2282	1742	1500	1500	1000	1000	0	0	0	0	0	0	0	0	0	0	0
Subtotal	8697	14301	10785	10121	8700	6200	3700	2800	900	0	0	0	0	0	0	0	0	0	0
Irian Jaya	2269	2419	4826	3038	2700	4050	4050	5000	6000	7500	7500	7500	6000	6000	0	0	0	0	0
Total	58683	78746	65902	66257	55630	51710	44210	39100	34350	29950	28950	23900	22400	22150	0	0	0	0	0

TABLE 2 - HIGH SCENARIO

	TOTAL FAMILIES (Excluding Locals)
REPELITA III	288564
REPELITA IV	300400
REPELITA V	259300
REPELITA VI	122100

Receiving Provinces	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99
Aceh	2322	3352	3951	781	2250	2250	1750	0	0	0	0	0	0	0	0	0	0	0	0
North Sumatra	770	1787	977	3045	2700	2700	1800	1800	900	1000	1000	1000	500	500	250	250	0	0	0
West Sumatra	1800	357	936	1225	900	900	900	450	450	500	500	500	500	500	250	250	0	0	0
Riau	609	11057	6766	5118	6750	8550	8550	6750	6750	6500	6000	5500	5000	5000	3000	3000	3000	2000	2000
Jambi	3765	3416	2326	7615	7200	5850	5850	5850	5850	5500	5000	4500	4000	4000	3000	3000	3000	2000	2000
South Sumatra	20653	22206	16346	10698	10800	9000	9000	6300	5400	5000	5000	4500	3000	3000	1500	1500	1000	1000	1000
Bengkulu	2336	1511	3250	2693	1600	900	450	450	450	500	500	0	0	0	0	0	0	0	0
Lampung	4684	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	36939	43686	34552	31175	32200	30150	28300	21600	19800	19000	18000	16000	13000	13000	8000	8000	7000	5000	5000
West Kalimantan	1689	5778	5830	7250	3600	4500	4500	5850	5850	7000	7000	6000	6000	5000	3000	3000	2500	2500	1500
Central Kalimantan	2005	3665	4302	6689	9000	10800	10800	11700	11700	12000	12000	10000	10000	8000	5000	5000	3000	3000	3000
South Kalimantan	5192	6330	3308	2683	2700	2700	1800	1800	1800	2000	2000	2000	2000	2000	1000	1000	1000	1000	1000
East Kalimantan	1892	2568	2299	5301	3780	4410	5670	5670	5670	5600	5600	5600	5600	4900	3500	3500	2100	2100	1400
Subtotal	10778	18340	15739	21923	19080	22410	22770	25020	25020	26600	26600	23600	23600	19900	12500	12500	8600	8600	6900
South Sulawesi	585	675	1098	1876	1800	1800	900	0	0	0	0	0	0	0	0	0	0	0	0
Central Sulawesi	2135	5024	2946	3147	2700	1800	900	900	900	500	0	0	0	0	0	0	0	0	0
S.E. Sulawesi	3535	5306	4130	2749	2700	1800	1800	900	900	500	0	0	0	0	0	0	0	0	0
N. Sulawesi	1094	1500	329	608	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Moluku and T.T.	1347	1796	2282	1742	1500	1500	1000	1000	1000	1000	0	0	0	0	0	0	0	0	0
Subtotal	8697	14301	10785	10121	8700	6900	4600	2800	2800	2000	0	0	0	0	0	0	0	0	0
Irian Jaya	2269	2419	4826	3038	2700	4050	6300	7200	8000	10000	11500	11500	12500	12500	10000	7500	7500	7500	7500
Total	58683	78746	65902	66257	62680	63510	61970	56620	55620	57600	56100	51100	49100	45400	30500	28000	23100	21100	19400

Table 3

PROVINCIAL SUMMARY: ALTERNATIVE TRANSMIGRATION SCENARIOS 1980-2020

Low migration is low levels sponsored migration and low levels of spontaneous migration. High migration is high levels of sponsored migration and high levels of spontaneous migration. High migration is bounded by the physical land limitations provided by David Donald. No migration assumes natural increase only with the fertility and mortality assumptions in the Demographic Impact Working Paper. (High spontaneous migration = each migrant attracts .75 people; low spontaneous migration = each migrant attracts .5 people).

Province	POPULATION (000 of people) 1980	1985	1990	1995	2000	2005	2010	2015	2020	Population in year 2020 as proportion of population in absence of migration	Absolute difference in population with and without migration
Aceh											
No Migration	2589	2964	3347	3726	4089	4455	4809	5130	5406		
Low	2589	3021	3559	3994	4403	4812	5204	5559	5864	1.08	458.2
High	2589	3025	3613	4088	4548	5006	5446	5846	6194	1.15	788.5
North Sumatra											
No Migration	8287	9493	10774	12078	13331	14586	15794	16898	17855		
Low	8287	9533	10855	12184	13460	14734	15959	17077	18047	1.01	191.9
High	8287	9539	10892	12261	13580	14896	16161	17317	18322	1.03	467.4
West Sumatra											
No Migration	3384	3836	4309	4788	5251	5716	6164	6574	6931		
Low	3384	3863	4360	4854	5331	5807	6265	6685	7050	1.02	118.6
High	3384	3864	4370	4883	5380	5877	6354	6792	7174	1.04	243.3
Riau											
No Migration	2143	2476	2816	3148	3468	3792	4103	4383	4621		
Low	2143	2618	3129	3608	4040	4461	4855	5207	5507	1.19	886.2
High	2143	2632	3257	3880	4540	5165	5758	6292	6772	1.47	2151.3
Jambi											
No Migration	1427	1650	1875	2094	2305	2519	2724	2908	3066		
Low	1427	1767	2181	2539	2861	3169	3455	3710	3927	1.28	862.0
High	1427	1772	2220	2671	3166	3627	4065	4459	4816	1.57	1750.1
South Sumatra											
No Migration	4581	5256	5956	6656	7332	8012	8662	9251	9756		
Low	4581	5655	6674	7625	8503	9361	10169	10895	11517	1.18	1761.7
High	4581	5688	6829	7938	9041	10119	11142	12067	12888	1.32	3131.9
Bengkulu											
No Migration	756	864	977	1093	1208	1323	1432	1531	1617		
Low	756	920	1069	1212	1349	1484	1611	1726	1825	1.13	208.1
High	756	923	1086	1247	1406	1563	1712	1847	1965	1.22	348.6
Lampung											
No Migration	4547	5235	5942	6644	7324	8011	8665	9254	9755		
Low	4547	5260	5979	6688	7376	8069	8730	9323	9830	1.01	74.3
High	4547	5263	5987	6702	7396	8096	8763	9363	9875	1.01	119.3
SUMATRA Subtotal											
No Migration	27714	31774	35995	40226	44308	48413	52353	55928	59005		
Low	27714	32638	37806	42705	47323	51895	56247	60182	63566	1.08	4561.0
High	27714	32706	38253	43669	49056	54349	59401	63983	68006	1.15	9000.5
West Kalimantan											
No Migration	2469	2842	3218	3585	3938	4295	4640	4951	5216		
Low	2469	2977	3391	3849	4271	4687	5081	5436	5738	1.10	522.0
High	2469	2982	3470	4248	4682	5274	5837	6344	6797	1.30	1581.2
Central Kalimantan											
No Migration	945	1083	1224	1367	1506	1646	1779	1899	2001		
Low	945	1195	1516	1836	2099	2348	2572	2771	2941	1.47	940.3
High	945	1210	1720	2280	2894	3457	3983	4459	4901	2.45	2899.7

	1980	1985	1990	1995	2000	2005	2010	2015	2020		
South Kalimantan											
No Migration	2053	2371	2686	2989	3273	3560	3839	4092	4307		
Low	2053	2474	2867	3220	3549	3876	4190	4474	4716	1.09	409.0
High	2053	2480	2912	3340	3765	4179	4577	4938	5254	1.22	947.6
East Kalimantan											
No Migration	1191	1370	1548	1722	1889	2058	2219	2363	2484		
Low	1191	1454	1738	2039	2295	2541	2766	2965	3134	1.26	650.2
High	1191	1457	1784	2168	2588	2977	3343	3672	3970	1.60	1486.2
KALIMANTAN Subtotal											
No Migration	6658	7666	8677	9663	10606	11559	12477	13304	14007		
Low	6658	8100	9512	10944	12214	13452	14610	15646	16529	1.18	2521.6
High	6658	8129	9887	12036	13928	15888	17741	19413	20922	1.49	6914.8
South Sulawesi											
No Migration	6035	6954	7860	8747	9594	10455	11290	12047	12695		
Low	6035	6983	7912	8815	9675	10548	11393	12160	12816	1.01	121.0
High	6035	6984	7924	8836	9710	10596	11455	12233	12901	1.02	206.1
Central Sulawesi											
No Migration	1268	1455	1645	1837	2025	2214	2395	2557	2695		
Low	1268	1534	1780	2010	2230	2449	2656	2841	2999	1.11	304.0
High	1268	1538	1805	2059	2309	2559	2796	3010	3195	1.19	500.0
S.E. Sulawesi											
No Migration	933	1077	1223	1371	1517	1665	1806	1934	2043		
Low	933	1169	1376	1567	1750	1930	2101	2254	2385	1.17	343.0
High	933	1174	1410	1630	1849	2067	2274	2460	2624	1.28	581.8
N. Sulawesi											
No Migration	2098	2402	2713	3020	3309	3600	3882	4140	4361		
Low	2098	2420	2739	3053	3347	3643	3930	4191	4416	1.01	55.4
High	2098	2421	2744	3062	3361	3662	3954	4220	4449	1.02	88.2
Moluku											
No Migration	1399	1591	1787	1987	2184	2382	2572	2743	2888		
Low	1399	1634	1867	2090	2307	2524	2729	2914	3071	1.06	183.2
High	1399	1636	1888	2128	2368	2608	2836	3041	3219	1.11	330.6
SULAWESI AND MOLUKU Subtotal											
No Migration	11733	13479	15229	16962	18628	20315	21944	23420	24682		
Low	11733	13740	15675	17535	19310	21093	22809	24361	25688	1.04	1006.5
High	11733	13754	15771	17714	19599	21491	23313	24964	26388	1.07	1706.8
Irian Jaya											
No Migration	1099	1282	1458	1623	1780	1942	2097	2235	2350		
Low	1099	1369	1650	2005	2284	2553	2794	3006	3184	1.35	834.0
High	1099	1373	1709	2221	2859	3420	3954	4430	4871	2.07	2521.2
TOTAL (excluding East Nusa Tenggara and East Timor)											
No Migration	47204	54200	61358	68474	75323	82230	88872	94887	100044		
Low	47204	55846	64685	73243	81194	89065	96538	103281	109059	1.09	9014.7
High	47204	55961	65673	75713	85534	95259	104536	112932	120345	1.20	20300.9
E. Nusa Tenggara*	2722	3109	3489	3867	4235	4609	4971	5298	5578		
East Timor*	553	639	723	801	871	942	1013	1077	1130		
TOTAL INCLUDING EAST NUSA TENGGARA AND EAST TIMOR											
No Migration	50479	57948	65571	73141	80429	87781	94856	101262	106753		
Low	50479	59594	68897	77910	86300	94617	102522	109656	115767	1.08	9015
High	50479	59709	69885	80381	90640	100811	110520	119307	127054	1.19	20301

*Assumed to have no sponsored migration in these projections. Numbers shown are population projections from natural increase alone.

Table 4

Proportion of the Population of Aged 10–64 from 1985–2020 under Alternative Transmigration Projections

Natural Increase Only	1985	1990	1995	2000	2005	2010	2015	2020
% Females of Total Population	48%	49%	49%	49%	49%	49%	49%	49%
% Males of Total Population	52%	51%	51%	51%	51%	51%	51%	51%
% Females aged 10–64 of Total Popln	33%	34%	35%	36%	37%	37%	37%	38%
% Males aged 10–64 of Total Popln	35%	35%	37%	38%	38%	38%	39%	40%
Low sponsored and Low Spontaneous Scenario								
% Females of Total Population	48%	48%	49%	49%	49%	49%	49%	49%
% Males of Total Population	52%	52%	51%	51%	51%	51%	51%	51%
% Females aged 10–64 of Total Popln	33%	34%	36%	37%	37%	38%	38%	39%
% Males aged 10–64 of Total Popln	35%	36%	37%	38%	39%	39%	40%	41%
High migration and High spontaneous scenario								
% Females of Total Population	48%	48%	49%	49%	49%	49%	49%	49%
% Males of Total Population	52%	52%	51%	51%	51%	51%	51%	51%
% Females aged 10–64 of Total Popln	33%	34%	35%	36%	37%	37%	37%	38%
% Males aged 10–64 of Total Popln	35%	36%	37%	38%	39%	39%	40%	41%

DRAFT
11-04-85
GDavis:shp

November 4, 1985

Mr. K.G.V. Krishna, Chief, AEPA4

Mss. Davis and Garrison, and Messrs. Chaudhri, Fox, Zenick (Bank), Douglass, Whitten, Woodward (Consultants)
74215

INDONESIA - Back-to-Office Report - Transmigration Sector Review Mission

1. In accordance with Terms-of-Reference dated September 20, 1985, the Transmigration Sector Review mission arrived in Indonesia on October 6, 1985 and departed October 26, 1985. While in the field, mission members briefly visited transmigration sending and receiving areas and held a number of meetings with government officials. A briefing was held with RSI and a wrap-up meeting with Mr. Martono, Minister of Transmigration, was held on October 25, 1985. Cooperation from government officials was excellent and a very large body of data was made available to the team. These data will be analyzed over the next two months but ~~some~~ tentative conclusions are possible and may be briefly summarized to illustrate the nature of our evaluation.

2. Briefly, it appears that a transmigration program which maintained current levels of sponsored movement for the next 10-15 years, supplemented by spontaneous movement at historically observed levels, could potentially reduce the future population of Java by 10% (of what it would be in the next 30-35 years), and have a significant effect on population distribution and employment generation. A program of this scope is likely to be the maximum feasible from the point of view of land availability and institutional capacity and these factors will be further evaluated in the sector report. Other positive features of the program are ~~preliminary~~ that

most migrants appear to meet their subsistence needs and a majority say they are better off in the new area than they were in Java (of the 2,200 families in a census bureau survey, two-thirds say ~~they are better off~~ their incomes have improved.). On the other hand, available data indicate that food crop production in upland areas is limited and the economic returns to the food crop farm model are very low. Farmers appear to be producing food primarily for subsistence purposes (averaging about 700 kg of unmilled rice/family over 14 studies) while supplementing their incomes with substantial off-farm work where possible. Incomes ~~under these circumstances~~ are low and preliminary evidence suggests that many families remain below the Bank's poverty level for ~~Indonesi~~ the outer islands a (about Rp 10,000/capita/month). Farmers with tree crops do significantly better, ~~however,~~ but implementation constraints in the tree crop sector make it unlikely that current levels of transmigration could be sustained if a tree crop settlement model were used. Technical specialists believe that production in swamp reclamation areas is more viable than in upland areas, but farmers in Repelita III tidal sites are suffering from serious pest problems and these farmers have by far the lowest incomes in the transmigration income survey.

3. In general, then, two facts emerge: the data are mixed (that is, there are both positive and negative features of the program) and they are very complex. The picture we have painted in our SARs of a landless farmer moving to Sumatra and cultivating 1.25 ha of food crops fails to capture the dynamic income earning strategies of migrants or the impact of transmigration on the receiving provinces. This ~~point~~, in turn, raises new questions ~~in our~~ for analysis: how are we to value off farm employment and judge whether such employment is permanent or merely a function of the creation of new transmigration communities, and how are we to weigh the regional development impact of transmigration? We will be

~~actively~~ analyzing the available evidence and consulting with colleagues in the Bank on these issues over the next month or two.

5. We will also evaluate other factors affecting the course of the future program, including ~~some of these examples are:~~ a) new organizational arrangements and their ~~with new~~ implications for policy making ~~and marketing~~, coordination, and implementation; b) a shift in emphasis to promotion of spontaneous migration which highlights new institutional and policy constraints; c) the need for second stage development on existing sites ~~(which would have significantly higher rates of return than new settlement)~~ and trade-offs between new settlement and upgrading work; d) an increasing awareness of the impact of transmigration on the forest, environmental and local peoples, and e) a ~~new concern for~~ growing interest in the aspects of transmigration. regional development. Combined ~~together~~ with an assessment of the program to date, these new directions ~~may~~ pose a number of difficult choices for government and we will attempt to outline and evaluate possible options in the sector report.

6. The task of the mission will ~~first~~ be first to complete the data analysis and set out the facts related to transmigration. We would hope to have a draft white cover early in the year which focuses on the data and which could be discussed by those in the project and program divisions (including RSI) who have been most closely involved in the work. This would allow us to form a broad consensus on the interpretation of the facts. We are scheduled to produce a yellow cover by 3/15/86, ~~which~~ We feel this report should also be discussed informally with working level staff in government in order to clarify outstanding factual issues and We propose to organize these discussions in April. Both the reactions of the region and ~~the~~ of relevant GOI officials would be incorporated into the green cover document which is scheduled for completion by 6/15/86 when offical discussions with

Government would be in order. The final report is due on September 15, 1986.

FORM NO. 75
(9–78)

THE WORLD BANK

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REMARKS:

FROM:	ROOM NO.:	EXTENSION:
M.C. Zenick	RSI	

November 5, 1985

Mr. Soedjino Hardjosoetowo
Assistant to the Minister of Transmigration
for Foreign Affairs
Department of Transmigration
Jalan H. Agus Salim 58
Jakarta

Dear Mr. Soedjino:

I thought that you may wish to see the response sent by the World Bank to the article in the September 30, 1985 issue of the Wall Street Journal. The Bank's letter appeared in the WSJ on October 21. A copy is enclosed.

Thank you for arranging the fruitful meeting last Friday for Mr. Blinkhorn to meet the Minister.

With best regards,

Yours sincerely,

Manuel C. Zenick
Senior Operations Officer

Attachment

c.c. Mr. Djoko Hartono, Department of Transmigration
Messrs. Rao/Williams, Price
Mrs. Hamilton, Miss Gloria Davis
Messrs. Blinkhorn

File: Transmigration

MCZenick/w

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION
Washington D. C. 20433
U.S.A.

FORM NO. 1884
(5-85)

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TO: COMPANY/ORGANIZATION: INTBAFRAD (RSI)
CITY AND COUNTRY: JAKARTA, INDONESIA
FOR ATTENTION OF: MESSRS. MARK BAIRD/KHALILZADEH-SHIRAZI/PRICE

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GDavis:shp
cc: Mrs. Hamilton

K.G.V. Krishna

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172/2

Note on Analytical Questions - Transmigration Review

1. The purpose of this note is to outline two issues in the economic analysis related to the Transmigration Review on which the mission believes there is a case for departure from practices adopted in recent Bank economic assessments. Alternative methods are proposed and advice is sought as to whether these are acceptable or, if not, what methodology should be used.

Shadow Wage Rates

2. The cost of labor is the major part of on-farm operating costs and correct valuation is critical to a realistic assessment of the economics of farm production. Since the Transmigration Program involves the movement of people from Java and other densely populated islands to more lightly populated outer islands, recent SARs have costed transmigrant labor at the rural Java shadow wage rate. The mission proposes to continue this practice. Although the program itself should over time result in some convergence between the shadow wage rates of sending and receiving areas, the mission propose to value transmigrant labor at a constant rural Java shadow wage rate in 1986 prices.

3. For purposes of comparability with other projects and previous SARs, standard procedure will be used (i.e., 65% of rural Java wage rate estimated at Rp 1000 per day). However, it is considered that there are grounds for using a different method of assessing the shadow wage rate in respect of transmigrants and we proposes to repeat the analysis using this second method. Details of the second method and reasons for proposing it are presented below.

4. Recommendations on the calculation of shadow wage rates for Indonesia are contained in a memo from Mark Baird dated September 20, 1984. These are based on a paper by Hafez Ghanem and Mike Walton which are in turn based on work by Gordon Hughes. Calculations are set out in an appendix to the Ghanem and Walton paper. The analysis is based on a disaggregation of rural labor activity on Java into three categories, viz. agricultural (represented by cultivation in rice production), non-farm (1) (represented by construction work, trading or small-scale transportation) and non-farm (2) (represented by basket- or mat-weaving). These categories are weighted according to estimates of their importance and nominal wage rates are adjusted to accounting prices. The resulting average marginal product estimates are then adjusted to account for "effective time lost" to allow for the fact that when labor is withdrawn, the effect on production is partially offset by increased participation of others. The calculation table used is reproduced below.

Table 1

Derivation of the Shadow Wage for Rural Java

Sector	Wage Calculation	Share	Wage Rp/day	Accounting Ratio	Marginal Product (Rp/day)	Effective Time Lost	Shadow Wage Rate
Agriculture	Actual	40%	900	1.03	926		
Non-farm (1)	1.15 x wage	30%	1035	0.85	880		
Non-farm (2)	0.33 x wage	30%	297	1.00	297		
Average		100%	760	0.97	734	80%	587

Source: Ghanem and Walton page 27.

5. Taking them at their word that "the question to be answered is what would be the foregone output at economic prices if one worker were withdrawn permanently from the rural labor forces," we question the use of a blanket 80% for "effective time lost," at least in relation to transmigrant labor. This implies that if 100 labor units were withdrawn, only 20 substitute labor units would be supplied to replace their labor input. The choice of 80% is not defended strongly by Ghanem and Walton. They state "there is no information on this effect and we adopt Hughes' assumption of 20% of the otherwise lost output being maintained through this effect."

6. Transmigrants are drawn from areas within the sending areas which have the most intense population pressure. Transmigrants are generally the landless and others whose economic opportunities are especially limited, even by the standards of the communities of the sending locations. Like Hughes, the mission lacks any objective information on the "effective time lost" factor, but believes the overall 80% is well wide of the mark, at least in relation to transmigrant labor. The following alternative factors are proposed:

Agriculture - 10% - given the large pool of underemployed agricultural laborers in sending areas transmigration, particularly that from targetted "critical areas," is not likely to result in a significant reduction in labor input.

Non-farm (1) - 0% - it is unlikely that any of the more highly paid off-farm laboring occupations would suffer from shortage of labor as a result of transmigration.

Non-farm (2) - 60% - the marginally productive occupations are likely to bear the brunt of the effect on output of withdrawal of labor as people from this category move to more highly paid occupations.

7. The validity of this proposal rests on three assumptions:

(i) There is widespread underemployment in sending areas.

(ii) As opportunities arise, labor will move from less- to more-rewarding occupations.

(iii) Women and men can obtain employment in all three categories.

The mission believes that all three are defensible, though in relation to (iii), participation by women in non-farm (1) may be restricted. However, it is considered that there is ample scope for women to participate in agricultural work to permit the movement of labor out of non-farm (2) as hypothesized.

8. The result of these changes would be (in 1984 prices) a shadow wage rate of Rp 271 per day or an adjustment ratio of 30% in relation to nominal agricultural wages. Application of that ratio to current wages would result in a shadow wage of Rp 300 per day.

9. In analysis of second stage transmigration development projects where the choice is whether or not to invest further in an existing transmigration community, farm labor would be valued at the shadow priced outer island wage rate. (The appropriate agricultural shadow wage rate for the outer islands is still under discussion and we would appreciate your input.)

10 Returns to the household from off farm employment in transmigration communities that are not already included in transmigration development costs (land clearing, house and road construction, etc.) would be included as an additional benefit in the economic analysis, at the shadow priced outer island wage rate.

Pricing of Agricultural Products Consumed by the Farm Household

11. Much of the produce of transmigrant farms is consumed by the farm household. This applies to all settlement models, with the proportion being very high for the upland food crop models. Rice is the commodity most affected. Past Bank project analysis has generally valued all produce at farm-gate prices. However, this understates the financial value of home consumption items to the producer since, if it was not produced, the household would need to buy equivalent quantities of food at retail prices. In economic terms, the value of home consumption items is equal to the economic cost of supplying those products to the farm household from alternative sources. We suggest that more appropriate values for home consumption items would therefore be:

Financial price =	retail price less processing, transport and storage costs where applicable times conversion factor for raw to final product form.
economic price = (import party items)	landed cost of imports plus port handling, losses and transport to wholesaler plus freight to consuming area

plus cost of distribution to consumers
less processing and storage costs
times raw: final conversion factor.

12. As examples, calculations for rice and maize are presented below:

Rice (a) Economic Price	1986-forecast price
Import price cif. Palembang (US$/ton)/a	239
Port handling and storage losses, transfer to wholesaler	+ 30
Freight wholesale to consuming area	+ 24
Cost of distribution to consumers (10%)	+ 29
Economic consumer price (US$/ton)	322
Economic consumer price (Rp/kg)	354
Less milling cost	- 10
Convert to padi (x.6)/b = economic padi price for home consumption	206
cf. economic farm gate sale price/c	142
Percent difference	45
Financial	
Retail price	320
Less milling cost	- 10
Convert to padi (x.6)/b = financial value of padi for home consumption	186
cf. financial farm gate sale price	135
Percent difference	38
Maize	
Adjusted price FOB Palembang (US$/ton)/d	127
Port handling, transfer to wholesaler	+ 16
Transport wholesaler to consuming area	+ 21
Cost of distribution to consumers (10%)	+ 16
Economic consumer price (US$/ton)	180
Economic consumer price (Rp/kg) = economic maize price for home consumption	198
cf. economic farm gate sale price/c	134
Percent difference	48

/a Thai fob price adjusted for quality difference and shipping costs.

/b Low recovery of 60% used to be consistent with excess moisture and impurities in padi sold.

/c From conventional economic price analysis.

/d US import price plus $15/ton adjustment for Asian markets.

Financial

Retail price (Rp/kg)	
= financial maize price for home consumption	220
cf. financial farm gate sale price	120
Percent difference	83

13. Differences between prices assessed on this basis and farm gate prices are significant - 45% of economic and 38% of financial farm gate rice prices. For maize, proportionate differences are greater still - 48% for economic farm gate prices and 83% for financial farm gate prices.

14. The significance of the difference is underlined by the fact that rice income comprises about 60% of agricultural income on upland food crop farms and maize a further 10%. At the levels of production achieved about 80% of rice and 60% of maize would be consumed by the producing households. The difference is less significant in the model for better settlements, where the ratio of production surplus to consumption requirements is greater, and for estate settlements, where income from tree crops dominates.

15. The difference is also consistent with the apparent strategy of upland transmigrants to aim to produce little more than subsistence food requirements since the returns to subsistence production are 40 to 80% higher than returns to production beyond subsistence requirements. This suggests that farmers view the value of production in this way.

16. It is therefore proposed that for each farm model, food production, up to the amount normally consumed by a household, would be valued at consumer rather than farm gate producer prices, calculated as in the examples above.

THE WORLD BANK INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE November 7, 1985

TO Mr. K.G.V. Krishna, Chief, AEPA4

FROM Mss. Davis and Garrison, and Messrs. Chaudhri, Fox, Zenick (Bank), Douglass, Whitten, Woodward (Consultants)

EXTENSION 74215

SUBJECT INDONESIA - Back-to-Office Report - Transmigration Sector Review Mission

1. In accordance with Terms-of-Reference dated September 20, 1985, the Transmigration Sector Review mission arrived in Indonesia on October 6, 1985 and departed October 26, 1985. While in the field, mission members briefly visited transmigration sending and receiving areas and held a number of meetings with government officials. A briefing was held with RSI and a wrap-up meeting with Mr. Martono, Minister of Transmigration, was held on October 25, 1985. Cooperation from government officials was excellent and a very large body of data was made available to the team. These data will be analyzed over the next two months but tentative conclusions are possible and may be briefly summarized to illustrate the nature of our evaluation.

2. Briefly, it appears that a transmigration program which maintained current levels of sponsored movement for the next 10-15 years, supplemented by spontaneous movement at historically observed levels, could potentially reduce the future population of Java by about 10% (of what it would be in the next 30-35 years), and have a significant effect on population distribution and employment generation. A program of this scope is likely to be the maximum feasible from the point of view of land availability and institutional capacity and these factors will be further evaluated in the sector report. Other positive features of the program are that most migrants appear to meet their subsistence needs and a majority say they are better off in the new area than they were in Java (of the 2,200 families in a census bureau survey, two-thirds say their incomes have improved). On the other hand, available data indicate that food crop production in upland areas is limited and the economic returns to the food crop farm model are very low. Farmers appear to be producing food primarily for subsistence purposes (averaging about 700 kg of unmilled rice/family over 14 studies) while supplementing their incomes with substantial off-farm work where possible. Incomes are low and preliminary evidence suggests that many families remain below the Bank's poverty level for the outer islands (about Rp 10,000/capita/month). Farmers with tree crops do significantly better, but implementation constraints in the tree crop sector make it highly unlikely that current levels of transmigration could be sustained by relying exclusively or even principally on a tree crop settlement model. Technical specialists believe that production in swamp reclamation areas is more viable than in upland areas, but farmers in Repelita III tidal sites are suffering from serious pest problems and these farmers have by far the lowest incomes in the transmigration income survey.

3. In general, then, two facts emerge: the data are mixed (that is, there are both positive and negative features of the program) and they are very complex. The picture we have painted in our SARs of a landless farmer moving to Sumatra and cultivating 1.25 ha of food crops fails to capture the dynamic income earning strategies of migrants or the impact of transmigration on the receiving provinces. This point, in turn, raises new questions for analysis. For example, how are we to value off farm employment and judge whether such employment is permanent or merely a short-lived function of the creation of new transmigration communities? We will be analyzing the available evidence and consulting with colleagues in the Bank on this issue. Second, how are we to weigh the regional development impact of transmigration, particularly its impact on production and wages in the Outer Islands? A regional development specialist was involved in the mission and will provide a working paper which we may wish to discuss prior to its incorportation in the report.

5. We will also evaluate other factors affecting the course of the future program including a) new organizational arrangements and their implications for policy making, coordination and implementation, b) a shift in emphasis to promotion of spontaneous migration which highlights new institutional and policy constraints; c) the need for second stage development on existing sites and trade-offs between new settlement and upgrading; d) an increasing awareness of the impact of transmigration on the forest, environment and local peoples, and e) a growing interest in the regional development aspects of transmigration. Both the assessment of the program to date and these new directions pose a number of difficult choices for government which will be outlined and evaluated in the sector report.

6. Because the data are complex and potentially controversial we intend to give special emphasis to consensus building while processing the report. The first task of the mission will be to complete the data analysis and set out the facts related to transmigration. We hope to have a draft white cover early in 1986 which presents the data and our interpretations and we propose to discuss this preliminary report with those in the project and program divisions (including RSI) who have been most closely involved in the work. We feel an early draft should also be discussed informally with working level staff in government in order to clarify outstanding factual issues and such discussions could potentially be held in February/March. Both the reactions of the region and of relevant GOI officials would be incorporated into a yellow cover document which would discuss emerging issues and options as viewed by the Government and the Bank. A green cover report is scheduled for completion by 6/15/86 when offical discussions with Government would be in order. The final report is due on September 15, 1986.

cc: Messrs. Rajagopalan (PPDDR), de Azcarate (CPDDR)(2), Swahn (EDTPT), Schuh (AGRDR), Baneth (EPDDR), Mead (LEGEP), Yenal (AENVP), Kaji (AEADR), Linn (AEADR), Kirmani (AEPDR), Davar (AEPDR), Karcher (AEPDR), Zincir (AEPDR), Lee (PPDES), Rao (RSI), Price (RSI)
Ms. Hamilton (AEAIN)(3)

GDavis:shp/ks

F/2335/1

FACSIMILE TRANSMITTAL FORM

Date : November 7, 1985

Number of Pages: 1

From : RSI Jakarta (Mark Baird)

To : World Bank, Washington (Gloria Davis - AEPA4)

cc: Ann Hamilton - AEAIN, Asia files

Fax No. : F/2331

Subject : Transmigration

1. I have had a quick look through your note on analytical questions. On shadow wage rates, I fully support your effort to better define the "effective time lost" coefficient, although I have no feel for your particular assumptions. Given the adjustments are so major, you should discuss them thoroughly with Mike Walton and also do sensitivities in your analysis to ensure that the results are not too dependent upon these assumptions. In addition, your analysis might suggest some changes in the "accounting ratio" assumptions. Again, any justified revisions would be welcome.

2. I will leave substantive comment on your agricultural pricing assumptions to AEPA5. However, I was puzzled by the adjustment for "processing, transport and storage costs where applicable" (I note that this isn't in fact used in the calculations). I also wonder whether it is strictly correct to value the "economic padi price for home consumption" in the transmigrant area, when it may have been cheaper to supply this rice in the originating area (i.e., without transmigration).

Regards, Mark Baird.

MBair

cc: Messrs. Shirazi, Price

FACSIMILE MESSAGE

Please forward copy to the appropriate Information Center as necessary

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F/2357/1

FACSIMILE TRANSMITTAL FORM

1985 NOV -8 AM 8:06

CABLE SECTION

Date : November 8, 1985

No. of Pages: 2

To : Mr. K.G.V. Krishna, AEPA4
Copy to AEAIN & Asia Files

From : Owen T. W. Price, RSI Jakarta

Fax No. : F/2357

Subject : Transmigration Sector Review

We just read your fax on Economic Analysis and since you asked for views by today give our reactions immediately. ALPHA. Shadow wage rates. SATU. Since you propose to use standard procedure and test new method only, we have no problems with approach. Looking at result of very low shadow wage rate in new method, however, we wonder about assumptions, particularly since they exclude employment opportunities in outer island where wage rates are higher than on Java, often labour shortages are experienced and many transmigrants enjoy off-farm labour opportunities. It is probably only a question of stimulating more labour mobility between Java and outer islands to exploit opportunities for Javanese underemployed labour force. DUA. Method you suggest in para 10 is entirely new or was it used before in analysis of Trans projects? Are you planning to estimate off-farm employment on basis of surveys of few sites and shadow price the estimated man-days without taking output and productivity into account? We would need to know more about the method before we could offer any opinion. BETA. Pricing of agricultural products. Baird in his fax expects us to comment. But first we would like to state that we had the same reactions to the points he raised. Further, we are afraid the proposed method would continue to bias policy on production in transmigrant areas towards rice and the economic justifications for this is not clear, particularly in light of the higher and in the long run easier sustainable returns from tree crops. It is still unproven whether input levels, particularly fertilizer and organic matter required to sustain food crop yields over time on the fragile soils typical for most transmigration sites would be economic. Even among food crops, farmers produce other products besides rice and maize to meet their consumption needs, particularly cassava. A gap between rice production and consumption does not necessarily mean that it is filled by rice purchases at the retail price as the analysis implies. Some farmers - though on Indonesian Trans. schemes still a minority - do not even aim at meeting staple food requirements from cultivation but grow a commercially more valuable crop which - at farmgate prices - yields a sufficient and secure enough cash income to buy consumption goods. This actually was at one time suggested by us to GOI in light of the

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low yield of food crops in most NES projects. Therefore, we also think that the statement in para 15 does not take into account the stratification of farmers found in transmigration. There are probably at least three groups : one of transmigrants with little incliniation towards farming which look for and make use of any off-farm income opportunity second of not too experienced farmers who try to grow a variety of crops for meeting, hopefully subsistence and some cash requirements and thirdly of farmers with strong commercial orientation who rank cash returns first. It should be interesting to hear CPS comments if the new method was recommended for adoption in analysis of other agriculture projects with production alternatives for subsistence production. In conclusion, we feel uncomfortable with some of the methodologies proposed and fear that they could lead to unwise policy recommendations.

Regards

Price

bcc: Messrs. Khalilzadeh-Shirazi, Baird, Russell, Fox

File: Trans. Sector Review

AKlempin/lk/1210A

POPULATION CHANGE IN TRANSMIGRATION SITES

Introduction

1. In February 1985 the Central Bureau of Statistics (BPS) undertook an income survey covering 2200 transmigrant households in Repelita II and III transmigration sites. In addition to the household information collected by the enumerators a face sheet was completed for each village. These face sheets provide information on several topics including the number of transmigrant families on arrival and the number residing in the community at the time of the survey. Although there are some problems in interpreting the data, these face sheets provide useful information on population shifts in transmigrant communities.

The Data

2. The census was conducted in 110 villages (SP) in twenty-one sites. Twenty households were surveyed in each village. Face sheets are available for 102 SP. Of these, nine were omitted from the analysis either because they were redundant (i.e. two face sheets were prepared on the same SP) or because they showed no change at all in number of households or population size. As such a situation is highly unlikely it was assumed that such sheets did not represent actual conditions and should not be used. Therefore, a total of 93 face sheets were tabulated. The villages covered in these face sheets included over 40,000 households about 10% of those moved in Repelita II and III.

Table 1: TOTAL NUMBERS OF FAMILIES IN SURVEY:
REPELITA II AND III TRANSMIGRATION SITES

	Sponsored Families			Total Families		
	Settled (A)	Now (B)	B/A x 100	Settled (A)	Now (B)	B/A x 100
Repelita II Sites						
Upland	5,483	5,676	109	6,143	6,680	109
Upland with tree crops	1,676	1,703	102	1,702	2,524	148
Tidal	1,255	1,210	96	1,390	1,453	105
Subtotal	8,414	8,589	102	9,235	10,657	115
Repelita III Sites						
Upland	18,265	16,912	93	21,736	21,839	100
Upland with trees	2,926	2,952	101	3,434	3,631	106
Tidal	10,770	10,408	97	11,761	11,962	102
Subtotal	31,961	30,272	95	36,931	37,432	101
Total	40,375	38,861	96	46,166	48,089	104

Major Findings

3. As Table 1 indicates, transmigration communities on the average maintain their populations and increase their number of households over time. Repelita II sites included in the survey increased an average of 15% although this number is inflated by a very large number of spontaneous migrants in the market center of the Bank-assisted project at Baturaja (shown under "upland with tree crops"). Repelita II sites also show stability or growth in total households though it is evident even from the aggregate data that some turnover of households has occurred. Of the 93 face sheets tabulated, 23 (26%) show a reduction of population while the rest show stability or growth. As Table 2 illustrates the aggregate data show a turnover of about 5% of Repelita III households. These data also indicate that retired military settlers are more likely to leave the site than either sponsored or local settlers although their total number is a small proportion of the whole.

Table 2: REPELITA III TRANSMIGRANTS LEAVING THE SITE

	Total settled	Total now	Number leaving	%
Sponsored	31,961	30,272	1,689	5
Military	457	336	121	25
Local	3,132	2,939	193	6
Subtotal	35,550	33,547	2,003	5

4. Unfortunately for purposes of understanding total handover, the manner in which the data were collected obscures the turnover rate among households. When the sons and daughters of transmigrants mature and marry, the number of households naturally increases. Some enumerators recorded the increase resulting from family division under sponsored migration, while others included this under the category "other." The records look very different. For example, if a community began with 500 families, 50 left and 70 new families were formed, the first type of record would show a net increase of 20 sponsored families with no record of leavers, while the second type of record would show a turnover of 50 households or 10%. To assess the proportion of households leaving transmigration sites a list was prepared of all Repelita III villages where the enumerator clearly followed the second procedure and the population of sponsored migrants decreased over time. (Repelita II villages were excluded as most had been handed over to the provinces and recent data are incomplete.) Of the 42 village records in this category 29 villages, 47% of the households in the Repelita III survey sample, showed such losses.

Table 3: NUMBER OF SPONSORED MIGRANTS LEAVING REPELITA III SITES

Repelita III sites	A Total HH in survey	B Total HH in SP with losses	C Sponsored HH leaving	D % SP sample	E % total
Upland					
Belias	3,507	2,482	375	15	11
Teluk Kuantan	3,596	2,221	239	11	6
Pem. Panggang	4,847	1,928	247	13	5
Sunggai Waras	669	669	166	25	25
Batu Licin	3,574	2,728	206	8	6
Teluk Dalam	470	470	258	55	55
Wawotabi	1,602	555	123	23	8
Subtotal	18,265	11,053	1,616	15	9
Estate or Tree Crops					
Baturaja	1,335	180	3	1	0
Tepong Tandung	400	0	0	0	0
Batulicin	1,191	1,191	149	12	12
Subtotal	2,926	1,371	152	11	5
Tidal					
Air Sugihan	4,235	1,412	335	24	8
Terusan Tengah	1,451	1,451	98	7	7
Pangkoh	4,439	2,417	21	1	0
Subtotal	10,125	5,280	454	9	5
Total Repelita III	31,316	17,704	2,222	13	7

5. These villages show a handover rate of 13% on the average; 15% for upland, 12% for tree crops (consisting entirely of turnover in one PIR Khusus community in Batulicin) and 9% in tidal. Neither turnover by farm model nor by village is closely related to the number of families below the poverty line. Turnover in the range of 10-15% is neither unusual nor undesirable, although a high abandonment rates in specific villages is generally evidence of problems on sites.

6. The survey also records some 3,000 households consisting of 13,000 people which have moved into the sites after settlement. Average household size is 4.33. Repelita III households have attracted into the site an average of six households/100 sponsored families while Repelita II households have attracted 14 households/100 sponsored families. This is not necessarily an exhaustive list of those attracted to the area by sponsored migrants. Since many sites do not permit fragmentation of land, family members attracted to the area often move onto land not officially under transmigration authority and these families would not be recorded.

Table 4: NUMBER OF SPONTANEOUS FAMILIES BY REPELITA AND FARM MODEL

	Sponsored	Spontaneous	Number Spontaneous/ 100 Sponsored
Repelita II			
Upland	5,483	329	6
Trees	1,676	814	48
Tidal	1,255	24	2
Subtotal	8,414	1,167	14
Repelita III			
Upland	18,265	1,217	7
Trees	2,926	200	7
Tidal	10,770	438	4
Subtotal	31,961	1,855	6
Total	40,375	3,022	7.5

Conclusion

7. The BPS survey data show that most transmigration villages increase in size over time. However, over one quarter of Repelita II and III sites have an early net loss and total handover appears to be on the order of 10-15%

of households within the first five years. While higher than the 1-2% official departure rate ordinarily cited by the Department of Transmigration, these figures are not unexpectedly high, nor, of themselves, a cause for alarm. Not all families attracted to transmigration are well suited to the transmigration life and the fact that these families leave and are replaced attests both to the voluntarism of the program and the pressure to find land. On the other hand, the fact that some few sites lose substantial numbers of settlers (20%+) suggests that some sites are doing less than others and that this information could well be used as part of an early warning system attesting to problems in the field.

I am very impressed by Lepelita II tree crops drawing power.