

**WORLD BANK HISTORY PROJECT**

**Brookings Institution**

**Transcript of interview with**

**SUYONO SASTRODARSONO**

**November 25, 1991  
Jakarta, Indonesia**

**Interview by: John Lewis, Richard Webb, Devesh Kapur**

## FOREWORD

The following is a transcript of an oral interview conducted by the authors of the World Bank's fiftieth anniversary history: John P. Lewis, Richard Webb and Devesh Kapur, *The World Bank: Its First Half Century*, Washington, DC: Brookings Institution Press, 1997. It is not a formal oral history, and it is not a systematic overview of the work of the person interviewed. At times the authors discussed the planned publication itself and the sources that should be consulted; at other times they talked about persons and publications extraneous to the Bank. Some interview tapes and transcripts begin and end abruptly. Nevertheless, the World Bank Group Archives believes that this transcript may be of interest to researchers and makes it available for public use.

*Suyono Sastrodarsono*  
*November 25, 1991 - Verbatim*

*[Begin Tape 1, Side A]*<sup>1</sup>

**SASTRODARSONO:** . . . above the table; nothing is under the table.

**LEWIS:** Nothing. *[Laughter]* Can't be with it.

**SASTRODARSONO:** That was in '68, '68, and he was one of the young economists at that moment I recruited. He is now director of the bureau of international relations in the ministry of public works, so he knows also about this history. *[both speaking at once]*

**LEWIS:** Well, we're very interested to hear about what you people think of the Bank as a project lender. We know that there's a great policy dialogue going on between Professor Widjojo *[Nitisastro]* and his colleagues and the Bank, but the Bank does do this, mostly what the--the money is mostly project money, and it's very important that it be done well, I suppose. Do you have any particular impressions about how the Bank does this?

**SASTRODARSONO:** Policy? Policies of the Bank?

**LEWIS:** Project. Project work. You went on a delegation in '68 to negotiate a project?

**SASTRODARSONO:** Yeah, I was chairman of the delegation of five. One of the members was Saleh Afiff, who is now head of the group, of BAPPENAS *[Badan Perencanaan Pembangunan Nasional, National Development Planning Board]*, the national development board. He was one of the members, and I was the chairman there to negotiate this IDA *[International Development Association]* loan, soft loan, in '68 as a start. After that, well, irrigation projects got big amounts, very big amounts, in the framework of supporting the food production, increase of food production, especially rice. So it was one of the factors, I think, that in '84 the Indonesian government become self-sufficient in rice after, well, one of the first, one of the biggest importer of rice—was it 85 million or so tons?

**UNIDENTIFIED MAN:** Depends on one third of the . . .

**SASTRODARSONO:** The biggest importer of rice, but in '84 we got in self-sufficient.

**WEBB:** The first loan was for irrigation?

**SASTRODARSONO:** For irrigation, for projects, rehabilitation of irrigation infrastructure.

**WEBB:** Why was the first loan irrigation? Whose idea was that?

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<sup>1</sup> Original transcript by Brookings Institution World Bank history project; original insertions are in [ ]. Insertions added by World Bank Group Archives are in *italics* in [ ].

**SASTRODARSONO:** Because—of the government because one, highest priority, was increase of rice production.

**WEBB:** So you wanted that, and the Bank [both speaking at once]

**SASTRODARSONO:** And talking about rice, Indonesia everywhere is irrigated rice fields. So irrigation--like you have an increase of production projected for rice, then irrigation is a must. So that's why we start with the infrastructure and with this irrigation because it was in the bad shape after the revolution and after the *[inaudible]* time, existing irrigation from the Dutch colonial time was in bad shape. So the first priority was rehabilitation of existing irrigation networks, and that was the first loan.

**WEBB:** Who made the decision on that here? Was that the planning--there wasn't a planning office then.

**SASTRODARSONO:** Oh, yes. Widjojo was already head.

**WEBB:** '68 already?

*[Discussion of coffee]*

**SASTRODARSONO:** Oh, yes. The government, the president has decided this.

**WEBB:** Did the president himself decide . . .

**SASTRODARSONO:** Thinking increase of rice production as first *[inaudible]* yeah.

**LEWIS:** Bernie *[Bernard R.]* Bell was just arrived?

**SASTRODARSONO:** Bell was here, Bernie Bell.

**LEWIS:** You talked about it with him, I suppose.

**SASTRODARSONO:** Not yet. In '68 there was no World Bank . .

**LEWIS:** Well, he came in '68.

**SASTRODARSONO:** . . office yet. *[both talking]*

**LEWIS:** What time in '68 was this, then? *[Robert S.]* McNamara came in June of '68.

**SASTRODARSONO:** June '68.

**LEWIS:** And you didn't have any office before that I know of.

**SASTRODARSONO:** I don't think, because he has an office already. Maybe a man—Bernie Bell maybe was here already.

**LEWIS:** Well, he was going to establish the office.

**SASTRODARSONO:** Yeah. *[both talking]*

**LEWIS:** I don't think he would have--you didn't have any—you weren't a member of the Bank at that point, I guess. You had resigned from the Bank and the *[International Monetary]* Fund back in the Sukarno period, and then you came back in with the Fund maybe '67 or something like that, but I'm just curious . .

**SASTRODARSONO:** It was the first *[all speaking at once]*

**LEWIS:** The first, yeah.

**KAPUR:** We can settle those dates.

**LEWIS:** Yeah, yeah.

**SASTRODARSONO:** The World Bank has had an office . .

**LEWIS:** No, I'm just curious about whether the . .

**SASTRODARSONO:** . . three years already out of--I'm not clear anymore about that.

**LEWIS:** No, I'm just curious about whether the contact, eventually the discussion with the Bank was with a resident here or whether you went straight to Washington and then you probably dealt with the agriculture . . .

**SASTRODARSONO:** I think it was a talk between Widjojo and Bernie Bell.

**LEWIS:** I think so, yeah.

**SASTRODARSONO:** It was a consultation, because Widjojo himself has asked me to go to Washington. He has personally asked me to go to Washington because there would be an irrigation project as a start within the policy of rice preservation, increase rice production, because rice production was already the top priority in the country *[inaudible]* at that time.

**KAPUR:** And this project was the beginning of a long series of irrigation projects. Were there any discussions on the mode of irrigation, whether it should be large projects or many small projects?

**SASTRODARSONO:** First was rehabilitation. Existing . .

**LEWIS:** Of existing systems.

**SASTRODARSONO:** Existing systems.

*[Discussion of refreshments]*

**SASTRODARSONO:** So rehabilitation of existing irrigation networks was the first priority. But if you talk about rehabilitation only, it means there might be only or would be only Java and a small part in southern part of Sulawesi. So while we would like to, also to increase the rice production in other islands, so the next--not with the first five million dollars, but the next one, I have also asked to be assisted in studies and design of new irrigation networks, so that means not only . .

*[Discussion of refreshments]*

**SASTRODARSONO:** And of course concentrating on small and medium-size.

**KAPUR:** And mainly canal irrigation? Or was it wells?

**SASTRODARSONO:** Only the canal, only the canal system. Afterwards also with wells, afterwards, but the first stop was gravity irrigation.

**KAPUR:** And was that--but the ideas about the sequencing, whether it should be rehab first and then, as well as whether it should be gravity irrigation or wells, how much of those were, came from here and how much of that sort of came from the Bank's ideas? Or was it sort of . . .

**SASTRODARSONO:** In my opinion the ideas came from us. At least in my time--I was sixteen years director general of water resources and then afterwards one year as secretary general and after that five years as minister--so in the beginning of the period of course I would talk about water resources normally first, afterwards also about roads and urban. So at that time all I just gave as written proposals. At first we would like, first of all, of course, rehabilitation existing wells, but politically spoken we are talking about rehabilitation only. There will be part only of the--also I am a native from Java, but I think politically we have also to start with other islands if we would like to increase the national production of rice. So we start surveying and then designing also irrigation network for other . . .

Also the World Bank was not so enthusiastic; it would like to rehabilitate those existing *[inaudible]* It was understandable because the IRR *[internal rate of return]*, the benefit ratio and so is of course higher if it is rehabilitation. Being a Bank, also, as a development bank, they would like to have this first and concentrating first on small and medium size.

Afterwards, I think starting in '75 or '76, we also start to rehabilitate and increase and improved an existing large irrigation of 200,000 hectares nearly, near to Jakarta, in West

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Java. It is called the Jatiluhur area. Then of course, why, we start also with a big irrigation scheme because that is the hinterland of Jakarta. It's not far from here, very fertile land. For that we had also the assistance of World Bank.

**LEWIS:** Is that irrigation for paddy for rice?

**SASTRODARSONO:** Rice, number one rice, but now we are at this moment we are at the stage where soybeans and other crops, [both speaking at once] vegetables, onions, also, but at that moment . .

**LEWIS:** At that time it was rice.

**SASTRODARSONO:** . . it was rice, rice, rice, because here in Indonesia, people, if they have bread as breakfast, they still have, "Well, I don't have my breakfast yet." It's the same. It always is rice, rice, rice or three times rice a day. At that moment, two days or more, sometimes no breakfast or even very little lunch--but now I think it is improving. The people are eating two times rice, except people in the city here in business who are in a hurry eating breakfast. In general the people, if they have . .

**LEWIS:** Bread is quicker, isn't it?

**SASTRODARSONO:** . . bread as breakfast they still have, "I don't have my breakfast yet" because this is rice, rice, rice. Because rice is not just a commodity for Indonesia; it's not just a commodity. It has some relation with tradition, relation with religion and so on. [all speaking at once]

**LEWIS:** You negotiated with the members of the agriculture department?

**SASTRODARSONO:** Oh, yeah, oh, yeah, of course, because we are only a supporting element. And the real one who is in charge of the production is the people from the ministry of agriculture.

**LEWIS:** But in Washington . .

**SASTRODARSONO:** We are the only one in Southeast Asia where the irrigation service is not in the ministry of agriculture. In Thailand, the Philippines, Malaysia, Japan, Taiwan, Korea, the irrigation service, the irrigation agency is under the minister of agriculture. In India, Indonesia--I think also in India--rice irrigation is not in the ministry of agriculture, but [both speaking at once]

**LEWIS:** Where the power is.

**SASTRODARSONO:** . . we consider it as infrastructure in the ministry of public works.

**LEWIS:** Yes, in India it used to be irrigation and power, and you had to have negotiations, diplomatic missions from the agriculture ministry to the irrigation ministry.

**SASTRODARSONO:** So it is an important case, of course. Here it is under the minister of public works, but we work very closely with the other ministry.

**LEWIS:** You do?

**SASTRODARSONO:** Yeah. It is a must; we cannot do *[inaudible]*

**LEWIS:** But when you went back to negotiate that loan at the Bank, you dealt with their projects, agricultural projects people, I guess. Is that right? Is that who you negotiated with?

**SASTRODARSONO:** Well, it was also people who--they called it the—I think it was an irrigation section or something.

**LEWIS:** Irrigation unit, I think, would be within agriculture.

**SASTRODARSONO:** It was a man from, this man who had served for a long time in Malaysia, in irrigation.

And we started in East Java also with using our--developing groundwater, developing groundwater, deep wells for agriculture because it's serving basis. There is not enough surface water in the dry season where the farmers are not *[inaudible]* higher stage of development. The paddy fields are there already. People are used to rice cultivation but there was a lack of water in the dry season, so that was also we develop groundwater.

And now I don't know--I am three years already out of this ministry--but I think they are now also concentrating on operations and maintenance, assisting operation and maintenance, not only irrigation but also the operations and maintenance, assisted by the World Bank and ADB *[Asian Development Bank]* also.

**KAPUR:** Did you at that time or when is the first time you can recollect that the Bank began to bring up issues of cost recovery? Was that ever an issue?

**SASTRODARSONO:** Cost recovery? I was always against cost recovery, always a big fight in the negotiations, certainly for cost recovery, maybe for a fund which--I called it contribution for OMM *[operations and maintenance monitoring]*. That might be all right, but cost recovery? No. Why? Because these farmers are very poor farmers. In Java and Bali the land ownership is only .25 hectare, .25. So how can they pay the recovery? I told them also, the World Bank, "Please name a country where there is no subsidy on agricultures." There's no, not any one. I think there is no country where there is no subsidy on agriculture sector, small or big but it was always there, a factor of subsidy, in the States, in Japan, in Europe. Why should these poor farmers have to pay a recovery cost on capital? I was against, always. It was always a big fight. I understand



the position of World Bank being a bank, but I told them, also, “You are not just an ordinary bank. You are a development bank. You cannot ask recovery from the capital costs with these poor small farmers where .25 hectares is the average.”

**LEWIS:** How about the big farmers? What was the distribution of holdings? Was it very unequal?

**SASTRODARSONO:** The average in Java and Bali, the average is .25, so you had one is .1, .3, but they are also .1, yes. The average, that is the average. There are smaller.

**LEWIS:** So there weren't very many people, say, of ten hectares.

**SASTRODARSONO:** Oh, no, no, no. One hectare, two hectare is the biggest.

**LEWIS:** Big farmers?

**SASTRODARSONO:** That's big farmers. That is a rich man in the village. Outside, yes. Maybe in Sumatra they have 5 hectares already, Kalimantan, but as you know these other islands are not so fertile as in Java and Bali. The land ownership is a *[inaudible]* like in the transmigration area there is *[inaudible]* 2 hectares per household.

**WEBB:** But you--for a long time you won the arguments.

**SASTRODARSONO:** Yeah.

**LEWIS:** Who were you arguing with? People in the Bank?

**SASTRODARSONO:** The people in the Bank when we had negotiation there in Washington.

**WEBB:** In Washington? More than here?

**SASTRODARSONO:** Here first, and then people said, “You negotiate in Washington.” The World Bank people said, “You negotiate; then we will pursue that.”

**WEBB:** Do you remember some of the people that you were . . .

**SASTRODARSONO:** No.

**WEBB:** No. Uh-huh.

**SASTRODARSONO:** The irrigation people understand but the cost of finance men . . . And people thought an OMM contribution had to include a certain notes that in the land tax, the land tax there is included already the factor of water from the user for OMM. So that was also included.

**LEWIS:** Do you have an effective . .

**SASTRODARSONO:** And they ask, they ask, then, "From where you will," because the OMM is--have to be made available, either whether it is from the beneficiaries, from the farmers or from--so government should pay and from where, what is the source of government? At that moment oil, but then the oil price, they fall, went down, so and there was not enough, and then we negotiate again. Then I was not in the representative body's office anymore; I was minister. Then we negotiate again, but in one or another way there should be a contribution of the farmers, and we agreed for OMM, and this stay up 'til now. So there's assistance . .

**LEWIS:** Was there effective taxation on farmers?

**SASTRODARSONO:** Land tax.

**LEWIS:** Land tax? Was it collected?

**SASTRODARSONO:** It was understood. It was understood by them because in the colonial tax time they've paid also land tax, but for water never. So politically it was also difficult to implement because they said, "Why? In colonial time we have not paid this water here. For land, yes, we have to pay, but not this water." And now [both speaking at once]

**LEWIS:** Was the rate on land--you couldn't raise the rate on land?

**SASTRODARSONO:** Yeah.

**LEWIS:** You could not? You couldn't raise it?

**SASTRODARSONO:** You could, of course. That depends on the productivity of the land, and if it is an irrigated rice field, the tax is also higher, so that means the water factor is there.

**LEWIS:** Some of that for the water for irrigation?

**SASTRODARSONO:** Yeah, yeah, but through land tax, not through water tax.

**LEWIS:** Oh, all right. I understand.

**SASTRODARSONO:** That would be used for [both speaking at once]

**LEWIS:** Did the Bank agree to that, that you could . . .

**SASTRODARSONO:** Oh, yeah. It was a note, as I told you, a note in the agreement.

**LEWIS:** In the agreement, the covenant, is that right?

**SASTRODARSONO:** And the land tax is included.

**LEWIS:** I didn't understand that. I see.

**SASTRODARSONO:** A further study will be done always so many times . .

**LEWIS:** Further study will be done.

**SASTRODARSONO:** And indeed studies were done, and at the time that the oil price went down, so there was a study on the possibility of the farmers to--were capable or not to pay "irrigation service fee," as it's called originally, not "water tax." Why? Because in our constitution it's stated that water is a gift of God, so you cannot tax the water. So we agreed on the term "irrigation service fee." And there was a study, and they have done two pilot projects, yeah, in *[inaudible]*

**UNIDENTIFIED MAN:** Or three.

**SASTRODARSONO:** Or three. I'm out of date already. The development is so fast in three years. Three pilot projects, yeah, to come to collect irrigation service fee besides the land tax, the irrigation service fee from the farmers, from the villages.

**LEWIS:** And in this argument which you apparently have resolved fairly successfully with the Bank, what was the position of--you know, there's this group that's called the (I guess) economic technocrats, Professor Widjojo's group--were they supporting you, or did they sort of stand . .

**SASTRODARSONO:** You mean on the Indonesian side?

**LEWIS:** Yeah.

**SASTRODARSONO:** Oh, yeah.

**LEWIS:** They did.

**SASTRODARSONO:** Yeah. When I told them, even in the group, "It will be difficult to implement because even in the colonial time they got this irrigation and this water is free. Water was free. There was no fee on irrigation. And now in this independent country you have to pay for this, so they will not understand. So even if we formulate a law, it will be difficult to implement. So we have to prepare it step by step."

**KAPUR:** But essentially, other than these pilot projects, there is no Bank assisted irrigation projects.

**SASTRODARSONO:** Study, yes, but implementation only, no, see, even now.

**KAPUR:** And that was a pilot.

**UNIDENTIFIED MAN:** Pilot, not nationwide.

**SASTRODARSONO:** Pilot, yes, but there is, of course, a nationwide adopted policy from the government that it's now possible, seen from the government, to implement the constitution of irrigation service fees from the beneficiaries. But this implementation is still through pilot projects.

**KAPUR:** I see. Were you also involved in urban water deliveries?

**SASTRODARSONO:** Oh, yeah.

**KAPUR:** And has . .

**SASTRODARSONO:** Urban is not in the directorate of water resources. It's in a different, another directorate of urban development, we call it. I was involved when I was minister in that *[inaudible]*

**KAPUR:** Was the issue of cost recovery for water delivery to urban . .

**SASTRODARSONO:** Urban delivery of water is no problem because they understand it is pipe water, so because it's not just a ditch but a pipe, "Oh, you have to pay for this." Whether this is from steel, iron, or from PVC plastic, but this is something which has to be bought, so they understand, and in the Dutch time also for pipe water especially you have to pay. There is no problem with that. So we look at the convenience of having a tap, you see, because if there is a well, have to work like this, or if there is a farm, but not if it is tap water, they understand. There is no problem at all on pipe water contributions in urban areas. And there is now at this moment a big, a very big project here, I mean the scope is very big, assistance on urban water, urban drinking water nationwide.

**KAPUR:** So from that issue there was no difference . . .

**SASTRODARSONO:** No difference at all.

**LEWIS:** Has the Bank been helpful, knowledgeable in the urban development area? Does it have good ideas or . . .

**SASTRODARSONO:** Yeah. *[all speaking at once]* In the greatest--well, I think they understand the situation but also this context, because the loan should always go through the central government, but the implementation is by the local governments, especially in the case of urban, the cities, integrated urban projects. So, and sometimes there are misunderstandings in the implementation, but I think both the--we in the Indonesian part, especially the urban part, have learned from experience and now, even as I said, there is a big program on that, on the urban integrated development, that means . .

**UNIDENTIFIED MAN:** Urban infrastructure . .

**SASTRODARSONO:** Urban infrastructure, *[inaudible]* roads, urban roads, drainage, drinking water, flood controls.

**LEWIS:** The Bank is supporting that, that kind of integrated project?

**SASTRODARSONO:** Yes.

**LEWIS:** That's a new kind of thing or . . .

**UNIDENTIFIED MAN:** Start in 1989 with a small *[inaudible]* project.

**SASTRODARSONO:** The sector was not integrated before this.

**LEWIS:** As you may know, the integrated rural development has had a kind of a--in parts of the world a rather bad history simply because it's been too complex to really fit all the pieces together. In Africa, for example, the Bank has had rather discouraging experience, really, with integrated projects. Integrated urban development . .

**SASTRODARSONO:** It's more complex than integrated rural.

**LEWIS:** I suppose it is more complex.

**SASTRODARSONO:** More complex than integrated rural, yeah. Why? Because not only on the government side but also the World Bank side--also in the ADB--the structure of negotiations is not integrated but sectoral. So like we get the minister of agriculture, minister of public works, minister of home affairs: so it's not a regional integrated approach in implementation. Yes, in the formulation of the program it is integrated, but in the implementation it is through the sectors.

But it is the same with the World Bank, that the requirement of the division of irrigation, division of roads, division of *[inaudible]* proper agriculture, proper--so in the implementation it is also . .

**LEWIS:** They've been trying to solve that, you know. They do have now regional organizations that are supposed to be dominant.

**SASTRODARSONO:** Yeah, in the higher levels.

**KAPUR:** But not at the working level.

**SASTRODARSONO:** Not at the implementation level, that's right, and they change every five years to . .

**LEWIS:** Yes, they do. They fool around with the organization chart, that's right.

**SASTRODARSONO:** But there is a tendency now--I hope I'm wrong, because already for three years I have not been in direct contact with them—there is a tendency is that they will give priority to the urban rather than the rural areas through the development. For Indonesia, at least, I think it is wrong, wrong because, first, the biggest part of the population live in the rural areas, and then the base of the Indonesian economy are in the rural areas, and if we improve the situation in the urban areas too much--it is already now too much because the private sector come in, so it's already fairly high like here. So that we attract more people, more and more, so the urbanization will be accelerated because the private sector already attracted to the cities, especially the bigger cities. So the government sector should give the priority and concentrate on the rural, including also small-scale industry in the rural areas. Not only agriculture: off-farm. Off-farm income should be also promoted, not only--otherwise people will move to big cities. It is not only in Indonesia--it is everywhere--but at least we have here to try to avoid the big urbanization to the bigger cities.

**LEWIS:** Does the government have any programs for promoting small-scale enterprise in the rural areas?

**SASTRODARSONO:** Oh, yes. And I think this is assisted by World Bank in the studies, small-scale and medium-size industries.

**UNIDENTIFIED MAN:** Oh, yeah.

**LEWIS:** You say the Bank is involved in that?

**SASTRODARSONO:** Oh, yeah. But this should be more concentrated on the rural areas and the small cities, then the dispersal of population will get better. Now the trend is people going to the big cities.

**KAPUR:** Have there been any sort of projects on regional development which would take a spatial approach?

**SASTRODARSONO:** Yeah, there's regional development projects, but again that's in the program, study and program. Implementation again, it will go to the sectors so there's a problem always of coordination. Who coordinates with who, and then always like that.

**WEBB:** Is Taiwan a model, do you think, for that kind of development?

**SASTRODARSONO:** I don't know. I have visited Taiwan twice for irrigation development, and that is a good synchronization between the *[inaudible]* irrigation and the agriculture proper, including off-farm because they have factories in the rural areas, but there was a negative impact on the pollution. So the pollution was spread; also the industrial pollution was spread also to the rural areas. But the idea to have off-farm income, source of income in the rural areas was good.

**LEWIS:** I was wondering which other countries you tend to compare yourselves with in terms of maybe similar development, maybe sometimes some they are models or maybe your models, but, say, Malaysia, Thailand, Korea.

**SASTRODARSONO:** Well, yeah, certain areas. For instance, for Java you can learn from Korea or Taiwan, but take Kalimantan or Irian Jaya, it's different, entirely different. That is the problem for us. It will be a national program. Implementation should be case by case. So that's why, as you know, our coat of arms is "Unity in Diversity." So, say, in Jakarta here compared with Irian Jaya, which is still Stone Age, is entirely different. So Taiwan is like West Java province, only West Java, the size. So we can take, say, development in West Java taking Taiwan as a model, so also the stage of the development of the rural communities also could be compared with them. Malaysia, maybe we could take them for Sumatra. But for Indonesia for a nationwide model is not so easy.

**LEWIS:** I see. Yeah, yeah.

**KAPUR:** Have you a sense that the quality of technical assistance in infrastructure projects by the Bank, has the quality been improving, declining or the same?

**SASTRODARSONO:** I'm out of date in these three years, but . .

**UNIDENTIFIED MAN:** The quality of the aid now is younger [all speaking at once]

**WEBB:** People are younger?

**LEWIS:** People are younger, huh?

**KAPUR:** Less experienced?

**LEWIS:** Is that better or worse?

**SASTRODARSONO:** In my opinion, too much consultant services, too much on loans.

**LEWIS:** On loans?

**SASTRODARSONO:** Big amounts . . .

**UNIDENTIFIED MAN:** Up to fifteen . .

**SASTRODARSONO:** Fifteen percent of so million, too much consultant. But maybe also a little difficult to be avoided because while the World Bank are now concentrating on getting also—assistance not only on physical implementation but also now an institutional approach, training, human resources development, and for institutions you

need a consultant's services here. But a little bit too much here, so big amounts are given in loans for consultant services.

**WEBB:** You know, when we look at the overall picture, it's clear that Indonesia has received considerable financial assistance, but also there's been a very important policy dialogue. But what we see and hear is high-level dialogue, the ministers, the planning. But I wonder if there's much low-level dialogue that's going on all the time because I think this year someone said there would be 5,000 World Bank people in Indonesia.

**KAPUR:** No. Five thousand . .

**WEBB:** Nights, five thousand nights.

**KAPUR:** . . man days.

**WEBB:** Man days. So all these people running around, talking to people: is there a lot of dialogue, training, example, advice? Do you see the results of that?

**SASTRODARSONO:** You mean the World Bank people or consultants outside World Bank?

**WEBB:** Both, both, but financed by the World Bank.

**SASTRODARSONO:** First, with the World Bank people, I think there's a dialogue that takes place. So I think in every day has to--movement. So with the World Bank people there is a dialogue not only at the high levels but there is also at the lower levels and even in the regions with governors offices in the provinces.

**WEBB:** When you were minister, did you see that in your ministry? Did you feel that this was helping, training people?

**SASTRODARSONO:** Training, yeah.

**WEBB:** More people were learning?

**SASTRODARSONO:** Oh, yes. Yeah.

**WEBB:** At medium, lower levels?

**SASTRODARSONO:** But transfer, transfer of knowledge from consultants to the counterparts is less than we had expected, except in projects where there's a special training program. There is *[inaudible]*, yeah.

**KAPUR:** So sort of the development of local capabilities?

**SASTRODARSONO:** Yes, yes.



**KAPUR:** Do you believe that the Bank has underemphasized that?

**SASTRODARSONO:** Oh, no.

**UNIDENTIFIED MAN:** Because there's only the time is limited . .

**SASTRODARSONO:** The idea is there.

**UNIDENTIFIED MAN:** . . because of the design, the design or something like that. So there's not enough time to, you know . .

**SASTRODARSONO:** For consultants.

**UNIDENTIFIED MAN:** . . for consultants to *[inaudible]*

**SASTRODARSONO:** In all agreements, in all contexts, always be considered. It is recognized by the World Bank that in every consultant services they should acknowledge as we do that their local counterparts should be there, we also emphasize. But in practice these consultants are too busy because there's a time constraint *[inaudible]* transfer. But now there's--all consultants, they are encouraged, encouraged--we call it "encouraged" because we are not, we cannot say they have to, but we encourage working together with local consultants. And this is now the way that . . . *[both speaking at once]* All foreign consultants are now working with Indonesian or . .

**UNIDENTIFIED MAN:** Some of the Indonesian consultants *[inaudible]*

**SASTRODARSONO:** So it is now getting better and better.

**WEBB:** That's just an encouragement and not a requirement, is it?

**UNIDENTIFIED MAN:** It's not allowed.

**SASTRODARSONO:** It's not allowed in the guidelines. That was always a big fight.

**LEWIS:** The encouragement is what?

**WEBB:** To work with local partners.

**LEWIS:** I was wondering whether you have a policy of, when you get a consultant, of teaming him with a counterpart within the ministry.

**SASTRODARSONO:** We cannot force them.

**LEWIS:** You can't?

**SASTRODARSONO:** No, no, because of the guidelines. It's not allowed.

**LEWIS:** The Bank guidelines, you mean?

**SASTRODARSONO:** Bank guidelines. It's not allowed. But we always have encouraged and tell the consultant, "You know, you understand what this means, 'encourage'? You understand?"

All consultants are now working with Indonesian firms, and I think also the Indonesian consultants are now ready--at that moment they are not ready yet to work together, but now, now in the '90s I think they are now ready to work together as partners. Even some firms are now, Indonesian firms, are now leading firms in their consortium [*inaudible*] operations.

**LEWIS:** You're thinking about consultants as somebody who does engage in some kind of problem-solving activity and then makes an analysis or . . .

**SASTRODARSONO:** Yeah.

**LEWIS:** I see. You also can get a consultant who is an advisor to a decision-maker in government, a bureaucrat who would have a consultant who would be an advisor to him.

**SASTRODARSONO:** Not in the ministry of public works.

**LEWIS:** Not in public works?

**SASTRODARSONO:** In the BAPPENAS system there is. I mean with the policy-makers never. In this BAPPENAS is . . .

**LEWIS:** BAPPENAS, the ministry of finance . . . [both speaking at once]

**SASTRODARSONO:** The Harvard team [*Harvard Institute for International Development*] and so on.

**LEWIS:** . . . but it's confined just to those areas [both speaking at once]

**SASTRODARSONO:** But not in the ministry of public works. It was always a consultant black hole. There were—I'm not [*inaudible*]*—*there were bilateral advisors in the beginning.

**LEWIS:** There were, yes, but they've gone now.

**SASTRODARSONO:** Yeah. Government officials from these countries who assist us. It was already—the people, in the '80s we didn't have that already.

**LEWIS:** Right.

**SASTRODARSONO:** Talking about these consultant services, I have suggested to the World Bank to change the procurement of consultants. I suggest we use the system of EEC [*European Economic Community*] in use here and that is--as you know, the World Bank guidelines require that there is a two-envelope system. There is the technical proposal and in a separate envelope the financial proposal but at the same time, and then we evaluate the technical proposal without taking into consideration the financial envelope. We are not allowed to open it. So there is a pointing system that is performed by the two sides. We take the first in line, the second in line, the first in line, and if it's first in line, we negotiate the consultant for the financial terms, and that takes a long time, takes a long time, sometimes six months.

**UNIDENTIFIED MAN:** Even more, even more, one year. [*inaudible*]

**SASTRODARSONO:** So I suggest--but it was not approved at that moment, but in a certain moment the World Bank has not other ideas [*inaudible*] So at that moment I suggest to take the system of the EEC. So the system of EEC is like this: we agree, both of us agree a certain level which is [*inaudible*] grade for consultant services, say, point 70 above; 70 lower we cannot consider, but 70 above, that could be considered to be procured. Then we open the financial proposal of this—say, above 70 from the seven invited, say three has points above 70. So we open the three and take the cheapest one, the cheapest one. No negotiation anymore, just the cheapest one from the one who is above 70. This is quicker. It is agreed, yes, by the World Bank, but it's not yet in the guidelines.

**KAPUR:** Their guidelines are that the three above 70, the one with the highest, which is, say, 88, you would only talk with that one?

**SASTRODARSONO:** Yes.

*[End Tape 1, Side A]  
[Begin Tape 1, Side B]*

**KAPUR:** . . . whereas the Bank says, "No, you only talk with the one at 88, and then you negotiate the financing."

**SASTRODARSONO:** Yeah, and open only that one. And that takes a long time.

**LEWIS:** My model would be to weight both of them, the grade and the cost, and come out with the least cost per unit of quality. You could do that quite easily.

**SASTRODARSONO:** The negotiation, that takes a long time.

**LEWIS:** Oh, yeah, but if they had a price, and you also knew the way they stacked up, the grade, then you could easily work out a formula that would give you the least cost per quality delivered.

**SASTRODARSONO:** But still you negotiate, you see.

**LEWIS:** Yeah, it would be harder to negotiate, I guess.

**SASTRODARSONO:** It takes a long time because we would like to have this. They say, "No, we cannot." Six months: that's the practice. I don't know who is--I don't say that this is the fault of the consultants, of our consultants, but in practice up to now is already for years takes a long time, and that makes the delays in the project's implementation.

**KAPUR:** But of course the consultant who you choose who has 89 points knows that he's the only one . .

**SASTRODARSONO:** Yeah, and he is in a bargaining position.

**KAPUR:** . . so they are in a bargaining position, why should they already . . .

**SASTRODARSONO:** And for a developing country it's not necessary to have the 89.

**KAPUR:** Exactly.

**SASTRODARSONO:** Eighty is okay for us, especially with this cheaper, easier project like irrigation or roads. If it is nuclear or like that, okay, but if the implementation is easy, why should we have 89 point, 88 is the expensive one. Even 75 or 80 is good enough.

**LEWIS:** Of course, if there's some kind of correlation between high grades and Western firms, I mean, their origin, this is a way of protecting the western share, the American and the European share of the business, I suppose.

**SASTRODARSONO:** Well, not necessarily so because the Japanese can always also capacities [*all talking at once*]

**LEWIS:** Well, the Japanese and also the [*all speaking at once*]

**KAPUR:** The super Part I countries. Normally, has it been your experience that the ones which are 75 and 78 are relatively speaking more from countries, from developing countries, say Korea or Taiwan, whereas the 89 and 90 are Japan, Germany, U.S.? Is that what usually happens?

**SASTRODARSONO:** Sometimes the British come back also at 75, 78 and 88, 89 also be the [*inaudible*] other firms of Great Britain. It has nothing to do with geographical or . . .

**KAPUR:** Oh, I see.

**LEWIS:** Tell me again, how are these scores assigned? That's done by . . .

**SASTRODARSONO:** Agreement. Agreement between the World Bank and the borrower. First, say, general experience . .

**LEWIS:** You must be able to identify the . .

**SASTRODARSONO:** First of all, a long list. We have gotten experience with lists as long as 80 interested consultants. So there's one case that is under training, but normally we take seven or five to make a short list out of, a short list out of so many, 70 . .

**LEWIS:** You don't look at their proposals. Is that right?

**SASTRODARSONO:** And then 70, yes, we ask technical advisor proposals based on the implementation documents, terms of reference and so on.

**LEWIS:** Those documents must identify the country of origin, don't they? Can't you tell what country the firm comes from?

**SASTRODARSONO:** All are members, all World Bank members.

**LEWIS:** No, but as you look at their credentials, their documents, and decide whether this is 88 or 78, can't you tell from their records what sort of a firm it is?

**SASTRODARSONO:** No.

**LEWIS:** You can't tell?

**SASTRODARSONO:** No, there is no geographical aspect.

**LEWIS:** You're supposed to be country-blind? I mean . . .

**SASTRODARSONO:** Country-blind, yeah. Not necessarily so, say, from Great Britain always aye; from U.S. always no. We cannot say that. The countries are different. [all speaking at once]

**KAPUR:** What is the difference? [both speaking at once] I mean, how does it matter?

**LEWIS:** Well, I mean, the record, if you show me a couple of--I'm thinking about admitting students. If you are going to grade the desirability of the application, it's very hard if you have a very detailed application not to know what part of the world that person comes from.

**KAPUR:** But insofar as you know, then how does that matter?

**LEWIS:** It doesn't. It doesn't matter, but it would mean that you would, you and the Bank would be agreeing that this one or that one is the best one and you would know the nationality of the firm.

**KAPUR:** But normally . .

**SASTRODARSONO:** Afterwards, yeah, yeah. But not--I cannot say either France or that country is always better than from that country.

**LEWIS:** No, no, I don't mean that. I just meant that you, in making that, assigning that value, you would in the course of making that determination know that it was a French firm.

**SASTRODARSONO:** We don't know. [all speaking at once]

**KAPUR:** Are you saying that as you do the short listing, in the short listing you know which are the countries . . .

**SASTRODARSONO:** Oh, yeah.

**LEWIS:** Okay. All right. All right. That's all I'm . .

**SASTRODARSONO:** Now I see. In the short listing. Not in the evaluation. In the short list from the long list of possible evaluatees, and then you have the short list of possible consultant, but according to the guidelines sometimes you take five and according to the agreement you send to the World Bank: "Do you agree with the short list?" And then they say yes or no. And we agree to the short list and then the evaluation, this pointing system: the experience of the firm, responsiveness of the terms of reference, and then the staffing, the manning of the team, the team leader and [inaudible]

**LEWIS:** But they don't make any price offer? They don't offer . . .

**SASTRODARSONO:** Technical proposal.

**LEWIS:** Technical proposal. They don't price it, though; they're on the . . .

**KAPUR:** No, on the second . .

**WEBB:** That's the two envelope.

**SASTRODARSONO:** That's the two envelope system.

**WEBB:** One has the technical proposal, the C.V.

**SASTRODARSONO:** One is the technical proposal, the proposed methodology and so on, and the other is the . . .

So the point is that with this system, it takes a long time, so at least one year, and we don't disburse or reimburse yet the loan because the process, but still we have to pay this commitment fee of 3.4 percent. So that is, I think, not fair with us because even if the project unit is efficient, but because the process of project development takes time, even if there is no problem of this negotiation, even if it is the EEC system, still at least six months is in the process of procurement of consultant coming here, mobilization, coming here, so six months. Instead in the six months we have to pay the commitment fee for not disbursing, for undisbursed loans, who I think--and that is 100 percent of the loan, that's three point . .

**UNIDENTIFIED MAN:** Three-fourths.

**SASTRODARSONO:** Three-fourths of a percent to pay.

**WEBB:** Who pays that? The ministry of public works or the ministry of finance?

**SASTRODARSONO:** The government does through finance.

**WEBB:** Finance. It's not charged to the budget of the, of your organization.

**SASTRODARSONO:** No, from the national budget, a special [both speaking at once] loans.

**WEBB:** Another question.

**SASTRODARSONO:** But still it is from the national budget.

**WEBB:** I understand. No, no, no. I was just wondering about something else. But the minister of finance, he must be very happy to have World Bank loans.

**SASTRODARSONO:** Yes.

**WEBB:** But what about the minister of public works? Are you happy?

**SASTRODARSONO:** Oh, yes.

**WEBB:** Yes? Or do you prefer to have money from other sources? From the budget or from other donors?

**SASTRODARSONO:** Well, we [both speaking at once] ask, it doesn't matter as long as the loan is not too tied with the [inaudible] in the interest rate as well as in the implementation.

**WEBB:** You don't find it too complicated, working with the Bank?

**SASTRODARSONO:** Well, in the beginning, yes. Not any longer.

**LEWIS:** You're saying in effect that if there are too many conditions, you'd rather have it from another donor. Is that right?

**SASTRODARSONO:** Bilateral is usually easier, but their loans, their assistance is not very much yet.

**KAPUR:** I see. But if you had the option of getting for a project the money from a bilateral with the same amount, with the same thing, you would . .

**SASTRODARSONO:** Oh, yeah, bilateral.

**LEWIS:** Bilateral. Easier. *[Laughter]* [all speaking at once]

**SASTRODARSONO:** *[inaudible]* Japan is easier.

**LEWIS:** Japan is easier!

**KAPUR:** Who makes that decision? Do you make the decision or is it made at the level of BAPPENAS, whether, you know, if you, say, are thinking of . . .

**SASTRODARSONO:** First, there's a process. So the staff, we make first our lobby with the embassy here, with the office of the World Bank, and then . .

**UNIDENTIFIED MAN:** *[inaudible]* World Bank says, "Okay, we think this project is good."

**SASTRODARSONO:** And then both we have *[inaudible]*

**LEWIS:** If it's a good project, they both bid for it?

**SASTRODARSONO:** And sometimes a good project, not only the World Bank is interested but Asian Development Bank is interested, Japan is interested. So then we talk, and we talk further with the BAPPENAS, of course. So this is the process of the project development, and then BAPPENAS will decide, "Now, okay, we take this from this source, this from that other source."

**LEWIS:** Some donors claim that, bilaterals, that the World Bank tends to get the best projects in that process. Is that true or not?

**SASTRODARSONO:** Not always.

**UNIDENTIFIED MAN:** If there's high foreign content we'll do it with bilaterals.



**LEWIS:** High foreign content.

**SASTRODARSONO:** Because it's lower there; the interest rate is lower.

**KAPUR:** Between the Asian . .

**UNIDENTIFIED MAN:** Sort of like in irrigation, say: Japan likes to have something of flood control, the big rivers. So the high foreign content because it needs the construction equipment Japan has. So the Bank, the World Bank and ADB, so they-- the project is quite visible, but the foreign content is *[inaudible]*

**SASTRODARSONO:** And not only that. With the Bank, that is different. The Bank has to look at the IRR and so on, but bilateral assistance [both speaking at once] the social aspects, not only economical aspects. For instance, new roads. New roads in this eastern part, in this less-developed province of Indonesia, you cannot base the studies on traffic only in those areas. There's no traffic yet. We have to open isolated areas to economical exposure; it's by law. So, but no, there is some change, change already. So World Bank is now also bearing roads that we also are *[inaudible]* new areas, isolated areas open up. Economically IRR is rather low because there's no traffic yet.

**LEWIS:** So the World Bank is not prepared to sort of take risks like that?

**UNIDENTIFIED MAN:** Twenty percent, twenty. The maximum is twenty percent of the loan can go to these kind of thing.

**LEWIS:** This kind of thing.

**SASTRODARSONO:** Also *[inaudible]* But bilateral is easier. They understand, like Canada and Japan and so on, *[inaudible]* not only on economical aspects. World Bank is 20 percent, and the moment, at that moment, zero.

**UNIDENTIFIED MAN:** These costs are very, very heavy.

**SASTRODARSONO:** *[inaudible]* economically should be above 11 percent or something like that.

**KAPUR:** What is your sense of the difference, say, between the ADB and the World Bank?

**SASTRODARSONO:** It's nearly the same.

**KAPUR:** Both in terms of staffing, procurement, consultants, quality?

**SASTRODARSONO:** *[inaudible]* problems with their persons *[inaudible]* personally, but not in the system--as an agency.

**KAPUR:** I see.

**SASTRODARSONO:** Once again about this three-fourths percent as a commitment fee. ADB has done what?

**UNIDENTIFIED MAN:** ADB.

**SASTRODARSONO:** ADB has done this rule that for the first year?

**UNIDENTIFIED MAN:** First year.

**SASTRODARSONO:** First year only 40 percent of the loan has to be compensated as commitment fee, not 100 percent. You've got to understand that even if the project office is efficient, the first year you cannot spend much. So not this three-fourths, not of 100 percent but of 40 percent. And the second year is?

**UNIDENTIFIED MAN:** Fifty.

**SASTRODARSONO:** Fifty percent because they--even from the first day, the first year, we have to pay three-fourths of 100 percent in commitment fee. That is . . .

**KAPUR:** I thought the commitment fee is now being stopped.

**WEBB:** Being eliminated.

**UNIDENTIFIED MAN:** Not yet, not yet. They are still temporarily considering to reduce from three-fourths to one-fourth, but it's not yet decided.

**WEBB:** It's not yet [both speaking at once]

**SASTRODARSONO:** Maybe it's at the higher level in Washington is already, but not implemented yet.

**WEBB:** I think we've already--you've been very generous.

**LEWIS:** Very generous indeed. And you've fed us lunch to boot!

**SASTRODARSONO:** So if there are other questions . .

*[End Tape 1, Side B]*

*[End of interview]*