

Draft For DiscussionTHE SECOND FIVE YEAR PLANSome Non-Economic Reflections

by

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When the First Five Year Plan very firmly and exclusively addressed itself to the increase of agricultural production and infrastructure rehabilitation, deliberately putting aside a wide range of demands and expectations which existed in the society at large. This decision was generally accepted as the only sensible choice. In preparing for the Second Five Year Plan it will not be possible once again to ignore these demands. The Second Plan will also have to take into account a number of problems which have arisen in the wake of the progress made under the First Plan including the changes, dislocations and frictions resulting from it. Thirdly, the Second Plan will have to - at least there will be such an expectation among the general public - evaluate the progress made, to identify the failures and shortcomings, and more importantly to make corrections to the course in the light of the goals the Indonesian nation wants to achieve through its development effort.

Without these elements - or at least an awareness of them reflected in the programs and language of the plan - it is difficult to expect on the part of the public, broad support for and identification with the Second Plan, two essential conditions for its successful implementation and for maintaining the thrust already generated in the course of the implementation of the First Plan.

Given the limited resources available to the Government it will of course be impossible - even under the most favorable circumstances - to deal effectively with all these problems. In selecting its priorities from these problems the Government may



therefore have to ask itself on which social groups it wants its development effort to rest. Among these problems two criteria might suitably be used. First, the support and participation of which social groups bear on the nation's capacity to maintain the thrust of development. Secondly, which social groups are considered important for political viability of the development effort. (the viability of the political order).

Using these criteria this paper discusses, briefly and with no claim to exhaustiveness, some social groups to which the Second Plan would be well advised to pay special attention, as well as some problems of social organization, political economy, societal development goals and tone and language of the Second Plan.

Needless to say, these observations and reflections are at this stage quite tentative, preliminary and impressionistic, and are offered only in order to stimulate the kind of discussion and further reflection which might help in the Second Plan capable of moving the Indonesian people further towards their goals.

The most obvious social group the Second Plan must take into account is that of Youth. So far there are no signs of imminent crisis. However the prevalence of young people hanging around doing nothing, even in small towns, their moods and their expectations of the future, give enough indications that we may be seeing only the top of an iceberg, or maybe more accurately, of a volcano. The pattern of unemployment, boredom, passivity, dissatisfaction and alienation of a large part of educated and partially-educated youth is too widespread to believe that that problem can be ignored for another five years. Once some of them start resorting to crime, and security in the bigger cities becomes a problem, the road to political violence is open. Such violence need not necessarily be communist-oriented. Most likely



it will be utopian anarchism of a non-ideological type. It is true of course that a "tupamaros" type of political terrorism is no immediate threat to the established order, and may for some time only have a degree of nuisance value. However, in the long run, it is bound to require a deflection of scarce governmental resources to suppress or eliminate the threat, and it may do serious harm to the healthy political development of the country. Preventive action before a pattern of anomic behaviour among the youth is established, is therefore of the greatest importance. The Second Plan should make this possible. In this respect it should be stated that programs simply to keep people off the streets and to make them do something, will not be enough. The various programs devised will together have to add up to a clearer definition of the role of youth in the development process. They must show the possibility of a meaningful existence for young people in present day Indonesia with all its problems, challenges and opportunities; and the contribution they could make to Indonesia's development.

The Second Plan therefore must give directions and envisage policies - and limited investments - through a number of ministries and agencies, which leads to remedial programs for drop-outs, retraining programs, skill development and improvement, through extension programs, Pramuka, trade-unions etc. programs in sports, arts, handicrafts, and last but not least Butsi or Butsi type of programs. All this on a scale sufficient to have at least a psychological impact.

The second dissatisfied group requiring attention in the Second Plan are the Indonesian indigenous entrepreneurs, the "swasta". Though earlier experiments to forefeed the swastagroup have proven to be both costly and ineffective, this does not mean that this group should be ignored and that experimentation towards their development should cease. In the first place,



relatively small though this group is, it has a widespread, though still diffuse, political impact. Their scepticism and alienation would make it even more difficult to mobilize acceptance and active public support for the Second Plan. Secondly, the continued political acceptance of present policies regarding private foreign investment will be significantly influenced by whether the swasta feel that their opportunities have grown proportionately or not. Thirdly, their progress will be a yardstick for many among the political public to measure the seriousness of the Government's efforts to develop indigenous capabilities and opportunities as against not only the foreign sector but also as against domestic minorities.

Present credit policies already aim at facilitating the development of Indonesian business. Still the Second Plan should make it possible in terms of policies as well as in terms of institutional arrangements. Several Latin American countries have developed these with considerable effect. Almost equally important would be a statement of principle in the Second Plan expressing the government's recognition of the importance of the "swasta" in the development process and the promulgation of a policy of active cooperation. This policy should more clearly define the terms of such cooperation, the rights and obligations of swasta in relation to development, including regulation regarding skills, efficiency etc. Secondly, policies and instructions should be devised which would link up swasta more directly to opportunities created by private foreign investment, without changing the climate of openness for the private foreign investor. Thirdly, policies which more deliberately link up swasta with the development programs of the government and the opportunities created by them, large and small. (business information centers, Government investment corporations with shares at some stage to be sold to the public?)



A third group to be considered in the Second Plan are the intellectuals. No sustained development effort has any chance of succeeding which does not command the enthusiastic support of at least a respectable part of the intellectual community. Besides, especially in its more complex stages development programs need a science- and development oriented public, capable of supporting (and improving) those programs, and interested in initiating ancillary and complimentary activities in the society at large. In fact each technological innovation introduced as part of the development effort will need the continuous supporting activities of the scientific and intellectual community in order to capitalize and follow through on the changes that are brought about, and to sustain the momentum of development. Still we find many of the intellectual community dissatisfied, and initial symptoms of alienation and apathy have become discernible. In part this seems to be the result of frustrations in the area of higher education, its institutions and its research facilities. Partly it seems the result of their sense of not being involved in , of being left out of, the development effort, even in the formulation of the development programs. The first part of this problem lies outside the scope of this paper which does not attempt to deal with policies of any particular ministry. The second part should certainly be borne in mind, but should be a manageable problem once the decision is made to do something about it.

Of more direct concern in the context of this paper is the general neglect of what might be called "the intellectual resource" of the nation, over and beyond the areas of responsibilities of the Ministry of Education and the Indonesian Council for Sciences. There is no prospect of the intelligentsia supporting, implementing, enriching and elaborating the plan, as long as intellectual life continues to languish, as long as it



is almost impossible to finance the publication of a sufficient number of books - any books, from schooltexts, to development oriented childrensbooks and scholarly treatises - and as long as there are only a very few intellectual magazines stimulating the mental creativities of their readers, and acquainting them with recent developments in various fields. The absence of professional journals in almost every field is a serious obstacle preventing professional standards from developing, making it impossible for the various professions to keep up to date and to inform each other of their researches. A scientific translation service, effective and on sufficiently a large scale to make an appreciable impact, are indispensible instruments not only to keep channels of communication open with the world's scientific community open, but to stimulate greater auto-activity as well. We simply can not hope that the Indonesian intellectual community as it will have to grow in response to the country's problems will as a whole be able to handle English adequately. We should, as the Soviet Union and Japan have done, pay much more serious and urgent attention to the need for translations. Another manifestation of the neglect of the intellectual resource is to be seen in the legal field. The stagnation in reform and development a.o. in the fields of commercial law, landlaw, labor legislation, patent and copyrightlaw already now constitute a drag on our development efforts, and in some cases already distorted the development path. A much firmer linkage between legal development and the need for development, social reform and modernization in the Second Plan is certainly called for.

There is also the whole area of the development of the higher skills and their utilization in the development process. The need to assess in which areas of development progress is lagging because of shortages in the higher skills is already obvious, and will become more urgent in the Second Plan. Domestic and foreign training programs should be devised to fill these



needs or an urgent basis, as an important condition to keep up momentum. Personnel regulations should be revised to make their utilization possible as soon as these higher skills in short supply become available.

Retraining a number of such higher skills that are in oversupply, and a more systematic effort to relate them to new job opportunities, as development progresses is another area where it is possible to relieve to some extent the frustration among intellectuals. This should include the Indonesian government and private sectors as well as the foreign private sector. The Second Plan would benefit from giving at least some attention to this problem and from establishing the institutional instruments to deal with these problems. In this respect some useful lessons could be drawn from the Latin American experience.

In short development as a phenomenon of total change is impossible unless accompanied, nurtured and supported by a vigorous intellectual life. This however will, not grow by itself. There are sufficient reasons - in numbers and in urgency - to justify treating the development of the intellectual potential of the nation, as a separate resource, to be developed through deliberate policies, utilizing in an integrated approach various ministries and agencies, related, though separate from problems of scientific as well as from educational development.

The military who will be demobilized in the course of the period of the Second Plan is another group to which the Plan should address itself specifically. In a number of ways the problems of settling these men in civilian occupations is too big to be handled by the military or within the limits of the military budget. It should be handled as a national problem, within the context of the general development effort, its employment and investment policies. Group settlement within the context of the transmigration and agricultural extensivication



efforts are of course obvious solutions. But more might be done in the area of training skills for post military occupations, to be used in the smaller towns and in rural development (mechanics, cabinetmakers, leatherworkers etc. The techniques developed by the Srania army might be useful in this connection. These ex-soldiers - or at least some of them - might also be used in those areas where rural mobilization for development activities are planned. The training or retraining necessary for this purpose might not be much different from those for "Butsi". In fact there are a number of ways in which close cooperation between these institutions might be useful. In much ways it should be possible to prepare an important segment of those to be pensionned for a role, literally, as sergeant-majors of the local development effort in their own community, now relying not on formal authority but on special training and persuasion.

The establishment of a special placement institution connected with the business-information centers mentioned before to connect up senior officers - and pensionned civilian officials as well - with existing business opportunities would reduce some unnecessary areas of friction caused by hit-and-run efforts at establishing business operations for to-be-pensionned officers. The incorporation of these endeavours into the normal budget is of course only one aspect of the effort to make the budget to reflect more realistically all revenues and expenditures, a problem which it will be necessary to come to grips with before the Second Plan will have run its course.

It has also become increasingly obvious that one of the major limiting factors in the thrust for development is the government bureaucracy. It seems unlikely that the government can afford to leave the present very unsatisfactory situation as it is. At some point during or even before the Second Plan



the Gordian knot will have to be cut, and salaries will have to be brought to a realistic level. The big dilemma whether to raise salaries across the board, thereby perpetuating the lopsided composition and the built-in inefficiencies of the present system, or to raise salaries more selectively will also have to be decided. One way out of this dilemma might be to set up, under each minister concerned, separate autonomous agencies manned by young well trained specialists to whom specific developmental policies could be entrusted, and to pay their staffs realistically with new civil service regulations applying to them. Starting from these modern and efficient nuclei, the system and salary scale could be gradually expanded - commensurate with increased efficiency - to the whole administration. Through a period of transition we could then move to a new, development-oriented administrative system.

Special attention will also have to be paid to the governmental economic sector and its civil servants. In the first place it will be of the utmost importance that in the Second Plan the Government defines the role it wants the government economic sector to play, and to formulate the policies necessary to enable it to play that role, as well as the general philosophy behind those policies. Secondly, if the government is serious about raising the efficiency and effectiveness of this sector, it might be well to consider giving staff and employees working in this sector a separate status, different from those of the regular civil service. If these people could be remunerated more or less equal with the salaries and wages in the private sector, with the same possibilities of rapid advancement on merit, irrespective of years of service, of dismissal, and with the same conventions regarding dismissal, rewards of performance and persons as the private sector, the distance in climate and performance between the private and the governmental business sector could be bridged. This would make it possible to consider



these two sectors as different aspects of one national pool of entrepreneurial capability, with the standards and criteria relevant to the business world. Such reform would make possible a fruitful interchange of experience between private and governmental sectors, and would open the possibility and attractiveness for talented managers to move in and out between the two spheres, depending on where the greatest challenges and rewards are to be found. As a corollary to this, the companies in the government sector should allow its employees and workers to organize themselves in the same way the private sector is organised.

More difficult to pinpoint is the issue of social justice which is now increasingly being raised by the public. Concern for this problem seems to pervade many groups outside the immediate establishment, though it centers around different problems and presents itself in a variety of shapes, has equally to do with the many obvious and irritating manifestations of conspicuous and wasteful consumption, with the inevitable effects of the commercialisation of agriculture implicit in governmental agricultural policies, with the unequal distribution of the tax burden and the lack of protection against arbitrary assessments as with the lack of legal security (rechtszekerheid) of the individual in terms of his land, his job and his civic rights. The slowness of the judicial process and the financial vulnerability of the judges seems to add to a feeling of injustice and to the lack of protection for the economically and politically weak that many seem to feel. It would be important, before as well as after the formulation of the Plan its quantitative aspects, to review it with this range of problems in mind, in order to devise the necessary policies. The whole issue of social justice is too real - diffuse though its manifestations are - and politically too dangerous, not to treat it with the utmost seriousness in preparing for the Second



Plan. Moreover, the Pakistan experience has shown that beyond a certain point - rather early in the development process - the groups that have especially benefited from the growth of the economy will be too strong, making the adoption of corrective distributive policies politically impossible until the final collapse of the political system.

In the final analysis the problem of social justice is not a problem of fixed ratios, but a function of a number of balances: balances in wealth, ostensible power in lifestyles in the relative burden carried and relative enjoyment of its fruits between the rich and the poor, the elite and the mass, the center and the daerahs, the city and the rural area, the big town and the small town. And in the absence of a meaningful formula, much will depend on early recognition of symptoms, and the rapid adoption of corrective measures before these problems become political, and when everything has been said and done, in the capacity of the rich and the powerful to restrain themselves in the enjoyment of their wealth and their power, if only out of respect for the continued poverty and misery of the many.

As the problem of social justice suggests, the dissatisfactions and expectations among the public force us regarding the Second Plan to look beyond the question of which social groups should be kept involved in order to secure the continuation of the momentum of development and its political viability. There are three other categories of problems - involving social goals of the development effort - which have to be faced in preparing for the Second Plan. The first category comprises the structural problems. The second, problems of social organization. The third, problems of political economy.

As to the first category there is a.o. the still unresolved problem of the relationship between the center and the daerahs.



No regional development will be possible under the Second Plan until a decision is made not only in terms of the overall growth-rate, but also in terms of keeping Indonesia's political unity viable. It is the kind of question the answer to which will to a very important extent have to be determined by our conception of what kind of Indonesia we want.

Similarly no rural development policy, with its implications for the unemployment problem, can be devised until some political choice has been made regarding resource allocation in terms of the urban-rural dichotomy. With industrialisation policy too - including its locational aspects - some choices will have to be made, and some balance struck between considerations of efficiency and growth on the one hand and social priorities - which may depress the growthrate - at least temporarily - on the other. The second category of problems turn around the basic question: how do we want to organize the nation for the next phase of the development effort. This question can be divided into two sub-questions, both of which are bound to have a bearing on the effectiveness of the development effort. Namely, how do we want to organize the nation politically; and how do we want to organize the nation socially. This paper however will only deal with the question of social organization. It is becoming increasingly obvious that given the present level of administrative efficiency, there is only so much that in the development field can be achieved by government fiat, through the government apparatus. An increasing part of the mobilization of resources will have to be done by society itself. This means the encouragement of voluntary associations for specific social objectives, including school organizations, trade-unions, cooperatives, credit-unions etc. This in turn will require on the part of the government authorities a shift in their attitude towards such organizations away from predominantly security considerations to a more explicit development orientation. It may in several



cases also require new legislation in order to stimulate the growth of these associations into agents of development, agents of modernisation and democratisation, while at the same time protecting their freedom and stipulating their obligations in the national development effort. The benefits accruing from the release of hitherto untapped developmental impulses in this fashion may well be worth the risks and possible uncertainties. In the same vein the Second Plan might want to make at least a beginning at the very urgent problem of housing, schools and hospitals without committing an undue share of government resources. Here too this might be done by looking into ways of facilitating and stimulating private initiatives in these fields, and more likely than not by removing possible obsolete administrative and social obstacles.

Let us now turn to the question of the political economy and the societal goals which should be reflected in the Second Plan. A brief look at Djakarta as one of the most striking manifestations of the progress made under the First Plan, might provide a useful focus.

There is little doubt that the heightened level of economic activity especially in and around Djakarta have raised a number of disturbing questions in many people's minds. They are questions which the Second Plan cannot avoid to try to answer if it wants to be assured of sufficient participation for the program. These questions center around the general direction of the development process, the goals pursued, and their implicit values. There are of course, among these questions many which are simply expressions of offended puritanism but also of normal adjustment difficulties as Djakarta takes on more and more features of modern big city life. These can, at least for the purposes of this paper, be put aside. More important are the questions regarding the consumption pattern that seems



to be developing and the structure within which economic growth seems to be taken place.

Is the consumption pattern that seems to be developing in Djakarta not such that too high material expectations are engendered among the population at large and especially among the young, which it will, even under most favorable circumstances, be impossible to meet except for a small elite? Should the Second Plan not say something, both in terms of language and in terms of program, about the danger of excessive consumer goods orientation and about the need for sobriety, hard work to be more national discipline and indigenous production? If, to put it in an oversimplified manner, the future of Indonesia is not just one Djakarta, but 20 or 50, is that not only an unattainable goal, leading to dangerous disappointments and frustrations, but even worse an undesirable goal. If the Djakarta pattern is allowed to proliferate, aren't we creating a dangerous dichotomy between the rich, pampered elite and the poor multitudes. While it seems unlikely that such a discrepancy can be entirely avoided, given the geography and history of Indonesian society, development policies should reflect a greater awareness of this problem.

The questions raised earlier in this paper, for instance on which social groups the development effort should rest; which groups should in the first place benefit from growth; whether center or daerah, town or countryside should be given priority are essentially questions regarding the political economy which the Second Plan should address, at least in principle. There is an even more fundamental question in this respect, also triggered by Djakarta's spectacular changes, that should be answered as well. It is a question which underlies many of the doubts and much of the scepticism among intellectuals and in Indonesian business and political circles. The question they ask themselves and others is: is Indonesia on its present course pursuing a policy of economic growth within the structural status



quo, in other words within the framework of a "colonial" or put more mildly, an "enclave economy", or is growth pursued as part of an overall plan of transformation towards an integrated and national economy? The question is certainly a legitimate one, but also one which is raised because of a lack of clarity on the part of the government in enunciating the social and structural goals of the development effort, and of relating existing policies towards these goals.

The Second Plan should make these goals explicit, should assess how far the First Plan has taken us, and enunciate policies to lead us further towards these ends. And where contrary trends have inadvertently developed, remedial policies should be promulgated. The articulation of such goals principles and values will enable people to identify with them, to accept difficulties while continuing to support the Second Plan. It would also serve to provide guidelines for initiatives and voluntary activities among the public supportive of the general developmental thrust, and in this way help mobilize societal resources beyond the reach of the governmental apparatus.

The viscus of the kind of society for Indonesia towards which we are trying to move - for this is what such an enumeration of development goals will add up to - is bound to give a clearer sense of direction and to have a considerable mobilizing effect. Especially if presented - and regularly discussed through the media - the information ministry and the secular as well as the religious school systems, and formal and informal panels at all levels.

These observations also suggest the importance of the tone and the nature of the phraseology to be used and the "others" to be reflected, especially in the Preamble of the Second Plan, the logical place for such a statement of goals. In this regard it should be pointed out that raising hopes about catching up with certain developed countries through accelerated development



is bound to lead to dangerous disappointments. Rather the Second Plan should make clear that in 25 years we will still be a poor country, though we will most likely have made considerable progress. Its tone and phraseology should prepare people for the need for continued sacrifice, hard work, national discipline and collective sobriety and self restraint, emphasizing the need to produce more ourselves. It should also reflect an awareness of - and open opportunities towards - the need for the nation to organize itself better for the development effort and that considerations of security and stability should be balanced by considerations of the need for more and more effective organizational instruments of development and modernization. The opportunities for self-organization which would in this way be opened would not only add to a considerable broadening of the development effort, but would also bring us a step closer to a realization of President Suharto's statement in his 16th of August 1970 speech that Development and Democracy "are of one breath".

As has been said before, this paper presents an extremely tentative and impressionistic account of a number of social considerations which in the view of the author merits serious attention in the formulation of the Second Plan. It would in his view be worthwhile to take a closer look at these problems and when necessary, to set up special taskforces to study some of them in more depth and with a view to formulate policy recommendations within the context of the Second Plan.