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Chronological file - 1986 (2)

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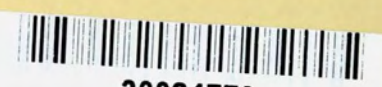
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Gloria Davis - Chronological file - 1986 - 2



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A2011-001 Other #:

353989B

Gloria Davis - Chronological file - 1986 - 2

OFFICE MEMORANDUM

DATE: June 16, 1986

TO: Files

FROM: Office of the Senior Vice President, Operations

SUBJECT: Minutes of Operational Vice Presidents' Meeting of June 11, 1986

Present:

Members: Messrs. Stern (Chairman), Dherse, Husain, Inakage, Jaycox, Karaosmanoglu, Thalwitz, Wapenhans, Lerdaun, van der Meer

Others: Messrs. Aklilu Habte, de la Renaudiere, Schuh, Clements, Ruddy, Cernea, Psacharopoulos, Lal, Mss. Lockheed, Donovan

Involuntary Resettlement in Bank-Assisted Projects

1. Mr. Schuh introduced the paper, noting that it reviews the past application of Bank policies and procedures regarding resettlement issues and recommends their more rigorous enforcement. The Bank has a well-defined policy for dealing with resettlement, which is outlined in OMS 2.33, however, this OMS is not being followed as systematically as it should be. Lending that leads to large-scale relocation has been growing at a significant rate, and some projects involving substantial relocation are coming up in the near future. Clearly, the Bank's work in this area is highly visible and it is essential that we follow--and are seen to follow--our own guidelines.

2. The main findings of the review are:

- (i) The preparation of resettlement components by the borrower is frequently of low quality. In fact, a major problem in having an effective resettlement program is the lack of enthusiasm for such programs on the part of the borrower.
- (ii) The failure to deal with relocation issues before loan activities start is a continuing problem.
- (iii) The lack of emphasis given to economically and socially viable options for restoring the productive capacity of the displaced population also is a frequent problem. Cash compensation for loss of productive assets is seldom a satisfactory approach; land-based and employment-based opportunities must be fully explored, including their costing and organizational arrangements.
- (iv) Regular supervision of relocation activities should be given high priority.

3. Speakers commended the review, noting that it addresses an area of major importance, and makes specific valuable recommendations to

strengthen the Bank's involvement in projects which entail relocation. It was noted that increased attention to the relocation issue in project preparation, appraisal and supervision has budgetary implications, but these must be accepted, given the importance of the issue. Speakers noted that this review and the OMS on Involuntary Resettlement, simply require staff to prepare, appraise and supervise the Resettlement components of projects with the same diligence and comprehensiveness applied to other components, such as engineering works and project costs. Resettlement issues must be treated as an intrinsic part of a project proposal -- to be addressed and resolved at the same time as other issues.

4. While agreeing with the recommendation that compensation for loss of productive assets should go beyond cash payments, by providing alternative livelihoods, speakers noted that prevailing land scarcity in some areas severely limits the scope for identifying these alternatives. In these cases, the issue of the displaced population cannot simply be assumed to be resolved through cash payments. This population is likely to remain in the area and may, through makeshift settlements, undermine the project objectives, e.g., through farming on river banks, overgrazing, etc.

5. Speakers noted that resettlement issues are not limited to the agriculture and energy sectors, they also arise in urban, ports and transportation projects. In addition, the Bank is directly involved in only a fraction of the resettlement issues which may arise in a country. Borrowers seldom address these issues satisfactorily in operations in which the Bank is not a lender and our leverage in these cases is limited. However, it was agreed that in countries where the Bank is involved in a number of projects requiring resettlement, the issue should become part of the Bank's country dialogue. Similarly, if the Bank is active in the sector, the resettlement issue should be included in our sectoral dialogue. But most important of all, the Bank's own approach to projects entailing resettlement issues must set an example of how we believe this issue should be addressed and Bank actions should be fully consistent with our policies.

6. A speaker noted that in some cases resettlement provides an opportunity to improve the quality of life of the displaced population and, where possible, this potential should be realized.

7. In conclusion, the Chairman noted that under the new procedures for project processing, it is essential that potential or known resettlement issues be flagged at the Executive Project Summary stage. The lead advisers, whether in OPS or EIS must ensure that they are satisfied with the handling of this issue and must raise any unresolved problems with Regional management and, if necessary, with the Loan Committee through their representative. The Bank's policy in this area is clear, but adherence to the policy must be ensured through close staff and management attention to this issue.

8. In view of the priority attention which must be accorded to resettlement issues, two new positions will be allocated to addressing these issues. One of the positions will be provided by OPS, in addition

to the Adviser already working on these issues in the Agriculture and Rural Development Department (AGR), while the other will be provided by the Energy Department.

9. OPS will issue a note to staff, summarizing the recommendations of the review and emphasizing the importance of adhering to existing guidelines. In addition, the review will be abbreviated and revised, for distribution to the Managing Committee and the Board (for information), as well as to the public.

10. The review identified a number of ongoing Bank projects which have important resettlement issues outstanding. It was agreed that by end-December 1986, the Regions will provide reports on the actions taken towards, and progress in, resolving these issues and OPS/AGR will report the consolidated results to the SVPOP.


Improving the Efficiency of Schools in Developing Countries

11. Mr. Aklilu Habte introduced this initiating brief, noting that the proposed policy paper will complement the work undertaken on the financing of education, by exploring how cost-effectiveness can be achieved in the sector. It will focus primarily on formal education; technical education is being addressed in a subsequent paper. An attempt will be made to address the issue from the perspective of borrowers at all income levels -- the paper will not limit its focus to the lowest income countries. The initiating brief has been widely discussed with the Regions who support its focus.

12. Speakers noted that cost-effectiveness in education cannot be addressed through mechanical input/output analysis. Much of the influence on the quality of education stems from less tangible factors, especially the local culture and attitudes to education, and the extent to which local participation in the operation of the school system can be generated and made to have a voice on content and relevance. These intangible elements should not be overlooked.

13. Mr. Aklilu noted that an external panel of sectoral specialists is being constituted to provide inputs into the paper. It was agreed that for the education efficiency paper the panel should include a specialist familiar with the francophone education system. In the past these panels have proved extremely useful.

Cleared with Mr. Stern

 PDonovan:ml

LVL-01

0351

Davis, Ms. Gloria Jean

A 638



Record Removal Notice



File Title Gloria Davis - Chronological file - 1986 - 2		Barcode No. 30084779		
Document Date 09 June, 1987	Document Type Memorandum			
Correspondents / Participants To: Mr. A. Karaosmanoglu, Vice President From: R.H. Dean, Executive Director				
Subject / Title World Bank and Transmigration				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td>Withdrawn by Tonya Ceesay</td><td>Date 17-Feb-16</td></tr></table>	Withdrawn by Tonya Ceesay	Date 17-Feb-16
Withdrawn by Tonya Ceesay	Date 17-Feb-16			

Mrs. Hamilton

June 19, 1986

Drs. Muchtarudin Siregar
Deputy Chairman
BAPPENAS
Jl. Taman Suropati 2
Jakarta

~~MC~~
~~83/17~~
C.D. (old)

Dear Muchtarudin:

Re: National Project Implementation Monitoring System

We have reviewed, as requested, the Terms of Reference for the study and Design of a National Project Implementation Monitoring System (NPIMS) which you sent to us on 21 May, 1986, and find them comprehensive, clear and well thought out. We have attached detailed comments and suggestions. You will note that one suggestion is to relate this proposed system to the BAPPENAS Documentation Center for Technical Cooperation project proposed for UNDP funding, and to similar work done with USAID assistance.

As you are aware, the Bank is prepared to finance the cost of consulting services needed to assist the Government in carrying out the proposed study and design of the NPIMS. We also share the Government's concern that this work should begin expeditiously. We would, therefore, suggest that the most appropriate means of financing would be to use a portion of the funds from the Public Works Manpower Development Project, which were originally set aside for the overseas training component. Implementation of this component has been delayed to the extent that it can no longer utilize all its allocation during the current loan period, and the Bank would be reluctant to extend the loan period for this relatively small component. Consequently, some of these funds would otherwise probably be cancelled.

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The Bank would, therefore, be willing to consider favourably a request from the Government to divert a portion of funds from the Overseas Training Component for the NPIMS. The Bank would be willing also to consider continuing the financing of the overseas training component under the proposed Second Public Works Manpower Development project, should that project be approved.

With kind regards,

Sincerely,

David Williams
Deputy Director

Attachment

cc: Drs. Saadillah Mursjid, BAPPENAS
Drs. F.R. Almatsier, BAPPENAS
Ir. Radinal Moochtar, Dept. of Public Works

Messrs. Sven Burmester, Bob McCough, (AEPED)
Mrs. A.O. Hamilton (2) (AEAIN),
Messrs. Rao, Ford, Zenick

file:

FFord:amt:cb

COMMENTS ON
THE DRAFT TERMS OF REFERENCE FOR STUDY AND DESIGN OF A NATIONAL PROJECT
IMPLEMENTATION MONITORING SYSTEM

1. Page 2: The following paragraph should be inserted after the 3rd paragraph:

BAPPENAS is also proposing the establishment of a computer based system called "Documentation Centre for Technical Cooperation" to be financed under the UNDP project. This documentation system would emphasize the provision of descriptive information of the completed, proposed and on-going technical cooperation project. Another project for BAPPENAS in a similar area has now been completed with assistance from USAID. While the UNDP-proposed and the USAID system would not duplicate the proposed monitoring system, it is essential that these projects be coordinated to ensure a more powerful and efficient system. Bearing this in mind, the design of this monitoring system would take into consideration the UNDP and the USAID support systems to design and establish a relational data base in these two systems while minimizing modification of the major objectives of the proposed system.

Page 2: Paragraph 4

The initial stage of system implementation should include PLN (Perusahaan Listrik Negara) as an exemplary case for a public corporation.

Page 3: Paragraph 3.1 item (b)

Insert the following after the words ".....discussing the existing systems":

"including the proposed system to be established under the UNDP project and the system designed under the USAID supported project".

4. Page 3 Paragraph 3.I item (f)

The preliminary recommendation should also include:
- Data processing and reporting schedules.

5. Page 4: Para 3.2 item (a) Pre-loan effectiveness activities

The monitoring systems in this part should enable the monitoring of time-schedule, status and problems in the completion of activities in the different stages of loan preparation.

6. Page 5: item (b) Government understanding:


Add the following after the last word in the paragraph:

"especially of time table, status and problems in the completion of the delineated activities required in the budgeting, preparation of counterpart training and land acquisition".

OFFICE MEMORANDUM

DATE: June 23, 1986

TO: All Higher Level Operations Staff

FROM: Ernest Stern, Senior Vice President, Operations 

SUBJECT: World Bank Publications and Documents

1. External Affairs, ERS and Operations have recently reviewed the publicly issued Bank documents and agreed on the range of publications described below. We believe that this range of documents will provide for adequate dissemination of Bank analysis and research to different audiences, while assuring levels of quality control appropriate to the document, and placing work on publications in the context of our other priorities in a tight budgetary environment.

2. The basic structure of the World Bank's publications/documents -- other than institutional publications such as WDR, Policy Papers, the Annual Report and the special studies which may be agreed upon by Publications from time to time -- will consist of:

- (a) Books: Books will be subject to internal and external peer review through the Editorial Subcommittee of the Publications Committee. Books are formal publications of the Bank for which all rights are reserved. A major task such as a book must be an integral part of a unit's work program, approved by the Vice President concerned.
- (b) Journals: Two research journals exist:
 - (i) World Bank Research Observer
 - (ii) World Bank Economic Review

Publication of articles are handled by the respective editorial boards. Submissions from staff are welcome but it is recommended that staff interested in submitting articles consult with the respective Editor on the requirements of these publications at an early stage.

- (c) Occasional Papers: This series will serve to publish manuscripts of less than book length (e.g., about 100 printed pages). Manuscripts will be processed the same way as books, since the Occasional Papers are formal publications of the Bank.
- (d) Technical Papers Series and World Bank Discussion Papers: The only distinction between these two series is the subject matter. The Technical Papers series, which already exists, will be limited to technical issues in industry, energy, transport and similar sectors. The Discussion Papers will be used for policy and analytical topics in the social sciences. Both series are intended to promote the informal flow of ideas between the Bank and others in the development community, by

providing for quick and inexpensive dissemination of professionally meritorious but unpolished studies growing from our research and our technical and policy work.

These series will not be official publications of the Bank and will, therefore, not be copyrighted. A disclaimer will make it clear that the paper is being circulated solely to stimulate professional discussion and will only request attribution, if quoted. Translation rights will not be reserved to the Bank. However, papers in the two series will be listed in the Bank's catalog and will be available for sale. While not intended to convey Bank views, these papers nonetheless are issued by the Bank and we must assure that they are of suitable quality.

In ERS, papers for either series will be channeled through the Research Administrator's office. In Operations all manuscripts for these series will be sent to the Director, Operations Policy, who will be responsible for organizing the appropriate peer review. This will always include at least one reviewer from outside the originating Department. The outside reviewer would normally not be drawn from within Operations and, where possible, we will seek reviewers outside the Bank. Papers submitted must have the approval, in writing, of the Director of the originating Department and papers discussing individual countries should be cleared, in writing, by the appropriate Programs Division Chief. The Director, Operations Policy, will forward the approved manuscript to the Publications Department, which will be responsible for verifying the adequacy of review and, if deemed necessary, for obtaining additional reviews from members of a preselected panel. All such papers must carry a summary, written in clear and simple prose, setting out the problem being addressed, the methodological approach to it, the principal findings and conclusions, and the operational relevance. The physical specifications for production of camera-ready copy will remain as described in Administrative Circular 4/84 of May 23, 1984.

3. Our desire to disseminate the results of our work to stimulate professional discussions on development issues must, of course, be balanced against the cost. I expect that no more than 50 papers will be issued annually by Operations as Technical Papers and Discussion Papers, given competing priorities and demands on staff time. This is not a rigid limitation and the Director, Operations Policy, has the discretion to vary the number. However, I have asked him to provide a brief annual report on volume by originating Department in January of each year, so that this work load can be taken into account, along with others, in formulating the Operations budget.

4. In addition to the above publications and documents, which will be listed in the Bank's catalog, a few Departments in OPS, EIS and the Regions are issuing departmental papers. These will remain the sole responsibility of the Department concerned. At the initiative of the originating Department, titles can be brought to the attention of the Director,

Publications, for listing in a separate section of the catalog. Requests for listing must indicate the name and address of the person from whom copies can be obtained, since these papers will not be carried for sale, and thus are not available in the Bookstore or through the Publications Department mail order system. The annual report of the Director, Operations Policy, will include these papers, as well as any other special studies undertaken.

5. The Publications Committee will be composed of: Vice President, External Relations (Chairman); Director, Publications Department; Director, Administration; Chief, Editorial and Production Division; two members designated by the Senior Vice President, Operations; two members designated by the Vice President, Economics and Research; and two members designated by the Vice President, External Relations. The Chairman also appoints additional members, as necessary, and invites non-members to attend when matters of special interest to them are under discussion.

6. The Editorial Subcommittee will consist of four members from the Operations complex designated by the Senior Vice President, Operations, four members from the ERS staff designated by the Vice President, Economics and Research, and four members designated by the Vice President, External Relations, including the Chairman and Secretary. The Director of the Publications Department will be Chairman of the Subcommittee and the Chief of the Editorial and Production Division will be Secretary. Operations staff on these Committees will be rotated at regular intervals.

cc: Members, Managing Committee

LVL-01

0351

Davis, Ms. Gloria Jean

A 638

OFFICE MEMORANDUM

DATE June 27, 1986

TO Mr. Thomas A. Blinkhorn (IP/PA)
Through Ms. Ann O. Hamilton (Chief, AEAIN)

FROM Antony P. Cole (Chief, AEPA4) AC

EXTENSION 61001

SUBJECT Jack Anderson and Joseph Spear Article: "World Bank Money Aids in Colonization", Washington Post, June 24, 1986.

1. The attached article describes the Indonesian transmigration program as a "colonization scheme to solidify control of disputed border areas", by emphasizing settlement in Irian Jaya and the role of the military in the settlement program. It incorrectly states that "\$14 million of the Bank's latest loan of \$160 million is earmarked for aerial photography of the Irian Jaya-Papua New Guinea border area".
2. The article states that transmigration will "uproot as many as 4 million Indonesians--including soldiers, veterans and their families--and ship them from overpopulated Java to such outposts as the area along the Indonesian state of Irian Jaya and independent Papua New Guinea". This misrepresents the facts. The program is voluntary. In fact, Indonesians are on waiting lists to be "uprooted and shipped to outposts", and Irian Jaya, at least for the next five years, will continue to play a small role in transmigration, relative to Kalimantan and Sumatra. During the last five-year plan, Irian Jaya only received about 16,000 sponsored transmigrant families, or 5% of the total program. During the current five-year plan, we estimate that a maximum of 25,000 households can be settled in Irian Jaya, perhaps 8% of the total program.
3. The Bank is supporting transmigration in Irian Jaya through mapping, site selection and evaluation in the Transmigration III and V projects. The main objective of the most recent project is to improve the quality of site selection, evaluation, and planning in Sumatra, Kalimantan, and Irian Jaya. Areas targetted for site feasibility studies in Irian Jaya are scattered throughout the province (see Map 18794, Trans V SAR). The main transmigration area close to the border is the area near the port of Merauke, 75 km from the border of Irian Jaya and Papua New Guinea, where several transmigration sites were established during the government's last five-year plan (1979-84). This area is targetted for future concentrated development.
4. The Anderson and Spear article states that \$14 million of the Transmigration V loan of \$160 million is earmarked for photography of the Irian Jaya-Papua New Guinea border area, a gross exaggeration of the facts. The \$14 million is supporting aerial photography and base mapping of large areas of Indonesia: the aerial photography at a scale of 1/50,000 of 520,000 sq km in West Kalimantan, Sumatra and East Timor; base topographic maps at scale of 1/50,000 of Kalimantan, Sulawesi and part of Irian Jaya, and at scale 1/100,000 of Irian Jaya, and leveling networks of Sumatra, Sulawesi and parts of Kalimantan for a total length of about

9,000 km. Only part of the areas mentioned for Irian Jaya are for border areas. All of Irian Jaya that does not have existing maps at a scale of 1/100,000 will be mapped. The aerial photography and base mapping effort is essential to improved settlement selection.

5. The Bank recently completed a major review of the transmigration program and the report is currently being discussed with the Government of Indonesia. One important recommendation of the report which we expect to be reflected in future World Bank lending and policy dialogue with government is the need to proceed with transmigration slowly in Irian Jaya, for financial, environmental, and social reasons.

6. It is correct that members of the Indonesian Armed Forces participate in transmigration, making up a small proportion of the settlement program throughout Indonesia.

Attachment

Cleared with Mr. D. Mead (LEGEP)

cc. Messrs. A. Zulfiqar, J.-P. Baudelaire (AEPA4)
Mss. P. Schwartz (IPAPA) and G. Davis (AENIN)

HGarrison/yw

Margie for "Infor."

JACK ANDERSON and JOSEPH SPEAR

World Bank Money Aids in Colonization

Every time we rattle the cages at the World Bank, top officials of the bank are outraged—but staff-level experts who know what's going on applaud. The high muckamucks draft and redraft letters to the editor, and the working stiffs slip us more inside information.

Here's the latest chapter:

In his latest attempt to stifle the "winds of freedom" that President Reagan's speechwriters detected in April, Indonesian President Suharto has embarked on a colonization scheme to solidify control of disputed border areas. Titled "Transmigration," the costly program will uproot as many as 4 million Indonesians—including soldiers, veterans and their families—and ship them from overpopulated Java to such outposts as the area along the Indonesian state of Irian Jaya and independent Papua New Guinea.

Anti-Suharto rebels, opposed to Indonesia's colonial ambitions, have been infiltrating jungle border areas, and retreating into Papua New Guinea when attacked by Indonesian troops. The soldiers and pensioned veterans to be "transmigrated" into the area will presumably put a stop to this transborder traffic by Suharto's enemies.

This dubious exercise in expansion of a military dictatorship is financed in part by seven World Bank loans to Indonesia, totaling \$600 million—a large part of which is guaranteed by American taxpayers. Although these loans amount to only about 10 percent of Transmigration's cost, they make it much easier for Suharto to get further financing.

World Bank officials say the loans will help ease unemployment and overpopulation on Java by moving people to the outer regions.

The underlying military motive behind Transmigration was revealed at a closed meeting of Indonesian and foreign officials on March 20, 1985, in Jakarta, Indonesia. World Bank and International Monetary Fund officials were present, as well as ambassadors from a dozen Western nations, including the United States. Our associate Donald Goldberg obtained a transcript of the meeting.

Indonesian Minister of Transmigration Martono explained the rationale of the military-based "Sapta Marga villages" this way: "Sapta Marga is the doctrine of our armed forces, showing that, in addition to being members of the armed forces they are also people who are fighting for the country. They are the front of the country."

About the roles of active-duty soldiers and pensioners under Transmigration, Martono said: "The active members are to guard the area . . . the pensioned do work making the area productive for agriculture or industry."

As to what would be guarded, Martono said: "It is very important that this kind of pattern be used in sensitive areas. Sensitive areas are, for instance, places where robberies may occur or where nobody is on guard. We will try to establish Sapta Marga villages along the borders of the country."

Thus the World Bank is underwriting Suharto's plan to make Indonesia's border area secure from native rebels who resent the forced "Javanization" of their homeland. Indeed, according to internal World Bank documents, \$14 million of the bank's latest loan of \$160 million is earmarked for aerial photography of the Irian Jaya-Papua New Guinea border area—an obvious help in the antiguerrilla effort.

OFFICE MEMORANDUM

Mrs. Hamilton

DATE June 27, 1986

TO AEP Project Division Chiefs

CG

FROM Clifford Gilpin, Deputy Division Chief, AEPED

~~BB~~
GD Colr.)
Let's talk.

EXTENSION 60056

SUBJECT EDI Programming for FY88

The Coordination and Development Administrative Division of EDI is updating its regional strategy statements and planning its program of activities for FY88. Last year's Regional staff input contributed to the preparation of a Regional strategy statement and EDI FY87 program (both attached). EDI would again appreciate the advice of Regional staff during the upcoming FY88 programming exercise.

Your views and advice concerning Regional training issues which you would like to have addressed in the EDI FY88 program and beyond will soon be solicited by EDI representatives. You may wish to initiate internal discussion in your division to focus on areas of concern where you feel EDI's expertise could be applied to bring about change.

||

Encls.

cc: AEA Division Chiefs
Mr. Theodore F. Nkodo, Division Chief, EDICD

CMaguire:mb

- Very China oriented
- No country priority statements for Indonesia; hard to get a handle on country-specific support strategies.

B 4/30

OFFICE MEMORANDUM

EDI file

DATE December 19, 1985

TO Mr. Attila Karaosmanoglu, Vice President, AENVP

FROM Christopher Willoughby, Director, EDI

EXTENSION 72203

SUBJECT EDI Strategy Statement FY87-FY91; FY87 Program

1. Attached for your review and comment are: (a) an EDI Regional Strategy Statement for AEN which would guide EDI activities in the region during the next 5 years and (b) the draft program for the region for FY87. In preparing the statement consultation with the sector and program divisions took place as well as with OPS. The draft was also reviewed by the AEN Task Force on EDI.
2. The Strategy Statement has attempted to define the objectives of the Bank as a whole and of EDI in the Region, identified the principal regional and national training institutions with which EDI would collaborate, described the sources and the instruments in support of the program and indicated the sector priorities and the corresponding areas of emphasis. The recommended sectoral allocations of EDI resources which you find at the end of the statement are annual averages around which actual expenditures would vary slightly from year to year.
3. The FY1987 program is designed to respond to identified needs and priorities: 32 activities are planned, of these 15 are in China covering all sectors of EDI. There are 7 activities which are interregional covering countries in South Asia and AEN. There are 2 senior policy seminars, 11 seminars for upper middle level staff, 5 training of trainers programs, 11 courses and 3 institutional and pedagogic assistance programs. Only one activity is included in the program for the South Pacific islands; however, this may be revised depending on the outcome of a forthcoming mission scheduled for early February 1986.
4. The cost of these activities is estimated to be \$1,039,000; compared with a target of \$1.1 million; the balance, \$61,000 would finance additional activities particularly in the South Pacific. The co-financing is already available for the program as follows: in cash \$237,200 and in kind \$526,400.
5. The sector allocations for the FY1987 program roughly correspond to the sectoral allocation targets recommended in the strategy paper as shown below.

<u>Sector</u>	<u>Strategy Paper</u> %	<u>FY87 Budget</u> %
National Economic Management	12	10.0
Agriculture and Rural Development	16	22.0
Industry and Financial Management	13	8.0
Urban, Water, Health & Population	12	11.0
Energy and Power, Transport & Telecom.	12	14.0
Education and Training	10	10.0
Coordination & Development Administration	25	25.0
	<u>100</u>	<u>100.0</u>

6. The institutional development activities would receive continuous attention. Besides the institutions with which we have collaborated in the past, the program includes cooperation with various new partners: Tong-Ji University, Ching Hua University, Beijing Normal University in China, Agency for Agricultural Education and Training of the Ministry of Agriculture (AAETE), Indonesia, Center for the Integrated Rural Development of Asia and the Pacific (CIRDAP), we are also working toward possible cooperative relationship with the Asian Pacific Development Center (APDC), the Korean Development Institute (KDI).

7. I need not emphasize that the successful implementation of those activities depends to a large extent on the collaboration of AEN staff during all phases of our work. Their intellectual contribution in the design and delivery of training is counted upon as basic ingredients in these activities.

8. The Regional Strategy Statement will be reviewed every two years. However, since this is the first comprehensive strategy formulation exercise, we plan to review and improve it next year. We would appreciate receiving your comments on the statement and the FY87 proposed program by Jan. 10, 1985.

RMakharita:dt

cc: Mr. de Lusignan (EDIDR)
Mr. Gilpin (AEPED)
Mrs. Siveroni (EDIDR)
EDI Division Chiefs and Advisers
EDICD Coordinators

Economic Development Institute
 FY87 Program of Training Activities
 East Asia

12/20/85

ACTIVITY	PARTNER/ HOST	LOCATION	TYPE	NO. PART.	NET COST TO EDI	CO-FINANC. IN CASH	CO-FINANC. IN KIND
DIVISION = Agriculture & Rural Development							
Agric. Projects	SIEM/Min.Ag	China	T	40.0	56.4	0.0	26.2
Agric. Projects	AAETE	Indonesia	T	26.0	32.4	0.0	0.0
Rural Finance	CAB	India	T	9.0	19.6	17.9	0.0
Ag.Proj.Anal(MicroC)	CIRDAP	Asia	C	13.0	31.0	35.5	0.0
Agric. Marketing	SEARCA/UPLB	Phillippin	C	13.0	57.4	0.0	0.0
Pl.Mgmt.Irrig.Proj.	IMI	Sri Lanka	C	13.0	29.2	27.0	0.0

DIVISION = Coordination & Development Admin.

Gen.Proj.Planning	USP/ISAS	S.Pacific	C	26.0	67.3	30.0	3.0
Development Admin.	IAN	Indonesia	S	30.0	86.4	0.0	0.0
Monitoring & Eval.	To be det.	Asia	S	16.0	50.2	18.5	0.0
Proj.Plan. & Implem.	SIEM	China	C	40.0	22.0	0.0	39.0
Coordination/Plan.				0.1	34.5	5.7	0.0

DIVISION = National Economic Management

Int'l.Econ. Mgmt.	SIEM	China	C	40.0	16.4	0.0	36.0
National Econ. Mgmt.	CIFAB	China	C	40.0	16.4	0.0	36.0
Policy Coordination	To be det.	Korea	S	20.0	35.5	55.0	0.0
Policy Seminar	ASCI/PASCOL	S.Asia	P	10.0	34.6	21.6	0.0

DIVISION = Education & Training Design

Educ.Sector Mgmt.	To be det.	Japan	S	10.0	41.0	0.0	32.0
Education Mgmt.&Fin.	Beij.Nor.Unv	China	S	40.0	44.8	0.0	60.0
Pedagogic Assistance		Asia/EMENA	GA	0.1	14.0	0.0	0.0

DIVISION = Industry & Finance Management

Economic & Mgt Tech.	Qinghua Un.	China	C	40.0	25.4	0.0	28.0
Dev.Banking Tr.	CIFAB	China	T	40.0	15.4	0.0	30.0
Financial Policies	To be det.	To be det.	S	20.0	34.8	0.0	17.5
Inst.Assist.-ADFIAP	ADFIAP	ADFIAP	GA	0.1	11.7	0.0	0.0

DIVISION = Transport, Energy & Telecommunications

Intcon. & Transmis.	MAREP	China	S	30.0	21.2	0.0	23.8
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Economic Development Institute
 FY87 Program of Training Activities
 East Asia

12/20/85 page 2

ACTIVITY	PARTNER/ HOST	LOCATION	TYPE	NO. PART.	NET COST TO EDI	CO-FINANC. IN CASH	CO-FINANC. IN KIND
Pow. Syst. Png.	MAREP	China	S	30.0	21.2	0.0	25.8
Sem. for Trainers III	AIT	Thailand	T	20.0	71.6	0.0	0.0
Int-Mod. Transport.	MR & MOC	China	S	40.0	17.5	0.0	23.8
Highways II	Xian Hwy. Ins	China	C	40.0	11.2	0.0	10.7
Railways III	SIRT	China	C	40.0	5.6	0.0	17.7

DIVISION = Urban, Water & Health

Housing & Urb Dev.	Tong-ji Univ	China	C	40.0	26.1	0.0	37.8
Urb. Fin. (China)	To be det.	China	P	20.0	18.7	0.0	32.1
Urb. Wat. S. & San.	LWUA	Philippine	PA	26.0	2.8	0.0	20.0
Urb. Wat. S. & San.	MURCEP	China	S	26.0	29.8	0.0	27.0
Health Sector Mgmt.	To be det.	S/E Asia	S	13.0	36.9	26.0	0.0

Total				811.3	1039.0	237.2	526.4
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C = Course

S = Seminar

P = PPolicy

EA = Pedagogical Assistance

EAST ASIA AND PACIFIC REGIONAL STRATEGY STATEMENT

I. INTRODUCTION

1. This statement outlines the EDI strategy for East Asia and the Pacific Region during the next five years, FY1987-1991. The objective is to provide EDI Divisions with a basis for the design of training programs, institutional development, training materials and pedagogical support activities. Developed in the framework of EDI operational objectives, the statement reflects the Bank objectives and planned programs in the Region.

Review of EDI Programs in the Region in FY1985 and FY1986

2. During FY1985 the program for China included 10 activities covering 49 training weeks. These aimed at supporting and enhancing the on-going economic reforms, the improvement of sectoral planning and management and the increase in industrial productivity. The development of trainers skills in development banking was the subject of a specialized seminar. The use of examination and standard testing methods was the focus of a seminar for the Ministry of Education officials. The collaborating institutions were basically CIFAB and SIIEM. The UNDP co-financing participation covered the costs of four of these activities. A review and evaluation of the entire China program will be conducted in March/April 1986; the UNDP program will be extended for three more years to FY1990.

3. In the rest of the region, six activities covering 17 training weeks were completed; these concentrated on the urban, agriculture, education and energy sector to improve sectoral planning and management skills and train trainers for the energy and power sector. Four of these activities were regional and two national. The latter took place in Thailand for developing skills in the preparation and management of rural development projects and in Indonesia to improve the implementation of education projects. Institutional assistance was provided to Indonesian training institutions at the Ministries of Home Affairs, Public Works and Finance. This was followed up by special assistance to a team of five senior officials from these Ministries and the National Planning Agency (BAPPENAS) for the preparation of a comprehensive national training system for urban development and management. (FY1985 Program, Annex 1, total number of participants for all the Region, all sectors, 754).

4. The FY1986 program for China has continued along the same line of FY1985 but a seminar was added for education managers in the provinces and another on monitoring of project implementation and ex-post evaluation. A total of eleven activities are programmed. Institutional assistance will continue to be provided to the SIIEM and CIFAB to enable them to take over the organization and delivery of these activities in the near future.

5. In the rest of the Region, 15 activities are being implemented. Of these, 4 are country-specific activities: Indonesia (2), Thailand (1) and the Philippines (1). Nine activities are offered for participants from the South and East Asia and Pacific Regions. Moreover, 13 activities are being implemented to which participants from all the regions are invited. (FY1986 program, Annex 2).

II. EDI OBJECTIVES IN THE REGION

6. Bank and Overall Objectives: The Bank overall objective is to achieve the macroeconomic adjustments necessary for stabilization and economic growth; virtually all countries in the Region are in the midst of important structural efforts. The Bank aims at assisting the countries to remove the institutional impediments which reduce the effectiveness of adjustment policies and strengthening the government's capability to formulate and implement sound investment policies; mobilize and rationally utilize resources. The principal objective of Bank assistance is to increase public sector efficiency, improve sectoral planning and management, operate and maintain infrastructure resources and develop private investment mechanisms in support of diversified industrial and trade enterprises. Export promotion and improving the domestic productive sectors particularly in agriculture and industry are principal objectives for the small economies of the Pacific Islands.

7. The objectives of EDI are closely related to major development objectives of the Bank and of member countries in the Region. For the purposes of formulating EDI strategy, these countries form four distinct groups according to their development level: a) very large, low-income countries: China and Indonesia; b) middle income countries with relatively advanced institutions: Korea, Malaysia, Philippines and Thailand; c) small economies: South Pacific Islands, Fiji, the Solomon Islands, Vanuatu, Western Samoa and Tonga; d) Indo-China, where little or no lending operations exist. In this context, EDI objectives in the Region are to:

- (a) strengthen the ability of the above countries to formulate and implement adjustment policies and to mobilize and efficiently utilize available resources;
- (b) improve the countries' capacity for developing and operating sound financial markets and trade policies;
- (c) increase the countries' capacity for enhancing the productivity of agricultural and industrial enterprises and for promoting exports and the use of incentives in support of growth policies in the productive sectors;

- (d) strengthen the capacity of government institutions particularly in the low-income group to prepare and manage development projects and to analyze and remove the institutional bottlenecks that have impeded successful project implementation;
- (e) improve the quality and relevance of training provided by national and regional training institutions with increased emphasis on sector organization and management and development administration;
- (f) maintain the Bank relationship with Vietnam, Laos and Cambodia by encouraging their officials to participate in EDI training activities.

8. The management of the national economy, the organization and management of productive and service sectors and infrastructure resources are common denominators in these objectives. However, distinctions will be made in activity design to reflect the different needs and priorities of the four groups of countries in the Region as described in Part V.

III. REGIONAL AND NATIONAL TRAINING INFRASTRUCTURE

9. EDI has established and will continue to develop collaborative relationships with several regional and national institutions to achieve its training and institutional development objectives as indicated below.
- a) In the area of national economic management, EDI will continue to collaborate with the South-East Asian Central Bank Research and Training Centre (SEASEN), located in Kuala Lumpur to organize regional seminars. At the national level, EDI will continue to collaborate with the Shanghai Institute of International Economic Management (SIEM) and the Central Institute of Finance and Banking (CIFAB) in Beijing; we also plan to increase the number of counterpart training institutions under Chinese technical ministries and universities.
 - b) In the areas of agriculture, irrigation, rural development and credit, EDI has collaborated with a network of institutions. The Centre for Integrated Rural Development for Asia and the Pacific (CIRDAP) located in Dhaka, organizes training in the area of project preparation and rural finance. The college of Agricultural Banking at Pune, India, has also cooperated with EDI in organizing regional activities in rural finance for trainers. The newly created International Irrigation Management Institute (IIMI) located in Colombo, is assisted by the Bank and has the potential of becoming an effective partner of EDI. The Asia and Pacific Regional Agriculture Credit Association (APRACA), located in Bangkok, provides advisory services and training in agricultural and rural

credit. The South East Asia Regional Commission for Agriculture (SEARCA) located at the University of Los Banos in the Philippines, is strong in research and materials development. The Asian Institute of Technology (AIT), located in Bangkok, is showing good potential and may replace SEARCA as an EDI partner in this area.

- c) In the area of development banking and finance, EDI collaborates with the Association of Development Financing Institutions for Asia and the Pacific (ADFIAP), located in Manila. Under a UNDP-financed, EDI-executed project (RAS/79/070/G/01/42), ADFIAP organizes regional faculty development programs, assists development banks in establishing their own training programs and holds expert meetings to prepare and review training materials. This program is expected to continue to FY1991.
- d) In the education sector, there is no regional institution with which EDI has a specific cooperative relationship. In China, EDI will collaborate with the Beijing Normal University.
- e) In the urban and housing sector there are no regional institutions to offer the required training. EDI collaborates with national institutions to organize regional and national courses and seminars. EDI will collaborate with the National Institute of Administration (INTAN), located in Kuala Lumpur for organizing a regional seminar on urban management and housing. In the Philippines, the Water Authority in Manila helps in developing training materials in Water Supply and Sanitation. In Indonesia, a network of local institutions composed of the Ministries of Finance, Public Works and Home Affairs will mount a major national training program in urban management with assistance from EDI. In China, EDI will cooperate with the Tongji University.
- f) In the transport and energy sectors, EDI will collaborate the Asian Institute of Technology (AIT) for a regional trainers program. For national programs in China, EDI plans to work with Chinghua University in the areas of energy and technology transfer and with the Shanghai Institute of Railway Technology (SIRT) and the Sian Highway Institute in the transport sector.
- g) In the South Pacific area, the Institute of Administrative and Social Studies (ISAS) at the University of the South Pacific, has a regional mandate by the major islands governments. Efforts are being made for effective collaboration with ISAS.

IV. RESOURCES AVAILABILITY

10. EDI Resources: The resources available to EDI to achieve its objectives in the Region come from direct budgetary allocation with a planned average of \$1.2 million p.a. for all sectors during the five-year period. To this amount is added about \$100,000 for the preparation of studies and training materials.

11. Co-financing resources in the Region come principally from UNDP-financed project for China. In the last three years the UNDP support for the China program amounted to approximately \$500,000 per annum. This is expected to be renewed for three more years FY1987-FY1990 for a possible amount of \$1.5 million. UNDP also finances regional training activities under project No. RAS/79/070/I/42 entitled: Support to UNDP/EDI Development Training in Asia (both South and East Asia and the Pacific). This project has just been revised and an amount of \$1,894,844 has been approved to cover activities in the two Regions for FY1986-FY1988; about 50% of this amount will be used to finance activities in East Asia and the Pacific Region. It is expected that before its completion, this project will be considered for renewal for another three years. In addition, UNDP is prepared to consider complementing the existing project for Asia to finance additional activities in the South Pacific sub-region if a collaborative program covering priority areas can be developed in the near future.

12. Less important in magnitude and sustainability are those ad hoc resources which are sometimes made available to EDI by the Australian Development Assistance Bureau (ADAB). Their interest in co-financing specific activities, particularly in the agriculture and energy sectors, is sought on a case-by-case basis. Two potential sources for co-financing are: a) the Asian Development Bank which has recently expressed interest in exploring cooperative possibilities with EDI; b) Japan, their support will actively be sought for co-financing activities in areas where their development experience is particularly relevant, such as development of trade and industry, and vocational education. EDI, the Region and the recipient countries may also sometimes agree to utilize project funds for PRT activities that are relevant to EDI as in the case of China, Indonesia urban project and other national activities.

V. EDI FIVE YEAR STRATEGY

13. Main Priorities: Consistent with Bank and EDI objectives, activities will focus on: the process of adjustment and stabilization, sector planning and management, project implementation, and the institutional aspects of development programs. Activities will cover national economic management, agriculture, urban planning and management, education policies, development banking and finance, trade policies and promotion, transport, and development administration.

14. China will continue to be given high priority. The strategy consists of direct training in project and economic management and of developing the capacity of counterpart training institutions. The program will involve three main types of training. First, we will continue to hold policy seminars in Washington for senior Chinese officials every two or three years. Second, there will be a series of macroeconomic training courses in China for middle level officials which will include courses on national and international economic management, public finance and financial sector development. Courses on project analysis and implementation will progressively be handed over to local training institutes. EDI will continue to provide some technical assistance particularly with regard to staff training at CIFAB and SIIEM and the development of training materials focussing on Chinese cases. Cooperative efforts will be developed with other institutions particularly Tongji University, Chinghua University, Shanghai Institute of Railway Technology the Xian Highway Institute and the training centers under relevant technical ministries. As we assist in building their institutional capacity, Chinese officials will be more involved in program design and delivery.

15. In Indonesia, priority will be given to agriculture and rural development, and to urban finance and management. Emphasis will be on project and program preparation and implementation. In agriculture, one program will be organized per year, possibly with the assistance of CIRDAP, and the urban program now being implemented with Dutch assistance will continue to receive some EDI assistance. There are other important areas that may be introduced: personnel management, land tax systems development for cost recovery and water pollution control. Indonesian officials will continue to be invited to participate in regional training activities in the areas of: public enterprise management, public resource mobilization, transport energy, water supply and sanitation, development finance and credit.

16. The middle-income group of countries would be invited to send participants to regional seminars to be held in cooperation with regional or national institutions. Trainers from those countries would participate in the sector programs for trainers.

17. The South Pacific: A programming mission will determine jointly with the Institute of Social and Administrative Studies (ISAS), University of South Pacific, and the Islands Governments the activities to be undertaken in priority areas over a period of 2-3 years subject to a subsequent review at the end of the period. Such activities would be organized in collaboration with ISAS in different islands.

18. The Indo-China group: EDI will maintain the relationship between the Bank and Vietnam, Laos and Cambodia by inviting participants to activities to take place in India and/or Malaysia, two countries where they are allowed travel by their own authorities.

Main Instruments

19. EDI will use a variety of instruments to achieve its objectives:

- (a) Senior policy seminars for officials involved in policy analysis and formulation: These seminars discuss policy issues and develop capacity for developing alternative options and decision-making;
- (b) Regional and national courses and seminars for upper middle-level officials where specific sectoral skills are developed to enhance the capacity of individuals and their institutions;
- (c) Institutional development activities for training institutions particularly in China;
- (d) Training of trainers in different sectors to multiply the effect of training;
- (e) Participants selection could be preceded by carefully described profiles for each activity. The two-tier approach whereby upper middle-level officials and their managerial supervisors participate either together or in tandem to allow for active discussion of specific issues and their possible solutions has proved to be a successful approach and would be continued where applicable;
- (f) Training evaluation and follow-up in the countries and institutions of participants to assess training impact and learn from experience to improve future activities.

Sectoral Activities

20. Within EDI resources, sectoral activities may be limited to those priority areas. Divisions would plan to organize 2-3 activities each per year (one or two of these may be in China) as described below:

- (a) In National Economic Management courses would be given in China and the region for upper middle level officials. Specific themes of emphasis would be agreed upon between the NEM Division and regional economists.
- (b) Agriculture and Rural Development activities are needed throughout the region, particularly to increase technical and problem-solving skills. Inter-regional activities would be organized to utilize the resources of regional training institutions and allow for exchange of experiences and discussion of common problems.

- (c) Industry and Financial Management activities would emphasize policies and institutional aspects. China would continue to benefit from one course per year in this area, particularly for technology choice, development and transfer. Participants from the region may attend activities organized outside the region such as in the area of public enterprises.
- (d) Education and Trainers' activities would be organized at national level in China and regionally for the remaining countries. Training of trainers' activities would be organized in several sectors. Education activities would emphasize sector planning, finance and management.
- (e) Urban, Water Supply, Population, Health and Nutrition activities would be organized to develop national and regional capabilities to better manage the steady transformation of many countries in the region from rural, agricultural-based economy to an urban, industry-based economies. Health care in rural and urban centers and the formulation of related policies are of concern for some countries of the region. Participants from those countries could participate in inter-regional activities.
- (f) Energy, Transport and Telecommunications seminars would be held in China. EDI support would be continued for the regional energy trainers' seminars.
- (g) Development Management activities would concentrate on some national activities for the first 2-3 years due to the country-specific issues it would address in attempting to improve the performance of administrative agencies for project implementation or in solving issues related to personnel management in the civil service.

Recommendation for Resource Allocation by Sector

21. On the basis of objectives and sector priorities discussed above, the following average annual percentages are recommended for allocating EDI direct resources. This will be reviewed annually during the programming period to meet program needs.

National Economic Management	12%
Agriculture and Rural Development	16%
Industry and Financial Management	13%
Urban, Water, Health and Population	12%
Energy and Power, Transport and Telecommunication	12%
Education	10%
Coordination and Development Administration	25%
TOTAL	<u>100%</u>

Economic Development Institute
 FY1986 Program of Training Activities
 East Asia

08/06/85

DIV.	ACTIVITY	LOCATION	TYPE	NO. PART.	EST. COST TO ECI	RE. PE. FB. IN CASH	CO-FINANC. IN KIND
SECTOR =							
68)	CD	Coordination - Regions/Countries		0.1	29.5	0.0	0.0
242)	EM	Institutional Assist.: SIIEM/CIFAR	China	GA	0.1	1.8	0.0
Sector subtotals				0.2	31.3	0.0	0.0
SECTOR = Agriculture							
10)	AR	Plan. & Mgmt. of Rural Dev. Proj.	Indonesia	T	26.0	47.1	9.0
13)	AP	Agricultural Invest. Anal. & Finance	China	C	40.0	16.6	0.0
14)	AP	Rural Finance for Trainers	India	T	12.0	49.9	20.3
247)	AR	Training Materials Workshop	Bangladesh	FA	12.0	30.0	22.2
Sector subtotals				90.0	143.5	53.4	51.1
SECTOR = Development Administration							
61)	CD	Development Administration	Philippines	S	26.0	30.6	0.0
Sector subtotals				26.0	30.6	0.0	50.0
SECTOR = Education							
109)	ET	Prov. Education Sec. Mgmt. for China	Washington	S	33.0	118.0	0.0
Sector subtotals				33.0	118.0	0.0	83.2
SECTOR = Energy/Power							
233)	TT	Trainers' Sem. (Energy/Power Sect) II	Thailand	T	20.0	60.4	0.0
Sector subtotals				20.0	60.4	0.0	0.0
SECTOR = Finance							
146)	IF	Assistance to ADFIAP	Asia	GA	0.1	6.2	0.0
Sector subtotals				0.1	6.2	0.0	0.0
SECTOR = General Projects							
64)	CD	Project Planning and Implementation	China	C	40.0	18.1	0.0
222)	CD	Monitoring & Ex-Post Evaluation	China	C	40.0	19.7	0.0
Sector subtotals				80.0	37.8	0.0	59.0

DIV.	ACTIVITY	LOCATION	TYPE	NO. PART.	TOTAL COST TO EDI	REFUNDABLE IN CASH	CO-FIN-NC. IN KING
SECTOR = Industry							
(142)	IF Econ. Mgmt. of Tech. Transformation	China	C	40.0	54.2	31.0	18.8
(144)	IF Industrial Project Financing	China	C	40.0	45.0	0.0	64.3
Sector subtotals				80.0	99.2	31.0	83.1
SECTOR = National Economic Management							
(81)	EM National Economic Management	India	C	4.0	7.8	3.1	4.6
(82)	EM National Economic Management	Malaysia	C	30.0	126.4	54.1	50.0
(83)	EM International Economic Management	China	C	40.0	28.4	0.0	61.0
(85)	EM Government Finance & Budget Mgmt.	China	C	40.0	37.4	0.0	62.0
(86)	EM National Economic Management	China	C	40.0	28.4	0.0	56.2
(243)	EM External Debt Seminar	Asia	S	13.0	39.3	22.5	0.0
Sector subtotals				167.0	267.7	79.7	255.8
SECTOR = Transport and Communications							
(166)	TT Transport - VI: Highways	China	C	40.0	29.6	0.0	58.7
(167)	TT Transport - VI: Railways	China	C	40.0	24.0	0.0	60.7
Sector subtotals				80.0	53.6	0.0	119.4
SECTOR = Urban							
(192)	UW Urban Proj. Prep. & Implem. (Housing)	China	C	40.0	30.9	0.0	53.9
(194)	UW Urban Finance & Mgmt. for Trainers	Indonesia	T	26.0	80.9	6.0	30.5
(195)	UW Urban Finance and Management	Sri Lanka	C	8.0	24.9	0.0	32.5
(196)	UW Urban Finance and Management	Sri Lanka	P	6.0	8.5	0.0	7.3
Sector subtotals				80.0	145.2	6.0	124.2
SECTOR = Water Supply/Sanitation							
(239)	UW Water Sup./Sanit. Proj. Plan. & Implem	China	C	40.0	36.9	0.0	53.9
Sector subtotals				40.0	36.9	0.0	53.9
Region totals				696.3	1030.4	170.1	879.7

Economic Development Institute
 FY1 Program of Training Activities
 East Asia

08/06/85

DIV.	ACTIVITY	LOCATION	TYPE	NO. PART.	EST. COST TO EC2	REPEL. FB. IN CASH	CO-FINANC. IN KING
SECTOR =							
68)	CD	Coordination - Regions/Countries		0.1	29.5	0.0	0.0
242)	EM	Institutional Assist.: SIIEM-CIFAB	China	GA	0.1	1.8	0.0
Sector subtotals				0.2	31.3	0.0	0.0
SECTOR = Agriculture							
10)	AR	Plan. & Mgmt. of Rural Dev. Proj.	Indonesia	T	26.0	47.1	9.0
12)	AP	Agricultural Invest. Anal. & Finance	China	C	40.0	16.6	0.0
14)	AP	Rural Finance for Trainers	India	T	12.0	49.9	20.3
247)	AR	Training Materials Workshop	Bangladesh	FA	11.0	30.0	22.2
Sector subtotals				90.0	143.5	53.4	51.1
SECTOR = Development Administration							
61)	CD	Development Administration	Philippines	S	26.0	30.6	0.0
Sector subtotals				26.0	30.6	0.0	50.0
SECTOR = Education							
109)	ET	Prev. Education Sec. Mgmt. for China	Washington	S	33.0	118.0	0.0
Sector subtotals				33.0	118.0	0.0	83.2
SECTOR = Energy/Power							
233)	TT	Trainers' Sem. (Energy/Power Sect) II	Thailand	T	20.0	60.4	0.0
Sector subtotals				20.0	60.4	0.0	0.0
SECTOR = Finance							
146)	IF	Assistance to ADFIAP	Asia	GA	0.1	6.2	0.0
Sector subtotals				0.1	6.2	0.0	0.0
SECTOR = General Projects							
64)	CD	Project Planning and Implementation	China	C	40.0	18.1	0.0
222)	CD	Monitoring & Ex-Post Evaluation	China	C	40.0	19.7	0.0
Sector subtotals				80.0	37.8	0.0	59.0

Revised April 1985

ECONOMIC DEVELOPMENT INSTITUTE

WISPS Program

East Asia & Pacific

Timing	Type	Scope	Activity	Location	Partner/ Sponsor	Lang.	Dur. Mks.	SEC	EDI Staff Responsible	Staff Weeks			Remarks	
										EDI	WB	ONS		TOTAL
Aug 06-10	S	(R)	Planning, Financing & Managing City Growth	Thailand	NIDA/UNIKS/ADAB	R	1	URB	Herbert	4	-	3	7	Completed
Oct 08-Nov 23	C	(R)	Energy/Power Projects	China	MOEP	R	7	ECY	Minnig	14	5	3	22	Completed
Oct 15-26	PA	(R)	Water Supply/Sanitation	Philippines	IMJA	R	2	MSS	Kingslog	2	-	-	2	Completed
Nov 05-19	S	(R)	Workshop on Implementation of Education Projects	Indonesia	Min. Education	E/B	1	EDC	M. Huskin	3	10	-	13	Completed
Nov 13-Jan 11	PA	(R)	Rural Development Projects	Thailand	NIDA	R	4	ACR	Kiz	2	-	-	2	
Jan 10-21	T	(R)	Seminar for Trainers (Energy/Power Sector)	Thailand	AIT	R	2	ECY	Minnig	14	-	4	18	
General Institutional Assistance:														
	CA	(R)	Assistance to Ministries of Public Works, Home Affairs and Finance, LAN (SESPA), and BAPPENAS	Indonesia	LAN	R			CDA Staff/Gittinger Herbert					To be followed by Urban Proj. Implem. Course in FY86.
Activities Reported to FY86:														
	C	(R)	Development Management	Philippines	DAP (?)	R	4	DVA	Makarita	4	-	4	10	
	C	(R)	General Projects Planning	Fiji	UNEP/ISAS	R	4-6	CEP	Joris	10	2	-	12	
	C	(R)	Agricultural Sector Planning & Proj. Formulation	Solomon Islands	UNEP/ISAS	R	5	ACR	Zimmer-Wortman	10	-	-	10	

DRAFT

TRANSMIGRATION SETTLEMENT PLANNING ADVISORY GROUP

MEMORANDUM

PROJECT Transmigration Settlement Planning DATE 1st July 1986

TO Ir. Kusubandio YOUR REF

FROM Transmigration Advisory Group OUR REF 916/2/A/ 7135

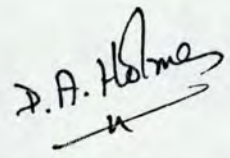
SUBJECT Minister's proposed visit to Europe and America

On June 25 the Director informed us that the Minister of Transmigration is planning to visit Europe and America on July 12 with a specific purpose of replying to recent international criticism concerning the Transmigration Programme. The Director requested us to prepare a revised memorandum based on our earlier response to The Ecologist (Our Memo 916/2/A/7038 dated 2nd June 1986), adding our own opinions related to the future of the programme.

Our revised Memorandum accompanies this. The Memorandum is written as if prepared by the Ministry (e.g. "our policy", "we will consider"), but please note that the opinions are expressed as if these were government policy. Clearly, in view of the World Bank's present mission in Jakarta and Mr. Baudelaire's forthcoming visit, the opinions stated must be very carefully considered and perhaps amended in the light of any policy decisions now under discussion.

The Director agreed that it would be very useful if members of the Advisory Group could be given the opportunity to discuss this Memorandum with the Minister prior to his departure. We would very much welcome such an opportunity and hope that you will be able to make the necessary arrangements.

We look forward to receiving your response,



for D.J.T. Donald
Team Leader.

cc. : Ir. Widarbo Dharmosusilo
Ir. Indra Samiarsa
916/2/P1

DAH/ss

A MEMORANDUM ON CRITICISMS TO THE TRANSMIGRATION PROGRAMME

BACKGROUND

The gross population of Indonesia is around 168 million. However the distribution is extremely uneven, with 64% living in Java, which constitutes only 8% of the gross land area. Population densities on Java are about 758 per square kilometre, one of the highest in the World, compared to 15 in Kalimantan and only 3 in Irian Jaya. In Java, 85% of the population is rural and engaged mainly in agriculture, but 60% of farming families have land holdings of less than 0.5 hectares, 15% hold less than 0.1 hectare. 40% of the rural population live below the poverty line (incomes less than \$ 540 per year). Despite the success of family planning programmes, population pressures are continuing to result in steadily increasing unemployment and severe environmental degradation. Unofficial clearance of catchment areas for unsuitable subsistence agriculture is disrupting hydrological regimes, causing floods and water shortages in the fertile rice producing lowlands which form the basis of the rural economy. International observers who are critical of the policies of the Government of Indonesia (GOI) must relate their criticism to the context of these frightening realities and the huge scale of the problems for which we are struggling to seek solutions. Assisted by international funding, we are tackling the problems over a wide range of sectors, such as family planning, irrigation, agricultural intensification and small industries, as well as social welfare. The success of our programmes is illustrated by the recent growth of the nation from being a major rice importer to a surplus producer. However, while we are seeking to raise the carrying capacity on the island of Java, as a developing country we do not yet have the technology and resources for major expansion outside the primary agricultural sector. At the present time, solutions have to be found in this sector.

Meanwhile, in our outer islands, a relatively small population is engaged in low-intensity shifting cultivation without the benefits of more advanced farming methods. To achieve this, they are rapidly depleting our forest resources and degrading the environment. The forest fires that damaged 3.5 million hectares of East Kalimantan in the drought of 1982/83 were started by shifting cultivators.

One of the options available to address these problems and reduce the disparity is transmigration. The major objective of the transmigration programme is the development of the outer regions through the transfer of manpower, together with alleviation of poverty in Java and the adjacent inner islands. We are aware that Java's population is unlikely to be reduced through this means, but it is a fact that if the 1979-1984 (Repelita III) migration levels were maintained over the next fifteen years, by the year 2020 the population of Java would be 13% less than what it would be without transmigration, and 24% of Java's incremental labour force would be absorbed.

The programme is based on the concept that the transmigrants must be able to feed themselves before they can contribute to regional development; the planning, implementation and inputs are directed toward this initial objective. As regional development proceeds, this will enable the emphasis

of transmigration to shift into the secondary and tertiary sectors, and away from farming with its heavy demand for new land.

The urgency of the demographic and social problems has been the reason for setting very high targets of resettlement, and it is perhaps the scale of the programme that lies behind the anxieties of observers concerned with environmental issues. We are aware that high targets have resulted in planning mistakes and implementation errors, and we have therefore invested heavily in a planning programme to ensure that earlier deficiencies are rectified. We will maintain the high planning standards that we have developed over the present decade, and we are now seeking to rectify deficiencies that still occur in the implementation stage. The investment is high, and we are engaging international consultants to assist us and to raise the capabilities of our own consultants. We are concerned with improving the quality of the programme, to ensure that the settlements do succeed, that environmentally unsuitable sites are avoided, and that the ethnic minorities are permitted to maintain their individual cultures while being assimilated into the benefits of regional development programmes at a pace that is in accordance with their traditional rights and skills.

We welcome criticism where it is based on facts, as this encourages us to maintain and improve our standards. Critics would be welcome to come and see the problems for themselves, first in the overcrowded countryside and cities of Java, and then in the settlement sites in the outer islands.

This memorandum is devoted to answering the criticisms made recently against the transmigration programme, more specifically in a recent issue of THE ECOLOGIST (Vol. 16, No. 2/3). Quotations are taken from The Ecologist under a number of headings and then discussed.

1. TARGETS

- p. 59 - "Repelita IV target for Irian Jaya is 685,000 settlers" (137,000 families)
- p. 61 - "Over 3.6 million moved by 1984 further 65 million in the next twenty years".
- p. 75 - "Government intends 137,000 families in Irian Jaya and 328,000 families in Kalimantan during Repelita IV"
- p. 103 - "By 1984 settled (in Irian Jaya) over 30,000"

COMMENT ON SECTION 1

The Ecologist's observations are based on published targets, whereas there is considerable discrepancy between the targets and actual realization. In practice, owing to the enormous logistic problems in implementation, together with increased budgetary constraints imposed by the collapse in oil prices, we are having considerable difficulties in reaching our targets. While on the one hand, the actual resettlement figures abrogate much of the criticism, on the other hand we are very concerned that slower targets will reduce our opportunities to attack the problems that the programme is designed to address.

Under our third five-year plan (Repelita III, from 1979-1984), the total number of sponsored families that were resettled was 366,000 (approximately 1.5 million people), of which 300,000 were moved from Java. The remainder included local farmers who wished to join the settlements, and resettlement of earlier transmigrants who had moved themselves (spontaneous transmigrants) but who had settled in environmentally unsuitable areas. In addition, it is estimated that a further 170,000 spontaneous migrants moved to the outer islands.

The Repelita IV target (1985-1989) was raised to 750,000 families, but we are realizing that it may now be impossible to achieve this ambitious target, because of unpredictable budgetary constraints and related problems. As far as possible, we are seeking ways to balance the reduction in sponsored agricultural settlement by creating employment opportunities to encourage spontaneous migration in sectors that do not require the preparation of extensive land for agriculture.

In Irian Jaya in particular, the impact of transmigration is proving to be slow. The total number settled over the ten years up to 1984 was only 19,000 families, not 80,000 as stated in The Ecologist. We now estimate that only some 20,000 families will be settled over the period 1985-1989, not 137,000 as originally targeted for this province.

In order to accommodate the problems we are presently facing in implementation, we are currently considering a reduction in sponsored settlement during 1986/87 from 110,000 to 60,000 families. Thereafter, the situation will be reviewed annually.

2. AREAS

- p. 58 - "Over 3.3 million hectares of tropical forest will be destroyed by Transmigration during the present Five-year Plan" (repeated on p. 80).
 - "Over one million hectares per year" in Indonesia (repeated on p. 79).
 - "Single sectoral activity with the greatest potential to advance forest destruction incompatible with the World Bank's own environmental policy guidelines"
- p. 61 - "Millions of hectares of undisturbed tropical rainforest"
- p. 63 - "Destruction of vast areas of tropical rainforest"
- p. 80 - "80 percent of Transmigration sites are to be established in primary (that is, untouched) forest" during Repelita IV.
- p. 82 - "The minimum amount lost from the forest estate calculated at 3.3 million ha" (emphasis on "minimum").
 - "Clearing between 15,000 and 20,000 ha/site".

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- p. 83 - In Central Kalimantan government targets project the clearance of nearly seventeen times as much forest from 1979-1989"
- p. 84 - "2 - 3,000,000 ha of first stage clearance every year"
- p. 85 - "Aid agencies are assisting in the annual destruction of 270,000 ha of primary rainforests".

COMMENT ON SECTION 2

These quotations from The Ecologist are inaccurate and alarmist. The total number of sponsored families moved from Java between 1950 and 1984 is less than 500,000, and the land prepared to receive them is less than one million hectares. About half of this was forest land, but this was rarely undisturbed primary forest.

As pointed out in the previous section, the Repelita IV target of 750,000 families is unlikely to be achieved. Nevertheless, even this target figure would involve the initial clearance of less than one million hectares, which is about 0.5% of our gross land area. On each site, only about 5,000 hectares or less is cleared, not 15,000 to 20,000 hectares as quoted. Eventually the cleared area will increase, as the settlers open up their second hectare, and as additional spontaneous settlers move in. In reality, the actual area cleared will now be considerably smaller. In Irian Jaya, the total area cleared for transmigration, so far, is only about 40,000 hectares.

Secondly, very few settlements are planned in undisturbed forest. To illustrate this, we will use the experience of the current planning programme under the World Bank's Trans III loan. About 40% of sites are in logged forest and 19% in secondary growth or grassland. The remaining 41% are in unlogged forest but nearly all of these lie in southern Irian Jaya where the forests are of very poor quality and carry very low stocks of commercial timbers.

We are now very careful to avoid the planning of sites in rich undisturbed forests, and it is our policy to plan whenever possible the use of sites that are predominantly under secondary growth, grassland, burnt forest (East Kalimantan) or logged forest with poor regenerative capacity.

3. SHIFTING CULTIVATION

- p. 78 - 160,000 sq-km rainforest world wide lost every year to landless "slash-and-burn" cultivators (i.e. 80% of the annual total).
- p. 79 - "20 million ha are degraded scrub or alang-alang"
- Sulawesi has 30.5% of land area in "critical condition" and Sumatra has 2.3 million ha. "In the past, both islands have borne the brunt of resettlement under the Transmigration Programme".
- p. 80 - "Transmigration main cause of forest degradation".

- p. 82 - "Extensive area of Sumatra and Sulawesi, formerly heavily forested now as crowded and devoid of trees as parts of Java".
- p. 84 - "10 percent of the total forest areas in Kalimantan, Sulawesi and Nusa Tenggara is affected by 723,000 families practising shifting cultivation" "differentiate between the traditional rotation cropping practiced by indigenous people, and the new comers who are forced into the forest"
- "The newcomers may be 'wild settlers' or the newcomers are displaced transmigrants whose programmes have failed". "Observers (do not) believe that indigenous people are to blame for this destruction; it is very doubtful whether there are one million families of genuine shifting cultivators in Indonesia probability that a significant proportion are shifted cultivators, the unfortunate victims of Transmigration which has misfired".
 - "..... after generations of experience, indigenous people understand the natural tolerances of forest ecosystems avoid soil erosion, extensive and permanent forest clearance and failed crops".
- p. 88 - "Vast areas of degraded land that exists throughout Indonesia".
- p. 92 - "The only true nomadic rural peoples are the displaced peasantry from the central islands many of whom (are) transmigrants".

COMMENT ON SECTION 3

The Ecologist describes shifting cultivation as a viable system of agriculture practiced by indigenous peoples, but also acknowledges that it is the primary cause of destruction of rain forest world wide. It implies, sometimes directly, that displaced transmigrants are the main agent for creating the "vast areas of degraded land". This is based on opinion, and appears to lack factual support.

The fact is that shifting cultivation is a viable system only while the population level of the indigenous people remains low. Once natural populations increase beyond certain limits, the system leads to extensive forest clearance and rapid degradation. This point has already been passed in all the areas mentioned in The Ecologist. The critical lands of Sulawesi (mainly the central plateau and hills north of Enrekang) and Sumatra (Toba plateau, Padang Bolak etc) have been degraded by indigenous farmers seeking subsistence, and not by "rural nomads from the central islands".

Analysis of maps and figures available for Central Kalimantan shows that 3.4 million hectares or 22% of the province have been permanently cleared of forest, but that only 300,000 hectares are under permanent cultivation. With approximately 260,000 farming families in the province in 1983, this gives a ratio of 13 hectares per family. Infact, 750,000 hectares have already been degraded and abandoned.

Land system and land use have not yet been mapped regionally for West Kalimantan, but it is estimated that up to one-third of the province has been cleared (4.8 million hectares), with a farming population in 1983 of 660,000 families. Most of the land suitable for agriculture has now been occupied, large areas are known to have become degraded, and shifting cultivators are moving into steeplands and infertile areas.

The implications of these facts are a cause of great concern. First, many areas are now critical and would be extremely difficult and costly to reclaim. Critical areas are also common in upland Java, with no room for further expansion, and indeed this is one major reason for the transmigration programme.

Evidence from our studies in Kalimantan shows that in some areas, indigenous farmers now have no alternative but to clear infertile land that they know will support them for one or two years only, and must then be abandoned. In other words, the critical stage has already been reached. We are concerned that all the remaining lowland forest of Kalimantan might become cleared, and degraded, within a few decades or sooner. This will be done by the indigenous farmers alone, not by either transmigrants or "displaced peasantry from the central areas". They are not the "unfortunate victims of transmigration which has misfired".

We are now considering proposals to study methods of reversing this situation, in order to prevent further uncontrolled forest clearance. This would involve providing the shifting cultivators with the means to develop permanent and more intensive forms of cultivation. It would also release already cleared land for transmigrant resettlement, without the clearance of any more forest, but we have to ensure that the indigenous farmers will benefit more from their permanent holdings than from their present extensive land rights.

Issues of traditional land rights are exceedingly complex and require sensitive handling. A solution found in one area may prove inappropriate or unacceptable in another, but we are aware that the issues must be faced soon, or we will run out of time for different options. One of the benefits of transmigration is that our best farmers come from Java and Bali and bring their skills with them to develop the outer islands.

We are also aware of the risk that transmigration could lead to further environmental damage. Pressures of land hunger and poverty on Java are so intense that spontaneous transmigrants might move in to fill settlements to beyond their carrying capacity and then spill over into the surrounding forests. We are considering bringing spontaneous transmigration into our planned programme so that we can introduce better control over where they go, and reduce the environmental risks.

In summary, our policy is to encourage local populations to move from agriculture based on shifting cultivation to more sedentary forms of agriculture. Such development can be either integrated with transmigration settlement or implemented in parallel. The benefits in terms of forest conservation can be enormous.

4. THE ENVIRONMENT

The Ecologist attempts to blame Transmigration as the main cause of environmental degradation in Indonesia, (answered in section 2 and 3 above), and accuses the World Bank of not following its own environmental guidelines. This section deals with the latter aspect.

- p. 73 - "Transmigration has been described as the Plan-as-you-Proceed Programme".
- p. 77 - environmental impact of transmigration likened to "waging thermo-nuclear war".
- p. 81 - "60,000 are being moved into virgin forest areas around Muara Wahau and Sangkulirang chosen as the least unsuitable sites in the generally swampy area".
 - references to Air Sugihan, an officially acknowledged failure.
- p. 82 - "inappropriate farm models, inadequate mapping, and poorly conceived land classification".
 - "clearing between 15,000 and 20,000 ha/site".
- p. 83 - subsection headed "Central Kalimantan: a case history in failure".
- p. 85 - should follow "environmental rather than political priorities, rejecting high input and energy intensive arable crop models, settling in grassland areas, improving land-use classifications, and so on".
 - "there are many other supposedly protected areas threatened in this way" (Danau Bian, Arfak, Cyclops).
 - foreign aid for "activities which contribute significantly to the destruction of forests as a result of the establishment of poorly planned agricultural settlements".
 - "environmental havoc have been well documented".
- p. 86 - "simply not true" that unsuitable or high risk sites" are systematically rejected".
 - "almost half are ruled out on these grounds. In other words, over half to most sites are not rejected" even if they involve high risk.

COMMENT ON SECTION 4

The quotations here are frequently incorrect. A considerable proportion of the Bank funding is spent on determining the suitability of the land for settlement, with double-checks imposed at the detailed planning stage, and with the provision of an advisory team, one of whose functions is to ensure a high and standard quality of land resource studies from the different

consultants. Internationally accepted systems of land suitability classification are used throughout.

The conservation of the environment is an important criterion in transmigration settlement planning. From the outset, a rigid slope limit of 8% was set for arable and village use. While this limit has been exceeded in some instances in the past, the improvements in planning through the employment of international consultants under Bank-funded programmes is now ensuring that we adhere to the limit. The objective of the 8% limit, together with specified insistence of a cover crop following land clearance, is designed to keep erosion to a minimum. Sometimes the limit may be too severe but it is not relaxed. Where it is felt that the erosion risk is high, the slope limit is reduced or the site is rejected.

We have a continuous process of screening, from initial air photo-interpretation through Phase II, Phase IIIA and land clearing. The initial screening or reconnaissance phases are necessary as we do not yet have a comprehensive data base of our land resources, although this is presently being obtained. Under our Trans III planning programme, we screened a total of six million hectares. Only 1.3 million hectares or 22% were selected as being environmentally suitable for detailed planning studies (Phase IIIA). With the inclusion of estimates from on-going studies, the total development area planned under the programme is 1.1 million hectares, of which only 400,000 hectares are planned for initial clearance. During implementation, environmental controls are imposed on the land clearing contractors and recommendations are made to ensure minimal damage, and sustained use under the proposed farm model.

In summary, Bank-funding has been spent to conduct initial screening of 6 million hectares, 78% of which was rejected on social or environmental grounds, thus ensuring that the more costly detailed planning studies are conducted only on terrain that is environmentally suited for the planned objective.

These comments thus refute many of the observations expressed by The Ecologist. More specifically:

- i) The selection of Muara Wahau and Sangkulirang was based on land suitability studies in the context of a planned regional development programme, with emphasis on coconut estates in order to meet domestic market requirements. They are emphatically not the least unsuitable sites in a generally swampy area. They are not virgin forest, but extensively logged and subsequently very severely damaged by forest fires.
- ii) Air Sugihan has been acknowledged as a failure, so cannot be cited as a representative example of failures. Bank-funding of the planning programme is designed to ensure that unsuitable sites are not selected, and they would no longer pass the screening process. Air Sugihan is now designated a Wildlife Reserve, primarily for elephant conservation, and funded by World Wildlife Fund Programme 3133.
- iii) Recommendations made for planning agricultural development in Central Kalimantan (p. 83) are mis-interpreted as "an exposure of faults". This interpretation overlooks one of the objectives inherent in any

planning study, to identify deficiencies and advise on improved procedures; it is very biased in that it fails to note that the said recommendations are now being actively considered and incorporated into the planning programme. Future study areas in Central Kalimantan are wholly based on these recommendations.

- iv) No irrigation scheme is planned near Danau Bian (p. 85), although there are plans for dryland farming around this site, and the reserve will require management to prevent incursions.
- v) The settlement at Oransbari near the Arfak reserve has presently been implemented for only 125 families.
- vi) The transmigration sites at Arso are some distance from the Cyclops reserve, although increasing growth around the Jayapura region could increase pressures on the reserve which may require controlling.
- vii) We did have a "plan-as-you-proceed" programme, but this was a temporary expedient programme instituted as a result of earlier delays, and subject to controls by the programme's advisors.

Earlier we have shown that forest clearance for transmigration is of minor impact in comparison with clearance by others, but nevertheless we are aware of the responsibilities we carry for conservation of important ecological environments. While World Wildlife Fund has assisted the Directorate General of Forest Protection and Nature Conservation in carrying out surveys and preparing management plans for conserved areas, it is a fact that forest areas that will become cleared, whether officially or unofficially, may never have had proper surveys of the species they contain. The Ecologist acknowledges that we plan to establish 25% of our land area as conserved or protected areas. This figure should be compared on the one hand with the 22 to 32% of areas taken up by shifting cultivators in West and Central Kalimantan (see section 3) and the 16.5% of East Kalimantan damaged by fire, and on the other hand with the 1-2% cleared for transmigration (see section 2). However, there remain further areas of ecological importance to be considered. We are looking at the possibilities for increasing the extent of ecological surveys in our future planning programmes in order that important areas may be identified and provisions made for their protection.

We will also consider the feasibility of establishing managed buffer zones around conserved and other important areas in order to protect them from exploitation. At present we are examining a project proposal from the International Union for Conservation of Nature and Natural Resources for the establishment of Model Forest Development Units in relation to transmigration and regional development.

5. SITE SELECTION

It is implied on pages 67 and 116 that political issues are dominant in site selection:

- p. 67 - "It is no coincidence why alleged underpopulated peripheral and boundary regions are attractive locations for Transmigration on a large scale"

p. 116 - "It is hardly likely to be a coincidence that at a time when the Armed Forces have begun to be directly involved in site-locations decisions (Trans V) should be concentrated almost entirely on aerial mapping and the location of new sites".

COMMENT ON SECTION 5

These quotes, appearing early in The Ecologist's feature and on the last page, seem to place the entire feature into a political context.

A brief examination of location maps of the planning programmes would reveal that these statements are unsupported by fact. The emphasis lies on the availability of suitable land in the context of regional development. Where large contiguous areas lie close to the border, as they do in southern Irian Jaya, they are included. Where such areas are shown to be unsuitable on environmental grounds (24 sites around Mindip Tanah), or where they lie within a conserved area (sites within the Wasur Wildlife Reserve, located on the border), they are systematically rejected.

The responsibility for site selection lies with the planning directorate of the Ministry of Transmigration. There has never been any outside pressure to consider issues of "territorial management" as criteria in the selection process. Our policy dictates that site selection and subsequent settlement planning takes place in areas that are both suitable and available for transmigrant settlement.

Aerial mapping is a vital component in present-day methods of regional planning, and has no connection with any hypothetical involvement of the Armed Forces outside the context of regional planning for improved productivity and standards of living. Aerial mapping is expensive and generally requires international funding in developing countries. It is a tool to ensure a reduction in costly social and environmental mistakes.

6. TREE CROP DEVELOPMENT

The Ecologist emphasizes environmental issues concerned with unsuitable farming models, but at the same time attacks the Government for its efforts to introduce tree crop models in areas that are environmentally very suitable for this purpose, and under schemes designed to both assist the small farmer and give him security of land tenure. The main attack lies in the sub-section "Crops for export" on page 75, which appears to have a strong bias against the private sector, with phrases such as:

- "private investors responsible only for the cost of planting the crops and providing technical assistance and inputs ultimately re-imbursed by the state banks.
- "smallholders granted no such indulgencies forced to sell at a fixed price".
- "this highly profitable arrangement"

- "Transmigration is changing its focus from an ineffective welfare policy to a generalized exploitation of migrants".

In a different context, on page 95 it is stated that:

- "225,000 shifting cultivators in Southeast Sulawesi alone, many of whom are being 'slipped' into the government's PIR plantation projects".

COMMENT ON SECTION 6

Under current regulations, the private investor undertakes the development at a cost estimated to be \$ 6,000 per family. 20% of the development will be his Nucleus Estate area, the remaining 80% will be allocated to smallholders. However, this ratio is now under review, as it is apparently not highly profitable, and is insufficiently attractive for private investors. The investor must take full responsibility during the four to eight year period before crops mature, during which time he borrows money at a commercial rate of interest. Smallholders get title to their tree crop holding after earning cash wages for three years, during which time they acquire the skills required for dealing with a new crop in a new environment. If the investor is successful, the scheme benefits the local economy and both the indigenous and transmigrant smallholders. For example, under PTP XII's rubber development near Singkawang in West Kalimantan, the "free market" wage rate is now Rp. 2,500/day, as compared with rates as low as Rp. 600/day in parts of Java.

It is now well established that tree crops are the only crops that are environmentally suitable for wide areas of Indonesia. Tree crop estates with smallholder participation are socially and ecologically appropriate methods of developing the outer islands, and of reducing the rate of land degradation through uncontrolled shifting cultivation. They are also a method for reclaiming degraded land.

On p. 95 of *The Ecologist*, reference is made to problems on PIR schemes at Arso and Manokwari. However in Arso, the first 162 families under the PIR scheme have only recently arrived, while in Manokwari the construction of the factory is scheduled to commence only this year. The schemes should not be criticized at this stage when they have not yet had the opportunity to prove themselves.

In the past a majority of settlements were based on the cultivation of dryland arable food crops. It is now our policy to focus settlement on the basis of tree crop development, but with an arable component designed to allow self-sufficiency in foodstuffs. Further, a significant part of Indonesia's capability for tree crop development will be diverted to provide existing arable settlements with second stage tree crop development and hence a steady income.

7. IRIAN JAYA

There appears to be misrepresentation of the facts regarding the border crossers from Irian Jaya into Papua New Guinea. In *The Ecologist*, this is summarized on page 59 (in the Open Letter):

- "Transmigration is causing the continuing exodus of tribal people presently 10,500 refugees including 500 new arrivals".
- "land alienation, resulting primarily from the Transmigration programme, has been a major cause for their flight".

COMMENT ON SECTION 7

In its reference to a 1984 Dutch Government Report on p. 67, The Ecologist fails to acknowledge that 7,000 to 8,000 border crossers (over 70%) originate from Mindip Tanah in the south. Despite the fact that Mindip Tanah lies close to the border, there has been no transmigration settlement in this area. Indeed, 24 sites were rejected in the area as being environmentally unsuitable. Whatever the reasons for crossing the border, it is evident that "land alienation, resulting primarily from transmigration" is not relevant in the case of this 70% at least.

Much of this section in The Ecologist appears to be politically orientated, as illustrated by the constant use of "West Papua" for Irian Jaya. The failure to discuss transmigration in the context of political realities discredits the journal in which these observations have been made.

The problems of social integration of tribal peoples into development programmes are acknowledged. They are exceedingly complex and will require slow and sensitive handling, and we realize that we cannot expect tribal peoples to be integrated immediately and acquire the skills to enable them to compete with transmigrants. Despite the extremely low density of population (3 per square kilometre), with much of the rural population concentrated in certain highland areas which have never been considered for transmigration, much of the lowland forest is nevertheless "owned" under the traditional rights of different tribes.

As noted earlier, the impact of transmigration in Irian Jaya has been very small in reality, and should be seen in the light of spontaneous movement into the province from outside, mainly from South Sulawesi. We are now reviewing the development programme for the province, and examining the options available for the careful assimilation and development of tribal peoples. Alternatives range from integration or parallel development schemes, to the strict reservation of uncleared areas on every site for the eventual integration of local settlers at a future date.

THE FUTURE

In conclusion, it is clear that transmigration is very important to our objectives of reducing poverty, raising standards of living, and regional development. Our comments under each heading indicate our awareness of shortcomings where they occur, and the measures that are under consideration or are being taken to overcome them.

Whilst it is apparent that anxieties exist over the scale of the programme and over possible damage to the environment and some tribal cultures, we have shown that the impact of transmigration on the forests is very small, especially when it is compared on the one hand with the area set aside for conservation, and on the other with the damage caused by indigenous shifting cultivators. We have also shown that with the assistance of

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funding from the World Bank, we have incorporated high standards of settlement planning into our programme, and unsuitable terrain is rigorously rejected. Deficiencies still occur, but most have now been identified and measures are being sought to rectify them.

For the reasons already given, the transmigration programme must continue and we will maximize the settlement rates within the physical and budgetary limits imposed upon us. At this moment we are evaluating the state of progress and closely reviewing our future programme. It is planned to consolidate the existing settlements, and improve their quality with second-stage development in diversified activities such as tree crops, cash crops and fisheries. We are seeking settlement schemes based on other models such as limestone quarrying (lime is urgently needed on the more acid soils), fisheries and agro-forestry. Tree crops will become a major sector. Spontaneous transmigration will be encouraged but under a controlled programme, and this may be orientated around employment opportunities rather than farming. Indeed we are particularly concerned to develop transmigration outside the primary agricultural sector, using the presently implemented settlements as a nucleus for creating employment in the service and allied industries.

The implementation of new settlements in remote forested sites will be avoided. Instead we are looking at ways to plan new settlements as complete farming systems, based in the context of regional development moving outwards from centres of growth. The shift of emphasis towards tree crops will reduce the restrictions imposed by slope limits for arable use and thus help us to consolidate the programme around these centres.

In Irian Jaya, settlements will be planned on growth from four or five centres, allowing a slow integration of tribal peoples accompanied by the development of welfare facilities and infrastructure. In Kalimantan, we shall concentrate on areas of secondary growth and heavily logged or damaged forest, accompanied by intensification of farming systems of the indigenous peoples; we shall only be clearing forests where necessary along arteries or zones of development.

In summary, now that the Transmigration programme is well established, we wish to improve its quality to ensure that a higher standard of living is attained for every resettled family as well as for the indigenous populations of the receiving areas. Through the programme, we hope both to improve our human environment and protect our heritage of natural environments.

MINUTES

Meeting between a team from the World Bank and KLH to discuss the World Bank Second Sectoral Review on the Transmigration Programme. This review was prepared in October 1985.

The meeting took place on 2 July 1986 at 5 pm in the Main Meeting Room on the third floor of KLH. The following were present :

From World Bank - Dr. Gloria Davis, Mr. Dennis Purcell, and Mr. David Williams.

From KLH - Prof. Dr. Emil Salim, Prof. Dr. Kartomo, Mr. Kismadi, Dr. Sri Pamoedjo Rahardjo, Dr. Gavin Jones, Dr. Gour Dasvarma and others.

The Minister Prof. Dr. Emil Salim had informed that he would be busy elsewhere and that the meeting could start without him.

I. Dr. Gloria Davis briefly described the contents of the Review, which contains the following :

(1) Acknowledgement of the reasons behind the adoption of the Transmigration Programme, such as the very high population density of Java and Bali and the acute scarcity of cultivable land on the two islands.

(2) Benefits of the programme, for example, during Repelita II and III, 50 per cent of the transmigrants who were below the poverty line (i.e. with the monthly income less than Rp 50,000) had moved above the poverty line.

(3) Demographic impact of the programme, for example, 200,000 sponsored families were moved out of Java in Repelita III; the population of Java would be reduced by 10% of what it would have been in the absence of the programme; etc, etc.

(4) Regional development, including laying of the basic infrastructure.

(5) Problems, such as

i. transmigration families produced only for subsistence

ii. majority of the income of transmigrants came from off-farm work

- iii. transmigration settlements have relatively low rates of economic returns, except for the food crop models
- iv. possible negative consequences for the environment and the local people, etc., etc.

(6) Recommendations, such as

- i. the programme be slowed down
- ii. additional investment in present transmigration settlement areas be taken up
- iii. new settlements with more emphasis to be given to tree-crop farming
- iv. increased attention should be given to social problems
- v. spontaneous migrants are the most destructive to the environment, because they go to forest areas to escape land tenure laws in areas already developed.

Dr. Davis then stated that the purpose of the team's visit to KLH was to :

(1) Get KLH's reactions and comments on the report, particularly the chapter on social and environmental impacts,

(2) Update on the document since its printing in October 1985, with emphasis on the social and environmental issues,

(3) Develop more concrete recommendations on what steps the Government should undertake on environmental and social issues.

II. Mr. Kismadi gave a number of comments on the reports and some suggestions, such as the following -

- i. Prepare good conceptual backgrounds for site selection for the benefit of our planners,
- ii. Prepare a better picture of dimensions of the realities with regard to forests,
- iii. Prepare better maps,
- iv. Conduct more precise evaluations of the carrying capacities of the land. Environmental plans should be integrated into other plans,

- v. Thorough studies on the social problems of transmigration, which would include assimilation problems, income problems, etc.
 - vi. We should ensure that the transmigrants should not become competitors to the local population,
 - vii. How to solve the problems of land tenure?
 - viii. What should be policies regarding forests, tropical forests etc?
- III. Dr. Davis accepted the comments and stated that there should be better coordination among donor agencies with respect to the conservation of forests.
- IV. Dr. Kartomo remarked that the ultimate aim of the Transmigration Programme was the spontaneous movement of people and asked how according to the World Bank, the relationship between spontaneous and sponsored transmigration was going to be. To this Dr. Davis replied that the ratio between spontaneous to sponsored transmigrants was about 2 to 1. She also said that the section of the report dealing with this aspect was being expanded further.
- Dr. Davis suggested that in Repelita V, the Government could (i) select separate places of destination for the fully assisted, partially assisted or the unassisted transmigrants, (ii) give increasing incentives to Bupati's to identify and register land for settlement, (iii) to provide credit facilities to the poor for purchasing land and (iv) adopt appropriate policies to stimulate spontaneous migration.
- V. Dr. Kartomo enquired whether "alang-alang" land could not be developed into homesteads (South Kalimantan has about 90,000 hectares of "alang-alang land"). Dr. Davis replied that this kind of land is usually owned by individuals and unless compensation is paid to the owners, they would not give up the land for settlement purposes (at present there is no provision for payment of compensation in Indonesia).
- VI. Mr. Kismadi suggested the following policies to help the Transmigration Programme succeed :
- i. land registration
 - ii. credit facilities for the purchase of land
 - iii. better environmental programmes

- iv. good management of social impact of transmigration
- v. a shift to non-food crops.

VII. The demand for tree crops, such as rubber, palm oil, coconut etc, fluctuates. Dr. Kartomo suggested that the future demand should be properly estimated.

Partial dependence of transmigrants on off-farm employment increases with increasing length of stay of the transmigrants in the settlement areas.

Off-farm job is not bad in itself. Dr. Kartomo gave the example of a sugar factory in South Sumatra, which gets most of its labour from among the transmigrants.

VIII. At this point the Minister Prof. Dr. Emil Salim joined the meeting. He was briefed about the proceedings of the meeting by Mr. Kismadi.

The Minister reminded the group that by the year 2000 Java would have a large surplus population and that even large scale industrialization would not be able to help the situation; even intensified food production would not be able to carry this huge surplus in Java. Therefore, the best alternative is to move people out. On the credit system, the Minister said that people who could have purchased land with credit, could eventually also sell it at a profit when the value of the land increased.

He suggested that it may be a good strategy now for us to start attacking the negative aspects of the Transmigration programme, for example, to minimize the social conflict between the transmigrants and the local residents, we should try to adopt a proper mix of the two.

It was suggested by the World Bank team that since the developed land in Central Kalimantan was not suitable for food crop farming (and it would prove very costly to produce food crops in such land), emphasis should therefore be given to tree-crop farming in transmigration site in Central Kalimantan. However, this approach was questioned by the Minister on the grounds that the demand for tree crops in the export market was highly fluctuating and it would be much better to invest more on food crops which could be consumed domestically rather than face the risk of losing out in the unstable tree-crop market.

On the cost of moving the transmigrants to settlement sites (at present it costs US\$5600 to move out

one family, including purchase of land, travel cost, etc), the Minister asked if it would be possible to reduce this cost. Dr. Davis suggested that swamp sites could be less costly, as these areas were relatively more fertile, and would have to depend only on tidal irrigation. However, there were some negative aspects of this approach, such as limited land area available for settlement, difficulties in "swamp management", nucleated housing system which would encourage pests etc.

The alternative to swamp sites would be emphasize spontaneous migration, tree-crop farming on low fertility soil etc.

- IX. It was decided to continue the discussion further on 8 July 1986 at KLH. But before that a representative from the office of ASMEN IV was requested to attend another meeting with the Director General of PHPA at Bogor on 4 July 1986.

(Prepared by G. Dasvarma)

OFFICE MEMORANDUM

DATE July 4, 1986

TO Miguel Quintos, LOAAS

FROM Paul R. Stott, AEPW

EXTENSION 81919

SUBJECT INDONESIA - Disbursement Procedures

~~1. Stott~~
 2. E.O. o/A
 An interesting memo:
 whose interests are
 being served?
 B 7/5

1. As you are aware we are working with DG Dipta Karya to reduce disbursement backlogs and processing delays in an effort to improve sector disbursement performance. Areas of possible improvement in processing at the project level, ministry level and at the Bank have been identified. A recent review has indicated a particular measure that might be taken by the Bank that would be helpful in reducing disbursement delays. This relates to the wider use of Procedure III - Direct Payment. Wider (or routine) use of this procedure, without minimum application thresholds, could assist in significantly speedier disbursement processing.

2. Direct payments can be processed much faster than reimbursements by the Borrower in the urban and water sector (and in general according to RSI disbursement staff). Recent information shows in Loan 2236-IND (JSSP) that less than 28 days are needed from presentation of the contractors invoice to payment by IBRD using Procedure III. In contrast several months are typical of reimbursement procedures. This reflects in part the respective incentives to the project units of the two methods. The project unit has little incentive to process reimbursements but has every interest in seeing that the contractor is paid quickly.

3. Pertinant to this issue is the increasingly serious problem nowadays of the lack of GOI prefinancing funds to facilitate reimbursement due to the Government's general Rp constraints. New projects apparently find pre-financing difficult if not impossible to arrange. Even in the case of ongoing projects having existing prefinancing facilities, the budget support actions instituted last February could be implemented only by use of direct payment procedures (following consultation with LOAAS) in order to avoid additional prefinancing. There is a clearly a growing inability to follow reimbursement procedures and a consequent obstacle to progress. (This situation should not occur so widely in future years if the proposed Urban Sector Loan is made, but if not then further direct payment requests may be expected.)

4. Based on recent experience, from the contractors viewpoint there is much to be preferred in the direct payment procedure over the reimbursement method. The general application of direct payment procedure would likely be very beneficial both to contractor's cash flow (and hence possibly lower prices in future) and to improved overall project disbursement performance.

5. Direct payments are routinely made in the case of equipment

contracts financed 100% from the various loans (without minimal threshold requirements) but in certain exceptional cases (agreed with LOAAS) disbursements for civil works are also made using this procedure. The civil works concerned are:

(a) Loan 2236-IND - JSSP; all civil works (subject to minimum threshold of \$100,000 equivalent per application);

(b) All FY86/87 civil works expenditures financed 100% under budget support action for Loans 1972-IND, 2275-IND, 2408-IND and 2532-IND;

(c) Loan 2632-IND - 2nd East Java Water Supply; Part B Contracts III and IV.

6. The question of thresholds for direct payments (and reimbursements) poses serious difficulties in terms of our objective of overcoming disbursement backlogs. Such thresholds can cause applications to accumulate up to three months (and more) which reflects badly on disbursement performance of smaller contracts and, where a large number of such contracts are involved, the project itself is affected. This is an occasion when the Bank procedures (supposedly designed to reduce workload in Washington D.C.) are directly obstructing the critical path of processing efficiency.

7. The wider (or routine) use of direct payment procedures would contribute to improved disbursement performance and increasingly so in the future as GOI resources become more constrained. In this regard Special Accounts would facilitate inter alia more widespread use of direct payment procedure without commensurate increase in the LOAAS workload. However, with or without Special Accounts, I would encourage LOAAS to support wider use of direct payments without onerous threshold limits.

Too late

c.c. Messrs Davar AEPDR; Babson AEAIN; Ahmad, Biderman, Gunaratnam, Memon, Podolske AEPW

University of Illinois
at Urbana-Champaign

Department of Anthropology

109 Davenport Hall
607 South Mathews Avenue
Urbana
Illinois 61801

College of
Liberal Arts and Sciences

217 333-3616

August 5, 1986

Dear Dr. Cernea:

And now I must apologize to you for slow response to your good letter of June 10th, but I was away and only now have been able to catch up on some correspondence.

Thank you for the close reading of my reports and your comments. It is always welcome to receive comments (and especially those which are so positive!) You have rekindled my interest in pursuing research and contacts in regard to the Saguling and Cirata Projects as well as studying further the subject of the impact of large projects. I would like very much to discuss the subject with you since you are clearly knowledgeable and experienced. (How long will you be an adviser at the Bank and where will you go, or return, when you leave?) I do have reason to come to Washington and I could adjust it to your schedule.

I am heading off to a conference tomorrow morning and so I shall keep this letter brief and write in more detail later, but I want to answer a couple of questions which you raised.

I would agree with you that transmigration, or resettlement, is a good, if not excellent option. But as you could see, transmigration in Indonesia has such a life of its own that it is extremely difficult to make it a viably attractive option. The program is politicized and bureaucratized. (Gloria Davis, an anthropologist who works for the Bank in Washington, has done a lot of work on transmigration in Indonesia, in which the Bank has been much involved. You have probably met her. In fact, I always wondered why they didn't have Gloria do the job I did, and could not get an adequate explanation. You may know more about the way the Bank works and could answer that.)

Like you I was surprised that compensation covered only land and structures and not the other costs. By the time I was involved, the process had begun and I could not protest it. A Dutch anthropologist, who worked with the university ecology group on the original feasibility study, protested vigorously and this was an important issue in their early recommendations. But PLN vetoed it as "too difficult to calculate," in their terms, which I believe meant that it would cost too much. Clearly the Bank did not push hard on this matter. PLN did not want to set any costly precedents, I'm sure. The Dutch anthropologist, I was told, wrote some pretty nasty letters to the Bank, perhaps to Mr. Chandran, complaining about a number of aspects of the project. I do not know whether such correspondence still exists. (One must remember, entre nous, that these projects developed between the dam builders such as Mr. Chandran in the Bank and the PLN: their shared aim was to build dams for power. And the Ecology Institute at the university, which does the feasibility and continuing studies, is intertwined with PLN. I tried to make this point in the reports without using too strong a language since I

thought that my reports might be read in Bandung and I still wanted access there.) I imagine that there was some Bank discussion of the compensation matter...but it seemed clear to me that when PLN really complained on any issue in regard to impact, the Bank went along with PLN. Don Graybill, who is the chief hand of Mr. Chandran as a consultant and who has been intimately involved in the project from the beginning, who is an ecologist, and who accompanied me on my visits, would know more about the negotiations on such subjects since he was involved in them. My reports -again entre nous- did not deal with the role of Graybill and the firm, Gilbert, of which he was a member. (Now I believe he is on his own.) Don was a whirlwind intermediary between the Bank, PLN, and the contracting firms, a very able person and ecologist. All of the many Bank progress reports were his work. He was deeply involved in all aspects of ecological assessment and of resettlement planning, and if you are still pursuing this project, he is a person whom you should interview. And yet, he was essentially a consultant to Mr. Chandran, and his firm -and he- were linked to Newjec, the Japanese construction contractors...and so their job too, and their rewards, came from dam building. Essentially it was an interlocking directorate. If there were "problems" in regard to resettlement, the dam builders would call the tune. And because the university's ecology institute was dependent upon the Project for its funding, it could hardly be an independent student of feasibility. In fact, it is interesting to study the various feasibility studies: the ecology institute is really quite scathing and demanding in regard to all of the problems of resettlement.., but they were safe: their reports, all in English, were not ^{locally} read. (There are a whole bunch of very Indonesian issues involved here that I won't go into now.) The reports were very insightful; they raised critical issues; they were very oriented toward the benefit of the people being affected by the Project; and, on the whole, they were ineffectual.

And not only was compensation computation done in such a way to omit consideration of other costs, but land compensation was also done in the most simplistic form. Indonesia has a land classification system that is much more sophisticated than was actually used in the Project. As I'm sure you know, rice land is quite variable in its quality, given a host of factors which are measureable. All such qualifications, even simple ones, were not used. You had a simple price-per-area applied, though Saguling and Cirata are areas in which conditions are very different.* This made things easy for PLN.

I have not followed up any of these issues outside the consultancy, but I intend to do so. I shall be in Indonesia next year and I want to go to Bandung to discuss things further. Upon your suggestion I shall keep in touch with Mr. Chandran, though I believe that he is no longer involved with these Indonesian projects. I shall contact his successor if that is the case.

Our 1984 visit was not followed by an Aide Memoire of the kind which was presented in the 1983 report. My report was passed on. (As I told you, I got no World Bank response.) I did get a short comment (2 pages) from PLN in Indonesian. If you are interested, I could translate it and send it to you. Don Graybill

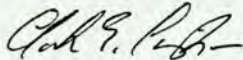
* as are local conditions within the two areas.

sent it to me, not the Bank!

I certainly look forward to talking with you and I look forward to hearing about your review of resettlement. I shall try to arrange a time.

Best regards,

Yours sincerely,



Clark E. Cunningham

P.S. I enclose a copy of an article. You may have seen it. It is one of a series in the Cultural Survival Quarterly, vol. 10, no. 1, 1986 on Multilateral Banks and Indigenous Peoples.

Also, are you involved in the consideration of the impact of ~~Xxxx~~ the great dam on the Yangtse River in China. I gather that the World Bank is also involved in that project. That project is unbelievable in its environmental and resettlement aspects and impacts and the degree to which these issues are not considered, or so it seems.

ROUTING SLIP		DATE: August 12, 1986	
NAME		ROOM NO.	
Ms. Gloria Davis, AEAIN		A 638	
	APPROPRIATE DISPOSITION		NOTE AND RETURN
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	CLEARANCE		PER OUR CONVERSATION
	COMMENT		PER YOUR REQUEST
	FOR ACTION		PREPARE REPLY
	INFORMATION	X	RECOMMENDATION
	INITIAL		SIGNATURE
	NOTE AND FILE		URGENT
REMARKS:			
FROM: Pushpa N. Schwartz		ROOM NO.: D 833	EXTENSION: 73651

16th July 1986

Dear Mr. Conable,

Thank you for the information you sent to me concerning the World Bank's funding of the disastrous Transmigration Program in Indonesia, which directly contradicts the World Bank's own rules on environmental protection.

I would like to ask you a few questions which may help to put the matter into perspective:

Would the World Bank fund a Transmigration Program in America, moving slum dwellers from Harlem and Miami to the Rocky Mountains? Or perhaps to Yellowstone or the Grand Canyon?

Why not?

Yours sincerely,
Barbara A. West
71 Selfrighting Lane
London SW18 2AR

1888
O. E. Miller

[Faint, illegible handwriting in the background]

July 10, 1986

Ms. Barbara A. West
71 Allfarthing Lane
London, SW18 2AR
United Kingdom

Dear Ms. West:

This is in reply to the post card you recently sent to Mr. Conable, President of the World Bank. We appreciate the concerns you have expressed about the Transmigration Program in Indonesia. We wish to assure you that the World Bank is working with the Indonesian authorities to protect both the interests of the indigenous people and the environment and to help the program meet its objectives.

Enclosed is a note which will provide you with some background information on the Transmigration Program and the World Bank's involvement in the program.

Sincerely yours,

PNs

Mrs. Pushpa N. Schwartz
Information and Public
Affairs

Enclosure

bcc: Mr. Nigel Roberts, EXC.

M. Davis

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

August 13, 1986

Dr. Haryono Suyono
Chairman
National Family Planning Coordinating
Board
Jalan Let. Jen. M.T. Haryono
Jakarta, Indonesia

Re: Ln. 2529-IND
Family Planning Program Review and Long-Term Strategy

Dear Dr. Haryono:

Thank you for your letter no. 5.045/PD.101/D1/86 of 27 June 1986 and for draft terms of reference for a review of the achievements of the family planning program, and for development of a long-term implementation strategy together with an analysis of NFPCB's medium and long-term financial resource requirements. We have reviewed the draft and have a few observations and suggestions which we wish to share with you at this time.

We are pleased that the draft terms of reference place due importance on the oversight function of three existing Working Groups in formulating the long-term implementation strategy. In light of the importance of the studies and their implications for future planning and allocation of resources, we support your view concerning the need to include Echelon I officials of the various Ministries and non-departmental Agencies involved in the program. We are particularly concerned that BAPPENAS and the Ministry of Finance play an active role in the Steering and Technical Committees.

However, broad-based committees may find it difficult to assure the day-to-day management of the various activities involved in the proposed review and planning exercises. We recommend, therefore, that the focal point referred to on page 2 of the draft terms of reference be a cohesive task force that is called upon to manage all aspects of the exercise, not only the development of a long-term strategy. The team leader of the task force should be supported by a consultant (a population program specialist). Together, they should present proposals to the Steering and Technical Committees of what needs to be done, the scope of work, sequence of studies, timetable and progress reports. They should manage the work of other consultants involved in the process. They should also ensure that representatives of BAPPENAS, the Ministry of Population and Environment, and the Ministry of Finance are included in a technical way in addition to their periodic involvement at the Steering Committee level.

Beyond family planning interventions, including a range of incentives, should be examined closely in the review alongside the more established family planning service delivery aspects of the program. The NFPCB's innovative program development alternatives ought to be broadened with appropriate conceptual and technical contributions from the Ministry of Population and Environment, and the need to further the integration of family planning with community health services calls for a close association with the Ministry of Health in the review and planning exercises at hand.

Turning now to the need for technical assistance, we very much believe that four specialists are required to support the task force in the months to come. We anticipate that each specialist would be needed for a minimum of four months, although they may overlap and/or provide their expertise intermittently in accordance with a work program that ought to be drawn up with all of the consultants present in an initial work session.

We envisage the need for a demographer, sociologist, program specialist and economist. Our suggestions for their respective terms of reference are provided in an attachment to this letter. We would welcome your views on the scope of work and responsibilities that are indicated for each consultant.

We believe that a draft report should be ready by September 1987 to permit preliminary costing of an appropriate strategy which fits into the broader objectives of a Population Plan of Action and preparation of Repelita V. This date is considerably beyond the December 1986 date which was specified in the Loan Agreement. Nevertheless, we are willing to accept this new date on the assumption that it would be a timely, concrete contribution to the national development planning exercises cited above.

To meet this timetable, it would be necessary to commence the program review no later than October 1986 and to initiate work on future strategy and financial requirements by January 1987.

I plan to visit Indonesia from September 10 to October 4, accompanied by Ms. Sirur for the duration of this period. Up until September 17, we propose to review the progress of ongoing World Bank assisted population and health projects in Indonesia. During this period, I would be grateful for an opportunity to meet with you to review progress on preparing the PCR for the Third Population Project and implementing the Fourth Population Project, to discuss further any views you may have on our report on "Trends in Fertility and Contraceptive Prevalence," and, of course, to firm up plans for undertaking the analyses which are discussed in this letter. Mr. Bruce Carlson is scheduled to visit Jakarta from September 21-October 4, 1986, during which time he will follow up in more detail on each of these matters and will focus on issues of common concern in developing the long-term plan of action.

It is critical that short-term specialists be identified prior to Mr. Carlson's arrival. The population specialist, referred to in the third paragraph of this letter, could be selected to work with the Deputy for Planning and Evaluation and Mr. Carlson so that the review might effectively begin in October, as proposed. I would be grateful for an indication from you whether this is feasible.

We look forward, Dr. Haryono, to a close and fruitful relationship with the NFPCB in developing the long-term program strategy and in ensuring that high standards and a focussed, issues-oriented approach are pursued throughout the analysis, as mentioned in Mrs. Husain's letter to Dr. Hasibuan of July 24, 1986, which was copied to you. I very much look forward to meeting you again next month, and would be grateful for your reactions or suggestions prior to my visit.

With best regards,

Aubrey C. Williams
Senior Project Officer
Division II
Population, Health and Nutrition Department

Attachment

cc: Dr. Sayuti Hasibuan
Deputy Chairman for Manpower, Population and
Transmigration
BAPPENAS
Jakarta

Dr. Kartomo Wirosohardjo
Assistant Minister
Ministry for Population and Environment
Jakarta

Drs. Soekaryo
Secretary-General
Ministry of Health
Jakarta

Dr. Budi Suradji
Head, Population and Family Planning Bureau
BAPPENAS
Jakarta

Cleared w/cc: Ms. Husain, PHND2; Ms. G. Davis, AEAIN
bcc: Mr. Bumgarner, Mr. Carlson, Mr. Prescott, Ms. Sirur, PHND2
Mr. Chernichovsky, PHNPR
Div. files-Indon. Pop IV

AWilliams:abf

FAMILY PLANNING PROGRAM: LONG-TERM STRATEGY
OUTLINE TOR FOR CONSULTANT ASSISTANCE

Demographer

The demographer would: (i) assess past trends in contraceptive prevalence in different regions based on available sources of survey and other relevant data; (ii) project future levels of contraceptive prevalence, total and province-specific (under alternative method mix assumptions), and implied annual acceptor rates (based on an up-to-date assessment of method-specific continuation rates) needed to achieve alternative future demographic targets (specified in terms of the total fertility rate and/or crude birth rate). This projection would be based on the Bongaarts target setting microcomputer program or an equivalent analytical procedure. These should be worked out in close coordination with BAPPENAS and MOPE.

Sociologist (Terry Hart)

The sociologist would: (i) assess evidence of levels and trends in desired family size in the different provinces throughout Indonesia, in order to determine whether the implied demand for family planning will be sufficient to reach the projected levels of contraceptive prevalence required to achieve demographic targets; (ii) assess evidence of the determinants of desired family size (e.g. cultural attitudes, income, education, child health) in order to assess what quantitative changes in these determinants would be needed to raise demand for family planning sufficiently to attain contraceptive prevalence targets.

Program Specialist

The program specialist would: (i) in view of expected financing constraints, identify and assess alternative options for program strategy in different regions needed to effectively supply contraceptive services on the scale required to reach the contraceptive prevalence targets. This assessment would include a review of: the role of paid and unpaid field workers in delivering services; the role of MOH clinics in supplying services; the role, content and delivery of IEC; the appropriate range and mix of contraceptive methods; potential role of NGOs; potential role of private sector providers and social marketing mechanisms; the role of incentives, (ii) determine the quantitative implications of alternative program strategies for the magnitude and distribution of physical resource requirements (manpower, facilities, vehicles and equipment, contraceptive supplies etc.)

Economist

The economist would: (i) assess previous levels and trends in family planning program expenditures from all sources (domestic and foreign), (ii) evaluate patterns in the composition and regional distribution of expenditure (iii) evaluate unit costs of service delivery (iv) project the total cost, and alternative financing sources, for alternative program strategies identified for the future; (v) assess the cost and effectiveness of alternative program strategy options.

ROUTING SLIP		DATE : August 27, 1986	
NAME		ROOM NO.	
Ms. Gloria Davis		A-638	
AEAIN			
DJ		Phase return	
Badley			
AOH (or)			
APPROPRIATE DISPOSITION	NOTE AND RETURN		
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CLEARANCE	PER OUR CONVERSATION		
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NOTE AND FILE	URGENT		
REMARKS :			
<p>This is a product of the Hill + Knowlton man. What do you think?</p> <p><i>what do you think?</i></p>			
FROM :	ROOM NO.	EXTENSION:	
Manuel C. Zenick	RSI		

REMARKS BY MINISTER OF TRANSMIGRATION MARTONO
TO THE POLITICAL OFFICERS ASSOCIATION
JAKARTA, TUESDAY, 26 AUGUST 1986

Ladies and Gentlemen, Good Morning,

It gives me great pleasure to meet with you today, and still greater pleasure to see so many of you showing interest in our transmigration program.

Even though many of you already may be familiar with our program, I hope our meeting today and your visit to transmigration sites in Sulawesi will help you and the governments and people you represent to have a better understanding of transmigration and the crucial role it plays in the development of Indonesia.

Because transmigration is so important to Indonesia, and can succeed only if it continues to have the generous support and co-operation so many of your nations provide, it is essential that it be understood.

I also hope that this will be but the first of many similar visits you and other representatives of your countries will make. Only through such visits can the meaning of transmigration be fully understood and appreciated.

The primary goal of the Republic of Indonesia, as it is for your own nations, is the well-being of its people. To achieve this goal, the government is making a major effort to develop our nation and has given transmigration a priority role in this effort.

The reason transmigration has so important a role is clear.

We are the fifth most populous country in the world, with huge numbers of poor, struggling people crowded together on three of our 13,000 islands. Yet we have vast underused, underdeveloped and underpopulated areas which, when properly developed, can provide food and jobs for millions of Indonesians who have neither.

For Indonesia to survive as a nation, it is essential that we provide jobs and food for our people and raise their standard of living. To accomplish this basic task, we simply must put more unused land to productive use.

It would be the height of irresponsibility to our people and to the rest of the world for us not to do this. If we fail in this effort, we run the risk not only of failing as a nation, but of becoming wards of the world.

To accomplish the task the Government has given us, we establish what are basically pioneer settlements in undeveloped areas. These settlements draw additional settlers and provide the basis for new villages, new towns, new development and new jobs.

Between 1979 and 1984, for example, transmigration was responsible for the creation of 500,000 permanent jobs, some 15 percent of the increase in the labor force of Jawa and Bali.

Our transmigration program has been called the largest voluntary resettlement program in history. It is certainly unique and cannot be equated with any other resettlement program previously undertaken or currently in progress.

This is important to recognize, because I think our program often is confused with other resettlement programs elsewhere in the world. This confusion contributes to misconceptions.

There are at least two major differences between our program and some others. One is that ours is totally voluntary; there is no pressure on anyone to participate. We have, in fact, more volunteers than we have places to put them.

And when new settlements occur, nearly as many people move to them on their own, without Government sponsorship, as there are "official" transmigrants.

A second important distinction is the extensive exploration, planning and site selection the Indonesian Government undertakes, with the generous assistance of many of your government and nationals, to try to make sure that new settlement sites are viable.

Our planning also takes into consideration the environment of an area, its ecology and the impact development will have on the people who may already be living there.

Before an area is deemed suitable for settlement, we employ expert-consultants who work with our own people to explore, test soils, check climatic conditions and determine market possibilities. Final site selections are made only after consultation with local and regional authorities.

This process of site selection, which involves such experts as soil scientists, engineers, agricultural economists, regional planners and anthropologists, takes about three years.

Only after this exacting procedure do we begin preparing sites for the settlers by clearing land, constructing roads and building houses, schools, health clinics, churches and mosques. We also must provide potable drinking water and, in some instances, such essential elements as irrigation and drainage ditches.

When the site is ready, groups of transmigrants are transported to it after receiving an orientation briefing. Ideally, we would like to have 500 families on each site, but many are smaller, a few are larger.

New settlers are brought in stages; the final group may arrive as much as a year or 18 months after the first arrivals. We do this to lessen confusion as well as to enable newer settlers to benefit from the experiences of older ones.

Each settler receives two hectares of land, one of which includes the house on one quarter of a hectare and a nearby plot of three quarters of a hectare. The other hectare is on the outskirts of the settlement area.

Settlers are allocated basic tools, seed, fertilizer and sufficient food to tide them over their first year, allowing time to plant and harvest a crop. Two subsequent packages of assistance include additional fertilizer, herbicides and pesticides.

In addition to education and health services, we also provide basic agricultural advice since the new settlers may be dealing with soils, weather conditions and plants unfamiliar to them.

The site preparation and subsequent assistance are unusual, if not unique, aspects of our transmigration program. I know of no other resettlement program, either in progress or in the past, that includes similarly extensive assistance.

Despite the care we take in selecting sites that can be developed without injury to the environment, many opponents of transmigration accuse us of environmental destruction, particularly in the Province of Irian Jaya. Yet a report by the World Wildlife Fund, which has a representative there, says:

" the (Indonesian) Government has confirmed its commitment to conservation by cancelling any transmigration plans that have conflicted with lands proposed for inclusion within the protected area system."

We have also been accused of destroying the culture, traditions and livelihood of indigenous tribes who inhabit areas of Kalimantan and Irian Jaya. Transmigration has been charged with everything from Jawanization to genocide. Nonsense.

Only 15,000 transmigrant families have been settled in Irian Jaya over the past 20 years, none of them in the central highlands where the vast majority of native Irians live. In fact, no settlements have ever been planned for the highlands. And for the foreseeable future, we realistically expect to resettle no more than 2,000 new families a year in the province, even though our formal targets are higher.

Government policy is to gradually help the tribal people move into the 20th century from what is essentially a stone age existence. Most of them, far from being unhappy with our policies, eagerly accept help and tell us they want the same treatment we give transmigrant settlers. Some new programs are doing exactly that.

Although we don't interfere with most of their practices, we are dually of providing schools and medical care, of stopping what was once nearly constant warfare and of putting an end to cannibalism.

We are pleased and proud of our program. As an essential element of our social and economic policies, it holds great promise for the betterment of the welfare of our people because of the way in which it matches people and resources.

We think transmigration has generally been successful. I use the word "generally" because obviously a program of this magnitude is not without flaws. There have been mistakes both in planning and in implementation. Many of them are the result of moving too far, too fast and not having enough trained supervisors.

Although our targets in this Repelita are as lofty as those we met in the previous one, Indonesia's economic situation and the need for budgetary cutbacks will make impossible to achieve them.

Instead we are implementing what we refer to as "*Second Stage Development*", a major effort to raise the quality of life in the settlements and to identify and correct problems that may have emerged. These problems may range from inadequate infrastructure, such as poor roads that make it difficult to send goods to market, to insufficient water or soils which need added fertilizer or different crops.

As part of the effort to raise living standards, we are widening the availability of credit for farmers, encouraging the growth of cooperatives, introducing livestock and mechanical tilling equipment and stimulating participation by private enterprise, particularly in the marketing sector.

More focus is being put on regional planning. By integrating the transmigration program into a region's development plan, we hope to achieve greater overall benefits at less cost. A new road, for example, could be located to serve more needs than just a transmigration settlement.

Additional development, as I mentioned earlier, is the primary objective of transmigration. A settlement is itself development, but it brings with it opportunities for more development that can provide farm families with extra sources of income as well as make the construction of roads, bridges and other expensive facilities more cost effective.

But most important, development provides work and opportunity for our people, including those already living in underdeveloped areas as well as new settlers.

The benefits of transmigration are readily apparent. You will see some of them. I hope you will take the opportunity to talk to the transmigrants you will meet about their lives today and their lives before they came.

We --- both you and I --- tend to talk in cold and learned terms about development, politics, economics and environment. Often we forget we are dealing with the lives of people. Critics who focus on fanciful issues of forests, wildlife and tribal culture are ignoring the very real problems of human beings.

They avoid, for example, the desperate circumstances of people in Jakarta and West Jawa and the destruction of the environment in the inner islands by farmers scraping on hillsides the same way they ignore the need of tribal people in Kalimantan and Irian Jaya for schools and health care.

I think the Dhani people of Irian Jaya deserve something more than to be kept as isolated remnants of the stone age to be poked, probed and stared at as though they were curiosities in a zoo.

And I think people in other parts of Indonesia, no matter in which island they live, deserve the opportunity to benefit from the vast untapped resources of our country. Transmigration alone will not solve Indonesia's problems, but it will help.

In closing, I want to thank you for the support, both moral and economic, we have received from your nations. We hope it will continue.

I am sure you will enjoy your brief visit to Sulawesi, and I am confident you will conclude that transmigration is worthy of your support. I hope it will stimulate you to make trips to other settlement areas and to urge your colleagues to do likewise.

But most of all, I hope you will come to a greater understanding of our problems and our promise.

I will be glad to answer any questions you may have, but before doing that, I'd like to show you a film about the program that we use to explain it to potential settlers.

Thank you.

---ooo000ooo---

OFFICE MEMORANDUM

DATE September 3, 1986

TO Mr. B. Babson, AEAIN

FROM Kye Woo Lee, Project Policy Adviser, PPDPR *K*

EXTENSION 75343

SUBJECT INDONESIA - Maritime Sector Training Project
Loan Committee Review

On behalf of Mr. Hans-Eberhard Köpp, Acting Vice President, OPSVP, we cleared for negotiation the documents of the above project on August 25, 1986, with the following comments:

- (a) We have found that this project is another good example of sector-wide training projects;
- (b) PR 25. Please describe the cost recovery mechanism to be applied to the project institution in relation to the cost recovery system of the overall education system; if the project institutions should be an exception to the general system, that should be justified;
- (c) PR 35. Please indicate how the lessons learned from the previous projects (in regard to staffing and T.A. in particular) have been incorporated in the proposed project;
- (d) PR 43 and 50. Regarding staffing for project institutions, a more detailed implementation schedule should be prepared and included in an appropriate legal instrument. It appears that special training programs need to be launched immediately to ensure adequate supply of instructors for the Maritime Institute (MI) and other project institutions since there are no special institutions to train instructors for them, and MI, which will train instructors for other project institutions, is scheduled to be operational after other project institutions have started operating;
- (e) PR 46. Are there any laws and regulations governing the hiring practice of the maritime sector in conformity with IMO or STCW standards? Are they adequate? Do we have assurances that these laws and regulations will be enforced rigorously in the future? Otherwise, a stock of less qualified workers will be continuously hired in lieu of the workers trained at higher levels under the project.
- (f) PR 47 and 50. We feel it insufficient to make the acquisition of sites a condition for disbursements for each of the project institutions. Civil works for the rating schools and port workers training centers are scheduled to begin in the first year, and therefore preparatory services

(such as working drawings, site surveys, and soil tests) should start even before the effectiveness date. Therefore, we suggest that a dated covenant be made on the availability of access to sites even before the legal process for land acquisition is completed; and

- (g) PR 53 and 60. To argue for the use of a shorter disbursement profile, evidence of more advanced preparation should be presented by the borrower. Those preparatory actions mentioned in para 2.25 of SAR are standard requirements for most Bank financed projects (OMS 2.28) and even fall short of the advanced preparatory steps taken by many education projects.

cc: Messrs. Clements (SVPOP), Johanson (EDTDR), Davar, Burmester,
McGough (AEP)
Mrs. Hamilton (AEAIN)
East Asia & Pacific Information Center

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ZCZC AINP1743 JWS0212
AEAIN AEPA4 BSDCB
REF : TCP1 MET

JAK0888

AEAIN, AEPA4

.IBRDJAK

INTBAFRAD JAKARTA, INDONESIA, SEPTEMBER 3, 1986

FOR A. HAMILTON COPY G. DAVIES, A. COLE

AT THE CLOSE OF THE CONFERENCE ON LOWLAND DEVELOPMENT IN INDONESIA
SAT. AUG 30TH SPECIFIC REFERENCE WAS MADE TO THE ECOLOGIST ARTICLES
ATTACKING INDONESIA. WE WERE INFORMED THAT THE ECOLOGIST ARTICLES
WERE DISCUSSED AT AN ENVIRONMENTAL CONFERENCE IN SYRACUSE, U.S.A.
IN JULY OR AUGUST OF THIS YEAR. FURTHERMORE THAT PROFESSIONALS
AT THE CONFERENCE DISAGREED STRONGLY WITH SOME OF THE ATTACKS MADE
ON THE TRANSMIGRATION PROGRAM IN INDONESIA. IT WOULD CLEARLY BE
WORTH OUR OBTAINING A COPY OF THE PROCEEDINGS RELATING TO THIS
MATTER. REGARDS, OWEN PRICE

=09030929

NNNN

~~AGIT~~
GP-Chron
OOIF

~~GD~~
Did you (or any-
one else) do
anything?

I responded (unattached)

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

Washington D. C. 20433

U.S.A.

FACSIMILE TRANSMITTAL FORM

FORM NO. 1884
(5-86)

CABLE SERVICES USE ONLY	
MSG. NUMBER:	
DURATION OF CALL:	MINUTES

DATE: September 4, 1986

NUMBER OF PAGES: 1 (Including this page)

FROM: Gloria Davis, AEAIN

Extension 72509 Dept/Div., No. 173/30

TO: COMPANY/ORGANIZATION: INTBAFRAD
CITY AND COUNTRY: Jakarta, Indonesia
FOR ATTENTION OF: Mr. O. Price

FAX NUMBER/
MACHINE TYPE:

SUBJECT: Environment

The meeting in Syracuse was a Congress of the International Association of Ecology and of the Ecological Society of America. It lasted about ten days and included a number of subconferences and theme meetings. No formal proceedings were issued. Robert Goodland arranged one session on Applied Ecology in International Development which contained two papers of relevance, one by Whitten on Transmigration which was pouched to you and to Rao (Zenick has the latter copy). Another by McNeily(?) which has some references to Dumoq^a. I will get this and pouch it tomorrow. The ~~changes~~ ^{charges} from the Ecologist were discussed but there is no formal record of this discussion.

Regards,

Gloria

cc: Mr. Babson (AEAIN)

Transmission Authorized by: Gloria Davis, AEAIN

Original to be returned to: Asia Files

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If you experience any problems with this transmission, please call back as soon as possible.

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FTCC - 82987 WORLDBK; TRT - 197688 WORLDBANK WUI - 64145 WORLDBANK

September 4, 1986

Task Participants Listed Below

Antony P. Cole, Chief, AEPA4

61001

INDONESIA: Agricultural Incentives Policy Study
Terms of Reference and Work Schedule

Sale Sept 4
Weird memo.
eg.1. Para 7 - who is
that addressed to.
eg.2 - we've all seen the
IM. This is another one?

Background

1. Agriculture continues to be the backbone of the economy - providing employment and the main source of livelihood for more than half of the labor force. Accounting for more than two-fifths of gross output, land use and employment, the growth of rice output - 5.0% annually - has made a solid contribution to the sector's impressive performance (4% per annum over the last two decades) and transformed the country from one of the world's largest importers of rice to one with domestic surpluses in 1985-86. *[But at a price.]*

2. In its drive towards accelerated development of agriculture (firstly rice self-sufficiency and now tree crop and secondary crop development), the Indonesian Government employed the following major instruments during the last two decades: (a) massive investment in irrigation structures and tree planting; (b) a guaranteed support price-cum-procurement mechanism especially for rice; (c) direct subsidies on fertilizers, seeds, pesticides and credit; (d) indirect subsidies through price and service fee controls on water charges, fuel costs and government financed land development and settlement programs; (e) import and export duties, taxes and surcharges; (f) price controls on selected food items; and (g) licensing procedures and requirements, especially in

agro-processing, marketing and transportation. While these mechanisms have effectively stimulated output, especially of rice, the incentive framework which they created may no longer be sustainable. Two recent events make it even more necessary to critically assess present economic policies viz: (a) the dramatic deterioration of government revenues from the oil sector and (b) the achievement of rice self-sufficiency with the consequent need for changes in the system of incentives that would permit greater attention to non-rice field crops.

3. The major issue confronting Indonesian policymakers is rice production in the overall agricultural production mix and the related issues associated with rice policy. Being the most important single source of food in Indonesia and the dominant activity in rural areas, rice has attracted considerable government attention in the form of support prices, subsidies, procurement, storage, marketing and other interventions. The cherished goal of abundant rice supplies is now seen to be a socially costly one. Accordingly, the mission would concentrate on piecing together the interaction of the rice economy with other parts of agriculture and with assembling a coherent package of recommendations that deal with the multifarious issues associated with rice and its relationship with other crops and agricultural activities.

Key Objectives of the Mission

4. The core analysis of the proposed task would focus on rice and its relationship with major annual crops and the key tree crops with respect to: (a) the price support and procurement mechanism, (b) issues of cost and effectiveness of fertilizer subsidy and (c) other direct and indirect subsidies and agricultural incentives which create major distortions in the system. The task participants would also keep in mind

*Very disjointed
Not partic. persuasive.*

that the effects of taxes, regulations and trade policies should be a part of the proposed analysis; government investment in agriculture should be treated as an input incentive; key institutional issues and problems relevant to the study should also be addressed; and the consequence of the proposed policy and incentives changes on rural employment and income should be addressed.

Specific Terms of Reference

5. The broad terms of reference for the proposed task are elaborated and assigned as below:

- (a) The overall mission management, preparation of the Initiating Memorandum and terms of reference, writing of the overview report, supervision of the production of the Main Report and Annexes, and its review at headquarters and discussions with Government shall be the responsibility of Fateh Chaudhri.
- (b) Sushma Ganguly will serve as the Deputy Chief of the mission. Besides preparing a brief overview of the government's major objectives in the agricultural sector and assessment of Government investment as part of input incentives, Ms. Ganguly, together with Mr. Chaudhri, would ensure that analysis of the various task participants is mutually reinforcing and consistent. She will pay particular attention to the financial and fiscal costs of the proposed policy measures affecting rice and non-rice

crops that Messrs. Lopez and Duloy will address in their work (See (d) and (e) below).

(c) A critical evaluation of the technical and agronomic (as distinct from incentives and prices) constraints on the efficient production of rice; secondary crops (especially corn, soybean) and any tree crops that have relationships with rice in land and resource use shall be the responsibility of H. Eisa. In the case of rice he will ascertain technical constraints on improving yield levels and quality and on reducing production costs. For non-rice crops, the constraints on varietal development, seed production and post-harvest technology should be addressed. He will also assess the adequacy and effectiveness of the current government efforts (with respect to both the strategy and major institutions involved), and suggest feasible ways to overcome the technical and institutional constraints. He will also undertake crop/farm budget analysis and participate in the task estimating the employment and income impact of incentive policies. (See (f) below.)

(d) John Duloy (Consultant) will review and evaluate: GOI's objectives of price-setting and procurement mechanisms in output markets of rice and competitive food crops (and any major tree crops to the extent they interface with rice); instruments of pricing policy employed by government (e.g. direct price intervention through setting of ceiling or minimum price, taxes or subsidy of output) and their effects

He knows less than nothing about that.

Will way too large a contribution! Needs 1 S.W. & no mission

All this has little to do with Agr. incentives.

*How!
How*

on relative prices and relative value added in order to obtain estimated effects of price interventions on output and farmers' income, government budget and foreign exchange earnings. Mr. Duloy will collaborate with Mr. Lopez and Mr. Mitchell and, in particular, assess issues in interproduct pricing and determine whether domestic rice prices in Indonesia are too high in relation to international prices under current trading policies and other non-rice commodities and whether its profitability is artificially enhanced and consumption restrained (e.g. by minimum floor price) by government policies and how all these affect the farmers' relative profitability and choice of cropping patterns. In this respect Mr. Duloy will also study the wheat consumption subsidy (whether flour millers or consumers are its principal beneficiary) and whether it indirectly discourages rice consumption. Mr. Duloy will also review the existing (IFPR, ADB, etc.) studies that generally use domestic resource cost approach, on the economics and comparative advantage of the principal agricultural activities especially rice and make suggestions (both with respect to the methodological framework and institutional arrangements) to help guide government policy in this area more systematically.

level of production

*Garbled.
} ?*

- (e) An assessment of the prices of agricultural inputs especially fertilizer will be central to the study and will be undertaken by R. Lopez (Consultant). It is important to

assess whether the enormous resources devoted to subsidize fertilizer (Rp. 700 billion or 35% of the total allocation to agricultural development including irrigation) could be used for other high priority, economically desirable activities to achieve the sector objectives. Mr. Lopez will: (a) quantify the incentive features of the fertilizer subsidy program; study the impact of recent increase in fertilizer prices on production cost, output growth, farmers' income, government budget, etc.; evaluate the implications of further reduction of the fertilizer subsidy for rice as well as other crops; assess the possible contractionary effects on the demand for hired labor because of increased fertilizer prices and its reduced consumption and suggest components of a strategy that would cushion the effects of reduced government outlays on fertilizer subsidy. Other input subsidies such as those for seeds, pesticides, credit, water supply, etc., will also be reviewed by Mr. Lopez with respect to their costs, distortionary effects, consistency vis-a-vis the need for diversification, possible inefficient use of resources that they induce especially in relation to water, credit, etc.

- (f) Mr. Kilby will be responsible for preparing a paper on the possible implications for agricultural employment and incomes of changes in the structure of incentives facing rice and palawija crop farmers. This analysis would be limited to the major crops: wetland paddy, dryland paddy,

maize, soybean, cassava, sweet potatoes and ground nuts.

The principal focus would be to examine the impact of changes in fertilizer prices and support prices for rice, maize and soybean on Java, since this region accounts for the bulk of both production and employment. He will do this in collaboration with Mr. Eisa and for Mr. P. Judd (Consultant) who will prepare a set of crop/farm models showing the pattern and costs and labor use in representative agricultural households.

- (g) An assessment of the broader policies affecting agricultural export and import substituting activities, e.g. trade and exchange rate policies, export taxes, quantitative restrictions, will be made by Malcolm Bale in order to evaluate their impact on agricultural production and export performance, especially in light of the May 6, 1986, policy package.

6. The work to be done by the abovementioned task participants - especially Messrs. Duloy, Lopez, Kilby and Eisa/Judd - on incentive policies, employment and income will get support from and be integrated with the work of (i) Messrs. Braverman and Hammer who will apply their multimarket model to Indonesia in order to quantify and analyse agricultural policy issues and (ii) Mr. Mitchell, who will update supply/demand analysis of rice and other grains and simulate the alternative production scenarios in response to input/output prices and/or subsidies. While the methodological framework of (i) will be used particularly to assess the impact of changes on government budget, balance

of payment, farmers' real income and employment, the estimation methodology in (ii) will pay particular attention to production effects of government policies relating to consumption, stock and trade of rice and other grains and assessment of the role of Indonesia in the world grain market over the next decade.

7. The proposed work program and composition of the mission members and task participants have been described above. As indicated in the pre-initiating memorandum issued in March 1986, Phase I of the study consisted of stock taking of existing and ongoing work with a view to identify the set of issues on which the proposed study should focus. With the preparation of brief review documents, that part of the preparatory phase is now completed. During August 1986, before undertaking the field mission in September 1986, we started collecting some necessary data on the key issues identified above. Further work on the application of the methodology for impact analysis of agricultural pricing and incentive policies which was formulated by the Agricultural and Rural Development Department of OPS has been undertaken and preliminary results will be available by mid-September 1986.

8. Following the field visit the consultants and staff involved in the mission will submit their first full draft reports around end-November, 1986. The overview and integrated report in white cover is expected in January 1987 with the yellow cover version scheduled for February 1987 and discussions with GOI in March-April 1987. A tentative outline of the report is given in Annex 1.

9. The mission will start field work on or about September 29, 1986, for three to four weeks. At the beginning of the last week in the field, the mission members will prepare one or two pages each on what they

consider as the three most critical issues in their areas of investigation, what the Government is doing to resolve them and what more can be done to overcome problems in these areas. Given the nature of the exercise and inter-dependence of the various components of the study, Ms. Ganguly will be responsible to ensure the interaction and mutual coordination of the analysis.

Ganguly / Chaudri confusion.

Tentative Outline

INDONESIA

AGRICULTURAL INCENTIVES POLICY STUDY

I. Introduction and Background

- o Scope and Objectives of the Study
- o Brief Overview of the Agricultural Sector
- Assessment of Government Objectives in Agricultural Development

Who does this.
How does this fit - that is, in part, what we are investigating.

II. Rice in the Agricultural Sector and Global Rice Prospects

- o Demand/Supply Factors in Production, Stocks and Trade of Rice
- o Global Rice and Other Grain Prospects ??
- o Assessment of Comparative Advantages and International Competitiveness

This has nothing to do with Agr. Incentives

III. Technical and Institutional Constraints

- o Technical and Agronomic Constraints Affecting Rice, Palawija Crops, and Major Tree Crops
- o Suggestions for Overcoming Technical and Institutional Problems

IV. Nature and Evolution of Agricultural Policies

- o Market Intervention in Output Prices
 - The setting of inter-product producer prices and procurement mechanisms for rice and related commodities, including problems in institutional and regulatory measures in each case.
 - Wheat and other food consumption subsidies in relationship to rice markets.
 - Effects of price interventions on output, farmer's income, government budget and foreign exchange.
 - Distortionary effects of price mechanisms and suggestions for improving it.

Unfocused

Impact of proposed D's on functional dist'n, employt, output, prices etc.

o Input Subsidies

- Fertilizer subsidy and its effects on the rice economy and cost to Government.
- Subsidization of other inputs - seeds; credit; insecticides; irrigation water; research and extension; storage; milling and marketing; land development and replanting - their costs to Government and economic benefit.
- Evaluation of input subsidies and strategies for removing them.

o Broader Policies

- Evaluation of trade and exchange rate policies, import and export duties, quantitative restrictions affecting rice and other agricultural products.
- Suggestions for making them compatible with the role and objectives of the sector.

V. Impact Analysis of Policy Interventions

- o Prices/Subsidy Changes and Alternative Production Scenarios
- o Cost to the Government Budget of Major Policy Interventions
- o Effect on Farmer's Productivity, Profitability and Cropping Patterns
- o Impact on Rural Employment and Incomes
- o Impact on Trade in Agriculture and Export Performance

VI. Direction of Changes and Reforms

- o Summary of Major Issues in Policies and Intervention Instruments
- o Alternative Options and Proposed Specific Adjustments
 - Incentive policies and measures
 - Institutional mechanisms and processes
 - Regulatory and control mechanism

Note: Chapters I, II and III will be quite brief and perspective; Chapters IV and V will present analyses of issues; Chapter VI would be forward-looking with respect to proposed changes and development strategy.

whole thing should be more forward looking there is too much "what were the effects," rather than "what if."

1986 SEP 8 AM 9 13

1809/1

FACSIMILE TRANSMITTAL FORM

Date : September 8, 1986

No. of Pages : 11

From : Owen T. W. Price (RSI Jakarta)

To : Mr. A. Cole, AEPAA (Washington DC)
Copy to AEAIN & Asia Files

Fax No. : F/ 1809

Subject : Fall 1986 PIR
Your Faxes of 9/4 and 9/5/86

1. We attach signed 590s for NES VI, Swamps I (no change) and Transmigration IV together with marked up copies of your version for NES VI and Trans IV so that you can identify the minor changes we have made.
2. We attach marked up copies of the updating paras for NES IV, VI, VII, Swamps I and Trans IV. In the case of Swamps I we also give a retyped version including our amendments.
3. We have taken no action re Trans V other than reading it.

Regards


Price

File: PIR
DNotley/lk

DN

~~MD~~
 Copy
 Plus
 DJ

GO
 your
 copy
 MD

IBRD AND IDA - IMPLEMENTATION SUMMARY

FORM NO. 530R
14-85

The summary is the entire summary
 part of a mission report
 an annual report

For detailed instructions on completion of this form, please see Attachment B to the Annex of OMS 3.60

10.09/82

Regional Office: AFV	Project Name: Nucleus Estates and Smallholders VI	Project Code: 7INSPA107	Loan No. / Credit No.: 2126-IND	LT Acc. (S.A.)/S.D.R.: 55.5 (a)
Country: Indonesia	Borrower/Beneficiary: Government of Indonesia	Start Date/PT: 04/15/82 FY82	Review Date: 04/23/82	Effective Date: 07/25/82
Managing Dir./Div. Name: AEFAL (RSI)	Dir. Case No.: 175/89	Process Officer: C.H. Shearing	Loan Officer: M. Zenick	Monitor End Date: 12/20/85

SECTION 1: PROJECT DATA AND PERFORMANCE RATINGS

	Current Score (Max/Yr)	Target Date (Max/Yr)	Proj. Cost (\$/Unit)	Implementation (Max/Yr)	Cost Eff. (% of L/C)	Range	The Last
SAR/PR (INTN)	06.89	12.87	190.0/118,750	SAR/PR: 80.0	16%	A.S. Range	3 3
Revised	-	-	-	Actual: 13.8	25%	Project Mgmt.	3 3
Last IS	06.89	04.89	162.0/181,440	Profile: 20.5	37%	Dev. Impact	3 4
Expected	06.89	04.89	162.0/181,440	Comm. 14.8	27%	Overall Smt.	3 4
Ratings - This Summary		Comm. Delay: 23 %	Cost Overrun: 15% 53 %	Disc. Int. 58 % (a)			
Ratings - Last Summary (12/20/85)		Comm. Delay: 23 %	Cost Overrun: 15% 53 %	Disc. Int. 66 % (a)			

SECTION 2: SUMMARY PROJECT DESCRIPTION: Timor of smallholder settlement: RII.
 Smallholder and nucleus estate development at Cikaso/Agrabinta (PTP XII), Bengkulu (PTP XXIII) and Seram (PTP XXVIII) including: (a) establishment of 15,000 ha rubber and coconut for 8,450 smallholders; (b) building or rehabilitating 1,500 participants' houses with village infrastructure, 680 km roads and 1,700 ha food crops; (c) planting/rehabilitating 11,500 ha estate rubber and coconut; (d) construction of estate buildings, roads and processing facilities; technical assistance; and (f) start-up funds for NES VII, NES Sugar, Talopino.

SECTION 3: PROJECT STATUS: Summarize current status of implementation. Identify major problems.
 Field establishment and maintenance have improved. Cikaso/Agrabinta Status 3 - There is a shortfall of 1,800 ha of land for smallholder development. The settlement program is delayed with only 34 out of 3,700 families settled, due to slow construction of houses and difficult access because of road construction delays. Bengkulu Status 3 - The road network remains poor and the settlement program is substantially delayed. Seram Status 3 - Field development is poor because of weak management and difficult access to the isolated site on Seram island.

SECTION 4: ACTION TAKEN: Summarize actions taken or agreed to be taken with borrower to address major problems.
 Earlier delays were caused mostly by delays in road construction (and housing). GOI has now returned responsibility for the access roads to the PTPs and allocated budgets which the Bank will fund 100%. Since the last PIR review, GOI has completed an in-depth review of the project budget for 1986/87 with emphasis on timely infrastructure construction to speed up field development. Cikaso/Agrabinta - A soil survey is underway to locate additional land for settlers. Bengkulu - An action plan was prepared and is now in progress. Seram - Management was changed in May and GOI is committed to a comprehensive financing plan for PTP XXVIII.

SECTION 5: ACTION PROPOSED: Summarize future actions required. Include spend to next mission (Mo/Yr): 109 86
 Follow up actions by RSI are:
 (i) Further 1986/87 detailed budget review with GOI, updating of project plans/costs to completion, taking account of GOI budget constraints;
 (ii) A full supervision of the Seram subproject will determine whether it should be scaled down. Recommendations will be made by mid-November 1986; and
 (iii) Providing continuing support to new Timor's NES VI/VII task force charged with facilitating project implementation and assisting field management.

THE WORLD BANK
IBRD AND IDA - IMPLEMENTATION SUMMARY

FORM NO. 899
(4-85)

This summary is the actual summary part of a mission report an annual update

For detailed instructions on completion of this form, please see Attachment B to the Annex of OMS 3.50

1809/3

Regional Office: AEN	Project Name: Nucleus Est. & Smallholders VI	Project Code: 7INSPAL07	Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> No. 2126-IND	LC Unit: S.A.A.M. SDR 55.5 (a)
Country: Indonesia	Borrower/Beneficiary: Government of Indonesia		Board Date FY: 04/15/82 FY82	Signing Date: 04/23/82
Managing Dept./Div. Name: AFAL (RSI)	Org. Code No.: 175/89	Project Officer: C.H. Shearing	Loan Officer: M. Zentgraf	Mission End Date: 12/20/85

SECTION 1: PROJECT DATA AND PERFORMANCE RATINGS

	Revised Date (Mo/Yr)	Comp. Date (Mo/Yr)	Disb. Cont. (S/Local) (US\$ M)	Disbursement (US\$ M)	Rating (% of LC)	The Last Exam. Date
SAR/PR (initial)	06 88	12 87	190.0/118,750	SAR/PR: \$ 40.0 (60%)	Avail. Funds	3 3
Revised	-	-	- / -	Actual: \$ 13.8 (25%)	Project Mgmt.	3 3
Last IS	06 89	04 89	162.0/181,440	PRRHS: \$ 20.5 (37% a)	Dev. Impact	3 4
Expected	06 89	04 89	162.0/181,440	Comm.: \$ 14.8 (27% a)	Overall Stat.	3 4
Ratings - This Summary		Comm. Delay 23 %	Cost Overrun (15%/53 %)	Disb. Lag 58 % a)		
Ratings - Last Summary (12/20/85)		23 %	(15%/53 %)	66 % a)		

SECTION 2: SUMMARY PROJECT DESCRIPTION: Type of lending instrument: 511

Smallholder and nucleus estate development at Cikaso/Agrabinta (PTP XII), Bengkulu (PTP XXI) and Seram (PTP XXVIII) including: (a) establishment of 15,000 ha rubber and coconut for 8,450 smallholders; (b) building or rehabilitating 1,500 participants' houses with village infrastructure, 680 km roads and 1,700 ha food crops; (c) planting/rehabilitating 11,500 ha estate rubber and coconut; (d) construction of estate buildings, roads and processing facilities; technical assistance; and (f) start-up funds for NES VII, NES Sugar, Talopino.

SECTION 3: BRIEF STATUS. Summarize current status of implementation, identify major problems.

Field establishment and maintenance have improved. Cikaso/Agrabinta Status 3 - There is a shortfall of 1,800 ha of land for smallholder development. The settlement program is delayed with only 1/4 out of 3,700 families settled, due to slow construction of houses and difficult access because of road construction delays. Bengkulu Status 2/3 - The road network remains poor and the settlement program is substantially delayed. Seram Status 3 - Field development is poor because of weak management and difficult access to the isolat site on Seram island.

SECTION 4: ACTION TAKEN. Summarize actions taken or agreed to be taken with Borrower to address major problems.

Earlier delays were caused mostly by delays in road construction (and housing). GOI has returned responsibility for the access roads to the PTPs and allocated budgets which the B will fund 100%. Since the last PIR review, GOI has completed an in-depth review of the project budget for 1986/87 with emphasis on timely infrastructure construction to speed up field development. Cikaso/Agrabinta - A soil survey is underway to locate additional land for settlers. Bengkulu - An action plan was prepared and is now in progress. Seram - Management was changed in May and GOI is committed to a comprehensive financing plan for PTP XXVII.

SECTION 5: ACTION PROPOSED. Summarize further actions required. Include agenda for next mission (Mo/Yr) (09/86).

Follow up actions by RSI are:

- (i) Further 1986/87 detailed budget review with GOI, updating of project plans/costs to completion taking account of GOI budget constraints;
- (ii) A full supervision of the Seram subproject will determine whether it should be scaled down. Recommendations will be made by mid-November 1986; and
- (iii) Providing continuing support to new Tim Khusus NES VI/VII task force charged with facilitating project implementation and assisting field management.

Name of Preparing Officer:	Date:	Reviewed by: (Division Manager)	PIR Review: (Asst. Dir/Dir/RVP)
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(a) Based on reduced loan amount. Original loan amount US\$68.1 m.

**THE WORLD BANK
IBRD AND IDA - IMPLEMENTATION SUMMARY**

FORM NO. 300R
4-88

The summary is the initial summary
 part of a mission report
 an annual update

For detailed instructions on completion of this form, please see Attachment B to the Annex of OMS 3.50

1209/4

Region: Office: AEN	Project Name: Transmigration IV	Project Code: 7INSP117	Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> No. 2288-IND	L/C Amt. (\$Mill./SDR): 63.5
Country: Indonesia	Borrower Beneficiary: Government of Indonesia	Board Date By: 05/24/83 FY83	Signing Date: 05/31/83	Effective Date: 09/06/83
Managing Dept. Div. Name: AFPAI/R51	Org. Code No.: 175/89	Project Officer: D. Russell	Loan Officer: M. Zanick	Mission End Date: 07/30/86

SECTION 1: PROJECT DATA AND PERFORMANCE RATINGS	Opening Date	Closing Date	Proj. Costs	Disbursement	Net/yr	Sector	This Last	
	(Mo/Yr)	(Mo/Yr)	(\$/Loan) (\$M/yr)	(\$M/yr)	(% of L/C)		Year	Year
SAR/PR (initial)	12 87	07 87	120.0 / 84,000	SAR/PR: \$ 47.0 (74 %)	Actual: \$ 5.1 (8 %)	Acad. Funds	2	2
Revised	- -	- -	- / -	Profit: \$ 15.2 (26 %)	Comm.: \$ 8.5 (13 %)	Project Mgmt.	2	3
Last 18	06 89	03 89	105.0 / 117,600			Dev. Invest	1	2
Expected	06 89	03 89	105.0 / 117,600			Overall Stat.	2	3

Ratings - This Summary	Comp. Delay	Cost Overrun	Dis. Lag
42 %	17% / 40 %	89 %	
Ratings - Last Summary (03/11/86)	42 %	13% / 40 %	90 %

SECTION 2: SUMMARY PROJECT DESCRIPTION: Type of lending instrument: BIL
Settle about 3,500 families at Muara Wahau and about 2,500 families at Sangkulirang in East Kalimantan. Each family would receive a 3.25 ha farm consisting of 2 ha of coconuts and the rest of land for houseslots and food crops. In addition, 500 ha of coconut would be established by a public estate. Consulting services would be provided to facilitate implementation and strengthen project coordination. The project covers the first 4 years of a 10-year area development program.

SECTION 3: Project Status
Project implementation has been seriously delayed due to unsatisfactory performance by and subsequent cancellation of 3 of the 4 major land development contracts. Budgetary constraints in the current fiscal year necessitated some reduction in the infrastructural investment program and budget adjustments and a slow release of budgeted funds further inhibited progress. The delays will necessitate a postponement of Closing Date if the objectives of the project are to be met. Inter-agency coordination at the provincial and site level is developing well and will help overcome the usual deficiencies in allocation of plots to beneficiaries, supply of inputs and services to transmigrants.

SECTION 4: Action Taken
Following the Bank's agreement to permit direct negotiations with two land development contractors well-established in the project area, SEKNEG approved the signing of the contracts on July 30. Mobilization and a start to work is expected in August. The Bank has agreed to raise the disbursement percentages on two key items - access roads to Muara Wahau and housing - to permit a reasonable rate of development this year. Budget amendments were approved in August. The mission addressed progress and problems of each component at the site, provincial and central level meetings and MOT agreed to (a) review project implementation schedule for a possible extension of closing date by about 18 months, (b) adjust project components to revised schedule, and (c) recast project components in view of aborted land clearing contracts, new implementation schedule and devaluation after appraisal.

SECTION 5: Action Proposed
(a) MOT will seek the assistance of the Planare-Rnex Consultants and Team Khusus of DG Estates to review implementation schedule and recast project by end Nov. 1986; and
(b) R51 will follow up on the project recosting exercise and continue to monitor project coordination.

Name of Preparing Office: AFPAI/R51	Date: 02/08/1986	Reviewed by (Division Manager): D. Russell	PIA Review: (Asst. Dir./Dir./RVP)
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THE WORLD BANK
IBRD AND IDA - IMPLEMENTATION SUMMARY

FORM NO. 899R
14-85

For detailed instructions on completion of this form, please see Attachment B to the Annex of OMS 3.80

THIS SUMMARY IS THE INITIAL SUMMARY
 PART OF A MISSION REPORT
OR OTHER REPORT

1809/5

Regional Office: AEN	Project Name: Transmigration IV	Project Code: 77NSPA17	Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> No. 2288-IND	L.C. Amt. (Sd. or DM): 63.5
Country: Indonesia	Borrower/Beneficiary: Government of Indonesia		Board Date FY: 05/24/83 FY83	Signing Date: 05/31/83
Managing Dept./Div. Name: AFAI/RSI	Org. Code No.: 175/89	Project Officer: D. Purcell	Loan Officer: M. Zanier	Mission End Date: 07/30/86

SECTION 1: PROJECT DATA AND PERFORMANCE RATINGS	Closing Date	Comm. Date	Proj. Cost	Disbursement	Mo/Pr	Ratio	This	Last
	(Mo/Yr)	(Mo/Yr)	(S/Local) (US\$M)	(Sd. Amt.) (% of L/C)	(% of L/C)	(% of L/C)	Sum	Sum
SAR/PR (Initial)	<u>12 87</u>	<u>07 87</u>	120.0 / 84,000	SAR/PR: \$ 47.0 (74 %)	Actual: \$ 5.1 (8 %)	Avail. Fund	2	2
Revised	-	-	- / -	Profile: \$ 15.2 (24 %)	Comm.: \$ 8.5 (13 %)	Project Mgmt.	2	3
Last IS	<u>06 89</u>	<u>03 89</u>	105.0 / 117,600			Dev. Invest	1	2
Expected	<u>04 89</u>	<u>03 89</u>	105.0 / 117,600			Overall Stat.	2	3
		Comm. Delay	Proj. Overrun	Disb. Lag				
Rating - This Summary		<u>42 %</u>	<u>19 % / 40 %</u>	<u>89 %</u>				
Rating - Last Summary	<u>03/11/86</u>	<u>42 %</u>	<u>19 % / 40 %</u>	<u>90 %</u>				

SECTION 2: SUMMARY PROJECT DESCRIPTION: Type of lending instrument: BL
Settle about 3,500 families at Muara Wahau and about 2,500 families at Sangkulirang in East Kalimantan. Each family would receive a 3.25 ha farm consisting of 2 ha of coconuts and the rest of land for houselots and food crops. In addition, 500 ha of assenus would be established by a public estate. Consulting services would be provided to facilitate implementation and strengthen project coordination. The project covers the first 4 years of a 10-year crop development program.

SECTION 3: Project Status
Project implementation has been seriously delayed due to unsatisfactory performance by and subsequent cancellation of 3 of the 4 major land development contracts. Budgetary constraints in the current fiscal year necessitated some reduction in the infrastructural investment program and budget adjustments and a slow release of budgeted funds further inhibited progress. The delays will necessitate a postponement of Closing Date if the objectives of the project are to be met. Inter-agency coordination at the provincial and site level is developing well and will help overcome the usual deficiencies in allocation of plots to beneficiaries, supply of inputs and services to transigrants.

SECTION 4: Action Taken
Following the Bank's agreement to permit direct negotiations with two land development contractors well-established in the project area, SEKNEG approved the signing of the contracts on July 30. Mobilization and a start to work is expected in August. The Bank has agreed to raise the disbursement percentages on two key items - access roads to Muara Wahau and housing - to permit a reasonable rate of development this year. Budget funds were released in August. The mission addressed progress and problems of each component at the site, provincial and central level meetings and MOT agreed to (a) review project implementation schedule for a possible extension of closing date by about 18 months, (b) adjust project components to revised schedule, and (c) recost project components in view of aborted land clearing contracts, new implementation schedule and devaluation after appraisal.

SECTION 5: Action Proposed
(a) MOT will seek the assistance of the Planars-Knex Consultants and Team Khusus of DC Estates to review implementation schedule and recost project by end Nov. 1986; and
(b) RSI will follow up on the project recosting exercise and continue to monitor project coordination.

24713

THE WORLD BANK
IBRD AND IDA - IMPLEMENTATION SUMMARY

3906
A DETAILED INSTRUCTIONS ON COMPLETION OF THIS FORM,
PLEASE SEE ANNEX C OF GNS 9.80

120976

() THE INITIAL SUMMARY
() PART OF A MISSION REPORT
(X) AN ANNUAL UPDATE

REGIONAL OFFICE: AEN PROJECT NAME: FIRST Swamp Reclamation PROJECT CODE: 7ZNSPA097 LOAN (K) CREDIT () NO: 1958-IND L.C. AMT (SUS./M/USD): 22.0

COUNTRY: INDONESIA BORROWER/BENEFICIARY: Government of Indonesia BOARD DATE/FY: 03/01/81 FY81 SIGNING DATE: 03/31/81 EFFECTIVE DATE: 07/09/81

MANAGING DEPT./DIV. NAME: ACPA1/RSI ORG CODE NO.: 175/89 PROJECTS OFFICER: des Bouvrie LOAN OFFICER: Zenick MISSION END DATE: 06/30/86

BAR/FR:	SECTION 1: PROJECT DATE AND PERFORMANCE RATINGS		PROJ. COSTS (S/LOCAL) (SUS./M)	DISBURSEMENT (SUS./M) (S OF LC)	NO/YR (0680)	RATINGS	THIS FY	LAST FY
	CLOSING DATE (MO/YR)	COMPL. DATE (MO/YR)						
BAR/FR:	12/86	12/85	44.6/27,364	BAR/FR is	22.0 (100)	Avail. Funds	1	1
REVIEWED:				ACTUAL is	10.6 (48)	Proj. Mgmt.	3	3
LAST IS:	12/87	06/87	25.2/23,569	PROFILE is	12.8 (56)	Dev. Impact	3	3
EXPECTED:	12/87	06/87	29.5/28,385	COMPL. is	14.0 (64)	Overall Stat.	3	3
				COMPL. DELAYS				
				COST OVERSHO				
				DISB. LAG				
RATINGS - THIS SUMMARY	(27 S)	(34 S 1.9 S)		(52 S)				
RATINGS - LAST SUMMARY:	(20 S)	(23 S 1.3 S)		(30 S)				

SECTION 2: SUMMARY PROJECT DESCRIPTION: TYPE OF LENDING INSTRUMENT: SIL
The Project works include (a) hydraulic infrastructure including navigation canal (9 km), primary canals (24 km), secondary canals (196 km), and tertiary systems over an area of 9,000 ha at Karang Agung in South Sumatra; (b) land clearance for house lots and farm plots; (c) construction of 3,200 houses for settlers; (d) construction of community facilities in seven villages; (e) agricultural support program; and (f) studies, institutional support and monitoring.

SECTION 3: PROJECT STATUS. SUMMARIZE CURRENT STATUS OF IMPLEMENTATION. IDENTIFY MAJOR PROBLEMS.
The hydraulic infrastructure had been 98% completed by the end of June 86 which was the extended contract completion date. In view of the substantial completion of these works the Directorate of Swamp Reclamation permitted the contractor to complete the remaining items (about Rp 50 million worth) with a penalty of liquidated damages. Land clearing and housing has been completed for 2,700 settlers i.e., 500 less than appraised. Shortage of suitable land in and around the project area does not permit further settlement. The coordination mechanism between participating agencies i.e., public works, transmigration, agriculture, health and education still needs strengthening.

SECTION 4: ACTION TAKEN. SUMMARIZE CURRENT ACTIONS TAKEN OR AGREED TO BE TAKEN WITH BORROWER TO ADDRESS MAJOR PROBLEMS.
(i) An action program for accelerating agricultural development by (a) clearing the remaining forest within the project area, (b) intensifying control of wild animals, rodents and other pests and (c) better agricultural support services in extension, plant protection and research is being implemented with positive results.
(ii) Proposals for reallocation of loan funds to clear the remaining farm lands and improve facilities and agricultural services in the project area have been received with a request to extend the loan closing date by one year.

SECTION 5: ACTION PROPOSED. SUMMARIZE FURTHER ACTIONS REQUIRED. INCLUDE AGENDA FOR NEXT MISSION (MO/YR) 12/86
(i) Schedule 1 of the Loan Agreement, will be revised to include proposals for loan reallocation and the creation of new loan category for agricultural support services, in line with the action program above. Agreement should also be given to extend the loan to 12/87.
(ii) RSI will continue intensive supervision to try and improve coordination between the implementing agencies.

NAME OF PREPARING OFFICER: P.T. Raddy DATE: 08/01/86 REVIEWED BY: (REGIONAL MANAGER) PER REVIEW (ASST. DIR/DIR/STP)
for C. des Bouvrie 08/01/86 GREN T. Price
FROM World Bank Washington DC 20543

1209/7

247/6

Nucleus Estates and Smallholders IV Project (Loan 1835-IND)

There has been steady progress in addressing the problems concerning implementation of the NES IV project which if continued should result in the project's objectives being met. The main issue noted during Spring PIR was the cashflow problem of the implementing agency (PTP X). ~~The Ministry of Finance has agreed that the three existing commercial bank loans to PTP X should be rescheduled. Commercial banks have completed documentation of the loans and the third is being processed.~~ The quality of field establishment is improving. Efforts are being made to accelerate the construction of settler houses and village infrastructure, despite the delay in the release of this year's budget. A program for construction of road culverts and surface drainage is being implemented and roads, in general, are in good condition. There has been slow progress, typical of all the NES projects, in land titling for settlers holdings. Arrangements for continuation of extension services within NES/PIR projects for food crops and tree crops during the mature phase, are being discussed within the Department of Agriculture. Procurement for Tebanan rubber processing facilities is underway, but planning delays continue for the Betung and Marapan palm oil mills. A consultant from Malaysia has made recommendations for improvement, and this will be the immediate focus of intensive supervision from RSI.

The Minister of Finance has agreed to reschedule two loans due for repayment by PTP X to the Department of Finance. In addition, state commercial banks have granted two long term loans, and a third loan is being processed.

1209/8

247/7

Nucleus Estates and Smallholder VI Project (Loan 21216-IND)

The major problems at the start of the project were the serious delays in construction of vital roads, bridges and housing infrastructure caused by inadequate planning. Since then, GOI has completed an in-depth review of project budgets for 1986/1987 with emphasis on timely infrastructure construction to speed up the field development program, and field establishment and maintenance have generally improved. At Cikoso/ Agrabinta the need for additional land for smallholders is being addressed and soil surveys are underway. At Bengkulu, implementation of the action program is improving. On the island of Seram, access to the site remains difficult and field development has been poor. ~~The~~ Management has been changed however and a full appraisal of the situation will be made by RSI in October to determine whether the Seram subproject should be scaled down; recommendations will be made by mid-November 1986.

Supervision

1809/9

Two of the three

~~27/8~~

Nucleus Estates and Smallholder VII Project (Loan 2232-IND)

The project has had a slow start. The project included an innovation allowing for the 'detailed appraisal of components by the Directorate General of Estates. The loan was signed in February 1983 but disbursement conditions related to the appraisal arrangements were only satisfied in February 1986 after RSI assisted in completing the appraisals. Since February there has been good progress at the Sambas and Luwu sites with an updated action program prepared for Sambas and agreement reached to appoint a full time consultant to oversee implementation. Luwu is being satisfactorily implemented by PTP VII under contract to PTP XXVIII. It is now expected that settlement and planting targets for Sambas and Luwu can be achieved one or two years later than the original loan closing date. At Pasir, the speed of implementation has picked up now that the loan agreements for replacement of rubber with oil pala have been finalized.

amendments

agreed

MARKED UP COPY TO SHOW CHANGES

9/8/86

~~2/1/87~~

First Swamp Reclamation (Ln. 1958-IND)

1809/10

The problems which had been plaguing this project were delays in the project's hydraulic infrastructure, inadequate participation of agricultural support services in extension, plant protection and research and, damage to settler crops by wild animals and other pests. There has been an all round improvement in these aspects since the spring 1986 PIR. The hydraulic infrastructure was 98% completed by the end of June 1986 which was the extended contract completion date for these structures. In view of the substantial completion of these works, the Directorate of Swamp Reclamation permitted the contractor to complete the remaining items (about Rp 50 million) under penalty of liquidated damages. Land clearing and housing have been completed for settling 2,700 families i.e., 500 less than appraised. Unsuitability and shortage of available land in and around the project area does not permit additional settlement. An action program for accelerating agricultural development by clearing the remaining forest within the project boundary, an intensified campaign against wild animals, and other pests with the participation of agricultural support services in extension, plant protection and research have been undertaken with positive results. The coordination mechanism between participating agencies i.e., public works, transmigration, agriculture, health and education, however, needs further strengthening. Efforts in this respect continue.

RSI have proposed an extension of the closing date by one year and a reallocation of loan funds to clear the remaining farm lands and improve facilities and agricultural services in the project area. This proposal is under examination.

promising

New sentence - see new version (retyped)

First Swamp Reclamation (Ln. 1958-IND)

1809/11

The problems which had been plaguing this project were delays in the project's hydraulic infrastructure, inadequate participation of agricultural support services in extension, plant protection and research and, damage to settler crops by wild animals and other pests. There has been an all round improvement in these aspects since the spring 1986 PIR. The hydraulic infrastructure was 98% completed by the end of June 1986 which was the extended contract completion date for these structures. In view of the substantial completion of these works, the Directorate of Swamp Reclamation permitted the contractor to complete the remaining items (about Rp. 50 million) under penalty of liquidated damages. Land clearing and housing have been completed for settling 2,700 families i.e., 500 less than appraised. Unsuitability and shortage of available land in and around the project area does not permit additional settlement. An action program for accelerating agricultural development by clearing the remaining forest within the project boundary, an intensified campaign against wild animals, and other pests with the participation of agricultural support services in extension, plant protection and research have been undertaken with promising results. An agricultural research unit has been established in the area to work on the formulation of suitable agricultural input and extension packages. The coordination mechanism between participating agencies i. e., public works, transmigration, agriculture, health and education, however, needs further strengthening. Efforts in this respect continue.

RSI have proposed an extension of the closing date by one year and a reallocation of loan funds to clear the remaining farm lands and improve facilities and agricultural services in the project area. This proposal is under examination.

OFFICE MEMORANDUM

DATE September 9, 1986

TO Distribution

FROM Sven Burmesfer (Chief, AEPED)

EXTENSION 6-1901

SUBJECT INDONESIA - Tree Crops Human Resource Development Project
- Yellow Cover Review Meeting

60049

A meeting to review the attached Yellow Cover SAR and Parts III and IV of the President's Report for the Tree Crops Human Resource Development Project in Indonesia will be held on Wednesday, September 17 at 10:00 a.m., in Room I-7-028. Mr. Davar will chair the meeting.

attachments

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:dk

September 10, 1986

Mr. Attila Karaosmanoglu, RVP, AEN

Gautam S. Kaji, Director, AEA

72103

INDONESIA: Proposed Loan of US\$29.4 million for the Fisheries Support Services Project

1. Please find attached for approval and subsequent distribution to the Loan Committee, drafts of the Memorandum of the President ^{1/} and Staff Appraisal Report and the draft Loan and Project Agreements for the Fisheries Support Services Project. Also attached is the approved five-year lending program for Indonesia. This memorandum and the attached documents have been cleared by the departments concerned. This would be the fifth project submitted to the Loan Committee for FY87, and would bring to US\$399.3 million total IBRD resources allocated to FY87 projects for Indonesia.

The Project

2. The proposed project would support the Government's objectives of increasing non-oil exports, developing rural areas of the less developed outer islands, and increasing income of a relatively poor segment of Indonesian society, while reducing demands from the fisheries sector on the Government's development budget, in part through a

^{1/} This project was selected to be presented to the Board without the President's Report (but with a Memorandum of the President) as part of the implementation of the new Operating Procedures.

reduction in credit subsidies and improved cost recovery. The project would contribute to the increased production of high-value shrimp and would improve marketing support services for marine fisheries. A small pilot component would encourage environmentally-sound coastal aquaculture among some of Indonesia's poorest fish farmers.

3. An Issues Paper and Decision Memorandum for this project were distributed on March 13, 1986 and April 22, 1986, respectively. The attached documents are consistent with the decisions recorded in the Decision Memorandum except as noted below.

Issues

4. Cost recovery in the fisheries sector has been poor, to date, and one objective of the project is to improve credit repayment by involving processors in selecting ~~the smallholders~~ ^{fishfarmers} to receive ^{sub- recipients} loans, and making deductions (from fish and shrimp sales) for repayment. ~~To ensure that the arrangements are clear to BRI and the processors, and do not disadvantage the smallholders,~~ ^{for credit recovery as clear,} ~~it was agreed at the Yellow Cover Review that there should be a Project Agreement between the Bank and BRI, and that the signing of a subsidiary loan agreement between (GOI) and BRI would be a condition of loan effectiveness.~~ ^{It would be signed by the Government of Indonesia (BRI), Bank Rakyat Indonesia (BRI)}

5. At the time of the Decision Meeting, it was understood that P.T. Bali Raya (PTBR), a private enterprise, would establish new cold storage facilities using its own funds, and would borrow money from BRI to be on-lent to fishermen for "pole and line" vessels (~~US\$400,000~~). ^{10% of project cost.}

This would have ~~helped~~ ensure 100% repayment for these boats. ~~Fishermen~~
~~are now to borrow directly from Bank Rakyat Indonesia (BRI) for this~~
~~purpose, and under these circumstances there is some uncertainty about~~
~~the role of PTBR,~~ ^{There is now}
~~draft agreements which clarify the repayment arrange-~~
~~ments, between PTBR and BRI and between BRI and fish farmers,~~ ^{BRI and}
^{fishermen,} would be
 prepared as a condition of negotiations. If we cannot agree upon
 measures which ensure equity and credit recovery, we may decide to drop
 this component, which constitutes only about ^{3%} ~~2.5%~~ of total project cost.

Arrangements for credit recovery through

6. ~~Shrimp processors are intended to guarantee repayment of 50%~~
~~of outstanding loans to shrimp cultivators.~~ ^{the measures proposed in the SARZ}
~~These arrangements are also~~ ^{currently} under discussion in Indonesia, and while ~~they~~ seem to be
 acceptable, this may be a topic for discussion at negotiations. We
 would be receptive to any solution which achieves improved levels of
 cost recovery, protects the ^{fish farmers,} ~~smallholders~~ from exploitation and reduces
 interest rate subsidies.

Conditions of Loan Negotiations, Effectiveness and Disbursement

7. The following are conditions of loan negotiations: (a)
 preparation of ^s a draft agreement between BRI and shrimp processors
 including, inter alia, ^{the conditions under which} ~~agreement from the processors~~ ^{would participate in}
~~guarantee repayment of 50% of the loans to fish farmers;~~ ^{sub-loan} (b) ^{recovery;}
~~preparation~~
~~of a draft agreement between BRI and PTBR stating the conditions under~~
~~which PTBR would participate in sub loan recovery;~~ (b) provision of a
 letter of intent from PTBR to the Director General of Fisheries (DGF)
 outlining the scope of their investment in the development of marketing

*and between BRI
and PTBR
would participate in
sub-loan
recovery;*

support facilities in Flores; ^e(d) formation of a project coordination committee, headed by the Director General of Fisheries; and (d) completion of site selection for canal rehabilitation, covering 3,000 ha, to be done in the second year of the project. We expect these steps to be completed by the end of September.

8. Conditions of effectiveness of the loan are: (a) the signing of a Subsidiary Loan Agreement between the ^{GOI}~~Government~~ and BRI for the part of the proceeds of the loan made available to BRI; and (b) ^{the}establishing ~~ing~~ a Project Liaison Office.

9. We are asking that BRI sign the agreement with PTBR, referred to above, as a condition of disbursement against ^{sub-loans} credit for the pole and line vessels. ~~[We also intend to request that a similar agreement be signed between BRI and the shrimp processors as a condition of disbursement against credit to shrimp farmers. This is not reflected in the documents sent to you, but the Government will be informed of this change in the Invitation to Negotiate]~~ The signing of a contract between the Ministry of Population and Environment (MPE) and a suitable non-governmental organization is proposed as a condition of disbursement for the coastal aquaculture pilot component.

~~PA~~
207
P.A.
PA
2.07,
2.08
is now done shall by

Recommendation

10. I recommend that the Government of Indonesia be invited to negotiate a loan of US\$29.4 million on the basis of the above discussion and the recommendations set out in the attached documents.

Mr. Attila Karaosmanoglu

- 5 -

September 10, 1986

Attachments

Col E

Cleared with and cc: Messrs. ~~Sprague (AGRFA)~~, ~~Zulficar (AEPA4)~~, Quintos (LOA)
Mss. Hamilton (AEAIN), Nordlander (LEGEP)

GDavis/REgan:mld (92)

1986 SEP 12 11 07

FACSIMILE TRANSMITTAL FORM

1857

113
GD
DU

Date : September 11, 1986
No. of Pages : 4
From : Owen T. W. Price (RSI Jakarta)
To : Mr. A. Cole, AEP4 (Washington DC)
Copy to AEAIN & Asia Files
Fax No. : F/ 1855
Subject : Agriculture Incentives Policy Study TOR

Re urfax 246 dated September 5 on Agr. Incentives Policy Study.

Primo We have reviewed the draft TOR and our comments are as follows:

- (a) Agree with the reduced scope of the study focussing on rice production in relation to other field crops and to some relevant tree crops (para 4);
- (b) There are some obvious overlaps among the TORs for the individual mission members. While some such overlaps are perhaps unavoidable, nevertheless, these should be minimized and linkages between the work of the individual mission members should be more clearly stated to avoid confusion at a later time;
- (c) Individual contributions to the report should be specified in the draft outline of the report (Annex 1) and the individual TORs should be closely linked to those;
- (d) Apart from evaluating the technical, institutional and agronomic constraints to increasing the efficiency of rice production (para (c)), attention should also be paid to physical limitation to diversification away from rice, and to further increases in rice area;
- (e) It is not clear whether Mitchell's work will involve analysis of the domestic market structure and performance for rice and other food crops. We believe this is important from the point of view of ensuring competitive/remunerative prices as well as for reducing wastes in the marketing system. If Mitchell would not be doing this, Farruk would be able to handle this;

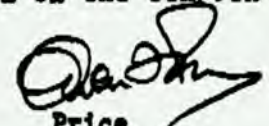
1855/2

- (f) As previously agreed, Farruk could be responsible for analyzing the impact of govt. regulations on agricultural production, prices and marketing of field crops. If required, he could also briefly analyze the structure and performance of the domestic marketing system. If you agree Farruk will provide draft TOR;
- (g) Kilby will be working with Judd on employment and income issues. Kilby has initiated contact on TOR and work programme, and hope budgetary issue can be resolved as soon as possible.

Secundo Unless I hear otherwise from you I will send the attached letter to GOI to announce the composition and timing of the mission. In a discussion I had with Sjarifudin, Sec-Gen today, he has already agreed verbally to the date of your mission. From our earlier discussions I believe you will be in sympathy with our narrowing the scope of the mission both to re-assure the Government that we are focussing on the area of greatest interest to them and also not to give the impression that the mission is going to review all policies in agriculture which would be a mammoth task.

Tertio We think it would be very useful if Mr. Chaudhri or his nominee comes here one week ahead of the mission to finalize arrangements. Also it would help us in making appointments if you could telex us a list of whom you want to meet and in which order during the first week or so of your mission. The "Stanford Team" would like to meet your mission on the 8th/9th Oct.

Regards



Price

Attachments

cw & bcc Mr. Kilby
 bcc: Messrs Rao, Williams, Baird
 File: Agr. Incentive Study
 OTWPrice/MOFarruk/lk/0059K

DRAFT.

1855/3

September 11, 1986

TO:

Dear _____:

Re: Agricultural Incentives Policy Study

In response to GOI interest, Headquarters in Washington is planning to send an Agricultural Incentives Policy Study Mission to Indonesia, currently scheduled from September 29 to October 17, 1986.

The overall objective of the mission will be to review agricultural policy in light of the country's achievement of self sufficiency in rice and the GOI's budget constraints. The core analysis of the mission will focus on rice and its relationship with major annual crops and to some extent tree crops competing with rice in land and resource use with respect to: (a) issues in the price support and procurement mechanism; (b) issues of cost and effectiveness of fertilizer subsidy; (c) relevant direct and indirect subsidies, taxes and government regulations affecting agricultural production and incomes.

Mr. Fateh Chaudhri will have overall responsibility for the mission which will include the following members:

- Ms. Sushma Ganguly, Economist, Sector Overview
- Mr. Handy Eisa, Technical and Agronomic Issues
- Mr. J. Duloy, Output Pricing and Comparative Advantage Issues

1855/4

- Mr. Ramon Lopez, Fertilizer and Other Input Subsidies
- Messrs. Kilby, and Judd, Employment and Incomes prospects
- Mr. Malcolm Bale, Macro-Policies Affecting Agriculture
- Messrs. Braverman and Hammer, Multi-Market Policy Model
- Mr. D. Mitchell, Rice Production and Marketing Prospects
- Mr. Farruk, Impact of government regulations on agriculture production, prices and marketing of field crops

The World Bank Resident Staff in Indonesia will be contacting your office soon to arrange meetings with you and your staff, at your convenience. Mr. Chaudhri will arrive in Jakarta on 21st September to finalise arrangements for meetings and to clarify any issues you may wish to raise with him. Please let us know if there is any other information at this juncture you may wish to know about the mission.

Yours sincerely,

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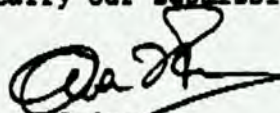
1858/1

Date : September 12, 1986
Number of Pages : 4
From : RSI Jakarta (Owen T.W. Price)
To : World Bank, Washington (A. Cole, AEPA4)
copy AEAIN and Asia Files
Fax No. : F/ 1850
Subject : Procurement Delays

GD
GB
DJ
What is what
Tony means
In mind

Please find attached information we have already prepared on procurement delays at Mr. D. Williams's request. Regarding formulation of recommendations, we are taking advantage of Thakor's visit and joint discussions with Ford and Williams to evolve systemic approach. Thakor and Ford have broken the procurement process into stages and we are helping Thakor to work out ways to correct the delays at each step. When recommendations are in draft we will forward them to you for submission to Davar Committee if they are not already completed before Thakor leaves. In the former case Thakor will hand carry our submissions.

Regards,


Price

Attachment

File: Procurement General

GBFox/OTWPrice/1a

Procurement Delays

1858/2

General

1. Substantial procedural delays are caused to procurement actions; some are caused while obtaining Sek-Neg's (TPPBPP) approval whereas for some others, agencies, directorate generals or ministries are responsible. Lately reductions in Rupiah budgets seem to have introduced some complacency and slowed down processing of procurement documents. Procurement processing consists of prequalification of tenderers, approval of tender documents for construction contracts or terms of reference for consultants, tendering, evaluation of bids or proposals and its approval, and award of contracts. A few examples of delays experienced at various stages of procurement process are illustrated below. It is difficult for Resident Staff in Indonesia (RSI) to know which agency is responsible for delay, because RSI does not know the precise dates by which documents at various stages are referred from one agency to other or to Sek-Neg (TPPBPP) and returned by them.

Examples of Delay

2. Prequalification for Contract II of West Tarum Canal Project - (Loan 2560-IND). The Loan of \$43.40 Million was signed on June 18, 1985. Recommendations for prequalification of tenderers for Contract No. II (Curug-Bekasi reach) were discussed by Directorate of Irrigation I and Directorate General of Water Resources' staff with RSI in early April 1986 but so far revised recommendations have not been sent to RSI. Enquiries reveal that the revised recommendations are with Sek-Neg for approval.
3. Contract for Construction Supervision of West Tarum Canal - (Loan 2560-IND). The Loan of \$43.40 Million was signed on June 18, 1985. Evaluation of technical proposals was referred to RSI on October 28, 1985, and cleared by RSI on October 31, 1985. Result of negotiation of financial proposal was approved by Sek-Neg on March 18, 1986 and referred to RSI on April 14. It was agreed by RSI on April 16, 1986. Contract has still not been awarded.
4. Prequalification of Tenderers for Kedung Ombu Irrigation Works - (Loan 2549-IND). The Loan of \$156.00 Million was signed on June 18, 1985. Prequalification data received from tenderers at end of February 1986. Evaluation has still not been referred to RSI. According to original program in appraisal report this prequalification should have been completed in 1985, and this construction contract should have been awarded in April 1986.

1858/3

5. Contract for Equipment of Ngabang Palm Oil Mill - (Loan 2007-IND - NES V). The Loan of \$161.00 Million was signed on June 26, 1985. Evaluation result and award recommendations were sent by PTP VII to Ministry of Agriculture (MOA) on December 5, 1984, however, the proposal was sent to RSI only after about 6 months on May 25, 1985. RSI considers this period of 6 months as excessive for obtaining necessary approvals from various GOI agencies including Sek-Neg. Some of the contracts out of this package (some 40 contracts) have still not been signed.
6. Contract for Samuntai Palm Oil Mill - (Loan 2232-IND - NES VII). The Loan of \$154.60 Million was signed on February 18, 1983. Evaluation had been completed within 20 days by PTP VI and award recommendation was sent to MOA on December 23, 1985. MOA transmitted the recommendation along with its review to Sek-Neg on January 25, 1986 and approval of Sek-Neg was issued on March 13, 1986. About 2 1/2 months were required to get clearance from MOA and Sek-Neg; this is considered excessive.
7. Contract for Baturaja Rubber Factory - (Loan 2248-IND - Trans. III). The Loan of \$101.00 Million was signed on April 18, 1983. Following Tender Opening on December 12, 1985, the Tender Committee completed the evaluation on January 24, 1986. Dates of subsequent stages are not available at RSI, however, proposal for award was sent to RSI on July 1, 1986, more than 5 months after completion of the tender evaluation by PTP X. Reasons for this delay are unexplained.
8. Aerial Photography of Jatiluhur Area (Loan 2560-IND). The Loan of \$43.40 Million was signed on June 18, 1985. Bids for this contract were received in December 1985. Evaluation was completed some time ago and referred to Sek-Neg reportedly on May 1, 1986. At a meeting on July 4, 1986, Bank staff was advised that Sek-Neg on or about June 25, 1986 had instructed Directorate General of Water Resources (DGWRD) to reduce the contract sum based on the rates obtained under another tender. The Bank staff informed the DGWRD staff that to do so would be a violation of a Bank guidelines as tender offers may not be changed under these type of circumstances. We understand that the matter is being referred by DGWRD again to Sek-Neg.

Jakarta, July 4th, 1986
The World Bank/Resident Staff in Indonesia

David Williams
Deputy Director

Files

G.B. Fox and Wiranto Soehandro

Loan 2344-IND; NES Sugar Project
Dispute in the Procurement of Cane Transport Equipment

1. The procurement of cane transport equipment was being initiated in April 1984 by FTP XXIV-XXV, so that the delivery of the equipment was expected on time for the first grinding season which was scheduled for July 1985. Unfortunately whereas the campaign was conducted on schedule, the procurement of the cane transport equipment was severely delayed and the goods is not delivered to the site up to July 1986, where the second grinding season has been started.
2. The tender invitation was issued on 07/24/84 and the bid was opened on 09/20/84 as scheduled. Bid evaluation report was submitted to the Procurement Committee at MOA on 01/02/85. The three months period for the evaluation of a tender is excessive. The award proposal was sent to SEKNEG on 02/23/85, and SEKNEG's approval received by MOA on 03/20/85 and submitted to the Bank/RSI for review on 05/03/85. The Bank responded on 05/09/85.
3. The Tender Committee (MOA) in its bid evaluation proposed that the contract for cane transport equipment which were grouped in items G2, G3 and G4 should be awarded to PT. Lerca Indonesia, but SEKNEG decided to award the contract to NV. Hadji Kalla, who was the second lowest bidder with lower technical score. This started the dispute, because the Bank/RSI declined to accept the proposal and GOI decided to finance the abovementioned procurement fully from GOI funds. Since then, RSI was not officially informed on the development and finalisation of the contract which was only signed on 02/13/86, nine months after Bank's objection to the award proposal, or 17 months after the bid was opened.
4. The delivery of the equipment is also delayed due to the difficulties/delay in the supply of iron bars from PT. Krakatau Steel, and several serious problems of design with the delivered equipment which needs modification to be made to avoid the supply of unsuitable/unusable equipment would cause further delay. This very excessive delays had affected the harvesting of the cane and its transportation. FTP XXIV-XXV has been forced to hire some 200 trucks for a cost of some Rp256 million in the 1986 harvesting season which is also has to be extended by at least one month due to a shortage of available trucks for contract hire, with all the financial consequences.

bcc: Messrs. Cole (AEPA4), Price, Ford, Niss and Marsoc (RSI)


File: Loan 2344-IND
 Procurement General

WSoehandro:11

REMINDER:

Sociological Roundtable: Wednesday, October 1, 12:30 p.m., Rm. E-855. The Bank Sociological Group will meet for a brown-bag luncheon. Michael M. Cernea, Sociology Adviser, AGR, will give a presentation on the findings of a recent review study on Involuntary Resettlement in Bank-financed Projects, and Bruce Fuller, EPD, will speak about work on the recent Bank report, Social Indicators of Development 1986. Open to interested Bank staff. Bring your own lunch.
Sponsor: AGR.


SEE ATTACHED MINUTES!



OFFICE MEMORANDUM

DATE: September 12, 1986

TO: Distribution

FROM: Michael M. Cernea, Sociology Adviser, AGR 
Cynthia Cook, Sociologist, WAP

EXTENSION: 61761 and 74813

SUBJECT: The Bank's Response to Environmental and Social Issues
Minutes of the Sociological Group's Seminar

1. The Bank's Sociological Group met on August 20 to contribute to the OPD task force study on how the Bank is addressing environmental issues and what organizational improvements are necessary to treat these issues. The management had extended the task force's mandate in order to include in the study the human environment as well as the natural resource environment of Bank projects and programs.

2. This meeting of the Group was attended by numerous Bank staff who are not usual "members" of the group, but were particularly interested in the topic.

Presentation

3. Messrs. Thomas Ruth (OPD) and Roger Batstone (PPDES) of the task force opened with a presentation of the work that has been done so far. Mr. Ruth started by saying that the task force has consulted with the regions, OPS, EIS and other Bank departments and outside agencies as well to gain perceptions of the adequacy of the Bank's current response to environmental issues and how this can be improved. They learned that many people, both inside and outside the Bank, feel that the institution pays much too little attention to the issues and, particularly, does not provide the in-house resources required to deal with them in a substantive and effective way.

4. The Bank's performance in this area can be improved only if there is visible support for such an effort by top management and a stronger intellectual input at the center (i.e. in OPS). Better linkages also need to be established between central policy makers and operational staff in the regions. The issues need to be reflected in country economic and sector work prior to project formulation. This means that Programs staff have to be able to identify sociological and environmental issues and formulate appropriate responses as part of the policy dialogue.

5. Mr. Batstone mentioned that some Bank Staff feel that environmental and social issues have negative connotations and emphasis on them may reflect a desire to "stop progress." He counseled sociologists to follow the example of environmental scientists in defining their work as a technical input to the economic analysis of projects, and to make it as quantitative as possible.

Discussions

6. Michael M. Cernea (AGR) responded on behalf of the Sociological Group saying that we are pleased to learn about management decision to establish a task force to study these issues and come up with organizational solutions for improving Bank work in these areas. He pointed out that the close connection between environmental and sociological issues in practice does not necessarily mean that the two concerns should be combined in one organizational unit. Indeed, since all Bank projects have, as their ultimate concern, human welfare and overall development, social issues are always an important part of project design. The type of staff expertise needed to deal with these issues is largely different from the economic skills normally expected of Bank staff, or from the technical skills needed to address natural resource/environmental issues, and the Bank's in-house resources for the sociological aspects of both projects and programs need to be expanded.

7. On the matter of organizational strategy, Mr. Cernea recommended starting from the "bottom up," putting a number of sociologists with the requisite operational skills into projects and programs line positions. This will help to avoid the difficulties that come when social and environmental issues are reviewed only after project design has been completed. Such sociologists should be versatile to carry out the general tasks of a project officer or of a programs staff. Since the number of such staff will still likely be limited, he felt that there should be specialist positions for sociologists and environmental experts in a few divisions where these issues are particularly salient (e.g. like the divisions dealing with transmigration and similar programs) and one position in the regional front offices to support those divisions which do not have specialists of their own. Sociology advisers in several key departments in OPS (e.g., in PHN, Education, Urban and others) would greatly help the work of regional operational divisions which do not have such staff skills, as has been proven by the experience of the AGR Department in OPS. Finally, if these line positions are established in the operational units, then it will make sense to create in OPS a Division of Human Resources Development, to provide intellectual leadership, articulate Bank policy along this line and offer guidance and training to staff on social issues, in conjunction with the work done in the operational units. With such organizational (in-house) improvements, the speaker said, the Bank could get substantially more "developmental mileage" out of our existing lending program.

8. Mario Kamenetzky (PPDES) supported the prior suggestions, but felt that perhaps the technological dimension was being lost in the discussion. The Bank needs to have a more integrated approach to development, bringing together the dimensions of social organization, population, the physical environment, and technology. We must find ways to transcend the bureaucratic divisions which result in a separation of these dimensions. One way of doing this may be to work more in the field with non-governmental organizations.

9. Michael Bamberger (EDI) expressed concern over Mr. Batstone's apparent view that the sociologist's role should be to produce numbers for economic models. He cited comments from developing country planners who criticize the Bank's conceptual framework for project evaluation because it does not allow for proper consideration of the full range of potential social (non-economic) impacts. The role of the sociologist and of the environmental specialist has to be to help redefine the evaluation framework so that it more adequately reflects developmental objects.

10. Sheldon Davis (Consultant - PPDES) pointed out that the problem stems from the lack of system thinking in our approach to development. For example, resettlement of people in the wake of a dam project should be seen as just one aspect of river basin system development. Similarly, tribal peoples often live in fragile ecological zones which cannot sustain more intensive land use. Consequently, our concern for tribal peoples should be based not so much on protectionism as on preserving and developing the specialized knowledge of these social environments and the appropriate technology which such people possess.

11. Speaking on the basis of many years' of work as an engineer, an economist, and a poverty alleviation specialist, Santiago Friedmann (PHN) concluded that in his experience the social and institutional change is the most basic dimension of development. He stressed that sociologists and environmentalists have to participate in project and program design and implementation as equal partners and not just as auxiliary technicians in the service of a "dominant discipline".

12. Gordon Temple (ASAIN) questioned the need for more specialists on the Bank's operational staff. More important, he felt, was that the Bank staff should be sensitive to the issues. But even good project design would not be sufficient unless there was top management support and willingness to confront a borrower which is sometimes uncooperative on environmental or social aspects of projects. He doubted whether the Bank would be willing to suspend lending or disbursements over a social or environmental issue.

13. Jim Listorti (WUD) echoes the group's feeling that we had gone over these issues before and it was time to see some specific positive action on the part of management. The first thing needed is a policy statement making it clear that the Bank takes social and environmental issues seriously. Secondly, OMS statements and OPN guidelines are currently often deficient on these counts and should be reformulated to make it easier for project officers to implement these policies. Otherwise "policy statements" remain statements, not policy.

14. John Cleave (AEPA2) felt that the proposals made by some of the earlier speakers were unlikely to lead to significant changes. He said that the generalists among the projects staff were already expected to deal with too many special issues outside their areas of expertise: putting out more guidelines and instructions would not help staff who have no

professional specialization for these issues. Nor was it possible in the resource-constrained atmosphere now affecting the operational units and under the present structure of the Bank to include specialist staff in the Divisions. The problem could only be solved if management was prepared to make fundamental changes in Bank organization that would provide a critical mass of qualified specialist staff in the Regions, matching the issues which regional staff are expected to address (including sociological and environmental aspects) and thus permit a much clearer definition and fulfillment of responsibilities. The moves were long overdue.

15. Peter Richardson (OPSVP) pointed out that, under the new procedures for loan processing, environmental issues (which might be construed to encompass sociological concerns, especially regarding involuntary resettlement) and procurement issues are the only concerns that will be subjected to a full OPS review after appraisal, at the SAR stage, as well as to a heavy upstream OPS input. This should be seen as a clear management signal of the importance attached to these issues. It was important to have sufficient capacity at the center to make such reviews effective. The organizational path taken by the Institutional Development Unit a (group within OPS, providing help as well as leadership to regional staff) might provide a model. Mr. Ruth commented that the intention of management is for the ad hoc downstream quality control function of OPS to "wither away" in most respects -- as regional staff become more competent at dealing with the issues -- and that currently there is no Unit within OPS for such issues.

16. Larry Salmen (PPDPS) stressed the need for OPS staff to develop operational tools for sociological aspects in projects that can be used in project preparation by both Bank staff and borrowers. He doubted the wisdom of relying on academic experts, whose work may be too theoretical to be of much use to Bank staff.

17. Francis Lethem (EAPIT) reminded the group that operational positions are presently limited to economists, technical specialists (e.g. engineers), and financial analysts. He supported the idea that new organizational forms are needed in the Bank in order to cope with the multiple other dimensions of project design. OPS has an important role to play initially in creating awareness, supporting research, formulating policy guidelines, and training operational staff in these other dimensions. At a later state the OPS involvement can be expected to "wind down." We must recognize that all these dimensions cannot be dealt with at the same time and do not lend themselves to a technological "quick fix." The issue now is whether or not to give greater prominence to, and invest more resources in, both sociological and environmental aspects of the Bank's work -- in which case some other aspects may need to be given less attention.

18. Maritta Koch-Weser (LCPAB) recalled that OPS used to have a budget line item for "Operational Support" which permitted OPS staff to work directly with project officers to find constructive solutions to

problems rather than to criticize after the fact. She suggested that this aspect of the OPS work program be revived to enable the proposed central unit to intervene more effectively in operational work, as long as the Regions continued to lack sufficient staff to implement existing operational guidelines.

19. Geoffrey Lewis (WAPAC) felt that social and environmental issues should be addressed in economic and sector work prior to projects. This suggests that a central unit should perhaps be located in CPD rather than PPD, or perhaps might even be a separate OPS department with the responsibility to assist and monitor country programming as well as sectoral policy and project design.

20. Cynthia Cook (WAPT2) asked the OPD team to take back to senior management the message that the widespread perception of incongruence between the Bank's public position on social and environmental issues and its real commitment as expressed in the allocation of its resources is a very serious problem for the Bank, whose importance should not be underestimated. Externally, it has undermined the credibility of the institution in the development community. Internally, it is a major source of stress that has a negative effect on staff morale. We need to redefine our objectives in such a way that these so-called "externalities" become internalized in our work. If we take a broader view of what we mean by development, it will be easier for us to determine priorities for the use of resources and to decide on appropriate organizational forms.

Conclusion

21. The meeting explored a number of possible options, without intending to come to a consensus "group position", on how to improve the Bank's response to social and environmental issues. However, it was agreed by all speakers that present approaches are far from adequate, that signals from senior management are of primary importance, and that operational staff will have to develop new awareness in order for the Bank to deal effectively with the sociological issues, which are embedded in project work regardless of whether or not we recognize them explicitly. There was less agreement on the effectiveness of outside experts (temporary consultants), who can hardly substitute for the lack of in-house sociologists, and on the trade-offs between the various suitable actions for internal organizational change.

22. The participants shared a sense that the time has come for positive action, and strongly welcomed the management's initiative as a sign of hope that real progress in these areas may be accomplished soon.

ROUTING SLIP		DATE: 9/17
NAME		ROOM NO.
<i>Gloria Davis</i>		
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: <i>The attached is missing from the Tax Code Site update. Please add.</i>		
FROM: <i>Mark</i>	ROOM NO.:	EXTENSION: <i>61032</i>

15. Table 2 and the graphs indicate that there was a rapid increase in Bank lending to the tree crops sector from 1979 through 1983 and overoptimistic schedules of disbursement at project appraisal. The number of projects increased from two to nine, and the undisbursed balance increased from \$125 m in 1979 to \$616 m in 1983. This massive increase in Bank support to the sector, mainly in the NES schemes, was accompanied by a major acceleration of both the Government financed PIR and PMU programs. The combined effect was to outstretch the capacity of the sector to achieve the planting targets the Government had set for itself. In the PIPs and the PMUs the achievement of the planting targets came to be viewed as an end in itself and quality considerations were largely overlooked. This situation intensified in 1981 through 1983 to the point where both the Government and the Bank acted to contain the losses that were mounting due to poor field establishment and maintenance, and substandard construction of infrastructure.

16. The Bank ceased lending for NES projects in 1983, and in the same year the Government suspended activity in the PRPE rubber and coconuts programs and reduced the scope of the PIR Khusus schemes. Concurrently, a major overhaul of the institutional framework supporting the sector was commenced. A Junior Minister for Tree Crops Development was appointed by the President to coordinate the activities of all the departments involved in the implementation of the Tree Crops Sector. The ailing SBPN was disbanded, however, its functions were not taken over affectively by BTU/STUMN with resultant loss of the direct supervisory role of Government as controller and coordinator of PTP development, particularly in matters of budgeting and forward planning. Restructuring of the Dit-Gen E, Tim Khusus, SRDFU/SCDFU and AAEFE also began. While the long term effects of some of these changes has been beneficial, the impact of the reorganisation and the changes made in senior management from 1983-85 was to disrupt an already fragile tree crops planting program. The situation was aggravated by an eight to eleven month delay in the first budget releases for the NES projects in FY83/84, the PTPs being relied upon to prefinance development. In the case of most PMU programs little or no funds were made available during FY 83/84, the projects relying on their SIAPs. This situation hardly improved in FY 84/85. The impact of all of these problems is evident in the disbursement and planting data in Table 2. There was a marked drop in plantings in FY 83/84 which has continued through 85/86. The decline in disbursements was severe in FY 85.

ROUTING SLIP		DATE: 9/17/86
NAME		ROOM NO.
Mr. Gautam S. Kaji, Director, AEADR		
Mr. D.C. Rao, Director, RSI		
Mr. Adi Davar, Assistant Director, AEPDR		
<input type="checkbox"/>	APPROPRIATE DISPOSITION	NOTE AND RETURN
<input type="checkbox"/>	APPROVAL	NOTE AND SEND ON
<input type="checkbox"/>	CLEARANCE	PER OUR CONVERSATION
<input checked="" type="checkbox"/>	COMMENT	PER YOUR REQUEST
<input type="checkbox"/>	FOR ACTION	PREPARE REPLY
<input type="checkbox"/>	INFORMATION	RECOMMENDATION
<input type="checkbox"/>	INITIAL	SIGNATURE
<input type="checkbox"/>	NOTE AND FILE	URGENT
REMARKS: Attached is a draft note that takes a forward look at the lending program for Indonesia on which I would welcome your views.		
FROM: Ann O. Hamilton	ROOM NO.: A638	EXTENSION: 74274

September 16, 1986

D R A F T
Babson:mk(140)

Mr. Gautam S. Kaji, Director, AEADR

Ann O. Hamilton, Chief, AEAIN

74274

INDONESIA: Lending Program

1. The deterioration of economic conditions in Indonesia, and especially the prospect of a sustained budget crisis and the recently announced [31%] devaluation of the Rupiah have significant implications for both ongoing operations and our lending program. Brad Babson's memo to files of August 26 describes the efforts we have made in recent months to adjust ongoing projects to the new budget situation. This memorandum provides a reassessment of the FY87 and FY88 lending program, and outlines our strategy for reshaping the program to be more responsive to the current situation and for strengthening the pipeline of lending operations for FY89 and FY90.

FY87 and FY88

2. In early August I visited Indonesia to review with BAPPENAS the FY87 and FY88 project pipeline. The results of these discussions are summarized in the attached letter from Muchtarudin Siregar. In short, the Government has confirmed its desire to complete arrangements to negotiate six loans (in addition to the two loans which have already been negotiated), and has indicated that further preparation should be continued for 11 additional operations, some of which may be processed to the Board in FY87 and others in FY88. Deferral of further processing has been proposed for five operations (Agricultural Research III, Riau Oil Palm, Libraries Development, Regional Cities Urban Transport and Jakarta Urban Transport). Of these, we propose to drop two from the lending program: Libraries Development (which has also been questioned by Mr. Stern); and Riau Oil Palm (for which the basic issues are not likely to be resolved in the foreseeable future). The Agriculture Research III Project should be reprogrammed for FY89, by which time the Government should have been able to develop a strategy for future agricultural research. For the two urban transport projects that BAPPENAS has asked to defer, we believe further clarifications are needed before considering whether they should be dropped from the program or deferred until the policy and institutional concerns of the Government have been resolved. This clarification will be sought by RSI and during an October mission. In the meantime, we propose to slip the Regional Cities Urban Transport Project to the FY88 program and to retain the Jakarta Urban Transport Project in the reserve program.

3. There are also several project-specific issues that affect the likelihood of meeting currently-established timetables for the FY87 and FY88 lending program. Two large loans in the FY87 program (Power Transmission and Distribution and Rural Roads II) depend on the Government resolving difficult policy (for power) and institutional (for rural roads) issues before proceeding to loan negotiations. Our present assessment is

that the power issues have a slightly better-than-even chance of being resolved, but that problems in defining and taking action on needed institutional changes are likely to delay Board presentation of Rural Roads II to FY88. For both these operations, missions now in the field or scheduled for October should provide a basis for a firmer assessment of the timetable for loan processing. If the outstanding power issue is not resolved by the current mission, we propose to defer all power projects in the program (including Power Sector Efficiency, now scheduled for FY88) by two years. Similarly, if there is continued unsatisfactory progress in the BAPINDO institutional reform program and a delay in the pending ADB loan to BAPINDO, the Bank loan presently scheduled for FY88 is likely to be deferred.

4. In addition to these developments relating to projects that were in the lending pipeline before the sharp drop in oil prices and the Government budget in the past six months, we have made, together with Projects staff, a major effort to identify and initiate preparations for a "new wave" of policy-oriented sector operations that can provide a significant amount of relatively fast-disbursing assistance. These include the proposed Urban Sector, Irrigation Sector, Power Sector Efficiency, Rural Roads, and possibly Higher Education Sector operations. (In addition, the KUPEDES project would be relatively fast-disbursing.) While such operations have the potential for providing a vehicle for meeting our resource transfer objectives, they also require that the Government address and act upon a number of difficult policy and institutional reform issues. For example, one central objective of adjustment strategy that we are addressing through these operations, (as well as through policy dialogue in connection with the on-going Public Resource Management Study), is to increase domestic resource mobilization for public sector expenditure through a combination of improved tax administration and increased cost recovery from beneficiaries of public services. Because of the number and importance of policy issues being addressed through these new operations, timing of Bank lending is to a significant extent tied to the Government's priorities and pace of taking substantive actions. Thus, while we believe the lending program has been substantially strengthened by the addition of these operations in recent months, we are uncertain of the Government's ability to undertake very soon the steps needed to proceed rapidly with loan processing. In this regard, the suggestion that has been made that Mr. Karaosmanoglu visit Indonesia in late October is timely, and could have beneficial effects on the pace of progress. Even so, we do not expect that any of these loans, with the possible exception of the urban sector operation, will be able to be processed for Board approval in FY87.

5. Taking all of the above factors into consideration, the following table shows our proposed revised FY87 and FY88 lending program in comparison to the most recent (August) timetables.

<u>Present Program (8/86)</u>	<u>Amount</u> (\$ million)	<u>Revised Program</u>	<u>Amount</u> (\$ million)
<u>FY87</u>		<u>FY87</u>	
Agriculture Extension III	70.0	Agriculture Extension III	70.0
Fisheries Support Services	29.3	Fisheries Support Services	29.3
Maritime Training	30.0	Maritime Training	30.0 <u>a/</u>
Treecrops Human Resources	22.4	Treecrops Human Resources	22.4
Power Transmission	250.0	Power Transmission	250.0
Industrial Energy Conserv.	25.0	Industrial Energy Conserv.	25.0
Telecommunication T.A.	14.5	Telecommunication T.A.	14.5
-		Railways T.A.	28.0 <u>b/</u>
Kupedes Banking	105.0	Kupedes Banking	105.0
Regional Cities Urban Trsp.	60.0	-	
Agriculture Research III	45.0	-	
Riau Oil Palm	25.0	-	
Rural Roads II	150.0	-	
TOTAL	831.6		574.2
<u>FY88S</u>		<u>FY88S</u>	
Railways T.A.	25.0	Urban Sector	200.0
<u>FY88L</u>		<u>FY88L</u>	
-		Rural Roads II	150.0
-		Regional Cities Urban Tnsp.	60.0
Irrigation Subsector		Irrigation Subsector	200.0
Power Sector Efficiency	200.0	Power Sector Efficiency	200.0
Treecrops Development	100.0	Treecrops Development	100.0
Treecrop Processing	100.0	Treecrops Processing	100.0
Forestry	70.0	Forestry	70.0
Accounting Development	75.0	Accounting Development	75.0
Health III	50.0	Health III	50.0
Urban Sector	200.0	-	
Regional Cities Water	50.0	-	
Gas/LPG Distribution	125.0	-	
Industry Subsector	80.0	-	
Library Services Dev.	38.5	-	
TOTAL	1,413.5		1,230.0
<u>FY89S</u>		<u>FY89S</u>	
Tree Crops Processing	100.0	Higher Education Sector	150.0
Higher Education Sector	150.0	Regional Cities Water	50.0
-		Engineering Subsector	80.0
-		Gas/LPG Distribution	125.0
-		Transmigration VI	100.0

a/ Loan amount reduced by notional US\$5 million in view of BAPPENAS' s indication that GOI is likely to request a reduction in project scope.

b/ Loan amount increased by US\$3 million in light of results of the Decision Meeting on this project.

6. These tables show a sharp dip in lending in FY87 from the levels reached in recent years and projected for FY88 and thereafter. In our view, this is the only appropriate response to the current economic situation facing Indonesia, given (a) the Government's wisdom in avoiding large new investments, and (b) the lead time required to develop suitable sector-based alternatives to such investment projects. As far as we can judge, the only possibility for avoiding such a dip in lending would be a large (US\$500 million or more) loan to support an adjustment package. The prospects for such an operation are uncertain at the present moment, even with the recently announced devaluation of the Rupiah; the Annual Meetings discussions should provide clarification of the feasibility of such a operation this fiscal year.

7. In addition to the considerations discussed above affecting the projects in the FY87 and FY88 lending program, the devaluation of the Rupiah will reduce the US-dollar-denominated loan amounts for operations which would provide local cost financing (i.e., almost all operations). This consequence of the devaluation could amount to a 20-30% reduction of the total lending program, depending on the amount of local cost financing provided in specific projects within the current cost-sharing guidelines of 60% of total project cost.

FY89/90

8. As indicated above, we are hopeful that the results of our initial efforts to identify sector-based lending operations in Indonesia should come to fruition over the next 12-18 months. However, the firmly identified pipeline of potential operations for FY89/90 is thin:

FY89/90

	<u>Amount</u> (\$ million)
Higher Education Sector (S)	150.0
Regional Cities Water Supply (S)	50.0
Engineering Subsector (S)	80.0
Gas/LPG Distribution (S)	125.0
Transmigration VI (S)	100.0
Agriculture Research III	45.0
Jakarta Water Supply	100.0
Secondary Education II	125.0
Housing Sector II	150.0
Highways Sector	250.0
BAPINDO	125.0
Groundwater Development	75.0
Paiton Thermal	<u>200.0</u>
TOTAL	1,575.0

For all the FY89/90 operations, it is necessary to define the objectives and scope soon in order to initiate early preparation. It is also evident that the pipeline is considerably short of the lending volume expected in these years and that considerable effort needs to be devoted to designing a lending strategy and identifying feasible new operations appropriate to current Indonesian circumstances.

9. The dilemma we face in our efforts to strengthen the medium-term lending program for Indonesia is how to match our resource transfer objectives, on the one hand, with the very limited domestic resources available to help finance new investments in the coming years and the effects of the devaluation on Bank loan amounts, on the other. We believe we must base our lending program for FY89 and FY90 on the assumption that local resources to help finance traditional project investment loans will continue to be highly constrained and that such conventional lending will not sustain a resource transfer anywhere near the programmed level of US\$1 billion in new commitments in these years. The only option is to build into the program a series of large sector-based time-slice or policy adjustment operations that will provide substantial foreign and local cost financing in support of sector expenditure programs and policy and institutional reforms that will help the Indonesian economy become more efficient and meet basic needs. The challenge we face is to define operations and associated policy conditionality that are relevant to the medium-term economic realities faced by the country and in areas where the Indonesian Government has the political will to act upon difficult policy and institutional issues in association with Bank lending.

10. The strategy we have adopted for the first wave of policy-oriented sector operations is to help maintain expenditures at reasonable levels for the remainder of Repelita IV while addressing priority policy and institutional development issues. This applies to the recently approved Housing Sector and Highway Maintenance and Betterment loans as well as to the several sector operations currently under preparation. What we envisage for a number of sectors where we have acquired substantial experience and have a well-established grasp of policy and institutional issues, is a series of time-slice lending operations to support an appropriate program of government expenditures in each sector while continuing to address outstanding policy and institutional development issues. With Repelita V commencing in 1989/90, we would plan a series of such loans designed to support the first stage of Repelita V expenditures in line with appropriate investment policy and institutional development objectives in each sector. Specific sectors where we believe this approach to future lending is feasible are: Highways, Urban Infrastructure, Housing, Irrigation, and possibly Tree Crops, Transmigration, and Higher and Basic/Secondary Education. Another potential area for this form of lending is in Rural Credit, after we have carried out planned sector work and gained experience with the promising KUPEDES program through the loan being prepared for FY87.

11. Another category of possible future pipeline development is adjustment lending. Potential candidates are the industrial sector and agriculture sector where Government policies have serious negative effects on sector efficiency and incentives for improvement. While we do not consider structural adjustment lending presently feasible in Indonesia, there are ample policy and institutional issues to support sector adjustment lending if the Government were to seek Bank lending to support needed reforms. However, it is uncertain the extent to which Indonesian sensitivities would inhibit their willingness to associate policy reforms of this type with Bank lending and conditionality.

12. A final area for future pipeline-building is traditional project lending. Potential new projects need to be identified in the areas of: agricultural diversification, water resource management and pollution abatement, industry, sectoral education/training, power and energy, population and health, and transport (other than roads).

13. To pursue these ideas and establish a foundation for preparing Initial Executive Project Summaries for the FY89 and FY90 lending programs, we have started discussions with Projects Divisions. Over the next few months we will be reviewing our medium-term lending strategy and developing future project concepts both internally and with BAPPENAS so that a firmer pipeline can be identified and endorsed by Bank management prior to initiation of the FY88 CAM work program and budgeting process.

OFFICE MEMORANDUM

Davis
A638

DATE October 1, 1986

TO Robert Goodland, PPD/OESA

FROM Shelton H. Davis, Consultant *SHD*

EXTENSION 7-8482

SUBJECT Indonesia-- Transmigration Sector Review

Social and Environmental Considerations

1. The recommended improvements in the social soundness of the Indonesian Transmigration Program (Chapter V of the Transmigration Sector Review) are praiseworthy, especially given the serious criticism of the social and environmental consequences of the program which have been raised both inside and outside of the Bank. In general, I agree with the need to closely monitor the program in such areas as land acquisition, provision of benefits to local people, and treatment of ethnically distinct peoples. I also agree that Irian Jaya presents special problems, because of the large size of the native Papuan population, the potential for inter-ethnic conflicts, and its fragile tropical forest ecology.
2. The sector review suggests several ways in which the social soundness of the Transmigration Program can be improved, including (a) establishment of a special Directorate within the Ministry of Transmigration "to set policies on land compensation, to resolve land disputes, to determine appropriate parallel benefits, or to monitor the treatment of isolated or ethnically distinct peoples;" (b) improvements in planning, by including social scientists in site selection and evaluation teams; and, (c) establishment of "parallel development" programs for local populations who do not wish to be resettled in transmigration sites.
3. These initiatives, if properly designed and implemented, could prevent some of the worst abuses in a potentially explosive inter-ethnic situation. They could also assure that relatively isolated ethnic groups, such as those in Irian Jaya, could actually benefit from the proposed transmigration and parallel development programs.
4. At the same time, several areas need further clarification in order to strengthen the recommendations proposed in the sector review. Specifically, I would recommend that more attention be paid to the following matters, especially in relation to the Irian Jaya case:
5. Scope of the Program. It is unclear from the sector review whether the Indonesian government has significantly scaled down the size of the Repelita IV program in Irian Jaya (from a projected 140,000 families to 15,000 to 25,000 families), because of financial and infrastructural considerations^s or for the social and environmental reasons raised by scientists and the Bank. In other words, there needs to be more clarification of the projected number of transmigrant families who will be resettled in Irian Jaya under Repelita IV; whether this is a policy change on the

part of the government or a temporary response to financial and other constraints; and, whether the government shares the Bank's concern "to progress slowly in order to provide the benefits of development to the local Papuan people, and ... to protect portions of the world's most important undisturbed natural rainforest."

6. Land Acquisition, Compensation, and Dispute Resolution. Although the review notes the issues involved in land acquisition and compensation under Indonesian national and traditional (adat) law, it nowhere relates these land issues to the specific case of Irian Jaya. Specifically, there needs to be more analysis of the nature of native/transmigrant land conflicts in Irian Jaya to date, and how these conflicts are being resolved. If it hasn't done so already, the legal department should

be asked to make a more detailed assessment of Indonesian agrarian law; its specific applicability to the native Papuan land tenure context; and, its correspondence or lack thereof with Bank policy on lands occupied by tribal peoples.

7. Site Selection and Evaluation. The social soundness of the site selection and evaluation process will depend not only upon the existence of social science input, but also upon its quality and the relative weight given to it in the site-selection, decision-making process. The Bank should set up a formal method of assessing the quality of demographic, socio-economic, and cultural data being gathered by the site selection and evaluation teams; and, it also needs to assure that such data is actually being used in government decisions concerning land use, environmental and social planning. The Office of Environmental and Scientific Affairs may be able to assist in the assessment and interpretation of such data when it arrives at the Bank from field sites in Irian Jaya.

8. Local Participation. The sector review recommends the creation of a special Directorate within the Ministry of Transmigration to deal with social issues relating to local populations. It also mentions that regional forums will be developed for addressing the concerns of local people, and that provincial authorities will participate in seminars to sensitize them to the "special problems of less assimilated people." Along the lines spelled out in the Bank's tribal peoples policy (OMS 2.34), the sector review needs to focus more attention upon how to increase the informed participation of local peoples in the decisions that will affect them. More thought also needs to be given to how to deal, in an institutionalized fashion, with the adjudication and redress of local grievances. The "active missionary network" which exists in Irian Jaya, along with other non-governmental organizations (e.g., the Irian Jaya Community Development Foundation), should be encouraged to participate in this process, as well as be asked to provide recommendations for the improvement of the social soundness of all aspects of the Transmigration Program.

9. Culturally Appropriate, "Parallel Development". Finally, much more attention needs to be given to culturally appropriate land use, farming and commercialization strategies. In particular, there should be more

Transmigration Sector Review/ 3

assessment of the social and cultural implications of the government's Smallholder Nuclear Estates Programme in Irian Jaya, and more research conducted on the development potential and environmental consequences of traditional land use practices.

cc: Messrs. Lee (PPDES), Baudelaire (AEPA4), Mead (LEGEP),
Cernea (AGRPT)

Ms. Davis (AEAIN)

East Asia Regional Information Center

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(FOR CASHIER'S USE ONLY)

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INTBAFRAD, JAKARTA, INDONESIA

FOR MR. PAYAMAN SIMANJUNTAK THROUGH ZENICK/ROOSKANDAR RE MANPOWER DEVELOPMENT AND TRAINING PROJECT (LOAN 2705-IND)

REF PROPOSED COURSE AND WORKSHOP ON LABOUR ECONOMICS SENT THROUGH RSI UNDER COVER OF YOUR LETTER OF 16 SEPTEMBER.

(ONE) WE HAVE NO OBJECTION TO THE PROGRAM AT AN ESTIMATED COST OF ABOUT USD 150,000 AND TO THE PROPOSED ARRANGEMENTS FOR IMPLEMENTATION BUT PLEASE LET US HAVE DETAILS OF THE CONSULTING FIRM RESPONSIBLE FOR ARRANGEMENTS AND COPY OF THE DRAFT CONTRACT.

(TWO) PAYMENT MAY BE MADE EITHER DIRECT TO THE FIRM IN ACCORDANCE WITH SCHEDULE IN CONTRACT OR BY REIMBURSEMENT TO THE MINISTRY. THE FORMER APPEARS PREFERABLE.

(THREE) WE ASSUME THAT THE PAYMENTS FOR ACCOMMODATION, FOOD, TRANSPORT, PURCHASE OF BOOKS WILL BE BASED ON ACTUAL COSTS.

(FOUR) AS A COMMENT ON THE PROGRAM, WOULD IT BE POSSIBLE TO WIDEN THE FINAL THREE DAY SEMINAR TO COVER A SECOND ACTIVITY QUERY. THAT IS THE IDENTIFICATION OF A PROGRAM OF PRIORITY LABOR MARKET STUDIES TO BE UNDERTAKEN. THE LATTER WOULD PROVIDE A SCHEDULE FOR RESEARCH AND ALSO CONTRIBUTE TO THE PROGRAM TO BE UNDERTAKEN BY THE MINISTRY UNDER THE PROJECT. REGARDS, BURMESTER.

END
OF
TEXT

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INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX		TELEX NO.:	DATE: 10/02/86
SUBJECT: INDONESIA - Loan 2705		DRAFTED BY: GHunting:gs	EXTENSION: 61916
CLEARANCES AND COPY DISTRIBUTION: cc: Davis, Farner, Jones/ Osterlund		AUTHORIZED BY (Name and Signature): (for) Sven Burmester, Chief	
		DEPARTMENT: AEPED	
SECTION BELOW FOR USE OF CABLE SECTION			
CHECKED FOR DISPATCH			

OFFICE MEMORANDUM

Mrs. Hamilton

DATE October 7, 1986

TO Mrs. Pushpa Schwartz (API)

JP Baudelaire

60
DJ

FROM Jean-Pierre Baudelaire (AEPA4)

EXTENSION 61008

SUBJECT Transmigration - Public Relations

1. Please find hereunder some comments which could be incorporated in the letter to be addressed to Survival International by Mr. B. Conable.
2. Spontaneous Transmigration. MOT expects that the fully sponsored settlements would form centers of economic activity capable of attracting large numbers of unassisted transmigrants. The 1972 Transmigration Act states that "general policies in transmigration are directed towards the establishment of unassisted transmigration in a regulated manner and on a large scale." To apply these policies, MOT has devised the "Tri-partial principle," whereby part of the land in a settlement area would be used for fully sponsored transmigrants, and other part for local people who wish to settle there and a third part left aside for settlement of spontaneous transmigrants. This principle has not been systematically adhered to, largely because of the lack of sufficient settlement plans and the pressure to settle large numbers of sponsored transmigrants. However, due to Bank assistance in settlement planning (Trans III and Trans V), and also to recent budget constraints, which have reduced the number of sponsored transmigrants, MOT is now in a position to apply the tri-partial principle and to regulate the movement of spontaneous transmigrant as stipulated in the Transmigration Act.
3. It must be noted that in the past, spontaneous transmigrants have mostly established themselves in the undeveloped parts of existing settlements or share the land of sponsored transmigrants who are usually their relatives or friends to benefit in some way from the assistance of the sponsored program. The spontaneous transmigrants usually work as laborers and cannot be blamed for massive forest destruction or environmental hazard.
4. Number of Transmigrants Moved. During Repelita III (1979-1984), the GOI moved about 0.5 million families, of which about 70% were sponsored and 30% spontaneous. In the first year of Repelita IV (1984-1989), the settlement rate was about 100,000 sponsored families per year; however, as a result of the oil crisis, all targets were severely reduced. The 1986/87 MOT budget allows only for the settlement of about 40,000 sponsored families on existing settlements and no construction of new settlements except for externally assisted projects which will amount to about 5,000 families for the next two years. The Government (Bappenas, the National Planning Agency), has indicated that the present levels of movement would prevail during the next two years of Repelita IV and may increase slowly during Repelita V (1989-1994) to the rate of 50,000 to 60,000 sponsored families per year. If this rate is further increased in Repelita VI, this means that the Government could potentially resettle up

to 5 million people over two decades between 1980 and the year 2000 to which an equal number of spontaneous transmigrants should be added. Land resources evaluation show that there is still enough land with agricultural (food crops and tree crops) potential to settle that many people, especially if tidal swamp land is targeted for new settlements.

5. Settlement Planning for Irian Jaya. As a result of the down-scaling of the program, the Bank is in the process of reviewing the size of the Transmigration V project with MOT. Settlement planning for Irian Jaya is likely to be limited to the contracts already approved which amount to about 35,000 families in S.E. Irian Jaya. MOT has revised its targets for the program and does not consider meeting the initial target of 135,000 families for Irian Jaya during Repelita IV, but perhaps 15,000-20,000 depending on implementation capacity, which is recognized to be low.

6. Mistakes in Land Allocation and Farm Models. Detailed airphoto interpretation of the kind carried out by LRDC has demonstrated the inaccuracy of both topomaps and forest boundaries in many areas, particularly Kalimantan and Irian Jaya. The lack of reliable land resource and forest maps, together with the lack of appropriate settlement planning, have led, in the past, to the mislocation of several settlements such as upland settlements established in infertile sandy soils in Central Kalimantan or wetland settlements located on deep peat soils in South Sumatra. It is in recognition of these facts that the Bank has financed under Trans III and is continuing to finance under Trans V a systematic land resource evaluation of the outer islands carried out by LRDC, as well as improved settlement planning which incorporates the environmental and social aspects that you are concerned about in addition to the usual technical and economic evaluations. The Terms of Reference of the settlement planning consultants also include the study of non-standard food crop farm models such as tree crop, lowland development or irrigation to adapt to local conditions. It can, therefore, be assumed that the errors noted in your letter belong to the past and will not be repeated as a result of the Bank's support.

7. With regard to the "0.5 million ha of lowland development projects (which) have been located in forest judged unsuitable for the type of Transmigration developments in question," the point that LRDC was trying to make in their report was that earlier land "planning" or allocations of land for transmigration settlements had perforce been made without the benefit of land resource data, and inevitably mistakes had been made. However, it should be stressed that the 0.5 million ha in question were allocated to, but not developed for, transmigration. The detailed settlement planning will determine whether settlements are or are not feasible in these areas.

8. Saptamarga Settlements. As far as we know, the locations for new settlements are based solely on technical and economical grounds. For example, in S.E. Irian Jaya, though a road was constructed along the border with PNG, the settlements are located away from the border in places where studies have shown their technical and economic feasibility. In any case, it should be noted that the Bank has not financed settlement studies for any military or other political reasons. Technical

and economic aspects have been and will always remain our sole criteria for site selection and evaluation under Bank-financed transmigration projects.

cc: Messrs. Cole, Sidhu, Nyanin (AEPA4); Jordan (AEAIN);
Mss. Hamilton, Davis (AEAIN)

JPBaudelaire:ebp(01jb100686)

FACSIMILE TRANSMITTAL FORM

Date : October 21, 1986
No. of Page(s) : One
FROM : RSI Jakarta (D.C. Rao) *DR*
TO : World Bank, Washington (Mr. Oktay Yenal, AENVP)
 Please copy to: Mrs. Ann O. Hamilton, AEA/IN
 Ms. Gloria Davis, AEA/IN
 Asia File
Fax No. : FI 2189
Subject : Transmigration Sector Review

GD

We have reviewed and cleared all the revisions to the
 Transmigration Sector Report. In my view, it is ready for distribution
 in Gray Cover. Your clearance for printing would be appreciated.

Regards,

DR

cc.: Messrs. Price, Purcell, Baird, Zenick

File: Transmigration Sector Review

MCKenick:DCRao:jf

Als Hamilton

FORM NO. 75
(6-83)

THE WORLD BANK/IFC

ROUTING SLIP		DATE: October 22, 1986	
NAME		ROOM NO.	
1) Mr. Gautam S. Kai <i>AK</i>		C-602	
2) Mr. Attila Karaosmanoglu <i>AK</i>		I-8-015	
3) Mr. Ernest Stern <i>ES</i>		E-1227	
4) Mr. Barber B. Conable		E-1227	
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: INDONESIA - Response to Letter to Mr. Conable			
A response has been prepared to the attached letter from Mr. S. Corry, Director, Survival International to Mr. B. Conable. We had originally prepared a short response but Mr. Conable's office requested a more detailed response to the points of the letter.			
FROM: Ann O. Hamilton <i>AOH</i>		ROOM NO.: A-638	EXTENSION: 74274

~~FILE~~
cc: GD
AOH ✓
File

October 27, 1986

Dear Mr. Corry:

Your letter of July 15, 1986 raised several points about the transmigration program in Indonesia that I wish to respond to. You wrote that it was an unsustainable model of development; that it has had a devastating impact on rain forest; that it failed to address the problems raised by spontaneous migrants; and that it was motivated by national security interests. Your central concern, however, was stated to be that the Bank's participation in the program was in violation of its guidelines on social and environmental issues. Let me turn to the concerns in the order raised.

You assert that transmigration is not sustainable. This view is difficult to support. Survey data suggest that only about 10% of migrants leave the site within the first five years, but that virtually all spaces are taken by spontaneous migrants, some of whom purchase the land from the original owners. There is no evidence of large-scale abandonment of recent sites and virtually all areas opened between 1950 and 1980 are still under cultivation today.

You state that 3.3 million ha of rain forest will be destroyed during Repelita IV. Our present estimate is that about 1.0 million ha will be put in cultivation by both sponsored and spontaneous migrants during the five years of Repelita IV, not all of it in forested areas. We estimate that the total land clearing from 1980 until the year 2000, would be 3 to 4 million ha. As not all this area is in forest land, the total impact of transmigration on the Indonesian forest is expected to be less than 3%. Although this is a large area, Bank planning is intended to assist in ensuring that areas important for environmental and ecological reasons are protected. In any event, the actual percentage is in marked contrast to the 40% mentioned in your letter.

With regard to the issues of spontaneous migration, the Government does encourage spontaneous transmigration. It expects that fully sponsored settlements will form centers of economic activity that will in turn attract spontaneous transmigrants. The Ministry of Transmigration has in the past had a "tri-partial principle" under which some land was set aside for sponsored transmigrants, some for local people who wished to be included in the settlements, and some for spontaneous transmigrants. This principle has not been applied recently because of the pressure to settle large numbers of sponsored transmigrants. With Bank assistance, under the Transmigration III and V projects, and because of reduced targets for sponsored transmigrants due to recent budget constraints, the Ministry of Transmigration is now in a better position to implement this principle and begin to incorporate spontaneous migrants into transmigrant settlements.

Many spontaneous transmigrants have established themselves in the undeveloped parts of existing settlements, or they share the land of sponsored transmigrants, usually their friends or relatives, to benefit in some way from the assistance provided to the sponsored settlers. They often work as laborers. Some migrants do encroach upon protected land because they cannot find other land for settlement, but most of the land degradation in Kalimantan, Sulawesi and Sumatra to which you refer is the result of indigenous people practicing shifting cultivation. We believe that policies should be developed to facilitate land purchase and land registration by migrants and to demarcate and protect forest areas needed for production and conservation, and are working toward this goal.

You expressed concern about the national security aspects of the program and the transmigrasi saptamarga program (to resettle retired military personnel along national borders for security reasons). We know of only one such settlement, on Natuna, a small island located between Kalimantan and Malaysia, in which about 20% of the settlers are retired military personnel. The idea of other such settlements has been discussed in Indonesia, but not implemented. The Bank has not assisted in the establishment of settlements for military reasons. The criteria used for site selection and evaluation are technical and economic.

You wrote that Bank guidelines on environmental and tribal peoples are being violated in the implementation of transmigration projects. Before providing assistance for any project, the Bank's management must be satisfied that the project is consistent with the Bank's policy guidelines. This procedure has been followed for all transmigration projects funded by the Bank. More importantly, I believe that the Bank's participation in transmigration projects has created a greater awareness of environmental and social issues and has strengthened those aspects of the program. Let me give a few examples of initiatives in Bank-assisted projects that have improved the environmental soundness of the transmigration program: food-crop fields are restricted to land under 8% slope; tree-crop fields to land under 25% slope, protection and conservation forests are completely excluded, all site selection and evaluation teams must include foresters and more specialized scientists as necessary. In addition, in order to improve settlement planning and location, the Bank provided assistance under the Transmigration III and V Projects to have the Land Resources Development Centre carry out systematic land resource evaluation on the outer islands. This evaluation focusses on environmental and social aspects, as well as the usual technical and economic aspects. The terms of reference of the settlement planning consultants also include studying non-standard food crop farm models, such as tree-crops, lowland development, and irrigation suited to local conditions.

Bank policy is that developmental projects which use occupied land should only proceed where adequate safeguards are provided for local people. Nondisruptive acculturation is necessarily a slow process, and projects affecting previously isolated people must provide the time and conditions for such acculturation. The recent Bank loan for Transmigration V has a number of provisions to ensure that the rights of indigenous people are protected. Consultants for site screening and evaluation are required to provide information on the number of

indigenous people in proposed project areas, describe their culture and subsistence base, and identify the area they need to pursue their traditional way of life. The attitudes of local people toward compensation, resettlement, and provision of infrastructure and services outside the site, is also being assessed. Qualified anthropologists and sociologists are engaged to carry out these tasks. Regional forums are being developed to address the concerns of the local people. Land allocation and compensation questions are to be dealt with at district and provincial levels where the views of the local people are most likely to be heard and taken into account.

Let me turn for a moment to the other concerns raised by your letter. You stated that the Bank was ignoring the social and political issues of transmigration; that statistics were manipulated; and that the Bank showed an apparent contempt for human rights and a reckless disregard of the unique and irreplaceable wealth on the outer islands of Indonesia.

I am not certain which statistics you believe were "manipulated", but let me recapitulate some of the figures which we believe to be accurate. During Repelita III (1979-84), some 365,000 families were resettled under the sponsored transmigration program, and 170,000 families were identified who moved spontaneously (the actual number was undoubtedly larger). In the first year of Repelita IV (1984-89), about 100,000 families were moved under the sponsored program. However, as a result of the budgetary crisis, during 1986 and 1987, only 40,000 families are to be settled, and no new construction is being undertaken except on externally-assisted sites which will accommodate only about 5,000 families over the next two years. We expect that relatively low levels of movement will be maintained through 1989. The Government could potentially resettle up to 5 million people over two decades between 1980 and 2000, and an equal number of spontaneous transmigrants could potentially move on their own. Specifically for Irian Jaya during Repelita IV about 15-25,000 families may be moved on the sponsored program.

The Bank contributed about 5% of the total cost of the transmigration program under Repelita III and about 10% under Repelita IV. Bank staff undertake regular supervision to ensure proper progress of project implementation. As difficulties arise, Bank staff, project authorities and Government representatives work together to overcome them. Altogether the Bank has participated in the transmigration program for the past eight years. The program does certainly settle large numbers of people, but the actual numbers are far from the figure of 65 million that Survival International is using.

Your letter concluded by asking the Bank to end its involvement with the program and to withhold disbursements until it receives "real guarantees" that the program will be carried out in accordance with Bank Guidelines. In his June 11 letter to Mr. Hanbury-Tenison, Mr. Clausen emphasized the demographic and economic difficulties facing the Indonesian Government. You have found this an indication of a "Java-centric" attitude; I found it instead an attempt to give some proper balance to the discussion.

Mr. Stephen Corry

- 4 -

October 27, 1986

I hope this letter has highlighted the Bank's commitment to social and environmental concerns. We are committed to promoting sustainable development and will not be a party to "the wholesale destruction of tropical rainforests" or the "extinction of tribal peoples" to achieve "the dubious benefits of economic development". The advocacy and diligent work of environmental and indigenous rights groups has rightly raised awareness about issues that are an important part of the development process. We welcome an exchange of constructive ideas and suggestions on ways to improve the environmental and social soundness of the transmigration program, but such a dialogue cannot be valuable if the integrity of the Bank and its staff is challenged, its concept of development rejected out-of-hand, and no recognition given to the fact that Bank assistance has helped to improve the transmigration program.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable
President

Mr. Stephen Corry
Director
Survival International
29 Craven Street
London WC2N 5NT
England

Cleared with and cc:

Mr. J. P. Baudelaire (AEPA4)
Mr. T. Blinkhorn (IPAPA)
Mr. A. Cole/Zulfiqar (AEPA4)
Ms. G. Davis (AEAIN)
Ms. A. Hamilton (AEAIN)
Mr. D. Mead (LEGEP)

DMead:mp



SURVIVAL INTERNATIONAL

FOR THE RIGHTS OF THREATENED TRIBAL PEOPLES

B Conable
President
The World Bank
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TELEPHONE: 01-839 3267
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15 July 1986

PRESIDENT:
ROBIN HANBURY-TENISON OBE

Dear Mr Conable,

DIRECTOR:
STEPHEN CORRY

THE INDONESIAN TRANSMIGRATION PROGRAMME

We are writing to you to follow up our correspondence with your predecessor at the World Bank, Mr Clausen, and would refer you in particular to his letter dated 11 June 1986, in reply to our letter submitted to the World Bank on 30 April and reproduced in **The Ecologist** 16 (2/3): 58-60. We are grateful to Mr Clausen for the attention he has given to us. However his letter has failed to address our major concerns and contains what we consider to be some serious errors of fact and judgement.

Although our own letter to the Bank focused on the impact of the Transmigration programme on the peoples and forests of the outer islands of the Indonesian archipelago, Mr Clausen's reply deals only very briefly with these matters and instead recapitulates the World Bank's rationalisations for the programme as an important means for creating employment and alleviating the poverty of those on Java and the other central islands. As such the Bank's reply perpetuates the Java-centric attitude which dominates the political process in Indonesia while playing down environmental concerns and the rights and interests of the peoples of the outer islands.

We share your concern for the alleviation of the poverty and landlessness of those on the central islands of Java, Madura and Bali, but the existence of these problems in one part of the archipelago does not legitimise the abuse of human rights in another or justify the promotion of an unsustainable model of development, which only stores up even greater problems for the future. We would therefore like to direct your attention back to a proper consideration of the likely impact of the Transmigration programme on the peoples and forests of the outer islands. The serious social, environmental and political costs of Transmigration should not be ignored.

One disturbing aspect of Mr Clausen's letter is the way in which the statistics concerning Transmigration have been manipulated in order to disguise the true dimensions of the problems posed by the programme. In particular, the letter has limited its concerns to a consideration of 'sponsored transmigrants', as if the accelerating flows of so-called 'spontaneous transmigrants' were outside both the programme and Government control. In fact, this is highly misleading. As the Bank is well aware, the Indonesian Government is purposefully promoting the flow of spontaneous

transmigrants as part of the overall Transmigration programme and the Bank plays an integral part in this process.

For example, during Repelita 4 the Indonesian Government is planning to move 135,000 families to West Papua (Irian Jaya). Under the Transmigration V Project funds are being provided by the Bank for the selection of sites for 55,000 of these transmigrant families, even though, as Mr Clausen notes in his letter, only 25,000 families of sponsored transmigrants are expected to settle in the region during that period.

The Bank cannot buck its responsibility for the programme as a whole by trying to limit discussion to only a small proportion of those being resettled under the scheme.

What we have found most disappointing about Mr Clausen's reply is its failure to address our central concern, which is that the Transmigration Programme as it is presently being implemented clearly violates the Bank's own policy guidelines for the environment and the development of tribal areas.

The environmental impact of Transmigration on islands like Sumatra, Kalimantan and Sulawesi cannot be measured simply by using data concerning sponsored transmigrants. According to the most authoritative review of Indonesia's forests, carried out by three Indonesian Government Ministries in 1985, Sulawesi has suffered the greatest proportion of its land surface reduced to a critical state (30.5%), while Sumatra contains the largest total area of critical land (2.3 million ha) of any of the major islands. Inappropriate agricultural practices have been the major cause of reducing these huge areas of land to a state where they can no longer sustain even subsistence farming. In the past, these islands have borne the brunt of resettlement under the Transmigration programme. The degradation has occurred both as a result of official settlements and spontaneous transmigrants farming inappropriately, ie ignoring the constraints of the local eco-systems.

We would draw your attention to the detailed evidence we have provided in the current issue of The Ecologist, which clearly shows the devastating impact Transmigration continues to have on Indonesia's rainforests. The Forest Review Team estimates that some 3.3 million ha of rainforest will be destroyed under the current Repelita, with 80% of all new settlements to be established in primary rainforest; we wonder whether the Bank cares to estimate the likely impact of 65 million people moving over the next twenty years under the same policy? Even using the most narrow figures on the effects of resettlement, provided by Mr Clausen, one is forced to conclude that if 1.5 million people cleared 1% of forested land between 1979 and 1984, then 65 million people will clear, at least, 40%. Is this acceptable to the Bank, in your opinion?

Mr Clausen, in his letter, maintains that settlements are prohibited in forests used for production or conservation purposes. However, as the Bank must be well aware, this does not generally occur. The evidence is summarised on pages 82 - 3 of The Ecologist. Because the Department of Transmigration invariably sets over-ambitious targets for settlements and continues to apply what the Bank itself admits is an inappropriate farm model, there is simply not enough accessible land available in conversion forests. This has led to repeated inter-ministerial conflicts which, when combined with the glaring errors in land classification due to the generally inadequate data available for much of Indonesia's forests, has resulted in the unnecessary clearance of large areas of rainforests for no

useful purpose. This situation is exemplified in Central Kalimantan, as the British Government agency, the Land Resources Development Centre (LRDC), has demonstrated. According to the LRDC study, there has been considerable overlap between potential settlement and reserve lands and over 0.5 million ha of lowland development projects have been located in forest judged unsuitable for the type of Transmigration developments in question.

As we have noted previously both in our letter to Mr Clausen submitted to the Bank on 30 April and in subsequent correspondence, the environmental problems associated with Transmigration are both widely recognised and likely to worsen. We would be grateful if you could explain how the Bank continues to support the Transmigration programme and yet still claim to be following its own environmental policy guidelines.

Similarly, in our letter we pointed out how both Indonesian Government legislation and policy regarding the intended effects of Transmigration on the tribal peoples of Indonesia is entirely contrary to the Bank's published policy guidelines on **Tribal Peoples and Economic Development**. The Indonesian Government's intention is that Transmigration should result in the rapid integration and assimilation of minority ethnic groups. Such a policy has been explicitly rejected by the Bank which has publicly stated that:

'complete assimilation into the national society denies, then extinguishes, ethnic diversity... rapid change can separate tribal people from their cultural identity: a form of extinction.'

Mr Clausen in his reply chose not to confront this contradiction. Are we to assume that the Bank has, in fact, abandoned its responsibility towards the maintenance of tribal identity and with it the Bank's 'intermediate policy of self-determination' which it professes to observe ?

Mr Clausen's reply also completely failed to address our concerns regarding the national security aspects of the programme. The importance that the Indonesian Government attaches to Transmigration as a means of enhancing 'national security' through the promotion of the practices of 'territorial management' and 'total peoples' defence' is something they have made no attempt to disguise. Nor has the Government been any less explicit about the importance it attaches to the transmigrasi saptamarga programme, by which militarised settlements of retired army personnel are settled in sensitive areas. This policy is a direct continuation from the Dutch colonial days when the resettlement programme was more frankly known as kolonisatie. One of the express aims of the Transmigration programme has always been and continues to be the furtherance of military control over the civilian populations of the outer islands. We would be grateful if the Bank could make clear its position on this matter.

In the conclusion to his letter Mr Clausen notes that 'economic and social development entails trade-offs' and that the Indonesian 'Government is attempting to choose options which maximize economic benefits with minimum adverse effects'. The implication that the wholesale destruction of tropical rainforests and the extinction of tribal peoples are 'costs' that can be 'traded off' against the dubious benefits of 'economic development' is deeply disturbing to us. Such an attitude displays an apparent contempt for internationally recognised human rights and a reckless disregard of the true value of the outer islands' unique and irreplaceable natural and cultural wealth.

In previous correspondence and in response to critical questioning, the Bank has indicated that while it recognises certain shortcomings in the implementation of the Transmigration Programme it believes that, since the Indonesian Government is determined to go ahead with this programme regardless of whether it receives international support or not, the interests of those affected by the programme are better served through the Bank's involvement than if it chose to stay clear of the programme. The facts, however, speak otherwise. Since substantial international assistance began to be funnelled into the programme in 1972, the numbers of transmigrants moved under the scheme annually has increased **seventeen-fold**. Such a massive increase in the programme could not have been achieved without the equally massive foreign assistance the programme received during this period, not just in the form of financial loans, but in terms of food aid, technology, technical expertise and the development of regional infrastructures.

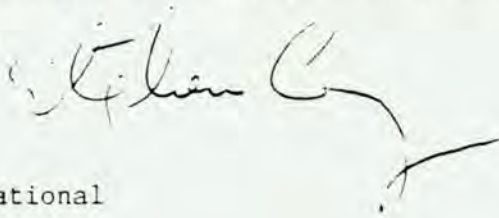
Mr Martono, the Indonesian Minister of Transmigration, has recently made clear (Reuters 3 and 4 July 1986) that the Indonesian Government, faced with declining oil revenues and deteriorating economic prospects, is now proposing to halt, temporarily, the creation of new settlements, while concentrating on completing existing projects. According to the Minister, Transmigration efforts during the 1986-1987 budget period are to be limited to those receiving assistance from foreign Governments. Foreign funding, long integral to the programme, has now become its mainstay.

We strongly urge that, under your new presidency, the Bank takes this opportunity to reconsider its involvement in the Transmigration programme. The Bank should now withhold funding from the scheme until the Indonesian Government can offer real guarantees that it is to be carried out in line with the Bank's policy guidelines and will not lead to the destruction of the environment, the alienation of tribal peoples from their traditional lands and the abuse of their right to self-determination.

As you know, our concerns regarding Transmigration are shared by many and we have welcomed the Bank's initiative in making public Mr Clausen's reply to us. We will also be making this letter publicly available and look forward to receiving a frank reply which directly addresses our concerns.

Yours sincerely

Stephen Corry
Director
Survival International



Lord Avebury
Honorary President
Tapol

Edward Goldsmith
Editor
The Ecologist

Des Wilson
Campaigns Director
Friends of the Earth (International)

The World Bank

Washington, D C 20433
U S A

A W CLAUSEN
President

June 11, 1986

Mr. Robin Hanbury-Tenison
President, Survival International
29 Craven Street
London WC2 5NT, United Kingdom

Dear Mr. Hanbury-Tenison:

I appreciate the concerns you have expressed about the World Bank's support for Indonesia's transmigration program in your open letter published in The Ecologist, Vol. 16, No. 2/3.

As a development institution, in business for more than 40 years, we believe that development assistance can only be effective if it takes account of the economic, social, and environmental context in which growth takes place or is planned. The World Bank's assistance for transmigration in Indonesia has been guided by this experience.

As you know, one of the Government of Indonesia's major objectives in transmigration is to reduce population pressures which contribute to ecological damage in Java, while at the same time creating employment opportunities through regional development in the less populated areas of the country. Some 100 million of Indonesia's population of over 165 million live in Java, an island with only 7 percent of the country's land area. About 40 million Javanese belong to households with incomes below the poverty level (about \$100 per capita/year). Some 11.5 million farm families live on 6 million hectares (ha) of agricultural land, an average of 0.5 ha per household, which is less than a subsistence size plot. Inequitable land distribution is not a major problem; rather it is the very high ratio of people to land that forces poor families to farm steep slopes in upland watersheds and causes soil erosion and damage to irrigation infrastructure -- reservoirs and canals -- on which a major portion of agricultural production depends. Many rural families, unable to find land or work, are forced to move to cities, exacerbating urban poverty and unemployment.

The Government is addressing these problems on a broad front. It has one of the most successful voluntary family planning programs among the developing countries, which has helped slow the population growth rate on Java to 1.8 percent a year. With employment generation and poverty alleviation as its key development objectives, the Government has used its resources to improve human welfare through the promotion of large and

small-scale enterprise, labor-intensive development programs and the expansion of educational and health facilities in Java and elsewhere. Its voluntary transmigration program is an important means to achieving the employment and poverty alleviation objectives. No large resettlement effort in modern times has been carried out with so little communal tension. This is not to say that there are no problems. There have been difficulties. But this is to be expected in a program of this scale.

Resettlement programs, which started in 1905, had moved about 1 million largely landless people by 1979. Between 1979 and 1984, about 1.5 million people were moved on the sponsored transmigration program and many others have moved with little or no government assistance. During the third Five-Year Plan period (1979-1984), sponsored transmigration created 500,000-600,000 full-time jobs and an equal number of temporary jobs in site development. About 1.5 percent of Java's population was moved, and 15 percent of the incremental labor force was absorbed under the program. The fact that so many people moved voluntarily to participate as pioneers, and the low return rate among them, attest to the economic pressures the rural poor feel and also to the opportunities they perceive in the outer islands.

Virtually all transmigrants belonged to the lowest income groups before they moved. In the resettled areas at least half of them now have incomes above the poverty line. In a recent study of a representative sample of recently established transmigration areas, two-thirds of the transmigrants said their incomes have improved, 17 percent said they were the same, and 16 percent said they were worse. During the five-year development period, the numbers of families who hand over their plots to others is small, and at least 90 percent of the resettled families remain on the sites to which they moved. Thus, transmigration has been successful in raising incomes and increasing the assets of many settlers whose prospects would have been worse had they remained in the overcrowded islands.

Continued efforts will be required to increase incomes and improve implementation in the transmigration settlements. To that effect, diversified farming systems need to be introduced, appropriate agricultural support services need to be strengthened, and the implementation of monitoring and evaluation systems needs to be further improved. Where the movement of spontaneous migrants has created environmental problems or where there are possible adverse effects on indigenous peoples in the outer islands, these problems require the Government's continuing attention. In recognition of these problems and due to land and financial constraints, the Government has recently reduced targets for sponsored settlement to about one-half of former levels. The Government is placing major emphasis on increasing settlement on tree crop schemes, which generate an income of about \$1,500 per household a year, and on improving existing sites.

The World Bank's assistance for transmigration, through five transmigration and two swamp reclamation projects, is intended to assure sustainable, and environmentally and socially sound resettlement. In 1981

June 11, 1986

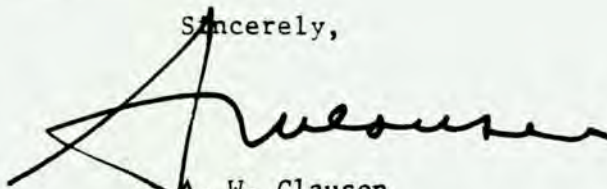
resources were allocated under an ongoing loan to support improvements in site selection and planning methodology. Two projects, approved in 1983 and 1985, have specifically dealt with appropriate site selection and evaluation. Actual settlement based upon improved planning has only recently been initiated; thus, few of the existing settlements have been based upon plans prepared after planning improvements were instituted.

Your letter raised specific concerns with respect to the program's impact on forestry resources and on the people of Irian Jaya. Sponsored settlement in the third Five-Year Plan used less than 1 percent of the forested land in Sumatra, Kalimantan, and Sulawesi, and a small fraction of 1 percent in Irian Jaya. Settlement in forests used for production or conservation purposes, which cover about 50 percent of the area in the outer islands, is prohibited. The increased emphasis being given to tree crops in the transmigration program will assure that in the future much of the forest area used for settlement will retain tree cover. Further action is required to gazette, demarcate, and protect environmentally important areas, and plans are underway to do this. In the early years of the third Five-Year Plan, rapid land clearing in receiving provinces without adequate planning led to some conflicts between the interests of the transmigrants and the local people, but the improvements in planning have helped overcome difficulties in this respect.

The World Bank is also concerned about the impact of the program on less-assimilated people. Under the Bank's Fifth Transmigration Project, anthropologists are working with site selection and evaluation teams. Measures have been introduced to identify the local people and their land needs in order that those who wish to do so can continue to pursue their traditional way of life. Their views on benefits and/or compensation are being ascertained. If they do not wish to be included in the resettlement area, the planning requirement calls for benefits through parallel development. About 20,000 families, or 5 percent of the total moved since 1979, were moved to Irian Jaya under the sponsored transmigration program. Under the present Five-Year Plan (1985-89), the Bank estimates that another 25,000 families will be moved. There are no plans to settle migrants in the densely settled highlands, where the majority of the Irianese live.

Economic and social development entails trade-offs and choices have to be made among various options, some of them very difficult. With World Bank assistance, the Government is attempting to choose the options which maximize economic benefits with minimum adverse effects. On balance, the transmigration program is benefitting a large number of poor people in Indonesia. It is promoting sound and sustainable development in the outer islands. It has problems and they are being addressed. It deserves the World Bank's continued support.

Sincerely,



A. W. Clausen
President

Open Letter to Mr Clausen, Retiring President of the World Bank, and Mr Conable, President Elect

Dear Mr Clausen and Mr Conable,

We are writing to you to express our grave concerns regarding the World Bank's continued funding of the Transmigration Programme in Indonesia.

The programme, which involves the mass movement of millions of landless poor from the central Indonesian islands of Java, Madura, Bali and Lombok to the less densely populated outer islands, has been promoted as a humanitarian exercise with the primary goal of improving living standards. The promotion of regional development through the provision of the necessary manpower to the outer islands and the strengthening of national unity through increasing ethnic integration are also given as objectives of the programme.

Yet evidence continues to accumulate that even the major humanitarian rationalisations for the programme are flawed. The widespread failure of Transmigration sites and the increasing numbers of settlers engaged in 'second round flows' testify to this. (See pp 71-77).

Tropical Rainforest Destruction and Transmigration

Of particular concern to us is the impact that this project is having on the forests and peoples of the outer islands. Transmigration, as it is presently being carried out, is leading to the permanent and effectively irreversible destruction of vast areas of tropical forest. Over 3.3 million hectares of tropical forest will be destroyed by Transmigration during the present Five-Year Plan. In addition, the destabilised populations from unsuccessful sites are causing further widespread environmental damage, as the settlers abandon their failed sites and lay waste the surrounding vegetation. Moreover, as the recent Forest Review, carried out by three Indonesian Government Departments and the International Institute for Environment and Development, has emphasised, even where sites are successful, serious environmental problems arise, since these areas serve to draw less fortunate settlers to them, placing an unsustainable burden on the fragile tropical forest environment. (See pp 77-89).

Current rates of deforestation in Indonesia have become a cause of global concern, estimates placing the overall rate of forest loss at over one million hectares per year. Transmigration exacts a major part of this terrible toll. We would draw your attention to the conclusion of the Forest Review team, where they state that:

"Given the current objectives and operational procedures of the Transmigration Programme, the Team considers Transmigration as the single sectoral activity with the greatest potential to advance forest destruction—often to no constructive result. Whether a 'success' or 'failure' by present standards, Transmigration, as currently managed can only have negative implications for forest resources."

Such a conclusion makes clear that the Transmigration Programme is entirely incompatible with the World Bank's own environmental policy guidelines, where the Bank states that it:

"9a. Endeavours to ensure that each project affecting renewable natural resources (e.g. as sink for residue or as a resource for raw material) does not exceed the regenerative capacities of the environment;

9b. Will not finance projects that cause severe or irreversible environmental deterioration, including species extinctions without mitigatory measures acceptable to the Bank . . ."

Transmigration and Tribal Peoples

Transmigration takes as its starting point the assumption that the outer islands are "underpopulated" and "underdeveloped". Yet, in fact, these areas are the traditional homelands of a large number of viable and vigorous societies which have developed sophisticated systems of resource use subtly adapted to their prevailing environmental circumstances. Transmigration, by alienating these peoples from their traditional lands and forcing them to participate in development projects, many of which are environmentally and economically inappropriate, is destroying the very basis of their ways of life.

As you will be aware, Indonesian law, while ostensibly recognising traditional (*adat*) land rights, com

pletely subordinates these rights to State interests. Special legislation relating to Transmigration further weakens these rights. For example, Clause 17 of the Basic Forestry Act, Clarification Act No 2823 of 1967, states:

"The rights of traditional law communities may not be allowed to stand in the way of the establishment of Transmigration sites."

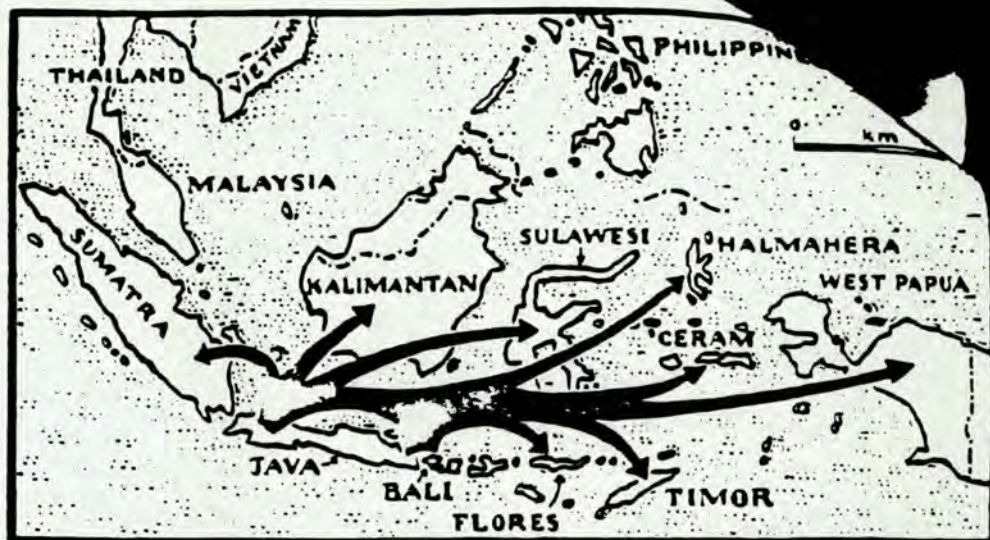
The effect of these and other laws is to deny the land rights of tribal peoples practising non-sedentary forms of land use. Compensation payable to these people is limited to payment for the destruction of their standing crops and buildings *but not for loss of their hunting, gathering and fishing territories*. Instead of respecting the rights of tribal peoples to their traditional lands and resources, government policy obliges these peoples to abandon their traditional ways of life, leaving them with no alternative but to integrate into Transmigration settlements where they find themselves outnumbered by outsiders and despised for their "primitive" customs. In many provinces, Transmigration is leading tribal peoples to become a minority on their own lands.

The dispossession that is an inevitable part of Transmigration is causing an escalation in inter-ethnic tensions. Particularly in West Papua (Irian Jaya), tribals, who have resisted the takeover of their lands, have been accused of being members of proscribed secessionist movements and have been subjected to security operations by the Indonesian armed forces. These actions are leading to a bloody escalation of the conflict between tribal peoples and the military. In West Papua, which, with a total population of 1.2 million, has been designated to receive about 685,000 settlers in the next five years, there have been widespread reports of human rights abuse associated with the programme.

One of the most worrying and evident expressions of the problems Transmigration is causing is the continuing exodus of tribal people from West Papua into neighbouring Papua New Guinea. According to the United Nations High Commission for Refugees, there are presently 10,500 refugees in camps all along the border, including about 500 new arrivals in the last few months. Successive reports from those in direct communication with the refugees have noted that land alienation, resulting primarily from the Transmigration programme, has been a major cause for their flight. Refugees report the bombing of villages, indiscriminate shooting, imprisonment, torture, rape, the burning of settlements and the killing and stealing of livestock.

Taken together, these facts make it abundantly clear that Transmigration as it is being implemented is directly contravening the terms of the World Bank's guidelines for the development of tribal areas.

Moreover, it is clear that these violations of human



The Transmigration programme involves the mass movement of millions of landless poor from the central Indonesian islands of Java, Madura, Bali and Lombok to the less densely populated out islands.

rights are not just the result of the poor planning and implementation at the local level but are inherent in the legislation and policy of the programme. The ethnocidal intent of Transmigration was made abundantly clear at the special seminar on Transmigration hosted by the Minister of Transmigration, Martono, on March 20 1985 where he stated:

"On 28 October 1928, a youth congress was held concluding that we are one nation, the Indonesian nation; we have one native country, Indonesia; one language, the Indonesian language. By way of Transmigration, we will try to realise what has been pledged, to integrate all the ethnic groups into one nation, the Indonesian nation . . . The different ethnic groups will in the long run disappear because of integration . . . and there will be one kind of man . . ."

The Bank, in its policy guidelines, has explicitly rejected such integrationist policies towards tribal peoples instead insisting on an "intermediate policy" which "allows the retention of a large measure of tribal autonomy and cultural choice". This has nowhere been provided for in the Transmigration Programme.

Transmigration and "National Security"

The Indonesian Government has stated that Transmigration is considered of great importance as an exercise in promoting "national security". As General Murdani, the Commander-in-Chief of the Indonesian Armed Forces made clear in March 1985, Transmigration is considered to be:

"The only programme in the economic field that must quite categorically be tied in with defence and security considerations . . . The preparation of sites and the removal of obstacles to land availability need to be given special focus because the choice of locations is related to the concept of territorial management . . ."

In West Papua, these concerns are manifested in the Government's plans to settle a "cordon sanitaire" of militarised (*saptamarga*) settlements along the border. In November 1985, the Minister of Transmigration, Martono, announced that Transmigration was to be given priority in border areas.

Conclusion

In view of the considerable and steadily growing evidence that widespread environmental and human rights abuses are not only associated with but actually integral to the present manner of the Transmigration Programme's implementation, we strongly urge that the Bank carefully reviews its present policy of supporting the project. While this is being carried out, we also strongly urge that the Bank takes immediate steps to halt funding the programme. Funding for Transmigration should not be renewed until there are guarantees that it is to be carried out in line with the Bank's guidelines for the development of tropical forest regions and areas inhabited by tribal peoples, and that it will not lead to the destruction of the environment, the alienation of tribal peoples from their lands and the abuse of their right to self-determination.

We look forward to learning how you plan to deal with this matter.

Yours sincerely

Robin Hanbury-Tenison

President

Survival International

Lord Avebury

Honorary President

Tapol

Edward Goldsmith

Editor

The Ecologist

Nicholas Hildyard

Fellow

Wadebridge Ecological Centre

Peter Bunyard

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Campaigns Director

Friends of the Earth (International)

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Director

Anti-Slavery Society

Dr. Bernard Juillerat

Researcher

Centre National de Recherche Scientifique

Ola Persson

Chairman

Fourth World Association of Sweden

Bruce Rich

Senior Attorney

Environmental Defense Fund

David Wirth

Senior Project Attorney

Natural Resource Defense Council

J Karubui

Secretary

West Papuan Observer

Ben Whittaker

Director

Minority Rights Group

Patricia Adams

*Director, Third World Research
Energy Probe*

Anil Agarwal

Director

*Centre for Science and Environment
Chairman*

Environment Liaison Centre

Brent Blackwelder

President

Environmental Policy Institute

Janet Barber

*Director of Conservation
World Wildlife Fund (UK)*

Rev. Peter Van Lelyveld

General Secretary

Dutch Inter-Church Aid

Jan Lucas Van Hoorn

International Secretary

Politieke Partij Democraten 66 (Netherlands)

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Chairman

Green Alliance

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President

Workgroup for Indigenous Peoples

Jason Clay

Director of Research

Cultural Survival

Tilman Zülch

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International Work Group for Indigenous Affairs

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International Programmes, National Wildlife

Federation, USA

Malcolm Harper

Director

United Nations Association, UK

John Phua

Bakun Dam Committee,

Environmental Protection Society of Malaysia

The Malaysian Sociological Research Institute

Kuala Lumpur

Campbell Plowden

President, Tropical Ecosystem Research and

Rescue Alliance (TERRA)

S.M. Mohd Idris

President, Sahabat Alam, Malaysia

Register your Protest

Send the postcard at the front of this issue to
the World Bank.

OFFICE MEMORANDUM

DATE October 27, 1986

TO Mr. Arif Zulfiqar, Acting Chief, AEPA4

FROM J.-P. Baudelaire, AEPA4 *J.P. Baudelaire*

EXTENSION 61008

SUBJECT INDONESIA - Transmigration Sector Review - Clearance of the Grey Cover Report

1. Before being published, the above report is already being quoted by the Environmental Defense Fund (EDF), an international environmental group, and I have a major concern that after its publication, more environmental groups will be referring to it in their endeavor to demonstrate that the Bank is supporting an unjustifiable program from the social, economic and environmental point of views. To exemplify my concern, I would like to quote abstracts of the EDF letter, dated October 10, 1986, and addressed to Mr. B. Conable.

"The Bank's own reviews of the transmigration program poses serious and disturbing questions about the economic and ecological soundness of its past support for this program." "The rates of economic return calculated by the World Bank for transmigration in Repelita III range from negative to about 1% in the upland and tidal sites that account for approximately 90% of Repelita III settlements." "Levels of agricultural production approaching the Bank's current farm models - which assume, among other things, unconstrained use of inputs - have only been observed in research conditions and never under the field conditions of actual transmigration sites."

2. The EDF is referring to paragraphs and annexes of the Green Cover Sector Report. I reviewed Chapter III - Economic and Financial Analysis of Transmigration Farm Models - of this report to see which parts were causing the criticisms.

3. Regarding the Bank's farm models "observed only in research conditions," EDF's criticism stem from para 3.15 of the Sector Report, which begins by unusual models based on potential yields and research conditions, whereas Tables 3.2 and 3.3 start with the most commonly used farm models. Para. 3.15 does not make any reference to the most usual farm models and the names of the farm models are not the same as in Tables 3.2 and 3.3. Thus the confusion between the models followed by most transmigrants and those based on pilot and research conditions. Some redrafting of para. 3.15 and Tables 3.2 and 3.3 is therefore necessary.

4. Concerning the low rates of return "from negative to 1%," EDF's statement gives a clear picture of the message presented in para. 3.36 of the Sector Report. I have stated on many occasions (see my attached memo of March 21, 1986) that the economic analysis of the Sector Report was not reflecting adequately all the benefits of the transmigration program and that the economic rates of return of the food crop farm models were

unjustifiably low. On this subject, I would like to reiterate some of my major observations.

5. Farm models. Of the seven food crop models presented in the Sector Report (Tables 3.2 and 3.3), the tidal model with low input and severe pest problems (Model No. 5) is clearly unjustified and its negative economic rates of return (Table 3.4) cast a severe doubt on the potential development of tidal lands and on the transmigration program as a whole. All specialists agree that soils in tidal sites have a higher production potential than upland sites, and that the poor results achieved in Repelita III sites, was due to deficient planning and improper implementation. The problems of pest and animal attacks are common not only in tidal sites but also in upland sites. These problems have a solution and corrective measures can be applied. In general, the phenomenon tends to decrease as more land is cleared and more transmigrants enter the sites. To base an economic analysis on the assumption that pest attacks will persist at levels observed during the 30 years of the economic analysis is just not realistic. I would therefore recommend to delete this model from the report.

6. The other farm model presented in the Sector Report, which undermines the whole transmigration program because of its low ERR, from negative to 2% (Table 3.4), is the low input upland food crop model (Model No. 1). This farm model, which is said to represent most of the upland sites, has low rates of return in the Sector Report for the following reasons:

- (a) The ERR of this model (and that of others) has been calculated twice - first, with agricultural production alone, and second, with agricultural production and off-farm income. This method of presentation shows that, when agricultural production is the only source of benefits, the rate of return is negative. There is no justification for presenting such a gloomy picture of this model because, first, this model has many other benefits besides agricultural production, and second, many transmigrants are practically forced to look for off-farm income because of the absence of local markets to absorb their surplus agricultural production. In addition, the introduction of a cash crop with marketing facilities, which should overcome this problem, as recommended in the Sector Report, was not considered in the economic analysis of this model. The dycotomic presentation of farm model No. 1 (and others) is confusing and could lead to endless arguments with environmental groups as to which rate of return is the appropriate one: the negative or the positive? The usual practice in Bank documents is to present only one ERR per farm model and to carry out a sensitivity analysis which could include or exclude off-farm income and other benefits in addition to the standard variations in yield and cost assumptions. I would strongly recommend that the Bank's standard presentation of ERR be followed for all farm models in the Grey Cover Sector Report.

- (b) The yield assumptions have been underestimated in most models of the Sector Report and particularly in Model No. 1, where rice yields decrease from Year 1 to 3 and thereafter remain constant at 750 kg/ha throughout the 30 years of the economic analysis. This assumption is not consistent with the BPS and MOT surveys quoted in the Sector Report (Table 2.6) where average yields for sites 2 to 3 years old were 788 kg/ha and 840 kg/ha respectively. The only model which allows for yield increase is Model No. 3 based on FAO recommendations. FAO's assumption is that rice yields will increase from 600 kg/ha to 1,800 kg/ha over a period of 14 years. This is a reasonable assumption when compared to the average upland rice yields of 1,600 kg/ha obtained in Sumatra according to 1984 national statistics.
- (c) The areas farmed have been limited to one hectare in several models studied in the Sector Report when actually, each transmigrant family has received two hectares or more of arable land. This assumption reduces considerably the potential growth of household income and contributes to spreading a bleak picture of the development of the upland food crop model No. 1. Even if some transmigrants are hampered in developing their cropped area beyond one hectare because of insufficient family labor, this is not a sufficient reason to limit the growth of the holdings during the 30 years of the economic analysis. It is logical to assume that, over this period, transmigrants will consider either giving some of their land to their children, or (i) share it with family members coming from Java, (ii) rent it to some spontaneous transmigrants having no land of their own, or (iii) sometimes sell it. None of these possibilities has been considered in the economic analysis of the upland food crop models whereas some of the tidal models assume the development of 1.6 ha of rice fields and all tree crop models assume the full development of the 2 ha available.
- (d) The household income has been underestimated in the Sector Report economic analysis by at least 40% in model No. 1. The BPS survey (Table 2.9) indicates a family income, after five years, of Rp 75,900/month, including Rp 24,800/month for agriculture and Rp 51,100/month for non-agricultural income. In contrast, model No. 1 of the Sector Report (para 3.17 and Annex 3, Table 3) is based on a total household income of Rp 45,000/month (Rp 540,000/year), of which Rp 24,200/month for agriculture and only Rp 20,800/month for off-farm income. Moreover, the BPS survey reflects present incomes while the assumptions of the Sector Report reflects future incomes, obtained over the 30 years of the economic analysis, which are equal or smaller than the present BPS incomes.
- (e) The spontaneous transmigrants play an important part in the development of existing settlements, which has not been

considered in the economic analysis of the Sector Report. Chapter 4 and 7 of the Sector Report indicate that the sponsored transmigration program can attract up to 100% spontaneous transmigrants. The official figure for Repelita III is about 50% (340,000 sponsored for 170,000 spontaneous), but population statistics show that this figure is underestimated. The number of spontaneous transmigrants moving as a result of the sponsored program has important implications on the economic evaluation because it implies that Government investments are actually shared by a much larger number than the number of sponsored transmigrants and even greater if local people who also benefit from the roads and other infrastructure are included. Thus the total benefits cannot be limited to just those of the sponsored program as assumed in the Sector Report.

7. Conclusion. If the economic analysis of the Sector Report is maintained on the present assumptions, it will give a false image of the economic returns of the transmigration program and will provide to the detractors of this program, arguments all the more damaging that they come from a Bank document.

Attachment

cc: Messrs. Cole, Chaudhri, Hewson, Sidhu (o/r), Sinha, Nyanin (AEPA4);
Ms. Davis (AEAIN)

JPBaudelaire:ebp(mljbl02786)

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SUBJECT: TRANSMIGRATION IN IRIAN JAYA

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1. SUMMARY: TRANSMIGRATION IS A LARGE-SCALE RESETTLEMENT PROGRAM DESIGNED TO MOVE PEOPLE FROM INDONESIA'S DENSELY POPULATED INNER ISLANDS, PARTICULARLY JAVA, MADURA, BALI AND LOMBOK, TO THE UNDERUTILIZED OUTER ISLANDS OF SUMATRA, KALIMANTAN, SULAWESI, AND IRIAN JAYA. THE GOI'S STATED PURPOSES FOR THE PROGRAM ARE TO INCREASE THE ECONOMIC WELFARE OF THE LANDLESS RURAL POOR TRANSMIGRANTS, PRIMARILY THROUGH AN AGRICULTURAL DEVELOPMENT PROGRAM; TO PROVIDE A MEANS OF ECONOMIC DEVELOPMENT FOR THE OUTER ISLANDS; TO REDUCE THE RATE OF POPULATION GROWTH IN THE INNER ISLANDS WHICH IN TURN WILL REDUCE THE PRESSURES ON DEVELOPING THEIR CRITICAL OR FRAGILE UPPER WATERSHEDS; AND TO INCREASE FOOD PRODUCTION. THE WORLD BANK (IBRD) HAS PROVIDED NEARLY DOLLS 600 MILLION TO THE GOI THROUGH FIVE PROJECTS TO IMPROVE THE PLANNING, DESIGN AND SUSTAINABILITY OF THE TRANSMIGRATION PROGRAM.

2. FOR THE LAST FEW YEARS, ENVIRONMENTAL AND HUMAN RIGHTS GROUPS AND DEVELOPMENT SPECIALISTS HAVE CRITICIZED TRANSMIGRATION AND IBRD'S ASSISTANCE TO THE PROGRAM. THE PRIMARY FOCI OF THEIR CRITICISMS HAVE BEEN THE ECONOMIC VIABILITY AND SUSTAINABILITY OF THE PROGRAM AS IT IS CURRENTLY DESIGNED AND IMPLEMENTED; THE SUPPORT SERVICES PROVIDED BY THE PROGRAM; THE SOCIO-ECONOMIC EFFECTS ON INDIGENOUS PEOPLES; AND THE ENVIRONMENTAL EFFECTS ON FORESTS, BIOLOGICAL DIVERSITY, AND RARE AND ENDANGERED SPECIES. FROM SEPTEMBER 21 TO OCTOBER 10, USAID RDO/ENVOFF ROYALD GREENBERG AND EMBOFFS PAMELA SLUTZ AND ROBERT RAPSON VISITED TRANSMIGRATION SITES IN IRIAN JAYA TO EVALUATE WHETHER THESE CRITICISMS WERE JUSTIFIED AND TO WHAT DEGREE THE PROGRAM IS OR IS NOT SUCCESSFUL IN ACHIEVING ITS GOALS. THIS MESSAGE SUMMARIZES THE KEY FINDINGS. STATE IS SENDING IN ITS CHANNELS A SEPARATE REPORT RELATED TO EAP AND OES INTERESTS. BOTH WILL BE FOLLOWED BY A MORE DETAILED REVIEW OF SPECIFIC SITES AND RECOMMENDATIONS FOR AREAS WHERE EXTERNAL ADVICE AND CONSULTATION CAN MOST PROPERLY BE DIRECTED.

3. THE TEAM VISITED TRANSMIGRATION SITES IN IRIAN JAYA NEAR JAYAPURA (ARSO) IN THE NORTH; MERAUKE (SEMANGGA AND JAGEBOB) AND TIMIKA IN THE SOUTH; MANOKWARI (PRAFI AND ORANSBARI) AND SORONG (AIMASI) IN THE NORTHWEST. THE SITE VISITS WERE SUPPLEMENTED BY DISCUSSIONS WITH LOCAL GOI OFFICIALS FROM THE

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DEPARTMENTS OF TRANSMIGRATION (DOT), FORESTRY (INCLUDING NATURE CONSERVATION), AGRICULTURE (INCLUDING ESTATE CROPS); PROVINCIAL AND DISTRICT OFFICIALS (BUPATIS) AND STAFF FROM THE REGIONAL PLANNING BOARDS OR BAPPEDAS); CONSULTANTS TO THE DOT; PROFESSORS AND RESEARCHERS AT THE UNIVERSITY OF CENDERAWASIH'S ENVIRONMENTAL STUDIES CENTER, IRIAN JAYA STUDIES FOUNDATION, AND FROM THE DEPARTMENTS OF ANTHROPOLOGY AND AGRICULTURE; AND REPRESENTATIVES OF SEVERAL NON-GOVERNMENTAL FOUNDATIONS ACTIVE IN COMMUNITY DEVELOPMENT AMONG INDIGENEOUS PEOPLES AND IN NATURE CONSERVATION (WORLD WILDLIFE FUND).

KEY FINDINGS AND CONCLUSIONS

4. THE MAJOR FINDINGS OF THE FIELD TRIP ARE THAT 1) THE TRANSMIGRATION PROGRAM IS HAVING SOME SUCCESS IN IMPLEMENTING AN AGRICULTURALLY VIABLE PROGRAM AT THOSE SITES THAT HAVE GOOD SOIL FERTILITY, ARE LOCATED CLOSE TO URBAN CENTERS AND HAVE SUFFICIENT INFRASTRUCTURE TO PROVIDE ACCESS TO MARKETS AND OFF-FARM EMPLOYMENT. 2) THE MAJORITY OF THE SITES WILL BE LIMITED TO SUBSISTENCE AGRICULTURE AND ARE NOT LIKELY TO BE ECONOMICALLY SUSTAINABLE WITHOUT A MAJOR REALLOCATION OF PROGRAM OR OTHER GOVERNMENT FUNDS TO IMPROVE INFRASTRUCTURE, INTRODUCE AGRICULTURAL APPROACHES EMPHASIZING CASH CROPS, PROVIDE ACCESS TO MARKETS AND OPPORTUNITIES FOR OFF-FARM EMPLOYMENT, AND IMPROVE LAND CLEARING AND PREPARATION PRACTICES. 3) TRANSMIGRANTS REPORT THAT THEY ARE BETTER OFF NOW THAN THEY WERE BEFORE RESETTLEMENT, DESPITE CONFLICTING EVIDENCE OF DECLINING YIELDS AFTER THE INITIAL PERIOD AND COMPLAINTS ABOUT OTHER SERVICES. 4) THE RATE OF PROGRAM IMPLEMENTATION IS BEING SLOWED BECAUSE OF

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LIMITED BUDGETS, LACK OF SUITABLE NEW SITES, DOMESTIC AND EXTERNAL CRITICISM, AND LOGISTICAL CONSTRAINTS. THIS WILL RESULT IN A DECREASE IN THE MAGNITUDE OF ADVERSE EFFECTS. 5) THERE ARE SIGNIFICANT ADVERSE SOCIO-ECONOMIC EFFECTS ON INDIGENOUS PEOPLES SUCH AS LOSS OF LAND AND ACCESS TO LOCAL RESOURCES WHICH ARE LIKELY TO RESULT IN FORCED CHANGES IN THEIR TRADITIONAL SOCIO-ECONOMY. 6) ATTEMPTS TO INCLUDE IRIANESE IN THE TRANSMIGRATION PROGRAM HAVE HAD LIMITED SUCCESS AND ALTERNATIVE APPROPRIATE DEVELOPMENT APPROACHES WILL BE REQUIRED TO MITIGATE THE SOCIO-ECONOMIC EFFECTS. 7) LAND CLEARING UNDER THE PROGRAM HAS SERIOUSLY THREATENED THE HABITAT OF THE TWELVE WIRED BIRD OF PARADISE, A PROTECTED, RARE AND ENDANGERED SPECIES. 8) THE PROGRAM'S OTHER NEGATIVE ENVIRONMENTAL EFFECTS INCLUDE SIGNIFICANT LEVELS OF LOCALIZED DEFORESTATION, LOCALIZED REDUCTIONS IN BIOLOGICAL DIVERSITY AND MODERATE LEVELS OF SOIL EROSION. THE CURRENT EFFECTS OF DEFORESTATION AND REDUCED BIOLOGICAL DIVERSITY ARE NOT SIGNIFICANT AT THE REGIONAL OR GLOBAL LEVEL.

5. IT IS THE CONCLUSION OF THE TEAM THAT ALTHOUGH THE TRANSMIGRATION PROGRAM HAS RESETTLED 19,000 FAMILIES IN IRIAN JAYA FROM THE INNER ISLANDS, IT HAS HAD LIMITED SUCCESS IN IMPROVING THE ECONOMIC WELFARE OF THE TRANSMIGRANTS. THE PROGRAM IS NOT HAVING ANY SIGNIFICANT EFFECT ON REDUCING THE POPULATION GROWTH IN THE INNER ISLANDS AND IS NOT SIGNIFICANTLY INCREASING FOOD PRODUCTION IN IRIAN JAYA. THE PROGRAM HAS BEEN LESS SUCCESSFUL IN IMPROVING THE LOT OF INDIGENOUS PEOPLES WHO HAVE PARTICIPATED IN THE PROGRAM. IT IS HAVING ADVERSE SOCIO-ECONOMIC EFFECTS ON THE INDIGENOUS PEOPLES IN AND AROUND TRANSMIGRATION SITES. THE PROGRAM IS HAVING SIGNIFICANT NEGATIVE EFFECTS ON AT LEAST ONE RARE AND ENDANGERED SPECIES. BUT, IT IS NOT CURRENTLY SIGNIFICANTLY DEFORESTING OR REDUCING BIOLOGICAL DIVERSITY IN IRIAN JAYA. THESE FINDINGS AND CONCLUSIONS SHOULD NOT BE EXTRAPOLATED TO THE TRANSMIGRATION PROGRAM AS A WHOLE SINCE THE PROVINCE'S BIO-PHYSICAL AND SOCIO-ECONOMIC CONDITIONS, THE SIZE AND QUALITY OF THE PROGRAM'S IMPLEMENTATION, AND ITS ADVERSE EFFECTS DIFFER ON EACH ISLAND.

THE TRANSMIGRATION PROGRAM

6. SINCE 1950, APPROXIMATELY 560,000 FAMILIES (2.3 MILLION PEOPLE) HAVE BEEN RESETTLED UNDER THE NATION-WIDE TRANSMIGRATION PROGRAM. (IT IS ESTIMATED THAT IN THE RECENT PAST AT LEAST 170,000 FAMILIES SPONTANEOUSLY MOVED TO TRANSMIGRATION AREAS AT THEIR OWN EXPENSE.) SIXTY-FIVE PERCENT OF THESE FAMILIES WERE MOVED BETWEEN 1979-84. SEVENTY PERCENT OF THE TRANSMIGRANTS ORIGINATED FROM JAVA,

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MADURA, BALI AND LOMBOK, OF WHICH 65 PERCENT WERE RESETTLED IN SUMATRA, 18 PERCENT IN KALIMANTAN, 14 PERCENT IN SULAWESI AND ONLY 3 PERCENT IN IRIAN JAYA. AT THE SAME TIME, THE NUMBER OF TRANSMIGRANTS MOVED FROM JAVA IS EQUAL TO ONLY 1.5 PERCENT OF JAVA'S CURRENT POPULATION. IRIAN JAYA IS APPROXIMATELY THE SIZE OF CALIFORNIA, WITH A POPULATION OF 1.5 MILLION PEOPLE OF MELANESIAN ORIGIN, THE MAJORITY OF WHOM LIVE IN THE CENTRAL HIGHLANDS. BETWEEN 1965 AND 1984, ABOUT 19,000 TRANSMIGRANT FAMILIES, PRIMARILY JAVANESE, WERE SETTLED IN IRIAN JAYA'S LESS DENSELY POPULATED (2-3 PEOPLE/SQ.KM.) COASTAL AREAS; 16,600 OF THESE WERE SETTLED BETWEEN 1979-84. THE DOT'S OFFICIAL TARGET FOR RESETTLEMENT TO IRIAN JAYA BETWEEN 1984-88 IS 137,000 FAMILIES; HOWEVER, THEY AND IBRD ARE ACKNOWLEDGING THAT ONLY 20,000 TO 25,000 FAMILIES WILL BE MOVED, ABOUT 16-18 PERCENT OF THE TARGET.

7. THE PRIMARY REASONS GIVEN FOR THIS SLOWDOWN IN THE RATE OF PROGRAM IMPLEMENTATION IN IRIAN JAYA ARE REDUCED TRANSMIGRATION BUDGETS AS A RESULT OF DECLINING OIL REVENUES; UNREALISTIC BUDGET ESTIMATES OF THE COSTS OF RESETTLEMENT (DOLLS 3-4,000/FAMILY) COMPARED TO ACTUAL COSTS OF DOLLS 8-10,000/FAMILY; LACK OF SUITABLE SITES THAT HAVE BEEN APPROVED BY THE DOT'S TRANSMIGRATION ADVISORY GROUP (TAG-A GROUP OF FOREIGN CONSULTANTS UNDER THE CHAIRMANSHIP OF THE BRITISH FIRM SIR M. MACDONALD AND PARTNERS ACIA) UNDER MORE RIGOROUS CRITERIA FOR SITE SELECTION MANDATED BY IBRD; LOGISTICAL CONSTRAINTS (IT IS PHYSICALLY IMPOSSIBLE TO TRANSPORT 137,000 FAMILIES IN FIVE YEARS AT THE PRESENT RATE OF ONE OR TWO HERCULES FLIGHTS PER MONTH WITH A CAPACITY OF 25 FAMILIES PER FLIGHT) THAT PREVENT THE DOT FROM FILLING THE SITES IT ALREADY HAS DEVELOPED; THE EFFECT OF DOMESTIC AND

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INTERNATIONAL CRITICISM OF THE PROGRAM; THE LACK OF TRAINED PERSONNEL IN THE DOT; AND THE INCREASING DIFFICULTIES OF ACQUIRING NEW LAND FROM LOCAL RESIDENTS. THIS SLOWDOWN WILL NOT ALTER THE TYPE OF EFFECTS THAT THE TRANSMIGRATION PROGRAM HAS HAD IN THE PAST; HOWEVER, IT WILL SIGNIFICANTLY LIMIT THE MAGNITUDE OF THE PROGRAM'S SOCIO-ECONOMIC AND ENVIRONMENTAL EFFECTS OVER THE NEXT TWO TO THREE YEARS.

VIABILITY AND SUSTAINABILITY

8. TRANSMIGRANTS RECEIVE 2-3 HA OF LAND. INITIALLY THEY ARE PROVIDED WITH A SMALL HOUSE AND GARDEN ON .25 HA, 1.0 HA OF CLEARED LAND, AND AN ADDITIONAL .75 TO 1.5 HA THAT IS RESERVED FOR FUTURE DEVELOPMENT BY THE TRANSMIGRANTS. THEY RECEIVE TITLE TO THE LAND AFTER 5 YEARS WHEN RESPONSIBILITY FOR THE SITES IS TRANSFERRED TO THE LOCAL GOVERNMENT. SUBSISTENCE FOOD SUPPLEMENTS ARE PROVIDED BY THE DOT FOR ONE YEAR, OR IN THE CASE OF CROP FAILURE, FOR LONGER PERIODS. IN IRIAN JAYA, TRANSMIGRANTS RECEIVE AN AGRICULTURAL PACKAGE FROM THE DEPARTMENT OF AGRICULTURE'S LINE AGENCY FOR FOOD CROPS (WHICH IS RESPONSIBLE FOR DEVELOPING AND SUPPLYING THE AGRICULTURAL INPUTS AND EXTENSION AGENTS) THAT INCLUDES SEEDS AND SEEDLINGS, A FEW FARM TOOLS, FERTILIZER, CREDIT AND EXTENSION TO DEVELOP RAINFED FOOD CROPS (RICE, SOY, PEANUTS, CORN). IRRIGATION HAS BEEN INTRODUCED TO AT LEAST ONE SITE (ORANSBARI). UNDER THE FOOD CROP MODEL THE ADDITIONAL LAND IS NOT CLEARED WHILE UNDER A COMBINED FOOD AND CASH CROP MODEL, THIS LAND IS CLEARED AND PLANTED IN SOME ESTATE CROP. THIS COMBINED PACKAGE IS BEING INTRODUCED AT ARSO (OIL PALM), AND IS BEING CONSIDERED FOR PRAFI (OIL PALM), ORANSBARI (COCAO), AND MERAUKE (RUBBER).

9. THE SUCCESS OF TRANSMIGRATION IS DEPENDENT UPON THE VIABILITY AND SUSTAINABILITY OF THE AGRICULTURAL PACKAGE BEING INTRODUCED AND ACCESS TO OFF-FARM EMPLOYMENT. THE AGRICULTURAL PROGRAM (PRESENTLY FOOD CROPS) IS DEPENDENT UPON SOIL FERTILITY, PROPER LAND CLEARING AND PREPARATION, SUFFICIENT AND APPROPRIATE AGRICULTURAL INPUTS, AND ACCESS TO MARKETS. GENERALLY, THE TRANSMIGRATION SITES LOCATED ON THE NORTH COAST OF THE PROVINCE (ORANSBARI, PRAFI, AND TO A LESSER EXTENT ARSO) HAVE REASONABLY GOOD SOILS THAT REQUIRE CAREFUL MANAGEMENT. THEIR RICE, CORN AND PEANUT YIELDS ARE ADEQUATE FOR BOTH SELF SUFFICIENCY AND A SURPLUS TO SELL IN LOCAL MARKETS. THEY HAVE HAD A SURPLUS OF SOYBEANS THAT IS BEING PROCESSED IN MANOKWARI AND SHIPPED TO JAVA; AND ARE LOCATED CLOSE TO AN URBAN CENTER, THEREBY ENJOYING ACCESS TO MARKETS AND OFF-FARM EMPLOYMENT, AS WELL AS ACCESS TO REASONABLY PRICED AND RELIABLE TRANSPORTATION. FOR EVEN THE MOST SUCCESSFUL

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SITES AT ORANSBARI, IT WAS REPORTED THAT INTENSE CULTIVATION WITH NO FERTILIZER AND VERY LITTLE ORGANIC MANURE APPLICATION HAVE LED TO A DETERIORATION IN SOIL FERTILITY WHICH IS RESULTING IN FALLING YIELDS IN DRYLAND RICE, SOY AND CORN.

10. BY CONTRAST, THE SITES IN THE SOUTHERN COASTAL AREAS (MERAUKE AND TIMIKA) AND NEAR SORONG (AIMAS) ARE SERIOUSLY CONSTRAINED BY SOILS WITH LOW FERTILITY. IMPROPER INITIAL LAND CLEARING PRACTICES USING HEAVY EQUIPMENT AND BURNING HAVE REMOVED THE MORE FERTILE TOPSOILS, COMPACTED THE REMAINING SOILS, AND DESTROYED MUCH OF THE VALUABLE STANDING BIOMASS NUTRIENT SOURCE. INSUFFICIENT AND INAPPROPRIATE AGRICULTURAL INPUTS, INCLUDING SEEDS, FERTILIZER AND PESTICIDES, ARE COMPOUNDED BY SEVERELY LIMITED MARKETS FOR CROPS; LIMITED, COSTLY AND TIME CONSUMING TRANSPORTATION TO MARKET; PEST INFESTATION (AIMAS SUFFERED FROM THREE SUCCESSIVE YEARS OF RICE CROP FAILURE BEFORE A PEST RESISTANT VARIETY COULD BE INTRODUCED); EXTREMES IN CLIMATIC CONDITIONS AND CROP FAILURE THAT RESULTED IN STARVATION (SITE: NEAR MERAUKE); AND FEW OPPORTUNITIES FOR OFF-FARM EMPLOYMENT. AS A CONSEQUENCE OF THESE CONSTRAINTS, TRANSMIGRANTS IN THESE AREAS HAVE LITTLE OR NO CASH INCOME AND TEMPORARILY LEAVE THEIR PLOTS TO SEEK EMPLOYMENT IN MERAUKE, SORONG, OR ELSEWHERE.

11. NO CANNING OR OTHER PRESERVATION FACILITIES ARE AVAILABLE FOR THE PERISHABLE FOOD CROPS BEING GROWN AT THE SITES, LOCAL MARKETS ARE LIMITED IN THEIR ABILITY TO ABSORB ANY LOCAL SURPLUS, AND THE COSTS OF TRANSPORTATION TO OTHER MARKETS ARE HIGH. IT WOULD APPEAR THAT THE FOOD CROP MODEL MAY BE SERIOUSLY LIMITED AT MANY LOCATIONS AND

of course what else would happen?

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SUBJECT: TRANSMIGRATION IN IRIAN JAYA

THAT THE TRANSMIGRATION SITES MAY BE SUSTAINABLE ONLY AT A SUBSISTENCE LEVEL. THE TRANSMIGRANTS WHO HAVE BEEN MORE SUCCESSFUL (ORANSBARI) ARE THOSE WHO HAVE DIVERSIFIED INTO LIVESTOCK PRODUCTION AND CASH CROPS INCLUDING CLOVES, KAPOK, BANANAS, COFFEE, COCAO, AND COCONUT, OR NON-FARMING ACTIVITIES SUCH AS BRICK AND TILE MAKING, CARPENTRY AND BUILDING, OR WORKING ON ESTATE PLANTATIONS (PRAFI AND ARSO). THESE OBSERVATIONS ARE CONSISTENT WITH THE IBRD'S ECONOMIC ANALYSES OF PAST PROGRAMS ON OTHER ISLANDS WHICH SHOW AN ECONOMIC RATE OF RETURN TO AGRICULTURAL DEVELOPMENT ON FOOD CROPS ALONE IN THE RANGE OF NEGATIVE TO POSITIVE 5 PERCENT, BUT A RATE OF POSITIVE 4 TO 9 PERCENT FOR AGRICULTURE COMBINED WITH OFF-FARM EMPLOYMENT.

12. ACCORDING TO MOST INFORMANTS, THE INITIAL YIELDS FOR FOOD CROPS ARE VERY GOOD WHILE DECLINING YIELDS WERE REPORTED FOR SITES THAT HAD BEEN OPENED FOR MORE THAN THREE OR FOUR YEARS. THE SUSTAINABILITY OF FOOD CROP YIELDS APPEARS TO BE LIMITED BY THE AGRICULTURAL TECHNICAL PACKAGES DESIGNED AND PROVIDED BY THE DOA. MOST OF THE RESEARCH AND THE TECHNICAL PACKAGES FOR FOOD AND CASH CROPS HAVE BEEN DEVELOPED FOR THE AGRICULTURAL CONDITIONS AND VOLCANIC SOILS OF JAVA. CONSEQUENTLY, THEY ARE SUBOPTIMAL AND OCCASIONALLY INAPPROPRIATE FOR THE MARGINAL SOILS OF THE OUTER ISLANDS. WHILE THIS IS A COMMON PROBLEM FOR ALL AGRICULTURAL PROGRAMS IN INDONESIA, IT IS ANTICIPATED THAT WITHOUT ADDITIONAL FUNDING TO DEVELOP LOCALLY ADAPTABLE SEEDS AND TECHNICAL PACKAGES, AGRICULTURAL YIELDS IN IRIAN JAYA WILL REMAIN SUBOPTIMAL.

13. THE TEAM RECEIVED DIFFERING REPORTS CONCERNING THE ECONOMIC WELFARE OF THE TRANSMIGRANTS. DESPITE THE HARDSHIPS ENCOUNTERED, THE MAJORITY OF TRANSMIGRANTS THAT WE INTERVIEWED (MOST OF WHOM ARE TYPICALLY AMONG THE POOREST SEGMENTS OF THE POPULATION IN JAVA) RESPONDED THAT THEY ARE BETTER OFF NOW THAN BEFORE THEY MOVED, PRIMARILY BECAUSE THEY NOW OWN LAND, A HOUSE AND ARE ABLE TO FEED THEMSELVES. NONETHELESS, MANY TRANSMIGRANTS VOICED COMPLAINTS ABOUT INADEQUATE AGRICULTURAL MATERIALS AND EXTENSION SERVICE, SCHOOLS, HEALTH FACILITIES, AND MARKETS IN ADDITION TO HEALTH PROBLEMS INCLUDING MALARIA. IN ORANSBARI, WE NOTED SIGNIFICANT IMPROVEMENTS IN THE QUALITY OF HOUSING ORIGINALLY PROVIDED; A GREATER NUMBER OF LIVESTOCK, CASH CROPS AND MOTORCYCLES; AND DIVERSIFIED NON-FARM BUSINESSES. THESE SECONDARY INDICATORS OF WELFARE WERE NOT NOTED AT ANY OTHER LOCATION; HOWEVER, MOST OF THE SITES VISITED HAD BEEN OPEN FOR LESS THAN THREE YEARS.

14. TRANSMIGRATION OFFICIALS NOTED THAT ONLY 4 TO 5 PERCENT OF TRANSMIGRANTS RETURNED HOME DURING THE FIRST

JAKART 17930 04 OF 06 010118Z 1216 EAP3806
FIVE YEARS. SOME TRANSMIGRANTS MENTIONED THAT THEY EXPECT TO RETURN TO JAVA WHEN THEY CAN AFFORD TO PURCHASE LAND THERE. MANY TRANSMIGRANTS' ADULT CHILDREN PLANNED TO LEAVE WHILE SOME HAD ALREADY LEFT, OFTEN TO FIND SCHOOLING OR BETTER JOB OPPORTUNITIES. (IT SHOULD BE NOTED THAT THE COSTS OF RETURNING TO JAVA FROM IRIAN JAYA ARE PROHIBITIVE FOR MOST TRANSMIGRANTS WHICH MAY AFFECT THE RETURN RATE.) WHILE WE WERE NOT ABLE TO OBTAIN ANY DATA SPECIFIC TO IRIAN JAYA, THE IBRD REPORTS THAT THE AVERAGE ANNUAL INCOME OF TRANSMIGRANTS (DOLLS 636) IS LOWER THAN THE AVERAGE INCOME OF FAMILIES IN RURAL JAVA (DOLLS 733), BUT CONSIDERABLY LOWER THAN FAMILIES IN RECEIVING PROVINCES (DOLLS 990) WHERE THE COST OF GOODS IS HIGH. (WE DID NOT LOCATE ANY DATA ON THE INCOME OF TRANSMIGRANTS BEFORE THEY LEFT JAVA, BUT DOA OFFICIALS CLAIM TRANSMIGRANTS' INCOME LEVELS ARE HIGHER NOW THAN BEFORE THEY JOINED THE PROGRAM.) ABOUT 20 PERCENT OF TRANSMIGRANT FAMILIES WERE AT OR BELOW SUBSISTENCE LEVELS IN 1985 COMPARED TO 15 PERCENT IN JAVA AND 4 PERCENT IN RECEIVING PROVINCES, EXCLUDING IRIAN JAYA.

SOCIO-ECONOMIC EFFECTS ON INDIGENOUS PEOPLES

15. THE SOCIO-ECONOMIC EFFECTS OF THE TRANSMIGRATION PROGRAM ON THE INDIGENOUS PEOPLES OF IRIAN JAYA INCLUDE THE INFUX OF PRIMARILY JAVANESE, ISLAMIC SEDENTARY FARMERS INTO PREDOMINANTLY MELANESIAN, CHRISTIAN SWIDDEN AGRICULTURAL AREAS; THE ECONOMIC DISPLACEMENT OF INDIGENOUS PEOPLES; REDUCTIONS IN ACCESS TO INDIGENOUS LAND HOLDINGS AND NATURAL RESOURCES; AND THREATS TO TRADITIONAL IRIANESE SOCIO-ECONOMIC PATTERNS. THE TOTAL NUMBER OF TRANSMIGRANTS EXPECTED TO BE RESETTLED IN IRIAN JAYA (39,000-44,000) BY THE END OF 1988 WILL REPRESENT

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INFO IMBS-02 EP-02 X-01 /005 A3 MD

POPULATED HIGHLANDS WHERE THERE IS NO TRANSMIGRATION, ALTHOUGH THERE HAVE BEEN ISOLATED ATTACKS ON GOI SECURITY OUTPOSTS AT ARSO, NEAR THE BORDER WITH PNG.

INFO LOG-00 COPY-01 EB-00 HA-09 EAP-00 DES-09 /027 W
-----351102 010123Z /66

18. THE MOST SERIOUS IMPACT OF TRANSMIGRATION AND OTHER GOVERNMENT DEVELOP PROGRAMS IS THE THREAT IT POSES TO THE TRADITIONAL IRIANESE SOCIO-ECONOMY. THE REDUCTION OF AVAILABLE LAND RESULTS IN OVEREXPLOITATION OF THE REMAINING LAND WHICH IN TURN LEADS TO STEADY DECLINES IN SOIL FERTILITY AND YIELDS. THE LOSS OF LAND AND OPPORTUNITY TO HARVEST THE NATURAL RESOURCES OF THE FORESTS WILL FORCE RAPID CHANGES IN THE SOCIO-ECONOMIC SYSTEMS AND, MANY FEAR, A LOSS OF CULTURAL IDENTITY AND ECONOMIC LIVELIHOOD. MOST OF THE IRIANESE LEADERS WE TALKED WITH DISAGREE WITH THE IDEA OF "PRESERVING" THE TRADITIONAL WAY OF LIFE, BUT THEY ARGUE THAT DEVELOPMENT MUST BE ON IRIANESE TERMS AND ADAPTED TO IRIANESE DIETS AND FARMING PRACTICES.

P 000103Z OCT 86
FM ANEMBASSY JAKARTA
TO SECSTATE WASHDC PRIORITY 937B

UNCLAS SECTION. 05 OF 06 JAKARTA 17930

AIDAC - AID/PPC; ANE/TR: ANE/PD/ENV; ANE/ISPA

E.O. 12356: N/A
TAGS: PGOV, PHUM, PREL, EAD, ECON, EAGR, SENV, SOCI, ID, US
SUBJECT: TRANSMIGRATION IN IRIAN JAYA

19. THE DOT HAS ATTEMPTED TO MITIGATE THESE ADVERSE EFFECTS BY INCLUDING INDIGENOUS PEOPLES IN THE TRANSMIGRATION PROGRAM (PARTICIPANTS ARE TERMED TRANSLOCALS) AND PROVIDING TEMPORARY JOBS DURING ROAD CONSTRUCTION AND LAND CLEARING. ATTEMPTS TO INCLUDE IRIANESE IN TRANSMIGRATION HAVE HAD UNSATISFACTORY RESULTS. THE JUMP FROM SHIFTING CULTIVATION COMBINED WITH HUNTING AND GATHERING TO SEDENTARY, LABOR-INTENSIVE RICE CULTIVATION IS DIFFICULT FOR MOST INDIGENOUS PEOPLES. THEY GENERALLY HAVE NO EXPERIENCE WITH RAISING OR EATING MOST OF THE FOOD CROPS PROVIDED BY THE PROGRAM, AGRICULTURAL EXTENSION IS CARRIED OUT THROUGH GROUP MEETINGS WHICH IS EFFECTIVE FOR MOST INNER ISLAND TRANSMIGRANTS BUT IS NOT EFFECTIVE FOR THE TRANSLOCALS,

APPROXIMATELY 11-12 PERCENT OF THE PROVINCE'S CURRENT POPULATION OF 1.5 MILLION PEOPLE. IN ONE ISOLATED SUBDISTRICT OF MERAUKE NEAR THE JAGEBOB SITES, THE CURRENT POPULATION HAS INCREASED BY 200 PERCENT OVER LEVELS BEFORE TRANSMIGRATION. APPROXIMATELY TWO-THIRDS OF THESE 3,000 PLUS RESIDENTS ARE INNER ISLAND, ISLAMIC TRANSMIGRANTS. IN RESPONSE TO CHARGES OF JAVANIZATION AND ISLAMIZATION OF IRIAN JAYA, THE GOI ANNOUNCED THAT BEGINNING 1H 1986 TRANSMIGRANTS WILL BE RECRUITED FROM AMONG THE MELANESIAN CHRISTIANS OF THE EAST LESSER SUNDAS (NTT). THE TEAM MET WITH 40 FAMILIES WHO HAD RECENTLY ARRIVED FROM NTT ACCOMPANIED BY NTT'S GOVERNOR MBOI. MBOI HAS ANNOUNCED THAT 50,000 NTT FAMILIES HAVE VOLUNTEERED FOR TRANSMIGRATION TO IRIAN JAYA. WHILE THIS NEW EMPHASIS WILL REDUCE THE NUMBER OF INNER ISLAND, ISLAMIC SETTLERS, IT WILL STILL REPRESENT A SIGNIFICANT INFUX OF OUTSIDE INFLUENCES WHICH WILL AFFECT THE INDIGENOUS PEOPLES.

16. THE MOST IMMEDIATE CAUSE OF FRICTION BETWEEN THE GOVERNMENT AND THE INDIGENOUS PEOPLES IS LAND TENURE AND GOVERNMENT ACQUISITION PRACTICES. UNDER TRADITIONAL LOCAL LAW (ADAT) ALL LAND IS CLAIMED AND THERE IS NO "EMPTY" LAND. THE GOI, HOWEVER, RECOGNIZES ONLY LAND UNDER CULTIVATION AS A BASIS FOR OWNERSHIP. PROVINCIAL AUTHORITIES, ON BEHALF OF THE TRANSMIGRATION PROGRAM, HAVE OBTAINED LAND BY DONATIONS FROM LOCAL CLANS, BY COMPENSATION TO CLAN LEADERS AND MEMBERS FOR ANY ACQUIRED LAND, OR BY THE GOI ARBITRARILY EXERCISING ITS RIGHT OF EMINENT DOMAIN OVER FORESTED LANDS CLAIMED AND USED BY INDIGENOUS PEOPLES PRACTICING SHIFTING CULTIVATION AND HUNTING. WHILE ACCESS TO AND USE OF THE LAND HAVE BEEN PROVIDED BY THE CLAN, THE CONCEPT OF PERMANENT TRANSFER OF OWNERSHIP APPEARS TO BE NEW AND "SALES" ARE DISRUPTING TRADITIONAL PATTERNS OF LAND USE AND OWNERSHIP. WHAT RULES GOVERN THE RELEASE OF LAND AND HOW COMPENSATION SHOULD BEST BE MANAGED REMAIN THE MOST SERIOUS PROBLEM IN RELATIONS BETWEEN THE GOI AND THE LOCAL POPULATION AND THE MAJOR OBSTACLE TO FURTHER EXPANSION OF TRANSMIGRATION AND OTHER GOVERNMENT PROGRAMS.

17. THE EFFECT OF TRANSMIGRATION, BOTH GOVERNMENT-SPONSORED AND SPONTANEOUS (PRIMARILY BUGINESE AND TORAJANS FROM SULAWESI), ON THE INDIGENOUS PEOPLES IS POLITICAL AS WELL AS ECONOMIC. IRIANESE RESENT THE "COLONIAL" ATTITUDE OF MOST GOI OFFICIALS IN THE PROVINCE AND FEEL THAT THEY ARE INSENSITIVE TO THE DIFFERENT CULTURAL AND SOCIO-ECONOMIC NEEDS OF THE INDIGENOUS PEOPLES. IRIANESE RESENTMENT HAS NOT TRANSLATED, HOWEVER, INTO WIDESPREAD SUPPORT FOR THE FREE PAPUA MOVEMENT (OPM) AND ITS POLICY OF ARMED CONFLICT AGAINST THE INDONESIAN GOVERNMENT. THE OPM'S ACTIVITIES ARE LARGELY CONFINED TO THE MORE

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INFO IMBS-02 EP-02 X-01 /005 A2 MD

INFO LOG-00 COPY-01 EB-00 HA-09 EAP-00 DES-09 /027 W
-----351121 010124Z /66

P 000103Z OCT 86
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC PRIORITY 9371

UNCLAS SECTION 06 OF 06 JAKARTA 17930

AIDAC - AID/PPC; ANE/TR: ANE/PD/ENV; ANE/ISPA

E.O. 12356: N/A
TAGS: PGOV, PHUM, PREL, EAID, ECON, EAGR, SENV, SOCI, ID, US
SUBJECT: TRANSMIGRATION IN IRIAN JAYA

AND NEARLY ALL OF THE TRANSMIGRATION OFFICIALS WE SPOKE WITH WERE CRITICAL OF TRANSLOCALS' PERFORMANCE. THE GOVERNMENT HOPES TO ATTRACT MORE INDIGENOUS PEOPLES TO THE PROGRAM IN IRIAN JAYA. THEY HAVE SET A GOAL OF 25 PERCENT TRANSLOCALS AT EACH TRANSMIGRATION SITE WHICH IS NOT LIKELY TO BE ACHIEVED. NOT ONLY ARE THERE NOT ENOUGH INDIGENOUS PEOPLES IN EACH OF THE TRANSMIGRATION AREAS (WHERE PRE-TRANSMIGRATION POPULATION DENSITY IS 2-3/SQ. KM.) TO FILL THE QUOTA, BUT MOST TRANSLOCALS ARE NOT WILLING TO SETTLE PERMANENTLY IN ONE LOCATION. A SEPARATE BUT PARALLEL DEVELOPMENT PROGRAM IS NEEDED FOR THE INDIGENOUS PEOPLES. THE TRANSMIGRATION PROGRAM, AS A MAJOR SOURCE OF REGIONAL FUNDS, CAN AND SHOULD BE USED NOT ONLY TO MITIGATE THE SOCIO-ECONOMIC EFFECTS OF TRANSMIGRATION BUT ALSO TO DEVELOP THE INDIGENOUS PEOPLES.

ENVIRONMENTAL EFFECTS

20. THE PRIMARY, UNAVOIDABLE, ENVIRONMENTAL EFFECTS OF THE TRANSMIGRATION PROGRAM ARE CAUSED BY LAND CLEARING AND ROAD CONSTRUCTION. BOTH ACTIVITIES HAVE REDUCED THE HABITAT OF THE TWELVE WIRED BIRD OF PARADISE, A PROTECTED, RARE AND ENDANGERED SPECIES RESTRICTED TO A SMALL GROUP OF ISLANDS. EVEN THE SMALL REDUCTIONS IN THE SIZE OF THEIR HABITAT THAT HAVE BEEN CAUSED BY TRANSMIGRATION CAN IRREVOCABLY THREATEN THEIR EXISTENCE. THE PROGRAM'S OTHER ADVERSE EFFECTS INCLUDE LOCALIZED DEFORESTATION AND REDUCTION IN BIOLOGICAL DIVERSITY, INCREASED SOIL EROSION, ENCRoACHMENT ON ESTABLISHED OR PROPOSED NATURE PRESERVES, AND ALTERED WATER MOVEMENT PATTERNS. AT THE LOCAL LEVEL, LAND CLEARING PRACTICES WASTE MILLIONS OF CUBIC METERS OF WOOD AND RESULT IN DECREASED SOIL FERTILITY. TRANSMIGRATION HAS ALREADY ALLOCATED 85,000 HA OF FORESTED LAND TO CURRENT TRANSMIGRANTS. IF AN ADDITIONAL 25,000 FAMILIES ARE SETTLED BEFORE THE END OF 1988 AS PREDICTED, AND THEY, PLUS EXISTING TRANSMIGRANTS, ARE ABLE TO CLEAR ALL OF THEIR ALLOCATED LAND, A TOTAL OF APPROXIMATELY 99,000 HA OF FORESTS WOULD BE CONVERTED. HOWEVER, THIS IS LESS THAN ONE PERCENT OF THE 28.8 MILLION HECTARES OF FOREST RESERVES IN IRIAN JAYA. EVEN IF THE TARGETED 137,000 FAMILIES WERE SETTLED, THE 300,000 HECTARES WHICH WOULD BE CLEARED REPRESENT ONLY 1.5 PERCENT OF THE PROVINCE'S FORESTED LAND. OF FAR MORE CRITICAL CONCERN IS THE GOI'S PLAN TO CONVERT 40 PERCENT OF THE EXISTING FORESTS (OR 11.8 MILLION HA) TO AGRICULTURE USES, INCLUDING ESTATE CROPS, CATTLE RAISING, PRIVATE AGRICULTURAL USES, AND POSSIBLY FUTURE TRANSMIGRATION.

21. A SECONDARY, INDIRECT EFFECT OF TRANSMIGRATION, THE CLEARING OF LAND ADJACENT TO SITES AND ROADS BY SETTLERS SEEKING MORE LAND OR FIREWOOD, IS NOT SIGNIFICANT IN IRIAN

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JAYA AT THIS TIME BECAUSE THE PROGRAM IS STILL SMALL AND HAS ONLY BEEN EXPANDING SINCE 1979. IT IS QUITE CLEAR THAT TRANSMIGRANTS ARE UNABLE TO CLEAR THE LAND SET ASIDE FOR THEM LET ALONE ADJACENT AREAS. THE FUTURE NEED FOR FIREWOOD AND BUILDING MATERIALS, HOWEVER, UNLESS RESOLVED BY SETTING ASIDE LAND IN SITES FOR TREE CULTIVATION, WILL BECOME A GREATER PROBLEM, AS MUCH FOR THE ENVIRONMENT AS FOR THE TRANSMIGRANTS THEMSELVES. WHERE SITES ARE SUCCESSFUL AND ATTRACT SPONTANEOUS MIGRANTS THERE IS A COMMENSURATE CLEARING OF FORESTS ADJACENT TO SITES AND ALONG ROADS. AT PRESENT, THE GOI HOPES THAT TRANSMIGRATION SITES WILL ACT AS GROWTH CENTERS FOR SPONTANEOUS MIGRATION. HOWEVER, IT HAS NO POLICY FOR CONTROLLING, "ZONING," OR MANAGING THIS SPONTANEOUS MIGRATION AND ITS NEGATIVE EFFECTS, EVEN THOUGH IT IS CLEARLY CONCERNED.

22. COMMENT: IN A DETAILED MESSAGE TO FOLLOW, SPECIFIC RECOMMENDATIONS ARE MADE FOR WAYS IN WHICH THE IBRD AND DOT CAN MAKE IMPROVEMENTS IN THE TRANSMIGRATION PROGRAM. THE GOI AND IBRD ARE ALREADY AWARE OF THESE PROBLEMS AND ENVIRONMENTAL AND HUMAN RIGHTS GROUPS AND THE TRANSMIGRATION ADVISORY GROUP ARE PRESSURING THEM TO REASSESS AND REDIRECT THE PROGRAM. BECAUSE OF THE RECENT ATTENTION FOCUSED ON THIS PROGRAM, THIS IS A GOLDEN OPPORTUNITY TO CONTINUE TO PRESS IBRD AND THE GOI TO MAKE SOME IMPORTANT ADJUSTMENTS TO THE PROGRAM.

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Record Removal Notice



File Title Gloria Davis - Chronological file - 1986 - 2		Barcode No. 30084779		
Document Date 06 October, 1986	Document Type Incoming Telegram			
Correspondents / Participants To: Secretary of State, Washington, D.C. From: American Embassy Jakarta				
Subject / Title Transmigration in Irian Jaya				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td>Withdrawn by Tonya Ceesay</td><td>Date 17-Feb-16</td></tr></table>	Withdrawn by Tonya Ceesay	Date 17-Feb-16
Withdrawn by Tonya Ceesay	Date 17-Feb-16			

ROUTING SLIP		DATE:
NAME		ROOM NO.
Mr. Soudelovic		18-067
Miss Gloria Davis		16-53
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:		
FROM:	ROOM NO.:	EXTENSION:
R. Goodland	D1018	75341

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ZCZC AA4P0575 JWS0810
AEP4 AEA IN GSDCB
REF : TCP FCA

Trans. Gen.

Miss Gloria Davis

JAK1129
AEP4 AEA IN
,IBRDJAK

INTBAFARD JAKARTA, INDONESIA, OCTOBER 29, 1986
FOR ZULFIQAR (AEP4) COPY GLORIA DAVIS (AEA IN).
CONCUR URFAX OCTOBER 24 ON DRAFT LETTER FROM INDONESIAN NGOS
ON TRANSMIGRATION. ONLY COMMENT IS PENULTIMATE SENTENCE IN PARA
D NEAR BOTTOM OF PAGE 3. AS LRDC IS EXAMINING SUITABILITY OF
THESE GRASSLANDS FOR AGRICULTURAL USE, THIS SHOULD ALSO BE MEN-
TIONED. REGARDS, ZENICK

-10290642

NNNN

NOTE THIS LETTER SHOULD BE HELD UNTIL THE GREY COVER TRANSMIGRATION SECTOR REPORT IS RELEASED TO THE GOVERNMENT OF INDONESIA; IT IS EXPECTED TO BE RELEASE WITHIN THE NEXT TWO WEEKS

Oct. , 1986

Bruce M. Rich
Senior Attorney
Environmental Defense Fund
1616 P Street, NW
Washington, DC 20036

(and to the 51 other signatories of the letter)

Dear Mr. Rich,

Thank you for your letter of October 10, 1986 about the environmental impact of the transmigration program. The World Bank appreciates your constructive suggestions about the program.

After the large-scale settlement under the 1979/84 Five Year Plan (Repelita III), the transmigration program has slowed down drastically due to the deteriorating economic situation facing the Government from the declines in oil revenues. ~~As a result,~~ the Ministry of Transmigration budget was reduced by about 60%, and ~~in response,~~ settlement targets for FY86/87 ~~fell~~ ^{were reduced} from over 100,000 fully sponsored families to 36,000 families. In addition to limiting new settlement, the Government is now focusing on second stage development of existing sites, which includes the rehabilitation of roads and the establishment of tree crops.

~~At the same time,~~ the World Bank has recently completed a major review of the transmigration program and is discussing ways in which the quality of the future program can be improved with the Government of Indonesia. ~~Of the specific changes you request in the transmigration program on pages~~

for changes in the program on pages

four and five of your letter, we agree with many of your suggestions, and *we* are addressing the *see types of* major issues with Government.

World
Through Bank-assisted projects, we have introduced major initiatives to improve the environmental ~~soundness~~ *aspects of transmigration* of transmigration sites. For example, food crop fields are restricted to land under 8% slope, tree crop fields to land under 25% slope, protection and conservation forests are completely excluded, and all site selection and evaluation teams must include foresters and more specialized scientists as necessary. In addition, the Bank provided assistance under the Transmigration III and V projects to have the Land Resources Development Centre carry out systematic land resource evaluation of the outer islands. As a result of this exercise, the Ministry of Transmigration will be in a better position to demarcate *alang alang* grasslands suitable for agricultural production in the outer islands. As mentioned in your letter, these degraded *alang-alang* grassland and secondary forest areas should have priority for development over primary forest areas where *this is* technically, socially, and economically viable. But the area actually available for development may be much smaller because of competing land claims.

We agree that additional environmental initiatives are *g* clearly needed. Increased attention must be given to *?* regulating spontaneous migration. *use another word*
Wherever spontaneous migrants go, they try to settle on land which does not have local land claims. As a result, the areas are often poorly suited to agriculture, often with steep slopes or in protected forests. There is an urgent need *plan better for* ~~for a program~~ to *encourage* regulated spontaneous migration by establishing a responsive system of land registration, providing credit for land purchase, and incorporating spontaneous migration into the planning

process. Stronger ^{and more effective} measures for environmental protection and conservation are needed. We are working with Government to deal with this wide range of issues on several fronts.

Considerable work is required to assess areas of biotic importance and to demarcate areas for conservation. The Ministries of Population and Environment, Forestry, and Transmigration must decide on the most efficient ways of studying and gazetting important lands and determining the priority to be given to specific areas for protection.

Economic and social development entails trade-offs; choices have to be made among various options. It is unlikely, given Indonesia's level of development, that areas suitable for agriculture can be maintained permanently under forest cover. We support the Government's efforts in the transmigration program as a way to generate employment and alleviate poverty. While this complex program has problems, we are assisting the Government in addressing these problems. While we do not necessarily agree with many of the statements made in your recent letter, we do appreciate the diligent work of environmental and indigenous rights groups such as yours in raising awareness about issues that are an important part of the development process.

Sincerely,

To be cleared with: Messrs. Cole, Nyanin (AEPA4),
Jordan (AEAIN), Mead (LEGEP), Goodland (PPDES),
Mss. Davis, Hamilton (AEAIN), Schwartz (IPAPA)

hgarrison

NOTE THIS LETTER SHOULD BE HELD UNTIL THE GREY COVER TRANSMIGRATION
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second stage development of existing sites, which includes the
rehabilitation of roads and the establishment of tree crops.

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the specific changes you request in the transmigration program on pages

four and five of your letter, we agree with many of your suggestions, and are addressing the major issues with Government.

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- their resolution is preferable than converting 1° forest

We agree that additional environmental initiatives are clearly needed. Increased attention must be given to regulating spontaneous migration. Wherever spontaneous migrants go, they try to settle on land which does not have local land claims. As a result, the areas are often poorly suited to agriculture, often with steep slopes or in protected forests. There is an urgent need for a program to encourage regulated spontaneous migration by establishing a responsive system of land registration, providing credit for land purchase, and incorporating spontaneous migration into the planning

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Indonesia wants to retain a rep. sample (say 20%) in perpetuity

Sincerely,

To be cleared with: Messrs. Cole, Nyanin (AEP4), Jordan (AEAIN), Mead (LEGEP), Goodland (PPDES), Mss. Davis, Hamilton (AEAIN), Schwartz (IPAPA)

hgarrison

OFFICE MEMORANDUM

DATE: November 5, 1986

TO: Mr. Antony P. Cole, Chief, AEPA4

FROM: J.-P. Baudelaire, AEPA4 *JPB Baudelaire*

EXTENSION: 61008

SUBJECT: INDONESIA - Transmigration Sector Review - Clearance of the Grey Cover Report

1. Further to my memorandum of October 27, 1986, addressed to Mr. A. Zulfiqar, I have reviewed the upland low input farm model which is the most commonly followed by transmigrants. I have based my calculations on two sets of assumptions:

- A. First Set of Assumptions: The calculations of the upland low input model are based on the underestimated yields and incomes presented in Model 1 of the Sector Report. The basic revised assumptions are:
- (i) the food crop area is limited to one hectare against 1.75 ha available;
 - (ii) off-farm work is limited to 325 days per year against 358 available; *We said 190/year*
 - (iii) the average farm income is limited to Rp 600,000 per year in Year 7 against Rp 720,000 observed in the BPS income survey (Figure 1); *? household*
 - (iv) income distribution is 40% for agricultural production and 60% for off-farm work in Year 7; and
 - (v) physical infrastructure and other MOT costs have been reduced by 10% to account for spontaneous transmigration.

These assumptions lead to an ERR of 5% (Table 1) against 2% in the Sector Report.

- B. Second Set of Assumptions: The calculations of the upland low input model are based on more realistic assumptions concerning the potential agricultural production and the total farm income. The revised assumptions are in line with BPS income survey but still below some figures quoted in the Sector Report. The basic revised assumptions are:

- (i) the 1.75 ha available for food crop is fully utilized from Year 9 onwards;
- (ii) off-farm work is limited to 190 days per year against 238 available;
- (iii) total average farm income is Rp 720,000 per year in Year 7 as observed in the revised BPS income survey (Figure 1);
- (iv) income distribution is 50% for agricultural production and 50% for off-farm income in Year 7; and
- (v) physical infrastructure and other MOT costs have been reduced by 10% to account for spontaneous transmigration.

These calculations lead to an ERR of 6% (Table 2).

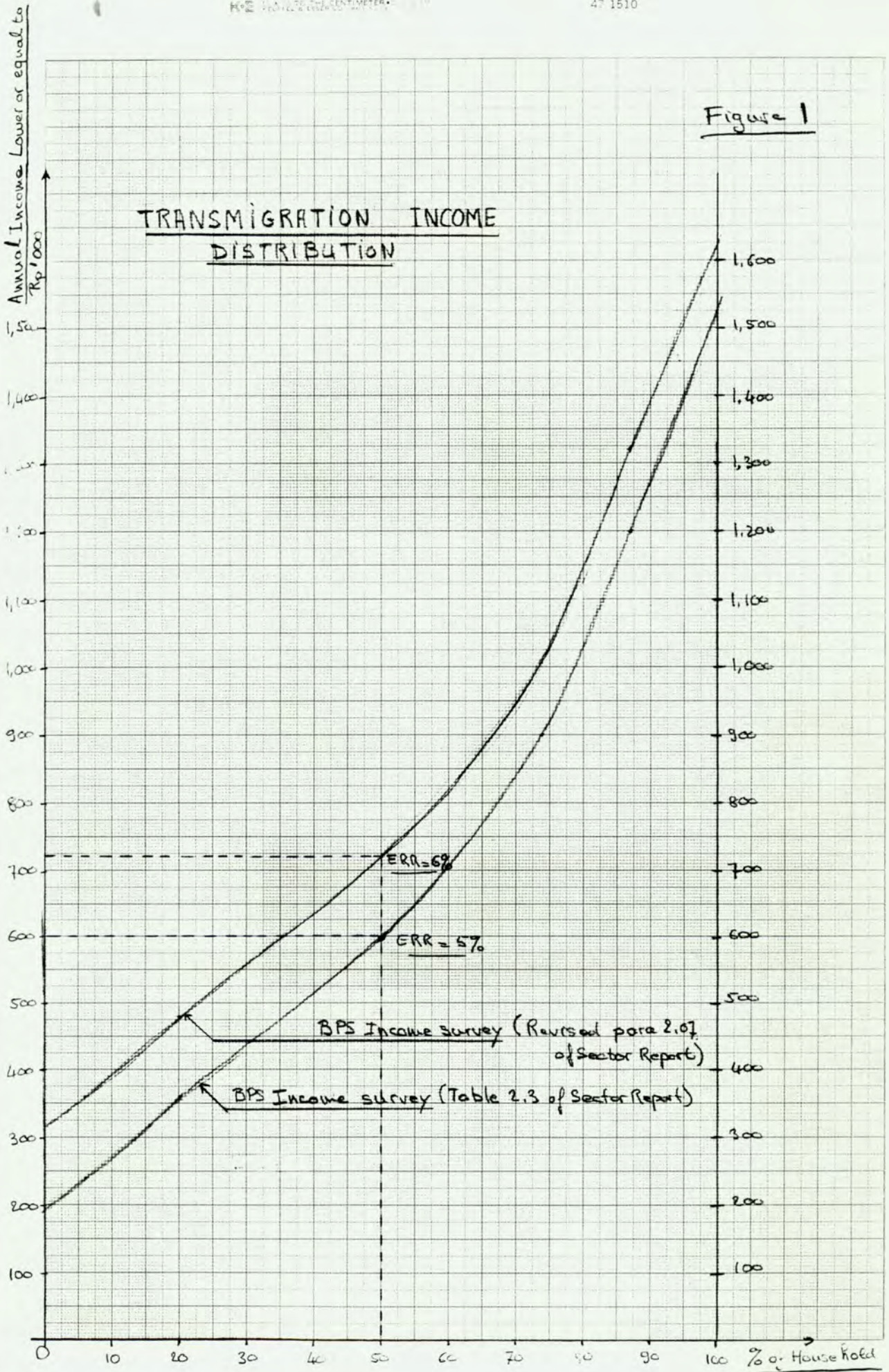
2. These two sets of assumptions show that the ERR for the upland low input food crop model and for the program as a whole have been clearly underestimated in the Sector Report.

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Nyanin (AEPA4)
Ms. G. Davis (AEAIN)

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Figure 1

TRANSMIGRATION INCOME
DISTRIBUTION



FARM BUDGET: Upland-low input (1 ha)
 RICE VALUE (ECGN): Average of Import and Export Parity from 1985 onwards

Revised by JP off farm 60% agri. 40% and construction -10%
 YEAR

Nov-3, 1988

Table 1

Commodities	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Rice																				
Yield (t/ha)				1	0.9	0.8	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Area (ha)				0.4	0.6	0.8	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Econ Price (Rp/kg)				184	176	165	117	99	101	113	125	131	128	126	123	121	118	117	116	115
Fincl Price (Rp/kg)				152	149	152	127	125	150	150	150	190	190	190	190	190	180	180	180	180
Corn																				
Yield (t/ha)				0.7	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Area (ha)				0.1	0.15	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Econ Price (Rp/kg)				135	167	170	149	119	135	140	139	135	134	133	132	130	129	129	129	128
Fincl Price (Rp/kg)				120	140	150	130	130	130	130	130	130	130	130	130	130	140	140	140	140
Cassava																				
Yield (t/ha)				6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Area (ha)				0.15	0.25	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Econ Price (Rp/kg)				19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19
Fincl Price (Rp/kg)				19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19
Peanuts																				
Yield (t/ha)				0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Area (ha)				0.05	0.06	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Econ Price (Rp/kg)				469	584	501	535	315	303	309	327	350	352	355	357	359	362	354	346	338
Fincl Price (Rp/kg)				400	400	430	450	450	450	450	450	450	450	450	450	450	450	450	450	450
Estate																				
Yield (t/ha)																				
Area (ha)																				
Econ Price (Rp/kg)																				
Fincl Price (Rp/kg)																				
Vegetables/Fruit ('000 Rp)				50	60	75	75	75	90	90	100	100	100	100	100	120	120	120	120	120
Livestock ('000 Rp)				12	18	24	30	36	36	36	36	36	36	36	36	36	36	36	36	36
Costs of Production																				
Planting Material ('000 Rp)				9.2	13.3	18.1	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4
Urea (t) (first 3 years provided free by GOI)				0.1	0.1	0.1	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Economic Cost-Rp/kg				250	223	269	266	195	213	238	266	295	291	287	284	280	276	277	278	279
Financial Cost-Rp/kg				99	96	104	95	120	130	150	150	150	150	150	150	200	200	200	200	200
TSP (t) (first 3 years provided free by GOI)				0.1	0.1	0.1	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Economic Cost-Rp/kg				240	238	237	222	225	222	235	240	247	250	254	257	260	264	264	264	264
Financial Cost-Rp/kg				99	96	104	95	120	130	150	150	150	150	150	150	200	200	200	200	200
KCl (t)				0	0	0														
Economic Cost-Rp/kg				176	169	180	184	181	181	181	181	190	190	190	190	196	196	196	196	196
Financial Cost-Rp/kg				99	96	104	95	90	120	150	150	150	150	150	150	200	200	200	200	200
Pesticide (kg)				2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Economic Cost-('000 Rp/kg)				7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7
Financial Cost-('000 Rp/kg)				1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	3	3	3	5	5	5	5	5
Kieserite (kg)				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Economic Cost-('000 Rp/kg)				0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Financial Cost-('000 Rp/kg)				0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Hired Labor (days)				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Labor Required (days)				200	200	180	180	160	160	160	160	160	160	160	160	160	160	160	160	160
Financial Cost-('000 Rp/day)				1.20	1.20	1.20	1.20	1.20	1.22	1.23	1.26	1.29	1.34	1.39	1.44	1.49	1.54	1.59	1.65	1.72
Other ('000 Rp)				45	45	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Production (t)																				
Rice				0.400	0.540	0.640	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750
Corn				0.070	0.090	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Cassava				0.900	1.500	1.800	1.800	1.800	1.800	1.800	1.800	1.800	1.800	1.800	1.800	1.800	1.800	1.800	1.800	1.800
Peanuts				0.013	0.015	0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.020
Estate Crop																				
Economic Value of Field Crops ('000 Rp)				106	147	167	148	127	130	139	148	153	151	149	147	145	143	142	141	140
Financial Value of Field Crops ('000 Rp)				91	128	155	151	150	169	169	169	199	199	199	199	199	192	192	192	192
Gross Farm Income ('000 Rp)																				
Economic				168	225	266	253	238	256	265	284	289	287	285	283	301	299	298	297	296

Total Production Costs ('000 Rp)																	
Economic, Including Income Foregone, Java	340	341	310	281	279	282	286	294	301	310	318	327	337	346	357	368	379
Fincl Hired Labor	77	81	47	36	38	39	40	40	40	43	43	43	43	51	51	51	51
AGRICULTURE ALONE																	
Net Economic Farm Income ('000 Rp) (excludes economic value of GOI expenditures)	-172	-116	-44	-29	-41	-27	-21	-9	-12	-23	-33	-44	-35	-47	-59	-71	-83
Net Return to Household ('000 Rp)	96	144	228	220	223	256	254	264	294	291	291	291	311	297	297	297	297
AGRICULTURE AND OFF FARM WORK																	
Off Farm Income: Financial (Rp '000)	173	189	229	247	292	314	344	374	411	434	449	464	481	498	517	536	555
Off Farm Income: Economic (Rp '000)	156	170	206	222	259	279	300	328	357	376	390	403	417	432	448	464	482
Net Economic Household Income (Rp '000)	-16	55	162	193	218	253	279	319	345	354	356	359	382	385	389	394	399
Net Return to Household (Rp '000)	269	333	457	467	515	570	598	639	705	725	740	756	792	795	814	833	852
OTHER NOT DEVELOPMENT COSTS PER KK																	
Base	425	2004	1491	10	10	9	9										
More Remote	531	2505	1864	12	12	11	11										
Very Remote	638	3006	2247	15	15	13	13										
ECONOMIC NET BENEFIT STREAM, AGRICULTURAL PRODUCTION																	
Base	-425	-2004	-1491	-181	-125	-53	-38	-41	-27	-21	-9	-12	-23	-33	-44	-35	-47
More Remote	-531	-2505	-1864	-184	-128	-56	-40	-41	-27	-21	-9	-12	-23	-33	-44	-35	-47
Very Remote	-638	-3006	-2247	-186	-130	-58	-42	-41	-27	-21	-9	-12	-23	-33	-44	-35	-47
IRR AND NPV AT 10%																	
IRR	MPV																
Base	-482%	-3613															
More Remote	-482%	-4410															
Very Remote	-480%	-5214															
ECONOMIC NET BENEFIT STREAM, AGRICULTURAL PRODUCTION AND OFF FARM WORK																	
Base	-425	-2004	-1491	-26	45	153	184	218	253	279	319	345	354	356	359	382	385
More Remote	-531	-2505	-1864	-28	42	150	181	218	253	279	319	345	354	356	359	382	385
Very Remote	-638	-3006	-2247	-31	40	148	179	218	253	279	319	345	354	356	359	382	385
IRR AND NPV AT 10%																	
IRR	NPV																
Base	5%	-1435															
More Remote	4%	-2232															
Very Remote	2%	-3036															
Total Family Labor																	
Supply (Days)	350	364	379	394	409	426	443	461	479	498	518	518	518	518	518	518	518
Potential Off Farm Income: Financial	375	375	375	375	380	384	395	405	419	434	449	464	481	498	517	536	555
Potential Off Farm Income: Economic	337	337	337	337	337	341	345	355	364	376	390	403	417	432	448	464	482
Subsistence Income in Java, Financial																	
Subsistence Income in Java, Economic	270	270	270	270	270	274	277	284	291	302	312	323	334	346	359	372	386
Subsistence Income in Java, Economic	222	222	222	222	222	225	228	234	240	248	257	266	276	285	296	307	318
Assumptions about per capita GDY:																	
INDEX:	1.00	1.00	1.00	1.00	1.00	1.01	1.02	1.05	1.08	1.12	1.16	1.20	1.24	1.28	1.33	1.38	1.43
Total labor avail for off farm work:																	
Days required for off farm work assumed to be 325	150	164	199	214	249	266	283	301	319	338	358	358	358	358	358	358	358
off farm income, economic:	156	170	206	222	259	279	300	328	357	376	390	403	417	432	448	464	482
off farm income, financial	173	189	229	247	292	314	344	374	411	434	449	464	481	498	517	536	555

FARM BUDGET: Upland-low input (2 ha)
 RICE VALUE (ECON): Average of Import and Export Parity from 1985 onwards

JP's Revision #2

Table 2

Commodities	YEAR																				
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	
Rice	Yield (t/ha)			1	0.9	0.8	0.8	0.8	0.8	0.8	0.85	0.85	0.85	0.85	0.85	0.9	0.9	0.9	0.9	0.9	
	Area (ha)			0.4	0.6	0.8	1	1.2	1.4	1.5	1.6	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	
	Econ Price (Rp/kg)			184	176	165	117	98	83	119	155	192	189	186	183	180	178	178	178	178	178
	Fincl Price (Rp/kg)			152	149	152	127	125	150	150	150	190	190	190	190	190	190	180	180	180	180
Corn	Yield (t/ha)			0.7	0.6	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	
	Area (ha)			0.08	0.12	0.16	0.2	0.24	0.28	0.3	0.32	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	
	Econ Price (Rp/kg)			135	167	170	149	118	98	113	128	144	143	143	142	142	141	141	141	141	141
	Fincl Price (Rp/kg)			120	140	150	130	130	130	130	130	130	130	130	130	130	140	140	140	140	140
Cassava	Yield (t/ha)			8	8	7	7	7	7	8	8	8	8	8	8	9	9	9	9	9	
	Area (ha)			0.12	0.18	0.24	0.3	0.36	0.42	0.45	0.48	0.525	0.525	0.525	0.525	0.525	0.525	0.525	0.525	0.525	
	Econ Price (Rp/kg)			19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	
	Fincl Price (Rp/kg)			19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	
Peanuts	Yield (t/ha)			0.35	0.3	0.25	0.25	0.25	0.25	0.3	0.3	0.3	0.3	0.3	0.35	0.35	0.35	0.35	0.35	0.35	
	Area (ha)			0.032	0.048	0.064	0.08	0.096	0.112	0.12	0.128	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	
	Econ Price (Rp/kg)			469	584	501	535	398	350	362	374	387	385	382	380	378	375	375	375	375	
	Fincl Price (Rp/kg)			400	400	430	450	450	450	450	450	450	450	450	450	450	450	450	450	450	
Estate	Yield (t/ha)																				
	Area (ha)																				
	Econ Price (Rp/kg)																				
	Fincl Price (Rp/kg)																				
Vegetables/Fruit ('000 Rp)				50	60	75	75	75	90	90	100	100	100	100	100	120	120	120	120	120	
Livestock ('000 Rp)				12	18	24	30	36	36	36	36	36	36	36	36	36	36	36	36	36	
Costs of Production																					
Planting Material ('000 Rp)				9.2	13.3	18.1	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	20.4	
Urea (t) (first 3 years provided free by GOI)				0.1	0.1	0.1	0.04	0.048	0.056	0.06	0.064	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	
Economic Cost-Rp/kg				250	223	269	266	212	243	259	275	295	298	302	305	308	311	311	311	311	
Financial Cost-Rp/kg				99	96	104	95	120	130	150	150	150	150	150	150	150	200	200	200	200	
TSP (t) (first 3 years provided free by EOI)				0.1	0.1	0.1	0.04	0.048	0.056	0.06	0.064	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	
Economic Cost-Rp/kg				240	238	237	222	236	236	238	239	241	244	247	250	253	256	256	256	256	
Financial Cost-Rp/kg				99	96	104	95	120	130	150	150	150	150	150	150	200	200	200	200		
KCI (t)				0	0	0															
Economic Cost-Rp/kg				176	169	180	184	181	181	181	181	190	190	190	190	190	196	196	196	196	
Financial Cost-Rp/kg				99	96	104	95	90	120	150	150	150	150	150	150	200	200	200	200		
Pesticide (kg)				2	2	2	1.2	1.6	2	2.4	2.8	3	3.2	3.5	3.5	3.5	3.5	3.5	3.5		
Economic Cost-('000 Rp/kg)				7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7		
Financial Cost-('000 Rp/kg)				1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	3	3	3	3	5	5	5		
Kieserite (kg)				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Economic Cost-('000 Rp/kg)				0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17		
Financial Cost-('000 Rp/kg)				0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17		
Hired Labor (days)				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Total Labor Required (days)				96	128	160	192	224	240	256	280	280	280	280	280	280	280	280	280		
Financial Cost-('000 Rp/day)				1.20	1.20	1.20	1.20	1.20	1.22	1.23	1.26	1.29	1.34	1.39	1.44	1.49	1.54	1.59	1.65		
Other ('000 Rp)				45	45	5	5	5	5	5	5	5	5	5	5	5	5	5	5		
Production (t)																					
Rice				0.400	0.540	0.640	0.800	0.960	1.120	1.200	1.360	1.488	1.488	1.488	1.488	1.575	1.575	1.575	1.575		
Corn				0.056	0.072	0.080	0.100	0.120	0.140	0.180	0.192	0.210	0.210	0.210	0.210	0.245	0.245	0.245	0.245		
Cassava				0.960	1.440	1.680	2.100	2.520	2.940	3.600	3.840	4.200	4.200	4.200	4.200	4.725	4.725	4.725	4.725		
Peanuts				0.011	0.014	0.016	0.020	0.024	0.028	0.036	0.038	0.042	0.042	0.042	0.049	0.049	0.049	0.049	0.049		
Estate Crop																					
Economic Value of Field Crops ('000 Rp)				105	143	159	159	166	172	245	323	412	407	403	400	427	423	423	423		
Financial Value of Field Crops ('000 Rp)				90	124	148	164	194	255	288	319	409	409	409	412	443	430	430	430		
Gross Farm Income ('000 Rp)																					
Economic				167	221	258	264	277	298	371	459	548	543	539	536	583	579	579	579		
Financial				152	202	247	269	305	381	414	455	545	545	545	548	599	586	586			

Total Production Costs (Rp '000)																				
Economic, Including Income Foregone, Java	340	341	310	276	281	292	300	312	324	334	346	355	365	375	385	396	408			
Fincl, Hired Labor	77	81	47	35	39	43	47	49	51	56	57	57	57	71	71	71	71			
AGRICULTURE ALONE																				
Net Economic Farm Income ('000 Rp) (excludes economic value of GOI expenditures)	-173	-120	-52	-12	-4	7	71	147	224	209	193	182	218	204	194	183	171			
Net Return to Household ('000 Rp)	95	140	221	234	266	338	367	406	494	489	488	491	542	515	515	515	515			
AGRICULTURE AND OFF FARM INCOME																				
Off Farm Labor: Financial (Rp '000)	220	220	220	220	215	218	222	220	237	246	254	263	272	282	292	303	314			
Off Farm Labor: Economic (Rp '000)	200	200	200	200	195	198	201	200	216	223	231	239	248	256	266	276	286			
Other Income: Financial (Rp '000)	120	120	120	120	120	122	123	126	129	134	139	144	149	154	159	165	172			
Other Income: Economic (Rp '000)	108	108	108	108	108	109	111	114	117	121	125	129	134	138	144	149	154			
Net Economic Household Income (Rp '000)	135	188	256	296	299	314	383	460	556	553	549	550	599	599	603	607	612			
Net Return to Household (Rp '000)	435	480	561	581	612	692	729	772	882	889	902	919	984	978	995	1011	1029			
OTHER NOT DEVELOPMENT COSTS PER KK																				
Base	425	2004	1491	10	10	9	9	70	70	35	35	52								
More Remote	531	2505	1864	12	12	11	11	70	70	35	35	52								
Very Remote	638	3006	2247	15	15	13	13	70	70	35	35	52								
ECONOMIC NET BENEFIT STREAM, AGRICULTURAL PRODUCTION																				
Base	-425	-2004	-1491	-183	-130	-61	-21	-74	-63	36	112	172	209	193	182	218	204	194	183	171
More Remote	-531	-2505	-1864	-185	-132	-63	-23	-74	-63	36	112	172	209	193	182	218	204	194	183	171
Very Remote	-638	-3006	-2247	-188	-135	-66	-25	-74	-63	36	112	172	209	193	182	218	204	194	183	171
IRR AND NPV AT 10%																				
IRR	NPV																			
Base	-6%	-3034																		
More Remote	-8%	-3830																		
Very Remote	-9%	-4635																		
ECONOMIC NET BENEFIT STREAM, AGRICULTURAL PRODUCTION AND OFF FARM INCOME																				
Base	-425	-2004	-1491	125	178	247	287	229	244	348	425	504	553	549	550	599	599	603	607	612
More Remote	-531	-2505	-1864	123	176	245	285	229	244	348	425	504	553	549	550	599	599	603	607	612
Very Remote	-638	-3006	-2247	120	173	242	283	229	244	348	425	504	553	549	550	599	599	603	607	612
IRR AND NPV AT 10%																				
IRR	NPV																			
Base	6%	-1041																		
More Remote	4%	-1838																		
Very Remote	2%	-2642																		
Total Family Labor																				
Supply (Days)	350	364	379	394	409	426	443	461	479	498	518	518	518	518	518	518	518	518	518	518
Potential Labor Income: Financial	220	220	220	220	220	223	225	232	237	246	254	263	272	282	292	303	314			
Potential Labor Income: Economic	200	200	200	200	200	203	205	211	216	223	231	239	248	256	266	276	286			
Subsistence Income in Java, Financial	270	270	270	270	270	274	277	284	291	302	312	323	334	346	359	372	386			
Subsistence Income in Java, Economic	222	222	222	222	222	225	228	234	240	248	257	266	276	285	296	307	318			
Assumptions about per capita GDY:	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	1.1%	2.8%	2.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.7%	3.7%	3.7%		
INDEX:	1.00	1.00	1.00	1.00	1.00	1.01	1.02	1.05	1.08	1.12	1.16	1.20	1.24	1.28	1.33	1.38	1.43			
Total labor avail for off farm work:	254	236	219	202	185	186	187	181	199	218	238	238	238	238	238	238	238			
Days required for off farm work assumed to be 190																				
labor income, economic:	200	200	200	200	195	198	201	200	216	223	231	239	248	256	266	276	286			
labor income, financial	220	220	220	220	215	218	222	220	237	246	254	263	272	282	292	303	314			



Record Removal Notice



File Title Gloria Davis - Chronological file - 1986 - 2		Barcode No. 30084779		
Document Date 07 November, 1986	Document Type Memorandum			
Correspondents / Participants To: Anne O. Hamilton, AEAIN From: Gino Alzetta, Assistant to Mr. de Groote				
Subject / Title Transmigration Projects in Indonesia				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td>Withdrawn by Tonya Ceesay</td><td>Date 17-Feb-16</td></tr></table>	Withdrawn by Tonya Ceesay	Date 17-Feb-16
Withdrawn by Tonya Ceesay	Date 17-Feb-16			

OFFICE MEMORANDUM

Ms. Davis

DATE: November 14, 1986

TO: Messrs. Adi Davar (AEPDR)

FROM: Antony P. Cole (Chief, AEPA4) *AC*

EXTENSION: 61001

SUBJECT: INDONESIA - Transmigration Sector Review - Clearance of the Draft
Grey Cover Report

1. Please find attached the Transmigration Sector Review (TSR) for onward transmission to the Vice-President. For your information, I list below the follow-up taken as a result of Mr. J. P. Baudelaire's memos of October 27 and November 5, 1986, and the reasons for not taking full account of Mr. Baudelaire's comments in a few cases.

2. The points revised in the draft Grey Cover TSR Report are the following:

A. Description of Farm Models

Paras. 3.14 and 3.15 and Tables 3.2 and 3.3 have been redrafted and reorganized to avoid the previous confusion. The description of upland models in paras. 3.18 to 3.23 and of tidal land models in paras. 3.29 to 3.32 have been readjusted.

B. Economic Rates of Return (ERR)

All ERR of upland and tidal land farm models have been recalculated and the presentation in Table 3.4 has been modified by adding a column to indicate the ERR with spontaneous transmigrants and local people taken into account. Three ERR are now presented in this table instead of two in the previous draft. Para. 3.36 concerning the ERR for Repelita III has also been readjusted to reflect the new figures.

C. Yield Assumptions

Yield assumptions have been readjusted in the tidal model with improved food crops. Para. 3.32, Table 3.4 and Annex 3, Table 11, have been changed accordingly. As a result, the ERR for this model increased from 3 to 5%.

D. Household Income

The household income of the tidal model with improved food crops has been increased from Rp 794,000 per year to Rp 930,000 per year as a result of the yield increase indicated in (C) above. All other household incomes have been maintained as they were in the previous draft. However, a footnote to Table 3.4 states that if off-farm employment was not limited in the upland model with low

input, the household income would increase to Rp 725,000 and the ERR would be 5%.

E. Spontaneous Transmigrants

Para. 3.05 has been modified to state that "since the benefits of spontaneous transmigrants cannot be quantified, investment cost which benefit local people and spontaneous transmigrants have been excluded in the economic analysis." As a result, the investment costs of all upland and tidal land models have been reduced by 10% and rates of return have been recalculated. Footnotes have been put at the bottom of Annex 3, Tables 3 to 11, to indicate that the calculations presented do not include the 10% decrease in investment costs.

F. Reference to Past SAR

Para. 3.15 has been redrafted to avoid giving the impression that the TSR is criticizing yield assumptions in past SAR. Yield assumption used in past Bank transmigration projects are in fact quite in line with the TSR given the input levels assumed. This is particularly true after the revision of yields in the tidal model with improved food crops.

3. The points which have not been revised completely in the draft Grey Cover TSR Report are the following:

A. Tidal Land Model with Severe Pest Attacks

This model is retained though its deletion had been recommended by Mr. Baudelaire. He had noted para. 3.29 and Table 3.2 state that observed problems are due to design problems which can be addressed, that measures can be introduced to control these problems, and that yields are expected to improve if further investments are made. This model represents an interim situation and is retained to dramatize the need for improvement rather than considered the likely model for the future on which to base rates of return.

B. Upland Model with Low Input

Mr. Baudelaire expressed concern that the economic analysis of this model is based on a household income of Rp 537,000 per year in year 10, when actually, the BPS survey indicates in Table 2.3 and Para. 2.07 an equivalent average income after deduction of transfer payments of Rp 620,000 per year (Rp 720,000 per year in the table), and in Table 2.9 an income for upland sites in year 5 of Rp 775,000 per year (Rp 910,800 per year in the table). Models giving these higher incomes would have rates of return about 1 to 2% higher than those of the base model in the report.

However, I decided to retain the lower income model to present a cautious position because of an expectation that off-farm income that comprises about two-thirds of total income will fall following full site development as seems to be indicated in Table 2.10, but I have included a caveat in the text indicating that returns would be higher in the event off-farm labor opportunities grow in relation to family size.

C. Repelita III Economic Return

Mr. Baudelaire feels that para. 3.36 needs to be modified to state that the economic analysis is based on a static image of Repelita III transmigration settlements if no further investments or improvements are made and that it does not take into account the social and other regional development benefits. If these benefits are considered, it is likely that the ERR would be around the opportunity cost of capital. Further, if the recommendations of the Sector Review concerning second-stage development and improvements in the program as a whole were followed by the Ministry of Transmigration, the resulting ERR would be above the opportunity cost of capital. These views should also be reflected in the Executive Summary.

I have decided not to change paragraph 3.36 and the Executive Summary to retain the essential message that action needs to be undertaken to improve program design and implementation and avoid speculation about future gains. The potential for second development is covered in para. 3.19.

Cleared with and cc: Mr. Karcher (AEPDR)

cc: Mss. A. Hamilton, G. Davis (AEAIN)

Messrs. D. Jordan (AEAIN); J.-P. Baudelaire, O. Nyanin (AEPA4)

APCole/JPBaudelaire:ebp/yw

OFFICE MEMORANDUM

DATE November 19, 1986

TO Mr. Adi Davar, AEPDR
THROUGH Mr. M. Kaycher, AEPDR
FROM Antony P. Cole, AEPA4 *AK*

EXTENSION 61001

SUBJECT INDONESIA - Transmigration Sector Report

1. I attach a draft transmittal letter for your comments. This has been cleared by Programs and Projects staff at Headquarters and has inputs from RSI.
2. You may wish to obtain Mr. Yenai's comments before we pass it over to RSI for signature.

Attachment:

APCole:ms

INDONESIA

TRANSMIGRATION SECTOR REVIEW

Some Sensitivity Analysis of Economic Rate
of Returns (ERR) of Farm Models

Model	Title	ERR /a			
		Base Case /b	1 /c	2 /d	3 /e
1	Upland Low Input	1.8	2.5	1.1	-0.1
2	Diversified Market Access	4.8	5.5	4.0	2.8
3	Upland Sustained Input	8.4	9.3	7.5	6.1
4	Low Input with Cow	4.9	5.6	4.2	3.0
5	High Input Labor Intensive /f	Neg.	Neg.	Neg.	Neg.
6	Upland High Input with Cattle	9.8	10.5	9.0	7.9
7	Low Input with Severe Pest Problems	-2.3	-1.6	-	-
8	Low Input with Reasonable Pest Control	3.1	3.9	-	-
9	Improved	2.6	3.3	-	-

/a Including both agricultural and off-farm incomes.

/b As presented in Green Cover Report annexes.

/c Investment (development) costs reduced by 10% for the Base Case.

/d More remote areas; investment (development) cost in Base Case (c) increased by 25% for the first 3 years for upland models and first 4 years for the tidal models.

/e Very remote areas; investment (development) cost in Base Case (c) increased by 50% for the first 3 years for upland models and first 4 years for the tidal models.

/f Neg. - Negative

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

Washington D. C. 20433

U.S.A.

FORM NO. 1884
(5-86)

FACSIMILE TRANSMITTAL FORM

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DURATION OF CALL:	MINUTES

DATE: November 26, 1986

NUMBER OF PAGES: 7 (Including this page)

FROM: Antony P. Cole, Chief, AEPA4

Extension 61001 Dept/Div., No. 176/16

TO: COMPANY/ORGANIZATION: INTBAFRAD
CITY AND COUNTRY: Jakarta, Indonesia
FOR ATTENTION OF: Messrs. Rao, Price and Baudelaire

FAX NUMBER/
MACHINE TYPE: (6221) 578243

SUBJECT: Transmigration Sector Report


I attach the latest draft of the cover letter to Minister Martono. This includes inputs from concerned Regional managers and staff at HQ. It is now in your hands to finalize and distribute with the report when it arrives. We are negotiating with the printshop for overtime to get the report out before December 12 which is the current printing date.

One question that we have and depend on your judgement for an answer is the distribution of this letter. The messages it contains should be fairly widely known as the follow-up we expect will concern core agencies of Government as well as MOT, MOF, MOA and MOPE. If we treat this letter as a personal letter, we will have to prepare something else for wider distribution. An alternative might be to ask Martono to help prepare or approve the distribution list in advance.

Regards, Cole

cc: Mss. Hamilton and Davis (AEAIN)

Transmission Authorized by: Antony P. Cole, Chief, AEPA4



Original to be returned to: Laurie Johnson

Room No.: I-8-057

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November 26, 1986

Minister Martono
Ministry of Transmigration
Jl. H.A. Salim 58
Jakarta, Indonesia

Dear Mr. Minister:

We are pleased to forward a copy of the World Bank's Transmigration Sector Review. The report attempts to evaluate the strength and weaknesses of the program and suggests ways in which the program can be further strengthened and made more effective. We appreciate very much your own and your Ministry's excellent cooperation in providing the information necessary to complete this report and for our extremely useful exchanges of views on its contents.

The report describes the program and recognizes the benefits that transmigration has provided to the Indonesian economy. The report also notes a number of weaknesses. Chief among these are the low economic rates of return associated with the dominant farm model arising from low levels of agricultural production in some sites; the high cost of the program at a time of resource constraints; and problems in planning, budgeting, implementation and quality control. Chapter V in the report focuses on social and environmental concerns that have arisen as the program has grown rapidly. The report also notes that your recent decisions to limit new settlement and focus on second stage development, will provide your Ministry with an opportunity to address problems of program planning and implementation.

While we realize that these matters are the focus of your immediate attention, let me take this opportunity to reiterate what, in our view, are the most important areas on which actions are urgently required. They relate to generic problems, not only to Bank-assisted projects, and are as follows:

- (a) To improve economic returns and farmer incomes, the MOT, together with colleagues in the Ministry of Agriculture, should review the farm models and the mix of tree crops and/or other cash crops to be used; settlements reliant on food crop production should be located only in areas with reasonable soils or in tidally-influenced areas with access to markets; and second stage development should be encouraged. It will also be important to monitor yields and incomes in the same sites over several years to determine the performance and sustainability of transmigration settlements.
- (b) To reduce the financial cost to the Government, emphasis should be given to consolidating and developing areas where infrastructure already exists and settlement in remote areas should be limited. Partially-assisted settlement can be encouraged, if settlers are recruited in the receiving areas; but the support package for farmers recruited in Java and settled in remote areas should not be reduced.
- (c) To facilitate the settlement of spontaneous migrants, local officials should be encouraged to identify individual holdings available for settlement; credit mechanisms should be established for land purchase; and a land registration system should be developed which is responsive to the needs of

individual smallholders in the outer islands. Arrangements should also be made to systematically incorporate spontaneous migrants into planned settlements, for example, as envisaged in the tripartial approach.

- (d) To improve program management, the report recommends that: senior MOT officials review management functions (planning, budgeting, monitoring and evaluation); the Office of the Secretary General be strengthened; Secretariats be formed at the provincial and district levels to promote interagency coordination; and special interagency teams be established to improve coordination in key areas such as agricultural development, environmental protection, spontaneous migration and the transfer of settlements to the provinces. These teams could be provided with support services by existing Directorates in the MOT.
- (e) To improve quality control, the report recommends: strengthening the role of the Directorates General, particularly in setting uniform performance standards and developing monitoring procedures; training provincial staff in supervision and reporting; and improving the Inspector General's ability to check the quality of works carried out in the provinces. Steps are also needed to improve on-site coordination of all Government agencies.
- (f) To improve the social soundness of the transmigration program, further steps should be taken to benefit local people in the vicinity of transmigration areas and ensure that the rights and interests of isolated or ethnically distinct peoples are respected by: establishing policies and procedures to resolve land disputes; developing culturally appropriate parallel pro-

grams for local people; strengthening the Directorate of Social and Cultural Development and involving local universities to undertake social assessment studies; strengthening the monitoring unit in the Ministry of Population and Environment (MPE); and by encouraging Bappedas to give close attention to problems of land alienation, particularly in areas with isolated people. The report also recommends that traditional land tenure arrangements in Irian Jaya be studied and that settlement in Irian Jaya be carried out slowly to avoid social disruption.

- (g) To improve the environmental soundness of the transmigration program, steps are needed to prepare master plans for conservation in upland and tidal areas and to identify, demarcate and protect environmentally important areas, particularly in regions receiving large numbers of migrants. Steps should also be taken to strengthen the role of the Ministry of Population and Environment and of the local universities in environmental assessment and monitoring. We believe, however, that MOT has an important role to play in mobilizing programs for environmental protection in areas where migrants are to be sent.

As Mr. Davar and I discussed with you last month it would be useful for the Ministry to lay the groundwork for program improvement by:

- (a) preparing a Policy Statement indicating those steps which will be taken to overcome existing problems; and (b) developing a detailed Action Plan and timetable in the areas indicated above. We also feel that the Government should soon begin to prepare a development plan for REPELITA V. This plan should indicate the level of investment intended for rehabilitation and second stage development and the proposed scale of new

settlement. It should also indicate, on maps, the areas to be settled and the farm models to be used, the mix of fully-sponsored, partially-assisted and spontaneous migrants in relation to the remoteness of the site and the level of regional development, and areas where parallel programs are required for environmental protection and the benefit of local people. If you desire, the Bank would consider making funds available from the Transmigration V Project for the preparation of such a plan.

With respect to the development of such a plan for REPELITA V, the Transmigration Sector Review gives strong support to rehabilitation and second stage development. In addition, a new settlement program of 200-300,000 families could potentially be carried out with reasonable rates of return and without adverse environmental and social consequences, if about half of these families would be settled on tree crops schemes, steps would be taken to improve agricultural production in upland and tidal sites, measures for environmental protection would be introduced, and settlement levels in remote areas would be low. The report also suggests that programs to stimulate spontaneous migration should be pursued only when arrangements have been made to incorporate such migrants into planned settlements, to facilitate land registration by individual families, and to protect forests and other ecologically sensitive areas.

The World Bank has given substantial support to the Government in the transmigration program for the last decade, and we are prepared to consider further support for the program if agreement can be reached on: the Policy Statement and Action Plan discussed above and on the scale of future settlement and settlement models to be used. We should like to be assured that mechanisms have been established to address some of the

program's problems that have also affected Bank-supported projects, particularly those involving land availability, coordination among implementing agencies, and adequate follow-up to ensure that plans for site development are implemented as intended. Mr. Price and I would be very pleased to meet with you in the next few weeks, to discuss any proposals which you may have for preparing the Policy Statement and Action Plan and the Repelita V program. General agreement on the improvement of management and coordination should be reached as soon as possible.

Let me stress that the effort which the Bank has given to the production of this report is a reflection of our desire to understand both the strengths and weaknesses of the program and to seek improvement so that the program can better support Indonesia's social and economic development. The task is a difficult one, but the potential benefits are large.

In conclusion, I hope that this report will be of benefit to your Ministry and I look forward to further discussion on its contents and implications.

Respectfully,

D.C. Rao
Director
Resident Mission in Indonesia

cc: Messrs. Siregar, Hasibuan (BAPPENAS)

To be cleared with and cc: Mr. Cole, (AEPA4)
Mrs. Hamilton, Messrs. Jordan, Babson (AEAIN)
Mr. Mead (LEGEP)

OFFICE MEMORANDUM

G.D (ok)

DATE: December 17, 1986

TO: FILES

FROM: J.F.A. Russell

SUBJECT: NAEP II: Use of Surplus Funds for Training on "Wereng Coklat" (BPH) Control

1. At his request I met with Dr. Alirahman today to discuss whether or not the Bank could make a direct payment to fund the whole Brown Plant Hopper control program rather than require prefinancing by GOI. Muchtarudin Siregar had suggested this, when the request for prefinancing was received earlier this week in a letter from Minister Affandi in MOA.

2. I explained that we could make a direct payment for two of the components, diploma training courses and purchase of motorcycles, but probably not for the major training component to be carried out by MOA staff in the 26 provinces concerned. The breakdown of total costs is as follows:

<u>Direct Payment</u>	<u>Billion Rp.</u>	<u>\$m.</u>
Diploma Training	0.36	0.22
Motorcycles	1.57	0.95
Subtotal	<u>1.93</u>	<u>1.17</u>
 <u>Prefinancing</u>		
Training of field staff and farmers	4.93	2.99
TOTAL PROGRAM COST	<u>6.86</u>	<u>4.16</u>

3. Our reasons for not agreeing to finance the major training program by direct payment, was that to obtain our agreement to this MOA was planning to subcontract this training to 26 Universities in the provinces as they realised we would be unlikely to agree to finance what is essentially an increase in normal training activities carried out by AAETE and DGFCFA staff in the Provincial Agric. Training Centres (BPLPP) run by AAETE and the REC's (BPP), which fall under the control of the Kanwil Agriculture and Bimas in the Provinces supported by the four MOA directorates (DGFCFA, DGE, DGLS and DGF). I explained to Alirahman our reasons for not agreeing to this:

- (a) It implies that MOA training staff are giving up their normal duties to the Universities;
- (b) University staff are not as familiar with the needs and ways of organising training in the provinces down to the BPP level and so the training is likely to be less efficiently organised;

- (c) Universities all charge considerable overheads to organise training, which would make the whole exercise more expensive;
- (d) Universities would anyway subcontract most of the training back to GOI staff in the BPLPP's and BPP's, making a mockery of the exercise;
- (e) By providing money up front, and paying it out to 26 different Universities, there will be much more room for abuse of the funds than by us paying in arrears against SOE's as we normally do for government training expenses of this kind.

4. I went on to say that the Bank could possibly consider making an advance payment into a central fund that could be drawn on, and replenished but this type of account still requires a suitable mechanism to organise. We have been discussing it with MinFin with regard to the tree crop sector for several months, and have yet to resolve how best to do it. This suggestion would thus need full support from MinFin, and agreeing on a suitable mechanism is likely to prevent our getting the program largely implemented in the next four months. Furthermore if GOI is so concerned about the high priority of the program, why cannot they provide the modest prefinancing required of US\$0.5 million (all in rupiah) per month, which can always be refunded within 2 months of incurring expenditures if disbursement requests are promptly submitted.

5. Alirahman fully accepted my arguments for not wishing to subcontract the inservice training of staff and training of farmers to Universities (we would though subcontract the diploma course, which is anyway always done by four Universities). He also agreed to recommend to Muchtarudin Siregar and MOF that GOI should prefinance the major training component (US\$2.99 million), while the Bank would make direct payments for the motorcycles (under ICB contract as agreed) and diploma training (US\$ 1.17 million).

6. He will inform us of the outcome of his follow-up discussions. He also noted that we would be having technical, administrative and logistic discussions on the program with staff of AAETE and the Plant Protection Dept. of DGFCFA tomorrow (December 18) and again on Monday December 22 with both of them and FAO staff to firm up arrangements for the conduct of the campaign. He noted that although the Credit for NAEP II (Cr. 966) is due to finish on March 31st, that GOI could incur expenditure on this up to June 30, and submit all claims by July 31 ensuring that all disbursements are made by September 30, 1987 as required under the loan agreement. This would permit the program to be carried out over six months (Jan-June 1987) rather than over three

(Jan.-March 1987), and ensure that better training of trainers was done before training all staff and farmers. He did, however, mention that prefinancing funds in FY 87/88 for the period April/June, will be more difficult to arrange than those available in the existing FY 86/87 DIP budget, that can be drawn on during the period January/March 87.

cc. Messrs. Cole, Sidhu, Rao, Williams, Price, Fox, Tumusiime, Wiranto.
Zenick
Mesdames Hamilton, Davis

File: BHP

JRussell/mc

OFFICE MEMORANDUM

DATE: December 22, 1986

TO: Files

FROM: Office of the Senior Vice President, Operations

SUBJECT: Minutes of Operational Vice Presidents' Meeting of December 17

Present:

Members: Messrs. Stern (Chairman), Husain, Inakage, Jaycox, Karaosmanoglu, Knox, Wapenhans, Alisbah

Others: Messrs. Wood, de la Renaudière, Dubey, Goldberg, Stoutjesdijk, Choksi, Clements, El Maaroufi, Ruddy, Edelman, Rigo, Mmes Brathwaite, Donovan

OMS on Adjustment Lending

1. A draft Operational Manual Statement (OMS) on Adjustment Lending has been prepared by the Country Policy Department (CPD). It codifies existing practices and provides procedural guidelines for processing adjustment operations and other fast-disbursing operations, excluding emergency loans. The OMS emphasizes that Regional managers and staff must exercise their judgment in following these guidelines. The guidelines have already been circulated widely for staff comment.

2. The OMS was approved by the Operational Vice Presidents (OVP) with some clarifications and changes. Speakers noted that currently our legal documentation focuses on specifying conditions of tranche release or drawdown eligibility in adjustment operations. But legal documentation should also provide a remedy if the overall implementation of an adjustment process becomes unsatisfactory after a borrower has satisfied the criteria for drawdown eligibility, but before a tranche is fully disbursed. The Legal Department noted that there are general remedies in our loan agreements which, if necessary, permit the Bank to suspend disbursements after tranche release conditions have been satisfied. Speakers agreed that the objective of specifying conditionality in a legally meaningful way must be balanced against borrower reluctance to have conditions made explicit in documents which may require parliamentary approval or otherwise become public. It was decided that CPD should agree with the Legal Department on appropriate wording in the OMS to guide staff on how to ensure that conditionality is sufficiently clear and comprehensive in legal documents--but at the same time politically feasible. The revised OMS will be issued shortly.

LVL-01

1602

Davis, Ms. Gloria Jean
I 6153

Proposed Guidelines for Country Strategy Papers

3. CPD, in consultation with Operational staff, has prepared an outline of a proposed Country Strategy Paper to serve as the sole document required for senior management periodic review of country strategy. The proposal is designed to respond to the concern expressed by managers and staff that there has been a proliferation of duplicative strategy documentation. The proposed Country Strategy Paper (CSP) would focus on relevant strategic planning issues. Details of the lending program and economic and sector work issues would continue to be addressed through the CAM process.
4. The assistance strategy proposed should be placed in a medium- to long-term perspective and formulated in the context of central country development issues and policy options. The CSP would include a review of the country's macroeconomic prospects and overall resource requirements over the medium term, an assessment of creditworthiness, and an analysis of the implications of the proposed strategy for Bank exposure. In drafting the CSP, regional staff should be able to draw extensively on recent economic and sector reports, SAL documents and other available country policy papers. However, most of the details contained in these background documents would not be needed in the CSP, which should be brief (15 to 20 single-spaced pages) and emphasize facts and issues relevant to the assistance strategy decisions.
5. While one speaker expressed concern that the CSP would not obviate the current tendency to produce a multiplicity of strategy documents which are repeatedly reformatted for different purposes, all other speakers emphasized the flexibility that this proposal provides to each region to minimize such duplication. Regions should tailor the analytical building blocks of their country strategy to particular country needs, and the substance of the CSP would be distilled from this analysis.
6. Speakers cautioned that managers will have to pay careful attention to ensure that the CSP does not evolve into an 'advocacy' document rather than a strategy document. Furthermore, the country context and characteristics should be clearly presented in the CSP; a "pro forma" paper which could serve for almost any country is valueless.
7. In summary, the Chairman noted that staff and managers must exercise their judgment in the preparation of these documents. The guidelines are extremely flexible and can readily accommodate a wide range of papers reflecting individual country needs. On the other hand, the purpose of these papers, namely, to provide senior management with sufficient information to evaluate and provide guidance on the proposed country assistance strategy, must not be lost. The new CSP guidelines will be issued shortly and CPD will coordinate with Regional Chief Economists on the scheduling of reviews for the next 18 months.

Cleared with Mr. Stern


PDonovan:gr