

WORLD BANK HISTORY PROJECT

Brookings Institution

Transcript of interview with

JOHANNES B. SUMARLIN

**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.

Johannes B. Sumarlin
November 25, 1991 - Verbatim

[Begin Tape 1, Side B]¹

LEWIS: . . . from early on in the . . .

SUMARLIN: Since 1968.

LEWIS: '68, yeah.

SUMARLIN: Late '68. I joined the group in the government.

LEWIS: Did you come from the university also?

SUMARLIN: Yes, well, I came from University of Pittsburgh. I just . . .

LEWIS: From Pittsburgh!

SUMARLIN: Yeah.

LEWIS: Oh, I'm from Princeton, you know.

SUMARLIN: Oh, Princeton. Well, I earned my doctorate degree, you know, in Pittsburgh. It was 1968. And right away I went home and joined, you know, National Planning Office chaired by Professor Widjojo [*Nitisaastro*] at the time, so I assumed the responsibility as the deputy chairman in charge of fiscal and monetary plans from '68 until '73.

LEWIS: They popped you right into the deputy chairmanship.

SUMARLIN: Then '73 until '83 I was responsible for—vice chairman, you know, I was appointed vice chairman of the planning office.

LEWIS: I see.

SUMARLIN: Or vice president of Professor Widjojo and concurrently minister of state for administrative reform. That means, you know, trying to improve the performance of government bureaucracy. Then '83 until '88 I was the chairman, minister of planning and chairman of the planning office, replacing, you know, Professor Widjojo. Then March '88 until now I'm here. So I've been, well, close to 20 years in the planning office.

LEWIS: Yes. And you joined the government just the same year that the World Bank started up here.

SUMARLIN: Right, right, yes, yes, yes. That's why I'm, well, I still remember vividly, well, our association with the World Bank because it's long enough. So at the planning

¹ Side A is interview with Kemal Siber.

office, instrumentally, of course, we had to work together or we, you know, get close, you know, cooperation with the World Bank, especially when Bernie [*Bernard R.*] Bell started there.

LEWIS: Bernie Bell started out here, yes, yes, yes. We've all met with Kemal Siber this morning, and I stayed on longer. We had a fine talk. He was here when Bernie arrived with [*Robert S.*] McNamara.

SUMARLIN: Yes, exactly. He was here, well, as a rep officer, representative of . .

LEWIS: Of the [*International Monetary*] Fund.

SUMARLIN: IMF, of the Fund.

LEWIS: Yes, yes, that's right.

SUMARLIN: Well, we worked together, how to streamline, how to take care of our monetary, you know, affairs at the time. So, well, it was very helpful, you know, working with Siber, as well as with Bernie Bell, of course.

So that's why in--I remember the key success of our work with the World Bank has been the quality of the local people, the rep office of the World Bank in Jakarta.

LEWIS: Really.

SUMARLIN: Oh, yes, yes. With Bernie Bell was—you know, it's very—well, we enjoyed very much working with Bernie Bell. It was very helpful indeed in moving our project ahead. In 1968-69, for instance, when none of us in the bureaucracy knew how to prepare a project, a project, you know, good for World Bank consideration--only, I think, in 19—let's see—'70, yes, in '70 we taught our people how to prepare the projects, at the same time World Bank provided us the technical system: how to prepare the project, good project, so that is qualified for World Bank financing. Something like that. And we learned a lot.

We used to have a very frank and open dialogue with the World Bank, with the IMF, with AID [*U.S. Agency for International Development*], because we knew at the time, you know, we need their support. We need their support. Let's have a dialogue, a frank dialogue with the, you know, people like World Bank, you know, Bernie Bell from World Bank and others, at the time also from AID. It was very important to us.

LEWIS: You had a fellow named Stokes Tolbert here.

SUMARLIN: Stokes Tolbert, yes, I knew him, yes. Later then he joined World Bank.

LEWIS: That's right.

SUMARLIN: Yeah, I knew him fairly well, too. Stokes Tolbert. Tall.

LEWIS: Tall, tall, that's right, that's right.

I gather that in a way the policies that the Bank and that you have been sort of jointly pursuing have been, have a certain common pretty steady thread that goes all the way through it. It's always a—you're interested, certainly, in growth but with stability, that there's a very strong emphasis on one might say conservative finance. Is that right? I mean, you're concerned to avoid inflation . . .

SUMARLIN: Oh, yes.

LEWIS: . . . to avoid excessive deficits, either internal or external, and this has been a pretty constant . . .

SUMARLIN: Right, theme. Right.

LEWIS: It's just gone from one finance minister or one coordinating minister to another, not much of a shift in that?

SUMARLIN: Yes. We stick to that kind of theme, yes, yes, yes, we adopted that kind of theme because, well, because we learned last year, and in 1950 until '65 at the time was inflation very high and reached—I mean, the climate in 1965 and our inflation was 650% per annum.

LEWIS: 650 percent in 1965.

SUMARLIN: Yeah. And practically between '62 and '65 there was no growth at all. What you had then is negative growth. So learning from that experience, and mostly we commonly adopted the policy of—we call it growth with stability. So since then we've consciously pursued that policy. And it happened—that's the thing also compatible with, you know, World Bank, IMF ideas. But we deliberately adopted that policy, that strategy, growth with stability and equity. Oh, yeah. Today we call it three *logi* of our development, you know, objectives of growth, stability and equity.

LEWIS: And how did you—what parts of the program were focused on equity particularly?

SUMARLIN: That's primarily, you know, well, development in the agriculture sector, because 70, 80% of people at that time lived in the rural areas. If you can improve their life, you know, through farming and others, that means direct or indirectly improve their lives, their . . .

So most of—I don't know--World Bank assistance we've concentrated on improving agriculture business sector, building infrastructures, improving our schools quality, so that's mostly direction of the World Bank assistance or other assistances.

WEBB: Was the Bank reinforcing that emphasis right from the beginning? Do you remember what the Bank's priorities were for sectors?

SUMARLIN: Agriculture was a priority, I think, because . .

WEBB: Really. '68, '69?

SUMARLIN: '60, '69, '70, and then, yeah, still. Irrigation, improve harbors [*inaudible*] and infrastructure, you know: port development, road networks. We--but in the '70s we began to receive World Bank financing to build a rural road network. That's also very important, connecting, you know, where the product [*inaudible*] connecting the producing sector with the urban areas.

WEBB: The Bank didn't finance the road projects 'til '75, I think.

SUMARLIN: Yeah, the rural road network, yes. I think they start to finance in '65.

WEBB: That's rather a long time, '68 to '75, that you were not putting very high priority on roads.

SUMARLIN: Well, because the rural roads network at that time primarily we rely upon our local financing. We call it the INPRES [*Instruksi Presiden, Presidential Instruction*], the INPRES [*inaudible*] That's what we refer to, good program and very successful, Javanese. So . . .

LEWIS: The World Bank probably wasn't doing much local cost financing early on, was it?

SUMARLIN: Well, mostly they concentrated on the irrigation, big irrigation projects.

LEWIS: Foreign exchange costs.

SUMARLIN: Foreign exchange costs, well, yes, but not so much on that.

But so the irrigation projects were mostly as a Bank project and take, well, years to complete, yes.

WEBB: What was your concern? I mean, you had a plan and projects.

SUMARLIN: Yeah.

WEBB: Was it really the Bank deciding where, which projects they would finance or you were saying, "You finance this"?

SUMARLIN: Well, we decide . .

WEBB: You decide.

SUMARLIN: . . . the project and we put it in our Five Year Development Plan. Then, of course, before we prepare a plan, of course, you know, we received also a lot of inputs from the World Bank, [Russell J.] Cheetham and other experts, from, you know, our people in [inaudible], and from other people, from [inaudible], you know, people, you know, well, from other countries, mostly at the time Dutch. Also we received Canadian people, Japan and others. Based on this input we prepare a Five Year Development Plan. There we decide our plan. So basically the projects we decide ourselves, not instructed or, you know, [inaudible] focus on the others. So this is the way, but the way we prepare our plan, of course, based on various inputs, from within, from our own people, and from others, but once we put it in our plan, it is our plan.

WEBB: And the Bank was fairly flexible in financing the projects that you wanted them to finance?

SUMARLIN: Oh, yes. So far so good, you know. Well, but they—actually, it depends on our people also, you know. What happens, you can convince them, and the World Bank, they are responsive to our, you know, our requests or our thinking, but as long as we have a good people, I mean good representative people of the World Bank in Jakarta, there's no problem.

LEWIS: Let me go back to this business about poverty and agriculture. At the time that you were really getting going here in the early '70s is when McNamara also was focusing very heavily on poverty and on the smallholder agriculture, pushing, the Bank was sort of leaning very hard in that direction. Did that—did you go along with that kind of line here or . . .

SUMARLIN: This was our own program.

LEWIS: Your own program. I see.

SUMARLIN: Oh, yes, yes, yes. And it's compatible with McNamara ideas. Like transmigration: that's the way we solve our poverty problem on Java. You know, we move out landless people from Java to outer islands, to Sumatra, and there these people receive a quarter hectare of land. So this is the way we, you know, we deal at the time with poverty problem. In the meantime, when people are leaving Java, you know, we can consolidate our land on Java also.

So transmigration also is one of our programs. We try to not only redistribute our populace. Java is the most densely populated area in this country. This is maybe—how many percent at the time?--80% of the total population live in Java. One solution [inaudible] moving out the people and give them jobs, give them land outside Java and in the meantime improve the irrigation area in Java also. And we built also irrigation outside Java so that, you know, the people, the farmers, coming from Jamati can continue

their, you know, their farming, wet farming.

WEBB: Is that continuing, the transmigration?

SUMARLIN: Oh yes, oh yes. Continue until now. Yeah.

WEBB: Is the Bank still supporting that?

SUMARLIN: I think in the last, let's see, three or--three years, three years, I don't remember—maybe not now but, you know, maybe three years before this, because when I left BAPPENAS [*Badan Perencanaan Pembangunan Nasional, National Development Planning Board*] I left planning, but still, well, financing from the World Bank, still, you know, loans from the Bank financed this.

KAPUR: Professor Widjojo had sort of asked us to raise two issues with you which he said you would know best. One was, he said--two topics, one was the resolution of the debt in the late '60s, that whole sort of episode. The other was he felt that you might have some . .

SUMARLIN: You mean foreign debt.

KAPUR: Right.

SUMARLIN: Our foreign debt.

KAPUR: Right. How that was resolved and the way--he said you would have a . .

SUMARLIN: Well, our debt was resolved in 1970 when, you know, we agree on the Paris talks.

LEWIS: You're talking about late, weren't you? Or are you talking about the early one?

KAPUR: Yeah.

LEWIS: Okay. Excuse me, sir.

SUMARLIN: The early one. That means, you know, we reschedule our old debt, you know, along the Paris, you know, agreement in 1970. But based on then we can really take a breath, you know, so because the debt had to be rescheduled on 25 years—25 years? Until '85, fifteen years, something like that. Well, based on that, then we can enjoy the, you know, the discipline of foreign loans. And it was always our strategy in committing new debt that new debt should be a soft one, concessional, and that means the interest if possible should be zero after that and the repayment should be as long as possible. And we get that kind of financing in early '70s from the IGGI [*Inter-Governmental Group for Indonesia*] funds; that's fifty years. AID and U.S. assistance

was forty years, interest of zero, only three quarters of one percent. So Japan, the interest to them maximum was two percent for thirty years.

But once our economy, you know, began to mature and then began to grow, well, starting in 1976, then we received less concession. [*inaudible*] Instead we embark upon looking for semi-concessional funds. There we started to build our satellite through export trading facilities. It was 1976. But since then I think the amount of assistance of World Bank I think is still increasing all the time. Up until to now I think we received—let's see--1.5 billion dollars, something like that . .

KAPUR: 1.6.

SUMARLIN: 1.6 billion, yes, yeah. We started very low at the time, in 1970s.

KAPUR: The debt resolution at that time was fairly exceptional.

SUMARLIN: Yes.

KAPUR: What sort of led to such an exceptional . . .

SUMARLIN: Oh, well, you know, we hired an expert from Switzerland, Dr. [*Hermann J.*] Abs.

KAPUR: Right.

SUMARLIN: I've been speaking with Dr. Abs. I just received his book today, this morning, that he wrote about, you know, his experience dealing with German debt at the time, in 1952.

So based on his formula, then, we come to the Paris Club, and we receive agreement, I mean there's agreement that we can, you know, reschedule our old debt for fifteen years, something like that. And then we start to, well, to look for new debt, a new borrowing, new loans, and this had to be concessional because our economy at that time was still, you know, very, well, very low and we need to [*inaudible*] our agricultural sector, something like that. We need, you know, very concessional, and we managed to have that kind of financing. So . . .

LEWIS: I'm afraid we've used up our ration of time. Well, sir, it's very good of you to see us for this length of time, and we will try to digest all that we've been picking up from you and your colleagues.

There'll be nothing to show for it for some time. This book of ours is not going to come out until 1994.

SUMARLIN: Oh, I see, still, you know, three years to go.

LEWIS: It's a long time, yes, but it's a lot of work to do.

SUMARLIN: Well, I think the World Bank is very—are you going to see our colleague Mr. *[Ali]* Wardhana?

LEWIS: Yes, this afternoon later.

SUMARLIN: Oh, good. And then you can have, you know, well, more information or, well, information because if you listen to me, maybe I'm biased. Yes, maybe I'm biased.

LEWIS: We're all biased.

SUMARLIN: I've been too long at the planning office.

[End of Tape 1, Side B]

[End of interview]