RESTRICTED

Report No. EAP-14a

This report was prepared for use within the Bank and its affiliated organizations. They do not accept responsibility for its accuracy or completeness. The report may not be published nor may it be quoted as representing their views.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

CURRENT INVESTMENT ACTIVITY

IN

INDONESIA

March 27, 1970

East Asia and Pacific Department

CURRENCY EQUIVALENTS

B.E. Market Rate

U.S. $1.00	=	Rp. 326
1 Rupiah	=	U.S. $0.003
1 million Rupiahs	=	U.S. $3,067

TABLE OF CONTENTS

This report was prepared by a mission which visited Indonesia in February 1970, together with the IBRD Resident Staff in Djakarta. Members of the visiting mission were:

Wouter Tims	Chief of Mission
Graeme Thompson	Chief Economist
Rogelio David	Economist

BASIC DATA

Area	735,381 square miles
Land use as percentage of total area:	
Estate agriculture	1.14
Smallholder agriculture	13.10
Food crops	(9.30)
Cash crops	(3.80)
Population (1969)	118.1 million
Density per square mile	161
Rate of growth (1961-1969)	2.4% p.a.
Density of main islands (per square mile)	
Java and Madura	1,495
Sulawesi	119
Sumatra (and adjacent islands)	106
Kalimantan	24
Other islands	40

Political Status: Unitary Republic, Member of the United Nations and the Association of South-East Asian Nations (ASEAN)

Gross Domestic Product (1969)	Rp. 3,100 billion
Per Capita GDP	$ 80

Money and Credit

Exchange Rates (December 31, 1969)

		BE Rate	DP Rate
1 Rupiah	=	$ .0031	$ .0026
1 Dollar	=	Rp. 326	Rp. 378

	December 1968 (Rp billion)	December 1969 1/ (Rp billion)	% Change December 1968-December 1969
Total Money Supply	113.9	181.7	60.0
Time Deposits	12.0	49.8	315.0
Total Bank Credit 2/	89.6	174.0	94.2
Price Index (September 1966 = 100)	523	575	10.0

1/ Provisional.
2/ Excludes credit to Government and for rice procurement.

Public Sector Operations (Rp. billion)

	1968 Actual	1969/70 Revised Estimates	1970/1 Preliminary Estimates
Government Receipts	185.3	331.9	445
Revenue	149.8	243.1	321
Other	35.5	88.8	124
Government Expenditure	185.3	331.9	445
Routine	149.8	216.5	284
Development	35.5	115.4	161
Public Savings	-	26.6	37
External Assistance to the Public Sector	35.5	88.8	124
a. Counterpart funds	35.5	63.5	78
b. Project aid	-	25.3	46

External Public Debt ($ million)

Outstanding principal of guaranteed debt at Dec. 31, 1969 after rescheduling through 1969	2,750.
Total debt service in 1969 on guaranteed debt (after rescheduling through 1969)	59.6
Debt Service Ratio (1969) (after rescheduling)	8.3 percent

Balance of Payments ($ million)

	1968 Actual	1969 Prov.Actual	% Change
Exports f.o.b. (oil net)	647	717	11.1
Imports c.i.f.	-834	-974	16.8
Services (net)	- 77	-101	31.1
Trade Balance	-264	-358	

Commodity Concentration of Exports (1968)

Rubber	27.0 percent
Oil (net)	12.1 percent

Foreign Exchange Reserves ($ million)
(Central Bank only)

	December 1968	December 1969
Gross	84	119
Net	-66	-86

SUMMARY AND CONCLUSIONS

1. There was considerable economic progress in 1969. Investment activity in the public and private sectors gathered momentum in the course of the year as the implementation of the 1969/70 public sector development program progressed, as new project aid committed in 1968 and 1969 began to materialize and as the inflow of private capital under approvals given in 1967 and subsequent years reached significant proportions. Expenditures and activities have been concentrated largely on the start of projects which will be completed and have their economic effects only in the future. Indonesia is still in the early stages of a process of rehabilitation and new development which could be initiated only after new economic policies had taken effect and relative stability had been attained. The results of this new effort will become evident only over a period of time.

2. After some delays in the first quarter of 1969/70, partly because of problems in preparing and initiating projects and also because of unfamiliar new procedures, expenditures under the development program accelerated to planned levels and by the end of that fiscal year disbursements for civil projects specified in the development budget are expected to reach 86 percent of the total allocations of Rp. 71.2 billion. Total development expenditures, including budgetary transfers for medium-term investment credits and the village development program, and provision for the Bimas Gotong Rojong rice program, are estimated at Rp. 90.1 billion. These expenditures represent substantial physical progress in the public sector program. The shortcomings appear to have been mainly in the design and content of the program rather than in the implementation of what was planned. The achievements were nevertheless substantial and the studies and further project planning undertaken during the year should lead to a better-prepared and more effectively implemented program in 1970/71.

3. Out of the commitments of aid available to Indonesia a total of $315 million was called on in 1969, an increase of 18 percent over the previous year. The program aid level of $246 million was almost the same as for 1968, but project aid increased from $20 to $70 million, of which $54 million represents openings of letters of credit against IGGI commitments in 1968 and 1969 and the remainder disbursements for on-going projects under pre-1967 commitments. Actual arrivals of project aid equipment and materials to the end of 1969 amount to approximately $18 million and some $9 million worth of this aid may have been physically utilized up to that time. These figures exclude a considerable amount of technical assistance associated with specific projects, but indicate that the flow of project aid from the substantial IGGI commitments is now beginning to materialize. Although arrivals should accelerate rapidly in 1970 and thereafter, the effects of project aid on rehabilitation and development in 1969/70 will be small.

4. In the three years from 1967 to the end of 1969 a total of 177 private foreign investment projects were approved and at least preparatory expenditures had been undertaken for 92 projects. The recorded total of $35 million in disbursements, mainly in the industrial, forestry, fisheries

and mining sectors (and excluding oil exploration and production activity) indicates that the impact of new private capital inflows has been modest so far, but on the basis of projects already started and firm commitments to invest these inflows can be expected to accelerate rapidly. The Government's economic policies and the incentives provided under the Foreign Investment Law favor such a trend, but there remain administrative and infrastructure problems which could hold actual expenditures below their potential.

5. Developments in the economy as a whole favored the initial stages of the rehabilitation and development effort, although in the last part of the year two problems emerged to test the considerable stability in the economic situation achieved during 1969. A tighter rice-supply situation than expected caused a sharp increase in the cost-of-living index, particularly in September, and led to substantial Government cash purchases of rice from abroad. The balance of payments effects of these extra commercial imports were compounded by an increased demand for foreign exchange in the DP market in particular, where substantial net intervention by the central bank was necessary. In total, imports financed by non-aid resources were $67 million higher than the earlier forecast, of which $24 million was on account of commercial rice imports; as a consequence there was a considerable loss of reserves. Imports financed by foreign aid were however $42 million less than expected so that the overall increase was only $25 million. The change of import composition away from the use of aid funds and into higher than expected use of own foreign exchange was nevertheless large enough to cause concern. The maintenance of the comparative economic stability so recently attained must continue to be a primary policy objective if rehabilitation and development are to continue and accelerate. 1969 was a year of very considerable achievement in this respect. If this progress is consolidated and if necessary improvements in institutions and administration continue to be made, the outlook for growth of output and income in the Indonesian economy is favorable.

I. DEVELOPMENT IN 1969

Introduction

1. The present report on the Indonesian economy updates the last Bank economic report (EAP-10a of November 14, 1969) to the extent of revising earlier estimates for the past year and for the fiscal year 1969/70 1/, and concentrates on the description and preliminary evaluation of investment activity in the public and private sectors. A more general survey is provided in the IMF paper on recent economic developments and outlook in 1970 prepared on the basis of discussions held in Djakarta in February 1970. The analysis of the implementation of the Government's development budget, the utilization of project aid and the investment activities in the private sector supplement the more general descriptions in the last economic report.

The Setting

2. There was significant economic progress in 1969. The achievements included the actual implementation of a considerable number of specific investment plans and projects, the launching of a large number of pre-investment studies and the maintenance of considerable stability in both prices and exchange rates. Two major problems emerged, however, in the last part of the year. The first was evidenced by a sharp rise in the Djakarta cost-of-living index, particularly in September, reflecting a tighter rice-supply situation, and probably a smaller domestic crop than had originally been expected. In response to this development in the last months of 1969 the Government undertook substantial commercial purchases of rice from abroad; these, as deliveries were made, eased the market situation but constituted a severe and unanticipated drain on foreign exchange resources. The second problem emerged in the foreign exchange market and most particularly in the DP-market, where foreign exchange not surrendered to the central bank is traded at the higher of the two main foreign exchange rates, when for a number of reasons market pressures resulted in substantial net sales of foreign exchange by the central bank to maintain the exchange rates.

3. Thus, the main differences between earlier forecasts and the actual developments center around the balance of payments. In overall terms, if one considers the year as a whole, the differences are small, as export earnings were only slightly below the projected level and imports of goods and services were about 2 per cent above the original projections. These were financed principally by larger than expected apparent inflows in what is identified in the balance of payments presentations as capital repatriation but could include a number of short-term foreign trade credits. The main difference with regard to imports relates to their composition, both by commodities as well as by means of financing. If, however, attention is focused on developments in the last three quarters of the year, then there was clearly cause for concern in the excess of payments over receipts and the accompanying loss of foreign exchange reserves.

1/ The Indonesian fiscal year runs from April 1 to March 31.

4. The normal seasonal increase of rice prices from around the middle of 1969 may have been accentuated by uncertainties about the supply and availability of foodgrains. A reassessment of the stock position of BUL (the Government rice procurement agency) and smaller than expected domestic procurement resulted in a considerably lower supply in the hands of the Government than had been expected. In order to meet the uncertainties in the market it was necessary to step up BUL's market sales. This, in turn, could only be undertaken safely if additional import supplies could be secured on a short-term basis. Commercial imports of rice increased in the last quarter of 1969 to 218 thousand tons, compared to an average of 14 thousand tons in the preceding three quarters and original import planning of less than 150 thousand tons for the fourth quarter. Another 155 thousand tons of commercial imports is expected to arrive in the first quarter of 1970. Total rice imports in the fiscal year 1969/70 are expected to reach almost 900 thousand tons, of which 45 per cent will be on commercial terms and the remainder provided under aid arrangements. Releases to the market have been sufficient to control the price of rice through the last quarter of 1969 in most urban centers around the level reached in September. This price level is about in line with the target retail price ceiling set in last August and reasonably close to international prices for comparable quality rice. The stock position of BUL appears to allow for further increases of market releases when the need arises, as was the case in the first few weeks of January. Improved management of stock releases appears to be necessary, however, as the statistics indicate that market intervention has often been undertaken belatedly and at lower levels than required.

5. The Djakarta consumer price index increased on the average in the first nine months by 0.5 per cent per month and accelerated in the last quarter to 1.8 per cent per month. This increase consisted entirely of a rise of food prices averaging 3.6 per cent per month, compensated partly by declines in all other categories. Some part of this price development is in accordance with normal seasonal factors. The fluctuations in September and mid-January suggest, however, that the stability of prices could still be threatened by inadequacies in the supply arrangements for basic commodities.

6. Credit extension to the economy was substantial in the beginning of the second quarter of 1969 but slowed in the last as compared with the preceding quarter. The expansion of the money supply was of modest proportions - only 6 per cent in the last quarter as compared to about 14 per cent on the average during the three preceding quarters - mainly because of the contractionary effect of declining foreign exchange reserves. The growth of time deposits has continued since the third quarter of 1969 at a somewhat slower rate than in previous months in spite of a continuous reduction in interest rates.

7. The last three months of 1969 witnessed an acceleration of approvals for medium-term credits, bringing the total from Rp. 11.3 billion at the end of September to Rp. 27.2 billion by the close of 1969. Disbursements increased from Rp. 4.6 billion to Rp. 9.4 billion over the same period. The available statistics suggest that the expected demand for imported capital supplies financed under the medium-term credit program has only partly materialized.

8. It may be noted here that the effects of the credit expansion appeared to be in line with the estimated demand for cash balances during the first half of this year. In the second half, price developments can be largely explained in terms of seasonal factors and the behaviour of the rice market, but this relative price stability was obtained at the expense of a substantial reduction of foreign exchange resources.

9. Developments during the fourth quarter of 1969 resulted in a somewhat different balance of payments for calendar 1969 than had been forecast in the Bank economic report of November. Specifically, foreign exchange earnings in the year were slightly lower (by $5 million or less than 1 per cent) than was projected in November. Foreign exchange payments for imports and services, including debt service, exceeded the earlier projection by $25 million, reflecting additional spending of $24 million for commercial rice imports. All other imports thus equalled the level which had been projected. However, imports financed with external aid resources were $42 million less than forecast in November, while imports financed with other than aid resources were higher by about $67 million. One result was that the aid pipeline at the end of the year was larger than had been anticipated. The increased payments out of non-aid resources were met partly by higher net capital inflow than had been projected in November and partly by a somewhat greater loss of foreign exchange reserves than had been forecast.

10. As may be seen from Table 1, the additional $67 million of payments financed by other than external aid resources included $24 million of additional payments for foodgrain imports and $43 million of additional payments for other imports and for other purposes.

11. In the year as a whole there was a loss of reserves of $20 million. If, however, one examines the quarterly distribution of receipts and payments, it becomes apparent that developments in the last three quarters of the year differed markedly from those in the first quarter when both development budget expenditure and the credit program had not yet gathered momentum. Examination of the balance of payments for the last three quarters of the year indicates a significant excess of payments over receipts financed by a substantial loss in reserves and a modest capital inflow. In February, Bank Indonesia took measures to decelerate primary credit expansion, which had accelerated sharply in the previous four months, and as the first quarter of 1970 was drawing to a close, the authorities were reviewing the situation in order to determine whether further measures were needed.

Table 1: COMPARISON OF IMPORT ESTIMATES FOR 1969
(in $ million)

		November projection	Provisional actuals	Difference
1.	Own foreign exchange earnings	722	717	- 5
2.	Foreign exchange payments	1,109	1,134	+ 25
	(a) financed by aid resources	(355)	(313)	(- 42)
	(b) financed by other resources	(754)	(821)	(+ 67)
3.	Changes in reserves and capital flows (1 - 2b) a/	- 32	- 104	- 72
	(of which misc. capital flows)	(+ 43)	(+ 78)	(+ 35)
4.	Payments financed by other than aid resources	754	821	+ 67
	of which:			
	(a) foodgrain imports	(34)	(58)	(+ 24)
	(b) other BE payments b/	(583)	(574)	(- 9)
	(c) DP payments	(137)	(189)	(+ 52)

a/ Incl. net IMF position, errors and omissions and misc. capital flows.
b/ Incl. debt service payments.

Perspectives

12. The three main chapters of this report discuss the initial stages of rehabilitation and development in 1969/70 and the contributions made by official aid and private foreign investment. The general conclusions which may be drawn from this assessment are, first, that the process of repairing the damage, physical and institutional, caused by past mismanagement, misdirected expenditure and hyper-inflation is only in its early stages. Second, that, particularly in the light of all the existent difficulties, progress during 1969 in both the public and the private sectors was considerable.

13. In 1969, the first comprehensive development program for the public sector was formulated and began to be implemented. It is much too early for the results of this effort to be highly visible and few concrete evidences and measures of accomplishment can as yet be cited. But this is inherent in the fact that for the most part expenditures and activities were largely concentrated on the start of projects which will continue, be completed and have their economic effects only in the future. Many positive starts have been made, however, and, in addition, the experience gained in the effort to plan and begin the implementation of a concerted program can be expected to lead to a better prepared and a

more effectively implemented program in 1970/71. Detailed design and construction of many projects has been started, considerable amounts of equipment and materials, financed in part by project aid, have been and are being ordered; these are beginning to arrive in Indonesia, to be transported to project sites and to be physically utilized. Agreements looking toward private investment in a variety of production activities have been concluded in large number and considerable magnitude. Actual expenditure on construction or production by either foreign or domestic enterprises has been modest thus far, but the necessary preparatory work of exploration, design, equipment-ordering, etc., is underway and at an accelerating rate. The year must be regarded as one of beginnings, and in these terms progress has been substantial and the outlook is promising.

14. Highest priority in the Government program attaches to the increase of rice production. The degree of success achieved in this effort is critically important to Indonesia's economic progress. Accordingly, the whole set of policies, programs and administrative and institutional arrangements evolved in the effort to increase rice production is of central importance. As reported in the November report, a policy and program designed to ensure incentive prices to farmers and at the same time to protect consumers against excessive increases in rice prices was adopted. The degree of success achieved in the implementation of this policy and program will receive its first test in 1970. Considerable effort is being devoted to the rehabilitation of irrigation facilities, which should make a vital contribution to the total effort, but a number of years of diligent prosecution will be required before it can have a significant impact. Plans for the increased and more effective production and distribution of high-yielding seed varieties are in the making, but action on a significant scale is still in the future. Similarly, efforts made to date to improve the distribution of agricultural inputs, and associated arrangements for improved farm credit, have not been notably successful and further planning and effort is necessary in these fields.

15. Another major facet of the Government program is the rehabilitation of transport and electric power and communication facilities. In each of these areas a very considerable amount of pre-investment study was completed and concrete project plans were developed. Work on the execution of these plans was in many cases begun during the year and should go forward on a greatly increased scale in the coming year.

16. A third major aspect of the Government program involves the rehabilitation and improvement of agricultural export production, both by government-owned estates and smallholder and other private producers. Plans were completed and programs began to be executed on many of the government estates and planning was underway for others. In the area of smallholder production, less was done but new marketing arrangements were devised for copra which are intended to revitalize copra production and export. In the case of smallholder rubber production, improved processing facilities were being provided which were expected to have a positive impact, but studies and plans for direct improvement of and assistance to smallholder production were just being arranged.

17. In the industrial sector, study and planning was underway in the effort to determine appropriate action in the case of so-called "retarded" projects consisting of numerous government-owned industrial projects launched in the earlier era and in a state of suspension during the past several years. Similarly, a study and planning effort was underway with respect to the entire sugar industry. Plans for several, individually large, industrial projects were completed and financing arrangements were either made or were close to consummation. These included two cement projects and a fertilizer project.

18. During the year, legislation was enacted and administrative steps were taken toward the rationalization of the whole complex of State enterprises. These were designed to reorganize the financial and operating structure of these enterprises in such a manner that they could operate as more or less autonomous enterprises, responding to and governed by market forces and with responsible financial and other business management.

19. As indicated in the November report, the low level and the structure of salaries of government employees, as well as employees of State enterprises, has been a serious problem, with pervasive pernicious effects. The only action taken in the year in this matter, in the light of other competing expenditure requirements, was to plan an across-the-board increase of 50 per cent in the salaries of government employees, beginning April 1, 1970. There is considerable doubt that the planned increase is of sufficient magnitude to deal effectively with the problem and there is virtual certainty that the absence of selectivity, which would permit considerably larger increases in compensation on the basis of responsibility and performance, will leave the most important elements of the problem unsolved.

20. Although the beginnings of an orderly process of project preparation and evaluation and overall development budget and project formulation were made in the year, further substantial improvements are necessary, along with the development of systematic reporting as a basis for control and effective management of the execution of the program.

21. Although the number and the magnitude of private investment agreements grew continuously, the procedures continued to be difficult and clearly needed streamlining if both foreign and domestic private investment were to achieve satisfactory levels.

22. It can fairly be said that 1969 was a year of very substantial progress and achievement in the planning and the beginnings of execution of a program designed to achieve significant economic progress. Provided that this process continues and that necessary improvements continue to be made, the outlook for growth of output and income in the Indonesian economy is favorable.

II. THE PUBLIC SECTOR PROGRAM, 1969/70

23. The first Five-Year Development Plan drawn up by the present Government, covering the fiscal years 1969/70 to 1973/74, came into force on April 1, 1969. The Plan is explicitly "an indication of the direction of growth in accordance with the stipulated development priorities." Its program is stated in general and flexible terms, and is to be implemented in successive annual development budgets. The Development Program for fiscal 1969/70 thus represents the first attempt to frame and implement, in the context of the Five-Year plan, a clearly specified set of public sector development projects. These for the most part are designed to meet urgent needs for rehabilitation of the economic, social and administrative infrastructure, and for the resumption of work on incomplete projects; in addition there are projects designed to expand infrastructure facilities. The program also provides for the rehabilitation and development of manufacturing, agricultural estates and other enterprises.

24. The Development Budget for 1969/70, and the proposed budget for 1970/71 by sectors and implementing agencies, are set out in detail in the Statistical Appendix. The principal categories of expenditure are summarized in Table 2. In 1969/70 the main emphasis among the economic sectors, which were allocated Rp. 60.2 billion of a total program of Rp. 87.2 billion, was given to agriculture and irrigation (30 per cent of the development budget), communications (20 per cent) and industry and mining (10 per cent). Most of the industrial and mining component (Rp. 6.4 billion of a total of Rp. 8.4 billion) was to be provided via medium-term credits extended through the banking system to State industrial enterprises. The funds provided from the budget supplement credits to industry by the Bank Indonesia and State banks as part of a broader program for both public and private enterprise.

25. In preparing and selecting in a short space of time the projects which form the bulk of the development program, the Indonesian authorities were faced with limited information, a lack of experience of project preparation in many departments and agencies and a shortage of trained personnel in the central planning authority, BAPPENAS. The program that emerged inevitably had defects but in the circumstances and given the need for action it was a creditable ordering of a coherent program which expressed the balance of priorities reasonably well.

26. The 1969/70 program reflects clearly the most urgent rehabilitation requirements in the public sector. Apart from the resources channelled to State industrial enterprises through the banking system, the main emphasis of the program is on the physical restoration of the infrastructure in irrigation, electric power, transport and telecommunications, on the expansion of rice production and the rehabilitation and development of other agricultural export products. Considerable resources were also allocated to pre-investment studies in all sectors.

Table 2: DEVELOPMENT BUDGET ALLOCATIONS BY MAIN SECTORS
(Rupiah expenditures only)

Sector/Agency	1969/70 Allocation (Rp.million)	1969/70 Percentage of total (%)	1970/71 Allocation (Rp.million)	1970/71 Percentage of total (%)
Economic Sector	63,300.8	70.1	81,644.3	70.5
Agriculture & Irrigation	26,135.5	29.0	26,278.0	22.7
Industry & Mining	8,395.0 1/	9.3	7,157.7 1/	6.2
Electric Power	4,690.0	5.2	8,620.0	7.4
Communications & Tourism	17,982.3	19.9	24,563.0	21.2
District & Village Program	3,000.0	3.3	11,290.0	9.7
West Irian	3,100.0	3.4	3,500.0	3.0
Other	--	--	235.6	0.3
Social Sector	17,604.2	19.6	21,611.5	18.7
Education & Manpower	10,168.8	11.3	12,053.2	10.4
Health	3,659.0	4.1	4,452.6	3.9
Other	3,776.4	4.2	5,105.7	4.4
Other Public Sector	9,335.5	10.3	12,528.1	10.8
Defense	4,000.0	4.4	4,500.0	3.9
Administration	5,233.5	5.8	7,820.6	6.8
Other	102.0	0.1	207.5	0.1
Total All Sectors	90,240.4	100.0	115,784.0	100.0

1/ Of which in 1969/70 Rp. 7,300 and in 1970/71 Rp. 5,000 million to be transferred to banks for lending principally in this sector.

Source: Tables 8 and 9 of the Statistical Appendix

Plan Preparation and Administration

27. The implementation of the first development budget in 1968 led to the identification of a number of organizational and administrative bottlenecks. The awareness of these issues is reflected in the attention they receive in the Five-Year Plan (1969/70-1973/74) and in the administrative changes that were introduced with the first Annual Development Plan (1969/70).

28. One of the important positive steps taken in preparation of the 1969/70 Development Program was the establishment of systematic procedures for the selection, preparation and evaluation of projects and the combination of these in an ordered budget reflecting a balanced set of priorities.

29. The first step towards a system for plan formulation and implementation was to establish the means of coordination between the various government agencies concerned with development and to define their respective responsibilities. Presidential Decision No. 18 of 1969 (February 28, 1969) described the operational controls for the Plan, and was accompanied by Presidential Instruction No. 4 of the same date concerning the coordination and distribution of responsibilities between the central and local governments. They were followed by Presidential Decision No. 33/1969 (March 31, 1969) on the implementation of the 1969/70 budget.

30. Projects were to be identified and prepared by the various operating Departments of the Government. Each project proposed for inclusion in the 1969/70 development program was to be submitted to the Planning Organization (BAPPENAS) and the Finance Ministry by the Government department or agency responsible for its implementation on a prescribed form (the DIP). BAPPENAS was to review and evaluate each project and with the collaboration of the Finance Ministry was to formulate the Development Budget and determine its sectoral and project composition. The DIP-form required the essential physical and economic information about each new project, including starting and expected completion dates, the current status and past expenditures of on-going projects, the purpose, the manner in which it was to be executed, its costs and benefits, and its relation to other projects. Estimates of total project costs and expected expenditures by year and in each quarter of 1969/70 were to be provided along with some specification of the required materials, equipment and manpower requirements.

31. Although attempts were made to keep the form and the review procedure simple, in order to minimize administrative delays both at the preparation and screening stages, problems inevitably arose. Few departments had sufficient numbers either of on-going projects or of plans for new ones. Many departments and agencies had little or no previous experience in planning projects, in estimating their costs and assessing their benefits. Many projects were, therefore, not adequately prepared and the proposals could not be reviewed or evaluated with precision. There were, as was not inappropriate, many small projects and a large number of them with the result that BAPPENAS and the Ministry of Finance received a very large stream of project proposals requiring review in a very short period. All of these factors combined to get the program off to a slow start at the beginning of the fiscal year.

32. The process of submitting and appraising new project proposals would be considerably improved if it was continuous rather than concentrated in the few months of final preparation of the annual development budget. It would be appropriate to submit and appraise comprehensive descriptions of projects whenever in the course of the year their planning was completed. In this way there could be a flow of new proposals reaching BAPPENAS throughout the year, allowing more time for review and evaluation. The annual budget requests for those projects worthy of and ready for undertaking could then be processed more quickly during the preparation of the annual budget.

Such a rearrangement of existing procedures would be particularly helpful in view of the limited capacity of the Planning Agency. Improvements in the definitions of projects and the development of better information with respect to standard costs will also contribute to improved evaluation of projects, more effective budget formulation and greater operational and financial control over execution. Close working relationships between BAPPENAS and the Budget Bureau will continue to be required.

33. Even more important however than improvements in procedures and enlargement in the staff and capacity of the Planning Agency itself is the development of better project and program planning in the operating ministries and agencies. No amount of improvement in the procedures and the central planning operations can substitute for adequate technical, economic and financial project and program preparation and evaluation by the operating agencies themselves. Some improvement in these respects has occurred in the course of the year as the agencies have begun, in some cases with outside assistance, to conduct systematic pre-investment studies, to execute planned projects, to develop adequate cost accounts, etc. Further experience should lead to much-needed further improvement.

34. At the stage of execution emphasis so far has been mainly on the financial aspects of implementation. Proposals have been made by the IMF Fiscal Mission, as part of its wider interests in improving budget procedures, to simplify and rationalize the system in order to secure a more regular supply of funds to on-going development projects without undermining financial control and discipline. At present, however, once DIP-forms have passed the scrutiny of the Budget Bureau and BAPPENAS and funds are being disbursed, there is little control over or reporting on the physical progress of projects. Efforts are being made to develop a reporting system which would provide a continuous flow of information with respect to physical progress, would permit the identification of bottlenecks, obstacles, and other problems, and provide the necessary basis for remedial action where necessary, whether by the Department concerned, or by the Planning Agency responsible for ultimate management and continuous planning of the development effort. It is clear that for this purpose alone the staff of BAPPENAS will need to be expanded.

Implementation

35. Given the fact that continuous sytematic and comprehensive reporting procedures have not yet been established, and that the year was not yet over at the time of writing of this report, only limited and primarily financial information on the implementation of the 1969/70 development budget can be reported here. It is expected that the Indonesian authorities will be in a position to supplement this by the time of the April IGGI Meeting as a result of field checks now underway.

36. The expenditures by departments under the development program for the first three quarters of 1969/70, and the mission's estimates for the

final quarter, are presented in Appendix Table 7. The recording is complicated by reallocations within some of the original departmental budgets, in the course of the year, amounting to Rp. 10.07 billion or about 12 per cent of the total. Although the adjustments are specified by departments (those most affected are Public Works and Communications) they had not yet been integrated into the functional divisions or project classifications of the original program. A new element of Rp. 3.1 billion was at the same time added for development in West Irian, raising the total to Rp. 90.1 billion. All figures exclude project aid. The expenditure pattern is summarized in Table 3.

Table 3: SUMMARY OF DEVELOPMENT RECEIPTS AND EXPENDITURES, 1969/70

	1969 Apr.-June (Actual	1969 July-Sept. (Actual)	1969 Oct.-Dec. (Actual)	1970 Jan.-March (est.)	Total 1969/70 (rev.est)
Receipts					
Routine budget surplus	3.1	9.8	6.3	7.4	26.6
Counterpart funds	9.9	14.3	18.6	20.7	63.5
					90.1
Expenditures					
Development projects executed by civilian Depts. of Central Government	5.3	15.6	18.4	21.4	60.7
Transfers to Banks	3.0	-	-	4.3	7.3
Village program	2.0	-	-	0.6	2.6
West Irian	-	-	-	2.6	2.6
Armed Forces	1.0	1.0	1.0	3.0	6.0
Other 1/	2.4	0.2	-	-	2.6
	13.7	16.8	19.4	31.9	81.8
			Surplus 2/		8.3
			Total		90.1

1/ Expenditure under previous year's budget
2/ To be allocated to Bimas Gotong Rojong rice program

37. Of a total of Rp. 71.2 billion for projects specified in the budget for execution by civilian departments of the Central Government Rp. 60.7 billion or 86 per cent is expected to have been disbursed by the end of the fiscal year. Provision for transfers to the banking system for medium-term investment credits, to the village program and to the Armed Forces should be fully disbursed.

38. Generally, the pattern of quarterly disbursements for projects appears to represent the trend of physical implementation during the year. In the first quarter the project development expenditures of Rp. 5.3 billion were far below the planned figures, partly because of problems in preparing and initiating projects and also because of the unfamiliar new procedures referred to above which were introduced with the development program. The new method of budget disbursements based on annual project implementation plans (the DIP system) took time to assimilate, as the number of submissions, many of them for very small or inadequately prepared projects, was too large for scrutiny in the short time available. Tighter budgetary procedures also slowed the initial rate of disbursements. The budget law was enacted, and the Presidential budget decree signed, only on March 31, so that applications for budget releases could be made only after the start of the financial year. Arrangements with contractors and tenders for materials and equipment were consequently delayed.

39. Expenditures on development projects tripled to Rp. 15.6 billion in the second quarter and have since increased, so that the projected shortfall of Rp. 10.5 billion in the expenditures on development projects for the year as a whole can be attributed largely to the problems of the first quarter.

40. In infrastructure, where the main responsibilities for implementation lie with the Departments of Public Works (PUTL) and Communications, considerable physical progress appears to have been made. Administrative capacity varies within and between agencies and regions, but there are many reports of the extra funds provided by the much larger program this year being promptly utilized at the operational level.

41. In irrigation in particular, where many of the construction and repair operations are carried out by contractors rather than on force account, the work appears to have proceeded quite rapidly, with contractors working in advance of budget disbursements. The quarterly disbursement figures may in some areas of operation understate progress during the course of the year. This applies particularly where materials and equipment have been at hand or readily available. Procurement procedures are not yet efficient and have caused serious delays.

42. In this context the small amounts of equipment and supplies of project aid which have so far arrived on site, or are likely to arrive in the current fiscal year, have caused some unexpected shortfalls in the implementation of the 1969/70 program. The expectation existed when the budget was approved that equipment and supplies under aid projects would become available sooner than they have. This has not always created difficulties. For telecommunications or navigational aids, for example, rupiah expenditures are mainly concerned with the acquisition of land, the construction of buildings and access roads, and the supply of power, and have on the whole been carried out on schedule pending the arrival

of equipment under aid arrangements. On the other hand, the late arrival of construction equipment or capital supplies, in relation to budget provisions for their use, can mean low rupiah disbursement figures as well as low project aid utilization. There are, however, examples of rupiah expenditures being increased to compensate for delays in the arrival of aid supplies.

43. The direct contribution of the program to Indonesian development cannot yet be assessed. The main shortcoming may prove to have been in its design and content rather than in the implementation of what was planned. It is apparent that some of the projects were ill-defined and are less a set of operations leading to a specific objective than a provision for equipment or facilities which will assist development work by the agency concerned, without clear specification of what that work is to be. The improvements in facilities and the acquisition of transport and office equipment which make up this part of the program are in these circumstances mainly a provision for future development activity, with limited impact in the current year.

44. Another apparent defect of the program was the tendency to try to provide some assistance in all economic sectors in all regions. The program is small in relation to Indonesia's size and needs, and this dispersion of scarce resources of both funds and of trained personnel has spread them thinly over a wide area. Such a program is difficult to administer and likely to be less effective. Funds are diverted from projects and programs which could be speedily implemented and produce early returns to the economy. Under the irrigation program, for example, the considerable emphasis on new projects to expand irrigated areas limits the flow of funds for the rehabilitation of existing systems which could have much higher rates of return. Gestation periods, even for small projects, can be made unduly long if the annual allocations are too small.

45. Greater selectivity, and the concentration of expenditures and personnel, would have assisted the more rapid generation of services for the farming and enterprise sectors. As stated in the last Bank report, the development of the private sector (and of the economy as a whole) will continue to be governed in part by the rate at which the infrastructure is restored and improved. This rate will be determined by the speed at which projects can be completed in the current and in future development programs.

46. Aside from these structural weaknesses of the program which tend to reduce its impact, it is clear that no significant measurable economic impact can be expected at this stage since it is inherent in the nature of the work undertaken that most of it consisted in the beginning of work which will be completed and have its impact only in 1970 or future years.

The Medium-Term Credit Program

47. A program for the extension of medium-term investment credits (3 to 5 years) to enterprises in the public and private sectors was initiated at the beginning of the fiscal year. It is administered by the six state

commercial and development banks and Bank Indonesia, the Central Bank, and is funded from the development budget and the banks' own resources. The bulk of the credit is being provided by Bank Indonesia, but most of the development budget funds have been channeled through Bapindo, the state development bank, for the financing of retarded projects run by state enterprises. The development budget allocation for 1969/70 is Rp. 7.3 billion of a total lending program of Rp. 30 billion.

48. The program appears to have made a good start and although disbursements are still modest, the rate of approvals has recently accelerated.

Table 4: MEDIUM-TERM CREDITS 1969
(in Rp. billion)

	Apr.-June	July-Sept.	Oct.-Dec.	Total
Approvals	5.4	5.9	17.9	27.2
Disbursements	3.6	1.0	4.8	9.4
to Public Enterprises	1.7	0.4	3.0	5.1
to Private Sector	1.9	0.6	1.8	4.3
Financing				
Bank Indonesia	3.6	0.7	1.6	5.9
State banks	-	-	0.5	0.5
Development budget	-	0.3	2.7	3.0

49. The figures for the last quarter of 1969 suggest that some of the earlier problems in administering this scheme are being overcome. The state banks have tended to ask for very detailed information on each project, without much differentiation in information requirements according to the size or type of project, and some enterprises have had difficulty in meeting the full requirements. The initial screening has in most cases been followed by a second detailed investigation by Bank Indonesia. At first it proved difficult to obtain adequately documented applications from the enterprise sector. The supply of skills for evaluating investment proposals was limited and this added to the delays. A rule that 25 per cent of the investment should in all cases be self-financed, to ensure that borrowers committed some of their own funds to the enterprise and thus have an extra interest in its efficient operation, was quite rigidly interpreted. Although strict standards are desirable, there seems no reason for enterprises which have already made a substantial investment in productive facilities to be necessarily held to the 25 per cent requirement.

50. The Government has since reduced the degree to which decisions on credit extension are centralized, in the belief that increased responsibilities for state banks and their branch offices could accelerate the program without reducing the quality of the loans. The Bank Indonesia is confining its prior review to loan requests in excess of Rp. 100 million

and has also simplified its procedures for smaller loans. This action seems desirable although the cut-off point may be high. The banking authorities are also anxious to provide special training for their personnel in this and other fields and have requested technical assistance for this purpose. The IBRD and the IMF together are exploring the need and the possibility to provide the assistance requested.

51. A proposal has also been included in the 1970/71 project aid list for $15 million to help meet the foreign exchange costs of the program. So far the applications for credits reveal a foreign exchange component of 54 per cent, mainly for imports of maintenance materials and spare parts. These are currently being financed out of BE aid resources. For credits to be used for balancing and expanding capacity, which are becoming increasingly important in the program, project aid financing appears to be more appropriate. A project aid commitment of $2.7 million was made in 1969 towards this program.

52. The credits authorized to date have been shared about equally among the agriculture, transportation and combined industry and mining sectors.

53. For next year a similar program is envisaged. Its size has not yet been determined but the distribution of credits is to give somewhat greater emphasis to industry (up to 50 per cent) than up to now. There will also be less reliance on budget resources, as the provisional budget for 1970/71 includes Rp. 5 billion for the program instead of the Rp. 7.3 billion this year.

The Village Program

54. Under this self-help program funds for community developments are channelled from the centre to the village level through the branches of the Bank Rakjat, one of the six state banks. Each village is allocated Rp. 100,000 for the purchase of materials, to be supplemented by voluntary local labor, for the construction of schools, access roads and other facilities. The choice of projects and the responsibility for their implementation is left to the community.

55. The "seratus ribu" (100,000) program represents an innovation in rural development schemes and is simple, flexible and apparently well-suited to Indonesian traditions. The budgetary allocation of Rp. 2.6 billion only partially reflects the size of the program. An equal amount was disbursed in the transitional budget of the first quarter of 1969. The preliminary reports on implementation have been favorable and the allocation for 1970/71 is to be increased to Rp. 5.8 billion.

West Irian

56. Following the Act of Free Choice in August 1969 and the integration of West Irian in the Republic, a supplementary provision of Rp. 3.1 billion was made in the 1969/70 development budget for projects in the

new province. Part of the total (Rp. 1 billion) is a provision for the local counterpart costs of the FUNDWI program. As of February 1, 1970 $14.1 million has been obligated under this special United Nations program for eighteen projects in transport and communications, education, public utilities, forestry and fishery and small industries. The associated local counterpart costs are estimated at approximately Rp. 1.7 billion at the BE rate of exchange. No disbursements to projects had been made against these costs to December 1969. Disbursements for the last quarter of 1969/70 are, however, projected at Rp. 2.6 billion and FUNDWI rupiah requirements should be met within this total.

The Bimas Gotong-Rojong Program

57. Over the years various programs aimed at intensification of rice production have been conducted with varying degrees of success. These have ranged from more or less conventional intensive advisory and demonstration type programs - leaving ultimate decision-making to the farmers involved - to more recently, Bimas (Mass Guidance) type programs which involve covering large areas with previously determined packages of inputs and services. These programs leave the individual farmer with little opportunity for decision making and choice of inputs for his crop and do not discriminate in accordance with the many variables - farmer skills, soil type, water availability, etc. - which are bound to occur in any large block of land.

58. Bimas type programs were first introduced with the 1964/65 rice crop and from that date until the wet season of 1968/69, although there were several variants, basically there was only one type of Bimas - Bimas Nasional - under which the main means of production increase, including credit, were made available by the Government through various Governmental or semi Governmental Agencies. When this program operated on a small scale with intensive supervision on well selected homogeneous areas a significant increase in rice production per hectare was achieved, but as the area covered extended into less favorable areas and the supervision became diluted, the incremental yield decreased and the difficulties of implementation increased. When it became evident that the Bimas Nasional alone could not be relied upon to accelerate the increase in rice production at the high rate desired, Bimas Gotong-Rojong (Mutual Help Bimas) was introduced in the wet season of 1968/69. Under this type of Bimas a fixed package of production inputs is supplied to farmers by foreign commercial firms under contract with the Government, the farmer repaying the credit in cash or by handing over to the Government an equivalent proportion of his crop. It is in effect a farm-credit program financed by external short-term supplier's credits under which several foreign companies supply and distribute a pre-determined fixed package of fertilizer, pesticides, spraying service and extension advice to all the farmers within large blocks of land during a crop season.

59. The Bimas Gotong-Rojong program represented an effort by the Government to try a new way of achieving a more rapid increase in rice production on a scale commensurate with the national need. It was intended to supplement and enlarge the previous efforts and as a means of reaching a

much larger number of farmers and ensuring that they received and used modern inputs. The Bimas Gotong-Rojong program has, however, been rapidly extended to a very large area, one larger than can be justified on the basis of experience to date. Whilst commendable as a large scale experiment, Bimas Gotong-Rojong has now assumed major importance in the development program despite the fact that there is as yet no convincing evidence that the BGR principle and procedure has marked advantages over or has been more effective in increasing output than more traditional methods which place more reliance on the individual farmers' skill and judgment.

60. Bimas Gotong-Rojong started in the wet season of 1968/69 with a contract area of 300,000 hectares and one contractor. It increased to 550,000 hectares and five contractors in the dry season of 1969. The original plan for the current 1969/70 wet season was 1.4 million hectares, but this was reduced to just over 1 million hectares as a consequence of doubts about the wisdom of the even larger expansion in the face of uncertainty about the effectiveness of the program. In each of the three seasons of operation the input packages to the farmer have been standardized within each contractor's area. The main variation in the packages was that a smaller quantity of fertilizer was included in those areas where the traditional rather than the new high-yielding (PB) rice varieties were to be used. Also in the 1969/70 wet season the size of the package was reduced, though it still remains standardized within each block. In the 1969/70 wet season the costs of the two standard packages varied with location and contractor but was of the order of Rp. 10,000 and Rp. 15,000 per hectare respectively for non-PB and PB varieties. In the 1968/69 wet and 1969 dry season these costs were to be repaid by the farmer by the delivery in kind of one-sixth of his crop. In the 1969/70 wet season the costs charged to the farmer are repayable either in cash or kind at a stipulated paddy price.

61. During fiscal year 1969/70 this program, which was financed at least initially by Central Bank credit, was set up to disburse to farmers and administrators in cash and kind the equivalent of about US$ 50-60 million, an outlay which in magnitude is comparable to the entire development budget allocation for rice crop development and rice-oriented irrigation development. The program has pre-empted the most favorable areas and has commanded high priority in the allocation of Indonesia's limited supply of managerial and technical skills. This is putting a very high proportion of the total resources available into one, as yet unproven, program, and there is good reason to doubt whether the results are commensurate with the costs involved or comparable with the results which could be obtained if the same resources were applied in a different manner.

62. Unfortunately the programs have not been adequately monitored, so that there is inadequate data on the incremental yields obtained and on the indirect costs involved. Consequently there is no sound basis for making comparisons with alternative programs. In the absence of any sound basis for evaluation there can be little doubt about the need for

caution and an objective review of the experience to date leading to modifications in the light of this experience and prudent judgment. Though reliable data are extremely scarce it seems fairly clear as already stated, that the results to date fall short of the target yield increases which were used to justify the adoption and continuing expansion of the program. In addition to the disappointing result in terms of incremental output, repayment of the credit through collection of 1/6th of the crop has proved very unsatisfactory, resulting in a loss in the order of Rp. 8 billion.

63. The Government has already made some modifications in the program for the 1969/70 wet season and has also decided to carry out a detailed study and evaluation of the various rice production intensification programs in Indonesia using technical assistance financed by IDA Credit 135. This evaluation should provide a sounder basis than presently exists for judgment and policy decisions. In the meantime - particularly for the dry season of 1970 and the wet season 1970/71 - it is important that the program be further modified in accordance with the experience gained so far.

64. The available information already points to wasteful resource use on a significant part of the BGR program. Some blocks covered by the program do not meet the basic prerequisites of a standardized input package approach, the main deficiency being lack of homogeneity in terms of soils, adequacy of water supply and drainage, and other infra-structural or environmental characteristics. Much of the area selected for BGR lies within the coastal irrigation systems which are badly in need of rehabilitation and are incapable of providing an adequate and reliable irrigation water supply to their entire commanded areas. Thus, in the absence of relatively homogeneous production conditions within the blocks an "average" package of inputs prescribed by the Extension Service - often on the basic of an over-optimistic assessment of the "average" production environment - tends to be too high for a significant number of farmers and too low to fully exploit the existing potential for others. While these inefficiencies in the allocation and combination of farm inputs vary both with contract areas and with crop season, they tend to increase with the size of the contiguous block of rice land chosen, as well as with the total size of the BGR program.

65. A significant proportion of Indonesia's wet rice area is, however, already endowed with a production environment that would permit the effective use of a high level of farm inputs and would, with these inputs, yield substantial incremental output per hectare. Much of this land, however, is widely scattered and is interspersed with land less well endowed rather than in large contiguous blocks. This condition, together with the variability in individual farmers' skills and inclinations, favours a rice intensification program which in its basic approach relies more upon the farmer's detailed knowledge of his production environment.

66. These conditions suggest reducing the size of the BGR program by selectively reducing, on the basis of past experience, the size of the contiguous blocks of land covered by the contracts. In this way the blocks could be made more homogeneous and the input prescription could be made more appropriate to the "average" farm environment; at the same time extension advice and supporting services could be supplied on a scale commensurate with the efficient use of these inputs.

67. In step with the reduction of the BGR program, a major effort, commensurate to the past priorities assigned to the BGR, should be undertaken to develop a program which relies upon the production decisions of the individual farmer, assisted by competent research and extension advice, motivated by an effective incentive price support program and supported by an improved and competitive input distribution system and an improved credit program. In this connection it is probable that outside technical assistance would be needed and could be effectively used at a variety of points in such a multi-faceted rice intensification program. Such assistance should, however, be recruited on the basis of technical competence rather than on the basis of the capacity of the source to supply from abroad and to finance with short term supplier's credits some of the materials required.

68. Pending the results of the detailed evaluation referred to in para 63 above, two parallel lines of action should be followed: first, to reduce the aggregate size of the BGR program as well as the size of the individual blocks. Simultaneously it would be desirable to cease obtaining input supplies from the foreign contractors and to use them as suppliers solely of management and services, preferably on a basis which related the contractor's compensation to the degree of success achieved. The degree of cutting back in the size would be determined by limiting the application of the program strictly to those areas where the basic conditions are favourable - i.e. relatively homogeneous blocks to which the package could be more appropriately tailored and where the majority of the farmers are receptive - and also, to areas which can be provided with advisory and supporting services on a scale commensurate with reasonably efficient utilization of the standardized inputs. This is not intended to be a policy of retreat in the overall rice intensification effort since the second parallel line of action should be able to energetically deploy the resources made available by the cutting back of BGR, plus the additional technical assistance that can be recruited, on a more conventional effort to expand and improve credit and input distribution mechanisms and to expand and improve agricultural research and extension services, to assist individual farmers outside the Bimas Gotong-Rojong areas in exercising their own skill and judgment in the context of an effective incentive price support program.

The 1970/71 Program

69. The proposed development program for 1970/71 reflects much of the experience gained during the past year. As shown in Table 5 (and in more detail in Appendix Table 9) expenditures are to increase by Rp. 25.6

billion or 28 percent over the target figure for 1969/70. The proportions of the budget allocated to various sectors are roughly the same; such change as have been made often reflect the state of project readiness rather than any market change in priorities. In agriculture and irrigation, for example, the absolute amount of the budget allocation is approximately the same but the proportion in the total budget declines from 29 to 23 percent. This is not a change in priorities but rather the result of the difficulties in preparing projects in this area. The fact that many agricultural development programs (credit, fertilizer distribution, Bimas etc.) are financed by bank credit rather than the budget also tends to understate the emphasis given agriculture when the budget is considered in isolation.

70. Industry and mining development is largely financed through the banking system and from private sector savings. The smaller amount in the 1970/71 budget is because of a decrease in the central government's contribution from Rp. 7 billion to Rp. 5 billion to the medium term credit program. In 1969/70 much of this contribution was used to finance the completion of retarded projects now in the hands of various state enterprises. There should be less demand for this financing in the future.

71. The major increases are in the power and communications sector and for district and village development. Allocations for education and health are higher but will rise less than the rate of increase in the program as a whole. For both power and communications (principally highways) the increased allocations reflect the readiness of projects for implementation and the implementation capacity of the departments. The increased amounts allocated for village and district level development are the result of the introduction of the district or kabupaten program. The larger amounts shown for the village program are simply the result of budget timing; in 1969/70 about one half the allocation for the village program was included in the transitional first quarter 1969 budget. The new kabupaten program is an attempt to develop and exploit local initiative and resources for the development program. Kabupatens will be allocated funds against specific project proposals instead of, as in the village program, a fixed amount. The maximum will be Rp. 50 per capita for any district. These funds can be used to finance all project costs and sixty to seventy percent of disbursements are expected to be for labor costs. The emphasis is to be on rehabilitation works which can be quickly implemented.

72. In 1970/71, the content of project aid in total development expenditures should be much larger. Table 5 presents the expectations in this regard. It is estimated that the equivalent of Rp. 45.7 billion in project aid will become available, making a total of Rp. 161.4 billion for the development expenditures as a whole. The implications for the development program of this increasing flow of project aid are discussed in the next chapter.

73. Technical assistance will also play a larger part in the implementation of the 1970/71 program as well as in the preparations for it. Many of the projects being financed by external lenders include a substantial portion of technical assistance which has an impact not only on the project but the whole sector as well.

74. In the last two years a very considerable number of sector and project studies have been undertaken and at least preliminary findings are available (most of these studies will be completed later in 1970). The Indonesian authorities now have access to much more technical assistance and advice on programs and project formulation as a result of commitments and arrangements made during 1968 and 1969. There are still many gaps, as the substantial list of requests to the IGGI for pre-investment surveys and technical assistance for 1970/71 indicates, but a pattern of technical cooperation which is closely linked to the structure of the development program is now emerging in Indonesia. The impact of all current activities in the pre-investment stage may be felt particularly in the "middle" phase of the planning process, where inter- and intra-sectoral priorities are determined and the connecting links are made between the general development strategy expressed in the Five Year Plan and the selection of appropriate projects. Indonesia will also be assisted, to a much greater extent, in implementing the projects and programs scheduled for 1970/71.

Table 5: PROJECTED DEVELOPMENT FUNDS 1970/71
(In billions of Rp.)

	Development Budget	Project Aid[1] (Rp. equivalent)	Total	% Distribution
A. Economic Sector	81.6	44.3	125.9	78.0
Agriculture	5.1	3.4	8.5	5.3
Irrigation	21.2	3.9	25.1	15.6
Industry & Mining	7.2	5.9	13.1	8.1
Electric Power	8.6	13.3	21.9	13.6
Highways	13.9	7.8	21.7	13.4
Telecommunications, Tourism, Ports etc.	7.9	8.8	16.7	10.3
Railroads	2.7	1.2	3.9	2.4
Regional Development[2]	15.0	- [3]	15.0	9.3
B. Social Sector	21.6	1.4	23.0	14.3
Education & Culture	10.5	-	10.5	6.5
Health & Welfare	4.4	0.1	4.5	2.8
Other (Water supply etc.)	6.7	1.3	8.0	5.0
C. General	12.5	-	12.5	7.7
Armed Forces	4.5		4.5	2.8
Other	8.0		8.0	4.9
TOTAL	115.7	45.7	161.4	100.0

1/ Sectoral estimates are those of the mission.
2/ Village and district programs plus W. Irian.
3/ FUNDWI contributions not included in development budget.

Source: BAPPENAS.

III. AID UTILIZATION

75. From the commitments of aid available to Indonesia, a total of $313 million in program and project aid was utilized in calendar 1969, an increase of about 18 per cent over the previous 12 months. The increases are almost wholly related to the utilization of project aid commited in 1968 and 1969.

Table 6: SUMMARY OF AID UTILIZATION, 1968 and 1969
(in million $)

	1968	1969
Program Aid	244.8	245.9
BE grants and loans	113.8	110.3
PL 480 (rice)	62.1	62.7
PL 480 (non-food)	36.9	37.3
Other food aid	32.9	35.6
Project Aid	20.3	69.5
from pre-1967 commitments	19.9	15.4
from 1968 and 1969 commitments	0.4	54.1
Total	265.1	315.4

Program Aid

76. As mentioned in Chapter I, the last economic mission had expected, on the basis of information provided at the time, a program aid utilization total of some $274 million. This would have left a pipeline of $117 million of all types of program aid at the end of 1969. The lower actual disbursements affect all categories of program aid to about the same extent. The pipeline of program aid at the end of 1969 stood, therefore, at $146 million, $28 million larger than originally projected. The details of program aid, by categories and donor countries, are presented in Appendix Tables 2 and 2a.

77. It must be clearly understood that the figures presented above do not reflect commodity flows and do not therefore measure real resource transfers to Indonesia in the period concerned. Information on BE grants and credits is based on sales of aid funds in the Djakarta exchange to agencies and enterprises who will use them to import goods in the categories determined jointly by the Indonesian Government and the aid-giving countries. Other program aid figures are calculated on the basis of openings of letters of credit or purchase authorizations. There is on average a span of about one quarter between L/C openings for commodity aid and the arrival of the goods at Indonesian ports. Assuming this time-lag to apply on the average to all program aid, this would imply for example, that arrivals in fiscal

year 1969/70 will amount to $244 million worth of aid commodities, whereas the balance of payments estimates for the same fiscal year show projected program aid disbursements of $289 million, almost 20 per cent higher. Physical utilization depends on the timing of distribution from the warehouses, which is determined by the current demand for inputs to production (fertilizer, cotton yarn) and for supplementary domestic food supplies.

Counterpart Generation

78. The second and, to Indonesia at the present time, equally important benefit of the commodity aid program is the resources it provides for association with domestic resources in the financing of the annual development budget. Appendix Table 5 shows the sources and amounts of counterpart funds for the 1969/70 budget. The total counterpart funds of Rp. 63.5 billion now estimated for 1969/70 are the largest source of finance for the development program.

Project Aid

79. Project aid utilization figures for 1969 are set out in Appendix Tables 2a and 3. 1969 is the last year in which disbursements coming from pre-1967 project aid commitments will form a significant part of the aid utilization totals. Credits from three Eastern bloc countries (mainly for transport and electrical equipment and power plants) make up $6 million of the total of $15.4 million in this category. Three IGGI member countries are reported to have disbursed the other $9.4 million of pre-1967 aid in 1969, most of it for the Gresik petrochemicals (fertilizers) project and the remainder for telecommunications and sea communications projects.

80. The commitments for 1968 and 1969 and the openings of letters of credit or equivalent process against those commitments are set out in detail in Annex I of this report. This is a revised and updated version of the review of 14 November 1969 included with the project list for 1970/71, presented at the December IGGI session.

81. The following table is a summary of utilization of new aid over these two years:

(in million $)

	1968		1969		Total	
	Commitments	L/C's opened	Commitments	L/C's opened	Commitments	L/C's opened
1968 Aid	69.3 1/	1.2	--	37.7	69.3	38.9
1969 Aid	--	--	242.6	15.6	242.6	15.6
Total					311.9	54.5

1/ $7.0 million not yet allocated to specific projects.

82. Commitments are generally made in the course of the year, often in the second half, so that only a small proportion of aid is utilized during the year in which it is arranged. Usually after the commitment has been given, the processes of procurement, in a manner acceptable to both the Indonesian authorities and the particular government or international institution, must be worked out. Unfamiliarity on the Indonesian side with these differing aid procedures, and inexperience of Indonesian conditions on the part of some donors, have co-mingled to limit the initial rate of absorption of new aid. The rapid increase of utilization figures represents an increasing administrative capacity to absorb aid, measured at the point at which firm orders are being made, and payment obligations arise.

83. Experience to date suggests an average lag of at least a year between commitments and the initial L/C openings for the equipment and capital supplies for rehabilitation programs, which form the bulk of project aid commitments so far. These lags are largely inherent in the aid process, but could be somewhat reduced as project preparation improves and the experience of procurement arrangements grows.

84. On the letters-of-credit criterion, Indonesia had by the end of 1969 used about 65 per cent of 1968 commitments allocated to specific projects. While this may be a logical method of measuring aid flows for external accounting purposes, it bears little relation to the physical inflow of resources. Arrivals of aid-financed equipment may occur up to 18 months after L/C's are opened and orders placed. For capital supplies and standard forms of equipment, the time between L/C openings and the arrival of the aid is likely to be quite short, perhaps 3 to 6 months. In 1969/70 the bulk of project aid ordered was of this type, but longer lags must be expected as the development program evolves.

85. For new investment projects, the phasing of aid utilization is determined largely by technical considerations. For those with substantial gestation periods, which will take up an increasing share of new commitments as rehabilitation gives way to development, commitments are likely to be disbursed only over a period of years. At any given level of commitments, therefore, the pipeline of project aid is likely to grow to large proportions until, after several years, the rate of utilization rises to the same level. Experience in other developing countries, such as Pakistan and India, demonstrates that, as a normal feature of the development process, this pipeline may rise to three or four times the size of annual commitments. Indonesia is in the initial phase of what should be a similar pattern over time. The pipeline of project aid has increased from $91 million at the end of 1968 to $264 million at the end of 1969, during a period of rapid acceleration in aid utilization. The Government has projected aid disbursements of $174 million in the period January 1970 to March 1971 with an increase in the pipeline to over $340 million.

86. Actual arrivals of aid goods in 1969 are much lower than the figures for L/C openings. The mission has been able to confirm the arrival in Indonesia of approximately $18 million worth of project aid materials and equipment out of 1968 and 1969 commitments. A part of this is still in store,

which has recently arrived on site has not yet been installed or put to use. Approximately $9 million worth of equipment and supplies may have been physically utilized. The figures exclude a substantial amount of technical assistance associated with specific projects and therefore included in the project aid commitments, and certain project costs which have in the first instance been met from local funds and will later be reclaimed.

87. BAPPENAS is engaged in an investigation of the financial and physical progress on the projects for which L/C's had been opened in 1969, and presently planning to report on this to the IGGI session in April. The questions being asked about each project cover the whole series of activities from feasibility studies to the start of project operations. This should provide the basis for a valuable review of project aid implementation. The mission recommends that this first major exercise in evaluation of physical progress be extended as soon as practicable to non-aided projects in the development program and that a regular reporting and control system be established by BAPPENAS.

88. Although both L/C openings and arrivals should accelerate in the last quarter of the 1969/70 fiscal year, and thereafter, it is clear that the practical effect of new project aid on Indonesian rehabilitation and development in 1969/70 will be small. This situation will change rapidly, but it gives emphasis to the view that the process of rehabilitation and development is still in its early stages and that results should not be expected too soon. 1969/70 is a year of transition towards and the beginning of development, not of development achievement itself.

Sectoral Distribution of Project Aid

89. Table 7 shows a breakdown of 1968 and 1969 project aid commitments by sector. The sectoral emphasis results from a combination of factors: the composition of the project lists submitted for those years by the Government, the quality of the projects on those lists, and the performances of individual countries exercised in relation to projects within or outside the lists.

Table 7: AID COMMITMENTS, 1968 and 1969, BY SECTOR

Sector	1968	1969	Total
Agriculture	-	16.7	16.7
Irrigation	23.0	8.5	31.5
Industry and Mining	3.9	88.9	92.8
Power	17.3	42.3	59.6
Highways	0.9	28.0	28.9
Transport and Communications	17.2	30.5	47.7
Water supply	2.2	1.8	4.0
Education	-	0.2	0.2
Other	0.4	20.0 1/	20.4
Not specifically allocated	4.4	5.7	10.1
	69.3	242.6	311.9

1/ Allocated for export-promoting infrastructure projects.

90. In the industrial sector the figure of almost $100 million in commitments consists mainly of a few large commitments, particularly the Pusri fertilizer project for which express or implied commitments of $67 million are shown in the 1969 list although they will not be formally made until 1970. In agriculture, an IDA estates project of $16 million constitutes almost the entire commitment of $16.7 million. Such large single projects are linked with specific rupiah allocations in the development budget but the sector programs as a whole include considerably more than these individual projects.

91. In all transport sectors, however, and in power, telecommunications and to a lesser extent in irrigation, project aid will be more widely used in the implementation of the sector programs.

92. In the 1970/71 development program disbursements of project aid are expected to be most heavily concentrated in the power and communications sectors, where they may exceed rupiah allocations, and in the highways rehabilitation program. As was shown in Table 5, (page 22), a total of Rp. 46 billion in project aid is expected to become available. Some programs, especially health and education, will receive little or no aid next year.

93. In the sectors which will take the major share of project aid, the local costs associated with this aid will also be high. For the power program in particular, over 75 per cent of rupiah expenditures may be associated with aid utilization. The proportion is estimated at over 50 per cent in communications and 45 per cent in irrigation. For the proposed development program as a whole the ratio is calculated at some 28 per cent.

94. This highlights the need to program project aid arrivals with some care if large areas of the development program are to be fully implemented in the course of the year. Forecasts of aid-financed arrivals must be made as accurately as possible, and the provisions for local costs adjusted where necessary.

95. The most important issue concerns the total resources available for costs associated with project aid and those for parts of the national development program wholly financed through the budget. The former will be substantial in 1970/71 and will rise further as aid arrivals increase. The Government has given assurances that aid projects will not be delayed through any short-fall in supporting budgetary allocations, and has taken steps to expand domestic resources so that these costs will be covered, as well as the full costs of projects of national priority for which project aid is not given.

IV. FOREIGN INVESTMENT

96. The change of Government in 1966 with the associated changes in economic policy and programs was followed by a major revival of interest among foreign investors. The measures taken to remove controls and open the economy to market forces, and the rapid progress towards stability which these and other policies produced in a remarkably short time, created an environment in which foreign investment became possible. Specific legal and administrative steps have created an acceptable if not fully satisfactory framework for an inflow of private capital.

The Pattern of Approvals

97. From January 1967, when the new Foreign Investment Law was enacted, up to the end of December 1969, 177 new projects have been approved by the Foreign Investment Board, including ten new investments in former foreign enterprises since returned to their original owners. Investment in the oil sector is separately administered. The stated aggregate value of intended investment in all other sectors exceeds $1 billion dollars. A distribution of these projects among major sectors and an indication of their mode of financing is set out in Table 8.

Table 8: FOREIGN INVESTMENT APPROVALS BY SECTOR, 1967-1969

Sector	Intended Capital Investment a/ (US$ mn. equivalent)	Type of Financing		Total Number of Projects
		All Foreign Capital	Joint Enterprises	
Mining (excl. oil)	463.21	7	1	8
Forestry	352.84	11	24	35
Manufacturing/Processing	155.95	22	75	97
Agriculture & Fishery	20.09	2	8	10
Services	17.25	1	11	12
Tourism	10.49	2	3	5
Other	10.73	3	7	10
Total:	1,030,56	48	129	177

a/ As shown in the Letter of Intent

Source: Table 10 of the Statistical Appendix

98. The figures for intended investment must be treated with some reserve. The mining sector in particular is dominated by a few major companies, whose capital investments will depend on the outcome of exploration activity now under way. In the forestry sector two-thirds of intended investment involves a single project, a planned forest operation which would realize the full investment only over 20 years. This and other forestry investments contemplate the establishment over a period of years of various types of processing facilities. Information on investment intentions which the mission has been able to obtain indicates that a number of other figures relate to longer-term investment plans, especially for some of the extractive enterprises. For manufacturing, services, tourism and the residual category, however, the statements of intended investment conform much more closely to what has been learned of firm commitments to invest. In addition, there are areas in which recorded intentions could well be exceeded when the prospects are more firmly established.

99. The geographic distribution of approved projects is highly skewed, with 76 projects or 46 per cent being concentrated in the Djakarta metropolitan area and the rest, including the 50 extractive enterprises, widely distributed over the rest of the country. 56 projects of the Djakarta projects are in the industrial sector, 5 in tourism, 6 in services, 5 in telecommunications and the rest are in other economic sectors. However, of the total intended investment of over $1 billion, projects for the Djakarta area amount only to $116.30 million.

100. The various investment incentives offered by the new investment law, and subsequent modifications to it, appear to have had a significant influence on the pattern of investment. Under the Law and Presidium Decree of January 1967, setting out these incentives in general terms, new foreign investors may be exempted from corporation profits taxes and dividend taxes levied on profits distributed to shareholders (Article 15) for a maximum of 5 years, depending on the degree and speed in which the investment earns or saves foreign exchange for the country. To be eligible, enterprises other than joint enterprises must disburse a minimum of $2.5 million of the intended capital investment by the end of the first two years of operation. For joint ventures no minimum initial level of investment is required in order to enjoy the tax holiday.

101. In addition, there are exemptions from import duties on equipment and materials required for production, including under certain conditions semi-finished and finished products intended for further processing. Foreign enterprises may also upon application be exempted from duties on the import of office equipment and shop tools, motor vehicles for transporting materials and supplies, and construction materials needed for building factories and other auxiliary facilities required by the foreign employees of the company. The new law assures foreign investors the right to transfer current profits, in full even during the tax holiday period and also to effect at all time transfers necessary to pay expenses, which are essential for the continued operation and maintenance of the enterprise. The repatriation of capital out of depreciation is also permitted after the tax

holiday period. There is an explicit assurance against nationalization, unless this is declared by act of Parliament to be necessary in the interests of the state. In such circumstances, compensation will be made in accordance with the principles of international law.

102. Other incentives have encouraged new investment among the 82 estates and 18 commercial firms taken over by the former government and since returned to their former owners. The incentives open to returning foreigners include, as in the case of joint capital enterprises, a waiver of the $2.5 million minimum capital requirement for the tax holiday and also a moratorium on overdue taxes. Ten of these returned enterprises have obtained approvals for investment under the new law with a total proposed value of $20 million.

103. These incentives have been sufficient to produce an increasing rate of foreign investment approvals over the period during which the new investment law has been in force. The pattern of approvals, by types of enterprise, is shown in the following table:

Table 9: FOREIGN PRIVATE INVESTMENT CONTRACTS APPROVED

	1967	1968	1969
New Investment Approvals of Returned Enterprises	5	4	1
Investment of 100% foreign firms	7	10	20
Investment of joint enterprises	10	55	64
Total	22	70	85

104. An incentive for expenditures under the foreign investment arrangements has been provided by the Debt Investment Conversion Scheme (DICS) established in May 1967 for the benefit of foreign creditors holding non-guaranteed claims. Under this scheme, claims can be settled in "DICS-rupiahs" issues by the central bank at the prevailing exchange (BE market) rate. At the option of the creditor these rupiahs may either be transferred to an active or prospective investor in Indonesia or else used as initial or working capital under the present investment laws. Most of the investment realised under the FIB approvals in 1969 ($17 million of a reported total of $23 million) came from this source.

Investment Procedures

105. Formally the President, advised by the Advisory Body for Foreign Capital Investment composed of the Ministers heading various departments, has the final responsibility for decisions implementing the foreign investment law. In practice the Technical Team for Foreign Investment, which is generally known as the Foreign Investment Board, acts as the executive

agency. It evaluates, negotiates, and follows up all requests for investment permits. It coordinates the work of other departments in processing applications, and acts as general guide for government activities in relation to foreign investment. The Board also makes its services available to prospective foreign investors seeking information on the technicalities of the laws and regulations.

106. The procedure for approval is, by law, a three-stage process. The applicant first contacts the department under whose jurisdiction and proposed project falls; the Technical Team assists the department in appraising the merits of the application. The Department head then forwards the approved application together with a draft contract to the President who, with the aid of the Advisory Body, gives an official approval. To complete the process, the documents are then passed back to the department whose Minister is then empowered to sign the final decree on behalf of the Government.

107. While these steps may seem uncomplicated, their implementation by the various departments leaves much to be desired. For instance, the applicant for an investment permit in the manufacturing sector is first required to submit, along with multiple copies of the formal application, 30 copies of a completed seven-page questionnaire. If the Minister approves further consideration of the application, a more detailed project proposal must be submitted and, with the help of the Technical Team, evaluated, discussed, negotiated and agreed. After approval by the Team and the Ministry concerned, the application is forwarded to the Advisory Body for official sanction and the final contract is signed by the Minister concerned. A random check of 1969 applications suggests an average of about 6 months for the whole process.

108. For investments in forestry, the applicant first contacts a technical team in the Forest Directorate. After initial discussion and approval a letter of intent is submitted by the company to the Director General concerned. At this level several conditions must be met before any further action is taken. Proofs are required of the applicant's bona fide status; the relevance of the project to "Society and economic development", and the firm's financial capacity and technical knowledge must be established; letters of recommendation from "competent circles", especially from the provincial governor, must be obtained. If the application passes this stage and the proposed area of operation proves to have no survey records (as in usually the case), the applicant is then required to enter into an agreement with the Director-General to conduct a joint survey. No further action is taken until the final report on the survey is obtained. If the area also happens to be partly under the jurisdiction of the Directorate-General of Agriculture, the applicant must also present his case to that agency and obtain its prior approval. This procedure involves a tremendous amount of time and money for the applicant, the main problem being a lack of coordination between regional officials and central government officials processing the application. The large number of applications coming from new investors, as well as from approved enterprises applying for an expansion of operations within the concession or of the concession itself, is in these circumstances an indication of the level of returns to investment in this field rather than of the adequacy of the procedures.

109. Contracts in the mining and oil sectors are governed under the Mining Law which gives considerable latitude in respect to foreign investment arrangements. There are standard forms of contracts for oil exploration and production, known as "production-sharing" agreements. These agreements specify the arrangements for exploration activities and also the distribution between Government and the foreign oil company of gross output, should production follow. Each contract is negotiated separately between the applicant and the state oil company, Pertamina, on behalf of the Government. Efforts are being made to standardize the procedures for mining contracts as well.

Disbursement on Approved Projects

110. Statistics on actual investment expenditures by the foreign private sector are compiled principally by the Foreign Exchange Section (BLLD) of the central bank and by the Ministry of Justice, which is responsible for authorizing the start of operations following the approval of each project. The Foreign Investment Board (FIB) and the various departments concerned also compile some data on actual disbursements. The BLLD statistics are conservative as they report only inflows in cash and kind specifically identified as arrivals under the foreign investment law. Some investments, particularly in extractive industries in outlying provinces, are difficult to register.

111. The mission's estimate of actual foreign investments in projects approved in 1967-1969, and in returned enterprises outside the purview of the new investment laws, is $50-55 million. Actual recorded foreign capital inflows amount to $35 million and unreported inflows, excluding in both cases the domestic capital invested in joint enterprises, are estimated at around $20 million on the basis of customs records and information from investors. The following table summarizes the recorded investment expenditures by economic sectors.

Table 10: DISBURSEMENTS ON APPROVED PROJECTS UNDER THE NEW INVESTMENT LAW a/
(in million US$)

Sector	1967-69 total	number of projects
Industry	19.77	48
Mining	1.56	5
Forestry	7.95	25
Fishery	2.64	4
Transport/Telecommunication	2.00	3
Estates	0.15	2
Services	0.81	3
Hotel-Tourism	0.18	2
Total:	35.06	92

a/ Excludes domestic capital invested in joint enterprises.

Source: Data obtained from Bank Indonesia (BLLD) and Ministry of Justice.

Investment in Extractive Industries

112. It is this area of foreign investment which holds the major hopes for rapid growth of production and, through the expansion of exports, improvements in Indonesia's balance of payments. Apart from the oil sector, however, the balance of payments effects are unlikely to be significant in the next few years for two reasons. The first is the time it will take many of the major mining companies to reach the stage of production. The second is that net export returns from the mineral exploitation may be small at first because of the repatriation of earnings. The returns to the government may also be limited in the initial years, because of generous tax provisions. The activities in the hard minerals sector are mainly exploratory, but at least one major capital investment is certain. Arrangements for oil exploration and production fall outside the scope of the Foreign Investment Board, but in terms of actual expenditure this industry is absorbing the largest share of foreign private investment funds. Again the major current activity is exploration, which has little immediate impact on the Indonesian economy. As with nickel, bauxite and tin, the prospects in existing concessions appear good but uncertainty remains as to the future volume of production and export earnings. For the present, it is not possible to forecast the end results of present explorations, but it is clear that the effects in the next few years will not be large. More specifically, the mission finds no sufficient reason at this stage to adjust upwards the current export projections of a trend growth rate of 5.5-6 per cent per annum based primarily on traditional commodity exports and known oil reserves.

Petroleum

113. It is reported by Pertamina, the State oil company, that foreign enterprise expenditures for exploration under the new "production-sharing contracts" amounted to $8.3 million in 1966 and 1967 together, and $27.3 million in 1968. The estimate for 1969 is $60 million, representing increased activity by the principal operating companies, mainly in off-shore drilling, and a start on the development of the newly discovered Java Sea field, the best find reported so far. To these figures must be added the new investments being undertaken by Stanvac, Asamera and Caltex under the earlier contracts of work and the further income provided by signature bonuses on new contracts:

Table 11: ESTIMATED EXPENDITURES UNDER OIL EXPLORATION AND PRODUCTION CONTRACTS, 1968-1970
(in $ million)

	1968	1969	1970
Production-sharing contracts	27	60	n.a.
Profit-sharing contracts	23	28	n.a.
Signature bonuses	18	8	n.a.
Total:	68	96	130

In addition, Pertamina itself has incurred costs of some $15 million for exploration and drilling in West Java in 1969 and is continuing its investment program of refinery construction, port development, the enlargement of its tanker fleet and other domestic distribution facilities.

Minerals

114. Six of the eight approved projects in this field suggest investments of the order of $75 million each. The figures are indicative only of a commitment to explore large areas of Indonesia for deposits of minerals in world demand. As with oil exploration, the operations have few direct or multiplier effects on the economy as a whole for the present. 1/ If commercial deposits are found, as has already happened, the high statements of intended investment could be matched or exceeded. The Freeport Sulphur project, the first in the list of approvals by the Investment Board, appears almost certain to undertake investment of some $120 million

1/ There are interesting exceptions. Some small foreign investment projects, including air transport companies and an electronics firm have already been established to service oil and mining compnies. Other servicing and maintenance operations, including provision for the repair of heavy equipment, are planned.

up to 1973, when exports of copper from its concessions in West Irian should begin. It is planned to export 60-65,000 short tons of copper concentrates annually from Ertsberg mines over the next 13 years. A Japanese consortium of copper smelting and trading firms recently concluded a long-term contract to import more than half a million tons from this source, and a similar German contract has been arranged.

115. The findings from nickel areas in West Irian and Sulawesi are now being evaluated and the feasibility of nickel mining and processing for export from the new concession areas should soon be explored. The feasibility of exploiting additional bauxite deposits is also being considered. The most recent investment approvals have been for general mineral exploration, and a number of other applications are in process. It will be some time, however, before the prospects in this sector as a whole are established.

Table 12: MINERAL PROJECTS APPROVED BY THE FOREIGN INBVESTMENT BOARD, 1967-69

Name of Enterprise	Type of Financing	Year Approved	Mineral	Area of Operations	Intended Capital Investment (Mln.US$)
Freeport Sulphur Co.	Straight	1967	copper	West Irian	76.50
N.V. Billiton Mij.	Joint	1968	tin	Off-shore	7.00
PT Internat. Nickel	Straight	1968	nickel	Sulawesi	75.00
PT Pacific Nickel	Straight	1969	nickel	Waigeo, W.Irian	76.50
Alcoa	Straight	1969	bauxite	Various	76.50
Indonesia Nickel Development Co.	Straight	1969	nickel	--	75.75
Kennecott Copper Corporation	Straight	1969	general	Various	75.78
Overseas Mineral Resources Dev. Co.	Sstraight	1969	general	--	0.18

Forestry

116. Investment in forestry concessions yields rapid returns and provides substantial short-term prospects for increased export earnings. The total forest area open for exploitation covers 42 million hectares, of which 24 million hectares are categorized as productive forests and the rest as suitable for clearing and subsequent agricultural production.

Some 3-4 million hectares are presently being exploited by both public and private sectors in various types of straight and joint financing schemes. In the private sector 35 projects have been approved to date. Of these projects, 25 have up to the end of 1969 made actual investments of close to $8 million, 50 per cent of which was spent in 1969. A large part of this investment was in the form of salaries to foreign and indigenous laborers and the import of equipment. Infrastructural problems commonly found in other sectors have been less serious for investment implementation in this sector, since most of the timber lands at present exploited are located near accessible bodies of water and transport costs are minimized. This may not be the case for new concessions.

117. There have been some complaints about illegal operating fees and lack of coordination between central and local government, agencies in negotiating forestry concessions. In spite of such problems, however, the major fully-controlled foreign companies now in operation all plan major expansions of operations in 1970, as export prospects, principally to Japan, are good. Forestry projects in isolated areas have had some welcome side effects reflected not only in the increase of money incomes, but also in the improvement or sometimes introduction of health and recreational facilities in the surrounding villages and regions. What is significant is the on-the-job training that employed villagers obtain in small-scale mechanized cutting and hauling equipment.

Fisheries

118. Four out of six enterprises, approved in 1967-69, with an intended investment of $8 million, have expended $2.64 million over the same period. Foreign investors at present have made few on-shore disbursements and their activity has so far been largely limited to catching and freezing at sea for deliveries to foreign ports. Although there is evidence of a large domestic market for seafoods, there do not appear to be major plans for expansion of domestic distribution at this time.

119. While there is little doubt concerning the abundance and variety of fish in Indonesian waters, no comprehensive survey of these resources, or of inland fisheries, has been undertaken. The main barriers to development are lack of modern gear, limited knowledge of modern fishing techniques and inadequate marketing outlets. Investment and employment opportunities in this sector could be improved considerably. Private investment should be encouraged for the erection of salting, drying and other processing facilities, cold storage and mechnization of fishing operations to increase the supply of fish and provide additional revenues to local fishermen. At present, delays caused by administrative problems are a serious obstacle to further investment.

Manufacturing

120. As shown in Appendix Table 12, a total of 97 projects in manufacturing and processing obtained approval in the period 1967 to 1969,

twenty-eight of them in the last quarter of 1969. Of the total, 48 invested $8 million in 1969 in rehabilitation and expansion of plant and equipment.

121. The pattern of investment in this sector can be distinguished from other fields covered by the foreign investment scheme. Production is almost entirely for the domestic market, and intended investment for the typical project is relatively small but, subject to modification of plans or occasional withdrawals (5 cases), likely to be realized in due course.

122. Of the 97 projects in this sector, 47 have minimum intended investment of $1 million and account almost for 90 per cent of the sector total. It has been estimated that when in operation these prospects may provide some 25,000 new jobs. The mix of industries in the list of approvals includes a number of large fully foreign-owned enterprises and a much larger number of relatively small labor-intensive joint enterprises which also enjoy tax and import duty exemptions. Many in the second category are investments from within the region by companies registered in Hongkong, Singapore and Thailand. The small firms tend to be oriented towards existing mass markets within the country, but there are isolated examples of production for export. New American, European and Japanese enterprise is generally quite capital-intensive, using modern techniques and often engaged in assembling, fabricating or packaging products relatively new to Indonesia, such as some pharmaceutical products, cosmetics and electrical appliances, and small motor vehicles. A list of approved manufacturing industries and products is given in Annex II. With some exceptions, e.g. tire, cigarette and soap factories, manufacturing relies on imported materials and the domestic value-added is sometimes low.

123. The manufacturing sector in general faces a number of problems. The last economic report (EAP-10a) discussed the current situation, the prevailing bottlenecks to development, and the steps being taken by the Government to overcome them. Attention was focused on the urgent need to rehabilitate existing facilities, including some of the "retarded" government projects, 1/ expand present capacity and output, and undertake new investments to increase total production. It was also recognized that the legal framework for activities, especially in the areas of corporate structure, taxation, protection and employment, required substantial revision to foster rational allocation of scarce resources.

124. These problems persist. The Ministry of Justice has, however, made some progress toward the revision of commercial and company codes, tax and tariff laws, patent rights, real estate laws, and other regulations governing the private sector, but lack of technical staff prevents speedier progress.

1/ Incomplete aid projects started under the previous regime.

The Foreign Investment Board is processing applications for private investment permits at an increased rate, as evidenced by the number of industrial projects processed and approved in the second half of 1969.

125. Although actual investment has been small so far, and has to a considerable extent involved returned enterprises and the use of DICS rupiah funds rather than new direct investment resources, the number of firm commitments to invest is considerable. The prospects for rapid increases in foreign investment in the manufacturing sector, and the growth of factory employment, could improve considerably, provided that stability is maintained and the physical and institutional obstacles to the establishment of industrial enterprise are progressively removed.

Other Economic Sectors

126. Foreign private investment activity in other economic sectors is limited at present. In agriculture six projects for crumb rubber processing have been approved for a total of $3.7 million in intended investment. One is in operation, and the rest are under construction. A Japanese company which could be setting a precedent for similar ventures in agriculture is engaged in clearing arable forest land and replanting it with maize, using modernized agricultural techniques and inputs. In 1969 this company invested $153,000 in equipment and fertilizers. A returned estate enterprise has received approval for $5.0 million in expansion and rehabilitation investment. In transport, investment is limited to 4 foreign firms engaged in providing air-charter services to mineral exploration and drilling projects. In tourism, the $200,000 reported to have been spent on hotels and other tourist projects, out of private investment approvals of $10.5 million over the past three years, appears to be understated, although some investment has been financed from local earnings of foreign enterprises rather than by new overseas capital. Indonesia has considerable tourism potential and direct investment in this field is expected to increase rapidly. The Government is relying mainly on the private sector for this development. In other services, including recreational facilities, contracting, real estate, and consulting work, the foreign private sector has an approval for about $15.0 million in projected investment, but only a small portion of this actually has been disbursed, mostly in greater Djakarta.

Prospects for 1970

127. In calendar 1969 direct foreign investment is recorded as $23 million, most of it under the Debt Investment Conversion Scheme (DICS). Table 13 shows official forecasts for next year.

Table 13: DIRECT INVESTMENT, 1969 to 1970/71
(in $ million)

	1969 (prov.actual)	1970 (Jan.-March est.)	1969/70 (est)	1970/71 (est)
In cash	3	-	2	-
In kind	3	4	6	34
DICS (foreigners)	17	4	18	16
Total	23	8	26	50

128. The Five Year Plan projections of net private capital inflows into the economy, rising from $25 million in 1969/70 to $82 million in 1973/74 (at end of 1968 prices) broadly quantify the expectations of the Government in relation to private foreign investment. The general economic policies of the Government favor such a trend and the incentives provided have resulted in substantial commitments to invest.

129. The flow of investment funds could be seriously impeded, however, if the institutional framework is not improved and if, for industry in particular, the infrastructure facilities are not made available in the right amounts and at the right time.

130. The need for the further simplification and coordination of investment procedures, both by agencies of the central government and between the central and regional administrations, is clear. The average time of about 6 months between applications and approvals should be shortened, and attention should also be directed at the reasons for the further delays between approval by the minister concerned and the issue by the Ministry of Justice of the authority to operate. Difficulties in obtaining suitable land sites and in establishing companies under the existing laws can cause substantial delays.

131. Unless progress is made towards the solution of these problems, the rate of actual expenditures will be held below its potential and the momentum of new commitments slowed.

132. The increased rate at which applications were processed and authorizations to operate granted in the last half of 1969 is encouraging. The Foreign Investment Board remains understaffed, however, and it requires strengthening if it is to perform effectively not only its primary function of investment project evaluation and recommendation, but also the important additional activities to encourage investment. Assistance should be extended not only to prospective investors but to those who have obtained approvals and are working to establish their enterprises.

133. The Board should be equipped with increased authority in these areas. The basic policy of promoting private foreign investment is not fully reflected in the procedures prescribed and actually in use; some of the latter

are still the remainder of earlier policy implementation machinery and of earlier policies no longer appropriate, useful, or valid at present. This makes the system of appraisal, negotiation and approval unnecessarily cumbersome and poses a need for simplification and streamlining. It seems essential to include in such system revisions the transfer of substantial authority to the Foreign Investment Board, and similarly to lower authorities within the various ministries concerned.

134. The climate for investment in the modern enterprise sector in Indonesia both domestic and foreign, has improved markedly in the last two years. Domestic investment approvals, involving 221 projects with intended capital of over Rp. 45 billion are discussed below. The approvals for Rp. 27.2 billion medium-term credits, Rp. 9.4 billion of which had been disbursed by the end of 1969, were discussed in Chapter II. For foreign private investment, the official balance of payments projections, which envisage $50 million in direct investment in 1970/71, appear to be consistent with known commitments and present trends.

Domestic Investment

135. The Domestic Investment Law came into force in November 1968. The provisions are comparable to those of the Foreign Investment Law, introduced early in 1967. The Development Bank of Indonesia (BAPINDO) is in charge of the implementation of the Domestic Investment Law on behalf of a Domestic Investment Board consisting of representatives of the ministries and departments involved in the approvals of investment proposals. Bapindo's chairman is also chairman of the Board and the secretary comes from the planning agency, Bappenas.

136. Applications for investment under the provisions of the new law have been substantial, both in numbers and in terms of intended investment. Between November 1968 and the end of January 1970 no less than 320 applications were received by the Domestic Investment Board, representing intended investments of Rp. 108.2 billion (the equivalent of $322 million). A very high proportion of the total (89 percent) represents foreign exchange costs of investment projects. Applications were coming in at a fairly high rate: between November 1968 and the middle of 1969 an average of 18 applications per month were received, against 23 per month during the latter half of 1969. Approvals have been accelerating as well, from an average of 9 per month until the middle of 1969 to a monthly average of 23 in the second half, sufficient therefore to keep up with the inflow of new applications. By the end of January 1970, 221 proposals had been approved for intended investments of Rp. 46.4 billion, including $145 million (96 percent) in foreign exchange (see Appendix Table 12). Approved projects are on the average considerably smaller than those for which applications are submitted; the average size of projects submitted is Rp. 3.4 billion as compared to an average for approved projects of Rp. 2.1 billion.

137. Applications as well as approvals were concentrated in the sector of manufacturing industries. About 60 percent of the proposals and approvals belong to this sector; in terms of intended investment the share is however less than 50 percent of the totals. The agricultural sector (including forestry and fisheries) takes second place, with a strong concentration in the estates sector, mostly for rehabilitation investments in estates recently returned to their former owners.

138. Industrial investments relate to a wide variety of products, of which the most important are textiles and textile products, paper and board, plastic products, matches, pharmaceuticals, vegetable oils, batteries, radio and television assembly, electric fans, fertilizers, tires and tubes, cement and cigarettes. In the transport sector, investments are intended for buses and small vessels; tourism investment approvals provide for a total of 1,370 hotel rooms; the only proposed investment not in the above categories relates to an insurance company.

139. A breakdown of proposals and approvals by regions is available only through September 1969. About 40 percent of all applications are located in the Djakarta region, and almost 70 percent on the island of Java; the intended investment amounts are distributed roughly in the same manner (see table 14). There is a clear preference with regard to approvals for regions outside Djakarta, specially other Java and the islands outside Sumatra.

Table 14

APPLICATIONS AND APPROVALS THROUGH SEPTEMBER 1969, BY REGIONS

	Number of Applications	Total Intended Investment (Rp. bln.)	% of Total Investment	Number of Approvals	Total Intended Investment a/ (Rp.bln.)	% of Total Investment
Djakarta	86	26.2	35	34	4.6	17
Java(excl. Djakarta)	61	25.6	34	29	12.9	48
Sumatra	44	10.0	13	18	2.5	9
Other Regions	26	14.2	18	15	7.0	26
Total	217	76.0	100	96	27.0	100

a/ In total, 117 proposals were approved by the end of September, but discussions about location were still continuing with the departments concerned for 21 of those.

140. No data are available on actual implementation under the new law. The Government recognizes the need to set up a reporting system for evaluating private investment activity and is at present engaged in the formulation of such a system.

Annex I

PROJECT AID: COMMITMENTS AND DISBURSEMENTS

(In thousands of US dollars)

		Commitments		Disbursements = L/C Openings		
		1968	1969	CY 1969 (Actual)	Jan.-Mar. 1970 (Estimate)	1969/70
1. AUSTRALIA		2,930	4,440	3,860	-	3,860
* 1.4.1.3.01	Railway tracks	1,480	-	1,140	-	1,140
1.4.1.3.02	Railway tracks	-	1,140	770	-	770
1.4.1.7.02	Tel., navigational aid, AFTN	100	150	250	-	250
1.4.1.9	Postal services	150	-	150	-	150
1.4.10	Cable network	900	-	900	-	900
1.4.10.01	Djakarta cable network	-	1,000	-	-	-
2.5.3.1.01	Water supply - Bogor	-	1,800	-	-	-
	Technical assistance for projects	300	350	650	-	650
2. BELGIUM		-	1,000	-	-	-
1.4.1.7.01	Runway lights	-	1,000	-	-	-
3. CANADA		-	1,085	-	1,085	1,085
1.4.1.7	Spare parts for airplanes	-	800	-	800	-
	Wood preservation and seasoning project	-	135	-	135	-
	Textbooks (paper)	-	150	-	150	-
4. FRANCE		4,254	6,300	4,250	4,700	4,700
1.3.1.1.03.001	West Java transmission	-	3,750	-	2,500	2,500
1.4.1.4.05	Navigational aids, lighthouses	1,985	-	1,985	-	-
2.5.3.1.01.012	Water supply - Makassar	2,269	-	2,269	2,200	2,200
	Unallocated	-	2,550	-	-	-
5. DENMARK		-	4,000	600	1,600	2,200
1.1.1.1	Grain drying and storage	-	600	600	-	600
1.2.1.1.04	Padang Cement Plant	-	2,600	-	800	800
1.3.1.1.04	Isolated distribution network (Outer Java)	-	800	-	800	800

Annex I - cont'd

		Commitments		Disbursements = L/C Openings		
		1968	1969	CY 1969 (Actual)	Jan.-Mar. 1970 (Estimate)	1969/70
GERMANY		10,565	16,350	6,762	-	6,762
1.3.1.1.04.002	Distribution network (Central Java)	2,600	2,725	-	-	-
1.1.1.1	Capital goods	-	2,725	-	-	-
	Industrial finance[a]	-	2,725	-	-	-
1.4.1.2.01	City transport (Djakarta)	500	-	500	-	500
1.4.1.3.02	Diesel locomotives	2,500	2,225	2,500	-	2,500
1.4.1.3.03	Railway signal and telegraph	500	500	500	-	500
1.4.1.7.02	Telecom., navigational aid, aviation	2,200	2,725	1,921	-	1,921
1.4.1.10.01	Telephone (Semarang)	2,265	-	1,341	-	1,341
1.4.1.10	Telephone (Surabaja)	-	2,725	-	-	-
JAPAN		40,000	55,000	16,162	12,306	24,300[a]
1.1.1.3.01	Mechanization of fishing boats	-	PM	-	-	-
1.1.2.2.05.018	Brantas delta irrigation	-	1,300	-	-	-
1.1.2.5.02	Kali Porong irrigation	-	1,600	-	-	-
1.1.2.5.02	Karang Kates dam	10,600	-	3,855	3,536	-
	Kali Konto dam	2,700	-	1,544	300	-
	Riam Kanan dam	4,650	-	2,-32	1,362	-
1.2.1.1.01	Extension of PUSRI fertilizer plant	-	7,000	-	-	-
1.2.1.1.02	Caustic Soda Waru	1,250	-	1,236	-	-
1.2.1.1.04	Capital supplies for textile industry	-	1,000	-	1,000[b]	-
1.2.1.3.01	Gowa paper mills	531	-	-	531	-
	Pematang Siantar paper mills	277	-	-	277	-
1.3.1.1.02.002	Riam Kanan power station	-	4,800	-	800	-
1.3.1.1.02.003	Karang Kates power station	-	10,700	-	1,900	-
	Kali Konto power station	-	1,000	-	300	-
1.3.1.1.02.008	Tandjung Priok steam power station	11,885	-	3,800	-	-
1.4.1.3.01	Rehabilitation of tracks and bridges	-	2,300	-	2,300	-
1.4.1.4.04	Marine telecommunication	1,279	1,100[b]	1,279	-	-
1.4.1.4.05	Navigational aid, buoys	-	PM	-	-	-
	Hydrographic survey for dredging[b]	-	PM	-	-	-
1.4.1.10.03	Microwave	2,416	1,400	2,416	-	-
	Unallocated[b]	4,412	2,800	-	-	-

Annex I - cont'd

		Commitments		Disbursements = L/C Openings		
		1968	1969	CY 1969 (Actual)	Jan.-Mar. 1970 (Estimate)	1969/70
3. NETHERLANDS		5,610	24,785	18,991	1,960	12,760[a/]
1.1.1.2.06	Rehabilitation of sugar industry	940	2,000	2,940	-	-
1.1.2.4.01	Djratunseluna irrigation	-	1,250	-	-	-
1.1.2.5.07	Djakarta flood control	-	1,000	-	1,000	-
1.2.2.2	Fuel tank for tin smelter	100	960	100	960	-
1.2.2.2.01	Rehabilitation of tin dredgers	820	2,500	820	-	-
1.3.1.1.04	Isolated distribution network	1,540	2,500	4,040	-	-
1.4.1.1	Asphalt bulk storage and distribution equipment	940	-	940	-	-
1.4.1.3.04	Rehabilitation of ferry services	-	170	-	-	-
1.4.1.4.01	Rehabilitation of ferry dredgers	-	150	-	-	-
	Rehabilitation of Government vessels	-	655	655[c/]	-	-
1.4.1.4.02	Rehabilitation of ports	-	830	-	-	-
1.4.1.4.03	Dredging of ports	-	2,000	-	-	-
1.4.1.4.04	Marine telecommunications	430	1,200	430	-	-
1.4.1.4.06	Rehabilitation of docks	320	1,200	176[c/]	-	-
1.4.1.7	New aircraft	520	6,000	6,520	-	-
1.4.1.10.01	Medan telephone exchange	-	1,400	1,400	-	-
1.4.1.10.04	Long distance transmission HF	-	970	970	-	-
9. UNITED KINGDOM		979	960	979	960	1,939
1.2.2.2	Crumb rubber	-	960	-	960	960
	Department of Health labs.	89	-	89	-	89
1.4.1.2.01	City buses and spare parts	516	-	516	-	516
1.3.1.1.04	Electrical equipment for PLN	374	-	374	-	374
0. UNITED STATES		-	31,300	-	-	-
1.2.1.1.01	Extension of PUSRI fertilizer plant	-	25,000	-	-	-
1.2.1.1.03	Gresik cement plant	-	6,300	-	-	-
.. IDA		5,000	84,000	2,300	2,500	3,600
1.1.1.2.02	Rehabilitation of PNP V & VII	-	16,000	-	500	500
1.1.2.2.01.04	Rehabilitation of irrigation	5,000	-	2,300	-	1,100
1.2.1.1.01	Extension of PUSRI fertilizer plant	-	25,000	-	-	-
1.3.1.1.04	Djakarta distribution network	-	15,000	-	-	-
1.4.1.1	Road rehabilitation	-	28,000	-	2,000	2,000

Annex I - cont'd

		Commitments		Disbursements = L/C Openings		
		1968	1969	CY 1969 (Actual)	Jan.-Mar. 1970 (Estimate)	1969/70
12. ADB		-	13,390	240	1,000	1,240
1.1.1.2.03	Rehabilitation of Sawit Sebarang	-	2,400	-	-	-
1.1.2.3.06	Tadjum irrigation	-	990	240	1,000	1,240
1.2.1.1.01	Extension of PUSRI fertilizer plant	-	10,000	-	-	-
TOTAL PROJECT AID:		69,338	242,610	54,144	26,111	62,446

a/ Breakdown by project not available.
b/ Not included in the provisional project list Bapp/D.I/II/1970.
c/ Disbursed in 1968 but shown in 1969 Balance of Payments.
* Code designations correspond to the Development Budget project classification.

Source: BAPPENAS.

Approved Foreign Investment Projects in the Manufacturing Sector

Name of Enterprise	Origin	Year Approved	Product	Joint/ Straight Financing	Intended Capital Investment (Mln. US$)
Van Swaay NV	Netherlands	1967	Elect. Equip.	J	0.30
Oriental & Devel. Prod.	Hong Kong	1967	Wigs	S	0.25
F.A. Peter Cremer	Germany	1967	Cattle feed	J	0.25
Unilever Ltd.	U.K.	1967	Margarine, Soap	S	1.50
Goodyear Corp. Ltd.	U.S.A.	1967	Tire	S	13.00
Faroka S.A.	Belgium	1967	Cigarettes	S	0.23
Singer Sewing Machines	U.S.A.	1967	Sewing Machines	S	1.10
Kiwi Polish Prop. Ltd.	Australia	1967	Boot Polish	S	0.20
Australian Dairy Prod.	Australia	1967	Condensed Milk	J	1.35
B.A.T.	U.K.	1967	Cigarettes	S	0.13
Bonanza SA	Panama	1967	Not Spec.	J	9.00
East Asiatic Co.	Denmark	1967	Pharmaceuticals	S	1.00
Sub-total 1967					28.31
Toyo Menka, New York	U.S.A.	1968	GI Sheets	J	1.70
Stuckert Trading Co.	Germany	1968	MSG	J	1.00
Messrs. Lin & Yin	Hong Kong	1968	Sandals	J	0.83
Messrs. Chuang & Blomberg	Singapore	1968	Chocolate	J	1.00
Phillips N.V.	Netherlands	1968	Appliances	J	6.91
I.C. Itoh & Kawasaki Co.	Japan	1968	GI Sheets	J	2.00
NV Chemische Fabriek	Germany	1968	Perfume & Tobacco	J	0.55
PT Bata	Canada	1968	Footwear	S	0.62
Carl Hansen SA	U.S.A.	1968	Scooters	J	5.00
Kaffee Export-Import	Germany	1968	Instant Coffee	J	1.50
Sankyo Shokukin	Japan	1968	Inst. Noodles	J	0.40
Ahrend Group NV	Netherlands	1968	Elect. & Optics	S	0.28
Virginia International Co.	U.S.A.	1968	Heavea Rubber	J	0.40
John Larsen AS	Norway	1968	Inst. Coffee	J	1.00
PT Bir Keinekens	Belgium	1968	Beer	S	0.36
Ymuiden Hoogovens	Netherlands	1968	Water & Gas Pipes	J	1.38
Toyo Menka Inc.	U.S.A.	1968	Water & Gas Pipes	J	2.00
Cooperative Condensed Milk	Netherlands	1968	Condensed Milk	J	1.00
World Products Ltd.	Hong Kong	1968	Wigs	S	0.25
Union Carbide Eastern	U.S.A.	1968	Battery	S	2.65
Ajino Moto Co. Inc.	Japan	1968	MSG	J	1.80
Intercontinental Rubber	Hong Kong	1968	Heavea Crumb Rubber	J	1.00
Alberto Culver Canada	Canada	1968	Cosmetics	J	0.20
Guru Pappa A/S	Norway	1968	Packing	J	2.23
Interbeton NV	Netherlands	1968	Ceramics	J	1.81
Southern United Enterp.	Hong Kong	1968	Wigs	J	0.40
Afro Asia Industrial Co.	Hong Kong	1968	Enamel & Metal Ware	J	0.35
Nurub Corporation	U.S.A.	1968	Crumb Rubber	J	0.30
Trilane Equities	U.S.A.	1968	Sea Foods	J	0.25
Arco Limited	Switzerland	1968	Pharmaceuticals	J	0.25
Farbwerke Hoechst	Germany	1968	Pharmaceuticals	J	1.63
Farkenfabrieken Bayer	Germany	1968	Pharmaceuticals	J	1.20
Rentokil Group Limited	U.K.	1968	Disease Control	S	0.02
Pfizer Corporation	U.S.A.	1968	Pharmaceuticals	S	1.00

Name of Enterprise	Origin	Year Approved	Product	Joint/ Straight Financing	Intended Capital Investment (Mln.US$)
C.I.B.A. Ltd. & Zyma SA	Switzerland	1968	Pharmaceuticals	J	0.73
Scanpharm A/S	Denmark	1968	Pharmaceuticals	J	1.50
Leng Yuen Trading Co.	Singapore	1968	Crumb Rubber	J	1.20
Societe Franco D'Equipment	France	1968	Elect. Transformer	J	2.00
Cheesebrough Ponds' Inc.	U.S.A.	1968	Cosmetics	J	0.25
Gordon Ness Associates	U.S.A.	1968	Multiple	S	0.37
NV Handel Maatschappij	Singapore	1968	Crumb Rubber	S	0.50
Davlyn Steel Corp.	Hong Kong	1968	Tin products	J	0.50
PT Oriental Indonesia	Singapore	1968	Ball Point Pens	S	0.65
Ann King Co. Ltd.	Singapore	1968	Refrigeration	J	1.00
Sub-total 1968					49.75
Sheng Kie Enterprise	Hong Kong	1969	Detergents	J	1.00
JR Geigy S.A. Basel	Switzerland	1969	Insecticides	S	1.25
Rheem Australia	Australia	1969	Containers	S	0.25
Delong Corporation	U.S.A.	1969	Steel Products	J	0.25
PT Prodenta Surabaja	Netherlands	1969	Toothpaste	S	0.24
Max Factor	U.S.A.	1969	Cosmetics	S	0.50
NV Sunan Rubber Handel	Singapore	1969	Crumb Rubber	S	0.30
Thai Acids Industry	Thailand	1969	Chemicals	J	0.50
Mitsui Company	Japan	1969	GI Sheets	J	0.70
Marubeni Iida Co. & Nippon Kokan	Japan	1969	GI Sheets	J	1.00
Gulf Oil Corporation	U.S.A.	1969	Fertilizer & Petrochemicals	J	1.00
Toyo Menka Kaisha Ltd.	Japan	1969	Textiles	J	7.00
Companie D'Importation et D'Exportation de Tabacs (TEIC)	France	1969	Tobacco Upgrading	J	0.50
Lloyds of London	U.K.	1969	Pharmaceuticals	J	4.50
Schering AG	W. Germany	1969	Pharmaceuticals	J	1.00
Waren Import	W. Germany	1969	Cattle feed	J	0.62
C. Itoh & Toyobo Co.	Japan	1969	Textile	J	6.00
Bayer Farbenfabrieken	W. Germany	1969	Insecticide	J	0.24
Peter Cremer & Dresdner Bank	W. Germany	1969	Cattle feed	J	0.25
Asia Tobacco Co. Ltd.	Singapore	1969	Cigarettes	J	6.15
AC Toepfer, Siemens AG	West Germany	1969	Cattle feed	J	0.63
Impact International PTY.	Australia	1969	Collapsible tube	J	0.16
Indeur SA	Switzerland	1969	Extension of Margarine factory	S	0.32
NV Handel Maatschappij	Singapore	1969	Rubber remilling	S	0.33
Virginia International Co.	USA	1969	Cattle feed & Cannery	J	1.90
Sanyo Electric Trading Co.	Japan	1969	Household Appliance	J	2.50
Mitani Metropolitan Co.	Thailand	1969	Corrugated Carton Boxes		0.75
Fraser & Neave	Singapore	1969	Soft Drinks	S	1.00
Tancho Co. Ltd.	Japan	1969	Cosmetics	J	0.50
Zip Fastener Mfg.	Thailand	1969	Zippers	J	1.00
Chemical Corp. of Singapore	Singapore	1969	Chemicals	J	1.50
South Seas Investment Corp. & Chemtax Fiber Inc.	USA	1969	Textiles	J	20.00

Name of Enterprise	Origin	Year Approved	Product	Joint/ Straight Financing	Intended Capital Investment (Mln. US$)
International Trading Partnership	Thailand	1969	Paint	J	1.00
Daimaten Kagyo Co.	Japan	1969	Footwear	J	0.30
HV Philips Gloeidampen	Netherlands	1969	Electronics	J	0.56
Toyo Rayon Co. Tonen Co., & Chori Ltd.	Japan	1969	Nylon	J	2.50
Lai Sek Pu & Ngai TinSung	Hong Kong	1969	PVC	J	0.25
Hong Kong Sodium Silicate	Hong Kong	1969	Glass	J	0.40
Tin Fung Iron Works	Hong Kong	1969	Enamel	J	0.40
East Asiatic Company	Denmark	1969	Scooter Assembly & Manufacture	J	1.50
Pacific Enamel	Hong Kong	1969	Enamel	J	0.50
AEG Tolefunken	W. Germany	1969	Circuit Breakers	J	0.24
Prima Limited	Singapore	1969	Flour	S	6.00
James Hardie Asbestos	Australia	1969	Asbestos	J	0.40
Sub-Total 1969					77.89
TOTAL, 1967- 1969					155.95

a/ As shown in Letter of Intent

Source: Foreign Investment Board

STATISTICAL APPENDIX

Table 1

BALANCE OF PAYMENTS SUMMARY 1969 AND 1969/70
(In millions of US $)

	1969[a]	1st Qtr. 1970[b]	1969/70[b]
Goods and Services			
Non-oil exports[c]	617	167	635
Gross oil exports	358	100	369
Less: Oil sector imports[d]	-258	- 68	-259
Total exports (oil net)	717	199	745
Non-oil imports of goods, c.i.f.	-976	-260	-1,048
Non-oil imports of services (excl. freight)	-101	- 31	-103
Current Account (deficit = -)	-360	- 92	-406
Official Transfers and Capital	315	143	399
Program loans and grants	246	79	291
Project loans and grants	69	29	73
Special drawing rights	-	35	35
Debt Service Payments	- 59	- 17	- 63
IMF Position (decrease of liability = -)	48	- 3	46
Changes in short-term assets/liabilities (increase of assets = -)	- 26	- 12	12
Other net capital movements, errors and omissions	82	- 19	12

a/ Provisional actuals.
b/ Estimates.
c/ Including overprice earnings.
d/ Excluding service payments on oil sector debts.

Source: Bank Indonesia.

Table 2

AID UTILIZATION 1969/70
(In Millions of US dollars)

	1969 Jan.-March (act)	1969 April-June (act)	1969 July-Sept. (act)	1969 Oct.-Dec. (Prov)	1969 Total (Prov-act)	1970 Jan.-March (est)	1969/70 Total FY (est)
I. PROGRAM AID							
1. BE credits	21.4	7.9	35.2	25.3	89.8	39.5[a/]	124.4[a/]
- Belgium	0.1	0.7	0.2	0.1	1.1		
- France	1.2	4.2	0.6	0.7	6.7		
- Germany	0.8	-	3.0	4.2	8.0		
- India	0.1	-	-	-	0.1		
- Japan	9.9	0.2	16.8	14.6	41.5		
- Netherlands	-	-	-	-	-		
- U.K.	1.0	2.0	2.0	0.9	5.9		
- U.S.A.	8.3	0.8	12.6	4.8	26.5		
2. BE grants	3.9	7.3	5.2	4.0	20.4		
- Australia	1.2	1.9	1.3	1.4	5.8		
- Japan	-	-	-	-	-		
- Netherlands	2.7	5.4	3.9	2.6	14.6		
- U.K.	-	-	-	-	-		
3. PL 480	7.7	33.6	28.5	40.0	110.8	33.4	136.5
- Non-food	7.1	7.6	14.5	8.1	37.3	8.5	38.7
- Rice	0.6	20.3	14.0	27.8	62.7	12.9	75.0
- Wheat	-	5.7	-	5.1	10.8	12.0	22.8
4. Other aid (excl. PL 480 wheat)	0.7	-	6.3	15.6	22.6	6.4	28.3
- Australia	-	-	2.5	-	2.5		
- Belgium	-	-	1.1	-	1.1		
- Canada	0.7	-	-	1.9	2.6		
- France	-	-	-	-	-		
- Germany	-	-	0.5	-	0.5		
- Italy	-	-	0.5	-	0.5		
- Japan	-	-	-	5.0	5.0		
- Netherlands	-	-	1.7	-	1.7		
- U.K.	-	-	-	-	-		
- U.S.A.	-	-	-	8.7	8.7		
5. Total program aid	33.7	48.8	75.2	85.9	243.6	79.3	289.2

Table 2 cont'd

	1969 Jan.-March (act)	1969 April-June (act)	1969 July-Sept.- (act)	1969 Oct.-Dec. (Prov)	1969 Total (Prov-act)	1970 Jan.-March (est)	1969/70 Total FY (est)
II. PROJECT AID							
1. Old credit (pre-1967)	4.5	4.0	3.9	3.0	15.4	3.0	13.9
(a) Western - countries	1.9	3.3	2.7	1.5	9.4		
- France	0.2	-	0.8	-	1.0		
- Germany	0.3	0.7	-	0.3	1.3		
- Italy	1.4	2.6	1.9	1.2	7.1		
- Netherlands	-	-	-	-	-		
(b) Eastern countries	2.6	0.7	1.2	1.5	6.0		
- Bulgaria	0.3	-	-	-	0.3		
- East Germany	0.1	0.1	-	0.7	0.9		
- Poland	-	-	-	-	-		
- Yugoslavia	2.2	0.6	1.2	0.8	4.8		
2. Project aid (1968)	14.8	9.7	5.2	9.4	39.1	4.4	28.7
- Australia	-	1.5	1.1	-	2.6	-	2.6
- France	4.2	-	-	-	4.2	-	-
- Germany	-	2.0	2.7	2.6	7.3	3.7	11.0
- I.D.A.	1.2	0.8	0.1	0.2	2.3	-	1.1
- Japan	4.2	4.6	0.8	6.6	16.2	0.7	12.7
- Netherlands	5.2	0.3	0.1	-	5.6	-	0.4
- U.K.	-	0.5	0.4	-	0.9	-	0.9
3. Project aid (1969)	6.0	-	2.0	7.0	15.0	26.0	35.0
- A.D.B.				0.2	0.2		
- Australia				1.3	1.3		
- Belgium				-	-		
- Canada				-	-		
- Denmark				0.6	0.6		
- France				-	-		
- Germany				-	-		
- I.D.A.				-	-		
- Japan				-	-		
- Netherlands	6.0	-	2.0	4.9	12.9		
- U.K.				-	-		
- U.S.A.				-	-		
4. Total project aid	25.3	13.7	11.1	19.4	69.5	33.4	77.6
III. TOTAL AID (I + II)	59.0	62.5	86.3	105.3	313.1	112.7	366.8

a/ Includes BE grants.

N.B. Most recent data on disbursements in 1969 (Table 2a) are not available on a quarterly basis; figures in this table for the full year 1969 are therefore slightly different.

Source: Bank Indonesia.

Table 2a: AID COMMITMENTS AND DISBURSEMENTS 1969/70

	Pipeline Dec. 31, 1968	Commitments 1969	Utilization 1969	Pipeline Dec. 31, 1969	Utilization Jan.-Mar. 1970 1/	Pipeline Mar. 31, 19
A. PROJECT AID	91.0	242.6	69.5	264.0	29.1	234.9
Pre-1967 Commitments	22.0	-	15.4	6.6	3.0	3.6
Australia	2.9	4.4	3.9	3.4	-	3.4
Belgium	-	1.0	-	1.0	-	1.0
Canada	-	1.1	-	1.1	1.1	-
France	4.3	6.3	4.2	6.4	4.7	1.7
Denmark	-	4.0	0.6	3.4	1.6	1.8
Germany	10.6	16.3	6.8	20.1	-	20.1
Japan	39.6	55.0	16.2	78.4	12.3	66.1
Netherlands	5.6	24.8	19.0	11.4	1.9	9.5
United Kingdom	1.0	1.0	1.0	1.0	1.0	-
United States	-	31.3	-	31.3	-	31.3
IDA	5.0	84.0	2.3	86.7	2.5	84.2
ADB	-	13.4	0.2	13.2	1.0	12.2
B. PROGRAM AID	71.3	320.1	245.9	145.5	79.1	66.4
1. BE Grants and Loans	(49.8)	(150.1)	(110.3)	(89.6)	(39.5)	(50.1)
Australia	6.3	7.0	5.8	7.5		
Belgium	0.1	1.2	1.2	0.1		
France	6.9	6.3	6.7	6.5		
Germany	1.0	13.7	8.0	6.7		
India	0.3	-	0.1	0.2		
Japan	11.7	55.0	41.5	25.2		
Netherlands	2.5	18.1	14.6	6.0		
New Zealand	-	0.6	-	0.6		
United Kingdom	2.1	4.2	5.9	0.4		
United States	18.9	44.0	26.5	36.4		
2. PL 480 Loans	(13.1)	(146.5)	(119.5)	(40.1)	(32.0)	(8.1)
Non-food	7.2	46.7	37.3	16.6	8.5	8.1
Rice	0.6	73.3	62.7	11.2	11.2	-
Wheat	5.3	26.5	19.5	12.3	12.3	-
3. Other Food Aid	(8.4)	(23.5)	(16.1)	(15.8)	(7.6)	(8.2)
Australia	1.5	5.7	4.4	2.8		
Belgium	-	0.9	0.9	-		
Canada	0.7	1.9	2.6	-		
France	-	1.6	0.8	0.8		
Germany	-	1.8	0.8	1.0		
Italy	-	0.4	0.4	-		
Japan	5.0	10.0	5.0	10.0		
Netherlands	-	1.2	1.2	-		
United Kingdom	1.2	-	-	1.2		
TOTAL	162.3	562.7	315.4	409.5	108.2	301.3

1/ Estimate.

Source: BAPPENAS and Bank Indonesia.

Table 3

PROJECT AID COMMITMENTS AND DISBURSEMENTS BY SECTOR 1968-1969
(In millions of US dollars)

Sector	Commitments 1968	Commitments 1969	Disbursements = L/C Openin CY 1969 (Actual)	Disbursements = L/C Openin Jan.-Mar. 1970 (Estimate)
Agriculture	-	16.74	0.60	0.63
Irrigation	22.95	8.54	9.97	7.20
Mining & Industry	3.92	88.92	5.10	4.53
Electric Power & Transmission	17.29	42.28	9.11	6.30
Transport	11.56	49.70	18.38	5.10
(a) Highways	0.94	28.00	0.94	2.00
(b) Tracks & bridges	1.98	3.94	2.41	2.30
(c) Air transport	2.82	10.67	8.69	0.80
(d) Water transport	2.30	4.86	2.82	-
(e) Land transport equipment	3.52	2.23	3.52	-
Post and Telecommunication	6.54	8.80	7.99	-
Other[a]	2.66	22.30[b]	3.00	2.35
Unallocated	4.41	5.34	-	-
TOTAL	69.34	242.61	54.14	26.11

a/ Water supply, education, health, export promotion and technical assistance projects.
b/ Includes $20 million committed for export promotion by Japan.

Source: Annex I.

Table 4

AID COUNTERPART RECEIPT 1969/70
(In billions of Rupiahs)

	1969 a/				Total 1969 (CY)	1970 c/	Total 1969/70 (FY)
	Jan-Mar	Apr-June	July-Sept	Oct-Dec b/		Jan-Mar	
1. Aid B.E.	3.6	6.5	11.1	(9.0)	21.2	22.5	40.1
Market Sales	3.0	4.4	9.8	(8.5)	17.2	21.4	35.6
U.S.A. (deferred payment)	0.1	0.6	1.3	(0.5)	2.0	1.1	3.0
Fertilizer (blocked a/c)	0.5	1.5	-	-	2.0	-	1.5
Textile (blocked a/c)	-	-	-	-	-	-	-
2. PL 480 (blocked a/c)	7.2	3.2	2.8	(13.9)	13.2	25.2	31.2
Rice	4.3	1.3	1.6	(6.8)	7.2	14.1	17.0
Bulgar Wheat	0.6	0.5	0.5	-	1.6	0.7	1.7
Wheat flour	1.1	0.8	-	(0.8)	1.9	0.8	1.6
Raw cotton	1.2	0.6	0.7	(3.8)	2.5	5.8	7.1
Cotton Yarn	-	-	-	(2.5)	-	3.8	3.8
Tobacco	-	-	-	-	-	-	-
3. Other food aid	0.3	0.2	0.4	0.2 (0.4)	1.1	1.6 d/	2.4
TOTAL	11.1	9.9	14.3	0.2 (23.3)	35.5	42.6	67.0
Reserve	-	-	-	-	-	6.7	6.7

a/ Actual.
b/ Figures in parentheses shows the amount that should be transferred in this period but included in Jan-Mar estimates.
c/ Estimates.
d/ Including wheat under PL 480 - title II.

Source: Bank Indonesia.

Table 5

GOVERNMENT RECEIPTS 1969/1970
(In billions of Rupiahs)

	Quarterly figures				1969/70 Revised Est. Total
	Apr.-June (Act.)	July-Sept. (Act.)	Oct.-Dec. (Act.)	Jan.-Mar. (Est.)	
Taxes on Income	21.5	19.8	22.3	26.2	89.8
Income tax	2.9	2.9	3.1	2.6	11.5
Corporate tax (non-oil)	4.6	3.8	3.4	3.7	15.5
Withholding tax	3.2	3.9	4.0	3.6	14.7
(Tax)	(2.7)	(3.1)	(3.1)		
(Customs)	(0.5)	(0.8)	(0.9)		
Corporate tax (oil)	10.8	9.2	11.7	16.2	47.9
Other	-	-	0.1	0.1	0.2
Domestic Tax on Consumption	14.6	16.3	16.2	20.9	68.0
Sales tax	3.1	3.9	4.2	4.8	16.0
Excises	7.2	7.9	7.7	7.5	30.3
Other oil revenues	3.5	3.5	3.5	7.8	18.3
Miscellaneous levies	0.8	1.0	0.8	0.8	3.4
Taxes on International Trade	17.2	22.1	22.7	20.1	82.1
Import duties	12.1	15.9	16.5	15.0	59.5
Sales tax on imports	3.2	4.3	4.6	3.5	15.6
Export tax	1.9	1.9	1.6	1.6	7.0
Non-Tax Revenues	0.7	0.7	0.5	1.3	3.2
Total Routine	54.0	58.9	61.7	68.5	243.1
Aid Counterpart Funds	9.9	14.3	18.6	20.7	63.5
Project Aid	p.m.	p.m.	p.m.	p.m.	p.m.
Total Development	9.9	14.3	18.6	20.7	63.5
Total Revenues	63.9	73.2	80.3	89.2	306.6

Source: Ministry of Finance.

Table 6

GOVERNMENT EXPENDITURES 1969/70

(In billions of rupiahs)

	1969 Apr.-June (Act.)	1969 July-Sept. (Act.)	1969 Oct.-Dec. (Est.)	1970 Jan.-Mar. (Est.)	FY1969/70 Rev. Est.
Personnel Expenditures	23.4	19.1	29.0	34.9	106.4
Rice in kind	5.3	0.8	0.8	12.8	19.7
Rice in cash	2.6	2.8	2.6	2.8	10.6
Salaries	11.6	11.7	21.0	13.3	57.6
Other payment in kind	2.7	2.5	3.0	4.2	12.4
Other	0.5	0.5	0.5	0.5	2.0
External	0.7	1.0	1.1	1.3	4.1
Material	7.8	10.9	10.9	16.1	45.7
Domestic	6.5	9.2	8.9	12.5	37.1
External	1.3	1.7	2.0	3.6	8.6
Subsidies to regions	12.7	16.2	13.1	4.0	46.0
West Irian	4.0	0.9	1.3	2.5	8.7
Other	8.7	15.3	11.8	1.5	37.3
Debt service payments	6.0	2.9	1.8	2.7	13.4
Internal	0.4	0.5	0.4	0.3	1.6
External	5.6	2.4	1.4	2.4	11.8
Other	1.0	-	0.6	3.4	5.0
General election	-	-	-	2.3	2.3
Other	-	-	0.6	1.1	1.7
Previous years budget expenditures	1.0	-	-	-	1.0
Total Routine Budget	50.9	49.1	55.4	61.1	216.5
Central Government	5.3	16.6	19.4	36.3 1/	77.6
Banking system	3.0	-	-	4.3	7.3
Local authorities	2.0	-	-	0.6	2.6
Others	2.4	0.2	-	-	2.6
Project loans	p.m.	p.m.	p.m.	p.m.	p.m.
Total development budget	12.7	16.8	19.4	41.2	90.1
Total expenditures	63.6	65.9	74.8	102.3	306.6

1/ Includes provision for Bimas Gotong Rojong, Rp. 3.8 billion.

Source: Department of Finance.

Table 7

RUPIAH EXPENDITURES OF THE DEVELOPMENT BUDGET 1969/70 (Revised)

(In millions of Rupiahs)

		Original Budget	Supplementary Allocations	Total	Expenditure To January 16 1970
1.	Consultative Assembly	130		130	29
2.	Gotong Rojong House	589		589	322
3.	Supreme Advisory Council	5		5	4
4.	State Comptrolling Body	60		60	42
5.	Supreme Court	30		30	23
6.	Office of Attorney General	215		215	142
7.	Office of the President	40		40	29
8.	Cabinet Secretariat	591	397	988	663
9.	Non-Departmental Agencies	596		596	319
10.	Department of Home Affairs	1,350	114	1,464	433
11.	Department of Foreign Affairs	510		510	387
12.	Department of Justice	855		855	329
13.	Department of Information	757	140	897	827
14.	Department of Finance	1,348		1,348	453
15.	Department of Trade	475		475	126
16.	Department of Agriculture	5,780		5,780	2,617
17.	Department of Industry	1,855		1,855	1,117
18.	Department of Mining	899		899	458
19.	Department of Public Works	33,690	2,631	36,321	24,023
20.	Department of Communications	10,807	2,866	13,673	3,748
21.	Department of Education	5,500		5,500	1,693
22.	Department of Health	4,000	109	4,109	1,632
23.	Department of Religion	1,000		1,000	516
24.	Department of Manpower	371		371	224
25.	Department of Social Affairs	275		275	162
26.	Department of Transmigration	1,300		1,300	399
27.	Department of Defence	4,000		4,000	2,000
28.	Financing and Accounting Division	10,082	865	10,947	5,098
	- Financing through banks	(7,282)			(3,000)
	- Subsidies to Villages	(2,600)			(2,000)
	- Reallocation of personnel	(200)			(98)
29.	West Irian Development		3,100	3,100	-
	TOTAL	87,110	10,223	97,333 1/	47,814

1/ Includes Rp. 7,123 million of extra allocations to departments within revised total budget ceiling of Rp. 90,223 million.

Source: Ministry of Finance.

Table 8

1969/70 (Rupiah) Development Budget by Sectors and Agencies
(In millions of Rupiahs)

Sector/Agency	Economic Agencies						Social Agencies			Other Public Agencies			Total
	Agricultural	Industry & Mining	Public Works	Communic. & Tourism	Finance & Acctg. Div.	Other[a]	Education & Manpower	Health	Other[b]	Defence	Administration	Other[c]	
Economic Sector	4,837.0	2,005.0	31,295.0	10,432.3	9,881.5	-	100.0	-	800.0	-	800.0	50.0	60,200.8
Agriculture & Irrigation	4,837.0	-	19,705.0	-	791.5	-	-	-	800.0	-	-	-	26,133.5
Industry & Mining	-	2,005.0	-	-	6,390.0	-	-	-	-	-	-	-	8,395.0
Electric Power	-	-	4,590.0	-	100.0	-	-	-	-	-	-	-	4,690.0
Communication & Tourism	-	-	7,000.0	10,432.3	-	-	-	-	-	-	500.0	50.0	17,982.3
Village Program	-	-	-	-	2,600.0	-	100.0	-	-	-	300.0	-	3,000.0
Social Sector	524.9	329.0	1,894.3	110.0	200.0	175.0	5,747.8	4,000.0	2,085.1	-	2,093.8	444.3	17,604.2
Education & Manpower	524.9	329.0	594.3	110.0	200.0	175.0	5,474.8	325.0	1,004.7	-	713.8	444.3	10,168.8
Health	-	-	-	-	-	-	-	3,659.0	-	-	-	-	3,659.0
Other	-	-	1,300.0	-	-	-	-	16.0	1,080.4	-	1,380.0	-	3,776.4
Other Public Sector	418.0	450.0	500.8	265.0	-	1,648.0	23.0	-	447.3	4,000.0	1,481.4	102.0	9,335.5
Defence	-	-	-	-	-	-	-	-	-	4,000.0	-	-	4,000.0
Administration	418.0	450.0	500.8	265.0	-	1,648.0	23.0	-	447.3	-	1,481.4	-	5,233.5
Other	-	-	-	-	-	-	-	-	-	-	-	102.0	102.0
Total All Sectors	5,779.9	2,784.0	33,690.1	10,807.3	10,081.5	1,823.0	5,870.8	4,000.0	3,332.4	4,000.0	4,375.2	596.3	87,140.4[d]

a/ Departments of Finance and Trade.
b/ Departments of Social Affairs, Transmigration, Cooperation, Religion and Information.
c/ Non-departmental expenditures.
d/ Excludes supplementary allocation of Rp. 3.1 billion for West Irian.

Source: Ministry of Finance.

Table 9

Provisional 1970/71 (Rupiah) Development Budget by Sectors and Agencies
(In million Rupiahs)

Sector/Agency	Economic Agencies						Social Agencies			Other Public Agencies			Total
	Agricultural	Industry & Mining	Public Works	Communic. & Tourism	Finance & Acctg. Div.	Other[a]	Education & Manpower	Health	Other[b]	Defence	Administration	Other[c]	
Economic Sector	5,387.0	2,157.7	42,590.0	10,673.0	20,000.0	-	235.6	-	811.0	-	100.0	-	81,854.3
Agriculture & Irrigation	5,387.0	-	20,080.0	-	-	-	-	-	811.0	-	-	-	26,278.0
Industry & Mining	-	2,157.7	-	-	5,000.0	-	-	-	-	-	-	-	7,157.7
Electric Power	-	-	8,620.0	-	-	-	-	-	-	-	-	-	8,620.0
Communication & Tourism	-	-	13,890.0	10,673.0	-	-	-	-	-	-	-	-	24,563.0
Village Programs	-	-	-	-	11,500.0	-	-	-	-	-	-	-	11,500.0
West Irian Development	-	-	-	-	3,500.0	-	-	-	-	-	-	-	3,500.0
Other	-	-	-	-	-	-	135.6	-	-	-	100.0	--	235.6
Social Sector	607.0	456.9	2,731.0	140.0	2,350.0	107.2	5,850.7	4,196.0	2,405.9	-	2,120.4	536.5	21,501.6
Education & Manpower	607.0	456.9	416.0	140.0	1,850.0	107.2	5,850.7	252.4	1,141.2	-	722.2	536.5	12,080.1
Health	-	-	-	-	500.0	-	-	3,925.6	-	-	-	-	4,425.6
Other	-	-	2,315.0	-	-	-	-	18.0	1.264.7	-	1,398.2	-	4,995.9
Other Public Sector	576.0	460.9	679.0	230.0	306.5	2,015.3	271.5	204.0	568.8	4,500.0	2,408.6	207.5	12,428.1
Defence	-	-	-	-	-	-	-	-	-	4,500.0	-	-	4,500.0
Administration	576.0	460.9	679.0	230.0	306.5	2,015.3	271.5	204.0	568.8	-	2,408.6	-	7,720.6
Other	-	-	-	-	-	-	-	-	-	-	-	207.5	207.5
Total All Sectors	6,570.0	3,075.5	46,000.0	11,043.0	22,656.5	2,122.5	6,257.8	4,400.0	3,785.7	4,500.0	4,629.0	744.0	115,784.0

a/ Departments of Finance and Trade.
b/ Departments of Social Affairs, Transmigration, Cooperation, Religion and Information.
c/ Non-departmental expenditures.

Source: Ministry of Finance.

Table 10

APPROVALS OF PRIVATE FOREIGN INVESTMENT PROJECTS BY SECTORS 1967-1969

Sectors	1967		1968		1969		Total	
	Number of Projects	Intended Capital Investment (Million $)	Number of Projects	Intended Capital Investment (Million $)	Number of Projects	Intended Capital Investment (Million $)	Number of Projects	Intended Capital Investment (Million $)
Agriculture	-	-	2	8.19	1	1.50	3	9.69
Forestry	4	5.50	9	66.69	22	279.75	35	351.94
Fishery	3	4.50	3	4.00	-	-	6	8.50
Mining (excl. oil)	1	76.50	2	82.00	5	305.70	8	464.20
Manufacturing/ Processing	12	28.31	45	49.75	40	77.89	97	155.95
Transport & Communications	1	6.10	3	2.66	3	1.42	7	10.18
Tourism/Hotel	-	-	1	2.60	4	7.89	5	10.49
Other Services[a/]	1	2.00	5	7.70	10	9.91	16	19.61
TOTAL	22	122.91	70	223.59	85	684.06	177	1,030.56

a/ Real estate, dredging and contracting, recreational activities.

Source: Compiled by the Mission from data supplied by the Foreign Investment Board.

Table 11

INTENDED FOREIGN INVESTMENT BY COUNTRY OF ORIGIN [a]

(F.I.B. Approvals, 1967 through 1969)

Country	Projects under $1 million		Projects $1 million or more		Total	
	No.	Intended Investment (million $)	No.	Intended Investment (million $)	No.	Intended Investment (million $)
United States	11	4.05	19	369.73	30	373.78
Japan	7	3.18	19	117.24	26	120.42
Hong Kong	8	3.05	12	24.33	20	27.38
Netherlands	5	1.77	7	19.54	12	21.31
Singapore	5	2.18	10	22.45	15	24.63
W. Germany	6	2.23	6	6.45	12	8.68
Philippines	-	-	11	258.50	11	258.50
France	1	0.80	5	12.29	6	13.09
Malaysia	1	0.98	5	15.00	6	15.98
Great Britain	4	0.49	2	6.00	6	6.49
Australia	5	1.11	1	1.35	6	2.40
Switzerland	3	1.30	1	1.25	4	2.55
Belgium	3	2.39	1	3.70	4	6.09
Thailand	2	1.25	2	2.00	4	3.25
Canada	2	0.82	1	75.00	3	75.82
Norway	-	-	3	4.23	3	4.23
Denmark	-	-	3	4.00	3	4.00
Panama	-	-	3	11.50	3	11.50
Korea	-	-	1	48.50	1	48.50
Sweden	-	-	1	1.20	1	1.20
Ivory Coast	1	0.70	-	-	1	0.70
TOTAL	64	26.30	113	1,004.26	177	1,030.56

a/ As stated in Letters of Intent.

Source: Prepared by the mission from data supplied by the Foreign Investment Board.

Table 12

APPLICATIONS AND APPROVALS UNDER THE DOMESTIC INVESTMENT LAW
NOVEMBER 1, 1968 THROUGH JANUARY 31, 1970

	Sector	Number of Applications	Foreign Exchange Cost ($ mln.)	Total Intended Investment (Rp. bln.)a/	Number of Approvals	Foreign Exchange Cost ($ mln.)	Total Approved Investment (Rp. bln.)a/
1.	Agriculture	5	0.55	0.28	4	0.24	0.16
2.	Estates	52	33.20	14.55	35	9.20	5.54
3.	Forestry	19	28.35	11.40	12	8.94	3.87
4.	Fisheries	5	1.86	0.97	3	1.49	0.73
5.	Livestock	2	0.04	0.06	2	0.04	0.06
	Sub-total 1-5	83	64.00	27.26	56	19.91	10.36
6.	Mining	1	1.52	1.22	-	-	-
7.	Manufacturing	187	182.50	54.21	136	113.64	25.83
8.	Transport	22	23.20	13.27	14	6.35	6.11
9.	Housing	2	0.76	0.27	-	-	-
10.	Tourism	20	19.26	9.69	13	4.85	3.91
11.	Infrastructure	4	3.45	2.16	2	0.12	0.18
12.	Other Sectors	1	-	0.16	-	-	-
	Total	320	294.74	108.24	221	144.87	46.39

a/ Including Rupiah equivalent of foreign exchange cost.

Source: Domestic Investment Board.

Table 13

Medium - term Credit Program
(In billions of Rupiahs)

	Approved			Total Disbursement	Disbursement by sectors		Disbursement by share of financing		
	Local Currency Expenditure	Foreign Exchange Expenditure	Total		Public Sector	Private Sector	Bank Ind.	State Banks	Budget
April	...	...	4.6	2.8	1.6	1.2	2.8	-	-
May	...	...	5.1	3.5	1.6	1.9	3.5	-	-
June	...	...	5.4	3.6	1.7	1.9	3.6	-	-
July	...	...	7.6	3.8	1.8	2.0	3.6	-	0.2
Aug.	...	...	9.1	4.2	2.0	2.2	3.9	-	0.3
Sept.	6.6	4.7	11.3	4.6	2.1	2.5	4.3	-	0.3
Oct.	7.1	6.7	13.8	6.2	3.2	3.0	4.9	0.5	0.8
Nov.	10.0	11.6	21.6	8.0	4.4	3.6	5.4	0.5	2.1
Dec. *)	12.6	14.6	27.2	9.4	5.1	4.3	...	...	...

*) Provisional.

Source: Bank Indonesia.

Table 14

AGRICULTURAL PRODUCTION, 1968 AND 1969
(In thousand metric tons)

	1968	1969[a]
Rice (milled)	10,416	10,798[b]
Corn (in kernels)	2,682	1,944[b]
Cassava (roots)	9,964	10,597[b]
Sweet potatoes	2,174	1,956[b]
Peanuts (shelled)	253	308[b]
Soybeans	331	320[b]
Rubber	735	740
Estate	(206)	(230)
Smallholder	(529)[a]	(510)
Oil palm products		
Palm oil	180	172
Palm kernels	39	41
Coffee	156	188
Estate	(13)	(21)
Smallholders	(143)	(167)
Tea		
Estate	41	40
Smallholder (green tea)	61	62
Sugar		
Estate (centrifugal)	526	677
Other (non-centrifugal)	203	270
Copra	1,131	1,254
Tobacco	48	66
Spices	80	86
Capok	23	28

a/ Estimates.
b/ September forecast.

Sources: Department of Agriculture.
Central Bureau of Statistics.

Table 15

Production of Manufacturing Industries

Industry	1968 (actual)	1969 (actual)
Paper	11,266 tons	15,634 tons
Cement	409,965 tons	540,097 tons
Fertilizer	95,528 tons	82,747 tons
Oxygen	1,803,307 M3	2,108,158 M3
S a l t	23,525 tons	179,531 tons
Automobile tires	238,911 pieces	350,585 pieces
Automobile tubes	157,809 pieces	224,887 pieces
Bicycle tires	3,000,000 pieces	2,337,030 pieces a/
Bicycle tubes	2,500,000 pieces	165,628 pieces a/
S o a p	200,000 tons	250,000 tons
Coconut oil	208,000 tons	249,790 tons
Cooking oil	23,465 tons	28,076 tons a/
Cigarettes	14,000 mill.pieces	10,910,273 a/
Kretek cigarettes	24,000 mill.pieces	18,843,483
Matches	238 mill.boxes	262.9 mill.boxes
Dental cream	13 mill.tubes	16 mill.tubes
Y a r n	129,720 bales	159,812 bales
Textile	316 mill.metres	415 mill.metres
Textile finishing	90 mill.metres	160 mill.metres
B a t i k	64 mill.metres	96 mill.metres
Motorcycle assembling	15 motorcycles	6 , 546 motorcycles
Sewing machine assembling	3,590 sewing machines	18,423 sewing machines
Radio/Transistor sets	63,984 pieces	24,900 pieces a/
T.V. assembling	1,157 pieces	259 pieces a/
Batteries	28,118 pieces	3,529 pieces a/
Dry Batteries	3,540,778 pieces	715,470 pieces a/

a/ Provisional figure (data incomplete)

Source: Department of Basic and Light Industries