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THE WORLD BANK

Washington, D.C.

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INDONESIA - IBRD Resident  
Mission 1968-

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INDONESIA : IBRD resident mission - set



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<b>File Title</b> Indonesia: IBRD Resident Mission - set		<b>Barcode No.</b> 1075621		
<b>Document Date</b> October 2, 1968	<b>Document Type</b> Letter			
<b>Correspondents / Participants</b> To: Francis R. Poore From: A.F. Johnston				
<b>Subject / Title</b> Quarterly Report on the status of financial arrangements				
<b>Exception(s)</b> Personal Information				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td><b>Withdrawn by</b> Vlada Alekankina</td><td><b>Date</b> August 13, 2018</td></tr></table>	<b>Withdrawn by</b> Vlada Alekankina	<b>Date</b> August 13, 2018
<b>Withdrawn by</b> Vlada Alekankina	<b>Date</b> August 13, 2018			



ROUTING SLIP

Date

August 19, 1968

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. M. Hoffmann

845

*R.H.D.*  
*in [unclear] [unclear]*

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

As requested.

Marcelle Dery

*about this.*

*I should send this in & then let [unclear]*

From



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: August 16, 1968

FROM: M. Shoaib

SUBJECT: Indonesia*W. Shoaib*  
President has seen

I place below draft Terms of Reference for Bank Resident Staff in Indonesia drawn up by Mr. Bell after consultation with me. This seems to meet the situation and also takes care of the decision taken in May that the Asia Department would continue to "service" the needs of the Mission at the Washington Headquarters as well as process their papers, etc., for Board and other consideration/action.

Enclosure

cc: Mr. Knapp  
Mr. Goodman  
Mr. Bell

*(Bell sent copy  
of this memo +  
Terms of Reference  
to Rosen + Aldenfeld)*

*8/17  
Aldenfeld in the  
assumption that  
it has been covered  
in my message Knapp,  
Aldenfeld, and Rosen  
C. M. C.*

TERMS OF REFERENCE FOR BANK RESIDENT STAFF IN INDONESIA

1. This statement sets forth the Bank's objectives in establishing a Resident Staff in Indonesia, and outlines the tasks of that staff and its relation to the Government of Indonesia, to the Washington staff of the Bank and to other institutions providing technical and other assistance to Indonesia such as IMF, UNDP, the Harvard Advisory Service, US Aid, etc.

A. Basic Objectives

2. The Bank's basic objectives in establishing a Resident Staff in Indonesia are to provide to the Government of Indonesia advice and assistance which it needs and has requested in the management of its economic affairs. The magnitude and difficulty of the economic problems which the Government of Indonesia faces and its lack of adequate numbers of experienced personnel require assistance of the sort the Bank is contemplating in such volume and intensity that a Resident Staff of some size, supported by the Washington staff of the Bank, is required for the purpose.

B. Tasks of the Resident Staff

3. The Resident Staff will have several major distinguishable but related tasks. It will assist and advise the Government of Indonesia: in the formation of its economic policies and its overall economic plans and programs; in the implementation of economic policy decisions; in the preparation and execution of specific sectoral and project programs and plans; in the coordination and mobilization of the technical and financial assistance which is and may be available to it. Incident to these general tasks are a number of more specific ones including:

(a) assistance in the formulation of a development strategy and a five year perspective development plan; (b) assistance in the formulation of the annual Government budget and particularly the specific content of the annual development budget; (c) assistance in preparing and executing and in arranging for the preparation and execution of specific programs and projects of rehabilitation and development in the various sectors of the economy, including particularly agriculture, the economic infrastructure, industry and education; (d) assistance in the formulation of economic policies designed to achieve financial stabilization and to facilitate the expansion of production and trade; (e) assistance in the reorganization or the creation of economic institutions which will effectively serve the purpose of rehabilitation and development.

4. It is the intention of the Government of Indonesia to rely principally upon the Bank Resident Staff to assist it in coordinating and making effective use of the technical assistance for development purposes which is available to Indonesia from foreign governments, foreign private firms and from other international agencies. The coordinating responsibility in the field of economic affairs rests in the Indonesian Government with Bappenas, the National Development Planning



Agency, and the Minister of State for Economic and Financial Affairs, the Sultan of Jogjakarta. Bappenas is responsible for the preparation of the five year plan and the annual development budgets and has the responsibility and authority for coordinating all the economic planning and programming activities of the Government. The Minister of State for Economic and Financial Affairs has the responsibility and authority for coordination of the actions of all economic ministries in the execution of plans and programs. In addition, the Chairman of Bappenas also serves as the Chairman of the Economic Advisory Council to the President. The other members of the Council are the Deputy Chairman of Bappenas, the Minister of Finance, the Minister of Trade, and the Chairman of the Foreign Investment Committee. The Bank Resident Staff will work in direct relationship to these three agencies and, through Bappenas and the Minister of State for Economic and Financial Affairs, with the operating ministries and agencies.

5. In connection with its rehabilitation and development needs and efforts, the Government of Indonesia is currently being offered a multiplicity of technical assistance and a variety of financial assistance. The Government needs and has requested assistance in diagnosing the problems which it faces in various sectors of the economy, in formulating the questions which must be answered in the preparation of programs of sectoral development and plans for specific projects. It is looking to the Bank Resident Staff to provide the necessary assistance in formulating the specific purposes and scope of necessary studies and setting the terms of reference for technical assistance teams which may be provided by other governments, by international agencies and by private consulting firms. It expects assistance and advice in selecting the sources from which such technical assistance should be obtained, in making the necessary contractual and other arrangements in guiding and directing the study and project planning efforts. It also expects the Resident Staff to assist in the direct preparation of projects on the basis of studies conducted either by the government agencies themselves or technical assistance personnel. In general the Government expects help from the Resident Staff in mobilizing and coordinating financial and technical assistance and in arranging for its effective utilization in Indonesia's stabilization and development effort.

C. Relation of Resident Staff to Other Agencies Providing Technical Assistance to Government of Indonesia

6. The International Monetary Fund is providing resident personnel who are also assisting in advising the Government of Indonesia. Most of its resident personnel are assisting the Ministry of Finance in tax and budget administration; several are advising the Central Bank and the Ministry of Finance in respect to financial and exchange policy. The Asian Development Bank plans to provide a small resident team to assist the Government in the area of food production. The Bank and these two institutions have agreed that their respective resident staffs will work in close cooperation, and by continuous consultation will avoid either duplication of effort or conflict in those areas where their concerns coincide or converge.



7. In addition, the Development Advisory Service of Harvard University will have a team of five economists assisting Bappenas. The FAO and UNDP and other international agencies, as well as national agencies, also are and will be providing technical assistance. It is the intention of the Government of Indonesia to rely on the Bank Resident Staff for assistance in coordinating the effective utilization of the various technical assistance personnel provided by these agencies.

D. Relation of Resident Staff to Washington Staff of the Bank

8. The Resident Staff will be directly responsible to the President of the Bank and Vice President Shoaib, acting for him. Mr. Shoaib will call upon the various Departments of the Bank and IFC as he considers necessary; in particular he will look to the Asia Department to ensure service to the Resident Staff, the flow to it of necessary operational, procedural and informational matter. The Staff will function and discharge responsibilities in behalf of all Departments of the Bank and IFC. It will look to the various Departments of the Bank and IFC for support and assistance and it is essential that it receive this support and assistance. In making recommendations to and otherwise assisting the Government of Indonesia in respect to its economic policies and operations the Resident Staff will, within the general framework of Bank policy, act without prior consultation with the Washington Staff of the Bank except as it considers advisable. In assisting and advising in the preparation of terms of reference for technical assistance teams, in the selection of sources from which such teams should be obtained and in the guidance and supervision of the work of such teams, the Resident Staff will act on its own authority but will rely on the Projects Department and IFC for assistance and support. It will draw upon the Projects Department and IFC for short-term specialists as it considers advisable and necessary.

9. The Resident Staff will give guidance and assistance to the Bank's project appraisal missions and will review, comment upon and make recommendations as to project appraisal reports. It will also give guidance and assistance to Bank economic missions and will review, comment upon and make recommendations with respect to reports of these missions to the Bank and to the Inter-Governmental Group for Aid to Indonesia.

10. The Resident Staff will recommend to the Projects Department projects which should be appraised for Bank/IDA financing.

11. The Resident Staff will determine the uses to be made of the proposed technical assistance credit to Indonesia.

12. All communications between the Bank group and the Government of Indonesia will be through the Resident Staff.

D. Size, Composition and Cost of the Resident Staff

13. In accordance with the 1968-69 administrative budget, the Resident Staff will include ten professional personnel, drawn largely from the permanent

*1. he is responsible for  
the policy decisions to be taken  
in the Resident Staff of the Bank*

*I*

staff of the Bank. Budgetary provision to the extent of \$560,000 has been made for the year. One member of the Resident Staff is already in Djakarta. The Director will arrive early in September and others will follow in September and October.



*our file*

*Mr. V. J. (ab)*

*INS*

*IBRD TA*

*Miss J. J.*

*Mr. C. J.*

*H.S.*

FROM: Sultan Hamengkubuwono IX, Minister of State in charge of Economics, Finance and Industry, Republic of Indonesia

TO: Mr. Robert S. McNamara, President of the International Bank for Reconstruction and Development, Washington, D.C.

June 5, 1968.

Mr. Robert S. McNamara, President  
International Bank for Reconstruction and Development

Dear Mr. McNamara,

During the past week in accordance with the instructions of President Soeharto, I, the Economics Ministers responsible to me, the Chairman of the National Development Planning Agency and the Governor of the Bank Negara, have been discussing with your Vice President Shoaib and Mr. Bernard Bell, the desire of our Government for technical assistance and advice from the International Bank in planning and conducting a program of rehabilitation and development of the Indonesian economy. We have been pleased to learn from these discussions that the Bank is prepared to provide this assistance. On behalf of my Government, I request that you kindly do so.

We believe that for the purpose it would be desirable that the Bank establish a Resident Staff of some size in Indonesia which would be supplemented, as required, by short-term specialist personnel. As I have already indicated, we would look to and rely upon this staff for assistance and advice in our rehabilitation and development efforts, that is to say, in the management of our economic affairs. We are already receiving assistance and advice from the International Monetary Fund in our stabilisation efforts and, more specifically, in dealing with monetary and fiscal problems. We recognise that the task of rehabilitation and development cannot be separated from the task of stabilisation and we therefore expect that your international institutions will cooperate fully in assisting and advising us in our total economic effort. Similarly, we are receiving assistance from the Asian Development Bank in the field of agriculture. I have no doubt that there will be the fullest cooperation between the two Banks.

More specifically, we envisage two distinguishable but related tasks for the Bank Resident Staff. The first is to assist and advise us in the formulation and in the implementation of the overall economic plans and programs which will guide and direct our stabilisation-rehabilitation-development effort. The second is to assist and advise in the planning and execution of specific programs and projects or rehabilitation and development in various sectors of the economy. In this connection, an important part of the task would be assistance to us in co-ordinating our utilization of the many forms and types of technical and financial assistance which are and may be available to us.

BAPPENAS, the.....



BAPPENAS, the National Development Planning Agency, is the Agency of our Government responsible for and authorized to plan our economic efforts and to coordinate all the economic plans and programs of the Government. As Minister of State for Economic and Financial Affairs, I am responsible for the coordination of execution of the economic plans and programs of the Government. We believe that the Bank Resident Staff could function most effectively if it were directly related to and directly assisting BAPPENAS and through BAPPENAS, as well as myself, the Economic Agencies of the Government. We would expect the Head of the Bank Resident Staff to be immediately available to and to have direct access to the Chairman of BAPPENAS, myself and other Economic Ministers.

We hope that with this assistance, as well as that provided from other sources, we will be able to achieve the economic progress of Indonesia which has been so long delayed and is so much desired.

Sincerely yours,

Minister of State in charge  
of Economics, Finance  
and Industry

HAMENGKUBUWONO IX.



## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

June 15, 1968

Your Highness,

This is in response to your letter of June 12, 1968 in which on behalf of your Government you request that the International Bank for Reconstruction and Development assist and advise you in your efforts to formulate and execute plans and programs for the stabilisation, rehabilitation and development of the Indonesian economy. I have discussed this request and the way in which the Bank could respond to it with you and your associated Ministers, with the representatives of the Government which are providing aid to Indonesia and today with President Soeharto. I am happy to confirm here that the Bank is prepared to provide the assistance and advice you have requested.

You have suggested that for the purpose the Bank should establish a Resident Staff in Indonesia. I believe that this is desirable and we shall do so as quickly as the necessary arrangements can be made. I am designating as the Director of the staff Mr. Bernard R. Bell who is one of the senior executives of the Bank. He will be assisted by Mr. Alfred Matter, another senior member of the Bank's staff who is already resident in Indonesia and by others of our most qualified and experienced personnel.

I also agree with your suggestion that our Resident Staff should work in direct relationship to BAPPENAS, the National Development Planning Agency, to you as Minister for State for Economic and Financial Affairs, and that through your two offices the staff should work with the various Economic Ministries. This is on the basis of my understanding that BAPPENAS is responsible for preparing and co-ordinating the economic plans and programs of the Government and that you are responsible for co-ordinating the execution of these plans and programs by all the economic Ministries of your Government. The Director of our resident staff will, as you suggest, be immediately available to and will have direct access to the Chairman of BAPPENAS, to you and to the economic ministers whose activities you co-ordinate.

Our resident staff will be prepared to advise and assist you in all phases of the effort which you have launched to achieve financial stabilisation, to rehabilitate your production and infrastructure facilities, and to begin the process of expansion of these facilities and of the output and income of the Indonesian economy. To this end it will be prepared to assist and advise first in the formulation of overall economic plans and programs, second in the planning of specific development programs and projects, third in the implementation of these plans and programs and fourth in the co-ordination of the utilisation of the technical and financial assistance which is available to you from various sources. We will co-operate in this endeavour with the International Monetary Fund which is already assisting and advising you in your stabilisation effort and with the other international agencies and Governments which are providing technical and financial assistance to you.

We recognise, as you do, that Indonesia faces serious and difficult problems but we believe that given the courage and the determination with which your Government is attacking these problems and the assistance which the Bank, other international agencies and other Governments can provide there is sound basis for hope that Indonesia will make the economic progress we all so much desire.

Sincerely yours,

Sgn

Robert S. McNamara  
President

Hamengkubuwono IX,  
Minister of State in charge of  
Economics, Finance and Industry,  
Republic of Indonesia;  
DJAKARTA.



TERMS OF REFERENCE FOR BANK RESIDENT STAFF IN INDONESIA

1. This statement sets forth the Bank's objectives in establishing a resident staff in Indonesia, and outlines the tasks of that staff and its relation to the Government of Indonesia, to the Washington staff of the Bank and to other institutions providing technical and other assistance to Indonesia such as IMF, UNDP, the Harvard Advisory Service, US AID, etc. This statement also indicates the proposed staffing of the resident team, a target time schedule for its establishment and a rough estimate of the cost of the operation.

A. Basic Objectives

2. The Bank's basic objectives in establishing a resident staff in Indonesia are to provide to the Government of Indonesia advice and assistance which it needs and has requested in the management of its economic affairs. The magnitude and difficulty of economic problems which the Government of Indonesia faces and its lack of adequate numbers of experienced personnel require assistance of the sort the Bank is contemplating in such volume and intensity that a resident staff of some size, supported by the Washington staff of the Bank, is required for the purpose.

B. Tasks of the Resident Staff

3. The resident staff will have two distinct although related general tasks. One is to provide assistance and advice to the Government of Indonesia in the formation of its economic policies and programs and in the effort to implement economic policy and program decisions. The second task is to assist and advise the Government of Indonesia in the specific planning and the execution of its investment program. The term investment program is used broadly to embrace the immediate effort to rehabilitate physical production and infrastructure facilities, the reorganization, where necessary, of the agencies responsible for managing and operating these facilities, and the longer-run task of expanding and improving physical facilities and their operation and management.

4. More specifically, in connection with the first of the two general tasks mentioned above, it will be the job of the Bank's resident staff to advise and assist the Government of Indonesia in the management of its economic affairs, that is to say in deciding what action it should take to deal with a whole series of economic problems and in organizing itself to take these actions effectively. The following is a partial but incomplete list of these problems, not necessarily in the order of their importance or urgency.



(a) What should be done by the Government to bring about immediate expansion of food production? This will involve decisions with respect to the prices at which the Government will attempt to procure domestically produced rice and other food grains, the organization of such procurement, the removal of existing legal and illegal barriers to the movement of rice and other food grains out of the areas in which they are produced, the regulation, if any, of the purchasing and marketing operations of private traders and rice mills etc. It will also involve decisions with respect to the procurement of fertilizers, plant protection materials and other agricultural production inputs, the distribution and pricing of these inputs, the extension of credit to farmers etc. It will involve particularly decisions with respect to the means by which the import, the multiplication and distribution of new high yielding varieties of rice, corn, sorghum and other food grains can be accelerated along with the means by which necessary trials and adaptive research can be conducted. It will also involve decisions with respect to the financing and organization of a program of rehabilitation of existing irrigation facilities. The Asian Development Bank is already providing advice and assistance on this problem.

(b) What should be done by the Government with respect to the import of supplementary supplies of rice and other food grains, the distribution and sale pricing of Government procured food grains? What can and should be done in substituting other grains for rice, taking into account the possible consequences on both the short and the long run? Decisions and action on this set of problems, along with the set of production problems mentioned above, are of critical importance since the rice or grain supply and price situation is probably the most critical and dynamic factor in the current hyper-inflation.

(c) What should be done to expand production of export crops produced both by estates, Government and private, and by small holders? This involves questions of organization and management in the case of Government estates, of credit, export taxes, exchange rates, supplies of current inputs and of equipment etc. It also involves questions of organization of trade in rural areas, of smuggling, private and semi-official. It further involves the whole range of difficult questions posed by the large numbers of overage rubber trees, the necessity for replanting or replacement by other crops, such as oil palm. It involves a further series of questions with respect to the ownership and management status of estates which either are or were foreign owned, the tax and other arrangements relating to foreign enterprise etc.

PAD

(d) What can be done to accelerate the expansion of petroleum production and petroleum exploration activities? This involves the whole nature of tax and concession arrangements with foreign oil companies, including those now operating in Indonesia, as well as those which might be interested in undertaking exploration and production. It also involves the management of crude oil production and refining and distribution of petroleum products by Government-owned companies. This set of problems is also of critical importance in view of the extent of Indonesia's proven oil reserves, the promising outlook for new discoveries, and the relatively small part of the rapidly growing Pacific market which Indonesia now supplies.

*Are we competent to do this?*

(e) What should be done to attract and arrange for private foreign investment in Indonesia? What kind of arrangements should be made? What can be done to induce investment in other than extractive industries etc.?

(f) What can be done to rehabilitate, where necessary, existing manufacturing facilities in Indonesia, including those owned and operated by private as well as public enterprises? What can be done to obtain fuller and more efficient utilization of these facilities? These involve a whole series of questions, including import duties, credit, management, supplies of production materials and equipment, involving especially replacement parts etc.

(g) What can be done to induce private, domestic investment in manufacturing and service activities? This involves a whole series of questions not least of which is the difficult one of the Chinese community.

(h) What can be done to halt the continuing inflation? This involves all the questions of fiscal and monetary policy and operations with which the IMF and its resident team are very directly concerned, but which will need to be the concern also of the Bank's resident staff working in extremely close cooperation with and relying heavily upon the IMF personnel. This also involves the whole matter of the magnitude and character of foreign aid requirements.

*IMF*

(i) What can be done to establish better control over the foreign exchange earnings of Indonesian exporters and to reduce the capital plight which now occurs by under-invoicing of exports, over-invoicing of imports, smuggling, etc.?

*2 This is pretty popular 2*

(j) What can be done without the imposition of direct administrative controls to reduce the import of non-essentials and luxuries?

*Ken that making a decision already?*



(k) What can be done to enlarge and improve the flow of basic information on economic activity? This matter is critical since at present the facts with respect to production, trade, and prices are not only scarce but the realities of the situation are only dimly perceived. Much action and planning today occurs in a considerable information vacuum.

(l) What can be done to establish a reasonable degree of knowledge of and control over economic activity and the activity of governmental authorities in regions not immediately adjacent to Djakarta? This involves the relationship of the Center and the Provinces in the collection of taxes and the allocation of tax revenues. The IMF is providing resident staff to assist Indonesia in this matter and in the entire matter of tax administration.

*When why  
do we  
list it?*

(m) What can be done to establish, organize and conduct a vigorous and effective population control program?

(n) What can be done to improve and rationalize the allocation of the Government's financial resources? This involves the whole problem of redundant civil personnel in the Government, of the size of the military establishment, in the context of the existing unemployment situation.

(o) What can be done to improve the formulation and the co-ordination and channeling of foreign aid requests?

(p) What can be done to realize Indonesia's tourism earning potential?

These are only a few of the economic problems which the Government of Indonesia faces and must deal with virtually immediately. There are also longer-run tasks which it must tackle, including the formulation of a general development strategy, the formulation of a longer-run plan for the development of the economy etc.

5. In connection with the second general task, the Bank's resident staff will assist the Planning Organization and the operating Ministries and Agencies of the Indonesian Government in planning and executing investment activities designed to rehabilitate and improve production of infrastructure facilities. A bewildering multiplicity of technical assistance is currently being offered to Indonesia in almost every conceivable field, ~~These offers are from~~ foreign governments, foreign private engineering, construction, and manufacturing companies, and from international organizations, such as UNDP, FAO, and the Asian Development Bank. The Government of Indonesia faces two main difficulties in utilizing this assistance. The first is that its agencies are not able, without assistance, to make preliminary diagnoses of problems they face in various sectors and to formulate

*available*

*need*



the questions which must be answered in the preparation of specific project plans. The Government needs assistance in setting the terms of reference for technical assistance teams which may be provided by other Governments, by international agencies and by private consulting firms to do project preparation work. It needs assistance in selecting the sources from which such assistance should be obtained, in making the necessary contractual and other arrangements, and in guiding and supervising these study and project planning efforts. It needs assistance equally in arranging for the utilization of technical assistance personnel in the execution of projects and their management and operation. The second major problem which the Government faces in this connection is that of coordinating the whole variety of technical assistance which is being offered and which will be used.

*We can't do this whole job*

6. In order to perform these two distinct although related functions, the Bank's resident staff will need to be organized in two units. One unit will have responsibility principally for assisting and advising the Government in the management of its economic affairs, that is in dealing with the economic problems and policy issues listed in paragraph 4 above as well as others. This unit should be able to call for support as needed from the economic staff in the Area and Economics Department of the Washington office. The other unit should call upon and should be supported and supplemented by the Projects Department staff in Washington, and also the IFC staff. Personnel of these Departments will make short-term visits to Indonesia and work in the Washington office as needed for the purpose.

*She unit not be needed to go?*

7. This second unit of the resident staff, as supplemented and supported by the Washington staff, will perform its task in two ways. (a) It will itself assist the Government of Indonesia in the preparation of projects for financing by the Bank or other aid-givers. (b) It will assist the Government of Indonesia in arranging for studies and project preparation by appropriately qualified teams provided by other international agencies, governments, private consulting firms and other organizations.

C. Relation of the Resident Staff to the Government of Indonesia

8. The resident staff should be so placed in relation to the structure of the Government of Indonesia that it is directly advising and has direct access to the top decision-making officers of that Government. It might be attached either to the Office of the President or to the Minister of Economic Affairs (the Sultan of Jogjakarta), or to the Economic Adviser to the President (the present Head of Bappenas, Mr. Widjojo, serves informally in this capacity). It is not certain, however, that Mr. Widjojo will remain in the Bappenas position or that the present informal economic advisory arrangements will continue. This matter should be explored with the individuals involved, including especially Mr. Widjojo, and decisions made on the basis of that exploration. It should be perfectly clear that the Bank team is not superseding but assisting the chief economic aides to the President.

9. The second or project planning unit of the resident staff should for working purposes be attached to Bappenas and through Bappenas to the operating Ministries and other agencies of the Government. It will be important that they work closely with these operating agencies.

D. Relation of Resident Staff to IMF Team, Harvard Advisory Service Team, US AID and Similar Teams, UNDP, FAO etc.

10. The resident team will need to cooperate very closely with both the IMF resident staff and the Harvard Advisory Service team, both of which will be advising and assisting the Government of Indonesia in important areas of economic policy and program. It will be important that there not be conflicting advice offered to the Government and that duplication of effort be avoided. It is not suggested that the resident team divest itself of responsibility for advice and assistance in any areas in which either of the other two teams are working, but rather that it utilize their work to a maximum degree without duplication or conflict. The avoidance of duplication will require care in the staffing of the Bank's resident team and in the direction of its work. It will also require continuous consultation among the three teams.

11. The resident staff should also be responsible for coordination of the technical assistance activities of national and international agencies. It will be able to exercise this responsibility for the most part only through the Government of Indonesia. It will be essential, therefore, that the Government make clear to the other agencies that it is relying on the assistance of the Bank's resident staff for this purpose. It will also be desirable and probably necessary, that the Bank and these other agencies reach an understanding on this matter by direct consultation.

E. Relation of Resident Staff to Washington Staff of the Bank

12. The resident staff, through its Chief, will be directly responsible to the President of the Bank and Vice President Shoaib, acting for him.

13. In making recommendations to the Government of Indonesia in respect to its economic policy and program, the resident staff will act without prior consultation with the Washington staff of the Bank except as it considers advisable. In assistance and advice in the preparation of terms of reference for technical assistance teams and selection of sources from which such teams should be obtained, the resident staff will act with a considerable degree of independence, but will rely upon the Projects Department for support and assistance. It will consult with and use the advice of its Washington staff and short-term specialists dispatched from Washington on its request as it considers advisable and necessary. It will make recommendations to the Washington staff for the use of the proposed IDA technical assistance credit.

UNDP  
3

X

1 NO  
E

UNDP  
60.64

11 8

11\*

\* Do they represent  
the Bank in giving  
this advice?



14. In the supervision of ongoing work by technical assistance teams, including especially those financed by the proposed IDA credit, the resident staff will consult with and draw upon the Projects Department.

15. The resident staff will give guidance and assistance to the Bank's project appraisal missions and will review, comment upon and make recommendations with respect to appraisal reports.

16. The resident staff will also give guidance and assistance to Bank economic missions and will review, comment upon and make recommendations with respect to the reports of these missions and reports to the inter-governmental group.

17. The resident staff will recommend to the Area and Projects Departments projects which should be appraised as a basis for possible Bank/IDA financing.

F. Size and Composition of the Resident Staff

18. As already indicated, the resident staff will consist essentially of two units, both working under the direction of the Chief of the resident staff. What may be called the Economic Advisory Unit should include, aside from the Chief of the resident staff, at least, initially, four persons. These should together be competent in the major areas of economic policy, taking into account the particular competence that will be present in the IMF and Harvard Advisory Service teams. The exact composition of the unit must await further discussion with the IMF and the Harvard Advisory Service.

19. The other unit of the resident staff should include, at least initially, four or five persons. This unit should be headed by Mr. Matter and tentatively should include, in addition, one agriculturalist specializing in export rather than food crops, one transportation specialist, and one other sector specialist yet to be determined.

G. Cost

20. As indicated above, the resident staff will include probably ten professional members. It will need, in addition, if it is to operate effectively, at least three secretaries from Washington. It may be that this secretarial and administrative staff may need to be augmented, if it should prove impossible to find in Indonesia additional competent secretarial assistance and a man who can serve effectively as Administrative Officer to deal with the whole range of logistic problems which the staff will face. The annual costs involved may be estimated approximately as follows:

10 Professionals

Salaries and allowances	\$300,000
Travel and transport of effects	\$100,000

3 Non-professionals

Salaries and allowances	\$ 35,000
Travel and transport of effects	\$ 10,000

<u>Vehicles and Office Equipment</u>	\$ 50,000
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<u>Residential Equipment</u> (air-conditioners etc.)	\$ 20,000
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<u>Rent of Residences</u>	\$100,000
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<u>Miscellaneous and Unforeseen</u>	\$ 85,000
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\$700,000

The figures above do not include the cost of office space, the compensation of local employees, including secretaries and drivers, cost of transportation in Indonesia, and other similar local costs. The Government of Indonesia should be asked to contribute to these local costs to the extent possible.

H. Target Time Schedule

21. The Chief of the resident staff and one member of its economic advisory unit should arrive in Indonesia by mid-August. Mr. Matter is, of course, already in Indonesia. The remaining members of the resident staff should arrive in Indonesia early in September. This schedule is a target. Its achievement will depend on a number of factors including (a) the finding of places for the staff to live in Djakarta which is one of the most difficult problems the Government and the Bank will have to solve. (b) The finding and equipment of office space adequate to accommodate the staff which will also be a difficult problem, since office space in Djakarta is scarce and since all necessary office equipment will probably have to be procured abroad. (c) The provision from abroad of automobiles without which the staff will be unable to handle either its work or living problems. (d) The selection and mobilization of the necessary personnel.

cc: Messrs. Shoaib, Aldewereld, Knapp, Friedman, Demuth, Cargill, Chadenet and Operational Files



## OFFICE MEMORANDUM

X 121

TO: Files

DATE: May 15, 1968

FROM: Richard H. Demuth *RHD*SUBJECT: Technical Assistance to Indonesia - Meeting with UNDP Administrator

Mr. Cargill and I met on May 8 with Mr. Paul Hoffman, Administrator of UNDP, Mr. David Owen, Co-Administrator, and Mr. van der Oort, the UNDP desk officer on Indonesia, to discuss the Bank's proposed technical assistance to Indonesia. The principal points that emerged from our discussions were:

- (1) UNDP welcomes the initiative which the Bank plans to take in Indonesia. It believes it important that the principal Bank representative, the principal IMF representative, and the UNDP Resident Representative maintain close contact in order to coordinate their activities but, implicitly, they accepted Bank leadership in working out a strategy for development for the country.
- (2) The Special Fund sector of the UNDP would like to undertake a great many more projects in Indonesia. The transport survey which we are organizing with UNDP financing represents only a fraction of the amount which the Special Fund is willing to put into Indonesia. Any urgent Special Fund projects in Indonesia could be started promptly under the Preliminary Operations procedure.
- (3) The EPTA allocation for UNDP is fully programmed. However, of the 75 posts agreed upon, only about 25 have been filled because of various delays, particularly in recruitment.
- (4) The UNDP officials emphasized that among the difficulties in giving effective technical assistance to Indonesia were (a) the lack of housing, (b) the lack of local currency to meet local costs, and (c) the lack of small pieces of equipment such as copying machines, jeeps, etc., to make the efforts of the technical assistance experts effective. They urge that, if we make an IDA credit for technical assistance to Indonesia, we include provision for small pieces of equipment, not only for our experts but for other experts in Indonesia.

RHD:tf

cc: Messrs. McNamara, Knapp, Shoaib, Friedman, Cargill, Bell, Brakel, Sella and Riley ✓

Mr. I. P. M. Cargill

May 6, 1968

Alfred E. Matter

Bank Technical Assistance to Indonesia - Next steps and estimate of initial staff requirements

Your memo of April 15 proposed, and SLO on April 17 concurred, that the Bank's technical assistance should concentrate on mobilizing consultants who would carry out a series of large-scale sector, feasibility and management studies.

This assistance in "mobilizing" consultants was to take the form of: (i) Bank staff assisting the Ministries and state enterprises in drawing up terms of reference for the consultants' studies, in selecting the consultants and in supervising their work; and (ii) direct financing of some of the studies through an IDA credit.

A. Major studies already under discussion

Annex I shows the present status of those sector, project and management studies which are already under discussion, either as the result of the preparatory work of the last Bank economic mission, or of my own first visit to Indonesia, or of initiatives taken by IFU and by several members of the Inter-Governmental Group on Indonesia. This Annex can be summarized as follows:

<u>Sector or project</u>	<u>Initiator of study</u>	<u>Prospective source of finance of study</u>
<u>Highways</u>	Bank	UNDP
<u>Telecommunications</u>	Bank-	Australia
<u>Electric Power</u>	Bank	U.S. or West Germany or Japan
<u>Fertilizer</u>		
- Extension of existing plant at Puri	Bank	U.S.
- Gas supply of proposed new plant at Tjiroben	Bank	Government
- General fertilizer study	Bank-	IDA (?)



May 6, 1968

<u>Sector or project</u>	<u>Initiator of study</u>	<u>Prospective source of finance of study</u>
<u>Textiles</u>		
- New integrated mill	IFC	Private sponsors
- Overall review of industry	IFC	IDA (?) <i>UNMAP</i>
<u>Tin dredging</u>	Bank	(?)
<u>Cement</u> - New mill	IFC	Government
<u>Irrigation</u>		
- Extension of rehabilitation	Bank	Proposed IDA credit for first irrigation rehabilitation project
- New areas	Bank	(?)
<u>Inter-island Shipping</u> (Management Assistance)	Netherlands	Netherlands
<u>Railroads</u> (Management Assistance)	West Germany	West Germany
<u>Garuda Airline</u> (Management Assistance)	Netherlands	Netherlands

B. Major studies to be discussed next

During my first visit very tentative discussions were held, mostly with BAPPENAS, regarding the need for either major improvements or major investments in the following additional fields, which are likely to require extensive studies:

- Dredging of river entrances and harbor approaches
- Erosion control
- Timber industry
- Paper industry
- Sugar industry
- Rubber plantations and processing plants
- Oil palm plantations and oil mills
- Agricultural and industrial training
- Water supply and sewage
- Tourism

On my return to Indonesia, I shall explore with the responsible Ministries and state enterprises the nature of the problem and the type of study likely to be required in each case, and the amount of technical assistance already requested or obtained from other sources. On that basis, I shall then propose to the Government and to the Bank what steps to take next, and in particular what specialists from Bank headquarters would be called for to define the necessary studies in more detail.



### C. Need for other technical assistance

Different Ministries and state enterprises have at one time or another requested advisers from the Bank to help prepare some of the smaller rehabilitation and improvement projects to be financed out of the 1968 and 1969 bilateral project assistance. None of these requests was, however, clearly defined. As a general rule, this is a more difficult field in which to give advice, because it is so diffused and covers so many areas. Furthermore, the donor countries usually prefer to have these bilateral projects prepared by their own technicians.

Upon my return to Indonesia, I shall explore these requests in more detail and report my findings and recommendations back to the Bank.

### D. Initial need for Bank staff

#### Need for Bank "commuter" staff

The following studies should be pursued further, supervised, or at least followed-up by Bank/IFC staff "committing" from headquarters:

- a) Highways
- b) Telecommunications
- c) Electric Power
- d) Irrigation (both rehabilitation, in connection with project supervision, and new areas.)
- e) Fertilizer (all three studies)
- f) Textiles
- g) Cement
- h) Inter-island Shipping
- i) Railways
- j) Garuda Airline

The general reasons for guiding and supervising these studies through "commuters" from headquarters rather than resident staff have been stated in earlier memos. But there are three additional reasons in the case of the particular studies mentioned above. First, several of them have been initiated by Bank staff from headquarters, and it is important to maintain continuity. Second, some of the Ministries already have other foreign "advisers", and resident Bank staff would in these cases only lead to overlapping and friction. Third, most of these studies will be financed by bi-lateral donors, and it is not yet clear and would have to be negotiated in each case between the Indonesian Government and the Donor Government, to what extent the latter would welcome Bank supervision.

#### Need for resident Bank staff

For the time being, a case can be made for the following resident staff:

- i) one generalist - to assist the chief of the resident mission and act in his absence;
- ii) one agriculturalist - specializing more in estate crops; to lay the groundwork for studies in these fields;



May 6, 1968

- iii) one transportation generalist - with experience more in fields other than highways, to pursue the above-mentioned studies; and
- iv) one secretary/administrative assistant.

The Chairman and Vice Chairman of BAPPENAS, during their recent visit to the Bank, agreed in general to this composition of the initial team, but with some reservations which contradicted their earlier requests for large scale Bank technical assistance. As regards the agricultural specialist, they pointed out that they had already asked the Asian Development Bank for agricultural advisers, especially in food production but also the other fields, and they were concerned about duplication. As regards the transport generalist, they pointed out that under the proposed UNDP highway study there will be three transportation generalists specifically assigned to BAPPENAS, and voiced their concern about getting too much contradicting advice.

On my return to Indonesia, I shall continue to explore the need for additional Bank resident staff. One important element in establishing this need will be the assistance and resident staff already provided by or requested from other bilateral or multilateral sources. Otherwise, there will be duplication and friction not only between individual advisers but the agencies involved. The following requests for technical assistance, in addition to the above-mentioned request to the ADB, illustrate this potential risk of overlapping. The UNDP has been asked and has approved some 75 advisers, of which 22 from FAO in the field of agriculture, one in highways, one in telecommunications, one in electric power, one in river dredging, etc. UNIDO has been asked to review the status of several "retarded" projects. The U.S. "Executive Service Corps" will provide nine retired U.S. executives to advise both private and state-owned industrial enterprises. ECAFE has been asked to pursue the port study in which it had already prepared last year an initial and useful report. The Association of Southeast Asian Countries, at its recent meeting in Kuala Lumpur, has been asked to make a study of improving telecommunications between them.

A senior staff member from ADB, Mr. George Rosen, will visit Indonesia in June "to identify ADB studies and projects" and we have already agreed that we would work in close coordination to avoid duplication. The same kind of coordination in the field will be necessary with the other institutions. In recommending further resident staff, I shall give a full report on these coordinating arrangements with the other agencies as they develop.

#### Attachments

cc: Messrs. Brakel, Bell, Baum, Armstrong, Evans



# TECHNICAL ASSISTANCE TO INDONESIA

## Status of Sector and Project Studies, and Estimate of Assistance to be Provided by Bank/IFC Staff

SECTOR OR PROJECT	ESTIMATED COST (US \$)	PROSPECTIVE SOURCE OF FINANCE	PRESENT STATUS	NEXT STEPS	ASSISTANCE NEEDED FROM BANK/IFC STAFF DURING NEXT SIX MONTHS
<u>HIGHWAYS</u>	3,900,000	UNDP	Scope of study, prepared by the Bank, has been officially submitted by the Government to UNDP. The latter has agreed to it and will make available funds for preliminary operations.	<u>Agreement on terms of reference and choice of consultants.</u> Headquarters will prepare first draft and first list, to be cleared in Djakarta by resident adviser. Negotiations with consultants are scheduled for August and the first consultant team is expected to arrive in October. Mr. van Helden will discuss the status in June when visiting Djakarta as member of Bank economic mission.	van Helden 1 week in June (in connection with economic mission) 2 weeks in November or December
<u>TELECOMMUNICATIONS</u>					
First phase	100,000 (?)	Australia	Rough first draft terms of reference for first phase (mainly preparation of an emergency rehabilitation and investment program, and preparation of the long-range study), prepared by resident adviser, have been submitted by Government to Australia for financing by grant. Australia's first reaction has been favorable, subject to more detailed discussion of scope and costs.	<u>Agreement on detailed terms of reference and negotiation of contract between Government of Indonesia and Australia.</u> Senior Australian telecommunications official is scheduled to visit Djakarta shortly for preliminary discussions, which it would be helpful if a staff member from Jakarta headquarters could discuss.	Vasudevan 1 week in June 2 weeks in October or November



SECTOR OR PROJECT	ESTIMATED COST (US \$)	PROSPECTIVE SOURCE OF FINANCE	PRESENT STATUS	NEXT STEPS	ASSISTANCE NEEDED FROM BANK/IEC STAFF DURING NEXT SIX MONTHS
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TELECOM

Second phase

(?)

(?)

*WIP*

The second phase, mainly preparation of a long-range investment program, ought to start during the first half of 1969.

ELECTRIC  
POWER

First phase

100,000 (?)

U.S., or  
West  
Germany,  
or Japan

Rough first draft terms of reference for first phase (mainly preparation of an emergency rehabilitation and investment program, and preparation of the long-range study), prepared by resident adviser, will shortly be submitted by Government to U.S., West Germany and Japan for financing by grant.

Agreement on detailed terms of reference and choice of consultants. Once a donor country has shown interest in the study, it is likely to send officials to Djakarta for exploratory talks. It would be helpful if a staff member from Bank headquarters could join these talks. The timing will depend on the prospective donor country.

Beach  
2 weeks in July or August (after first response from prospective donor country).

Second  
phase

(?)

(?)

The second phase, mainly preparation of a long-range investment program, ought to start in the first half of 1969.



SECTOR OR PROJECT	ESTIMATED COST (US \$)	PROSPECTIVE SOURCE OF FINANCE	PRESENT STATUS	NEXT STEPS	ASSISTANCE NEEDED FROM BANK/IFC STAFF DURING NEXT SIX MONTHS
FERTILIZER Feasibility of extending existing plant at Pusri	100,000 (?)	U.S.	Government has asked the Bank to review terms of reference, to assure that study does not exclude any potential source of bi-lateral or multi-lateral financing (such as IDA, ADB, etc.)	<u>Prepare terms of reference of feasibility study.</u> IFC mission visiting Indonesia during May/June will draft terms of reference with this objective, and on return to Washington will discuss with U.S.AID the choice of a suitable consultant.	IFC mission consisting of: Hassan Hilton Peacock Gas specialist Three weeks in May/June
Availability of gas for proposed new plant at Tjirebon	(?)	(?)	Government has asked Bank/IFC to look into possibility of new plant, based on gas available at Tjirebon (to follow Pusri extension). Main question is adequacy of gas reserves.	<u>Establish adequacy of gas reserves.</u> Above IFC mission, which will include gas specialist, will recommend what further investigations, including possibly drilling, will be necessary to estimate reserves. Drilling could presumably be carried out by state oil company through one of several exploration companies already working in Indonesia. Consultant might be required for supervision and evaluation of drillings.	See above (further visits depending on mission's findings)



SECTOR OR PROJECT	ESTIMATED COST (U. \$)	PROSPECTIVE SOURCE OF FINANCE	PRESENT STATUS	NEXT STEPS	ASSISTANCE NEEDED FROM BANK/IFC STAFF DURING NEXT SIX MONTHS
General Fertilizer Study		IDA (?)	Government asked the Bank/ IFC to sponsor long-range study of fertilizer demand and alternative sources of supply (one of them Tjirebon) in order to provide a basis for (i) establishing Govern- ment policies regarding prices, customs protection, marketing, credit, invest- ments, etc. and (ii) inducing private capital to invest in the fertilizer field.	<u>Prepare terms of reference of general study.</u> Above IFC mission will prepare draft terms of reference, and upon return to Washington estimate costs and propose consultants.	See above (further visits depending on mission's findings)
<u>TEXTILES</u> Integrated Mill	(?)	Prospective sponsors (IFC plus Japanese group)	Government has welcomed IFC's proposal to pursue possibility of private capital investment in integrated textile mill. A Japanese group approached by IFC has shown interest in principle.	<u>Investigation by prospec- tive partners.</u> A team of the Japanese group will visit Indo- nesia shortly and make its report to the group and to IFC.	None for field visit. IFC will review the report of the Japanese group at headquarters.
Brief over- all review of textile industry.	(?)	IDA or IFC	Government has asked IFC to make brief over-all review of textile industry to provide a basis for urgently needed policy decisions regarding priorities, prices, customs protection, marketing, labor regulations and investments. This review, to be carried out by a textile specialist chosen by IFC, and to be made available to the Government, will also provide IFC with the necessary background against which to judge the proposal of the prospective Japanese partners.	<u>Field visit by specialist</u> IFC will shortly select an outside consultant (probably Mr. Issa Shahin) to make field visit and carry out the over-all review of the industry.	None for field visit. IFC will review the specialist's report at headquarters.



SECTOR OR PROJECT	ESTIMATED COST (US \$)	PROSPECTIVE SOURCE OF FINANCE	PRESENT STATUS	NEXT STEPS	ASSISTANCE NEEDED FROM BANK/IFC STAFF DURING NEXT SIX MONTHS
<u>TIN DREDGING AT BANGKA AND BILLITON</u>	(?)	(?)	The Government has asked the Bank "to have a look" at these tin dredging operations, which are important foreign currency earners but whose output since nationalization has continued to decrease.	<u>Preliminary discussions in Djakarta and possibly visit to site by IFC team.</u> The same IFC team mentioned above will have preliminary talks with the management of Bangka & Billiton and with the responsible Ministry, and recommend next steps (possibly visit to Bangka & Billiton by dredging specialist, or discussions with experienced operating company that might provide management assistance).	See above (further visits depending on mission's findings)
<u>CEMENT</u> New plant near Bogor	(?) 50,000 (?)	Government (drilling) IDA or IFC (consultants)	Government has welcomed IFC proposal to pursue possibility of private capital investment in new cement plant near Bogor. IFC specialist has visited site and proposed drilling program establishing reserves of raw materials to be financed and carried out by Government.	<u>Execution of drilling program.</u> Drillings are expected to take about four months. Outside consultant may be required to supervise and evaluate drillings.	Investment Officer plus Mustafa (IFC) 2 weeks in September
<u>IRRIGATION</u> Continuation of rehabilitation	300,000 (?)	To be included in proposed first IDA Credit for irrigation rehabilitation.	Bank mission which appraised the proposed first IDA credit for rehabilitation will recommend to include in credit funds for preparation by consultants of next stage of rehabilitation.	<u>Approval of first IDA Credit and choice of consultants.</u> The appraisal report is scheduled to go to the ED's in June or July, which would allow consultants to start ld work in October.	Malone plus Irrigation Engineer. 3 weeks in October (see below)



SECTOR OR PROJECT	ESTIMATED COST (US \$)	PROSPECTIVE SOURCE OF FINANCE	PRESENT STATUS	NEXT STEPS	ASSISTANCE NEEDED FROM BANK/IFC STAFF DURING NEXT SIX MONTHS
Study of new areas	(?)	(?)	Bank has been asked to help select one or two river basin areas for new irrigation developments and to advise on scope and phasing of necessary feasibility studies.	Bank team to visit Indonesia for more detailed discussion. The same team (Malone plus irrigation engineer) could cover this assignment at the same time.	Malone plus Irrigation Engineer 3 weeks in October
<u>MANAGEMENT ASSISTANCE TO PELNI (inter-island shipping)</u>	(?)	Netherlands	The Government has asked the Dutch Government to have the Dutch associations of shipping lines and ports provide the management assistance to PELNI. A three-man team, headed by Mr. Oyevaar, will visit Indonesia in June to draw up the terms of reference, and BAPPENAS has asked the Bank to review them. It is not clear yet whether this assistance will be limited to the shipping operations only, or whether it will include the management of ports.	The Oyevaar team to draw up the terms of reference. Mr. van Helden, who will visit Indonesia in July as member of the Bank economic mission, will on that occasion make contact with the Oyevaar team and arrange for a review of their terms of reference.	van Helden 1 week in July
<u>MANAGEMENT ASSISTANCE TO RAILROADS</u>	(?)	West Germany	The Government has asked West Germany to have the Bundesbahn provide the management and planning assistance to the railroad administration. The terms of reference are to be drawn up in the next month or two, & BAPPENAS has asked the Bank to review them. BAPPENAS wishes this Bundesbahn assistance to cover not only the management but also the preparation of emergency & long-range investments and of a financial rehabilitation program.	A Bundesbahn team to visit Indonesia for drawing up the terms of reference. Mr. van Helden, who will visit Indonesia in July as member of the Bank economic mission, will on that occasion make contact with the railroad administration & arrange, if desirable, for a first three-way meeting (Indonesian Railways, Bundesbahn and Bank) on the general approach to this management assistance, & for the subsequent review of the	van Helden 1 week in July



SECTOR OR PROJECT	ESTIMATED COST (US \$)	PROSPECTIVE SOURCE OF FINANCE	PRESENT STATUS	NEXT STEPS	ASSISTANCE NEEDED FROM BANK/IFC STAFF DURING NEXT SIX MONTHS
<u>MANAGEMENT ASSISTANCE TO GARUDA AIRLINE</u>	(?)	Netherlands	The Government has asked the Dutch Government to have KLM provide the management assistance to GARUDA. The terms of reference are to be drawn up in the next month or two, and BAPPENAS has asked the Bank to review them. BAPPENAS wishes that this KLM assistance cover not only management but also the preparation of emergency and long-range investments (aircraft and airport and ground facilities), and of a financial rehabilitation program.	A KLM team to visit <u>Indonesia for drawing up the terms of reference.</u> Mr. van Helden, who will visit Indonesia in July as a member of the Bank economic mission, will on that occasion make contact with GARUDA and arrange, if desirable, for a first three-way meeting (GARUDA, KLM and Bank) on the general approach to this management assistance, and in the subsequent review of the terms of reference.	van Helden 1 week in July



INTERNATIONAL BANK  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL FINANCE  
CORPORATION

Rgh.

Mr. Tuel is happy with  
the change as long as  
Mr. Brakel accepts it.

He says there have been  
several drafts of the  
terms of reference for Mr  
Watter but I don't  
see any on our file.  
Are we being kept informed?



① VSK  
② T.A. file

## OFFICE MEMORANDUM

TO: Miss Eileen Powell

DATE: January 2, 1968

FROM: Dagfin Juel *DJ*SUBJECT: Indonesia. Technical Assistance

Enclosed is a xerox copy of the document I mentioned to you. This document was circulated by the Indonesians when the Inter-Governmental Group on Indonesia met in Amsterdam last November, and shows that the Government has taken a number of important steps in the field of technical cooperation.

Enclosure: a/s

GILBERT BOND

25% COTTON



TECHNICAL COOPERATION



The Indonesian Government highly appreciates the IGGI's recommendation of last June, for a closer coordination of Technical Assistance activities.

The recommendation stimulates a drive to have a better coordination of technical assistance activities on the home front and also encourages more closer contacts and communications between representatives of the recipient and donors' sides. Moreover, we deem it to be in our self interest to have better technical assistance aid coordination and thus also the improvement of the management of foreign assistance furnished in support of our programmes.

The Indonesian Government now wants to be more pragmatic and is determined to accomplish more improvements of Indonesia's financial, economic and social conditions. The utilization, administration and management of human and capital resources will be given more and greater attention to. Mismanagement practices will not be perpetuated. Efforts to remedy management practices will be intensified and expanded. In the framework of technical cooperation we seek your sympathetic consideration for providing management aid to Indonesia and to gear our technical cooperation schemes to accelerate developmental activities within the frame of our Government's programmes.

Following up the Group's (IGGI) recommendation, our Government took measures to improve and consolidate our own internal coordination mechanism. The Coordinating Committee for International Technical Co-operations has been strengthened. It now includes BAPPENAS, The National Planning Agency, as its member to ensure the linking of technical assistance with our rehabilitation and development programmes. Also a new bureau within the Secretariat of the Cabinet will be created and assigned to do the secretariat work of the Committee. Departments have been asked to appoint their liaison officers for technical coordination activities.

A draft national program for technical cooperations 1968 is under preparation. It still needs our National Planning Agency (BAPPENAS) scrutiny and the final approval of the Acting President. Some reference to what our priority needs are had been mentioned in the Coordination Chairman's address to the Ambassadors last September 1967.

Stepping in line with the priority goals to be designed in a five year Development Plan for the period of 1969-1973, the program of technical cooperation for 1968 should already be geared and handled in a way to become a factor accelerator of the Development Plan.

With regard to establishing better contacts and communications among the host recipient government and the representatives of the donors, we wish here to report, that one of such meetings on



Ambassadorial level was held on September 6, 1967. This is followed-up by a meeting on technical level, last October. On both occasions the UNDP Representative for Indonesia had been invited and present.

Further meetings on the technical level will be held once monthly.

From the forgoing arrangements and efforts made by the Indonesian Government in following up the recommendation of the Group, it is clear how much importance we attach to technical assistance aid given to Indonesia. We quote the Chairman of the Coordinating Committee saying :

" Recognizing the limitations of national capital in relation to the country's need and also of our still limited technological know-how at present, we therefore should use any external technical co-operation input as effectively as possible ".

" With respect to technical cooperation the Indonesian Government considers it as a complementary source to be utilized for the implementations of the Government's programmes in several fields ".

Knowing as this Meeting does of Indonesia's need to find complementary sources to the support of our programmes, we now do hope that the measures taken by the Indonesian Government for a better administration and coordination of Technical Assistance, may also stimulate and encourage our donors in a view drive to provide increased Technical Assistance aid to Indonesia.

For 1968 in particular we need technical assistance for management aid to State Enterprises, pre-investment technical assistance and surveys, and the development of training facilities and educational institutions. The technical assistance in the field of management will be primarily related to the requested project assistance program for rehabilitation and development.

Having a national program for technical cooperations for 1968, we will be better prepared to embark on bilateral projects cooperation or under a coordinated program by several participating countries or international organizations for certain programs or major projects.

In view of the urgency to achieve success rapidly with the Government's programmes, the Government of Indonesia again appeals to this Meeting to favorably consider the extension and expansion of Technical Assistance Aid to Indonesia.



Form No. 75  
(2-60)

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE  
CORPORATION

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

# ROUTING SLIP

Date

NAME

ROOM NO.

Miss Powell

841

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

## REMARKS

Please call me when  
you have read this

From

Sagfin Guel



### Technical Assistance for Planning

96. In several preceding sections, the need for technical assistance has been stressed. It has been pointed out that both the annual plans and the 1969-1973 plan should contain a program of technical assistance; cf. paragraphs 53 and 63.

97. The Inter-Governmental Group on Indonesia (IGGI) in June 1967 made a recommendation for a closer coordination of technical assistance activities. When the Group met in November 1967, the Indonesian representatives stated that the Government highly appreciated the recommendation, and that it already had taken several steps to follow it up (described in paragraphs 98 - 100).

98. The Coordinating Committee for International Technical Cooperation (cf. paragraph 47) had been strengthened. It now included a representative of the National Development Planning Agency as a member to ensure the linking of technical assistance with the rehabilitation and development programs. A new bureau in the State Secretariat would be created to serve the Committee. The various government departments had been asked to appoint liaison officers for technical cooperation.

99. A draft national program for technical assistance in 1968 was under preparation. This program would, in particular, relate to technical assistance for management of government enterprises, pre-investment surveys, and development of training facilities and educational institutions.

100. To establish better contact between the Government and the representatives of the donor countries, a meeting on the ambassadorial level was held in September 1967. This was followed by a meeting on the



## Technical Assistance for Planning - 2

technical level in October. On both occasions, the UNDP resident representative was present. Further meetings on the technical level would be held once monthly.

101. The Mission welcomes these steps to make international technical cooperation more effective. The World Bank has decided to have a resident adviser on technical assistance in Indonesia. His functions will be to advise the National Development Planning Agency on the qualification and effective use of technical assistance, including <sup>technical assistance in identifying</sup> ~~studies to identify and~~ <sup>and appraising</sup> ~~investment projects~~, and selection of consultants and their terms of reference.

\* Mr. Tuel agrees to above change but will have to clear it also with Mr. Brakel

f.



*Seconded Advisor  
Indonesia*

PROFESSOR NIDJOSO  
BAPPENAS

DECEMBER 19, 1967

DJAKARTA

LT

INDONESIA

HAVE JUST CALLED FINANCE MINISTER SEMA AS FOLLOWS QUOTE REURDET  
NOVEMBER 11 TAKE PLEASURE IN ANNOUNCING MR. ALFRED MATTER ABLE TO  
ASSUME FUNCTION BANK SECURED ADVISER TO BAPPENAS IN TECHNICAL  
ASSISTANCE STOP MATTER PLANNING TO ARRIVE MID-JANUARY INITIALLY  
FOR ABOUT ONE MONTH ON BANK REQUEST TO PREPARE AND ORGANIZE FOR  
SUBSEQUENT LONG TERM STAY BASED ON COST-SHARING ARRANGEMENTS MENTION  
IN YOUR LETTER STOP AFTER INITIAL VISIT MATTER WOULD FOR FIVE WEEKS  
RETURN TO WASHINGTON FOR CONSULTATION WITH BANK AND SOME REMAINING  
MEDICAL TREATMENT STOP LETTER FOLLOWS UNQUOTE BEST REMAINS

CARGILL  
INTRAPEAN

I.P.M. Cargill

Asia

cc: Mr. Matter

Messrs. R. Clarke, Grossman, T. Jones,  
Mallinckrodt, Riley, J.E. Williams



*Deputy Adviser  
Indonesia*

HIS EXCELLENCY  
FINANCE MINISTER SURIA

DECEMBER 19, 1967

DJAKARTA

LT

INDONESIA

NEWSLET NOVEMBER 11 TAKE PLEASURE IN ANNOUNCING MR. ALFRED MATTER  
ABLE TO ASSUME FUNCTION BANK RECOVERED ADVISER TO RAFFLES ON  
TECHNICAL ASSISTANCE STOP MATTER PLANNING TO ARRIVE MID-JANUARY  
INITIALLY FOR ABOUT ONE MONTH ON BANK EXPENSE TO PREPARE AND  
ORGANIZE FOR SUBSEQUENT LONG TERM STAY BASED ON COST-SHARING  
ARRANGEMENTS AGREED IN YOUR LETTER STOP AFTER INITIAL VISIT  
MATTER WOULD FOR FEW WEEKS RETURN TO WASHINGTON FOR CONSULTATION  
WITH BANK AND OKE REMAINING MEDICAL TREATMENT STOP LETTER FOLLOWS  
STOP HAVE ALSO INFORMED WILKINS STOP BEST REGARDS

CARGILL  
INTRAIRAD

I.P.M. Cargill  
Asia

cc: Mr. Matter  
Messrs. R. Glasse, Greenman, T. Jones,  
McNair, Riley, E.H. Williams

Unkilled

## OFFICE MEMORANDUM

p07 T.A

TO: Mr. Vincent Riley

DATE: December 4, 1967

FROM: Willem Brakel

SUBJECT: Indonesia: Power Survey

As I mentioned to you over the telephone, Indonesia has expressed great interest in a general power survey and in possible Bank help in organizing such a survey. From the attached memorandum written by Mr. Beach, the power man on the economic mission that recently visited Indonesia, you will note that such a survey, if restricted to Java and Sumatra, could indeed be of considerable help.

Can you, please, informally check with the UNDP whether from their side there would be any interest in supporting such a survey; the Bank could, I suppose, be the Executing Agency, if this were considered desirable by the parties involved. As I mentioned to you already, Indonesia's original intention to ask the UNDP for a full-fledged transportation survey will, on the basis of the findings of the recent Bank mission, probably for the time being be reduced to a request for a survey of the road sector only, plus some help to the Planning Organization (Bappenas) in order to enable it better to coordinate the various rehabilitation and other investment needs of the transportation sector as a whole. In other words, from a purely financial point of view, the power survey would not be a straight addition to previously expected claims on UNDP resources to be used for Indonesia.

There are two other comments which are worthwhile mentioning on the power survey question.

(a) There is no immediate urgency. If the preliminaries for the survey could be worked out in the course of 1968, so that the actual work could start at the end of that year or very early 1969, this would presumably be quite alright. The first order of business in Indonesia in power is the straightening out of the transmission and distribution system, particularly on Java, which is supposed to be done in the course of the year ahead. Only after that can due attention be paid to further expansion and development.

(b) Mr. Beach stresses that a prerequisite for, or, at any rate, concomitant to any sound further development of the power system in Java and Sumatra is a drastic review of the organization, operations and management of the organization responsible for power generation and distribution (the PLM). In order to achieve this, the survey should, in his opinion, pay particular attention to these matters and should therefore be carried out by a group of people which would include specialists in the organizational and operational field. Perhaps the best way to approach this would be to begin with the provision of a small



group of experts - a kind of management team - working on a day-to-day basis with the management of PLM for an initial period of say 3-6 months. This small team - two or three men - could then work out with the Indonesians involved the detailed terms of reference for the subsequent over-all survey.

In your contact with the UNDP on this matter, you may wish to explore whether, if the latter approach in two steps were to be followed, this might be done in the form of one continuous project (which at first sight I think would be preferable) and what UNDP's reactions to helping finance the two parts are.

Please let me have your reply as soon as possible; the Indonesian authorities are eagerly waiting for word from us.

cc: Messrs. Cargill, Knox, McDiarmid, Beach, van Helden

WBrakel:cj  
File: IN-Gen

Survey 6 m  
3 m  
1 1/2 m  
Assist 1 m  
2 1/2  
30

## OFFICE MEMORANDUM

TO: Mr. Willem Brakel

DATE: December 1, 1967

FROM: Jack Beach

SUBJECT: INDONESIA - Power Survey

I refer to your memorandum of November 28 in which you raise the above subject.

If by "general power survey" the Indonesians are referring to the whole of Indonesia I would not be in agreement. I believe that what is wanted at this time is a limited survey which would cover the islands of Java and Sumatra only. Java and Sumatra together account for 94% of electricity sales from public generating stations throughout Indonesia (Java 82%, Sumatra 12%). The remaining territories including Kalimantan, Sulawesi and West Irian are served by isolated diesel stations and there is no scope at this time (or in the near future) for interconnected or integrated operation of these facilities. Expansion of existing stations or the installation of new small stations would have to match local development in these isolated areas.

A power survey of Java and Sumatra would be of considerable help to the state electricity authority in planning its future generating plant and transmission line requirements, particularly in Java where, in view of the size of new generating facilities now being installed or planned for the near future, interconnection of the three isolated systems may be of great advantage. Future power requirements will depend, very largely, upon industrial development and until plans for such development are more firm forecasts of future power requirements must of necessity be approximate. Little purpose would therefore be served at this time in producing forecasts beyond an initial ten-year period.

If a power survey is to be of any value at all, it must be possible to implement any recommendations made. A survey should therefore include a critical review of the present organization, particularly in the fields of operation, planning, contract negotiation and project construction.

JBeach:jc  
IBRD

cc: Mr. McDiarmid  
Mr. Knox  
Mr. Lithgow  
Mr. Beach  
Division Files  
Operational Files



file

Files

December 11, 1967

Vincent J. Riley

Indonesian Projects

During my visit to UNDP in New York on December 8, I discussed with Willem van der Cord, Deputy Director, Bureau of Operations and Programming, the preliminary findings of our recent economic mission regarding potential technical assistance projects. At the moment, they have practically no projects in Indonesia, or in the pipeline, and would welcome proposals if Indonesia can meet UNDP requirements. I identified possible power, telecommunications and road studies, but concentrated most heavily on the road studies (plus assistance to Bappenas).

Power Study. I indicated that the scope of this was possibly 2½ to 3 man-years for studies and assistance on the two principal islands only. Cost might be in the vicinity of \$150,000. Commencement might be late 1968 or early 1969. Van der Cord's only comment was that the size looked attractive.

Telecommunications. I reported that we had a man examining this now. Any project was likely to be fairly urgent, but that at present I could give no detail as to scope. van der Cord noted that UNDP/ITU have a Telecommunications Training Project presently underway. I promised to keep UNDP advised on this.

Road Studies. If a complete and perfect application is submitted by the Government in January, UNDP feels it can probably include it in the June 1968 program. A later submission, or one that is incomplete or requires work, will mean UNDP could not approve before January 1969.

The estimated price tag--\$3 million over three years--produced gasps. However, UNDP needs and wants Indonesian projects and I am optimistic they will find a way. We should, however, be prepared to answer a question about whether this might not be broken up into two or more pieces that would be more digestible.

van der Cord was not keen about Preliminary Operations, just to speed up a project a month or two. He noted that the criteria for Preliminary Operations require some special reason for immediate action (weather, preservation of counterpart unit etc.). The fact that Indonesia Transport is a mess and has been so for years, is not much of an argument for getting "fast" money. Some of UNDP's reluctance undoubtedly comes from initiating, and thus somewhat committing itself, to a \$3 million program without Governing Council approval. This was not conclusive, however, and if we push this (and can offer some justification for doing so), we have a good chance to succeed.

UNDP sees no obstacle to including 2 or 3 people to provide Transportation Coordination Assistance to Bappenas and van der Cord believes this would be the best approach.

December 11, 1967

As in all its projects, UNDP requires a Government Cash Contribution (for experts subsistence, etc.). This contribution (15% of "Gross Expert Cost") could total \$250,000 in this project. Unless the Government can give assurance that it can and will put up this money, there can be no project.

At the time of submission of the request UNDP will want, from the Bank or the Government, a complete statement on the suitability of the proposed program to the Government's capacity to implement its results. Example: what are the prospects that the Government will have investment funds available to procure the road maintenance equipment that is determined to be necessary after the inventory of equipment? In other words, we must show that our proposed study will produce recommendations within the financial (and administrative) ability of the Government to implement them.

The application, or accompanying documents, should show, in sufficient detail, the impact on the economy of this project and of the investment that might flow from it. The more such estimates can be quantified, the better.

I also noted that operational assistance is needed in other segments of the Transport Sector but that some or all of this might be obtained from bi-lateral sources. I added, however, that other studies, suitable for UNDP financing (e.g., Navigation), might arise in the future.

I promised to keep UNDP promptly informed of all developments on these programs.

VJR:fph

cc: Messrs. Brakel  
van Helden  
Engelmann



DRAFT  
GMStreet:mch  
October 20, 1967

Miss Powell 841  
POT TA

Mr. J.H. Williams

I.P.M. Cargill

Indonesia - Seconded Advisers

At a meeting with the Indonesian delegation in Rio on September 25, the lack of coordination of the various technical assistance programs in that country was discussed. The Finance Minister, Dr. Frans Seda, asked whether the Bank could provide an expert to assist the National Economic Development Council (BAPENAS) in evaluating and coordinating technical assistance proposals and preparing terms of reference for studies involved in the identification, preparation and evaluation of investment projects. The Minister agreed to confirm his request upon his return to Djakarta and Mr. McDiarmid now there, was instructed to take up the matter upon his arrival. I have no doubt the Minister's confirmation will be received in a few days.

The Government, which is being showered with technical assistance offers from all quarters, has no real notion of what is needed. There is a coordinating committee within the Government, but it has not been effective and the Government now proposes to have BAPENAS do the coordinating work. This recently reactivated planning organization has no knowledge or experience to bring to the task and would be lost without help. I, therefore, agreed, subject to the usual clearances that the Bank would provide an adviser. Mr. Woods has since agreed in principle to the appointment of a seconded advisor for Indonesia.

The Seconded Advisor's function would be to help BAPENAS to evaluate technical assistance offers received and to supervise the implementation of offers accepted. His help would be particularly valuable in advising the Indonesians as to which <sup>fields</sup> technical assistance should be sought, given the relative priority of the various fields and which offers make sense and are best suited to meet the country's needs. His help would also be beneficial in the drafting of terms of reference to maximize the benefits of the assistance.

The appointment of an advisor should make for greater coordination within the Indonesian Government as BAPENAS would be in a better position to select from the many proposals for technical assistance endorsed by the various ministries those which merit consideration. The future operations of the Bank group and the activities of the group of countries aiding Indonesia will be furthered as the appointment of a seconded advisor will lead to more effective and beneficial use of the technical assistance received.

Cost of the proposed assignment would be shared between the Bank and the Government of Indonesia in accordance with normal procedures for seconded advisors. I intend to have Mr. McDiarmid agree with the Government arrangements whereby the local currency <sup>cost</sup> will be borne by the Government. A new budgetary position is required but this will be offset by the abolition of the position of Project Preparation Advisor to Malaysia.



I expect difficulties in finding a suitable person to fill the proposed position and urge, therefore, that efforts to do so commence immediately without awaiting a formal request from the Minister of Finance.

This paper has been cleared with the Development Services Department.

cc: Messrs. Ripman, R. Clarke.

## OFFICE MEMORANDUM

TO: File

DATE: September 18, 1967

FROM: O. J. McDiarmid

SUBJECT: Meeting with the Indonesian Delegation, September 18, 1967Indonesia:

Mr. Radius Prawiro

Governor, Bank Negara Indonesia

Mr. Djuana Kusumahardja

Deputy Governor, B.N.I.

Mr. Salamun

Director General for Finance,  
Ministry of Finance

Mr. Biantie Kharmawan

Director, Asian Development Bank

Mr. Abdul Hamid

Economic Minister, Indonesian  
Embassy

Mr. H. Alsegap

Secretary to Mr. Prawiro

Bank:

Mr. Cargill

Mr. Goodman

Mr. Mason

Mr. McDiarmid

Executive Director: Mr. Tazi

Mr. McDiarmid explained the arrangements for the October/November economic mission. Following this mission, an economic report will be prepared combining the findings of the July/August and the October/November missions. All information in connection with the plans for the October/November mission has been sent to Mr. Kaptin Adesumarta of the Ministry of Finance who is acting as Liaison Officer for the Mission. Additional copies will be sent to Mr. Hamid in the Indonesian Embassy, Washington, D.C., for transmittal to Professor Widjojo in Djakarta.

Governor Prawiro said that Professor Widjojo is reorganizing and strengthening the National Planning Council (BAPENAS). He raised the question of the transportation survey which Professor Widjojo has taken up with Mr. McDiarmid in August in Djakarta. He was told that we have written to Mr. Kaptin explaining the arrangements under which the October/November mission would prepare the terms of reference for the survey. We asked whether the Government wished us to discuss the matter with UNDP. We are awaiting a reply to that inquiry. Mr. Cargill said that the Bank would be prepared to be the executing agency for the survey. He also said that this survey was directed to the long-term transportation needs in Indonesia and should not hold up high priority rehabilitation projects. Governor Prawiro indicated that telecommunications would also be included in the terms of reference of the survey. Mr. Cargill said that this could be included.

In respect of the Dutch participation, the Indonesian delegation said that they understood some offer of assistance had been received but they were not familiar with the details. Mr. Cargill said he had talked to

*2000  
Cargill that  
he probably  
ought to  
discuss  
the Indonesian  
from top to  
bottom together  
transport &  
telecommunications  
is one of the  
for the UNDP.*



Mr. Everets about this matter and Mr. Everets said that the Dutch were prepared to help in the financing if a Dutch firm were selected to carry out the survey. It was suggested that Mr. van Helden might go to Amsterdam at the end of the mission to Indonesia to discuss the matter with the Dutch authorities. Reference was made to the Page and Northrop proposals. Mr. Cargill said that the Bank had not made any offer to finance the Page and Northrop study. It was, of course, possible that some such firm as Page and Northrop might be selected in connection with the transportation survey.

There were some discussions in respect of the roles of IBRD mission and that of the Asian Development Bank insofar as agriculture is concerned. Mr. McDiarmid explained that the July/August mission had made some study of the BIMAS (rice production) program and that the October/November mission would concentrate mainly on the estate sector and on the projects which are in some stage of execution. The six-man Asian Development Bank team which is to go to Indonesia early in October will be concentrating on food production.

Mr. Cargill said that he felt the members of the Inter-governmental Aid Group had not yet faced up to the problems of Indonesia in respect of debt rescheduling and aid requirements. The Bank would not be represented at the Paris meeting on debt rescheduling to be held in mid-October. Governor Prawiro asked when Mr. Cargill might be coming to Indonesia. He said he hoped to come perhaps during the first ten days in November while the Bank mission is there.

cc: Messrs. Cargill/Goodman  
Mason  
McDiarmid

OJMcDiarmid:ke

ROUTING SLIP

Date

Oct 11

NAME

ROOM NO.

~~Mr. H. G. H. H. H.~~

Mr. Riley

File  
P. H. T. A. ?

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

This is largely water over the  
dam(n) now, but has (28) voiced  
any opinion either about this  
exercise in toto or with  
reference to paras 6.7?

From

*[Signature]*



HEM  
JCL  
AKJ

## OFFICE MEMORANDUM

TO: O. J. McDiarmid

DATE: September 11, 1967

FROM: R. J. Goodman

REVISEDSUBJECT: Indonesian Mission: October 1967

A. The mission will go to Indonesia about October 14, 1967, for a period of approximately 5 weeks.

B. The purposes of the mission are:

- (1) To complete the study of the economic policies and performance of Indonesia that was started by the Reconnaissance Mission which visited Indonesia in July/August 1967, with special attention to the following:
  - (a) Further appraisal of the program of financial stabilization in 1967;
  - (b) Examination of the 1968 budget, with particular reference to its monetary and developmental aspects;
  - (c) Study the effectiveness of the exchange rate and credit control systems in relation to the composition of imports for rehabilitation and developmental purposes;
  - (d) Further evaluate the qualitative credit control system, particularly in respect of the encouragement of exports and investment in productive facilities;
  - (e) Evaluate measures being taken (other than credit controls and the exchange rate system) for promotion of exports;
  - (f) Steps being taken by the Government to reduce routine budget expenditures and to find alternative employment for redundant workers now on the government payroll.
- (2) To study the longer-run prospects of the Indonesian economy with particular reference to:
  - (a) Increasing government revenues;
  - (b) Increasing exports;
  - (c) Foreign investment;
  - (d) Meeting foreign financial obligations (including requirements for further rescheduling of foreign debt);



- (e) Savings prospects (including institutional factors), investment needs and net capital inflow requirements;
  - (f) Population control, including transmigration and family planning;
  - (g) Prospects for increasing the rate of economic growth over the next few years by appraising the general outlook in the major productive sectors of the economy.
- (3) To examine the projects which have been started but on which work has been slowed down or stopped, with a view to providing the Government with guidance as to the merits and priorities to these projects and thus facilitating decisions as to their disposition. In this connection, the mission should place special emphasis on the need to increase exports and reduce imports.
- (4) To make recommendations for rehabilitation in transportation, agriculture, industry and power, with due regard to financial and other constraints and priorities.
- (5) In the light of its findings under (3) and (4) above, the mission should estimate the amount of project and nonproject aid needed in 1968 and, to the extent possible, in 1969. The mission should also reach a conclusion whether the present set of priorities (agriculture, industry supporting agriculture, infra-structure, and mining, in that order) are appropriate to the needs and conditions of the economy.
- (6) In connection with its appraisal in the sectors referred to in (4) above, the mission should consider the types and sources of technical assistance which will be most beneficial, and the best mechanism for coordinating such assistance.
- (7) In respect of the transportation sector, consider what response should be made to the Government's inquiry as to whether the Bank would undertake to assist in a transportation survey for Indonesia. If its conclusions are that a positive response should be made to such a request, the mission should prepare proposed terms of reference for such a survey.
- (8) In view of Indonesia's financial, physical and human resources, administrative capacities, and economic organization, the mission should consider what type, time phasing and scope of economic planning would be appropriate to her situation. In this connection, the mission should:



- (a) Assess the effectiveness of Indonesia's planning procedures and organization for formulating and carrying out projects, programs and plans; budgetary procedures for giving effect to approved projects; and organizational and procedural aspects of policy formation for development.
- (b) When deemed necessary, propose practical procedures for:
  - (i) the preparation and execution of projects;
  - (ii) the making of budgetary allocations and the maintenance of appropriate financial controls over approved projects and programs during their execution; and
  - (iii) the improvement of organization for formulating development policy.
- (c) Propose procedures and organization for implementing the mission's recommendations under (3) and (4) above.

C. On its return to Washington the mission will prepare an economic report, combining its findings with those of the Reconnaissance Mission.

D. The tentative composition of the mission is as follows:

Chief of Mission	O. J. McDiarmid	Asia Dept. -
General Economist	(to be determined)	Asia Dept. -
Power	Jack Beach	Projects Dept. -
Fiscal	Walter Missorten	IMF
National Accounts	George J. Novak	Economics Dept. -
Agriculture	Roger E. Rowe	Projects Dept. -
Industrial Economist	Martin Schrenk	Economics Dept. -
Transport	Hendrik van Helden	Projects Dept. -
Industry	George W. Naylor	Consultant
Industry	Judhvir Parmar	IFC
Planning Adviser (parttime)	Albert Waterston	Development Services Dept.
Observer		Asia Development Bank

OJMcDiarmid:ke

001 y 1967



## ROUTING SLIP

Date

September 20, 1967

NAME

ROOM NO.

Mr. ~~Michael L. Hoffman~~

845

~~R.H.D.~~  
V. J. R.

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

— per file  
Indonesia Mission

From

O. J. McDiarmid

ROUTING SLIP

Date

August 22, 1967

NAME

ROOM NO.

Mr. ~~Michael L. Holloman~~

845

VAR

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

POT  
TA



August 22, 1967

Mr. Richard J. Kaptin Adesumarta  
Department of Finance  
Lempengan Bunting  
Djakarta, Indonesia

Dear Mr. Kaptin:

I hope that you are finding some opportunity to catch up on your own work after the very generous amount of time you devoted to looking after our mission. As I wrote the Minister of Finance a few days ago, we are most grateful for your help and also that of Mr. Sofian.

I have not yet received the list of uncompleted projects that was being typed when we left Djakarta. I hope that this list has now been finished and is on its way to me. It will be very important in planning our next mission. Although the plans for that mission are not yet final, I expect to be returning to Djakarta with a number of sector specialists and one or two other economists in the second half of October.

The purpose of the mission will be: (a) to complete the study of the current economic situation and prospects of Indonesia that was started by our reconnaissance mission; (b) to examine the projects which have been started but which have been allowed down or stopped in order to provide the Government suggestions as to the priorities of these projects; and (c) examine the problems and prospects for rehabilitation and/or new investments in industry, agriculture, transportation, and power.

On its return to Washington, the October mission will prepare an economic report on Indonesia, combining its findings with those of the reconnaissance mission.

I thought it would be useful if I gave you the above outline of what we would expect the October mission to accomplish. If you have any particular points to raise or add, I would appreciate hearing from you as soon as possible. After we have devoted some more time to digesting the information gathered by the reconnaissance mission, I will probably have a number of questions to raise regarding additional information that would be needed by the next mission. I will try to send these to you well in advance, so that some work can be done on them prior to our arrival.

I do not know what further thought your people have given to the question of the transportation survey which was mentioned to me by Professor Widjaja. As I promised him, we are looking into this question and I would expect the October mission to come up with a firm recommendation as to the feasibility and the possible terms of reference for such a survey. As I explained to Professor Widjaja, the Bank cannot finance a technical assistance project costing more than \$200,000 except on a loan basis. The United Nations Development Program (UNDP) is not so limited and is the first agency to be contacted to secure financing for such projects. The Bank sometimes supervises the execution of projects financed by UNDP. If you want us to discuss it with the UNDP in New York, please let me know. I mentioned it to Mr. Gritley, the U.N. Resident Representative in Djakarta. Of course, it takes several months to get such a project approved and organized.

You may wish to show this letter to Professor Widjaja for his information or any possible comment.

Yours sincerely,

O. J. McDiarmid  
Economic Adviser  
Asia Department

cc: Messrs. Mason  
Huffman

OJMcDiarmid:he



~~107~~ 107 TA

Mr. McDiarmid

August 21, 1967

Michael L. Hoffman

Indonesia - Technical Assistance

Thank you for the copy of your report on Indonesia. I have two comments and one query.

1. I think you are right about our inability to coordinate technical assistance from a distance. However, it seems to me at this stage one thing that we could do is to build into our forthcoming report, which you rightly say should be addressed primarily to the Indonesian government, a strong element of advice on priorities on major technical assistance inputs and also advice on how they should organize themselves to regulate those inputs. With the mission you have in mind, it ought to be possible to produce quite a bit of useful guidance if each member is instructed to keep this in mind as he examines his sector.
2. With respect to the transportation survey, I do not see why it would not be appropriate to start right now helping them draft a request to the UNDP for assistance. Did you discuss this with the Resident Representative? Perhaps we should inquire in New York as to what they have coming in from Indonesia and indicate that we think they ought to leave room for substantial transport survey in the next year or two. Please let us know if you want us to do this.
3. What are your present thoughts about a Waterston mission? Mr. Cargill mentioned some time ago that he would like such a mission sometime. As you know, Mr. Donath has said that before approving Waterston missions we would like to be assured that the Area Department in question is making provision for suitable follow-up work. Perhaps we should discuss this.

MLHoffman:rsb

POT T.A.

Mr. Hoffman

Messrs. Gilmartin, Mason and McDiarmid

May 12, 1967

Raymond J. Goodman

Indonesia

SSD files

Mr. Sherwood Fine, newly appointed Director of the Indonesia Office of AID (and formerly a senior official of O.E.C.D.), telephoned me today to say that he had just returned from a month in Djakarta and to inquire, among other things, about the Bank's plans for sending a mission to Indonesia. He said that United States officials in Indonesia had been receiving so many requests for assistance, most of them rather fanciful, that Mr. Stokes Tolbert, with his agreement, had asked that a U.S. mission be sent there, consisting of two or three general economists and a number of sector specialists, to prepare a report on Indonesia's plans and requirements. However, their suggestion had been rejected in Washington on the grounds that this kind of analysis would be better undertaken by the World Bank and that the United States did not want to do anything which would prejudice what they hope will be the Bank's leading role in regard to Indonesia. He was anxious to know our plans so that in writing to Mr. Tolbert he would not have to appear totally negative. I told him broadly where we stood.

In this connection, Mr. Fine said he thought there was a crying need to coordinate technical assistance activities in and for Indonesia, and wondered whether the Bank would undertake this task. I told him that we would not, and he did not seem unduly surprised.

To cut short what promised to become a long conversation, I invited Mr. Fine to come to the Bank next week for a fuller discussion of the Indonesian situation and the possible scope of our involvement there. He said that his recent visit had given him some useful information and ideas which he would be glad to share with us. He will call on me on Thursday, May 18th, at 10:00 a.m.; if you are free please join me.


cc: Mr. Demuth ✓

RJGoodman:ypg



## OFFICE MEMORANDUM

TO: Mr. R. H. Demuth

FROM: Gordon M. Street 

SUBJECT: Correspondence on Indonesia

DATE: November 13, 1968

Please have one copy of all correspondence of your department regarding Indonesia sent to Mr. Ziegler in Room 609 for transmittal to Mr. Bell's office in Djakarta.