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Transcript of interview with

HADI SOESASTRO

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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.

Hadi Soesastro
November 22, 1991 – Verbatim

*[Begin Tape 1, Side A]*¹

SOESASTRO: So, actually, as an auto-critic, I'm part of the problem that I'm now criticizing!

LEWIS: Well, good. That's very interesting.

SOESASTRO: Well, you see, World Bank--we are economists by training, but we don't have a real experience in policy fields and so on. So we are professors, teachers, we are teachers at university. So we know theory, but you lack experience in practice.

LEWIS: Yes, I understand.

SOESASTRO: And therefore the very important contribution that I've gained from the World Bank is that your theory is, has a bridge to be transformed into policy and implementation.

A very brief example: I forgot his name, but he was a Swiss man that Bernie *[Bernard R.]* Bell--but then he came. A feasibility study, for instance, project formulation. You see, before the custom in Indonesian government is, "Give us the money. We do the job." But with the World Bank I've learned, "Formulate the job, the project; then we give the money."

LEWIS: Uh-huh.

SOESASTRO: And formulation of projects leads us to feasibility studies. These were--that is a new language, a new vocabulary: feasibility studies, project planning and this kind of thing. So that is the way I learned a lot during Bernie Bell's time period and so on.

The only problem--and now looking from the outside's point of view--is that the project planning and development was linked with the traditional, conventional economic development: infrastructure, heavy emphasis on infrastructure, emphasis on agricultural development which is--these kind of things. This is correct, and at that time, the hero at that time was Pakistan.

LEWIS: Ah, yes.

SOESASTRO: *[Muhammad]* Ayub Khan with Mahbub ul-Haq and so on. So we were recommended to study the Pakistani development plan because it was considered much more advanced than Indonesia's. When I was planning, scheduled to go, the system collapsed. Ayub Khan collapsed, and the famous 20 families took their . . .

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

Appraisal of the Pakistan success story seems to be not correct. And that brings me then to the point that the World Bank is in a mode of conventional development, pushed by--in this case--was it [*Robert S.*] McNamara . .

LEWIS: McNamara, yes.

SOESASTRO: . . who has his passion on poverty alleviation, this kind of thing. So that that was then the whole spirit of which . . .

But the project planners, program, project identification team and so on, brought the normal, conventional economists: so infrastructure development, benefit/cost ratio and so on and so forth; these are normal things. New things, looking forward, that seems to be lacking in the World Bank.

So when now, I'm now in the environment, suddenly I realize there's another world of development, a non-conventional development world, and development with environmental considerations, long-term perspectives instead of short-term, the Keynesian economics struggles, short-term policies and so on, external costs, social costs, internalization of this, long-term horizon, institution development, human resource development, non-material type of development. So I'm now in that game, in that world. Suddenly I'm surrounded by theories in which you merge environment with the development, in which you're forced to look long term and you are coping, fighting with these externalities, in which pollution becomes a big issue, in which human resource becomes more and more important, in which institutional development becomes more and more important. This is a new language that during my years with World Bank I haven't heard about this before.

Now, the '70s was the infrastructural, conventional type of development in Indonesia. It's the conventional policy type of development in Indonesia: balanced development, balanced budget, floating exchange rate, let's keep this combination between the flow by the banking system and the budget system, keep it fine-tuning and so on, look to the balance of payments and so on and so forth. It's a very clear-cut system, yes? And year and year you see this, because the World Bank and IMF [*International Monetary Fund*] rules come together, and you have always to sign this, "Dear Mr. Doctor" IMF letter, the covenant, as it's called. And the covenant will lead you towards doing things along this conventional type of development. So through that more or less the policy of the Indonesian government--of course, in the final analysis the policy is decided by the government, but it's actually shaped by the covenants which the World Bank somehow imposes. Now . .

LEWIS: Could I just—I don't want to interrupt this flow, but for a minute: how does the McNamara concern for poverty fit into that?

SOESASTRO: I'll tell you. It fits very well. But McNamara is a top man. He gets this notion, ideas. The project identification comes to teams, project teams. Then comes a team assembled by Dutch experts or experts from here and there, so combine. And they

as a project identification mission usually looks to the normal economic development: infrastructure, benefit/cost ratio, proper policies that support this, price mechanisms, loan subsidies, all these kind of—it is rather normal.

But now, when I look now is in that price structure is excluded environment. In that price structure is not included the internalization of all of this. The aspect of the institutional development, the aspect of human resource development, somehow is left out.

Now, I become the minister of environment since '78 . .

LEWIS: Since . .

SOESASTRO: '78.

LEWIS: '78?

SOESASTRO: '78, late '70s, '78. Because of my experience with the World Bank, knowing that the World Bank is crucial in influencing policymaking, the phrase goes like this: "If you want to have policy change, you work through the World Bank mission, not through the departments because it's through the World Bank mission that policy changes can go by." And it's because the World Bank has experience in policies and has the leverage through financing and through these famous covenants.

Now, therefore, when I was '78 the minister of environment, my first reaction was I must convince the World Bank that environment must be in development. There is this environment man in the World Bank, but he is not in the . .

LEWIS: The fellow from New Zealand?

SOESASTRO: No, no.

KAPUR: James Lee?

SOESASTRO: James Lee, yeah. He is not in this decision-making authority. I think he was very frustrated.

LEWIS: This is way back in '78?

SOESASTRO: Late '70s.

LEWIS: Late '70s.

SOESASTRO: But there was this Pakistani, Shahid Husain, if you recall him.

LEWIS: Shahid Husain.

SOESASTRO: Shahid Husain. He was the vice president. So I brought my case to Shahid Husain. I said, “Mr. Shahid Husain, the World Bank is very important. Please include environment into the development process.”

I remember Shahid Husain said back to me, “Look, expertise are limited. We don't have the expertise.”

And so I said, “That is nonsense. You have the expertise and worldwide. Indonesians don't have this expertise.” So *[inaudible]*

But Shahid Husain--I don't remember where he is now. Where is he now?

LEWIS: He's now in Latin America. I mean, he's the vice president for--is he still there?

WEBB, KAPUR: Yeah, yeah.

SOESASTRO: He told me that the World Bank has no skill to do this environmental consultation. But I had learned another thing in Washington, and that is talk with NGOs *[non-governmental organizations]*. So I had a good contact with NGOs through the Environment Defense group, the Sierra Club, the *[inaudible]*

After McNamara comes four other presidents, but in my judgment they don't understand a damn about environment. So a lot of good speeches, but how to translate this Nobel into *[inaudible]* And our friend James Lee was then environment but has no access to the decision-making process, and the World Bank is divided into regional divisions, sectoral divisions, and both sector and region have no environment man in it. So environment was nowhere in it.

Therefore you have this problem, the problem of transmigration issues, the problem of this dam project, and the problem of--of course, it's goes back to us, to Indonesia. But I face the same problem in Indonesia. And the president who supports these environmental issues, but I have the departments who always tell me, “If you talk about environment, it's on top.” You know “on top,” the famous “on top” phrase. It means you have a budget allocation, and anything that you want to add on it, like environment, it must be “on top” of this amount. And if you cannot provide “on top” financing then it won't be in. But there is no consideration whatsoever.

I was the minister of transportation in the '70s. The Tangerang is a project in which we have the World Bank rehabilitation of irrigation, and . .

LEWIS: Which was the project?

SOESASTRO: Irrigation.

LEWIS: I thought you said a name for it.

SOESASTRO: Agriculture irrigation projects somewhere in that part of West Java. But I'm--and transportation at that time was not in the environment, so it goes back again before '78. And infrastructure you need flat land, flat area. So what made sense, that flat area which is used for rice production. I don't have anything about environment in my mind at the time, but also not the World Bank. And we decided to build our Tangerang airport where you land exactly on the area where we had our rice field project irrigation, rice field paddies. It proves—the important thing is that environment is not “in” in the project planning. This is the point that I want to put forward. So that is an example, and the environment is not “in.”

But basically environment was not “in” the whole development plan in the '70s, and I had a hell of a lot of difficulties in the late '70s to get the environment dimension in it. It's in the mid-'80s that the World Bank shifted, and that shifted the whole. But meanwhile since '70s to mid-'80s we have a huge lot of projects in this environmental area.

But, not only that: the environment dimension cannot go also in the sectors from '70 until the mid-'80s. Why? Because environment is not in the priority area of the World Bank. It's later, after the big demonstration and so on in Washington, then there's a change. Then shift to the “Green Bank” of the World Bank. But my conclusion is it's not by design, it's not by vision, it's not by moving what is needed for the world development, but it's through pressure from NGOs. This is one. And that I think is a serious weakness of the World Bank.

LEWIS: These NGOs you talked to in '78, were they useful then?

SOESASTRO: Oh, yeah. But at the beginning . .

LEWIS: They didn't have much voice in that.

SOESASTRO: Not much. Both there--and I'm from the government, so here is a government fellow talking with them: “What does this fellow want?” And therefore I created, I developed NGOs in Indonesia. But if there were no pressures, I don't think that the World Bank were capable of taking initiatives of how should be the proper development in the new era. This is one thing.

But now after this we are running very fast. And therefore I was pleading that environment becomes an issue for the IGGI [*Intergovernmental Group for Indonesia*], and that was successful in 1988, actually, when that report of forest land has been developed. And then we become a subject. That was after long battle to get this subject.

But the point I want to say is on fields where you need vision, there you have this inertia in the World Bank. That is, I think, a serious criticism. So you don't expect bold, pioneer changes. So, well, this is the time frame when you look to the year 2000, the World Bank still thinks in the 1990s. It has no vision to the year 2000. Maybe the structure of the World Bank is such because there are the governors, the members of parliament and so

on, which basically are always concerned with *[inaudible]* But this is point one, that the environment consideration must be somehow forced into the World Bank. It is not part of a vision, and therefore the belated action of the World Bank in the field of environment--even the Global Environment Facility is limited to global environmental issues. And I propose for the UNCED *[United Nations Conference on Environment and Development]* '92 that you enlarge this base of the Global Environment Facility. It's not only global issues. We have local issues like the desertification in North Africa which is not a global issue but very crucial for environment and so on. This is point one.

Point two is the relation with development by whom? This is also important, and from the beginning I always—because, you see, when I started this office, I don't have a staff. Imagine. The president told you, “You are now in charge of the Ministry of Environment and Population,” period. There you are without office, without people. And you know that on the next day the first group that came to me and helped me were the NGOs, the Indonesian NGOs. They came to me and said, “Let's join forces. We are . . .”

So I was actually running an office which from the greatest portion, 60 percent were NGOs. That's the inclination why I trust NGOs.

LEWIS: This was still back in 1978 already?

SOESASTRO: Late '70s and early '80s.

LEWIS: I see.

SOESASTRO: So it *[inaudible]* for years. But because of that experience I asked that the World Bank projects could also be implemented by NGOs, which at the time was not possible. The only break-through was late '80s. So after this mid-'80s *[inaudible]* report and now we have a project by the NGOs. But that again—I think that we see more clearly it is possible, and now it becomes a fashion that NGOs are involved, but this is a second proof that no vision, no looking forward at that kind of situation.

LEWIS: Do you have a sense that there was more of that kind of vision during McNamara's time or . . .

SOESASTRO: No, during McNamara the NGOs was not . . .

LEWIS: I mean, was there forward vision, looking ahead?

SOESASTRO: Quite possibly, possibly yes, but you see when the top say this, then what you confronted are, are the missions. The missions decide, not McNamara. The missions decide. And missions are conventional economists. They ask benefit/cost ratios. They ask the cash flow. They ask these difficult strict neoclassical type of economic issues. So in that frame of mind you cannot expect new ideas of environmental consideration or NGO involvement.

The third aspect has to do with human resource cum institutional development. Here I feel that we should look again forward, that here is a country that is developing itself in which actually the capability to absorb is a very crucial issue. The big debate always is that the absorptive capacity of Indonesia is considered limited, that we have a huge pipeline of projects and so on and so forth. But why is that so? Because less is emphasized on institutional development, institution building, human resources development. So those who can--take the BAPPENAS [*Badan Perencanaan Pembangunan Nasional, National Development Planning Board*], the BAPPENAS as today, it's the old group with very limited fresh new blood. But it's practically all departments, and in the regions there is no institutional development in the regions whatsoever. So you have projects in which the institutional development did not go hand in hand. So you have your whole huge physical development projects not combined with institutions of human resources.

LEWIS: What kind of institutions have been missing or lagging?

SOESASTRO: For instance, now take for the environment, yeah? The environment requires an institutional arrangement in the region because the battlefield is in the region.

LEWIS: This is subnational region, I guess?

SOESASTRO: Province. It's just recently that now, with the assistance of the World Bank, that we've boldly moved into the regional institutional development, and the report has just been completed, 14th of November 1991. So on that there is a long battle to get agreement, and finally the World Bank did agree, and now [*Nicholas C.*] Hope is now assisting in recruiting [*inaudible*]

LEWIS: What kind of institution is this in the region?

SOESASTRO: Environmental Impact Management Development Agency. There's a huge backlog. I'm now like you have to sail, while sailing you build the ship. But you cannot wait. You have to move on.

But that type of institutional development is not only limited to the issue of environment but also in the field of the regional development institutions, and this the regions can absorb the development by themselves going down to the decentralization issue.

So projects are good. I agree that these projects are good, but I have a feeling that because of the projects you're affecting a social change that requires an adjustment in institutional development and somehow [*inaudible*]

There are three points I feel are--my experience is lack of vision in environment cum economic development; in NGO involvement, participatory development; and in institutional human resource development. Now, these three are now being corrected. And the three now are, in the year '90s, the World Bank is boldly moving into environment cum economic development, and NGO is now possible, and human resource

institutions done. But while this is being done I feel not bold enough because the issues that we face are now bigger than the involvement of these things. So other projects have now a requirement of environment impact analysis, and that is simply that just recently in 1990s.

But then how do we develop the capability of the sectors to make environmental impact analysis? Again referring to the human resources institutional development, this is the . . .

So, if I have the chance to go back to the early '70s and development, poverty alleviation is the right target, but perhaps the nature of the development should already be with environmental considerations, should already combine with participatory development, should already with institutional human resource development, and that makes possible that our development has a different character, flavor, compared with the conventional development of South Korea, Taiwan, Hong Kong, and *[inaudible]* which I feel are successful but like in South Korea with a high cost on environment and a low equal income distribution. So I--perhaps we could have done--we need to do it differently.

After saying this, it's not saying that I lost hope, but for the next 25-year plan my theory is that we must have a non-conventional type development, that is development, which is now the fashion, sustainable development, participatory and human resource institutions development.

LEWIS: That's a very clear and persuasive statement. Has education been given inadequate attention in terms of human resources? I take it you think it has?

SOESASTRO: The question is this: we have just completed our census of population. We divided into the level of education, and then looked into it and looked to the amount of unemployed group of population. Those who have not graduated the elementary school, the degree, so the total graduates--the un-graduates because they don't graduate from elementary school--and how high is the unemployment rate in that level. It's four percent.

LEWIS: Four percent only?

SOESASTRO: Yeah. Then you go to the high school. Unemployed from the high school graduates, 14 percent. Unemployed from the university, 24 percent. So while we have an interesting *[inaudible]* population, and this is the question I always ask my friend Fuad Hassan, minister of education, why we are successful in increasing enrollment ratio. The question is what type of education do we give. And if you look to that figure, it seems that the higher you are educated, the higher the unemployed. Of course, my minister of education then tells me, "Look, we are not educating for jobs, so it is not, in Indonesia terms, *siap dipakai*," like a dress you can always already, a garment already to use it. That's not the idea for the education. But my worry is that we are training unemployed high school students who don't want to stay in the village in the rural sector and who move to the urban sector.

Incidentally, this is one of the issues of the youth in East Timor. You train, after ten years there, high school students, and we are happy with that result, but they don't want to stay any more in the rural and are not yet equipped for training in the urban. So you can create a time bomb. And it is practically in all of Indonesia. So my question is: is surrounded our *[inaudible]* education.

KAPUR: And you said this has been going on after some time. What has been the Bank's role in education?

SOESASTRO: This is exactly what I want to say, this institution developmental aspect, yeah, so it is not only financing projects as such, but it's a project in an web of network of society. What do you require? And that aspect seems to be--so, if I may say so, it's like building a project, period. Dam *[inaudible]*, transmigration *[inaudible]*, irrigation *[inaudible]*. It's like an island in isolation of this networking, and it's networking, through that method comes up the issue of environment. Environment is interdependent among the various subsectors. Comes the issue of institutional development. Comes the issue of participatory development. And this seems to be left out, but now it's being corrected.

LEWIS: Has the Bank been giving attention to this issue of the educated unemployed?

SOESASTRO: I don't know.

LEWIS: You don't know that. It's really striking, your numbers, particularly because you've had a pretty vigorous growth going on here and then . . .

SOESASTRO: Enrollment ratio, enrollment ratio. But if you then look to the labor market, the unemployed, the employment absorption of those entering the labor market is very small compared with this entry *[inaudible]*

KAPUR: Why is that? This despite the fact that conventional jobs—the Indonesian economy has grown fairly strongly?

SOESASTRO: It's more in the urban and the change of economic structure to nonagricultural development, but that has a limited absorptive base of employment. In the rural sector you still see a lot of unemployment, and therefore a high growth of urbanization. Total population, urban population, in the 1970 census was only around 18 percent, 20 percent, 22 percent, but now it's close to 35, and it will go up to 45 percent by the year 2000. So there's a huge urbanization, and all this urbanization goes hand in hand with no absorptive employment in the rural plus no willingness of those who are trained to work in the rural.

And now we have a peculiar situation, the Wonogiri Dam, the dam built by the World Bank in Wonogiri in southern Java. It cannot fully utilize the water because there are not enough farmers to make use of this water. You see, actually you can have three planting seasons for around 15 months, but the third could not be done because labor is not available. And most of them goes to the urban, to the Solo area, and the old people are

getting old [*inaudible*] Those who were young are getting old now, but the young people don't stay in the rural.

And that I don't know, I'm discussing this with my friend, Minister Fuad Hassan, the minister of education, but he said, "It's not—it's not--nothing's wrong with education. Education's duty is not to train people who can readily be used in employment." So what then? But I have the feeling that our education is too much going into intellectually and the end use seems to be pushed into the background.

KAPUR: So is vocational education sort of missing?

SOESASTRO: Yeah. In the vocational training--another project but I don't know whether it's the World Bank, or perhaps it's Dutch--but we have this modern, these centers for training. Unutilized centers of training. The complaint is no routine finance to--but you check with the ministry of manpower: all these things are being unutilized.

LEWIS: But their graduates, do they find employment? Or they don't?

SOESASTRO: No, that facility is not being used.

LEWIS: Yeah, but some people are going through it, huh? Are they getting jobs when they get out or . . .

SOESASTRO: I don't know, but the complaint of our staff is that these types of institutions are not being utilized.

Now, when I tell this, yeah, it does not mean that there are no positive contributions of the World Bank, and you will get from other friends this positive [*inaudible*] What we have reached and achieved is, of course, with the assistance of the World Bank. My only question is could there be other roads rather than the conventional type of development. This is what deep in my heart I'm questioning these things. Why do we have now a tremendous pollution in all the rivers of Java, but before, in the '70s, we don't have it? Why do we have this tremendous urbanization process while before that we don't have this? So I'm questioning. My conscience then will then tell, "Well, in the '70s we have bad infrastructure and so on, so that conventional part is necessary." But what about the '80s when we have the oil boom? And now certainly I'm promoting now the notion for the '90s we must give more concentration on environmental cum economic development, participatory approach, with decentralization combined with institutional human resource development. So in east Indonesia I'm convinced there you must hit hard on human resource development, more so than all other physical development, combined with, of course, basic infrastructure, roads, because if you don't have transportation you can't move development.

LEWIS: And human resources also means training and education?

SOESASTRO: But not the training in which you train the unemployed. So in this human resource development I'm a believer of this participatory type of development. So, you know, the way we do it together then looks like this: you pull a motorcycle into the village. There's a mosque, there's a leader, you convince the head of this mosque [*inaudible*] get him there appeal to youth, bring a motorcycle, and then take this motor-- and already not a good motorcycle but [*inaudible*]-take it out and put it back, a simple take out, put back, take out, put back. After motorcycle you go to radio, television, and motorcars. That proves that all of them pass the training have fully employment. But it's the informal sector, see. See, I'm not working in the office but setting up these technical things.

KAPUR: When you speak of NGOs, you know, sort of almost parallel to the IGGI there is the INGIIs [*international non-governmental organizations*]. What is your sense of them? They have often been very critical of the World Bank.

SOESASTRO: Okay, I mean we must--it is necessary to have--to know what is black, you need white. Therefore I told my friends, "It's okay. I mean, I don't have any quarrel with these kinds of, but be willing to listen. Of course they will attack you." I mean I was put to the court, accused of supporting a polluted industry. Of course you have disagreements. So what?

In my experience the reports that I receive from polluted industries are from the NGOs, not from the government. They inform me that Industry A is polluting the river and so on and so forth. So that's their part. [*inaudible*] Go on, it's all right, no problem, but then be willing to listen.

And, of course, they will tell my sins, of course. But who else may say those things, no nice things to you? So in my country, I was told to my friends, "If I know this is white, then if I have it black on it, then I know it's white." So if I know in fact that the policy is right, you must know what is the other view of this.

LEWIS: What about population, the World Bank's relation to the other side of your portfolio? Has it been useful there?

SOESASTRO: Yeah, so you know that we are [*inaudible*] population and so on. The question, the problem now is, however, that population is always looked as a demographic issue, purely demographic. So if you look toward women you see in the women fertility rate, and therefore contraceptive devices, and therefore focus on her. Period. [*claps hands*] But my logic here is that while not ignoring family planning--it is very important--but the reality is that we have on the average 3.2 children and that by the year 2005, 2010, we may have 2.2 children, and that's reached the natural reproduction rate equals to one. And then perhaps one generation later we will have the stable population. So, say, when we reach 2005, 2007, that will bring us to a total population of 207 million. While you emphasize democracy is important, family planning is important, you still wind up in having an increase from 180 million now to 207 million later.

So my question then becomes how to make this population from a liability into an asset. So not only in demographic issues but human resource development, and therefore don't look to the women as only a subject, an object for these contraceptive devices and so on, but how can we use her brain here--and therefore I'm complaining to my minister now of women's affairs that women of Indonesia are second-class citizens, and it's strictly baloney when we say that we are treating them well and so on and so forth. It's not that I'm in favor of a woman's lib here, but women are very not well treated. You go to Bali. Our women are doing the manual man's work with 25 percent lower payment. Those who work in the cigarette factories, yeah, have a lower payment, and the social facility is very bad. So it's the human, again the human resources development and how to give them a qualitative increased quality.

That's why this office has just submitted a law, which will be in the parliament next month. It--we emphasize the population issue of the quantity aspect, and here comes the family planning and so on, but then the mobility aspect because this migration issues create pressure that the rural outflow of population into urban and that is for every three that goes out from Java, one that goes in, and the one that goes in from outside Java are the brainy people and that goes out are the muscle people from Java. So we are qualitatively reducing the quality of human resource outside Java and raising it up in, which is not already in the benefit of outside Java. But this is another mobility issue. And the third issue is what we call the qualitative issue, hitting hard on education, manpower development and, maybe surprisingly, religion.

LEWIS: Religion.

SOESASTRO: Yeah.

KAPUR: The Bank says that its major sector of lending now in Indonesia is human resources.

SOESASTRO: Yeah.

KAPUR: Has that been a major shift, do you think, or . . .

SOESASTRO: No, no. What I want to know is human resource development for what. If you build for the unit of training, high schools and so on and so forth, but the end result will be an unemployed educated man, is that human resource development? This is this unlinked, not linked with this [*inaudible*] approach that I mentioned earlier. This I feel is somehow . . .

LEWIS: Well, I suppose that the labor market has some role to play there, doesn't it? If you give skills or you can make people literate, numerate, and give them sort of skills that can be applied in the various kinds of occupations, then isn't the market going to pull them into activities where you have expansion going on?

SOESASTRO: The labor minister told me that the absorptive capacity of economic development is less than the increase of supply in the labor market.

LEWIS: Probably so. But your service industries haven't been growing very rapidly, I think, have they?

SOESASTRO: But does the service industry require that type of educational training, education?

So I was wondering when this Wonogiri in central Java—I told him, “If you have a dam, if you can have three times planting in 15 months, why do we have not enough young people who are willing to do that job?”

Then he told me, “The young people now don't want this hoe but want Seema [*phonetic*] tractors because agricultural development with this is looked . . .”

Then my question is: who creates that value system? It is not part of our training of education that we put much too much emphasis on training intellectual types and look to capital type of development? This is the crucial--this is what I mean, yeah, that in general I feel the World Bank are full of people who are used for conventional development. The development that has taken place that brought Japan into an hydro take off, United States take off, Western Europe take off and so on, but a take off development with environmental degradation. Therefore we have this global warming, sea level rising and so on and so forth. That type of development this developing country cannot afford. Therefore, I have a feeling is a different type of development.

LEWIS: Do you think there are some countries that are models for that kind of or at least moving in the direction of this different kind of development?

SOESASTRO: I have also difficulties with my colleagues. My colleagues imagine when I talk this way is that I'm against the rapid development, the technology, the investment of our growth, as if because there is pollution and therefore when I say we must not add to the pollution, that pollution becomes a conditionality, environment becomes conditionality. So I have difficulties with my colleagues.

But [*Ahmad*] Mattar, the minister of environment in Singapore, he understands my feeling, and there he is implementing it in Singapore. In Singapore you have development with environment, stressing the human resource aspect, but the only problem is you cannot imitate Singapore because Singapore is too small. Secondly . .

LEWIS: They don't have much in the way of agriculture, do they?

SOESASTRO: Yeah. But secondly it is so rigid leadership. Lee Kuan Yew is very tough. So it has that shortfall.

I'm against South Korea: that is not right, the South Korean model.

Hadi Soesastro
November 22, 1991 – Verbatim

KAPUR: Did any of the population programs have nutritional components in it?

SOESASTRO: Oh, yeah, yeah. Nutritional intake is good. The only problem is that by monitoring it we looked, we assessed the nutritional supply instead of nutritional intake because intake is rather difficult to determine. So you have an east Nusa Tenggara population with high nutritional supply because there is a lot of cattle, but not necessarily nutritional consumption. So that's why, if you look to the figures on nutrition from Indonesia, be very careful. It is not intake; it's not consumption. It's availability.

KAPUR: I see. That's different.

WEBB: Before you referred to the regions, this new--you say you finally managed to convince this new environmental monitoring agency. Do you find that it's difficult for the Bank to deal with decentralization in general? Have you had other experiences where the nature of the project really--this makes it close to the people, too, with more development [*inaudible*] but it requires large decentralization.

SOESASTRO: Right. I have a feeling that the World Bank is not pushing too strongly on that, and that's the reason . .

[End Tape 1, Side A]

[Begin Tape 1, Side B]

SOESASTRO: . . the World Bank must be innovative. That's the key word.

So I feel it's not enough being done on the decentralization, but I sense the difficulty because you are coping with sectoral central government agencies who have the inclination to build a kingdom, to build an empire into the respective issues, and in most cases they are not decentralization oriented. But I don't have a line agency in the country, so I don't feel--I don't have that interest to build an empire. Maybe if I am in a sectoral department, I would think differently. I don't know. But it's maybe because you are sitting on a non-line department agency that you have this view.

But what I see is that there is this--the second 25-year plan must have decentralization. The problems of development in the central government is so complex. You cannot treat Irian Java the same as North Sumatra. It's difficult. It's not simple as half an infrastructure allocation resource and a single [*inaudible*] It's not just that very simple.

WEBB: But it's quite close to a political issue, isn't it?

SOESASTRO: Yeah.

WEBB: Because if you give money, you give power.

SOESASTRO: Yeah. But World Bank with the covenants are already engaged in politicking.

LEWIS: How much receptivity is there in the central government for this kind of decentralization?

SOESASTRO: It's battle, a fight. Decentralization is still a fight.

WEBB: And you were going to say the World Bank already is in politics?

SOESASTRO: Oh, every year we sign this “Dear Mr.” this fellow from the IMF . . .

WEBB: [*Michel*] Camdessus?

SOESASTRO: Yeah, a letter, yeah. Well, the whole standby, in every negotiation. Of course, this we don't tell the public, but before we go to IGGI there are conditions--covenants, it's called, A, B, C, D and so on.

Now, I don't have any objections to it, but some part of the covenants are very much, very much too conventional. Logically speaking you need a proper macro policy framework. This is correct. But how is this macroeconomic policy linked with all these other three issues--environment, participatory, and institutional development--if the three are not captured through the market and therefore have no value? This is my difficulty. So when I say environmental sound development—we make, together for the World Resource Institute of Washington (Repetto, you know, Robert Repetto), there we came to the conclusion that we are depleting our resources, depletion of resource stock. But in the reports, in the *World Development Reports*, it's so many percent rate of growth, seven percent rate of growth, but with environment in it, depletion of resource stock, it becomes four percent. Now, but the difficulty that I have is I cannot include this environment element, participatory NGO contribution, or this human resources development into GNP calculation. So and therefore it doesn't come into this macro policy and therefore does not come into the World Bank covenants.

LEWIS: Well, the Bank has had some people like [*Herman E.*] Daly who've been pushing in just this same direction.

SOESASTRO: Daly, Jeremy Warford, [*Mohamed T.*] El-Ashry are my friends--perhaps my only friends--in the World Bank. The rest are the conventional economists who don't understand. Those who speak the Daly language--Daly is complaining that we are not using oeconomia but karamatistics, we call it that way. This karamatistics is the science of short-term efficiency, low cost and so on, and oeconomia is long term and so forth. They start with the assumption that economists are not preaching, implementing, oeconomia but karamatistics is extrapolated. So I have a feeling Daly is a different breed of economist, Jeremy Warford is a different breed of economist, and El-Ashry is a different breed of economist.

But if the mission comes, transportation mission, yeah, these are typical people who talks about benefit/cost ratio, infrastructure development, plop, like this, and no--and then on environment the guide rule of the World Bank on environmental impact analysis. That's it. But how they internalize . . .

KAPUR: Are the new infrastructure projects that the World Bank is doing, are you invited, or is your department invited to . . .

SOESASTRO: New infrastructure projects?

KAPUR: In Indonesia, are there any that the Bank is doing that you are invited . . .

SOESASTRO: No, we are only, we are this institutional development of this environmental agency, and there I'm not engaged in this, the other. I hope that our fellow in the BAPPENAS takes care of the environmental aspect because there's an environment bureau in the BAPPENAS.

KAPUR: They report to you?

SOESASTRO: No, to the head of BAPPENAS.

WEBB: To change the subject a little bit: in history, style is often a big part of the story, and we'd be very interested to know more about just how, for instance, Bernie Bell operated and some of his successes when you dealt with him in the late '60s and '70s. What was the manners, the ways in which they influenced--if they influenced--because it wasn't covenants, not very much in those days. It was more subjective, more intangible, and so it's hard for us to reconstruct that.

SOESASTRO: Bernie is considered an Indonesian man, and therefore if the mission comes--but I'm talking about covenants more actually the IMF missions during the '70s, it's stabilization more than development and they established this, the World Bank--the IMF mission that comes, and [*Frans*] Seda had always these conditions for standby and before you signed this, you have difficulties in the IGGI meeting. So that is the message.

Bernie is actually already part of Indonesia—he's very much an Indonesian--from heart he is committed to Indonesia. So with him, his approach is right. He's a—I mean, we went very well. The chemistry was very good. No problems with them.

The problem that arises are usually with missions, missions that come and go. These are the missions, the project identification mission and so on and so forth. They come and go, and there are sometimes problems. And in the projects there are covenants—so, for instance, on the Jatul [*phonetic*] project, that there will be water charge, for instance, to make it a viable proposition. On this PUSRI [*P.T. Pupuk Sriwidjaja*] project, this fertilizer project, there may be, there should be price adjustment in order to make it feasible. So in the projects there are covenants in which--and I understand, because it raised the revenue. Cash flow becomes always very important.

LEWIS: This thing--in effect what you were saying if you want to make a policy change, you work through the World Bank mission. That is one of these visiting missions? Or are you talking about the resident mission?

SOESASTRO: Look, final, the IGGI report of the World Bank is very important because the donor will listen to the World Bank more and to the IMF more than to the Indonesian government. So what is reported by the World Bank and IMF becomes crucial, and it is here that . . .

So there is this aid diplomacy. The major substance of this aid diplomacy is to what extent will the World Bank/IMF say in IGGI what you want them to say. On the other hand, IMF and the World Bank has a leverage that we must do what they say. So somehow there's a meeting ground, and that will be forthcoming in the IGGI. So sometimes there's a big fight. A big fight. Now, in that fight Bernie Bell is usually in our side, and also the other man who was long here in Indonesia.

LEWIS: Russ [*Russell J.*] Cheetham?

SOESASTRO: No.

LEWIS: D.C. Rao?

SOESASTRO: No. Siber. [both speaking at once] This is his [*inaudible*] Siber. You know him? Kemal Siber.

LEWIS: Oh, yeah, yeah. We're going to meet him. He came as a Fund, of course, man.

SOESASTRO: That's right, that's right. Siber, Kemal Siber. And he's also a real--he understands us. You see, Siber is from Turkey. He's not American, and he understands if you talk the way [*inaudible*] he understands, too. And Bernie is—he becomes a good friend.

LEWIS: Do you have a feeling about this current fellow, Nick Hope?

SOESASTRO: He's rather new. But he's already getting [*inaudible*] One indication that is very interesting is that he learns the Indonesian language very fast. So he tried to--what do you call it--adjust with the local conditions.

LEWIS: It is true, isn't it, that the current Indonesian language was kind of invented a generation ago or so?

SOESASTRO: No, it's a language by the minority of Malay, of the Malay ethnic groups in North Sumatra.

LEWIS: North Sumatra, huh?

SOESASTRO: Yes, in Sumatra we have Riau, and that Riau has a Malay. Only a small group, less than one million. That's Malay. And then in West Sumatra, North Sumatra, Riau.

It has also a link with Malaysia. So there is Negeri Sembilan, it's called. That's a kingdom in Malaysia which ancestors are from Indonesia. They all speak Malay.

So this is only from less than two million people, and we took that as a national language in 1928. We took that as a national language during the colonial period and not accepting the Javanese language because Javanese is a little bit feudal. So if you are a feudal man you talk differently to this fellow, lower, and he must talk differently to you. It is very feudal and *[inaudible]* But this Malay is very democratic.

LEWIS: Oh, I see. And that decision was made by the Dutch?

SOESASTRO: No, by the Indonesian youth.

LEWIS: The youth?

SOESASTRO: The youth of Indonesia were split into Young Java, Young Sumatra, Young Celebes and so on. In 1928 on the 28 of October they merged into Young Indonesia, and that proclaims a commitment--we call it (what is it) a pledge, national pledge--to consider only one nation, Indonesia; one flag, red and white; and one language, Indonesian. In 1928, 28th of October. Of course, those who participated in the meeting were then put in jail by the Dutch, but that pledge continued.

But to go back to Bernie Bell, he is considered as Indonesia's friend, together with Siber. The end result will be that if we want here and the World Bank want here, what comes in the IGGI usually in the middle. It is not fully what the World Bank wants and sometimes not fully what we want, and here the deliberating skill becomes a crucial factor. Here Widjojo *[Nitisastro]* enters into the picture.

KAPUR: Bernie Bell left here around '72, and between '72 and now you had many other representatives.

SOESASTRO: Yeah. Come and go. Not that as impressive as Bernie Bell. People come. People go.

LEWIS: We were told in Washington they had notions of--they thought that D. C. Rau was rather successful, the Indian, that Bell was concerned about an Indian coming but that he actually worked out pretty well. Do you remember?

SOESASTRO: Yeah, but D.C. Rau was after '72.

KAPUR: D.C. Rau was '84 to '87.

LEWIS: That late? Bernie Bell was here about seven years, right?

KAPUR: No, '68 to '72.

LEWIS: That's wrong, I think. They . . .

WEBB: I was told '75.

LEWIS: '75. About seven years. I think we had the wrong dope on that, I think. He was here a longer time than we were told, I think. At least, that's what we learned from the--when we talked with the Washington office.

SOESASTRO: In general I don't have a quarrel with the resident mission here. That I don't have quarrel. My usually quarrel is with the missions coming from Washington. These are the bright guys, very clever, very knowledgeable, but coming in with already perceived notion of a type of development which is conventional: infrastructure, benefit/cost ratio, in a macro structure of [*inaudible*] and so on. It's that type of--they come--blub, blub, blub, blub--go, and then develop the projects. And then you negotiate there. But it's the question that you never hear mention, talking about internalizing external costs, about the NGO participatory development, about decentralism. It doesn't fit in with that type of vocabulary. But it's not the Bernie Bell people. Bernie Bell made the, usually the annual report to this IGGI, assisted by them. But the project identification missions are usually fellows coming down from Washington.

WEBB: Did Bell give you some good ideas?

SOESASTRO: Oh, yeah. Yeah. Well, Bell trained me about this—I've never heard before about this in my studies—this was not my--I was a macro man, a macro manager. Suddenly I must go to project management. So a new complete language.

There was one Swiss man. I forgot his name, but Bernie Bell had had another Swiss man. He really taught us--and the introduction of the [*inaudible*] form, which is now a project document, is by the World Bank--a Pakistani. I forget his name.

LEWIS: Richard, I think that, from what you say, Bernie Bell was actually, his substance was very much the substance of what you're calling conventional development. I mean, it was business benefit/cost stuff; he was talking about large construction projects. What is different is that it was the modalities, the manners, that he was a friend. He was interacting with you all the time, understanding your point of view.

SOESASTRO: Yeah, yeah. But the substance during that period since '72 makes sense because the infrastructure was bad, so it's rather [*inaudible*] The issue comes when you talk about the '80s. There comes—see, the '70s necessarily will be heavily on infrastructure because it was very bad. Roads were bad and so on and so forth. I was at that time in charge of infrastructure. I was the deputy for material and infrastructure

development, something like that, in the office. So it's very simple. I mean, roads are bad, we up grade. Harbors are bad, we [inaudible] But in the '80s you give substance to where Indonesia is moving, that's a different time. It's capacity-building. What capacity do you build, that is the . . .

If at that time environment was firm into the mainstream, then maybe we have a different type. Then we don't have these pollution issues here along the rivers.

LEWIS: There's something about these traveling salesmen who come out from Washington in a hurry. They seem to be able to peddle the standard neoclassical messages better than they did poverty alleviation in the '70s or than they do sustainable development now.

SOESASTRO: Yeah, yeah, exact, that's right. At the time I don't blame them because at the time sustainable development was not yet a fashion. There were no books at the time. The books were written in the late '80s. Then you--after this *Common Future*, the World Commission on the Environment, then everybody speaks for sustainable development, but before '87 no one—well, a few--but no one really talks, so at that time this was not a fashion. Daly is a recent phenomenon. He came after '87.

KAPUR: He was hired by someone called Robert Goodland.

SOESASTRO: Robert Goodland was already, but I don't think he was influential in the World Bank. He's a young fellow. He was working with James Lee. He's a young fellow but not influential in the World Bank.

LEWIS: [Kenneth W.] Piddington didn't work out very well, did he?

SOESASTRO: Who?

LEWIS: Piddington? He was the New Zealander hired to be head of the department.

SOESASTRO: Yeah, I know him; actually he's now taking his [inaudible] Pennington was a recent appointment, the last [both speaking at once]

LEWIS: He came in with the reorganization in '87.

SOESASTRO: Yeah, about three years ago.

But I'm more closely with Jeremy Warford. What I want is how to get the environment into the policy making. That is what I want. El-Ashry, he was formerly in the World Resource Institute, as they saying, so I'm more--my wave length is more close to him rather than James Lee. James Lee is a different type, so we did not meet. But Jeremy Warford, Ashry, Daly, I think, I have to say greater.

But there are only few in the World Bank of these fellows. The dominant forces are the project--agriculture, industry, and so on--who are in the typical neoclassical economists.

LEWIS: Yes, well, this has been fascinating.

WEBB: Powerful. Very helpful.

SOESASTRO: But the bottom line still is the World Bank has done a lot; that is clear. And McNamara was the pusher because he took a bold initiative to put a mission here in Indonesia, which was never done before. And I think that can prove to be a good example. So after saying all this, if you then ask between a World Bank mission here or not, I prefer a World Bank mission here. It did contribute to the development of Indonesia.

LEWIS: Very nice.

SOESASTRO: Thank you.

[End Tape 1, Side B]

[End of interview]