

**THE WORLD BANK GROUP ARCHIVES**  
**ORAL HISTORY PROJECT**

**Transcript of Interview with**

**RUSSELL CHEETHAM**

**June 4 and 6, 2012**  
**Washington, D.C.**

**Interview by: Charles Ziegler**

**Session 1**  
**June 4, 2012**  
**Washington, D.C.**

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

**ZIEGLER:** Today is June 4, 2012. My name is Charles Ziegler, a consultant with the World Bank Group Oral History Program. I have with me today in the Archives of the World Bank Group Mr. Russell Cheetham, and we will be discussing his career with regard to Indonesia.

Well, Russ, I'm glad you were able to come today and participate in the World Bank's Oral History Program. We'll start with an easy question. When and where were you born?

**CHEETHAM:** I was born in 1939 in Sydney, Australia.

**ZIEGLER:** Could you just say briefly a little bit about your early life and education?

**CHEETHAM:** Yes. After going to primary school, mainly in rural areas of Australia, I grew up as a farming boy, so to speak. I went to a boarding school for my secondary education, my high school education.

**ZIEGLER:** This was also in Australia?

**CHEETHAM:** Also in Australia, yes. It was an agricultural college, where the 200 boys in that school at the time provided the labor for the farming operation. There was a fully-fledged farm as well as a fully-fledged school. It had an agricultural element in the high school curriculum, plus practical farm experience.

**ZIEGLER:** What were some of your work experiences before you joined the World Bank?

**CHEETHAM:** Well, I went on from my boarding school days, and did my undergraduate studies at Sydney University in agricultural science. I became a cadet while I was at Sydney University, under contract to go and work in Papua New Guinea as soon as I graduated from Sydney University.

**ZIEGLER:** Now a cadet in that sense, was that a military?

**CHEETHAM:** No, no. They paid me a salary for a year or so at university when I became a cadet. They sent me up to New Guinea when I was still at university for three months to start learning about doing patrols in the mountains of New Guinea. I came back to Australia, finished my last year in college, and then a couple of days after that, I flew back to New Guinea and started work as an agricultural officer for the government in Papua New Guinea.

**ZIEGLER:** How did you wind up at the World Bank?

**CHEETHAM:** I decided, after working for about, oh, seven years in New Guinea, something

like that, I decided prior to that that I wanted to do my graduate education. I had advice from various friends about what to do. Should I do a Ph.D. in Australia, or should I do a Ph.D. somewhere else? The advice I got was go to the United States and do it there because the Australian—in those days, the Australian Ph.D. systems were very narrowly focused. So I applied to a number of schools in the United States. I also applied to the Fulbright folks for some support. I was fortunate enough to become a Fulbright Scholar and came over to the United States to do my post graduate studies. I went to the University of Wisconsin, and I just got a master's degree in economics and a Ph.D. in economics while I was there.

**ZIEGLER:** So that was the end of farming, pretty much?

**CHEETHAM:** Yes. I'd already decided that was a hard way to make a living, so I moved from technical agriculture into economics. Then, like all impoverished graduate students, since I had a wife and two children—one of whom was born in Madison, Wisconsin—I needed a job. I had worked with the World Bank when the first World Bank mission came to Papua New Guinea in 1964, when I was the coordinating officer on the agricultural side for their work. So I knew a little bit about them, and knew Horst von Oppenfeld, who used to work for the Bank for many years.

**ZIEGLER:** The name's familiar, yes.

**CHEETHAM:** He was the person I coordinated with. So I knew a little bit about the organization. I'd heard of it, and I'd seen what sort of work they do.

One of the professors at Wisconsin University was a man by the name of Hans Schmitt, who'd done some consulting work for the World Bank. He and I got to know each other well when I was a student there. We were talking about these things one day, and he said, “Well, why don't you apply to the World Bank for a job?” So I applied to the World Bank in my second year at Wisconsin and came over here for interviews. I was interviewed for a number of different positions, and I was offered several positions, one of which was to join the YP [Young Professionals] Program, another which was to join the Agriculture Projects Department and another of which was to join the Economics Department. I didn't know enough about the Bank to know which was the correct decision to make for me, so I went back to Wisconsin and I talked to Hans Schmitt about it, who knew a lot more about the World Bank than I did. Hans said, “Don't join the YP Program, you'll simply run around for three years doing all sorts of bits and pieces.” He said, “Take a full-time professional job in the Bank from day one.” So I decided on that basis I'd join the Economics Department, which is what I did.

**ZIEGLER:** The Economics Department has kind of had its ups and downs in the Bank's history. Was that an up period or a down period?

**CHEETHAM:** It was a time when Hollis Chenery was vice president.

**ZIEGLER:** So an up period, then.

**CHEETHAM:** But I only stayed for a year, formally. The reason for that was that two weeks after I arrived here to join the World Bank—I arrived in early June of 1969—about two weeks

after I arrived, I was asked whether I could go on an economic mission with Su-Chin Yang to Korea. So I agreed to do that, and I went with Su-Chin as the macroeconomist on the economic mission to Korea. Su-Chin and I got along quite well.

A couple of months after we got back and we finished writing the economic report on Korea, he then asked me to become the macroeconomic person on the Bank mission to Taiwan. In those days Taiwan was a member; it was only replaced by the People's Republic in 1980. So I went a couple of months later to Taiwan.

As soon as that report was finished, Su-Chin asked me to come back to Korea as the macroeconomist, which I did. And so by the end of my first year I'd already done four economic missions.

I decided that I enjoyed doing that, so I said to the chief economist in East Asia, [William M.] Gilmartin—and in those days I got to know him—and I said, “I might as well join the East Asia and Pacific Department.”

He said, “That's a good idea.”

So at the end of 12 months I moved from the Economics Department to the East Asia and Pacific Department. I probably did about ten days of work for the Economics Department in the year I was there.

**ZIEGLER:** Moving forward to July 1980, you were appointed director of the Resident Staff in Indonesia. How did that appointment come about?

**CHEETHAM:** With some difficulty. There are two strands to this. One was some quite serious problems in the Bank relationship with Indonesia at that time. I'll come back to the details in a moment. The second strand concerned [Robert S.] McNamara.

On the second strand first. I had come back from the Philippines to take the job of deputy director in the Economic Analysis and Projections Department. Without getting into a long story, I ended up *de facto* working for McNamara pretty much on a full-time basis, not as a person in his office but down in that department because we were doing a lot of the things that were central to having the *World Development Report*. There's a lot of history to how this all came about. But . . .

**ZIEGLER:** You had a lot to do with the second *World Development Report*.

**CHEETHAM:** Yes. We'll get into that some other time. But *de facto* I was reporting to McNamara, not to Hollis Chenery and those people he had at the time. So when I was approached by the East Asia VP saying to whether I'd be willing to go out to Indonesia, we had to get a sign off from McNamara. His initial reaction was no, I was to stay here in Washington because of the work that I was doing in connection with these *World Development Reports*. After some to-ing and fro-ing, he relented and agreed that I could be released from the Economic Analysis and Projections Department. So I went out to Indonesia in early 1980.

The second part of the problem was that there was a very unsatisfactory relationship between the Bank and the Indonesian government at that point in time. It was not of recent origin. After Bernie [Bernard R.] Bell left, the director out there didn't have quite the impact that Bernie had had, in terms of relationships and so on.

[REDACTED]

[REDACTED]

It was a relationship going down. That led to my being approached as to whether I would go out there.

**ZIEGLER:** Could you say anything, in very general terms, about the nature of the problems that preceded you?

**CHEETHAM:** One story—there's lots of them, but I—at one point there was an economic report prepared by the Bank around about 1978, something like that. And the Indonesians were not happy with the report. So they met with the resident representative, and the ministers met with the resident representative and complained to him about the report. The resident representative said there was nothing that they could do about it, this was prepared by such and such people in Washington, D.C., it was their opinion that was being recorded, and there wasn't really anything much that he could do about it. The minister concerned said, "Okay, leave the problem with me." He was quite annoyed with the resident representative.

As soon as the resident representative left, this particular minister picked up the phone and called McNamara and said, "Bob, our government has a problem with the economic report, and this is the nature of the problem." In about twelve hours an instruction came out to Indonesia saying that the economic report was going to be re-written.

As soon as McNamara heard this, he called the vice president at the time and gave him some instructions. The vice president, in turn, gave the economic team that wrote the report some instructions. Those instructions were duly followed and there were some changes made in the report. That's the way the Indonesians worked. The relationship below McNamara was not good at that time, and if they had a serious issue they'd pick up the phone and talk to McNamara. That wasn't the only occasions that that happened, but it's one of them.

**ZIEGLER:** My next question is about the major challenges that confronted you upon becoming director, and how you addressed them. While, clearly, you mentioned one of the challenges that you had, were there any other particular issues?

**CHEETHAM:** Well, initially, my instruction when I went out there was to rebuild the relationship. That was the number one priority. In doing it—and this was the days when we had projects and programs departments. When Bernie Bell went out there, he reported directly to McNamara. That was downgraded; the successors reported to the programs director.

*Russell Cheatham*

*June 4 and 6, 2012 – Combined Edited Verbatim*

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**ZIEGLER:** That was as soon as Bell left. That was . . .

**CHEETHAM:** When I was getting ready for the job and I understood more about the nature of the problem, I said to the East Asia vice president, “I will accept the position on the clear understanding that I report to the vice president of East Asia, not to the programs department or the projects department. I’ll report on the basis of Bank operations in Indonesia, not the country programs operations.” That change was made. I was given that authority. I reported direct to the vice president.

**ZIEGLER:** Who was the vice president at that time?

**CHEETHAM:** [S.] Shahid Husain. I was then told to go out there and fix the problem, and fix it as quickly as you can. When I went there initially, the problem was enforcing that, because when I arrived I set a number of rules for the way the Bank was going to work in Indonesia. One of them was that all staff, all missions that came to Indonesia, whether it was a programs department mission or a projects department mission, had to report to me, had to brief me when they arrived on what they were doing and brief me when they were leaving so I understood what they were there doing. As a part of that, I also met with all the supervision missions, so I’d understand what they were finding and recommending.

There were a number of projects people that were extremely unhappy with that. A couple of them decided they were not going to pay any attention to that. One of them happened to be a projects department director who’s going to remain nameless. He went a number of times out there, didn’t tell anybody in the office that he was coming. He just came in, set up meetings with ministers’ offices and others. He went around, left again. We knew nothing about what he was doing, what was agreed, what it meant for our operations. We’d learn a little bit when there was a back to office report produced some time later. This went on three or four times.

I sent messages to him that I’d really appreciate him following the new rules. He ignored them. So I had my secretary, a lady by the name of Ann Tannard [phonetic], who had been there quite some time—Indonesian. Ann has been around for quite a while and was a part of this network of senior Indonesian women who—some are in the minister’s offices; it was Ann in our office and network. I said to Ann, “Please call all minister’s offices that this particular gentleman goes to and issue an instruction that the next time he comes, he’s not to be given any appointments whatsoever by anyone in any of the ministries.” Ann called around all the ministries, asked whether they could do that. They were more than happy to meet our request.

He arrived unannounced a month or two later and found that he couldn’t get a single meeting. That’s when he came to the office to complain about the fact that he couldn’t get any meetings. I explained to him what had happened. That was the last time he ever came to Indonesia. We were all better off. The Indonesians didn’t care for him a whole lot, and he was certainly a bit of a pain from the point of view of running the operations there. Lots of stories like that.

**ZIEGLER:** The Resident Staff under Bernard Bell, beginning in 1968, had an unusual degree of autonomy, as we were just saying, with Mr. Bell reporting directly to Robert McNamara. However, as we’ve said, his successors were not accorded a similar status. How would you

characterize your relationship that you had with headquarters? Now, you said you reported to the vice president of East Asia and Pacific. Was that an easy relationship? Did that work out for you?

**CHEETHAM:** That worked out quite well. Shahid was very good in delegating authority. He wanted to be kept informed of things that went on, but he was very happy to delegate. Syed Salar Kirmani, who was the projects director at the time, as also very good, and we got along just fine. I had problems sometimes with the division chiefs in the projects department who didn't care for these arrangements a whole lot, but that's neither here nor there. Basically, I had the support of Kim [Edward V. K.] Jaycox, who was the programs director, and the projects director, Kirmani, but they understood the arrangement and they were all quite supportive. I never had any problems there. I'd always keep Kim and the projects director fully informed of everything. Reports that I'd do I'd send to all of them. And so everyone was in the loop on what was happening.

I'm not sure what happened to these arrangements subsequently. I think they were, at some point, probably downgraded again, but I'm not absolutely sure on that.

**ZIEGLER:** In an article of the March 1983 issue of *The Bank's World*, you were quoted as saying—and this was while you were in charge of the Indonesia office—“We try to ensure that all staff have a clear view of what we're trying to accomplish in Indonesia. Various management devices are used to ensure that we have a team approach to our work and that everyone is clear about the Bank's objectives in our dialogue and operations. One example is the creation of so-called sector teams comprised of projects and programs people from here and people from Washington.” Could you describe more fully the working relationships within the Resident Staff, particularly the locally-engaged staff?

**CHEETHAM:** Yes. Well, in those days we had a programs unit that was sort of more or less a mini version of the programs department in Washington, and we had a projects unit that was a mini version of the projects department. And we also had a lead economist for Indonesia. In fact, the lead economist for Indonesia was in the Indonesian office, not in Washington, D.C. So we had a little programs team, country offices. We had several economists. We had enough economists in the office to be able to write a fully-fledged economic report without having to have it done in Washington. We built that capacity up from what was fairly minimal when I arrived to a much more substantive capacity. More on that in a moment.

The projects unit, initially, was primarily agriculture, because a very large part of that portfolio was in agriculture. So that team was responsible for some of the project identification and preparation, but was very heavily responsible for supervision, particularly the agricultural portfolio. Some of the other sectors were covered by projects people coming from Washington, D.C.

One of the things that I put a lot of emphasis on in my early period there was the importance of integrating these different activities and pushing quite hard the idea that if we're going to do some lending in the power sector, one of the things we're going to do is do some sector analysis to find out more about the institutional issues and capacity issues and the other problems in the sector so that we could make intelligent decisions about which elements, if any, might be built in

the project design and which elements, if any, might be taken up in a parallel track or prior to a project going to the Board in the form of policy dialogue and so on. I put a lot of emphasis on that. That turned out to be a pretty powerful tool because what it did in the eyes of the Indonesians was ramp up substantially the interrelationships between the operations that they were doing with us and the policy and the institutional support that they were getting in the sector.

Line ministers appreciated it a lot. A line minister would know perfectly well that he did not have—and I invent a hypothetical story—let us say the public works minister knew perfectly well he did not have enough manpower to supervise fully a lot of the projects going on, didn't have enough qualified engineers. And he knew that he could get some help from the World Bank in building those capacities in his ministry. So we did some of that. We made a point of trying to support the ministries where we could. We didn't have technical capacity everywhere, but in some areas we had capacity to go above and beyond the call of duty and provide some additional support. That was appreciated by the Indonesians.

**ZIEGLER:** What about Indonesian staff? In the interview with Andrew Steer—who was considerably later to you, of course—he was fulsome in his praise of the Indonesian staff that he had in the country office. You're—what—20 years before that. What was the . . .

**CHEETHAM:** Yes, yes. We—well, there's an interesting history to this. In the time that I was there, the Bank started to upgrade some of its technology, including sort of electronic movement of information. And we spearheaded in the Bank, in the Indonesian office, using local staff, the processing of a lot of information by the local staff. The information would be sent out—project information, other sorts of stuff that were related to the Indonesia program, and the costs of running the program, and people working on it, and that sort of thing. That information would be sent out to the office in Jakarta. We would process it in Jakarta and then send it back to Washington. So when we started that, the Indonesian staff got a whole new view of their role in the World Bank because they were working not only to support missions and stuff like that in the office, but then they started assuming responsibility for things that had to go back to Washington. It was a variation of today's world where you have offshore contracting by large companies. Exactly the same arrangement. This was a big step forward for the Indonesian staff. They were no long simply local staff doing . .

**ZIEGLER:** Local things.

**CHEETHAM:** . . local things. All of a sudden, they were local staff doing Bank-wide things. And . . .

**ZIEGLER:** What was the nature of the data that they were dealing with? Primarily Indonesian . . .

**CHEETHAM:** Yes. Things related to the management of the Indonesian program. But instead of assembling a lot of information on the, say, on the amount of time being spent on projects and costs, and one thing and another, doing this and that, whatever would come out, that sort of information would come out of Jakarta, and we'd put it together and analyze it. They'd send it back in. There were lots of little examples of things like that that would be sent out there



electronically, and then processed and sent back again. So I hired one or two extra Indonesian staff that had some skills in these areas, and we got a little bit of input from people from headquarters to help get things started.

**ZIEGLER:** Roughly how large was the office at that time? Do you know, off hand?

**CHEETHAM:** By the time I left—I'm guessing; I don't know—it must have been 50 people, 50, 60, something like that. It's a bit of guess. Could be off by 20 either way. I don't know. When I arrived there it was quite a bit smaller, but we built it up, because in rebuilding the relationship with the Indonesians I was able to justify a substantial increase in the lending program. But when I went out there the lending program was running at about, I don't know, \$2 or \$3 hundred million a year. By the time I left it was running at a \$1 billion a year, one of the biggest programs in the Bank after China.

**ZIEGLER:** The same article from the March 1983 issue of *The Bank's World* also quotes you as saying, “The quality of our policy dialogue with the Indonesian government is also a strength. There is no acrimony here. Yes, we do have legitimate differences with each other, but we listen to them and they listen to us, and decisions are made on their merits. We have access to government people at all levels.” Describe a little further, and in somewhat more detail, your relationships and interactions with members at the various levels of the Indonesian government. You cited some good examples already, but here you can focus in on it a bit.

**CHEETHAM:** The fundamental point about Indonesia—in fact applies throughout most of East Asia then and very likely still does—the fundamental point is that in those days the Indonesians on the policy side, development policy side, they had a small number of very well educated Indonesians, the so called “Berkeley Mafia,” which everybody knows about. Very smart, very well educated, and they knew a lot about development. Their problem was that, within their respective ministries, they didn't have any depth. So most of those ministers, Widjojo [Nitisastro], Ali Wardhana, [Johannes B.] Sumarlin, Radius Prawiro, and that whole crowd, they could not get the sort of analytical input they needed to make good decisions on policy matters because they didn't have the analytical capability in the ministries. What they would do, typically, was talk to two or three outsiders. They'd talk to the World Bank, they'd talk to the U.S. Embassy, they'd talk, depending on the nature of the problems at hand, they'd talk to maybe the Asian Development Bank, and see what people had to say about it. And then, depending on what feedback they got, they would then decide what they wanted to do. Sometimes the feedback they would get is contrary to what they thought they wanted to do, which led them to reexamine things in a variety of ways. Sometimes everyone would give them feedback that matched what they had in mind, in which case they'd go ahead fairly quickly.

So they looked to policy dialogue, in World Bank terms, as a very, very important ingredient in the relationship. They understood very well that the World Bank had the leading economic and sector work program among all those in Indonesia. There was no dispute about that. As a result of that, they looked very heavily to the World Bank for a great deal of advice, and that led to, in my particular case, a very close relationship.

One story out of school, so to speak. You may remember that in 1979, oil prices peaked after the crash in the early '70s. After 1979, oil prices started coming down again; I don't recall exactly

when now, but around about 1981, '82, somewhere in there. The oil market was still dropping in those days; oil revenues were a pretty important issue for Indonesia, so a substantial part of the budget, for on budget and off budget spending. I did some analysis of the situation and I came to the conclusion that Indonesia would have to undertake very, very large cuts in public spending, and would also have to devalue by a large amount.

At that point I was quite close to some of the policy makers. I called Ali Wardhana and I said, "Ali, I need to chat."

So I went over to see him. I hadn't discussed any of this analysis with anyone in the World Bank office at all; back of the envelope. I explained what I'd done and so on and so forth. I said, "My judgment is, you're going to have to devalue by about 28 percent, and you're going to have to cut about \$2 billion out of the public expenditure programs over the next five years to adjust to this massive loss of revenue." We talked about it for an hour or more.

He said, "Russ, give me a one page note." In those days Ali Wardhana's daughter worked for me in the office. He said, "I don't want anybody to see it. You are not to discuss this with anybody at all. And you're certainly not to discuss the matter with the IMF [International Monetary Fund]," who had a resident representative there.

I went back to the office. I didn't ask Ali's daughter to type the thing; I had my wife type it. I got it back to him that night. He then conferred with Widjojo and others the next day. We had another little meeting the following day.

The decision was to go to the president. So we did a little note to the president saying we're going to have to devalue. The range was somewhere between 26 and 30 percent. That was sent to the president. Widjojo and Ali said, "Russ, you're not to discuss this with anybody, because there are only four people that are involved in this: the three of us and the president. Nobody else knows anything about the fact that we're going to devalue."

This was around about Thursday of that week. The president looked at the note on the Thursday night or Friday—I can't recall exactly now. He looked at it and said, "We'll devalue by 28 percent." He picked the middle of the range, which is of course what we assumed he would do.

Ali and Widjojo said, "We're not going to make the announcement until the weekend, after the foreign exchange markets are closed." So that Saturday afternoon, about three or four in the afternoon, the Indonesian authorities announced a 28 percent devaluation, and they had until Monday to take care of the uproar, of which it was rather large. That was the nature of the policy relationship. Very close.

**ZIEGLER:** Did that in fact help their situation?

**CHEETHAM:** Enormously. We then did a lot of follow-up work because it was clear that with the projections with oil production in Indonesia gradually declining and lower prices for an extended period. What we then did, after conversations with the Indonesians at some length, we organized a whole series of studies for them on how they would diversify the economy and what sort of policy changes were needed to make that happen. We produced a whole series of reports

for them.

Widjojo was very good. He didn't agree with everything, but he took a lot of it. And between him and Suharto and Ali and Radius Prawiro, they implemented it. That period from about 1983, '84, '85, '86 in Indonesia was the period when the Indonesians really began to lay the foundations for the diversification of the economy. And, of course, the payoff over the following ten years was quite impressive.

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

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

**ZIEGLER:** As is well known, corruption and crony capitalism were factors that exacerbated Indonesia's problems during the Asian financial crisis of the late 1990's. What was your perception of these matters during your time in Indonesia?

**CHEETHAM:** I think the basic point was that we were well aware that it was a problem, in general, as were most senior Indonesians. Among the very senior Indonesians it was always fairly easy to know which side of the street they were on, simply by visiting their homes and seeing what they did and so on and so forth.

With respect to the Bank's portfolio, the issue, in a way, and understanding where the problems were, the issue was pretty straightforward. I've forgotten the numbers now, but for that portion of the portfolio where the procurement contracts were bid internationally and awarded internationally to a GE [General Electric], or to a Mitsubishi, or whatever, the supervision of those portions of the portfolio implementation was pretty straightforward.

As I mentioned earlier, it was not too difficult to detect problems, and it was not too difficult—and not in a public way but in a very private way—to deal with them by going straight to the Indonesians and saying, “We've run into this problem.” The Indonesians didn't want to see any of this in the newspapers. My experience was that each time I'd take up something like that with them, action would be taken.

The problem for the Bank was the oversight and supervision of the local cost financing that the Bank was financing. There was a fairly substantial component of local cost financing in a lot of projects. In those days, the procedures of the Bank were such that supervision missions couldn't possibly visit 25 cities around the country and look at the accounts of every single city government in an urban project or in a road project or whatever. They'd do a sample, and they'd often find problems in the sample. They would record their concern about the problem, and if something could be done about it. But for the amount of staff we would allocate to supervision in those days, it was impossible in a country the size of Indonesia to go and have 100 percent assessment of all local cost financing operations that were using local procurement rules.

We knew perfectly well there were problems with that part of the portfolio. The problem was the following. I remember quite vividly sitting and talking to Widjojo about it one time. We knew each other well. I could talk quite openly about all these sort of things with just him and me in the room, nobody else. And I remember talking to him about some parts of the education program. We knew there were problems. I said, “Look, what do you want to do about this? I

can take steps that will deal with this problem, but it's basically going to mean there will be a collapse in the education lending program. You're going to have to trade off this issue of the corruption you've got, which is affecting a portion of the portfolio, and the payoff you get from educating kids and training teachers, and getting textbooks printed, and so on." We talked about it for quite a while.

He said, "Russ, I want these programs to continue. My judgment is that yes, there is some money wasted, and it goes to the wrong people, and we've got to repay those loans. But that cost is substantially less than the benefits we get from the 75 percent of the project that does work well. So please don't cut the program in order to get rid of all these problems. We're not going to get rid of all of them overnight. They're going to be with us for quite some years. I want the Bank programs because we know that a significant portion of them does a lot of good. We are well aware of the corruption problems. We need to do more, but don't cut the program." That was his general feeling.

For the most part I was guided by that sort of thinking. We did the best we could. I was perfectly well aware that there were problems, particularly with the local cost financing part of the World Bank program. With the staff we had, we did what we could. But nobody was under any illusion about the fact that there are, you know, up in Aceh, or in somewhere else, in Sulawesi, there was some monkey business, yes. Now, if we were willing to quadruple or whatever, raise our supervision effort by a massive amount, we could have gone after all of that. We didn't, for the sorts of reasons that Widjojo talked about. So that was sort of the general picture. The problem is a lot more complicated in many ways.

Some background with the first family, because there's been an enormous amount written about the Suharto family and corruption, that sort of stuff. In the early days, in the Indonesian military, all military officers were very poorly paid because of the budget constraints. The Indonesian military, as in a number of other countries, was allowed and encouraged to become involved in commercial ventures because that was one way in which officers could enhance their pay.

**ZIEGLER:** It's like that in China today, or it used to be.

**CHEETHAM:** There's lots and lots of countries that use that model.

This is a little bit of a sort of generalization. It didn't apply to everybody, but it was common. The officer, male, had a military career. The duty of the wife was to generate income for the family to get by on, to buy a house or buy a car or these sort of things. There was no way on the salaries paid to officers in those days they could do any of that because salaries were so small. Some of them did have access to sources of funds via the commercial business, but not all of them. Some of them would go on special assignments. A favorite in those days was to be assigned to East Timor, because in East Timor it was the military that was basically running everything, and if you were an officer in East Timor you had the opportunity there—there were no formal business arrangements, but you would use military planes to ship fish to Japan and so on and so forth. So if you were a 28 or 30 year old young officer, one of the things you had to do in your career to make some money was to be assigned to East Timor. The sandalwood trade in East Timor was valuable. Most of the sandalwood is gone now, but there are quite a few military officers that did rather well out of the sandalwood trade.

In the case of the first family, same sort of set of conditions. So the issue there was the president. For much of the time that I knew him, at least, he was a military man running the country and the business of building family wealth and well-being rested with the wife and, in this particular case, the children. That got to the point where it was quite a problem for him, quite a serious problem. It was something he was acutely aware of.

He and I were very close, actually. A little bit more on that in a moment. But he and I would meet quite a bit. Officially, meetings with the World Bank or anybody else, in many cases—not always, but in many cases—were 30 minutes. Sometimes, depending on who it was, one hour. I would sometimes go there, and he and I alone, nobody else in the room, we'd sit for two hours talking about all sorts of things. He understood English quite well. We could have a good conversation. My Bahasa Indonesia wasn't all that good, but we didn't need it. And we talked very candidly about all sorts of stuff.

I remember on one occasion there was an episode involving some of the kids. I happened to be meeting with him a month later. He and I had a little competition. We'd ask each other how many grandchildren we had. On this particular occasion he said, “Well, how many grandchildren you got now?”

I said, “I've got five.”

He said, “You know, there's a problem. Sometimes you love your grandchildren more than you love your children. Sometimes your children can be the cause of a lot of difficulty.” Now, in a wonderful Indonesian way, for me that was an extraordinarily candid statement from the president of a country. He was very acutely aware of some of these things.

I'm inclined to think that his direct role in corruption in Indonesia was not huge. There may have been some, but I don't know. The problem that I had with it was that he didn't crack the whip enough with respect to the rest of the family. Mrs. Suharto was responsible for building the family business. She took full advantage of the position to do it. The kids did the same, took full advantage of the position to do it. But most of the texts that you read now about that era, they lay the blame directly at the doorstep of Suharto. In a sense, you can say that's right. I mean, he was the president, he was the head of the family. He should have taken firm action. I suspect for quite some years he—I wouldn't say turned a blind eye to it, but I would say it wasn't the most important thing on his agenda. What he was a lot more worried about was, what in the hell does he do with a country that has a huge amount of poverty and running the risk of disintegrating? How in the hell did he keep a military functioning when they didn't have enough money to pay them? They had trouble in Papua at that time; they had trouble in Aceh at that time; they had episodes in Sulawesi, episodes in other parts of the country. And looked at from the point of view of a president, the big worry would have been, for me, how do I keep the country together? How do I make sure we don't have disintegration of the world's biggest Muslim state? I had quite a lot of conversations about all sorts of things with him. Not that we ever talked as bluntly as this about these sort of things, but it was clear to me that those were the things he was worried about. And so this . . .

Quite frankly, I think in some of the writing, his contributions in the country as leader, I don't

think he gets full justification for what he did. It's just a slogan: "Well, he was corrupt and terrible," and so on and so forth. It was much more sophisticated than that. It's not that he was unaware of these things.

It's like the Widjojo story that I mentioned to you a moment ago. Widjojo was perfectly well aware. He said, "Russ, we know. But with these Bank operations, if we have to accept losses of ten or 15 percent that we can't easily get rid of, we don't want you to cut the program and we lose the benefit for millions of school children or farmers or whatever for the 70 or 80 percent of the World Bank program that does work well. We understand there's other problems. And in time—it's going to take us many years—we'll deal with that problem."

Widjojo and I were very close. We'd talk about these things very bluntly, very candidly. Not quite so much with Suharto. But I was persuaded that, in his mind, the story wasn't a hell of a lot different to the one Widjojo was quite explicit about. Anyway.

**ZIEGLER:** What were the biggest changes that you perceived in Indonesia between your arrival and your departure as head of Resident Staff? Did you see any significant progressions or disintegrations?

**CHEETHAM:** Well, there were several things. The Indonesian office, when I arrived, was much smaller. It had a rather poor working relationship with the government, for the reasons we talked about earlier.

When I left, that had changed a lot. We were lending a \$1 billion a year, not \$200 or \$300 million a year; we had a very large program of economic and sector work; we had a much larger office and a substantially better relationship with the government. I think those were the big changes in that four year period.

**ZIEGLER:** Then in late 1994, jumping ahead a little bit in your career, you were appointed vice president of the East Asia and Pacific Region. What were the circumstances of that appointment?

**CHEETHAM:** I had been working on the Soviet Union. We'll talk about more on that another day. Attila Karaosmanoglu had decided to retire, and with the Attila's retirement they had to move somebody up to managing director. They decided that they would move Gautam Kaji.

Ernie called me and said, "I need to talk to you." [Inaudible] He said, "We want to transfer you from the Soviet program back to East Asia." This was in 1994.

I said, "Ernie, but I've already told you I'm retiring from the World Bank on first of January '95. I'm not really interested in this. I'm leaving."

He said, "No, we want you to stay."

I said, "I'll think about it." I talked to my wife about it, and she was furious.

So the next day I came, and I no sooner sat down at my desk at nine o'clock the phone rang, and it was Attila. He wasn't in the meeting with Ernie. He said, "What did you decide?"

I said, "I decided that I'm going to turn it down."

Attila was furious. We had a rather long discussion. I won't bore you with all the things that he said, because some of it has to do with personalities in the Bank.

We had a new president, Lew [Lewis T.] Preston, at that time, and for reasons we can talk about another day, I was quite close to Lew because he had a keen interest in the Soviet program. So I changed my mind. I said, "Okay Attila, I'll stay at the World Bank as long as Lew is here, and when he leaves, I'll leave." So that was the deal. So I moved over, back to East Asia. This was just before the Annual Meetings in Madrid.

Lew caught me one day, just before that. I think they'd just made the announcement of these changes. He said, "I had to do this. As far as I'm concerned, I want you to stay on the Soviet program, but for Bank reasons we need to move you over here."

I said, "Fine, no problem." Anyway, there's a lot more to this story, which I won't talk about.

**ZIEGLER:** Your old friend Indonesia was one of the countries for which you were responsible. What was your perception of how it had changed and evolved since 1991? That's still just a few years on, but . . .

**CHEETHAM:** I came back as VP in '94, '95, '96. I went back up with Asia pretty early on. My first visit out there was to China and to Indonesia in '94, I guess, after the Annual Meetings. There were some changes in a number of respects. The Bank's program had diversified some. There were some tensions in the management of the Bank operations there, and that centered on some particular personalities. It's not appropriate to get into who and where and why. But that was a somewhat awkward problem, and it had some effect on Bank operations. So in that sense, I found a somewhat unwelcome change in the nature of the teamwork there. That problem was still there when I retired, because there was some limits to what you could do with it, given the personalities involved.

**ZIEGLER:** Were they all on the Bank side, or were there some on the Indonesian side?

**CHEETHAM:** The Bank side. It involved some fairly high profile names.

**ZIEGLER:** I've seen photographs of you accompanying Mr. [James D.] Wolfensohn on a visit to your region and in particular Indonesia. What were some of the more memorable incidents of this visit?

**CHEETHAM:** The background of the trip, first of all, was the following: When Jim arrived at the Bank, like some of his predecessors he asked where was the executive jet. He was told there is no executive jet. Presidents of the World Bank travel on regular airlines. Jim wasn't used to that sort of travel. He had his own jet in the company that he had up in New York. In those days when he was still commuting, he'd fly down on these executive jets. So he decided that he'd like

to try out the idea of having an executive jet for the president. He contracted through some of his business friends for one of the big manufacturers of executive jets to loan a jet to the Bank for a specified period of time so that the idea of an executive jet being available for the president could be tried out.

He called me one day and said, "We're just about to take delivery of this executive jet," from whatever company. And he said, "I'm planning a world trip starting in Washington, and going to Israel and Jordan, Viet Nam, Indonesia, Tokyo, Washington. I want you to come with me." So I got on the executive jet in Washington and we did all that, finally arriving in Indonesia.

**ZIEGLER:** Was it a good-size aircraft?

**CHEETHAM:** Not particularly. It was his wife, myself, Jim, two crew at the front and a hostess.

We did this world trip. At the end of it, or near the end of it, I said to him, "Jim, I think it's a mistake to have an executive jet." We'd traveled around, pretty much around the world. We had this conversation by about the time we got to Indonesia. I said, "The problem is that we've been on the road for a month. We've had no rest whatsoever. The jet lands at 11 o'clock at night in Israel. We get a few hours sleep and there's work the next morning for two days. We get on the jet at 11 o'clock at night and we land somewhere else at four in the morning, or something like that. And we try to sleep on the plane. Quite frankly, I think if you go this route you're going to create medical problems for yourself. My strong recommendation is not to do it, unless you're prepared to stop for several days and take a rest. You can't go 24 hours a day every day, flying at night, and expect to be able to function effectively."

Well, he wasn't all that keen on hearing that. But for whatever reason, it never came about. Whether that trip had anything to do with it, I really don't know.

On the Indonesia program specifically, we had an interesting visit. He arrived in Indonesia with a view that there was a large degree of corruption in the World Bank program and that something should be done about it. Not only that, he arrived with the view that there was a large degree of corruption in Indonesia, starting with the president and going down. So the policy dialogue that we had in Jakarta during his visit was not especially productive. Whether he was fully aware that it was not a particularly productive dialogue, I'm not sure. But I was in the fortunate position of being able to make comparisons with all the presidents that had been there over the years at one stage or another and what the dialogue was like.

He came away from that visit, from Indonesia, I think, quite perturbed about the problem of corruption there and began to take steps, pressuring staff and so on, to deal with the issue a lot more aggressively. This was about the time I left the Bank, and I'm not too sure what the outcome finally was.

But of course, subsequently, after the fall of Suharto and the difficult time Indonesia went through and the much more open society, I mean, the Indonesians themselves, as Widjojo years ago said, "At some point in time, Russ, we'll deal with this problem." My impression is the Indonesians have done a pretty good job in dealing with that kind of problem. It's a much more



open society. More cross-checks and balances and so on and so forth.

That's not the way it was in the '70s and the '80s. But you had a leadership that was intently concerned about making sure that they produced enough growth so that this very big nation did not disintegrate. That was a terribly, terribly important issue, and if it cost a little to make sure that it didn't happen, so be it. That was the mentality of people like Widjojo.

Although in my many conversations with Suharto, although we never said anything specifically of that kind, I knew enough about what was going on to read into some of the things he would say. We would sit, and on occasion we had a two hour session, just the two of us. There were a bunch of policy issues, and he would say, "Russ, what do you think we ought to do about such and such?" And we'd talk about it. I'd say this and that, and this and that, and backwards and forwards. He'd listen. Sometimes, I mean, on more than one occasion—not every occasion; more than one occasion—two or three months later I'd read in the newspaper, the Indonesian cabinet decided on the following. Precisely what the president and I had talked about three months earlier. Some of that stuff he'd take straight into a cabinet meeting and take action. Not always. Sometimes we agreed to disagree on what ought to be done.

One of the nice memories I have, actually, of that relationship. Widjojo was telling me, about two months before Suharto died, he said to Widjojo, "What happened to Russ Cheetham? Where is he? Can you get in contact with him for me?" Just a nice thing for him to have said that close to the end of his life. So as you can see, I was fairly close to some of these people.

**ZIEGLER:** Yes, yes indeed.

**CHEETHAM:** And some of my opinions may not be totally objective. I don't know.

**ZIEGLER:** But they're informed opinions, nevertheless.

The Asian financial crisis occurred after your retirement from the bank.

**CHEETHAM:** Yes.

**ZIEGLER:** But did you have any intimations that things might go wrong, especially in Indonesia?

**CHEETHAM:** There were two things. We were aware, quite well aware, that Thailand was running into trouble. We were also very well aware that there was potential trouble in Indonesia. Not confined to those two countries. In the case of Indonesia we were very well aware of the fact that the Indonesians had not done enough to develop their domestic capital markets and a very, very large amount of financing for investments in operations in the private sector came from borrowing loans in foreign currencies. We understood quite well that the dollar-denominated—primarily but not exclusively—foreign liabilities of the country, especially those in the private sector, were very large.

At a much earlier time I had been dealing with the people back in the Economic Analysis and Projections Department, which was where the World Bank's monitoring system was in those

days. I had insisted that teams come out to Indonesia to get more accurate information on external debt liabilities in the private sector. We didn't know exactly how much. We didn't know a lot about maturities. I had a number of conversations with people like Sumarlin, Widjojo, about the management of these sort of things, in the event that there was a problem sometime in the future.

At that time, we didn't have the sense that the place was going to crash 12 months later, but we were certainly very well aware that in the event that there was a global or regional downturn in the business cycle or something worse than that, then Indonesia was at risk because it had a huge amount of foreign obligations that were dollar denominated, both public and private. And if there was devaluation, as we'd had in earlier times, a lot of business was going to be under water or out of business.

What I did not expect was the Thailand problem would deteriorate as rapidly as it did. The IMF had been watching the Thailand situation and they were quite concerned, even during my tenure there. Twelve months later, the thing crashed.

After it crashed, it so happened that--I mean, I'd gone to Seattle and I'd started my own business. I was doing quite a lot of consulting work in that part of the world. And I happened to be in Indonesia, among other things, shortly after the crash when the World Bank and the IMF were trying to put programs together. So I sat with Widjojo and Ali Wardhana for several hours to talk about what they were trying to do. And since we were close friends, we had a pretty candid conversation. Widjojo's main complaint was that the IMF and the World Bank were trying to impose something like 50 or 60 conditions on Indonesia to comply with requirements that would then lead to support, financial support.

Widjojo said, "Russ, this is ridiculous to ask us to comply with this much conditionality to get out of this mess. There's no way in the world we can comply with all this stuff. It's too onerous, and there's too many different things. Can you help?"

I said, "I'll try."

When I came back from that trip, I came over to Washington. I called Wolfensohn, and I also spoke to [Sven] Sandstrom. In talking to him I laid out my concerns as shared with me by Widjojo and Wardhana. Sven said, "Yes, we've got a problem. I agree. Could you talk to the vice president about it?"

So I went to see him. I've forgotten his name now. I'd interviewed him for a director's job a few years earlier. So I went to see him and I laid out the concerns that I had. He got very upset that I would be interfering in the activities of the World Bank. So he dismissed them immediately, and life went on.

I spoke to Jim, and I said, "Jim, you've got too many conditions. For God's sake, do something about it. Get rid of some of it. It's not that there's anything wrong with them, but what's wrong with it is you're asking a country to do five times more than they have the capacity to do in the middle of a crisis. It doesn't make any sense."

So, so much for that.

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

**[End of session]**

**Session 2**  
**June 6, 2012**  
**Washington, D.C.**

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

**ZIEGLER:** Today is June 6, 2012. My name is Charles Ziegler, a consultant with the World Bank Group Oral History Program. I have with me today in the Archives of the World Bank Group Mr. Russell Cheetham. We will be conducting the concluding portion of his Oral History Program interview concerning his experiences with Indonesia.

Well, Russ, I'm glad you were able to come back to sum up your experiences in Indonesia. We'll start with, or by asking you, looking at Indonesia's political and economic development over the last two decades, what were the principal successes and failures of the Bank's engagement with Indonesia, as you see it?

**CHEETHAM:** I think a number of things emerge if you look at the last two or perhaps three decades. Some of the strengths of the Bank's program were a good working relationship with many of the senior policy makers that allowed for a very good dialogue. And that was true in my day there. It was true in the days of Mark [William] Baird and Nick [Nicholas C.] Hope.

But there have been periods when there's been some ups and downs. But that relationship, I think, was terribly important. The senior Indonesians understood very well that they did not have within Indonesia, in the ministries or in the institutions, the sort of analytical capacities they needed for the kind of policy work and policy decisions they had to make. They understood very well that they had to rely on folks from outside.

They respected the work of the Bank. The analytical work was of high quality, and they made considerable use of it. That doesn't mean to say they simply agreed with everything. There were many instances when we had quite different opinions, even if we agreed on the problem, on what would be done to fix it. So it was a very healthy dialogue in that way. I think that is one of the big contributions.

The other things on the lending side. The Bank initially put a lot of effort into helping build up agriculture in a major way that had direct implications for poverty reduction. And as you know, Indonesia has had, through the Suharto period and continuing on, has done extraordinarily well in reducing the incidence of poverty in the country. There's still a lot of it, but it's a heck of a lot better than it was 30 years ago when I went in there. In the early 1970s the incidence of poverty, best estimates in those days, about 70 percent of the population was below the poverty line. We got that down around 10 or 12 percent in 30 years. There are very, very few countries in the world, big countries like Indonesia, that have done that. And it's an achievement, not simply of President Suharto and his colleagues; it's an achievement of the entire country and it's a very impressive one. I don't think enough emphasis is given to some of those things. So in that sense, I think the World Bank played an important role in supporting some of the things the Indonesians wanted to do to directly address poverty.

Apart from the agriculture program, another very important program was the on-lending arrangements, the on-lending arrangements to small borrowers through the banking system. We had a few ups and downs over the years, but that evolved into a very, very important program. I find a lot of people talk about the importance of small scale lending to women and things like that.

**ZIEGLER:** Micro credits.

**CHEETHAM:** Micro credits. But, you know, what a lot of people don't recall is that the Indonesian micro credit program was huge in relation to almost anybody else's. It was very big and very successful. We used to do analysis on those programs, lending to very small people, and we found that the returns on that and the repayment records were far superior to Bank lending in Indonesia for meeting large scale borrowing.

The other thing that I think where the Bank made an important contribution—not enough in my view; we could have done more—was in supporting education. You know the story in Asia. The extraordinary growth rates in Asia since the 1960s have been driven by high levels of investment. In a number of countries like Korea and Taiwan and Malaysia, countries that had started off with a very good education base, have a reasonably well-educated labor force.

**ZIEGLER:** You'd say that was crucial in the . .

**CHEETHAM:** Absolutely.

**ZIEGLER:** . . development?

**CHEETHAM:** All of the analysis that's been done in Asia all confirms that the importance of those sort of things. Indonesia, like some of the other countries in that part of the world, started with a fairly low education base, and so there was a big catch up. Now, we understood that. Suharto and Widjojo and the other policy makers, they understood that and they pushed very hard to build the education programs. We may have pushed a bit too hard on some occasions and got ahead of capacities to do things, but the basic thrust was terribly important. It's a big country, and there's still more to do in that respect. They've got to build the skills of the labor force even more. These are some of the areas where I thought the Bank had done a good job: in agriculture, in education, some of the basic infrastructure.

The other thing that I think was important about the Bank's operations was that it wasn't concentrated in one part of the country. There was a deliberate effort made to have World Bank operations around various parts of the country. It's a country of many islands.

**ZIEGLER:** Seventeen thousand, I think it is.

**CHEETHAM:** Yes. And even the big ones, there's quite a few of them. And a lot of people. The circumstances in some of these different islands and societies are a bit different. So it required careful attention on the part of the Bank to what was needed in different places and how to go about doing it effectively and so on.

Failures? I would rate the overall program of the Bank as being pretty good. I mean, I am well aware the relationship deteriorated pretty substantially after the collapse of the Suharto regime and after the 1997 fiscal crisis. And that, of course, quite predictably led to some serious questions about the credibility of the Bank and the role of the Bank and so on. Not surprisingly, it took a number of years to rebuild that relationship. My understanding is the relationship is quite good now again. It's been rebuilt. Indonesia has moved on. It's a different country. And so my feeling is that there's no reason why there can't continue to be a very strong relationship between the institution and the Indonesian people and government.

**ZIEGLER:** Were there any World Bank activities or programs in Indonesia that you would regard as having been particularly innovative or pioneering?

**CHEETHAM:** On the innovative side, I think the micro finance at the time was—I mean, it wasn't ahead of what was being done in Bangladesh, but we borrowed heavily from that experience. We then applied it on a much bigger scale.

**ZIEGLER:** And very successfully, from what you were saying.

**CHEETHAM:** And very successfully, yes. Now that's led over the years to decentralization of some of these programs. The Indonesian program that has been decentralized is a very big one, and for the most part it's a pretty successful one, as the government decided to move from piloting things to very large scale operations. And that's one I think that was important and successful.

As I said earlier, I think the Bank's effort to support basic education, the development of basic education, was important. It's not that the Bank was a dominant financier, but it did have, I think, a useful contribution to make in that area. And I think in some of the other areas, in infrastructure development, the agriculture as we talked about earlier, important contributions were made.

Some of the areas where the Bank was not so active or not so successful: we got into the transmigration program for a while, but we withdrew pretty early on. We didn't stay in that program.

**ZIEGLER:** There were only a couple of loans on that, I believe.

**CHEETHAM:** Yes, yes. In fact, I had the responsibility of going to the transmigration minister in the 1980s to inform him that the World Bank was discontinuing its lending for transmigration.

**ZIEGLER:** How was that news received?

**CHEETHAM:** That was not a very happy meeting. I was not a very popular person with that minister, at least.

**ZIEGLER:** Now, the Indonesians continued the program on their own, I gather.

**CHEETHAM:** Yes, there's continued migration that's not so much officially sponsored now.

I'm not really up to date exactly on this. But with many Javanese families spread around the islands now, there's families that move to somewhere where there's a brother or a sister or cousins or whatever. But exactly what the scale of the movement is these days, I don't know. I'm not sure.

**ZIEGLER:** With regard to the World Bank's analytical and advisory activities in Indonesia, how would you characterize the process and effect that they had?

**CHEETHAM:** I think it was one of the important contributions that the Bank has made, and it's something that, as I've said before, something that was valued a great deal by the policy-makers in Indonesia. As I've mentioned, it's not that they always agreed with what was said, but it made an important contribution to their internal thinking and decisions and discussions.

There were, on a number of occasions, reports that we got to the draft stage that were quite valuable, had an important contribution to make, but in the public domain, potentially controversial. These were reports that we chose not to put into final gray cover. That was very useful for the Indonesians. They did not have to deal with public reactions, but at the same time they had a very good idea of the sorts of policy changes they needed to make without, in effect, having to deal with implicit or explicit public criticism. On several occasions we opted for that strategy and, I thought, in some of those cases rather successfully.

You may have heard in other interviews about one of those reports, one done by Armeane Choksi on trade policy. It had a lot of stuff in it that in the public domain would have created quite a bit of problem for the Indonesians and for the World Bank. The Indonesians liked the report, but they preferred that it not go into the public domain.

**ZIEGLER:** And it didn't?

**CHEETHAM:** It didn't, no. I decided that it would not.

**ZIEGLER:** How, if at all, would you have structured the Bank's engagement with Indonesia differently?

**CHEETHAM:** In my tenure there I was reasonably comfortable with the structure we had. I had considerable independence as a manager. I reported to the vice president, not to the projects and programs directors. And so, from my point of view, managing that relationship worked quite well. I was given a lot of authority, and the Indonesians understood that. I think if I were to do anything differently, going back in time, I probably would have moved more of the Bank's technical staff to the resident office at an earlier time than . . .

**ZIEGLER:** Sort of in advance of the later decentralization?

**CHEETHAM:** Yes, yes. I would have done that sooner. We'd built up to the equivalent of a division of agricultural technical people, but we also had big programs in a couple of other sectors. I think we would have made a better contribution if we had had more technical people there in some of those areas on a full-time basis, as we had with agriculture. But, you know, in those days moving staff to the field was not easy.

**ZIEGLER:** Right.

**CHEETHAM:** And it was judged to be very expensive. Putting people on airplanes flying halfway around the world was judged to be more cost effective. Lower costs, yes. More effective? I think a question mark can be put against that. But that's the main change I would have made, I think: built up the Resident Staff even more, given it a wider range of staff capacities and different things.

And the reasons for that—you wouldn't do that in every country—but in Indonesia the relationship over the years between the people in the office and people in the government was good. They had access. People in the government would approach Bank staff or would look to Bank staff to come and talk about some of these problems because there was a degree of trust and so on. I'd say that took a bit of a dip after the 1998; it took time to rebuild. But it's back. My understanding is second hand—I haven't been there in three or four years now—but to my understanding this relationship is pretty good again. As long as the Bank delivers services on the lending side and the advice side, training and helping with capacity building, I think the Bank will be respected as an important partner in the country. From a political point of view, this is terribly, terribly important. Indonesia is the largest Muslim nation in the world.

**ZIEGLER:** But it's a moderate form of Islam, as I understand it.

**CHEETHAM:** Yes, yes. Having Indonesia fully engaged with the rest of the world—and now it's important player in the G20 and so on. That's come as a result of it re-emerging as an important economic power. These things are terribly, terribly important. It goes way beyond the World Bank and touches a whole lot of issues that are of fundamental importance to the entire world.

**ZIEGLER:** Yes.

**CHEETHAM:** And particularly given some of the stresses and strains that we have with the Muslim part of the world. Looked at through the eyes of an American, it's terribly important that Indonesia is successful, that people in that country do see themselves as important in the world scheme of things. That's fundamental. And a little bit of that pie the World Bank can contribute to.

**ZIEGLER:** Well, these two sessions have been very valuable, Russ. Do you have any further thoughts on Indonesia that you'd like to share at this point, as we wind up?

**CHEETHAM:** No. I think we've covered pretty much all we need to at this stage.

**ZIEGLER:** Okay. Well then, thank you very much for your participation in the World Bank Group Oral History Program.

**CHEETHAM:** Thank you.

[End Tape 1, Side A]



**[End of interview]**