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DEVELOPMENT PLANNING: SOME LESSONS OF EXPERIENCE

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In an earlier paper,1/ I suggested that a development plan should have the following essential components:

(1) A capital budget, comprised of public investment projects of a developmental nature. The budget should cover several years. Once the plan is approved by the Government, the budget for the first year should have legal status. The budget for the following years should be subject to review and revision.

(2) A budget of government expenditures not usually regarded as capital outlays, but which contribute to economic and social development. These expenditures might be termed a "human investment budget" (education, manpower training, health, etc.).

(3) A program of legislation and regulation governing the activities of private individuals, enterprises, and institutions, so as to redirect, guide, and encourage these activities in a manner contributing to economic and social development, including proposals for new institutions, or for reorganization of old ones, so as to facilitate the execution of measures included in the plan.

Later in the same paper, I suggested that current controversies as to whether economists engaged in planning the development of underdeveloped areas should concentrate on trouble-shooting, project planning, sectoral planning or target planning are largely misguided. The importance of these types of planning varies with the phase of economic development. In advanced countries, I suggested, the planner can confine himself to trouble-shooting plus a bit of project planning for the public sector. In underdeveloped but developing countries it is necessary to add sectoral planning, and "target planning" may also be useful. In underdeveloped and stagnant economies where a "shock treatment" is necessary to launch a process of steady growth, planning for structural change is the most essential and the most difficult aspect of the planner's job. Target planning also has more significance in these economies.

In other words, it is not possible to lay down hard and fast rules for preparation of development plans. The planning process itself should be "tailor-made", adapted to the phase of development and to the available manpower and natural resources.

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* Lecture delivered to the Technical Staff Seminar of the National Economic Council (Philippines) on April 17, 1956.

1/ Benjamin Higgins, "Development Planning and the Economic Calculus", Social Research, Spring 1956.

The present paper is concerned with the lessons to be learned from the successes and failures of development planning in five countries: Libya, Indonesia, the Philippines, India and Italy. The first three of these countries are those in which the author has had direct experience with development planning. The last two (together with Indonesia) constitute the countries in which the M.I.T. Center for International Studies is concentrating its field work. However, the selection of these countries was not determined solely by the extent of my knowledge of the process and results of planning in them; I also feel that lessons to be learned from the planning experience of these countries should be particularly helpful to development planners in other countries.

LIBYA

When Libya became independent at the end of 1951 it was clearly an underdeveloped and stagnant country. Indeed it was a country that would rank near the bottom of the scale of national income or recent rates of economic growth. Moreover, the resource pattern was one which imposed formidable obstacles to development along orthodox lines. Here if anywhere the development plan had to be "tailor-made".

The Approach

The Libyan plan has been a successful one, in the sense that the Libyan government has not found it necessary to depart very far from it as the years have gone by, and in the sense that technical and capital assistance have been forthcoming in substantial volume on the basis of the plan. There is also some evidence of success in raising productivity. I believe that such success as the Libyan plan has had derives mainly from two aspects of the approach to the planning in that country: the undertaking of an extensive resource survey as a first step; and the selection of the planning team according to the results of the resource survey.

Actually the planning involved three stages. The first step was to send a small team to make a rapid survey of the country's problems and potential as a basis for selecting a larger team to make a more comprehensive resource survey. This first phase was accomplished in a matter of weeks. The resource survey team required approximately six months for completion of its task; in countries with more complex resource patterns, the job would of course take longer. In addition to studies of agricultural, mineral, manpower and water resources (the latter being of particular importance in arid zone countries like Libya) studies were made of the balance of payments, national income, and finances of the country.

On the basis of this survey, the broad outline of a development plan could already be discerned. It was apparent what were the sectors of the economy that provided some hope of expansion, and which therefore called for more intensive study. The planning team was composed of experts in each of these areas of potential development. For example, the team included a minerologist, a hydrologist, a war damage expert, a social welfare expert, a power engineer (all provided by UNTAA); a fishing expert, a tanning expert, an expert on cleaning, grading, and packaging of wool, and other FAO experts on dates, animal husbandry, olives and citrus fruits; an ILO team on manpower training; an UNESCO team on general education; and a WHO team on public health; with a Chief Economist to coordinate their work into a comprehensive plan and a Public Finance expert to help. The team numbered some fifteen experts in all.

It may be useful to elaborate a little on the reasons for selecting some of these experts, to indicate the underlying principle. Libya had suffered from several years of warfare, and a good deal of the transport and public utilities facilities had been severely damaged. Some of these facilities seemed more appropriate to Italy's plans for colonizing the country than to development of a new independent nation. Rehabilitation would be expensive; would it be worthwhile? This was an important question on which expert advice was needed. Similarly, the steam turbine power plant in Tripoli, and the smaller power plants in Bengasi and other small cities, had insufficient capacity to cope with any significant degree of urbanization, industrialization or rural electrification. But with no domestic coal and no water power, electricity was expensive. Would it pay to expand electricity capacity? Here again special expertise was required.

Libya had once been a wook exporting nation. It was referred to in classical literature as "Libya, Land of the Fleeces". Significant quantities of wool were still being grown, but because of inefficient clipping, and almost total lack of scouring and sorting, high grade and low grade wools alike were bringing the lowest prices in the market. Here was an area for potential increase in the value of output, and an expert in this field was included on the team.

These examples should serve to illustrate the basic principle underlying selection of the team: each man was chosen to deal with a particular problem, or with a particular sector of the economy where there was reason to hope for increased productivity.

Financing

In one respect, the tack of the planning team was simpler in Libya than in many underdeveloped countries; before the plan was finished it had become clear that foreign aid would be available on a scale permitting the execution of a sizable development plan. Two financing institutions were set up. The Libyan Stabilization and Development Authority receives grants from the Libyan and foreign governments (the Libyan contribution coming indirectly from the United States government) and finances public investment in development projects; and the Libyan Finance Corporations receives contribution from the Libyan and foreign governments and makes long-term loans for private developmental investment. The British government also offered to make annual grants roughly equivalent to the aggregate deficits of the central government and of the Tripolitanian and Cyrenaican provincial governments while the French government made similar contributions to the Fezzan government. With these assurances it was possible to budget development expenditures over six years with some degree of confidence.

As its title indicates, the Stabilization and Development Authority had stabilization tasks as well. Income and employment in Libya fluctuate violently according to rainfall. Employment can vary from over-full employment in the peak season of a good rainfall year to 80 percent unemployment in the off-season of a drought year. The Authority's task was therefore to provide income, employment and food in drought years. It does so by stock-piling barley in good years, and selling barley from stocks (and if necessary importing it), while at the same time accelerating the development program in drought years.

The Plan

Since the entire development plan was to be financed by the Stabilization and Development Authority and the Finance Corporation, the plan took the form of a budget for these agencies, together with a recommended technical assistance budget for the United Nations and its specialized agencies and the Libyan-American Technical Assistance Service. On the basis of the analyses prepared by the various experts of the possibilities in particular sectors of the economy, the determination of priorities for these budgets was not too difficult.

Top priority projects were put into an "A" category; these projects together constituted the budgets of the financing agencies for the first year of the plan. Projects to be started within the second five-year period were put into a "B" category. Other useful projects for which assured financing was not available in the first six years, were put into a "C" category as a reserve. In the event of a drought it was expected that the Authority would first canvass the "B" category, for the projects to bring forward, but that "C" category projects with a particularly high degree of flexibility might be updated in the event of severe but temporary unemployment. The plan was presented in great detail both in terms of technical assistance requirements and in terms of physical and financial capital requirements--even to the number of square feet of classroom space.

Although the detailed budget covered only six years, the planning team looked much further ahead and envisaged three phases of development. In the summary version of the plan these three phases were described as follows:1/

Timing by Phase of Development: Summary

The recommendations for timing by phase of economic development might be summarized in schematic fashion:

Phase 1 First six-year plan. Emphasis on training and education, agricultural research, experiment, demonstration and improvement. Agricultural production should be increased by all possible means, including training of farmers, improvement of tools and techniques, and, when and where feasible, by expansion of cultivable acreage of individual farms and of the country as a whole. Large role of repair of war damages, other public works and public utilities. Net absorption of manpower

1/ Benjamin Higgins, The Economic and Social Development of Libya, New York, 1953, pp. 13-14.

into public development programme. Increased import surplus, large budget deficits, reliance on foreign financial and technical assistance. Capital accumulation of five to ten percent of national income, half covered by domestic savings. If necessary, tax away increase in productivity to maintain supply of effort and restrict population growth, providing free (or nearly free) public goods and services in exchange.

Phase 2 Second and third six-year plans. Increased emphasis on agricultural processing and similar light industries with domestic markets and using domestic raw materials. Possible further decline in proportion of labour force in agriculture through labour-saving innovations. Mechanization of handicrafts begins. Decline in outlays for war damages, and in second half (with completion of new Tripoli power plant) in public works and public utilities as a whole. Net release of manpower from public development programme to private industrial sector. Reduced import surplus, reduced budget deficits, reduced reliance on foreign grants, some borrowing abroad. Net reduction in foreign technical assistance. Capital accumulation of ten to fifteen percent of national income, domestic savings of at least ten percent of national income. Reduced taxes and increased sales of consumers goods.

Phase 3 Fourth and subsequent six-year plans. Accelerated development of agricultural processing and similar light industries. Further mechanization of handicrafts. Balanced trade, balanced budgets (apart from cyclical fluctuations), independence of foreign financial and technical assistance. Capital accumulation and domestic savings of at least fifteen percent of national income.

In an effort to ensure public acceptability of the plan and to utilize the special knowledge of members of the community, several Working Parties were established to assist the planning team. These included Italians, Arabs, and representatives of foreign enterprise. Separate Working Parties covered agriculture, power, transport, small industry, etc.

In general, because of the severe limitations imposed by the poverty of resources and power, little structural change was contemplated in the plan. The hope for higher living standards for Libyans was seen chiefly in "Teaching Libyans to do better the things they are already doing." Manpower training, agricultural extension work, and general education constituted a large plan of the program. However, the plan did provide for carrying further the processing of Libyan natural resources. Pressing of olives and refining olive oil, freezing fish, canning fruits and vegetables, weaving factories, a dairy, etc., were included in the recommended projects.

Lessons from Libyan Experience

Three lessons may be gleaned from the experience with development planning in Libya. First, the preparation of a plan of lasting value is much easier if the planning team is provided with extensive and intensive information on the natural and manpower resource pattern. Second, the assembly of a plan and the determination of priorities is greatly facilitated by having in the planning organization experts with special knowledge of each of the major sectors or industries in the economy. Third, if stabilization is considered simultaneously with development, the development program, far from being a destabilizing factor, can be utilized to increase the stability of the economy.

INDONESIA

The late Hadji Agus Salim once said that the Indonesian revolution has yet to enter its economic phase. As of mid-1956 the statement was still true. Each of the governments since the establishment of the Republic gave lip-service to the need for economic development, but in most cases their development plans went little further than statements that achieving increased economic welfare of the people was part of the government's program. Similarly, the official programs of the major political parties have tended to stress "social justice", "welfare", and improved distribution of the national income rather than economic development.

Since their achievement of sovereignty at the end of 1949 Indonesian leaders have been so preoccupied with reconstruction, establishing law and order, organizing government administration and jockeying for political power that they have appeared less "development-minded" than their counterparts in neighboring countries. It took more than six years after the transfer of sovereignty, and over four years after the establishment of a National Planning Bureau with U.N. assistance for Indonesia to produce a development plan.1/

Having won their independence, Indonesians certainly want higher standards of living; but so far most Indonesians have regarded the achievement of this goal more as a matter of "redividing the pie" than as a matter of making the "pie" grow. In particular, they have looked to a redistribution of income as between Indonesians and foreigners (including Chinese) as a source of higher standards of living for Indonesians.

However, there is evidence that Indonesia is now entering a transition phase, in which economic development will become a major issue for

1/For a review of some of the problems faced in preparing a plan see Benjamin Higgins, Economic Stabilization and Development in Indonesia, Institute of Pacific Relations, 1956; for a shorter statement see Benjamin Higgins, "Indonesia's Development Plans and Problems", Pacific Affairs, June 1956.

government consideration and for public discussion. Growing dissatisfaction with the current instability of the economy, and with the failure to achieve clear-cut improvements in living standards for the masses of the people, is stimulating increasing interest in development planning. Recognition is spreading of the fact that the only sure road to high standards of living for Indonesians is raising productivity, and that recent instability is a symptom of the same long-run problem of raising output faster than population grows. Recent palliatives have checked once again the tendency towards inflation, but more and more people understand that they are only palliatives and that in the long run only improved techniques, higher skills, capital accumulation, more and better management and enterprise, and structural changes can put the Indonesian economy on a firm footing.

Early in 1955, the National Planning Bureau announced that it was completing preparation of an Rp. 11.4 billion "investment budget" designed as the first step in launching a process of sustained economic growth in Indonesia. In his speech opening the new Parliament on March 26, 1956, President Sukarno stated that Indonesia is entering a new phase in her history. The period from August 17, 1945 to December 27, 1949--from the Declaration of Independence to the recognition of sovereignty--was one of "physical revolution". The years 1950 to 1955 were described by the President as a "survival period", during which the new nation was unified, the process of orderly government established, and the economy rehabilitated after a decade of war and revolution. Now, says the President, Indonesia is entering a period of "planning and investment". A most important feature of this new period will be investment of human skill.1/ In May 1956, the Minister of Planning announced that a Rp. 30 billion five-year plan was at last being presented to the Cabinet.

The Natural Assets

Indonesia is frequently referred to as a country "rich in natural resources". The conviction that the country is rich in natural wealth, and that a mere transfer of ownership and control of these resources to Indonesians is sufficient to achieve a higher standard of living for Indonesians, underlies much of the indifference of most Indonesians towards economic development plans. Closer examination reveals that what is really meant in saying that Indonesia is "rich in natural resources " is that Indonesia has a wide variety of resources. In addition to soil and climatic conditions that permit self-sufficiency in foodstuffs plus exports of such major products as rubber, copra,

1/The President went on to say that the new Parliament should reject the Western view that "1/2 plus 1 is right". He considered the Western concept of domination of minorities by the majority distinctly inferior to the Indonesian tradition of gotong-rojong, or community mutual assistance. Indonesia should reject the Western concept of individualism, he said in favor of a conception of the nation being composed of members of one big family. The gotong-rojong tradition should be extended to national life.

coffee, tea, sugar, tobacco, sisal, iron, coal, manganese, nickel, diamonds, copper, sulphur, lead and zinc. The hyrdo-electric potential also seems to be high in some areas. However, it is by no means clear how well the quantity, quality, and location of these resources stand up when related to a population of over 80 million people and a rate of population growth of at least 1.5 percent per year. The quantity and quality of some of these resources is not impressive, and the quantity and quality of others is unknown. The most promising source of power (the Asahan Valley) is not too happily located relative to population and sources of raw material; and many regions are power-poor.

Balanced Growth

There is therefore no clear evidence that Indonesia has the natural resources required to produce a per capita income for 80 million people comparable to that of the more advanced European countries, at least with present levels of managerial and technical skills. It is true, however, that the great variety of resources permits a development program which emphasizes "balanced growth"--a well-balanced development of the production of foodstuffs and agricultural exports and of industrialization.

"Balanced growth", of course, does not mean that the present proportions of these sectors of the economy should be maintained. In other countries the process of economic growth, without exception, has involved a decline in the proportion of the labor force engaged in agriculture and other primary industries, and a growth of the proportion in manufacturing, processing and services. It is recognized by Indonesia's development planners that any effective development plan must provide for structural change. At the same time, it is recognized that such structural change can take place only slowly. It is considered that in the short run improvements in Indonesian standards of living must come largely from increased output of existing industries, especially agriculture.

The Five-Year Plan

The development plan for 1956-1960 was prepared by the National Planning Bureau, to whom the task of coordinating the planning of economic development in Indonesia is entrusted, in collaboration with various ministries. The basic plans were prepared by the various ministries. The Bureau's role has been to review, revise and integrate these plans into a national investment budget. The Bureau also has administrative responsibilities with respect to execution of the investment budget.

The Planning Bureau was originally established directly under the Prime Minister as a regular government agency. It reported to a National Planning Board comprising the nine cabinet ministers most concerned with economic development. Its work was directed by a Director-General, who also served as Secretary to the Planning Board, with the assistance of a Deputy Director-General. In the new Ali Sastroamidjojo cabinet, there is a Minister of National Planning, and Ir. Djuanda, the former Director-General, has been appointed Minister.

The planning Bureau is assisted by a group of foreign experts provided to the Indonesian government through the United Nations. The interesting feature of the Agreement between the Indonesian government and the United Nations is that the United Nations undertakes to recruit and provide salaries for these experts, but the experts sign their contracts with the Indonesian government and do not report to the United Nations. The Bureau also has the assistance of a sizable team of American engineers, provided under an I.C.A. contract with similar independence of the parent agency.

Why did it take so long after the signing of the Agreement providing for foreign experts for the National Planning Bureau staff, for the Bureau to produce a complete development plan for the guidance of the Indonesian government? Part of the answer is that the Bureau's standards are high, and effective development plans cannot be turned out in a hurry, especially when there is no background of national planning to give guidance. Another part of the answer is that the Bureau has been called upon for a good deal of "trouble-shooting" in addition to its planning function. The Director-General, in particular, is involved in current administration as well as in long-range planning.

There are also some administrative reasons. To begin with, there were delays in recruiting. It was not until July of 1952 that the first of the foreign experts recruited under the Agreement (the present writer) arrived in Indonesia, and the team was not completed until the following June. Second, the composition of the original request for nine experts reflected the government's need for assistance with certain current problems, as well as for advice on longer range development plans. For example, there was need for national income estimates as a basis for both current and long-run policy: one of the experts requested was a National Income Expert. The range of statistics collected and organized still reflected the concepts of a colonial administration more than the needs of a national government, and a General Statistician was included in the request. Dr. Hjalmar Schact, in his earlier report to the Indonesian government, had stressed the need for improved public administration, as a basis for economic development. A Public Administration expert was included in the team. There was awareness that population pressure constituted a serious problem for Indonesia, and a Population Expert was requested (this post ultimately being filled by the same man who served as General Statistician). Since it was expected that transmigration would play a significant role in the development plan, an expert on transmigration was recruited, with experience in administering large-scale movements of people under I.R.O. and U.N.R.R.A. Useful as these experts undoubtedly were, and important as the problems they tackled unquestionably are, it was gradually recognized that the expertise represented by these posts was not of the sort most useful in determining priorities in a development plan. The other posts were more directly related to development planning: natural resources, agriculture, industry, labor relations and labor productivity, and money and finance. The Bureau is now being reorganized along different lines. The monetary and fiscal expert, the population expert, and for the time being the expert on manpower training and labor relations are being retained. A second expert is being added in each of the fields of agriculture, industry, and natural resources. In addition, experts on power, community development and national income are being brought in on short-run assignments. While this reorganization should bring an improvement in the work of the Bureau, its transitional effect was to disrupt it; for some time the Bureau was reduced again to four foreign experts.

A third administrative problem faced by the Bureau during the first year and half of its existence was the lack of clear-cut and effective direction. The Bureau was then a kind of "headless monster". General direction and co-ordination was provided by the Minister of Finance, Dr. Sumitro, who had been designated by the Prime Minister as coordinator of the Planning Bureau. Because of the wide range of his responsibilities, however, Dr. Sumitro was unable to give continuous attention to the affairs of the Bureau. Since, in contrast to regular United Nations planning teams, the foreign experts were full-fledged Indonesian officials, it was considered inappropriate to have a Chief of Mission among them. The Indonesian research staff was headed by a Research Director whose relationship to the foreign experts was never clearly defined. This problem was rectified, in August 1953, with the appointment of Ir. Djuanda--for the first time out of the Indonesian Cabinet--as Director-General of the Planning Bureau, and of Ali Budiardjo, a former Secretary-General of Defense, and for a few months Acting Director of the Planning Bureau, as his Deputy.

A fourth administrative problem was the lack of clearly defined relationships of the Bureau to other government agencies. The Planning Board, to which the Bureau should have reported, met as such (its composition was the same as that of the Economic and Financial Council) rarely, if at all, during the first two years of the life of the Bureau. There was no clear indication of the relation of the Bureau to the various Ministries represented on the Board. For a short time it seemed possible that each foreign expert might become a senior adviser to a Ministry, as well as a member of a planning team, so that current economic policy as well as development planning could be co-ordinated through the Bureau, supported by the Ministry of Finance. Perhaps fortunately, this conception of the Bureau's function soon disappeared, because of the natural reluctance of several ministries to accord such a position to a foreigner. With regard to foreign aid, there was in existence a large and cumbersome "Coordinating Committee" (attendance at its meetings gradually crept up into the dozens), which also had loosely defined responsibilities with regard to development planning. The relationship of the Bureau to the Coordinating Committee was not defined. Similarly, it was not until well along in the life of the Bureau that its responsibilities with respect to the development items in the budget were clarified. Finally, the relationship to the J.G. White team of engineers, provided through American bilateral technical assistance, and which was concerned with technical aspects of economic development was also not defined.

All these problems are in the course of being overcome. The Bureau starts with the plans of the ministries, drawing the ministries into the planning process. A new and streamlined Coordinating Committee has replaced the old one, with Ir. Djuanda as its Chairman, and responsible for calling its meetings. A regulation has been issued stating that all requests for foreign aid, both technical and capital, shall be presented simultaneously to the Bureau and the Coordinating Committee. A similar instruction has been issued requiring all ministries and government corporations to present their capital budgets to the Planning Bureau for review. In renewing the J. G. White contract in 1953, the Planning Bureau was named as the "authorizing agency" instead of the Coordinating Committee, to direct the work of the team. Thus the engineering group is now an effective part of the whole planning apparatus. Finally, Ir. Djuanda, as Director-General of the Bureau, acts as permanent Secretary of the Planning Board, which brings him directly into Cabinet discussions of economic development policy. Ir. Djuanda is also Chairman of the Industrial Development Committee, and inder-departmental committee concerned with the planning in Indonesia, after some three years of trial and error, now appears to be very efficient. The Director-General of the Planning Bureau is now responsible for coordinating development activities in all branches of the Indonesian government.

Unfortunately, there are also still more basic reasons for the delay in completion of a development plan for Indonesia. Perhaps most fundamental of all is the lack of detailed knowledge about the Indonesian resource pattern. The Netherlands East Indies Government showed only limited interest in resources not being immediately exploited by Dutch capital. The resources of the Outer Islands are scarcely known, and even in Java and Sumatra, information regarding the quality and quantity of resources is incomplete. One expert, who has spent two years in intensive study of the Indonesian resource pattern, when asked whether he could state with assurance that the mineral resources would permit successful establishment of any single large-scale industry in Indonesia, felt compelled to reply in the negative. Without knowing what the resource pattern is, and consequently without knowing what is the development potential, the preparation of a development plan is obviously extremely difficult.

A second basic factor is the lack of commitment on the part of the Indonesian government, and behind them the Indonesian people, to the planning and execution of a development program. There is still a lack of understanding, even among educated Indonesians, of the requirements of economic development; sovereignty and prosperity are too directly linked in the minds of most Indonesians, and when sovereignty did not bring immediate prosperity, there was a tendency to blame either the continued presence of foreigners, or the particular government that was in power at the moment.

Finally, no Indonesian government thus far has been sufficiently unified to overcome inter-ministerial rivalries, which are to some extent a reflection of inter-party conflict. Acceptance of a development plan by the government would mean accepting the priorities laid down, even if it meant the expansion of activities of one ministry at the expense of others; this sort of planning has not yet proved politically possible in Indonesia. As Ir. Djuanda said in announcing the plan, both preparation and execution of development plans requires teamwork.

Back of the long delay in completion of the development plan is the fundamental problem which confronts all aspects of Indonesian economic policy: the lack of resolution of the basic political conflict concerning the relationship of Indonesia to the outside world. In particular, Indonesia has not decided whether or to what extent it wishes to rely on foreign experts, foreign aid, and foreign investment in achieving its development objectives. Without such a decision, even the dimensions of the development program are hard to determine. Determining its composition is even more difficult. Priorities cannot be established independently of the scale of developmental activity, and <u>what</u> projects can be financed depends a good deal on <u>where</u> finance is sought.

It would be quite wrong to write off the Indonesian government-United Nations experiment in development planning as a failure, simply because it took so long to produce a comprehensive development plan. If the sole result had been to persuade Indonesians with the ability and experience of the present Director-General and his Deputy to devote full time to development planning problems, the experiment would have been well worth while. And the agreement has done much more. It has resulted as already indicated in the establishment of a planning organization that is extremely well designed. It has introduced into the process of government a degree of coordination that was previously unknown. It has made government officials much more development-conscious, and has helped to improve the administration of the capital budget and of foreign aid. It has made economic development planning as such a topic for cabinet-level discussion. Through press comments on its work, the Planning Bureau has also aroused more widespread interest in economic development among the literate public. It is providing training to a group of promising younger Indonesians. It has provided background information for Indonesian delegations to Colombo Plan and ECAFE conferences, and useful advice on current policy issues. Even more important, the plan finally presented to the cabinet, an <u>Indonesian</u> plan, and not merely a plan put together in relatively short order by a group of foreign experts. The chances of its being accepted and executed by the government are therefore much better than is the case with plans which are only a set of recommendations from a group of outsiders. It is worth taking longer to prepare a plan, if the delay means more participation in the planning process by persons representing the people ultimately concerned.

When Ir. Djuanda announced completion of the five-year plan in May of this year, it was his hope that the new Parliament would be able to act on it by August. He pointed to the need for legal status both for the planning organization and for the results of its work. The five-year plan includes proposals for reorganizing the National Planning Board itself along lines that would make it more similar to the National Economic Council of the Philippines. The new and broader Board would be established directly under the Prime Minister and would include high officials from those ministries most concerned with development planning, representatives of the private enterprise sectors and representatives of people's organizations. It would rely less on small groups of experts such as now comprise the National Planning Bureau.

The report to be presented to the Cabinet is a document of some 200 pages with chapters covering the following subjects: population; financing; agriculture; forestry; fishery; irrigation; mineral resources; electric power; industries; communications; sources of labor power; labor relations; education; health; social welfare; community development; cooperatives; government administration and plans; and the organizational program.

The five-year plan is regarded as the first of a series, and subsequent five-year plans are to be bigger and better than this first one. The first plan calls for investment averaging 6 percent of national income. In the third five-year period investment should reach 12 percent, and in the fourth plan 16.2 percent of national income. By 1975 it is hoped that investment will have risen to 20 percent of national income, "after which", said Ir. Djuanda, "there may be no further need for plans."

The figure of Rp. 11.4 billion in the five-year investment budget is carried over to the new plan as the government share of the development program. Another Rp. 11.4 billions is to be provided by the private sector, while Rp. 7.2 billions are to be provided through the villages for community development. Thus the total investment program over the five years amounts to Rp. 30 billion or an average of Rp. 6 billion per year. It is expected that this investment will raise national income by 3 percent per year. The implicit incremental capital output ratio is therefore 2:1. Population is expected to continue growing at a rate of 1.7 percent annually, giving a modest increase in per capita income of 1.3 percent per year.

Implicit in the plan is also structural change. Only 13 percent of the investment budget is to be allocated to agriculture including transmigration and community development. Power and irrigation, industry and mining, and transportation and communication each account for 25 percent of the total budget, and social welfare for the remaining 12 percent. In the light of the composition of this plan the ICOR may prove to be higher than a 2:1 figure implicit in the plan.

The investment budget covers the major development projects of the various ministries of the Central Government amounting to Rp. 11.4 billion for the next five years. This average of Rp. 2.3 billion a year for developmental investment is essentially a projection of the average rate of net investment by the Central Government in development project in recent years. The program to be financed through the budget amounted to Rp. 8 billion, beginning with Rp. 1.5 billion in the first year and rising by Rp. 50 million per year to Rp. 1.7 billion in the fifth year. It is hoped that another Rp. 2.2 billion can be financed through the banking system and domestic loans. Only 5 percent of the budget is to be met by foreign loans and grants. If larger-scale foreign aid is forthcoming the program can be expanded.

The program is also divided among three categories of projects: Special Projects, Central Projects, and Recommended Projects. Special projects are multi-purpose projects of so large a scale that only the central government can undertake them. They include such complex projects as the Asahan River Valley development scheme and the Djatiluhur power and irrigation project. Special projects usually involve collaboration of several ministries. Central projects are also carried out by the central government but are single-purposes; the Gresik cement plan and government textile mills are examples. Recommended projects are those which the government hopes to have carried out by local governments or private enterprise.

One of the main tasks of the Bureau has been to assign priorities to particular projects within each of the two sets of categories. The projects are then arrayed in descending order of priority, and lines drawn through at a point representing the estimated financial, physical and administrative capacity of the country. If additional resources are forthcoming the program can be expanded.

Within the last year, the Bureau has shown increasing interest in community development. In 1955 Dr. S. K. Dey of India visited Indonesia at the Bureau's request and prepared a comprehensive report. As a result a number of Indonesians have gone abroad to study community development schemes. No doubt increasing attention will be paid to this aspect of development in the future.