



INNOVATIONS FOR SUCCESSFUL SOCIETIES

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DEVLIN: Today is July 6th, and I am here in Jakarta, Indonesia, with Dr. Emil Salim. Dr. Salim was, amongst other positions in a very long and distinguished career, an economic advisor to the late President Suharto, vice-chairman of the National Planning Board, and held various cabinet-level positions for the improvement of state apparatus, communications, development supervision, the environment, and others. Dr. Salim, thank you again for joining me.

SALIM: *Thank you.*

DEVLIN: I was wondering if we might return to a couple of the issues we had just been talking about earlier in the car. Firstly, we mentioned this period where one of your first major appointments was vice-chairman of Bappenas, the National Planning Board [National Development Planning Agency].

SALIM: Yes.

DEVLIN: One thing you had mentioned that I thought was very interesting was this need to develop a feeling, a conviction within your agency that projects needed to be prioritized and rationalized.

SALIM: Yes.

DEVLIN: Could you talk a little bit about that process, and what you hoped to achieve there?

SALIM: *Initially, before the government of Suharto enters into the picture, initially the administration was actually run without a budget. The philosophy at that time was, "Give me the money, and we do the job." When we entered, it was important to ask, "Why should I give you the money—what job is it?" Then the bureaucrats, the departments explained to us as a planning board, what exactly are you planning to use the money for. Therefore, we liked them to answer the question of: the money is for what, how, when, where, how much and so on, and what is the impact on the development. That kind of thinking, prioritizing the funds, was rather new because before that there was no budget, and everybody is doing the job based on the money that you get.*

That's why this orientation of "Give me the money and I work," we turned around—"Give me your job, and then we give you the money"—created a so-called revolution where the people are forced to think in terms of priority. Why do you spend this money, how much do you spend, for what, and so on? Also to use this budget discipline, and where there is budget discipline, it rationalized the public expenditure, opened up the possibility for planning of the budget and reducing drastically the budget deficit, which was at that time the key for inflation.

DEVLIN: So just for people who might not be familiar with the National Planning Board, did this body control the budget for various line ministries? These were the people you were interacting with?

SALIM: *Yes. The budget is based on a plan, a five-year plan. Within a framework of a 25-year plan, we have a five-year plan. But then it is translated to an annual plan. The annual plan then is more specific. What are the projects in each department, line ministry? What is planned through within that year, and for that purpose how much financing, budget do they require? So it is very specific, where, how much, for what, what is the impact, and so on. The planning agency was at that time rather the most powerful agency, who then dictates the planning program and the planning budget, which will be implemented by the Ministry of Finance. Through*

that, we were then able to prioritize the expenditure, the budget, and therefore reduce very much the deficit, which at that time was the main source of hyperinflation.

DEVLIN: So in your decision to effectively rationalize pretty much the entire state budget, you must have come up against a significant amount of opposition.

SALIM: Yes.

DEVLIN: Could you talk a little bit about how you managed that pushback, or whom you could turn to for support?

SALIM: *First you have the president. You must have his trust. It is the trust of President Suharto at that time that was most crucial. You must be able to depend on him when you have difficulties. Second, you must also have a link at the military, who at that time are controlling practically all important enterprises as a consequence of taking over companies from the British, from the United States, from Europe and so on, which are supporting Malaysia when Indonesia was fighting against Malaysia, and are somehow against Indonesia's claim on Papua New Guinea. So at that time, practically all the West was against Indonesia. Therefore, all enterprises of the West were taken over in a military climate in the war against Malaysia and Papua New Guinea.*

The military were then very strategic, controlling the taken-over enterprises. But that also means that you have to have their trust. The link with this military, that how do you manage the enterprises, in what direction, for what priority, and so on. So number one is have the confidence and trust and backup of the president. Two, trust from the military. And thirdly, of course, you have the public opinion on your side, because the public is fed up with the high rate of inflation. If you have an inflation rate of 500-600% per annum, people are asking how can we get rid of this.

Now you try to promise to explain to the public; it is possible to control the inflation, provided that the budget will be strictly under control. So this kind of combination efforts with rational budget formation was most helpful in controlling the deficit and therefore controlling the inflation.

DEVLIN: So you have this tripartite constituency, I guess, coalition with the president and the military, a common aim, and a constituency amongst the public.

SALIM: *Mostly the constituency of the public was for the youth, who are very much the main source, and main opposition to the previous government.*

DEVLIN: Was that public support for your efforts, this rationalization—was that something you had to build, or that was already there and you were responding to that demand?

SALIM: *I believe responding. It was already built up somehow when we were put in charge of the economy, and you explained to them the rationality: why do you have hyperinflation, why is it necessary to stop. Communication with them was very important, and trust-building becomes then the key. When you obtain the trust from them, including from the media that is supported by the military, get the full confidence from the president, then I'd say you can get things done.*

DEVLIN: So this is a recurring challenge, that I think a lot of leaders we meet with face, is this: how do you communicate to the public, how do you show results, how do you build that trust? Is that something you had experience with?

SALIM: *First you must, you yourself must be honest in terms that you are not in favor of a particular political group, honest in terms that you are not also making money or taking benefit of it, and thirdly that you really are concerned with the issues at stake, and that you not only promise, but you fight for the efforts to get the economy back on the road of efficiency, of no inflation. So you yourself must be honest. I think that is very important. Once what you say is different than what you do, then you're in trouble. So you must have this consistency between what you promise and what you are doing and communicate this. If you have difficulties, you tell those that—students, the youth, the military—this is the problem we face and maybe we cannot get—. For instance, when export drops and so the foreign exchange earning went down, when the price of oil went down—oil at that time was a major source of revenue—when oil prices went down, our balance of payment reduces, then we must be frank, tell the public: "Look, we don't have the money enough, so we must have a devaluation." But you must be clear, explain the what, the why and the how. There is no hidden agenda in it.*

DEVLIN: So that you would say that in order to maintain that public support over the long term, in the short and medium term you have to be frank when you do have these challenges.

SALIM: *Exactly, right.*

DEVLIN: And in terms of the other important aspect you mentioned—having the trust of the military, or this unique position involved in business interests in Indonesia at the time, I was wondering: that seems—on the face of it, it makes a lot of sense, but it seems that that would be something of a challenge, because various militaries in other situations, by nature of that culture, are not necessarily receptive to outside advice or guidance. This was a fluid context, where the armed forces had become, to a large degree, involved in relatively private business ventures. How did you win that trust as a civilian, nearly oversight agency, to some degree? How did you convince those interests in the military that cooperation was possible?

SALIM: *We were teaching at a university in Indonesia, and as such also requested to teach at the army school, the command army school which are attended by those that later become advisor generals. Not all can attend this army school; they are screen-selected. So-called elite officers, it is called. Now it is important here—just imagine, here you have the army people, who are already at the top level and becoming very influential, that really don't quite understand the economics and don't understand what is going on in the Indonesian economy. Why do we have a high rate of inflation? Why is the production not moving? What is wrong?*

So it is as if you have then—you are confronted with the military leaders who know there is a problem, but don't know how to cope with the problem, which is strictly economics. Therefore, here you fill a gap, and we are asked for teaching. We stay there for a week in Bandung, but important is the evenings, we think. All are in a dormitory. In the evening, after the dinner we sit around, and we have a frank discussion. Here comes an important message that inflation has to do with the budget. Budget is the flow of money, but the other flow of commodities. So when you cope with this inflation, you must have an increased flow of commodities and a reduced flow of money.

Now the commodity flow is mostly in the hands of the military. So what is the goal then? How to raise the production. What does the raised production mean? Efficiency, using the production factor in a way that you have a maximum of output with a minimum of cost. What does cost mean? And so on and so forth. You are talking, helping them to see the problem from an economic perspective.

Now if you are in charge of the enterprise, and you are not an economist, and you then get an input that this becomes important, that this needs to be done, of course you are willing to listen. So a bridge of trust is also being built with them. Then in a broader perspective, not only microeconomics, business enterprise, but in broader terms, you ask then the question of, are we doing this continuously—this high rate of inflation, this low growth and this kind of development that goes nowhere—or are we dreaming of our nation, say, ten, fifteen, twenty years from now, which will be better off, in which you can play an important role, the military.

Now, of course, you then project the possible steps that need to be done: budget discipline, controlled inflation, efficiency, raising production, GDP output, and so on. But you bring them along in the dream of building an Indonesia fifteen, twenty years from now, which will be better. Most of those army officers are not professional officers. They are nationalists; they are background of teachers, background of whatever, who then become army because of the revolution. When you talk along that line, they are not professional soldiers; they are nationalists, they are freedom fighters. When you then talk about the goal of Indonesia twenty years from now, then you meet, you have a common ground. Then it is trust, and you are comrades, comrades in arms in facing, in building the future of Indonesia.

DEVLIN: Now one thing that you had mentioned in this bid to rationalize the budget was the DIP, which seemed to be a very interesting, very straightforward, very impactful innovation you put in place. Could you talk a little bit about that?

SALIM: *Yes, so imagine: in the government of President Sukarno, there was no budget, no discipline, therefore no plan. There was an Indonesian Development Plan, but very broad, very idealistic; there is no link between the budget financing and the plan. When there is inflation, you just print money. The attitude of the bureaucrats is, "Give me the money and I do the job. So the job is a function of the volume of money you get.*

When you are coping with inflation, of course you turn the things around. You say, "Wait a minute, give me your plan, then I give you the money. What job are you planning to do? Why do you plan this effort? Why do you plan this production X and Y; where, how, how much, why now, why not later?" and so on and so forth. So you ask—which is the actual economic question—efficiency of funds and so on. It is basic economics, actually. But that is something you, and for bureaucrats, in an inflationary economy. So when they are forced therefore to think along project forms—"Give me the project forms, tell me what you do, what you plan to develop and what is the possible rate of return of this investment, why is this better than that?" and so on—basically it is economic efficiency. It is basic economics; then you notice that it was a big shock that the money will not come as normally—but as a function of you, if you are able to project, to produce a good program, then you get the money. So that was a turnover and changing of ways of thinking in the development, which I think was very dramatic.

DEVLIN: So would each particular line ministry have to submit—?

- SALIM:** *Yes, each of them. We are not satisfied with generalities. We raised the output for the welfare of the people. Then you ask questions: which people, where, in what province, what particular, and how raise welfare? What is the output of the welfare? In what sense, in what time? So you go down deeper; the devil is in the details. Then you get things noticed, that it becomes a little bit shaky. But for me, it is actually basic economics. You are trained in economics, you ask economic questions.*
- DEVLIN:** So I can only imagine that you tried to do this, and perhaps the predictable response—I'm not sure that it happened—would be that these line ministries come back with the people in the National Planning Board, they're stopping us from doing our job.
- SALIM:** Yes.
- DEVLIN:** We want to help the people; they won't give us the money.
- SALIM:** *Right.*
- DEVLIN:** How did you manage that pressure?
- SALIM:** *Point one, you must have the trust with the president. You must have the same wavelength and priority with the president. The president is basically—he loves the village. He is a man who grew up in a village. So when you talk about village life, improving the life of the villagers, focusing on rural sector agricultural development and so on, you talk with a person who knows what you are talking about and who loves that you say you want to improve the villagers' life, because he, his father and so on have lived in the village. So you get that trust and that support.*
- Now, when you then transform this into program projects, then you get his backing, and you force this logic to those line departments, so that when the line departments try to debate, and you say, "Look fellows, either you accept or I report to the president, it is like that"—usually when you say it is like this, then they accept.*
- DEVLIN:** So the next, after your involvement at the National Planning Board—the next position you went on to is minister of state for the Improvement of State Apparatus.
- SALIM:** Yes.
- DEVLIN:** Again, one thing we had talked about that very much interested me was this map of government that you said you had put together, and you even described it as a "disguised rationalization." Could you talk a little bit about what you were looking to achieve there?
- SALIM:** *Please remember that the government at that time was run by President Suharto as a general. His way of thinking—he was commander of the Strategic Command—his way of thinking was to have an efficient organization. So it is not the army in general, but he is a special commander, strategic command. That strategic command has a very tight organization, not only commanders and so down to the bottom, but also with supervision, people group that looks over the shoulder. That's why the strategic command needs that supervision, because it has a task as a strategic force task. That type of organization thinking was then*

explained to us, and we transferred it into the civilian bureaucracy. So you then have the minister, staff secretary, followed by secretary-general, the executive, the director-general, but the supervision inspector-general. So you have this kind of check and balance. It follows more, and then how many persons in accordance to the workload, and the workload determines then the work target, and that work target determines the budget.

So it actually was following what the military is doing already in their strategic command division. He was then the head of the strategic command, so we've taken over and learned from him how to do it in the government system.

DEVLIN: So by the end of that process of rationalizing the structure, or attempting to rationalize the structure, you had mentioned that at the end of your tenure, you felt that there was not enough time really; it was a little too short at the ministry. I was wondering, what was left undone there? What did you feel still had to be done?

SALIM: *The capacity building, training. Can you imagine a bureaucrat who has never done a supervision job responsibility? What is supervision for him? How do you tell then the director-general, you are in charge of implementation? And secretary-general of the backup administration. So basically, division of labor, which was never done before. A bureaucrat, when you are in charge of road building, you are doing everything: administration, execution and supervision. But now you divide this. But that means that the fellow who is doing the supervision must know what to supervise. That's where capacity-building comes.*

When the fellow on the director-general, execution, how to execute on a national scale, on a provincial scale, on a district scale and so on, and a project scale. That again needs a kind of a capacity-building. So it is not so simple; you are setting up a structure, an approach, checks and balances, but then you must follow it up with capacity building. That takes time.

DEVLIN: Now your next position was at the Ministry of Communications. We had talked about that. One thing I've come across is the observation that most of the directors-general in the department were actually generals, literally generals, from the armed forces. And that's something I guess particular to Indonesia's experience, especially at that time. I believe there's a phrase, forgive my pronunciation, but Kekaryaan, the seconding of military personnel into the civil service. So could you talk about how you managed that at the ministerial level as a civilian director?

SALIM: *Yes, for a nation that stretched from London to Macau, so that's 17,508 islands, with big seas, Pacific, Indian Ocean and so on—there is then the way of thinking or strategy, and transportation becomes a strategic factor. So all the military is based—when you make up an attack or whatever—is based on good logistics, backed up by good infrastructure transportation. Who are best-trained on this way of thinking of logistics, transportation and so on and so forth, communication? The army. What you do then is that knowledge, build on telecommunications in the army. You then assign for the transportation director-general. The navy is very strong in sea transportation, director-general for sea transportation. The air force general, who is good in aviation, and so on. So you build those who are by training and by thinking, strategic thinking, already knowledgeable. That knowledge is important when you face now the civilian sector, and the first question—the assignment that President Suharto gave me—was try to unite the country through communication and transportation.*

How do you unite a country from London to Macau, 17,508 islands? So you had a bull session, and here comes important strategic thinking. What is number one? Where do you start? In five years, because your mandate is five years. What comes up is a way of telecommunication, is the fastest way to do this. Then follows aviation, and then follows the land transportation and the sea. The sea is much more difficult because you have 17,000 islands with land transportation. So that becomes that.

The next question is, what about the technology that can support this development in five years' time. Here comes then the satellite technology, which at that time, I'm talking about the 70s, was only used by Canada and the United States, no one else, especially no developing countries. But satellite was then one of the important solutions. We tried to microwave communication, that was hampered by 17,000 island-type, divided by the sea. We tried the sea cable technology; that takes a long time. So the only one is satellite. But then how satellite? Here I remember somebody shows me this kind of flashlight and shows me, if you look at this vertically then only Java can be covered, but if you move sideways, then the whole Indonesia can be covered.

So when looking sideways above Sri Lanka, Ceylon. So when the satellite is above Sri Lanka, the technology can cover the whole nation. That was fascinating for me. I'm not an expert, but it rings a bell. This could be a solution. The only problem is that there is no one developing country doing it. Internally, among the government officials inside Indonesia, there was a big debate. Don't play with a prestige project that is not tested yet in developing countries and so on, which is costly. We have now limited funds. So this should not be an ivory tower project. There was that kind of resistance. But when I asked, what is the alternative in five years, all of the other projects, aviation, sea, takes time, is costly and takes time. So after long debate, finally it was accepted, and we were then the first country to try out this satellite system in a developing country.

Of course, you can imagine when the satellite moved up, you see, everybody was just praying hard that it will be successful. But when then it proved to be feasible and president Suharto spoke simultaneously on the same hour and day with the governor of Aceh on the western part and the governor of Papua on the eastern part of Indonesia in one hour, meaning for the first time we are united into one system, then you can imagine the relief, and everybody was happy that it was a good choice.

Next on the agenda was aviation, and aviation has a trunk line with a feeder line system, so the trunk line links all capitol cities of each province of the nation, and then from the province to the districts through feeder lines. The feeder lines will be subsidized: you pay, government pays empty seats, and then the third approach was the sea transportation. The same logic. You have a trunk line and a feeder line subsidized. That then brings up the unity of the country.

DEVLIN: *Now on all these efforts that you just talked about, your staff, as you mentioned—there were these directors-general who had come from the military and had that technical expertise, as you said, in a lot of these issues. But I imagine the management style working with these people must have been very different for you, the way you interact with them.*

SALIM: *First, I have a university background. So with a university background, you always question, you play a devil's advocate. You attack as if you disagree. That I notice is not correct with military, because when they see the minister is attacking, it means that the minister disagrees, and therefore he tries to modify. It*

was a hard time for me telling them, look, you see on the white board, white chalk, then you don't see anything. If you put black thing on it then you can read or white chalk on a blackboard. So what I do is, you have the—you are the blackboard. I try out the white thing to test out that it is really correct. Don't then think that if a minister agrees, disagrees, that you should also follow what I say. So that was how to reconcile an intellectual university-type of thinking with the military type of thinking. The top down with the dialogue process, and that was fascinating. For me, quite a big lesson. So sometimes after debating, then I wonder, why did they suddenly agree, and is the agreement correct.

So I ask him, "Why do you agree?" "Well, you questioned this." Then I said, "Look, I questioned this because I want you to convince me that it is correct." But apparently there is a difference in the outlook and training and so on. So that was one that I feel was big experience for me.

DEVLIN: So this idea of staff, institutional cultures, I gather came up again when you were minister for state development; this is towards the end of the '70s and the early '80s. I know you had an effort to establish a unified civil service school, a central school. Part of the motivation behind that, as I understand it, was to foster a sense of universal loyalty to the service rather than parochial loyalties to the line ministries. Can you talk a little bit about that process?

SALIM: *That I've learned again from the military. You see, the commander school of the military, that created a unified type of thinking and solidarity. I've read a lot in this teaching and this military commanders' school. Then the thinking goes on: if the military can have this and a rational way of thinking, which is really one solidarity, one commitment, orientation, why not a civilian school along that line? So it was actually inspired by the cooperation with the military command school, in a way, following that same pattern. The logic is here. Then the civil service also introduced by the British civil service in India, Pakistan and Malaysia. But the civil service is very good, and here I notice that the British are better colonizers than the Dutch. So it stemmed from that in combination with the effort with the military, that I think why don't we imitate the military buildup of capacity building?*

DEVLIN: So what was the motivation for this—what was the problem you were trying to address, the status quo before you wanted to implement this reform? Why did you believe that Indonesia needed this central school?

SALIM: *Why? Because, number one, we are a planned economy. Economists called it—the whole market was not revealing the right market price structure and so on. You have to cope with inflation, the foreign exchange rate depreciation, and so you need government intervention. But with this government intervention, you need also people who are able to run efficiently. I'm really inspired by the British civil service in Pakistan, Malaysia and India. I only dream that if we were colonized by the British, maybe we'd have a better administration, because the Dutch stopped at the district level, and below the district level, they don't touch the administration. So you have a very inefficient administration below the district level in a country of 17,000 islands from London to Teheran. It's chaotic. Development takes place in the village, not in the province, not in the district.*

Based on that, you really feel now you must have—like the British civil service with one kind of, the same knowledge, the same orientation and so on. Have the civil service corps by the civil service education center.

DEVLIN: As I understand it, there were some obstacles to setting this single school up?

- SALIM:** *Because there was this rivalry between departments. You see, the departments are used to having money, and they are the king in their own sector. So it's the intersectoral coordination, cooperation. You don't have really one government; you have one department, a department loyalty. The department symbols, the department songs, the department association. I mentioned with so many departments, ego-sectorism. How can you build in one civil service? That was a big battle. That is one of the backgrounds why, then, the civil servant corps was created as an entity from the top central government down to the village. That becomes a major political backbone for the government. So the civil servant corps that backed up, this civil service corps must not have any political affiliation except the Golkar. So you have two backbones: the Golkar party and the corps, civilian corps, for assuring that what the government decides will be implemented down to the village level.*
- DEVLIN:** So also when you're the minister of state for development, that was as a minister of state and not, say, a minister for any particular portfolio, you didn't necessarily have an autonomous staff as I understand it, right? You had to staff your own office.
- SALIM:** Yes.
- DEVLIN:** Drawing people from the line ministries. What were some of the challenges there in terms of building your staff, the people you needed, the capabilities that you needed in your staff?
- SALIM:** *One is the intellectual capacity, higher than the capacity of the Inspector-General, and because you are trained university graduates for PhD in social science, PhD in anthropology. We have brain power. Our key was how to get work, the inspector-general. So the inspector-general level was equal to the director-general and the secretary-general, but he is coordinated by the minister of state apparatus for supervision. My leverage is brain power.*
- So you tell them how to check and balance what are strategic things, where to look into it and so on. And you have a network of all the inspector-generals. Frequently we have regular inspector-generals exchange ideas, where experience A is then checked with experience B, and so on. So while you recognize there is an ego-sectorism, but because you have this inspector-general network, they understand that the interests of the nation are higher than the interests of the departments.*
- DEVLIN:** So in terms of sequencing or prioritizing, this position of the inspector-general was a priority, because if you staff it well, if you have the capacity, it could regulate the rest.
- SALIM:** *Yes, I can then work with a small staff, but rely very much on the decisions, on implementation of the inspector-generals.*
- DEVLIN:** Now one thing that I know came up in your tenure at roughly the same point in the '80s as minister of environment, was that it was not necessarily the easiest of positions. There were a lot of companies, a lot of private sector interests that you were proposing to put constraints on. I guess there were two groups: one group usual private sector interests and another group, some of these interests had connections to then-president Suharto. So I imagine it must have been a very delicate role to play. Can you talk a little bit about how you managed that?

SALIM: *Interestingly enough, it was '78 at the time, and I was chairing the delegation in '72 in the Stockholm meeting as the vice chairman of Bappanas. Then in '78, when the president called me, it was very easy. We had a boat ride in Jakarta Bay; he looks to the river, very dark, very smelly and so on, very bad. A lot of pollution and so on. "We are just '78; we have just only started development ten years," he said. "Can you imagine what happens in the next ten years if we continue like this?" he said. He was very much concerned. Then he talked about when he was a young boy, he lived in Godean and played in a forest there and scrubbed the back of the buffalo, playing with his friends in the river, clean river. Now he said, with a sad tone, "The forest is gone. The river is now chocolate, polluted and so on. It is not enjoyable anymore, and we haven't even started yet with our development. This is dark, forests are gone and so on—so how will it be in the next ten years, twenty years?" Then he said to me, "I will expect you to help me to clean up the environment."*

I said, "Mr. President, I'm an economist; I don't know about ecology. I'm a trained economist; I have never known about ecology. What you're asking me is doing something that I'm not trained for." He's a simple-minded man—he said, "Look, economy, ecology are the same: 'eco' meaning house of nature, house of human beings. So you try, you know: economy, house of man; how can we then be combined, reconciled with the house of nature? So two tasks: how can we develop without destruction? Point one. Point two, how to reconcile economy with ecology, that's your task." He loves nature, and that's why on Sunday he goes fishing. He is a simple man. He loves village life and so on. From him it is genuine, from his heart.

OK, so how can you say no? But what I know is, if I have a problem with his brothers or his children, then I go to him and then I tell him, "Mr. President, you told me economy, ecology, and I have this." He is always backing me up. I think he's sincere. Therefore, you must always have the courage to tell him the truth.

There was one case where one of his daughters was asking to build a cement factory on the karst in central Java. The karst absorbs rain and then drips below; there is a lake, and then the groundwater goes all the way to Gurum Kidul, and Gurum Kidul is very dry. Now these karst mountains, have—they agree—high-quality ingredients for cement. So somebody was using the daughter to have permission for opening up this for a cement factory. And very strategic: central Java market, high quality karst, infrastructure is there, very profitable. So then I got a request from my friends: "Look, this is a hot potato; the karst will be destroying the environment and so on." With a group of Speleologists, an NGO association that deals with karst.

Then I went to the president. I said, "Mr. President, I have a problem." He was the commander of central Java, so he knows what I'm talking about, about the karst. "Oh yes, I know," he said, "and water flows in Gurum Kidul and it is very dry. So it is very important, this water. Of course," he said. "So, reject this," he said. "But I have a problem, Mr. President. The proposal comes from," and I give him the form, the document signed by one of his daughters. "Tell her that you have instruction from me to explain to her, and to say I reject this," he said. Boom, that's how.

So I went then to his daughter and said, "Look, there is this." Then his daughter confessed. She said, "Yes, you see, it was somebody asked my help to communicate it with my father, but I don't know anything about this. So when you think it is not right and my father approved, of course, do what you have to do." Up to now the factory is not built. But here I learned from that experience, that

the businesses are using the children. Now it is up to you to inform the president, as honest as possible.

DEVLIN: Now perhaps jumping ahead a little bit, and I'm just interested because it is a very interesting comparative case, I know in the '90s, the late President Suharto had asked you to be advisor to him on one of his capacities in the non-aligned movement, to assist African developing countries. I know you had a look at several case studies there.

SALIM: Yes.

DEVLIN: I was wondering, coming from your experience here in Indonesia and then looking at issues there, were there similarities?

SALIM: Yes.

DEVLIN: Could you speak a little bit about that?

SALIM: *In '93, I ended my career as a minister, but then the president asked me to be his advisor for assisting Africa. It is in this context Africa, and we were one of the supporters of the TICAD, Tokyo International Conference on African Development. Japan was behind this, and we were then together, myself together with Pak Sadli, were then assigned to advise Africa. Here comes a very interesting—we went of course to the poorest regions like Ethiopia, Ghana, and Somalia. All top leaders were generals. Fascinating is when you talk with a general, they are complaining to us about everything and so on. Then again, in our experience, you get to the budget and so on and so forth, about budget balance and all these kinds, what we did before. They were asking to get the help and so on. We were assigned, we were given all the budget plan by the ministers of finance and so on. What was fascinating was all the budget, without the spending of the military, so the military received nothing. So we asked where is the military's spending? Oh, it is an extra-budget area. It is exactly like in Indonesia, extra-budget area where the military are able, allowed to find their own funds for their own financing.*

So the similarity lights up in your head. Extra-budgetary, no control, no tender, no managing, and so on. Then you say, "My God, how much is it?" Of course, many more than the official budget! Now, anyhow, we saw the president. I said, "Mr. President, we have our experience"; we don't attack him. I said, "When we started, we have our experience, there is this extra-budgetary; there's this, there's that and so on. But this is exactly the hole that makes the boat sink. So if this is covered, then the boat will float. This hole had better be transparent." That was one of the things that we found in many, that the military expenditures are extra-budgetary.

It helps us to have our experience to find this out. If you see a lot of figures, then how do you screen, there is a lot of boom, boom, boom. But because you have experience in Indonesia, you know, you sense right away, look, this does not make sense.

DEVLIN: So on this point of your advisory capacities, I was wondering if maybe I could ask you a couple of questions on reform more generally. One problem, a common problem, is this patronage that we come across: leaders face pressure to provide jobs to important people or family members or the like. But of course there are tradeoffs to this. So I was wondering, in your experience, did you come up with any strategies for balancing or managing this issue? Sometimes it is a necessity,

so it is more a matter of limiting the impact. Sometimes you can find a way to stop it.

SALIM: *Point one, you present the case; you report the case to the president, and you present it not attacking the military; no, presenting it a case of opportunity cost, tradeoff. So you say, Mr. President, here is a proposal, this costs so much, A. With this A, we can build this village, because you know he loves villages and education and so on. So this or this? This is being proposed by the military, but the cost—you don't say the cost is two billion; no, you say, with this money you give up opportunity A, B, C, D. Of course he will choose A, B, C, D, because it is closer to his heart. Then, if that is the case, then he signs and gives the mandate. I think it is a matter of explaining to him.*

One thing I have learned is never attack. Don't attack. Don't say the military are crooks, they are corrupt, they are using it. That won't work. But you must say, "You understand why they say do this, yes. But there is a cost involved, a tradeoff, the opportunity cost is this. Now what do you think is to be done?" The same applied to Pertamina, but Pertamina was one of the main financers of budget thing.

DEVLIN: This is the national oil company?

SALIM: *Yes, the national oil company. The off-budget thing. I understand why they are doing it, because the budget is not developing their proposed projects, and this is the budget. Now the art is to explain to the president why this off-budget needs not to be supported, because you give up this, this, this, and of course you tell about village road, tertiary irrigation, school at village level. That speaks more. This is more important. Exactly, Mr. President, this is more important. Therefore, if this is used for this, it preempts this. So along that line.*

DEVLIN: So if you can—

SALIM: *Never, never have a suspicious idea, never attack, but put it as balanced, as rational as possible. You tell, with this money I can build, we can build so much tertiary irrigation for so many farmers, and then accessibility of this road, village, district road and so on. You talk about this. Then of course to compare with something. He understands.*

DEVLIN: So it is this idea that you quantify the negative impact of his patronage and then you can make it an either-or.

SALIM: *But you don't make it up; it's real. One dollar spent for this prestige project means one dollar less for school buildings at the village level, for tertiary irrigation that cannot be built. Are the people more important, or these things?*

DEVLIN: Another question is this issue of decentralization, especially coming from—as we've discussed, Indonesia is a massive land mass. You've obviously worked in several capacities at the central ministerial level.

SALIM: Yes.

DEVLIN: So do you have any reflections on how others who may find themselves in the positions that you have can balance their concerns, or an example of the kind of relationship that you think works between the central government or central line ministries and the various bodies in the regions?

SALIM: *I'm in the government, in the cabinet, I'm also from outside Java; I'm from Sumatra, and the president knows this. So when he went to West Sumatra, usually he had a discussion with the farmers and so on. He knows West Sumatra, like we are travelers; we are those—in West Sumatra, many people go outside the region working in Java, Borneo and so on. Now, when he was there and I was joining him too, then he had a dialogue with the farmers: one farmer asked, "Mr. President, we want to raise the production and need tractors. We need buffalos and so on. Anyway, we need money." Then he said—"Look," he said, in open speech, "you, West Sumatra have a lot of people staying outside West Sumatra and making good money, like my minister; the others are big businesspeople, and he calls names, big business people. Every perantau makes money outside West Sumatra. Now, instead of you asking me, money from me," he said, "why don't you ask the friends from your region, that they assist this region to develop?" There is a spirit among these perantau that in the fasting month, these are sending money, checks, to the village for celebration of the end of the fasting month and so on. Billions of rupiah are sent, and he knows this.*

"Suppose," he said, "that the money is sent not for celebration but for productive purposes," he said. If one perantau sends 1000 rupiah, and you have millions of perantau outside your region, and you can build up a huge capital that can meet your demands," he said. So I appealed to all of West Sumatra: prove that you love your region, contribute 1000 rupiah per person and build this region. That captured fire. He challenged us, he challenged West Sumatra. These West Sumatrans have a strange thing. If they are challenged, then they've got to respond.

So when I returned here in Jakarta, the big business from West Sumatra gathered together. We said, "We must prove to the president that we are not beggars, we are able to build our country." So they started the 1000-rupiah movement. It was like a snowball that instead of sending the money, we built 45 BPR, Bank Perkreditan Rakyat, people's credit bank, spread out in all the countryside. With that as background, and he knows that I was part of that movement, and he knows that I was very much in favor of getting the region developed. So when Minister of Regional Affairs Amir Mahmud changed the village autonomy, it also affected the local adat [tradition].

DEVLIN: This is the 1971 village law?

SALIM: *Yes, Nagari, you see the Dutch stopped at the Kabupaten (district level), below this you have the independent Nagari, based in local custom law. Nagari now was completely dismantled and changed into a village government, like here in Java. While the Nagari is a combination of adat and government, it is then completely destroyed. So I was furious together with friends from West Sumatra; we went to meet Minister of Regional Affairs Amir Mahmud.*

DEVLIN: So again, for people who may not be so familiar, this was an imposition of a Javanese village structure on the other regions of Indonesia, which had more overlapping municipal boundaries and such.

SALIM: *Right. So it was strongly rejected, and we went to meet Minister [Amir Mahmud] and we strongly opposed this. I was then still a minister but acted more as a representative of the dismantled Nagari. But [Amir Mahmud] promised this: he said, "Look, I want only to assure unity of the country." Because West Sumatra was one of the regions that was fighting against the central government [during*

the Soekarno period in the past]. "So I want to ensure unity of the country, and when this is assured, you return back to this Nagari system."

With that compromise we agreed. But what is important now is that the region is asking for a kind of autonomy, the right for running its own government. That was very strong in all regions, not only Minangkabau but all regions. So that decentralization is a political must. The country must be decentralized. In the government, there were then strong—mostly from those coming from outside Java, but then the intellectuals in Java also support decentralization. Otherwise, the country will split. We had a PRRI [Pemerintah Revolusioner Republik Indonesia]; there is rebellion of West Sumatra and North Celebes. So that in order to maintain the unity of the country, it must be decentralized. That was the demand at the time. Then, when the time is right, the decentralization becomes a reality.

DEVLIN: Somewhat related to this issue is the idea of what some people call spoilers, the idea that often leaders have to take people from certain groups, certain factions, into their government in order for those people not to disrupt the functioning of government. They have to be accommodated to a degree. This can work in the short run because it stops conflict or inefficiencies, but in the long run, these people won't leave their positions, or you want to start putting a meritocracy in place, getting qualified people in.

So this is a very common problem we come across. I was wondering, in looking back on your experience, do you have particular advice for people who face these choices? What type of cost-benefit analysis makes sense? Are there ways you can kind of deal with this issue of bringing people in, but also, I guess, maintaining a sense of institutional integrity, efficiency, professionalism?

SALIM: *First, the history shows that to rebel against standing government is costly and a failure. We had the West Sumatra, the PRRI, the Pemerintah Revolusioner Republik Indonesia, the Permesta in North Celebes. We have flaring up fights in Aceh, flaring up in Papua, and then a little bit in Poso, and so on. So it is not possible to maintain centralization. On the other hand, decentralization will get the same result without opposition to the central government. That's why most of the region were claiming for decentralization, and that becomes a positive force to strengthen this Bhinneka Tunggal Ika [Unity in Diversity] that yes, up to now we have worked to unite the country, but what about the Bhinneka [diversity] one? Unity does not mean how to make Papua like Java, or Minangkabau like Java. Bhinneka means keep your identity; develop Minangkabau as Minangkabau and so on.*

So the strife was born for decentralization, for autonomy. That was a strong driving force. What was then the consideration not to go in fast? It was a financial consideration. If you have decentralization, then the earning from Aceh and so on, the oil region, will get huge revenue for them, but what about Nua Tenggara West, which are deficit regions? So the consideration was more how to cope with these imbalances of economic strength between the regions. There was then this type of formula which has to be found. We found the formula now, called DAU [Dana Alokasi Umum, general allocation fund] and DAK [Dana Alokasi Khusus, specific allocation fund], that you have these revenues, central government, that is to be used for the deficit region, and you give this khusus to apply for special reason, special spending, taking into account the special considerations of the region.

That the trust was there, that the way of the unity of the country could not be maintained if it all goes to Java or all goes to Jakarta. That started then the rumbling, which this then erupted into the autonomy and decentralization. This decentralization was actually after Suharto went down and not before. Here comes another point: I actually was for an opinion that '93—after 25 years, '68 to '93, five-year development program, because '68 we have the 25-year plan, ended '93—that was the best time for us and Suharto to resign, because after that the age difference becomes too big. Suharto was already in his 70s and the ministers in 40s or 50s, a twenty-year difference. So that it will never be as efficient as the period of '68 to '93. Then at that time, there was no political pressure from the politician interest groups; then I may think that Suharto will fade away with honor and respect.

DEVLIN: So this idea that maybe the end of the 25-year plan was a good moment for a transition, it kind of speaks to the challenge we come up a lot with: sustainability, how once you do play the role in a state's development, such as the one you have, how do you then pass that on? How do you manage to sustain that change?

SALIM: *Right.*

DEVLIN: When you look back at both your involvement and that of your peers, do any particular—are there things on that count of sustainability you might have done differently looking back now? Are there things you're very glad that you did do that actually were successful?

SALIM: *I think there are things that I'd like to see doing differently, because in these 25 years—'93, we built a market economy. What does this market economy mean? That the people decide, that the economic subject decides what they want to buy, what to produce and so on. So you have a decentralization of economic power. Automatically, when you have already gained an economic power, automatically comes next to have political power. There I already know this, you cannot go on with this; you must have a decentralization of economic power, of political power, which means democracy. The political party system as such, which is too rigid and too broad and vague, will not do enough. The election done, you see more and more that it started rolling, rumbling. So I have a feeling that '93, one, by virtue of age, that if you go on then the ministry will be—then you are not an effective leader anymore because nobody dares to debate.*

Two, that the time is ripe for democratic approach after so many years of economic freedom, and third, that the spirit of the times has changed. During my time, it was a period of agricultural development, food security, basic infrastructure, education, health. These were things that were obvious. I mean you don't need to be a thinker. But after '93, what kind of industry to develop, what kind of economy do you want to develop, because rice production is there already. It is going to a kind of new venture. What will be the nation's economy 25 years after '93. It's a different ballgame.

So at that time, we felt it was time for change, actually, but the political system I hate; it is telling and convincing the president he is needed, so on and so forth. This is very sad. In March '98, he was elected by acclaim by this MPR [Majelis Permusyawaratan Rakyat, Indonesia People's Consultative Assembly], March '98. Three months later, May '98, he was kicked out. So I'm university; I'm not a politician. But bad times in politics, it's not good. It's dishonest, and then comes no permanent friend, no permanent allies, but permanent interests. Acclamation

accepted in March, kicked out by acclamation three months later. For me that was a very sad lesson.

DEVLIN: Now another issue I was hoping to get to: a couple of points—we said that you were in positions that you hoped to carry out reform or innovation, but you were a little too short. You thought your tenure wasn't quite long enough, that you could undertake some needed changes. So this issue of people not staying in the place long enough is one we come across, so they don't build the necessary connections and capacity. Often what aggravates that is that in some systems, positions within the civil service get to the point where they are bought and sold; there is brokerage. There is nearly a market for civil service positions so that people remain in one place briefly and then can, through a very informal process, sometimes quite literally buy their next posting somewhere else. I was wondering, is that something that in your experience has at some point been a problem in Indonesia, this problem that civil service promotion, either higher vertically or laterally, was up for sale, that there was this market for jobs?

SALIM: *Yes, first I think in the department—remember there is ego-sectorism. There you have this one job in public works; you die in public works. That is there. The career development is then clear. So when I was in charge of the environment, there is no department of environment, so I have zero personnel. Then you want to get the people in public works, or department of health or department of agricultural policy; that is difficult, because you ask, "OK, am I assured of having a house, a car, pension and so on? So what facility can you offer me?" Of course I cannot offer that facility. There is then the problem, yes; that that kind of system, that house, car, pension and so on, creates a department-oriented loyalty more than an inter-departmental loyalty. But for me, the consequence for this is that the Ministry of Environment—I had then to draw on the civil society and university because the universities are not thinking departmentally. That's why the Ministry of Environment was very much university and NGOs; they were then the key factor. But the whole system of government was very much ego-sectorism.*

DEVLIN: Now one thing I was wondering about is that this problem we have of finding talent to help design and manage reform is often difficult. So I was wondering, what were the challenges in your career of finding the people who could help you carry out what you wanted to achieve, finding the qualified people? What were the capacities you needed most in your staff for the top level of these ministries?

SALIM: *I already mentioned there, I'm excited by the civil service of the British, the British Civil Service. I think we should imitate this. [Sri] Mulyani, Minister of Finance, is already trying to do this starting from the top. So the director-general must be professional, well-paid. Then you go to the first echelon, second echelon, and so on. So from the top down, and in a rational way, a little bit imitating the British Civil Service. But there must be a more rational—. When we started the government in the '60s, you don't have computers, you don't have electronic mail and so on. But now you have. So you can trim down the size of the personnel and introduce e-governance.*

DEVLIN: So when you did have—you mentioned it, I think with the Ministry of the Environment for example, there was no line ministry itself. You had to create your own staff there. In that and in other situations like that, what were the talents that you had the most difficulty finding amongst people that you wanted to help?

SALIM: *Environment is very new. What is environment? When you are in the government, you cannot say environment in broad sense. Then you have to talk*

specifics. What is environment in mining? What is environment in industry, agriculture, forestry? You must go down into deep detail. But more than that, what is the policy making? What do you expect the minister must do? One minister told me, "Look, I'm in favor of environment, but please hands off; don't spoil my effort. Give me freedom to move." So he considers the environment outside his ministry. So my major task was how to say, "Look, environment is not against development, but it is developed differently." That was the key. To convince the departments it is going on with development, but different development, taking into account externalities, taking into account the sustainability, the carrying capacity. That kind of thing is very new. So again, like in economics in the '60s, '70s, you have to start educating on the environment.

DEVLIN: Now one thing that comes up on this idea of capacities is that sometimes you can build capacity in an agency or ministry that you're working with and foster these people, but a lot of times, this is challenge of retention; you lose them to the private sector. People can leave government. I was wondering, was that a problem you faced, losing human capacities out to the private sector?

SALIM: *Minister of environment?*

DEVLIN: Or in any of your experience.

SALIM: *Oh, yes. In my period, the private sector has not developed yet. Now the private sector is developing much faster, but in my time, being in the government is the major employer. You get facilitated: you get a house, you get a car, you get a pension, you get everything, which is not assured in the private sector. I have not faced that type of competition yet. What I faced, however, is here you are in the government, but you're growing—comes a growing private sector, which has huge leverage. They can bribe, they can pay, they give you goodies. They can finance your children for schools—big leverage. Then comes the idea that you need a triangle of governance. You have the government, policy makers and so on. You have the business, the economics and the finance, but you need a third: the non-government and the non-business; it's the civil society. That's why my major task was how to build up the civil society more as a contravening power, because you cannot ask the government to be a countervailing power to the business, to take care of environment and so on. No. It is a matter of power, of interest. That's why you create this. You owe, as a third, as a countervailing power, and that proves to be the right approach.*

DEVLIN: I do recall that during your tenure as minister of the environment, there was significant growth in the number of NGOs here in Indonesia.

SALIM: Yes.

DEVLIN: Some of those NGOs were fairly political; some of their lines were somewhat critical of then-President Suharto's development. Could you talk a little bit about that dynamic, what those groups were like, and what was it like for you to be in that position?

SALIM: *Yes. Look, what is development? Development is actually controlling resources. So when you talk with the Ministry of Forests, his idea of development is to make forests overall in Indonesia. Mining—that Indonesia, all can be mined. Agriculture, so on; Housebuilding, so on. So every minister has an ideal of controlling Indonesia from his perspective. That is very sectoral, meaning that if you have a cabinet session, there is a conflict in resources used.*

Here is the land, here is the forest. If the forest wins, then the fellow in charge of mining loses. If the forest wins, then the fellow in agriculture loses. The public loses. And if the mining wins, everybody loses, so there is a conflict actually. So I was very surprised that I noticed, "Hey, wait a minute. We are not one government; we are several, and we are competitors." Now, in that competition, what should be the key? Environment. And in terms of special planning, I convinced the president everybody has his stake, and everybody, if you ask somebody else to decide, they will look at it from their angle, but environment looks at it from the angle of carrying capacity. So it is not this or that. What carrying capacity is good? If it is good for the forest, let the forest win; if it is good for mining, let the mining. So let environment be somehow the center figure for spatial planning. That's the reason why, in '92, the spatial plan was pushed by the Ministry of Environment. That solved the rivalry between them. But who is imposing this? There is the role of the civil society.

Because the civil society is also divided into interest groups, but most of the civil society—the common denominator is fighting for the weak. That is the common denominator: fighting for the weak and fighting for the poor. So with them behind you or together with you, it is then possible, based on the special planning, carrying capacity, environment-based approach, supported by the civil society, the social approach, to combine—to correct the economic approach.

DEVLIN: Now one thing that was interesting: you mentioned the current efforts of Sri Mulyani, the Finance Minister, at the moment. Could you maybe mention what are your opinions on some of the efforts that the minister has tried to do? As you well know, her efforts within the Ministry of Finance are quite unique amongst the rest of the government. So I was wondering, in the context of your own experience, what you think of what is going on there.

SALIM: *Actually, she is doing exactly what I would do if I am in that position. It is to get your own house in order first. Build the trust of the public to your ministry, and most difficult—which are distrusted—are tax officials and the import duties and so on.*

DEVLIN: The customs department.

SALIM: *Yes, most people don't trust these two and hit hard here. Get these two cleaned up, get that confidence of the people, and you get the support from the people. That's exactly what she is doing.*

DEVLIN: So several—and just we're talking about Sri Mulyani, whose profile is rather high at the moment—several people have pointed out that in order for reform to really take off, you need a particular individual to articulate a vision, to tell a story, a narrative that can be followed. Some people argue that this is important. What is your opinion on this, on having this kind of narrative, this story to reform that people can get behind?

SALIM: *The storytelling now, in this reformation, is more how to convince Parliament, because whatever story you tell to the public, when Parliament says no on a budget, it will be no. So I agree with Mulyani: concentrate on Parliament, educate Parliament, why is this? Why subsidy must be like this? Why poverty eradication must be like this? So convince Parliament, because now in this reform of Indonesia, Parliament decides. This project, information form that I talked, it is done by Parliament. It is called the Daftar Isi Project. They determine, they decide what, where, how, when. My God, so the Bappenas, which usually did it, is now completely out of the picture, and that power is in the hands of Parliament.*

So you must now convince Parliament, why is this department not correct? Why it should be like this? Why is subsidy like this? And this narrative ability is secondary here, because first you must have the good decisions with and by Parliament. It is a different ballgame now.

DEVLIN: Now, I guess tied to this point of the changing times and just keeping apace of things, one problem that we often hear people say is that it is difficult to obtain an idea of the options that are available to people. Most leaders are too busy to simply collect information about potential reforms, potential changes that they may or may not want to put in place. They are more preoccupied with the day-to-day responsibilities of their position. So in your experience, where did you turn to for advice or information, or did you have to rely completely on your own instincts, your own ideas, throughout your career?

SALIM: *You mean now?*

DEVLIN: No, I'm thinking when you led various ministries like the 1970s, the '80s, early '90s. Were there places or people you could turn to for ideas or sources of information? Sometimes these are staff members or local think tanks, institutes.

SALIM: *Universities. That's why during my environment time, I had in all universities a center for environmental studies. You have 17,000 islands, and so on. The environmental issues in Aceh are completely different than in Papua because microclimate, like microclimate in England, is different than microclimate in Iran. So Papua and Aceh are different; North Celebes, Banten and the islands are diverse—so how can you know all about this? So what you do is, you develop local capacity at the universities, and you develop environmental study centers. So all universities have all these environmental study centers; they are my thinkers. Which is realistic, because they are with their feet on the ground, the different microclimates, ecosystems and so on.*

DEVLIN: I apologize for taking so much of your time; you've been very generous, but what we try to do is really help leaders share their experiences of innovation and change in addressing challenges that come up in the wider process of building states in developing countries. But we're always interested to find out what people such as yourself who have long experience in the field think should be a focus. What perhaps were some of the issues or ideas you would have liked to have known when you first started grappling with some of the challenges?

SALIM: *You may not know, but you have a vision.*

DEVLIN: The vision is important.

SALIM: *The vision. So when you started in '67, '68, you have a vision of Indonesia 2000. Then by 2000, the world will be like this, population will be like this and so on. But Indonesia's position must be like this, boom. If business as usual, you don't reach this, then we will be down the drain. Then this is the usual—to this ideal type, changes must be made, and the change is not only economics, but also social field and environmental field, and the society, and so on. So you have a kind of a vision that you share with your friends. At any rate, the Berkeley dialogue has created that vision, a vague vision, but when you're then back in a country, when you're really in the midst of the battle, and when you are really on a planning board, then this vision will shape up.*

So why do you do this, why do you emphasize infrastructure, why deregulation, de-bureaucracy? There is something that you see. If you do continue with this,

then the business as usual. I do not reach that. So it must be modified. But you have a strong vision in your mind already that you share with your friends.

Interestingly enough, my friends, we share the same vision, the same dreams.

DEVLIN: Thank you so much for taking the time, thank you.