

BANK INDONESIA

**REPORT FOR THE
FINANCIAL YEAR
1971/1972**

REPORT OF BANK INDONESIA

**FOR THE FINANCIAL YEAR
1971/1972**

BANK INDONESIA

Head Office

DJAKARTA

Representative Offices

KUALALUMPUR

LONDON

NEW YORK

SINGAPURA

TOKYO

Branch Offices

AMBON, AMPENAN, BANDA

ATJEH, BANDJARMASIN, BANDUNG,

DENPASAR, DJAMBI, DJAJAPURA, DJEM

BER, JOGJAKARTA, KEDIRI, KENDARI, KU

PANG, MALANG, MEDAN, MENADO, PADANG, PA-

KANBARU, PALEMBANG, PALU, PONTIANAK, SAMARINDA,

SEMARANG, SOLO, SURABAYA, TELUKBETUNG, TJIREBON,

UDJUNG PANDANG

Cash Offices

PURWOKERTO

Position as per end of March 1972

PREFACE

Economic activities of the third year of PELITA I (First Five Year Development Plan) were a continuation of those made by the Government since the first year of REPELITA which had its start on April 1, 1969. The economic, financial and banking sectors became the subject of several new policies which the Government introduced to provide greater stimulation for development. In addition, efforts were also made to increase the participation of the general public with respect to the mobilization as well as the utilization of funds.

During the period under report i.e. 1971/1972 money supply rose by Rp 81 billion 30% to reach Rp 351 billion. At the end of 1970/1971, following an increase by Rp 59 billion (28%) over the previous year's figure, money supply amounted to Rp 270 billion. During the period under report, money supply consisted of 61% currency and 39% deposit money, on the average.

Notwithstanding the swift increase in money supply, the rate of inflation over the past years had actually declined. The rate of inflation as measured by the cost of living index in Djakarta which is composed of 62 kinds of goods and services was during 1971 (at 2.6%) less than that of 1970 (at 8.9%). In the financial year under report i.e. 1971/1972 the rate of inflation rose only by 0.9% as against 7.8% in 1970/1971.

As the result of the swift increase in money supply and the declining rate of inflation, the real value of money supply had from year to year—as measured from the end of 1966 —increased significantly. At the end of March 1972 the increase in the real value of money supply by 2.9% as compared with the previous year's figure was necessitated by the demand which the rising economic activities had placed for liquidity.

As has already been reported above, money supply during the year under report rose by Rp 81 billion to reach Rp 351 billion. The larger balance on foreign assets of Bank Indonesia was one of the reasons why money supply had increased. The main reason, however, lay in the higher volume of bank credit which rose by Rp 132 billion at the end of the period under report. But since time deposits and savings with banks had increased by Rp 82 billion, the expansionary effect caused by the banking sector was actually only Rp 50 billion.

Of the total volume of credit approvals by banks which amounted to Rp 523 billion, the state commercial banks shared for 69 %, with the balance made up by credit approvals of Bank Indonesia and those of other banks. In 1971/1972 the credit policy still aimed at supporting economic activities while maintaining the monetary stability which had already been achieved.

Following a few adjustments of the budget of receipts and expenditures for 1971/1972, total receipts amounted to Rp 559 billion and total expenditures to Rp 541 billion, hence creating a surplus of Rp 18 billion. Domestic receipts were Rp 428 billion, whereas routine expenditures amounted to Rp 349 billion. This resulted in public savings of Rp 79 billion which was subsequently used to finance development. Compared with the actual budget of the previous year, receipts rose by Rp 94 billion and expenditures by Rp 82 billion. The above mentioned Rp 559 billion in Government receipts consisted of Rp 428 billion in domestic receipts and of Rp 131 billion in development receipts which came from foreign aid. Of the domestic receipts, 42% was made up by direct tax receipts, 51% by indirect tax receipts, and 7% by non-tax receipts. Compared with the previous year, direct taxes recorded a sufficiently large increase, namely by 49%, indirect taxes rose by 5%, whereas non-tax receipts increased by 110%.

In 1971/1972 routine expenditures reached a volume of Rp 349 billion, or were 21% in excess of those of the previous year. The higher figure for routine expenditures was caused by the larger payments for salaries and pensions which totalled Rp 163 billion, or exceeded the previous year's figure by 24%. It has already been reported that as from 1969/1970, the Government introduced its policy to raise the salaries and pensions of civil servants in a gradual manner, insofar as such lay within the capabilities of the budget. Besides the above mentioned expenditures, the Government had raised the amount of the subsidies it had been granting to autonomous regions. In the year under report these subsidies amounted to Rp 67 billion, or were Rp 11 billion more than the previous year's figure. This was also the case with expenditures for installments and interest payments on Government debts, especially with respect to foreign debts, which in the year under report amounted to Rp 47 billion, or were 42% in excess of its estimated figure.

Development expenditures rose by 13 % as compared with those of the previous year. For the major part, development expenditures were made by departments of the Government and amounted to Rp 143 billion.

In view of recent developments in the monetary sector - domestic as well as foreign - the Government took several steps which it considered necessary. One of these constituted a tightening of the cash ratio provision, whether in Rupiah or in foreign exchange. In addition thereto, the Government restricted the issue of guarantees in Rupiah currency by banks and prohibited the issue of bank guarantees in foreign exchange.

During the year under report, several policies with respect to the banking sector were introduced in order to keep up with the intensified efforts to improve the banking infrastructure. In the context of bringing order in the establishing of village banks and paddy banks, the Government laid down the procedure for the granting of operating licences to village banks and paddy banks which had been established pursuant to Staatsblad 1929 No. 357. The purpose thereof was to ascertain whether or not it was necessary for the aforesaid village banks and paddy banks to continue with their operations. Order was also brought into savings and loans cooperatives, village banks, retailers banks and other banks of a similar nature with respect to the licencing, supervision and guidance of these banks.

Having taken into consideration the need for a law governing village banks paddy banks, retailers banks, personnel banks and banks uniform thereto, the Government established a committee to draw up the draft of such a law.

In the meantime, the effort to provide guidance to banks, especially to national private banks was kept up. Bank Indonesia, inter alia, provided loans in the form of re-mortgage, special emergency loans and loans to facilitate clearing to banks which were truly in need of such forms of aid.

State banks continued to play a significant role in banking operations, as may be observed from the volume of credits granted as well as from the funds which these banks succeeded to mobilize. In contrast thereto, the role of national private banks as observed from the same point of view, experienced a decline; that of the branch of offices of foreign banks, however, became more pronounced.

With respect to the mobilization of funds, banks recorded in general a significant progress. At the end of the period under report, time deposits reached a volume of Rp 126 billion, signifying an increase of Rp 66 billion or of 111 %. For the most part, these time deposits had a maturity of 12 months which shows the rising propensity

of the general public to save, notwithstanding the fact that time deposits had on several occasions been subjected to a reduction of their interest rate as well as adjustments to monetary developments.

An important step in the year under report constituted the policy of the Government to introduce a national savings drive in the form of the Tabungan Pembangunan Nasional (TABANAS) and the Tabungan Asuransi Berjangka (TASKA) which was started on August 20, 1971. This effort was intended to mobilize more funds from all levels of the general public, while supporting the rising development activities. Made available under attractive terms, within the span of only 7 months, namely until the end of March 1972, TABANAS succeeded to reach a volume of Rp 11 billion and listed 1.5 million savers.

As is already known, on August 23, 1971 the Government had revised the rate of the Rupiah from Rp 378,- into Rp 415,- per US \$ 1,-. This was done to adjust the value of the Rupiah to the international monetary situation which had changed on account of the world monetary crisis. By adjusting the rate of the Rupiah it was hoped that the volume of exports could be raised to still higher levels. Towards the expansion of exports, the Government also established a Lembaga Pengembangan Ekspor Nasional (National Institution for the Development of Exports) which among other things was charged with the duty of making surveys abroad and of providing exporters with suggestions, especially with respect to marketing, finance and transportation.

A series of regulations on imports was introduced, inter alia, in connection with the effort to bring order in import executions financed with merchant's L/C and the abolition of import duties on woods which were to be used directly by projects undertaken through loans in the context of project aid. Besides, provisions were also made regarding the granting of compensations to users of credit foreign exchange to stimulate the utilization of the aforesaid credit foreign exchange.

In 1971/1972 notwithstanding the fact that the balance on goods and services had suffered a deficit of US \$ 452 million, the balance of payments showed a surplus of US \$ 25 million which was US \$ 4 million more than the surplus recorded in 1970/1971. This was facilitated by the inflow of capital supplied by the private sector as well as through official foreign aid. It should be noted that in the year under report,

exports exceeded imports only by US \$ 87 million as against US \$ 102 million in the previous year, since the increase in export value was less than that of the import value.

Thanks to the more favourable development of the economic situation, domestic capital investment as well as foreign capital investment experienced an increase. Until the end of March 1972, investment approvals in the context of domestic capital investment numbered 945 projects with a combined capital investment plan of Rp 421 billion. Foreign capital investment which was approved consisted of 476 projects with a combined capital investment plan of US \$ 1,701 million and included 266 projects for the industrial sector having a combined capital investment plan of US \$ 523 million.

With respect to the production of foodstuffs may be reported that the Government had continued its effort to raise the production of foodstuffs by favoring a higher production of rice. Data provided by the Department of Agriculture showed that the production of rice in 1971 had reached 12.8 million tons, indicating that rice output had increased by 4% since the end of 1970, or was 2% larger than its target for 1971 which had been placed at 12.5 million tons. The production of other foodstuffs such as tubers and pulses had also increased. Maize was the only foodstuff which suffered a decline in output over the past years due to its crowding out by the rice culture as the result of the rehabilitated irrigation system.

The production and export of timber had for the past several years revealed a rising figure, mainly because of the higher demand and the better prices abroad. In 1971, production rose by 20% to reach 13.1 million m³, while the export volume rose by 46% and its value by 67%. The higher production and export figures were facilitated by the increase in capital investment (national as well as foreign) in the forestry sector.

The output of the mining sector - with the exception of silver - was higher than that of the previous year. Crude oil production rose by 5% to reach 342 million barrels in 1971/1972. In addition, other mining products such as tin, nickel, bauxite and coal rose respectively by 7%, 23%, 7% and 12%. In the period under report,

activities in the domestic industrial sector such as the textile, fertilizer, paper, tires and incandescent tubes industries had also increased significantly.

The results achieved during the third year of REPELITA I which have been reported above succeeded to strengthen the base for development activities in the forthcoming years.

The Governor, Bank Indonesia

RADIUS PRAWIRO

I. MONEY SUPPLY

Money supply

Table I shows that money supply rose from Rp 270.2 billion at the end of March 1971 to Rp 351.1 billion at the end of March 1972. The increase in money supply in absolute terms during the 1971/1972 fiscal year amounted to Rp 80.9 billion and exceeded the increase in money supply during the 1970/1971 fiscal year which amounted to Rp 59.5 billion. In terms of percentages, the increase in money supply in the 1971/1972 fiscal year was also higher than that in the 1970/1971 fiscal year, viz. 30% as against 28%. The value of money, in real terms, based on September 1966

TABLE 1 – MONEY SUPPLY
(millions of Rupiahs)

End of	Total	Movement	Percentage change	Currency	% of total	Deposit money	% of total
1966	22,208	19,636	763	14,360	65	7,848	35
1967	51,471	29,263	132	34,098	66	17,373	34
1968	113,894	62,423	121	74,684	66	39,210	34
1969	179,973	66,079	58	114,245	63	65,728	37
1970: March	210,739	30,766	17	126,295	60	84,444	40
June	216,413	5,674	3	131,737	61	84,676	39
September	226,913	10,500	5	135,865	60	91,048	40
December	241,053	14,140	6	152,786	63	88,267	37
Total 1970		61,080	34				
1971: March	270,167	29,114	12	166,787	62	103,380	38
June	291,453	21,286	8	178,427	61	113,026	39
September	303,988	12,535	4	182,285	60	121,703	40
December	312,547	8,559	3	195,485	63	117,062	37
Total 1971		71,494	30				
1972: March	351,122	38,575	12	208,417	59	142,705	41
Total 1971/1972		80,955	30				

prices was at the end of March 1972 higher than that at the end of March 1971, whether in absolute terms or that of percentages. In 1971 / 1972 money supply increased by Rp 11.8 billion (29%) as against Rp 6.5 billion (19%) in 1970/1971. Table 2 shows that as from 1966 onwards, the real money balances index was continually on the rise. At the end of March 1972, money supply in real terms was 3.5 times the volume reported at the end of September 1966, and thus implied an annual

increase of 26% on the average. This indicates that despite an expanded money supply because of the developing economy's demand for liquidity, the rate of inflation had as a matter of fact declined, which points to the successful outcome of the economic stabilization and rehabilitation program.

In 1971/1972 the share of currency in the money supply was 61% and that of deposit money 39%. Since 1968/1969, the share of currency had declined, indicating a more intensive use of deposit money. This development was attributed to the favourable recovery of the general public's confidence in the Rupiah, in general, and in banks in particular, as is reflected by the higher balances on current account and the added number of the banks' current account holders

Factors affecting money supply

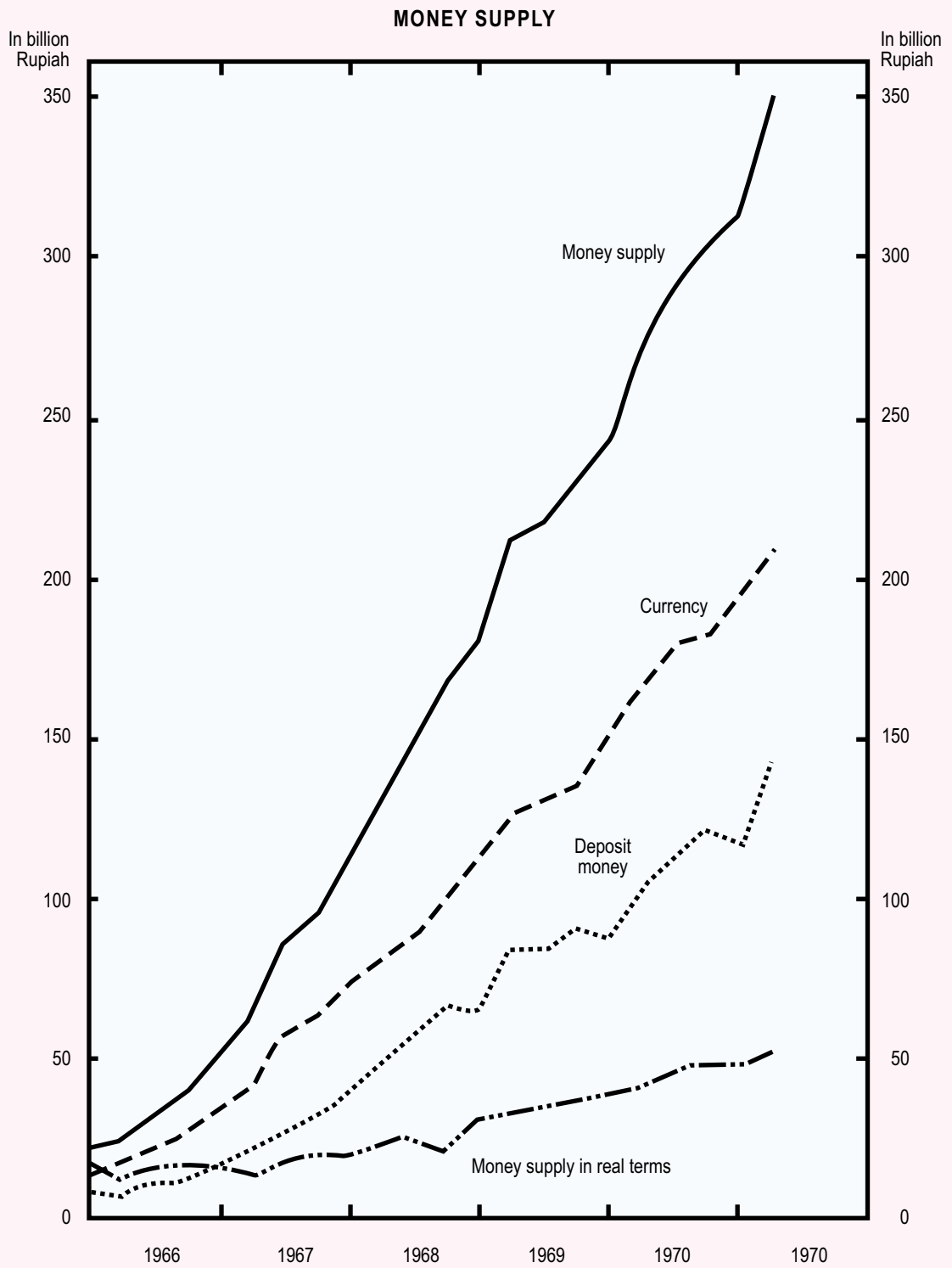
The factors which affected money supply are presented in Table 3. The table shows that during 1971/1972, the foreign sector accounted for an expansionary effect which was i.e. caused by an increase of the balance of foreign exchange assets of

TABLE 2 — MONEY SUPPLY IN REAL TERMS
(millions of Rupiahs)

Year/Month	Money Supply	Money Supply in real terms 1)	Index of money supply in real terms 2)
1966	22,208	16,669	111
1967	51,471	18,209	121
1968	113,894	21,768	145
1969	179,973	31,301	208
1970: March	210,739	34,297	228
June	216,413	35,411	235
September	226,913	37,793	251
December	241,053	38,503	256
1971: March	270,167	40,795	271
June	291,453	46,584	309
September	303,988	49,163	327
December	312,547	48,721	324
1972: March	351,122	52,593	349

1/ Based on September 1966 prices

2/ September 1966 = 100



banks. Table 3 indicates that the foreign sector was responsible for an expansionary effect of Rp 61.1 billion; in essence, however, its bearing on the money supply during the year under report was much less, since the aforesaid amount of Rp 61.1 billion included the expansionary effect of Special Drawing Rights (SDR) allocations to the extent of US \$ 27.6 million or Rp 11.4 billion, which was matched by a contractionary effect to the same amount in other sectors. The foreign sector, therefore, accounted for an expansionary effect, in real terms of only Rp 49.7 billion.

In 1971/1972, the Public sector caused an expansionary effect of Rp 16.2 billion which was attributed to the increase in the claims of Bank Indonesia to the extent of Rp 7.4 billion and a decrease of the balance on Government accounts with other banks by Rp 8.8 billion.

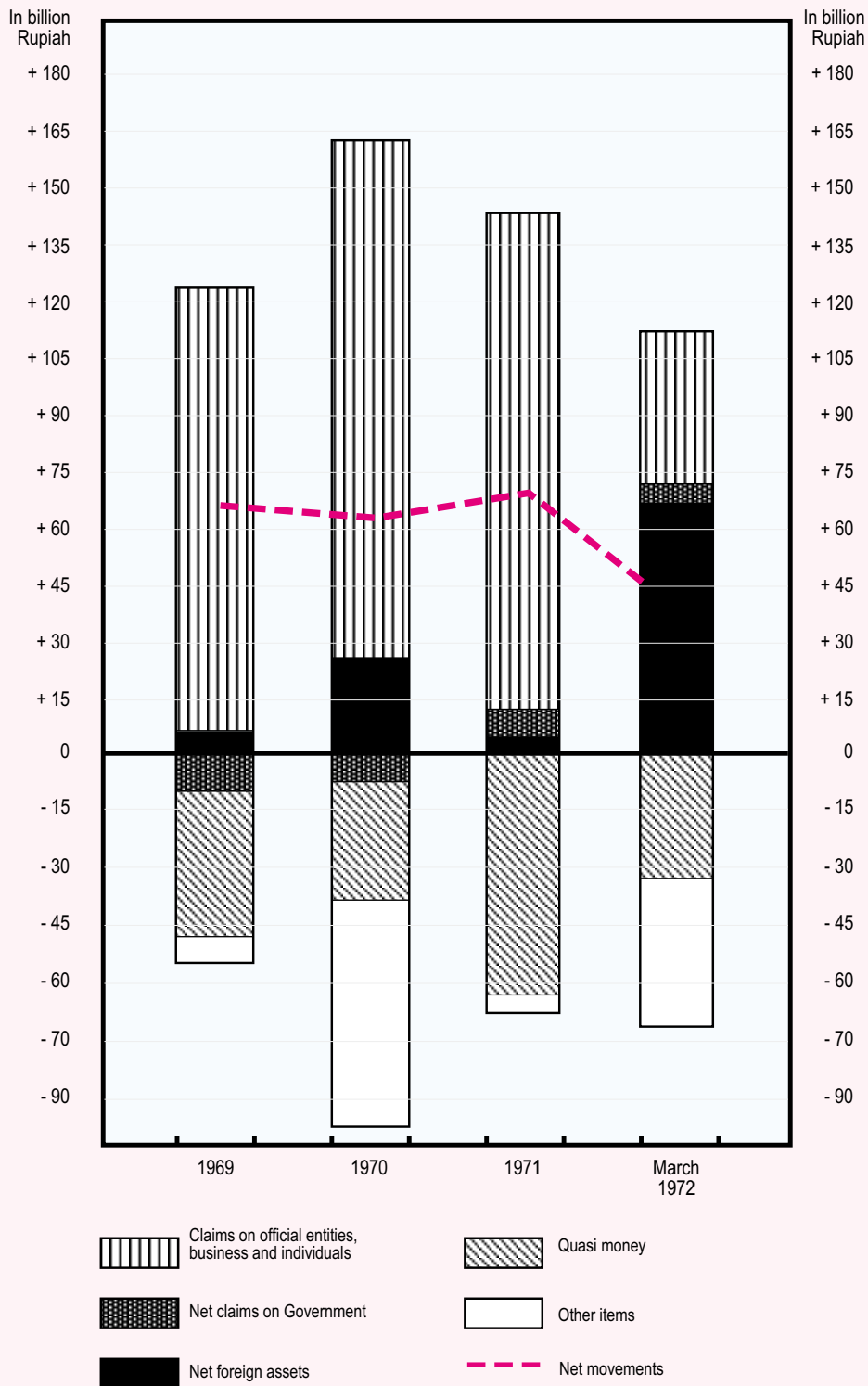
In 1971/1972 the volume of credit increased by Rp 131.9 billion as against Rp 128.3 billion in 1970/1971. In the year under report, time deposits and savings increased by Rp 81.9 billion as against Rp 39.8 billion in 1970/1971. The banking sector, therefore, accounted for a contractionary effect of only Rp 50.0 billion as compared with Rp 88.5 billion in 1970/1971.

In 1971/1972 the item "other causes" accounted for a contractionary effect of Rp 46.4 billion. This contractionary effect was caused not only by Special Drawing Rights allocations of Rp 11.4 billion as mentioned earlier, but also by an increase in the capital accounts of banks to the extent of Rp 19.1 billion, and in that of inter-bank claims and liabilities.

TABLE 3 – FACTORS AFFECTING MONEY SUPPLY
(millions of Rupiahs)

	1970	1971	1970/1971	1 9 7 1				1972 I	1971/1972
				I	II	III	IV		
<i>Net foreign exchange position</i>									
– Bank Indonesia	23,655	2,567	16,908	7,567	-20,869	10,663	5,206	66,133	61,133
– Other banks	27,151	14,146	25,247	9,092	-14,399	5,282	14,171	58,481	63,535
	- 3,496	-11,579	- 8,339	-1,525	- 6,470	5,381	- 8,965	7,652	- 2,402
<i>Government</i>	- 8,669	8,065	-18,842	-2,599	4,131	-11,734	18,267	5,556	16,220
– Bank Indonesia claim on Government	12,138	1,653	3,682	2,822	- 787	- 5,773	5,391	8,539	7,370
– Government claim on other banks	-20,807	6,412	-22,524	-5,421	4,918	- 5,961	12,876	- 2,983	8,850
<i>Claim on official entities, business and individuals</i>									
– Bank Indonesia	137,807	130,202	128,287	38,176	27,468	54,240	10,318	39,899	131,925
– Counterpart funds	1,078	6,962	17,109	-8,625	9,757	11,998	- 6,168	- 6,324	9,263
– Other banks	8,108	5,538	6,655	19,366	904	-13,508	- 1,224	17,265	3,437
	128,621	117,702	104,523	27,435	16,807	55,750	17,710	28,958	119,225
<i>Quasi money and saving</i>	-30,310	-65,176	-39,796	-14,807	-16,190	-16,643	-17,536	-31,509	-81,878
<i>Other items</i>	-61,403	- 4,164	-27,129	777	26,746	-23,991	- 7,696	-41,504	-46,445
<i>Money supply</i>	61,080	71,494	59,428	29,114	21,286	12,535	8,559	38,575	80,955
– Currency	38,541	42,699	40,492	14,001	11,640	3,858	13,200	12,932	41,630
– Demand deposits	22,539	28,795	18,936	15,113	9,646	8,677	- 4,641	25,643	39,325

FACTORS AFFECTING MONEY SUPPLY



II. GOVERNMENT FINANCE

General

The 1971/1972 fiscal year was the third year of the REPELITA I (Five Year Plan I) the execution of which was introduced in fiscal year 1969/1970. The implementation of the Budget of Receipts and Expenditure for the third year of REPELITA I provided not only for the completion of work carried out during the previous fiscal year, but also for laying down the foundation or for putting up the supports for future development activities. Consequently, the development fund required for 1971/ 1972 was much larger than those of previous years.

The balanced budget policy still adhered to by the Government in 1971/1972 specified that funds for the financing of development was to be provided by Public savings, viz. the difference between domestic receipts and routine expenditure and by foreign aid. Although development receipts from foreign aid were in 1971/1972 higher than those of the previous years, these receipts continued to perform a complementary role only. In fact, it is the objective of the Government to create for Public savings such a significant role in the total context of development fund that foreign aid would gradually become less and less important.

An intensification of Public savings can only be achieved by keeping routine expenditure at a low level and/or raising domestic receipts. Although the Government had, on the one hand, continued to economize and caused routine expenditure to become more efficient, increased development activities and the rising demand of Public agencies for better equipment, on the other hand, had made higher routine expenditure unavoidable. Government obligations which had to be met in 1971/1972 i.e. the execution of the general elections, improvement of the welfare of civil servants, repayment of debts and interest payments on foreign loans which had grown in size by the year, all these made for increased routine expenditure.

The larger routine expenditure made it imperative to intensify domestic receipts and thus increase Public savings, a matter which turned out to be a rather heavy responsibility of the Government during 1971/1972.

The Budget of Receipts and Expenditure for 1971/1972 had originally been balanced at Rp 585.2 billion. After having observed the developments which occurred until the end of 1971, on the strength of the Act concerning the Supplementary Budget of Receipts and Expenditure for 1971/1972 enacted at the year's end, ap-

proval was granted to bring down the Budget of Receipts and Expenditure to Rp 559.1 billion and Rp 540.6 billion respectively. This provided for a surplus of Rp 18.5 billion.

The reduction of the budget of receipts by Rp 26.1 billion was consequent to the decline in development receipts from foreign sources by 23% of the amount originally incorporated in the Budget of Receipts and Expenditure. Delays which still plagued the execution of project aid from some countries were the prime cause of the lower receipts; hence development expenditure became automatically less than its projected amount. To balance the lower development receipts against development expenditure the Supplementary Budget of Receipts and Expenditure provided for an increase in domestic revenue by 3% of its original figure. Routine expenditure, however, rose by 2% attributed to i.e. certain development which forced routine obligations of the Government to become heavier.

Tables 4 and 5 show that both receipts and expenditure were executed in complete accordance with the Supplementary Budget of Receipts and Expenditure.

As compared with the execution of the previous year, the 1971/1972 Budget of Receipts and Expenditure execution shows that revenue and expenditure had increased by 20% and 18% respectively. Public savings had been successfully raised by 28% indicating the increased capability of the Government to finance development out of domestic funds.

Government receipts

Actual Government receipts in 1971/1972 consisted of routine receipts of Rp 428.0 billion and development receipts of Rp 131.1 billion. Direct tax receipts accounted for 42% of routine receipts or for Rp 181.0 billion, indirect tax receipts for 51% or for Rp 219.5 billion and non-tax receipts for 7% or for Rp 27.5 billion.

As compared with 1970/1971, direct tax receipts rose quite significantly, namely by 49%. Indirect tax receipts rose by 5% and non-tax receipts by 110%. These increases accounted for the fact that in terms of percentages, direct tax receipts had grown larger, viz. from 35% the previous year to 42% of tax receipts of the Government in 1971/1972. The policy to increase direct tax receipts held not only significance for increased Government receipts but exercised also an important influence on the effort to equalize the distribution of income. Increases may be observed in all the forms of direct taxes; oil company tax receipts, for example, besides maintaining

TABLE 4 — GOVERNMENT RECEIPTS
(millions of Rupiahs)

	1970/1971		1971/1972	
	Revised budget estimates	Actual receipts	Revised budget estimates	Actual receipts
<i>Routine receipts</i>	<u>342,054</u>	<u>344,603</u>	<u>415,960</u>	<u>428,021</u>
<i>Direct taxes</i>	<u>120,079</u>	<u>121,668</u>	<u>144,000</u>	<u>180,989</u>
Income tax	12,684	13,375	15,700	17,394
Corporation tax	20,284	20,683	21,600	25,405
Oil Company tax	68,643	68,818	87,200	112,497
Withholding tax	18,272	18,591	19,100	24,610
Other direct taxes	196	201	400	1,083
<i>Indirect taxes</i>	<u>210,478</u>	<u>209,823</u>	<u>267,700</u>	<u>219,538</u>
Sales tax	18,631	18,285	20,700	24,010
Sales tax on imports	22,214	22,097	29,600	22,402
Excises	38,103	38,879	45,600	40,391
Import duties	71,001	70,697	98,600	69,417
Export tax	25,740	25,032	28,700	28,101
Net petroleum profit	30,412	30,417	39,100	28,213
Other indirect taxes	4,377	4,416	5,400	7,004
<i>Non- tax receipts</i>	<u>11,497</u>	<u>13,112</u>	<u>4,260</u>	<u>27,494</u>
<i>Development receipts</i>	<u>119,844</u>	<u>120,531</u>	<u>169,250</u>	<u>131,102</u>
Program aid	78,264	78,591	103,100	90,527
Project aid	41,580	41,580	66,150	40,575
Total	<u>461,898</u>	<u>465,134</u>	<u>585,210</u>	<u>559,123</u>

Source : Department of Finance.

its role as the biggest source of tax receipts, also showed a sufficiently large increase, viz. by Rp 43.7 billion or by 63%. The larger oil company tax receipts were attributed to the higher output, higher export prices of crude oil and the revised foreign exchange rates.

Furthermore, in the sectors of corporation tax (excluding oil), income tax, withholding tax and other direct taxes, the Government took steps which provided, in general, more abatements and stimuli such as the lowering of the tariff of selected taxable income levels, the granting of permission and tax abatements in the context of the re-evaluation of fixed assets by corporations. Through these measures it was

hoped to create a more favourable fiscal climate and to stimulate the expansion of general public activities. In the meantime, the Government also undertook to broaden the taxpayers, level and to improve upon the agencies and administration responsible for the collection of taxes, so that receipts from income tax, corporation tax, withholding tax and other taxes in 1971/1972 could exceed the previous year's figures by 30%, 23%, 32% and 439%, respectively, and thus account for receipts of Rp 17.4 billion, Rp 25.4 billion, Rp 24.6 billion and Rp 1.1 billion, in that order.

In 1971/1972 indirect taxes amounted to Rp 219.5 billion as against Rp 209.8 billion in 1970/1971. This meant a mere increase of Rp 9.7 billion or 5%. This relatively small increase was caused by the low receipts from import duties and sales tax on imports, both of which are regarded as the principal components of indirect taxes. Receipts from sales tax on imports were approximately 70% of their estimated figure.

The low receipts reflected the measures taken by the Government to lower the tariffs of import duties and those of sales tax on imports of raw material, complementary material and capital goods in support of rising development activities. The shift of the import pattern from consumers' goods to raw material, complementary material and capital goods which had become subject to the lower import tax rates contributed also to the lower receipts of this kind.

Net petroleum profit which constitutes the proceeds of domestic fuel sales was also less than that of the previous year and reached only Rp 28.2 billion or 28% less than its budget estimates. This low figure was attributed to the higher base price of fuel.

Components of indirect tax receipts which were successfully raised in 1971/1972 were export tax, excise, sales tax and other indirect taxes which reached Rp 28.1 billion, Rp 40.4 billion, Rp 24.0 billion and Rp 7.0 billion, respectively. These figures were higher than those realized the previous year by respectively 31%, 12%, 4% and 58%, and succeeded in covering a part of the deficit in indirect tax receipts, as has already been explained above.

Even so, receipts from export tax and excise tax fell still short of their estimates which amounted to Rp 28.7 billion and Rp 45.6 billion, respectively.

The disturbing international monetary situation accounted for the lesser increase in export value, which in turn caused export tax receipts to be lower than anticipated.

The difficulty of obtaining cloves which is a raw material for the clove cigarette industry was the main factor which affected excise tax receipts.

Non-tax receipts more than doubled the previous year's receipts and jumped from Rp 13.1 billion in 1970/1971 to Rp 27.5 billion in 1971/1972. A part of the aforesaid Rp 27.5 billion represents the share of the Government in the profit of state enterprises and state banks.

As has already been reported above, development receipts failed to reach their estimated figure in the 1971/1972 Budget for Receipts and Expenditure. Even so, compared with the figure for 1971/1972, development receipts in 1971/1972 amounted to Rp 131.1 billion, meaning that they were 9% higher than their previous figure. This was facilitated by the sufficiently large increase in project aid receipts in the form of the sales proceeds of credit foreign exchange, food aid and non- food aid.

Government expenditure

In 1971/1972 routine expenditure reached Rp 349.1 billion and exceeded the figure for 1970/1971 by 21%. Routine expenditure still held the largest share, viz. 65% of total government expenditure as against 63% in the previous year. The proportional increase in routine receipts as figured against 1971/1972 expenditure as a whole and compared with its estimated as well as actual figure of the previous year was due not only to an increase in expenditure itself, but was also caused by reduced expenditure for development.

Higher actual routine expenditure may be seen mainly in the sector of personnel expenditure and pensions which continue to make up the biggest part of routine expenditure. Personnel expenditure and pensions reached Rp 163.3 billion or were 24% above the previous year's actual figure. This increase was closely connected to the effort to intensify the capabilities of Government agencies so as to enable them to carry out their growing responsibilities with respect to development and to raising Government receipts. It has already been reported that as from 1969/1970 the Government had subjected the salaries of public servants and pensions to a gradual increase in accordance with the capabilities of the Budget of Receipts and Expenditure. In 1971/1972 salaries were raised by 33 1/3% over the previous year's level. In harmony with the effort to improve the welfare of civil servants, their capabilities and discipline were intensified and the personnel structure perfected. The foregoing efforts together with the broadening of regional development activities had also increased the expenditure for Government subsidies to autonomous regions, viz. from Rp 56.2 billion in 1970/1971 to Rp 66.8 billion in 1971/1972.

TABLE 5 – GOVERNMENT EXPENDITURE
(millions of Rupiahs)

	1970/1971		1971/1972	
	Revised budget estimates	Actual expenditure	Revised budget estimates	Actual expenditure
<i>Routine expenditure</i>	<u>288,177</u>	<u>288,177</u>	<u>343,340</u>	<u>349,095</u>
Personnel expenditure/pension	119,738	119,738	165,900	163,340
Materiel expenditure	74,266	74,266	67,200	67,125
Subsidies to local governments	56,166	56,166	66,800	66,800
West Irian	10,068	10,068	10,000	10,600
Other local governments	46,098	46,098	56,800	56,200
Interest/instalments on debts	25,600	25,600	37,200	46,600
Domestic	2,000	2,000	8,400	5,600
Foreign	23,600	23,600	28,800	41,000
Other routine expenditure	12,407	12,407	6,240	5,230
Subsidies	10,958	10,958	–	–
General elections	–	–	4,700	4,730
Other	1,449	1,449	1,540	500
<i>Development expenditure</i>	<u>166,544</u>	<u>169,752</u>	<u>241,870</u>	<u>191,475</u>
Central government expenditure	120,514	124,549	181,055	143,135
Disbursed through banks	1,000	1,000	11,500	7,046
Subsidy to "Kabupatens"	5,700	5,645	8,823	8,823
Subsidy to villages	5,590	5,590	5,250	5,250
Subsidy to provinces	20,664	20,664	20,800	20,800
West Irian	1,300	782	3,500	2,374
BIMAS Project	9,576	9,576	7,245	1,000
Other development expenditure	2,200	1,946	3,697	3,047
Total	<u>454,721</u>	<u>457,920</u>	<u>585,210</u>	<u>540,570</u>

Source : Department of Finance.

A sizable increase also occurred in expenditure due to the repayments of and interest payment on Government debts, especially debts abroad which had reached the extent of Rp 46.6 billion or were 42% in excess of their estimates. This happened because agreements on the resettlement of old debts to several countries were reached earlier than expected and also because of the increase in the rate of foreign exchange effective August 1971.

In 1971/1972 development expenditure amounted to Rp 191.5 billion. Although the aforesaid amount was only 79% of its budget figure, in comparison to its actual

figure of the previous year, however, this meant an increase of Rp 21.7 billion or 13%. The major part of Government expenditure was made up of payments effected by departments of the Government toward the economic, social and general sectors, to the extent of Rp 107.3 billion, Rp 25.2 billion and Rp 10.6 billion, respectively. The balance consisted of development expenditure disbursed through banks, subsidies for regional development, BIMAS projects, etc.

Payments through the banking system amounted to Rp 7.0 billion as against Rp 1.0 billion in the previous year, and mainly involved the granting of investment credit as an aid to development in the sector of enterprises. A major part of the expenditure for regional development subsidies, viz. Rp 20.8 billion, were development subsidies to provinces as a substitution of ADO (Automatic Foreign Exchange Allocation) which was abolished in 1969/1970. Development subsidies for the villages were introduced in 1969 and those for districts in 1970/1971. Since the discovery that these subsidies had become a very good stimulus for development efforts in the regions, their respective amounts had been increased from year to year. Subsidies to districts were raised from their base level of Rp 50,- per capita in 1970/1971 to Rp 75,- in 1971/1972, whereas villages received Rp 100 thousand each in subsidies. Development subsidies to West Irian were also raised above the previous years's level in order for this region to catch up with other regions in matters of development.

Government domestic debt

Tables 6 and 7 show the position of Government domestic debt during the 1971/1972 fiscal year. In contrast to the figures reported the previous years, the current tables show not only long term domestic debt as represented by Government bonds, but also the debts incurred on account of Bank Indonesia advances for the purpose of repaying Government debts abroad in the context of the Debt Investment Conversion Scheme (DICS) introduced in 1967. These debts constitute long term Gov-

TABLE 6 — GOVERNMENT DOMESTIC DEBT
(millions of Rupiahs)

End of	Long-term debt	Short-term debt	Total	Movement
1969 I	6,268 *)	45,414	51,682	+6,019
1969/1970	12,842 *)	47,510	60,352	+8,670
1970/1971	18,238 *)	46,777	65,015	+4,663
1971/1972	23,334	42,624	65,958	+ 943

*) Revised figures.

Sources : Bank Indonesia
Department of Finance

TABLE 7 — LONG-TERM GOVERNMENT DEBT
(millions of Rupiahs)

	1969 I	1969/1970	1970/1971	1971/1972
Bank Indonesia	5,785	12,372	17,790	22,902
3% 1970 R.I. loan	92	92	92	92
3½% 1959 Loan against blocked accounts	319	311	302	292
6% 1959 Lottery bonds	64	59	53	47
15% 1964 Confrontation loan	—	—	—	—
6% 1965 Development loan	1	1	1	1
3% Former BIN bonds 1969	—	—	—	—
3% Fomer BIN bonds 1970	1	1	—	—
3% Former BIN bonds 1971	2	2	—	—
5½% Former BIN bonds 1972	—	—	—	—
5½% Former BIN bonds 1974	4	4	—	—
Total	6,268	12,842	18,238	23,334

ernment debts which according to their terms have to be repaid within eight years with a grace period of three years. Until the end of 1971/1972, debts in the context of the DICS scheme had reached Rp 22.9 billion. Accounting for an instalment payment to Bank Indonesia to the extent of Rp 0.1 billion, Rp 5.1 billion of the aforesaid Rp 22.9 billion represent the increase which occurred in 1971/1972.

As was also observed in the preceding years, long term debts in the form of bonds had gradually declined in volume due to the redemption of bonds and coupons at maturity, while no new debts had been contracted.

Short term Government debt declined by Rp 4.1 billion, viz. from Rp 46.7 billion at the end of 1970/1971 to Rp 42.6 billion at the end of 1971/1972. These short term debts consist of Bank Indonesia advances in order to cover deficits in the Government's treasury, especially in the years preceding 1968, after accounting for the balance on Government accounts with Bank Indonesia.

The decline in short term debt succeeded to match the increase in long term debt, so that Government domestic debt as a whole had increased by a mere Rp 0.9 billion.

III. BANK CREDIT DEVELOPMENT

Credit policy

The credit policy in 1971/1972 still aimed at supporting economic developments and maintaining the monetary stability which had already been achieved. With these objectives in mind, steps were taken to accommodate the effects brought about by the international monetary crisis which had its start in August 1971.

The Government's strategy consisted of i.a. the following measures:

1. To force banks to intensify the use of their own funds, the portion of the loans to various economic sectors available for re-mortgage facilities of Bank Indonesia was reduced in the following fashion:

The portion of the loans to:

- the production sector of export commodities included in category IIA was dropped from its former 60% to 40% of the credit ceiling provided by the executing bank to its customer;
 - categories IIB and IIIA were dropped from 60% to 30% with the exception of the distribution of granulated sugar which was dropped from 40% to 20% and for the distribution of urea fertilizer from 75% to 50%;
 - categories IIIB and IV were dropped from 60% and 50% respectively to 20%;
 - crumb-rubber factories for use as working capital from 80% to 50%
 - category V was made unavailable for the re-mortgage facilities.
2. Effective only on the monthly interest rate on loans for the working capital of sugar factories of state plantations, the rate was revised from 1% to 2 1/4% and became subject to the same terms as those applied to category IIB. The revision was brought about by the change in the financing pattern of granulated sugar, namely the total output of granulated sugar of state plantations was bought up at once by Bank Bumi Daya, making it therefore unnecessary for state plantations to finance the aforesaid granulated sugar stock themselves.

3. As an aid to importers, the sale of credit foreign exchange was subjected i.e. to the provision concerning deferred payment of the Rupiah counter value of imports with credit foreign exchange from donor countries; excluded from this provision were imports with credit foreign exchange from Japan and West Germany which were still subject to earlier provisions on credit.
4. To stimulate the domestic production and export sectors to greater activity, foreign exchange banks were permitted to grant loans in foreign exchange to these sectors. Furthermore, the foreign exchange banks concerned were at liberty to determine the interest rate on such loans.
5. Several fundamental changes were introduced with respect to investment loans, by the determination of a new schedule of priority projects, non-priority projects and projects not available for investment loans. The aforesaid schedule became effective on January 1, 1972. In the case of priority projects, customers were required to finance not less than 25% of the total cost of investment out of their own funds, whereas in the case of non-priority projects the percentage was not less than 50%. Bank Indonesia and the executing bank were to share 80% and 20% respectively in the financing of loans extended to both priority and non-priority projects. In the meantime, the maintenance of value clause with respect to investment loans was abolished; the aforesaid clause was therefore applicable only on investment loans financed with credit foreign exchange on the basis of an exchange rate of Rp 326.- per US\$ 1. - ; loans financed with credit foreign exchange on the basis of the exchange rates of Rp 378.—and Rp 415.— per US\$ 1.- were not subjected to the maintenance of value clause.
6. In the context of project aid executions, effective August 24, 1971, the annual interest rate on loans was reduced from 12% to 9%; such loans, however, were still subjected to the maintenance of value clause.
7. As from November 1971, medium/long term loans became available under the terms of the Development Loan through the Banking System (DLBS) provided by the Japanese Government through the Overseas Economic Cooperation Fund (OECF). Under the terms of the agreement between, the Governments of Indonesia and Japan concluded on June 30, 1971, the Indonesian Government obtained a loan to the extent of Yen 3.6 billion. This loan is to be reissued through executing banks to private enterprises, state corporations and joint ventures with

the Japanese Government for the purpose of importing capital goods from Japan. The loans have a maturity of from 3 to 12 years, are subject to interest at 12% per annum and to the maintenance of value clause.

8. To intensify the farming of chickens, loans were granted in the context of the BIMAS Ayam (Chicken BIMAS). These loans are subject to i.e. a monthly interest rate of 11/4% and a maturity not exceeding 20 months.

Volume and allocation of credit

During 1971/1972, the volume of short terms loans and investment loans granted by Bank Indonesia, other state banks, private national banks, branch - offices of foreign banks and regional development banks rose by Rp 141.9 billion or by 37% (Table 8). A large percentage of the increase in the volume of credit occurred in the third quarter of 1971, viz. 40%: of the total increase during 1971/1972. As compared with the increase of Rp 119.9 billion or 46% during 1970/1971, the increase during 1971/1972 was larger in terms of volume but less in terms of percentages.

Although in the matter of granting credit, banks had still to depend upon loans granted by Bank Indonesia on the basis of re-mortgage, the loans granted out of the banks' own funds had increased in volume and shared for 65% of the total volume of

TABLE 8 – BANK CREDITS
(millions of Rupiahs)

	1970		1971				1972
	I	IV	I	II	III	IV	I
<i>Short-term credit</i>	<u>245,426</u>	<u>321,913</u>	<u>331,482</u>	<u>361,254</u>	<u>409,114</u>	<u>422,061</u>	<u>445,798</u>
1. Production	63,012	87,847	99,143	113,577	115,397	126,290	132,475
2. Domestic trade	16,269	27,713	29,348	36,759	47,291	68,117	77,255
3. Food procurement	59,501	61,773	47,980	55,543	63,253	59,713	62,926
4. Exports ¹⁾	36,771	48,212	51,419	51,563	55,183	55,459	55,659
5. Clothing	20,117	119,648	12,467	18,899	21,582	25,019	21,913
6. Imports ²⁾	10,728	13,736	14,374	10,679	9,900	7,864	8,383
7. Other	39,028	62,984	76,751	74,232	96,508	79,599	87,187
<i>Investment credit</i>	<u>16,622</u>	<u>40,439</u>	<u>49,165</u>	<u>58,418</u>	<u>67,489</u>	<u>73,302</u>	<u>76,741</u>
Total	262,048	362,352	380,647	419,672	476,603	495,363	522,539

1) Including production of export commodities

2) Aid foreign exchange import only

loans granted during 1971/1972 as compared with 61% in 1970/1971 and 49% in 1969/1970.

In the course of putting a halt to its commercial operations, Bank Indonesia had gradually reduced the granting of direct credit to all sectors with the exception of those the financing of which could still not be handled by or through other state banks. Almost the total volume of direct credit consisted of loans granted in the context of foodstuff supply.

At the end of 1971/1972 the major part, viz. Rp 132.5 billion or 30% of short term loans granted by banks which amounted to Rp 445.8 billion was allocated to the production sector. As compared with the figure at the end of 1970/1971, this meant an increase of Rp 33.3 billion or 29% of the total increase in short term loans to the amount of Rp 114.3 billion.

Loans granted to the domestic trade sector amounted to Rp 77.3 billion and made up 17% of short term loans or 15% of the total volume of loans. As compared with the figure at the end of 1970/1971, these loans were higher by Rp 47.9 billion or by 163%.

TABLE 9 — INVESTMENT CREDITS APPROVED BY BANKS
(millions of Rupiahs)

	1 9 7 0		1 9 7 1				1972
	I	IV	I	II	III	IV	I
<i>I. By economic sector</i>	<u>31,558</u>	<u>63,944</u>	<u>77,680</u>	<u>87,040</u>	<u>100,436</u>	<u>110,072</u>	<u>115,025</u>
Agriculture x)	8,077	16,293	20,349	21,393	28,106	31,256	10,687
Manufacturing x)	10,814	27,432	34,467	38,638	41,042	43,767	61,062
Mining	908	259	259	259	136	136	395
Communication and tourism	11,364	19,055	21,669	25,514	29,862	32,766	40,257
Other	395	905	936	1,236	1,290	2,147	2,624
<i>II. By origin of funds</i>	<u>31,558</u>	<u>63,944</u>	<u>77,680</u>	<u>87,040</u>	<u>100,436</u>	<u>110,072</u>	<u>115,025</u>
Central Bank	17,019	45,001	56,340	63,573	75,019	83,047	82,740
State banks	3,577	9,308	11,413	12,983	14,774	16,429	17,738
Budget of Revenue and Expenditure	10,962	9,635	9,927	10,484	10,643	10,596	14,547

x) Since February 1972 the coverage of the items has been changed according to the new classification, particularly with respect to the shifting from agricultural to manufacturing sector.

Loans allocated to the foodstuff supply sector amounted to Rp 62.9 billion and accounted for an increase of Rp 14.9 billion or 31% as compared with the figure at the end of 1970/1971.

Short term loans were also allocated to the export, textile industries, import and other sectors to the extent of Rp 55.7 billion, Rp 21.9 billion, Rp 8.4 billion and Rp 87.2 billion, respectively.

Investment loans had also increased in volume. Credit approvals by banks as shown in Table 9 rose from Rp 77.7 billion at the end of 1970/1971 to Rp 115.0 billion at the end of 1971/1972, indicating an increase of Rp 37.3 billion or 48%. Investment loans realized rose from Rp 49.2 billion to Rp 76.7 billion, which meant an increase of Rp 27.6 billion or 50%. The investment loans realized by customers amounted to Rp 76.7 billion and made up 67% of total investment credit approvals by banks. The industrial sector absorbed the major portion of investment loans as a whole, viz. 59%, followed by the communications and tourism sector with 32%.

Most of the financing of these investment loans was effected by Bank Indonesia which provided Rp 53.4 billion or 70% of the investment loans as a whole.

TABLE 10 – INVESTMENT CREDITS UTILIZED BY CUSTOMERS
(millions of Rupiahs)

	1 9 7 0		1 9 7 1				1 9 7 2
	I	IV	I	II	III	IV	I
<i>I. By economic sector</i>	<u>16,622</u>	<u>40,439</u>	<u>49,165</u>	<u>58,418</u>	<u>67,489</u>	<u>73,302</u>	<u>76,741</u>
Agriculture	5,587	11,594	13,503	15,067	16,854	18,335	6,179
Manufacturing	4,909	15,132	20,066	25,726	29,057	32,944	44,945
Mining	625	108	110	109	109	109	357
Communication and tourism	5,438	12,958	14,847	16,696	20,659	21,266	24,765
Other	63	647	639	820	810	648	495
<i>II. By origin of funds</i>	<u>16,622</u>	<u>40,439</u>	<u>49,165</u>	<u>58,418</u>	<u>67,489</u>	<u>73,302</u>	<u>76,741</u>
Central bank	9,070	24,164	30,764	36,053	45,706	51,113	53,356
State banks	2,019	9,096	11,261	14,942	14,200	14,447	15,173
Budget of Revenue and Expenditure	5,533	7,179	7,140	7,423	7,583	7,742	8,212

IV. MOBILIZATION OF FUNDS

Time Deposits and Instalment Savings Scheme

Although time deposits had been subjected to a gradual lowering of interest rates, the said deposits had risen steadily in volume, thus indicating that the general public's desire to save money had not lessened (Table 11). At the end of March 1972, time deposits reached a volume of Rp 126.1 billion, which meant an increase of 111% over the figure at the end of March 1971 which was Rp 59.7 billion. For the most part, time deposits had a maturity of 12 months, viz. Rp 82.1 billion or 65% of time deposits as a whole.

During the year under report, the volume of the 1969 Instalment Savings Scheme was still rising until the end of the third quarter of 1971; as from the foregoing date, however, a gradual decline in volume was observed due to the fact that the Instalment Savings Scheme was to be discontinued on August 1, 1971. From this date onwards, operations connected with the 1969 Instalment Savings Scheme consisted only of the acceptance on instalment payments on savings cards sold at an earlier date. The

TABLE 11 — TIME DEPOSITS *)
(millions of Rupiahs)

	12 months	6 months	3 months	1 month	Total
1968 : December	2,791	862	775	90	4,518
1969 : December	25,128	6,699	1,496	257	33,580
1970 : March	29,518	3,607	1,410	297	34,832
June	30,292	3,832	2,139	267	36,530
September	33,116	3,970	3,014	545	40,645
December	38,263	6,824	4,755	587	50,429
1971 : March	45,024	6,824	7,356	534	59,738
June	53,521	8,640	10,241	1,287	73,689
September	70,251	10,145	9,176	790	90,362
December	75,514	15,522	12,598	993	104,627
1972 : March	82,140	25,580	17,845	551	126,116

*) According to Presidential Decree No. 28/1968.

TABLE 12 – PAYMENTS OF INSTALMENT SAVINGS SCHEME
(millions of Rupiahs)

	1 9 7 1				1972
	I	II	III	IV	I
Djakarta Raya	396,392	440,894	494,331	416,321	205,890
North Sumatra	52,458	44,034	34,859	27,704	13,332
West Djawa	73,450	99,072	114,387	95,794	47,602
Central Djawa	64,207	75,696	79,000	55,798	19,213
East Djawa	83,168	99,062	127,527	136,217	60,878
South Sulawesi	4,380	5,623	5,180	4,538	2,489
Total	674,055	764,381	855,284	736,372	349,404

discontinuation of the Instalment Savings Scheme was consequent upon the opinion of the Government that the newer forms of savings schemes, viz. those to be known as the National Development Savings Scheme (Tabungan Pembangunan Nasional-TABANAS) and the Insurance Savings Scheme (Tabungan Asuransi Berdjangka-TASKA), provided a better means for the channeling of the general public's savings through the banking system.

TABANAS and TASKA

In the context of attracting the participation of all levels of the general public with respect to the mobilization of funds for development, as from August 20, 1971, the Government initiated a savings drive on a national scale in the form of the Tabungan Pembangunan Nasional (TABANAS) and the Tabungan Asuransi Berdjangka (TASKA).

TABANAS is essentially a saving scheme which is not restricted as to maturity, amounts deposited, and amounts withdrawn. Deposits in the context of the TABANAS may be made at any given time.

The initial deposit must be not less than Rp 50. and subsequent deposits not less than Rp 25.—Initial withdrawals may only be effected after initial deposits have settled down for a period of one month. Thereafter, no more than two withdrawals are permitted within the period of one month. The balance following each withdrawal should never be less than Rp 50.-, unless the depositor has expressed his wish to stop

saving. In 1971/1972 the annual interest rate on TABANAS was 18% at simple interest, where as accounts were settled once a year. The aforesaid interest rate was determined by taking into account the developments in the economic and monetary sectors. Depositors received a stimulus in the form of cash prizes, the winners of which were determined by the drawing of lots. Besides, TABANAS was exempted from income tax on the savings interest and from stamp duties on the documents used by the TABANAS scheme. Moreover, no investigation for purposes of taxation was made in regard to the origin of the money deposited. TABANAS was acceptable as collateral for bank loans.

TASKA constitutes a savings scheme which is tied up with life insurance and guarantees the depositor that in the event of his demise prior to the maturity of the scheme, the amount of money which would be rightfully his at maturity (12 months) would revert to his heir, in spite of the fact that the depositor concerned has as yet failed to deposit the total amount of savings due under the terms of the savings scheme. People aged 5 to not more than 55 years are eligible for the TASKA scheme.

Monthly instalment payments must be made regularly and for amounts as specified by the TASKA savings card. For example, monthly instalments of Rp 100.- each for a period of 12 months have a nominal value of Rp 1,300.—The interest in real terms is therefore approximately 15% per annum. Refunds of the nominal value of savings under the TASKA scheme are made one month after the final monthly instalment has been deposited.

Depositors who withdraw their savings before the pre—arranged period has come to an end may recover their savings at interest rate of 12% per annum; their savings insurance, however, becomes void. In the event of a failure to deposit instalments for two months in succession, depositors lose the rights of their insurance. The bank then refunds their savings at interest rate of 12% per annum. As is also the case with TABANAS, TASKA is exempted from property tax on the principal savings and from income tax on the savings interest. Furthermore, no stamp duties have to be paid on the documents used by the TASKA scheme. The two saving schemes mentioned above are guaranteed by Bank Indonesia.

At the end of March 1972, i.e. only 7 months after its introduction, TABANAS' outstanding reached the extent of Rp 11 billion with 1.5 million depositors. TASKA's outstanding was Rp 77 million with approximately 24 thousand depositors at the end of the same period. From the foregoing figures may be inferred that the general public was more interested in the TABANAS than in the TASKA scheme. Table 13

TABLE 13 — TABANAS AND TASKA
(Total outstanding in millions of Rupiahs)

	TABANAS		TASKA		Total	
	Number of accounts	Out-standing	Number of accounts	Out-standing	Number of accounts	Out-standing
1971 :						
August	40,103	434	1,275	1	41,378	435
September	232,429	1,197	6,595	6	239,024	1,203
October	472,306	2,129	14,871	13	487,177	2,142
November	660,748	3,448	17,441	23	678,189	3,471
December	867,239	4,992	19,967	36	887,206	5,028
1972 :						
January	1,082,085	6,827	22,094	49	1,104,179	6,876
February	1,300,474	8,896	22,816	63	1,323,290	8,959
March	1,503,475	11,017	23,648	77	1,527,123	11,094

shows the development of the number of depositors and the positions of TABANAS and TASKA as per the end of March 1972.

Saving for pilgrimage to Mecca

Based on Minister of Religious Affairs Decision No. 50/1971 the registration requirements and allocation payments were abolished and hajji aspirants were to be provided with a Surat Idjin Pergi Hadji (pilgrimage licence) in substitution of hajji allocation.

The Ongkos Naik Hadji (pilgrimage expense) were still handled by Bank Negara Indonesia 1946, Bank Rakjat Indonesia and Bank Ekspor Impor Indonesia, the latter covering exclusively the region of West Irian.

In regard to the 1971/1972 hajji season, the pilgrimage expense was set at Rp 320 thousand per aspirant hajji travelling 3rd class (deck passage) and Rp 370 thousand per person for those making the pilgrimage by air. Prepay meets enjoyed a discount in accordance with the months in which they were deposited.

At the end of 1971/ 1972 receipts of pilgrimage deposits reached Rp 7,195.1 million, whereas the number of aspirant hajjis was 22 thousand.

Special deposits

As is already known, the special deposit account facility provides the opportunity to national private commercial banks and at a later time also regional development banks to deposit their excess liquid assets with Bank Indonesia. These deposits may be withdrawn at any time without the need to pay a fine. Their interest rate is set at 1% per month and is computed against the lowest balance in the month concerned.

At the end of the year under report, the balance on special deposit accounts showed Rp 2,405.5 million as their highest outstanding and Rp 1,897.5 million as their lowest. These figures indicate a significant increase as compared with those at the end of 1970/1971 which showed Rp 264.5 million as their highest balance and Rp 182.5 million as their lowest. The figures below present the development of special deposits of banks during 1971/1972 (in million Rupiah):

<i>Year/Month</i>	<i>Highest balance</i>	<i>Lowest Balance</i>
<i>1971:</i>		
March	264.5	182.5
June	1,328.5	1,073.5
September	984.0	817.0
December	2,057.5	1,501.5
<i>1972:</i>		
January	2,666.5	1,216.5
February	2,637.5	2,267.5
March	2,405.5	1,897.5

As from the issuance of Presidential Decision No. 55 of 1971 dated August 7, 1971, all Indemnity Insurance companies were required to place a deposit with state banks designated by the Minister of Finance. These special deposits of the insurance companies were not restricted as to time and as yet no uniform rate existed among the state banks. Deposits placed with Bank Indonesia as from September 1, 1971 enjoyed a monthly interest of 1% with respect to Rupiah deposits and a 4% interest per annum with respect to deposits in US Dollars.

At the end of March 1972, national indemnity insurance companies maintained special deposit accounts with Bank Indonesia to the extent of Rp 20 million, whereas foreign indemnity insurance companies had deposits amounting to US, 1,100 thousand in the aggregate.

Money and Capital markets

Securities exchange

As compared with 1970/1971, the turnover of Government securities during 1971/1972 increased in volume, whereas those of the Bank Industri Negara had declined. At the end of 1971/1972, the balance on debts in the form of bonds outstanding presented the following figures:

3% 1950 R.I. loan	nominal Rp 91,588,700.-
3 1/2% 1959 Loan against blocked accounts	nominal Rp 25,927,151.25
6% 1959 R.I. Lottery bonds	nominal Rp 47,875,000
5 1/2 % 1957/1972 B.I.N. bonds	nominal Rp 1,000,000
5 1/2% 1959/1974 B.I.N. bonds	nominal Rp 1,000,000

Besides, per end of March 1972, there was the balance of the 1959 Consolidated Debt to the amount of Rp 261,763,931.66 The said amount had not yet been converted into bonds and could therefore not be negotiated through the stock exchange.

Negotiations were held with the Netherlands cq. de Nederlandsche Bank on the settlement of several securities matters which had as yet failed to be taken care of in both the First and Second Interim Agreement. The settlement thus reached constituted the final settlement of the securities matters between Indonesia and the Neth-

**TABLE 14 – TURNOVER OF SELECTED SECURITIES AT
THE DJAKARTA STOCK EXCHANGE
(Nominal)**

	1970/1971		1971/1972	
	Turnover	Rate	Turnover	Rate
3 % 1950 R.I. loan	Rp 837,720,-	30%–50%	Rp 2,677,890,-	40%–70%
3½% 1959 loan against blocked accounts	Rp 39,397.24	20%–38%	Rp 142,014.17	30%–45%
6 % B.I.N. Lottery bonds	Rp 436,050,-	40%–55%	Rp 238,450.-	40%–76%
5½% B.I.N. bonds 1957/1972	Rp 76,400.-	40% }	Rp 30,700.-	52½%–80%
5½% B.I.N. bonds 1959/1974		50% }		50%–70%

erlands and involved the following matters:

- a. Netherlands-Indies bonds owned by the Government of the Republic of Indonesia and/or its agencies and by Indonesian private individuals/legal bodies;
- b. securities which the Netherlands considered as being “property of the enemy” and were still kept in banks in Indonesia for safekeeping;
- c. securities, the owners of which were either unknown or could not be traced;
- d. Rupiah securities held in Indonesia and owned by former Dutch companies which had been nationalized.

Bank Indonesia Certificates

Bank Indonesia Certificates (Sertifikat Bank Indonesia—SBI) issued in 1971/1972 had a nominal value of Rp 5 billion and were Rp 8.2 billion short of those issued in 1970/1971. The lower volume was caused by the discontinuation of the issue of SBI as from September 1971, based on the principal consideration that several banks had as from February 1971 begun to issue their own certificates of deposit.

Starting with the January 1971 issue, SBI rates were determined by tender. The

TABLE 15 – BANK INDONESIA CERTIFICATES QUOTAS ¹⁾
(millions of Rupiahs)

	State banks	National private banks	Branches of foreign banks	Non- banks	Total
1970 :					
2nd Qtr. – 4th Qtr.	8,931	204	1,582	109	10,826
1971 :					
1st Qtr.	1,831	37	232	298	2,398
Total 1970/1971	10,762	241	1,814	407	13,224
2nd Qtr.	1,658	15	543	784	3,000
3rd Qtr.	1,112	–	433	455	2,000
Total 1971/1972	2,770	15	976	1,239	5,000

1) Bank Indonesia's sale to distributors.

TABLE 16 – TRANSACTIONS OF BANK INDONESIA CERTIFICATES¹⁾
(millions of US. \$)

	Selling	Buying	Selling (net)
1970 :			
2nd Qtr. – 4th Qtr.	1,827	421	1,406
1971 :			
1st Qtr.	854	230	624
Total 1970/1971	2,681	651	2,030
2nd Qtr.	3,634	1,843	1,791
3rd Qtr.	3,740	3,254	486
Total 1971/1972	7,374	5,097	2,277

1) Buying and selling between distributors and third parties.

average rate of each issue varied between 94% and 96%.

State banks continued their role as the principal distributors of SBI and jointly took care of the distribution of 55% of the total volume of SBI issue during 1971/1972 as against 81% in the previous year.

SBI transactions between distributors and other parties during 1971/1972 reached a total volume of Rp 7,373.5 million, repurchases Rp 5,096.8 million, which resulted in a net sales figure of Rp 2,276.7 million. The previous year, sales amounted to Rp 2,681.1 million and repurchases Rp 650.8 million; net sales were therefore Rp 2,030.3 million.

Certificates of deposit

As from January 1971, in the context of paving the way for the substitution of Bank Indonesia certificates, Bank Indonesia granted its basic approval to several banks with respect to the issue of certificates of deposit having maturities of from 14 days to 12 months. These certificates of deposit were to be in bearer form and negotiable. Interest varied between 1% and 1 3/4 % per month computed on the basis of discount. Certificates of deposit were exempted from stamp duties on securities; they became instead subjected to a general stamp duty for purposes of i.a. the promotion

of their development.

The figures below present the development of certificates of deposit until the end of the year under report (outstanding as per the end of the quarter in thousand Rupiah):

	<i>III/1971</i>	<i>IV/1971</i>	<i>I/1972</i>
B.N.I. 1946	500,500.—	1,000,500.—	585,500.—
Bank Bumi Daya	1,267,000.—	715,900.—	686,500.—
F.N.C.B.	<u>471,700.—</u>	<u>394,350.—</u>	<u>833,150.—</u>
Total	2,239,200.—	2,110,750.—	2,105,150.—

V. BANKS AND OTHER FINANCIAL INSTITUTIONS

Banking policy

On July 24, 1971, in the context of efforts to increase Government receipts, the Minister of Finance revoked the earlier provisions concerning the granting of tax facilities with respect to income from interest on deposits of state and private banks and from the sale of bank certificates.¹⁾ Henceforth, such income became the subject of a tax of 15%

To bring order in the establishing of village banks and paddy banks, on August 20, 1971, in the context of implementing the provisions defined in article 41 of Act No. 14/1967 concerning principal regulation on banking, the Minister of Finance specified the procedure for the granting of operating licences to village banks and paddy banks which had been established in virtue of Staatsblad 1929 No. 357.²⁾ On the basis of Bank Indonesia's considerations and having paid attention to the recommendations made by the Bank Rakjat Indonesia, the Minister of Finance would issue a Decision in the form of a collective operating licence to village banks and paddy banks by district.

Village/paddy banks which had stopped operating became the subject of an investigation performed by Bank Rakjat Indonesia to determine whether these village/paddy banks were either to be revived or to be liquidated. Those to be revived were required to apply for an operating licence, whereas banks still operating had only to apply for a certificate which permitted the aforesaid banks to continue their operations. The result was that in 1971/1972, the Minister of Finance granted operating permits to 276 village banks and certificates permitting continued operations to 3 others.

Further, in the effort to bring order in the credit unions, village banks, market banks and other banks of a similar nature having the legal form of a cooperative, on August 31, 1971, the Minister of Finance, Minister of Transmigration and Cooperatives and the Governor of Bank Indonesia issued a joint decision concerning the delimitation of the powers to issue a licence, to control and provide guidance to the aforesaid legal bodies.³⁾

1) Decision NoKep.550/MK/1/7/1971 and No. Kep.551/MK/1/7/1971 ddo. July 24, 1971.

2) Letter of the Minister of Finance to Bank Rakjat Indonesia No.B.102/DDK-PBK/1/8/1971, ddo. August 20, 1971.

3) Joint Decision No.Kep.668/MK/IV/8/ 1971
 No 263/Kpts/Mentranskop/1971 ddo. August 31, 1971.
 No Kep.24/GB1/1971

On the 25th of November 1971, in the context of implementing the aforesaid joint decision, the Minister of Finance issued an announcement concerning the licensing of credit unions already engaged in banking operations.⁴⁾ The said announcement specified i.a. the procedure to be followed by credit unions which had been established and were already actively engaged in banking operations before or after the promulgation of Act No.14 of 1967 on Banking, in order to obtain an operating licence.

From the foregoing may be inferred that until the present, no law has as yet been enacted concerning village banks, paddy banks, market banks, personnel banks and other banks of a similar nature, a law which in the context of putting order in the banking system should be considered as an absolute necessity. With this in mind, the Governor of Bank Indonesia decided on March 29, 1972 to set up a committee for the drafting of an act on the banks mentioned above.⁵⁾

In the framework of providing guidance to banks, especially to national private banks, Bank Indonesia undertook i.a.:

- to grant loans under the terms of re-mortgage (gadai ulang), special loans to cover emergencies and clearing liquidity facilities;
- to urge bank to undertake a merger;
- to afford technical assistance.

The implementation of the abovementioned policy until the end of the first quarter of 1972 resulted in credit approvals by Bank Indonesia to the extent of Rp 9,553 million of which Rp 8,293 million was realized. The loans were composed of Rp 5,589 million under the terms of re-mortgage extended to 68 banks, of which Rp 4,312 million was realized by 46 banks, special emergency credit facilities to the amount of Rp 3,462 million to 14 banks, of which Rp 3,701 million was realized by 14 banks and clearing liquidity credits to the amount of Rp 502 million to 27 banks, of which Rp 280 million was realized by 15 banks.

In connection with the recommendation to national private banks to effect a merger, the Department of Justice specified the procedure for the execution of such a merger. Until the end of the first quarter of 1972, banks which had effected a merger and subsequently emerged under the name of PT Pan Indonesia Bank Ltd. were PT Bank Kemakmuran(Djakarta) PT Bank Industri dan Dagang Indonesia (Djakarta) and PT Bank Industri Djaja Indonesia (Surabaya)

4) Minister of Finance Announcement No.Peng.04/MK/IV/II/1971 ddo. November 25,1971.

5) Governor of Bank Indonesia Decion NoKep.5/GBI/1972 ddo. March 29, 1972.

On December 21, 1971, Bank Indonesia provided clearing member banks in the act of experiencing liquidity problems or other difficulties the opportunity to withdraw from the clearing membership.⁶⁾ This was designed to prevent the loss of the general public's confidence in a given bank in the event that Bank Indonesia suspended the bank from clearing.

As from July 31, 1971, the drawing of No Sufficient Fund (NSF) checks was to be settled as a matter of civil law and has thenceforth ceased to be considered as a criminal matter.⁷⁾

In this connection, Bank Indonesia on October 5, 1971 specified for the second time the procedure to be carried out by banks in the course of accepting an individual or body as their customer. In addition, it specified what the banks were required to do in the event a NSF check was drawn by a customer.⁸⁾

In connection with the new provisions concerning the monetary sector which the Government had stipulated on August 23, 1971, Bank Indonesia in December 1971 revised the terms under which banks were obliged to maintain a cash ratio in foreign exchange and the obligation to incorporate the exchange rate as announced periodically by Bank Indonesia in their liquidity reports.⁹⁾

In order to preserve the stable monetary situation and after having observed the development of bank credit, Bank Indonesia in November 1971 revised the cash ratio requirements in Rupiah currency. With respect to deposits and savings, the cash ratios were raised from 3% to:

- 5% in the case of private commercial banks, private development banks, private savings banks and regional development banks;
- 10% in the case of state commercial banks, state development banks, state savings banks and foreign banks.

The new provision became effective as from January 5, 1972.¹⁰⁾

To prevent that the banks' liabilities with respect to the issuance of bank guaran-

6) Bank Indonesia's Circular Letter No.4/616/UPPB/PbB, ddo. December 21, 1971.

7) Act No.12/1971 concerning Government Regulation in lieu of Act No.1/1971 concerning the Revocation of Act No.17/1964 on the Prohibition to draw NSF checks to become an Act.

8) Bank Indonesia's Circular Letter No.4/437/UPPB/PbB, ddo.October 5, 1971.

9) Bank Indonesia's Circular Letter No. 4/618/UPPB/PbB, ddo. December 22, 1971.

10) Bank Indonesia's Circular Letter No. 4/531/UPPB/PbB and No. 4/532/UPPB/PbB, ddo. November 23, 1971

tees would exceed the banks' capabilities and in order to provide for a uniform procedure in the issuance of the aforesaid guarantees.

To make sure that the provision concerning cash ratio and required deposit with Bank Indonesia in Rupiah currency and the cash ratio in foreign exchange would produce the desired result, Bank Indonesia in October 1971 imposed a 3% penal rate per month on contraventions, regardless of how many times such contraventions occurred within a given month.¹¹⁾

Bank Indonesia on November 3, 1971 decided to put a limit to the issuance of bank guarantees in Rupiah currency and to prohibit the issuance of bank guarantees in foreign exchange.¹²⁾

Banking developments

Table 17 shows the development of the number of banks and their offices in Indonesia. At the end of the first quarter of 1972, the number of commercial banks and their offices fell off to 142 and 899, respectively. In the same period, the number of regional development banks increased by 1 and their offices by 24 to become 26 and 92, respectively. In the meantime, the number of secondary banks increased by 49 to become 8,984.

The development of banking operations in Indonesia may be observed from the combined balance sheet of banks presented in Table 18. The balance sheet total of the commercial banks in the whole of Indonesia rose in 1971/1972 by Rp 126.9 billion or by 17.2%. The assets side of the balance sheet reveals that the largest increase occurred in the item "Loans outstanding," viz. 62.6% of the aggregate increase in the balance sheet total. Bank Indonesia credit was principally responsible for this increase as is revealed in the increase in the liabilities side of the item Bank Indonesia, viz. Rp 31.3 billion or 39.4% of bank credit as a whole.

State banks continued, as a whole, to play quite an extensive part in the banking operations in Indonesia. This may be observed from the balance sheet total, loans outstanding and the funds attracted from the general public. The increase in balance sheet total of state banks was 72.5% of the aggregate increase in the combined bal-

11) Bank Indonesia's Circular Letter No.4/442/UPPB/PbB, ddo. October 7, 1971.

12) Bank Indonesia's Circular Letters No. 4/480/UPPB/PbB, ddo, March 3, 1971 and No. 4/676/UP PB/PbB, ddo. January 31, 1972.

TABLE 17 — NUMBER OF BANKS AND THEIR OFFICES
IN INDONESIA *)

	March 1971			March 1972
	Number of banks/offices	Estab- lished	Licence revoked	Number of banks/offices
<i>I. Commercial Banks</i>				
1. State Banks				
a. Number of banks	5	—	—	5
b. Number of offices	600	12	14	598
2. National Private Banks				
a. Number of banks	129	2	5	126
b. Number of offices	287	9	11	285
3. Branches of Foreign Banks				
a. Number of banks	11	—	—	11
b. Number of offices	16	—	—	16
<i>II. Development Banks</i>				
1. BAPINDO				
a. Number of banks	1	—	—	1
b. Number of offices	19	—	—	19
2. Local Development Banks				
a. Number of banks	25	1	—	26
b. Number of offices	68	24	—	92
3. Private Development Banks				
a. Number of banks	1	—	—	1
b. Number of offices	1	—	—	1
<i>III. Savings Banks</i>				
1. State Saving Banks				
a. Number of banks	1	—	—	1
b. Number of offices	7	—	—	7
2. Private Saving Banks				
a. Number of banks	10	1	1	10
b. Number of offices	10	1	1	10
<i>IV. Other Secondary Banks</i>				
1. Village banks	5,299	13	—	5,312
2. Paddy banks	3,317	—	7	3,310
3. Retailers banks	228	43	—	271
4. Cooperative banks	91	—	—	91
Total number of offices	9,943	102	33	10,012

*) Excluding representative offices

TABLE 18 — COMBINED BALANCE SHEET OF DEPOSIT MONEY BANKS
(millions of Rupiahs)

	March 1971				March 1972 1)			
	State banks 2)	National private banks 3)	Branches of foreign banks	Total	State banks 2)	National private banks 3)	Branches of foreign banks	Total
Assets								
Cash in hand	14,856	2,569	479	17,904	12,633	2,291	581	15,505
Bank Indonesia	26,172	6,198	2,709	35,079	27,827	7,032	2,736	37,595
Other banks	5,493	2,562	9,893	17,948	7,958	2,975	15,234	26,167
Securities	3,009	1,400	490	4,899	21,376	840	6	22,222
Domestic drafts	516	241	166	923	2,665	546	—	3,211
Loans outstanding	267,220	32,248	12,016	311,484	337,193	35,640	18,105	390,938
Foreign exchange assets	94,457	828	29,472	124,757	65,288	755	43,867	109,910
Participations	33	678	—	711	32	924	—	956
Premises and inventory	10,277	3,763	1,219	15,259	10,793	4,225	1,379	16,397
Other assets	47,164	10,651	1,198	59,013	75,384	15,100	1,475	91,959
Total assets	469,197	61,138	57,642	587,977	561,149	70,328	83,383	714,860
Liabilities								
Paid-up capital	4,857	5,466	3,644	13,967	12,503	7,268	3,816	23,587
Reserves and profit and loss account	10,790	2,414	835	14,039	15,890	3,205	1,110	20,205
Debt outstanding	18,784	894	523	20,201	18,481	1,902	146	20,529
Time deposit/saving	60,926	20,938	10,586	92,450	112,208	16,785	16,336	145,329
Balance on current account	111,419	19,778	8,463	139,660	105,445	21,248	10,159	136,852
Bank Indonesia	116,249	3,259	—	119,508	143,517	7,331	—	150,848
Other banks	2,428	127	403	2,958	9,288	475	54	9,817
Drafts payable	—	529	—	529	1,466	416	93	1,975
Guarantee deposits	5,191	718	1,219	7,128	11,610	2,637	4,756	19,003
Foreign exchange liabilities	90,699	638	30,555	121,892	67,633	612	44,885	113,130
Other liabilities	47,854	6,377	1,414	55,645	63,108	8,449	2,028	73,585
Total liabilities	469,197	61,138	57,642	587,977	561,149	70,328	83,383	714,860

TABLE 19 – LIQUIDITY POSITION OF BANKS
(millions of Rupiahs)

	March 1971 1)				March 1972			
	State banks	National private banks 2)	Branches of foreign banks	Total	State banks	National private banks 2)	Branches of foreign banks	Total
Liquid assets	43,610	10,763	5,359	59,732	68,077	10,270	7,490	85,837
Current liabilities	120,835	23,622	9,466	153,923	179,732	25,579	18,055	223,366
Percentage of liquidity	36.1 %	45.5 %	56.6 %	38.8 %	37.9 %	40.1 %	41.4 %	38.4 %
30 % of current liabilities	36,251	7,086	2,840	46,177	53,919	7,674	5,417	67,010
Excess liquid assets	7,359	3,677	2,519	13,555	14,158	2,596	2,073	18,827
Required reserves with Bank Indonesia	12,083	2,363	947	15,393	17,973	2,558	1,806	22,337
Total reserves with Bank Indonesia	23,405	5,625	2,504	31,534	52,543	4,667	3,845	61,055

1) Revised figures

2) Includes local development banks and private foreign exchange banks

ance sheet total of banks. Loans outstanding amounted to Rp 337.2 billion or were 86.3% of those of banks as a whole, whereas the funds attracted by state banks amounted to Rp 217.7 billion or 77.1% of all the funds which the banks succeeded to mobilize.

The role of national private banks if viewed against the balance sheet total showed an improvement of Rp 9.2 billion or 7.3% of the aggregate increase in the combined balance sheet total. In terms of percentages, however, mobilized funds and loans outstanding declined as compared with the aggregate total of mobilized funds and loans outstanding. The role of national private banks' fund decreased from 17.5% to 13.5% of the total fund, while their loans outstanding decreased from 10.5% to 9% of the total bank credits.

The role of the branch offices of foreign banks rose to such an extent that their balance sheet total exceeded that of the national private banks. In 1971/1972, the balance sheet total as well as the funds and loans of the branch offices of foreign banks had increased in terms of percentages. Similarly, their assets and liabilities items in foreign exchange had both increased, whereas those of other banks had declined.

In the meantime, the development of the banks' liquidity position (Table 19) shows that the cash ratio in 1971/1972 was higher than the mandatory minimum of 30%. At approximately 38%, it had hardly changed from the cash ratio in 1970/1971.

In 1971/1972, required deposits of banks with Bank Indonesia had also stayed above their minimum requirement (10%).

Financial institutions other than banks

To accelerate the development of money and capital markets, the Minister of Finance improved upon earlier provision concerning the establishing requirements and kinds of operations of financial institutions other than banks.¹³⁾ In the meantime, in the framework of providing guidance to money and capital markets, the Minister of Finance established the Badan Pembina Pasar Uang dan Modal (Agency for the Development of Money and Capital Markets) abbreviated BAPEPUM. This Agency is chaired by the Governor of Bank Indonesia and has as its principal responsibility to make recommendations to the Government with respect to the following activities.¹⁴⁾

13) Minister of Finance Decision No.Kep.38/MK/IV/1/1972, ddo January 18, 1972.

14) Minister of Finance Decision No.Kep 25/MK/IV/1/1972, ddo. January 13, 1972.

- to carry out the gradual development of money and capital markets with an eye to current conditions and needs;
- to make preparations for the establishing of a Money and Capital Markets Institution;
- to exercise control over securities exchange operations.

As a consequence of the establishing of the BAPEPUM, the Money and Capital Markets Team and the Advisory Committee on Exchange Matters were dissolved.

In virtue of a permit from the Minister of Finance, the Indonesian Development Finance Corporation (I.D.F.C.) was established. This institution will i.a. be active in the granting of medium and long term loans as well as in the mobilization of funds by means of issuing securities.

The Minister of Finance also granted permits to the Private Investment Company for Asia (P.I.C.A.) and the Commonwealth Development Corporation (C.D.C.) to open a representative office in Indonesia.

Prevailing provisions specify that the representative offices of the abovementioned financial institutions are to act only as a link between the financial institutions they each represent and the customers; they are therefore not permitted to engage directly in the granting of loans and the mobilization of funds.

VI. INTERNATIONAL RELATIONS

In the year under report, the Government's strategy with respect to the sectors of export, import and foreign payments transactions underwent, broadly speaking, no significant change; consequently, the measures taken by the Government were in general designed to keep and direct economic activities in accordance with the principal economic and monetary policies of the Government.

Export

In adjustment to the uncertain situation born by the international monetary crisis and as further stimulation to exporters, the Government on August 23, 1971 revised the Rupiah rate from Rp 378.- into Rp 415.- per US\$ 1.-

Besides, in the context of efforts to expand and intensify the export of various Indonesian export commodities, and primarily in connection with the expansion and development of foreign markets, the Government on the basis of Presidential Decision No. 26 dated May 5, 1971 established the National Institution for the Development of Exports which i.a has the responsibility:

- (a) to make available and render information to Government agencies and Indonesian exporters as well as to purchasers abroad.
- (b) to conduct surveys abroad on the marketing of Indonesian export commodities.
- (c) to advise exporters on the marketing, financing, transportation and other matters related to the expansion of exports.
- (d) to train and broaden the skill of officials and businessmen who are to be stationed abroad, as well as those who are to be engaged in the field of international trade.

To intensify the export of high quality rubber, by his Decision No.236 /KP/VII/71 dated July 1, 1971 the Minister of Trade prohibited the export of block rubber.¹⁾ Subsequently, in virtue of Minister of Trade Decision No. 293/KP/X/71 dated October 2, 1971 the export of low quality rubber in the form of Blanket D, Smoked Blanket and RSS V was prohibited.

Having observed the price development abroad of export commodities, the Government in its effort to intensify exports subjected the cess rate and contribution toward rehabilitation imposed on export commodities to a gradual lowering as is presented below:

1) Crumb rubber which cannot be included in the classification of Standard Indonesian Rubber.

	<i>Amount of cess/kg</i>	
	<i>Old</i>	<i>New</i>
1. Rubber:		
a) Estate	Rp 3,-	Rp ...
b) Smallhold	Rp 1.60,-	Rp ...
2. Copra	Rp 5,-	Rp 2.5,-
3. Coffee		
Quota countries	Rp 10,- ^{x)}	Rp 5,-
Non quota countries	Rp 6.50,-	Rp 3.25,-

x Inclusive of contribution toward International Coffee Organization (ICO)

	<i>Contribution toward Rehabilitation/kg</i>	
	<i>Old</i>	<i>New</i>
1. Copra	Rp 4,-	Rp 1, -
2. Coffee		
a) the provinces of Lampung and South Sumatra	Rp 10. -	Rp 7.50,-
b) other regions	Rp 7.50,-	Rp 5,-
3. Pepper	Rp 7.50,-	Rp 2.50,-

Besides the lowering of the cess and the contribution toward rehabilitation, the schedule of export commodities in the form of finished goods which were exempted from export tax was expanded to include such goods as leather handicraft and hand-painted artifacts.

Import

The Government's strategy with respect to the import sector aimed at supporting the domestic economic development efforts by keeping prices at a relatively stable level. In this connection, the Government issued a series of regulations on import which included i.a. the following regulations:

1. To keep order in import executions financed with Merchant's Letter of Credit, the Board of Managing Directors of Bank Indonesia by its Decision No.4/2-Kep. Dir. dated April 5, 1971 specified that in applying to foreign exchange banks to forward Merchant's Letters of Credit, importers were required to accompany their application with a deposit in Rupiah currency to the extent of 25% of the value of the Merchant's L/C concerned.

2. In the effort to accelerate the execution of projects financed with loans in the context of project aid, the Minister of Finance by his Decision No. Kep. - 298/K/III/5/71 specified that goods to be used directly by the projects concerned and goods required by foreign personnel working for the aforesaid projects were to be exempt from import duty.

3. So that the greatest benefit could be reaped from aid foreign exchange as a component of foreign aid, the Monetary Council by its Decision No. 03/DM/71 dated August 23, 1971 specified that users of aid foreign exchange would receive a compensation, the amount of which was determined as follows:
 - A. on imports with aid foreign exchange, the good of which are shipped from ports in :
 1. the USA and Canada Rp 60,- per US\$ 1,-
 2. the Netherland, West Germany,
France, Belgium and the United Kingdom Rp 40,- per US\$ 1,-
 3. Australia and New Zealand Rp 30,- per US\$ 1,-
 4. Japan Rp 20,- per US\$ 1,-
 - B. on imports with free aid foreign
exchange from the USA Rp 30,- per US\$ 1,-

4. To ensure a smoother flow of goods and a greater stability in the determination of the prices of imported goods as the basis for the computation of import duties, the Minister of Finance by his Decision No. Kep—689/MK/III/9/71 dated September 7, 1971 specified that with the exception of imports financed with aid foreign exchange, all imports from Hongkong, Singapore, Malaysia and Japan effected through the opening of a Letter of Credit must be accompanied by an invoice which has been validated by the Representative Office of the Republic of Indonesia c.q. the Customs Officer in the countries mentioned above.

5. To make better use of foreign exchange as an aid to economic development, the Minister of Trade by his Decision No.334/KP/X/71 improved upon the classification of import goods in the following manner:
 - a. categories A,B viz. goods which may be imported with aid foreign exchange or general foreign exchange;
 - b. categories C,D viz. goods which may be imported with general foreign exchange only;
 - c. category of goods prohibited for import.

Services

The policy applied to the services sector was still founded on Government Regulation No. 16 of 1970. No restriction was placed and no prior approval was needed on all kinds of services transactions, whether in the form of receipts from or payments to abroad. The foreign exchange obtained from the payment of services did not have to be surrendered to Bank Indonesia and the beneficiary was at liberty to deposit it in a foreign exchange account with a foreign exchange bank, keep it by himself or sell it to third parties through a money changer or a foreign exchange bank.

Foreign exchange bourse

During the period under report, trading at the foreign exchange bourse consisted only of cash transactions in US dollars. The need for other kinds of foreign exchange was met by the foreign exchange banks themselves.

The kinds of foreign exchange traded consisted of general foreign exchange and aid foreign exchange, the latter originating with foreign loans.

For the sales turnover see Table 20.

**TABLE 20 – RATES AND TRANSACTION OF GENERAL
FOREIGN EXCHANGE AND AID FOREIGN EXCHANGE**

	General Foreign Exchange		Aid Foreign Exchange	
	Rate	Turnover (in thousand US\$)	Rate	Turnover (in thousand US\$)
1971 :				
April	378	99,730	378½	4,606
M a y	378	92,828	378½	3,424
June	378	98,267	378½	10,911
July	378	81,082	378½	14,150
August (till August 22)	378	44,919	378½	8,018
August (as from August 23)	415	22,209	416	6,695
September	415	80,252	416	32,176
October	415	77,142	416	17,378
November	415	81,562	416	11,924
December	415	105,811	416	5,593
1972 :				
January	415	77,808	416	13,432
February	415	77,525	416	8,612
March	415	85,472	416	11,663
		1,024,607		148,582

TABLE 21 — BALANCE OF PAYMENTS OF INDONESIA ¹⁾
(millions of US \$)

	1969/1970 ²⁾	1970/1971 ²⁾	1971/1972 ³⁾
<i>A. Goods and Services</i>	- 474	- 353	- 452
1. Merchandise goods :			
Export f.o.b.	+ 1,044	+ 1,204	+ 1,374
Import f.o.b.	- 1,097	- 1,102	- 1,287
2. Non-monetary gold	-	-	-
3. Freight and insurance related to import	- 139	- 140	- 153
4. Other transportation	- 4	- 5	- 10
5. Travel	- 3	- 16	- 26
6. Investment income	- 116	- 135	- 199
6.1. Direct investment income	(- 114)	(- 129)	(- 187)
6.2. Other	(- 2)	(- 6)	(- 12)
7. Government, not included elsewhere	- 20	- 20	- 20
8. Other services	- 139	- 139	- 131
Balance of goods and services (1 through 8)	- 474	- 353	- 452
Balance of goods (1 and 2)	- 53	+ 102	+ 87
Balance of services (3 through 8)	- 421	- 455	- 539
<i>B. Transfer payments</i>	+ 69	+ 45	+ 52
9. Private	-	-	-
10. Government	+ 69	+ 45	+ 52
<i>C.11. Special Drawing Right (S.D.R.)</i>	+ 35	+ 28	+ 30
Total (1 through 11)	- 370	- 280	- 370
<i>D. Capital and Monetary Gold</i>	+ 315	+ 336	+ 413
<i>Non-monetary sector</i>	+ 271	+ 357	+ 438
12. Private sector	+ 30	+ 131	+ 177
12.1. Long term liabilities	+ 39	+ 90	+ 173
a. Direct investment	(+ 39)	(+ 90)	(+ 173)
b. Other	(-)	(-)	(-)
12.2. Long term assets	- 9	+ 5	-
a. Direct investment	(-)	(-)	(-)
b. Other	(- 9)	(+ 5)	(-)
12.3. Short term liabilities	-	+ 36	+ 4
12.4. Short term assets	-	-	-
13. Government sector	+ 241	+ 226	+ 261
13.1. Long term liabilities (net)	+ 258	+ 256	+ 261
13.2. Long term assets	-	-	-
13.3. Short term liabilities (net)	- 17	- 30	-
13.4. Short term assets	-	-	-
<i>Monetary sector</i>	+ 44	- 21	- 25
14. Central Bank			
14.1. L.M.F. position (net)	+ 46	+ 29	- 17
14.2. Short term liabilities (net)	+ 58	- 50	+ 40
14.3. Movement in foreign exchange holdings	- 60	-	- 48
14.4. Movement in monetary gold holdings (- = increase)	-	-	-
15. Foreign exchange banks			
15.1. Short term liabilities (net)	-	-	-
15.2. Movement in foreign exchange holdings (- = increase)	-	-	-
Net errors and omissions	+ 55	- 56	- 43

1) Includes oil and oil products.

2) Revised figures.

3) Provisional figures.

Balance of payments

Although during the year under report, the foreign trade sector did not remain unaffected by world economic and monetary developments in general, viz. the presence of recessions and inflations in several big nations and the disturbances in the international monetary sector, Indonesia's balance of payments in 1971/1972 revealed a surplus of US\$ 25 million as against a surplus of US\$ 21 million in 1970/1971 (Table 21).

With more vigorous economic activities at home, the demand for import goods had likewise increased. Even though exports were still rising, the fact that the said increase was proportionally less than the increase in imports, the surplus of US\$ 87 million with respect to the balance of goods in 1971/1972 was lower than that in 1970/1971 which amounted to US\$ 102 million. Since the balance on services continued to show a large deficit which failed to be offset by the surplus on the balance on goods, the balance on goods and services in 1971/1972 suffered a deficit of US\$ 452 million as against a deficit of US\$ 353 million in 1970/1971.

Grants receipts increased from US\$ 45 million in 1970/1971 to US\$ 52 million in 1971/1972, whereas the non-monetary capital movements sector showed an increase of US\$ 81 million, viz. from US\$ 357 million in 1970/1971 to US\$ 438 million in 1971/1972.

Accounting for net errors and omissions represented by the balance on payments of US\$ 43 million, the balance of payments as a whole showed in 1971/1972 an improvement of US\$ 25 million. It should be mentioned that the said surplus was achieved in the presence of payments to the I.M.F. to the extent of US\$ 17 million, an increase of US\$ 40 million in regard to short term liabilities and an improvement in foreign exchange reserves to the extent of US\$ 48 million.

Balance of trade

During the year under report, foreign trade was greatly affected by the decline in prices of several Indonesian export commodities in world markets such as coffee, rubber, tin and copra, with the exception of crude oil which during the year under report, enjoyed two price increases, namely one in April and the other in October 1971. On the other hand, imports were still rising, especially because of the higher demand for raw material, machinery and capital goods for the domestic industry.

Export

To stimulate exporters to greater activity, on August 23, 1971, the Government revised the Rupiah rate from Rp 378.—per US\$ 1.—into Rp 415.— per US\$ 1.— The devaluation of the US dollar in December 1971 with respect to the currency of the big nations (realignment of currencies) and the tying up of the Rupiah to the US dollar meant that in comparison to the value of the Rupiah prior to August 23, 1971 the Rupiah had been subjected to an adjustment of its value by about 16%.

Besides, in order to push the export of selected commodities still further, the Government established the National Institution for the Development of Exports and lowered both the cess rates and the contribution toward rehabilitation with respect to selected export commodities such as copra, pepper and coffee (see page 38)

The development of export values by kind of commodity from 1969/1970 to 1971/1972 inclusive is presented in Table 23.

The value of crude oil exports rose from US\$ 443 million in 1970/1971 to US\$ 590 million in 1971/1972 or by 33.2% This increase was mainly attributed to the increase in the price of crude oil from US\$ 1.66 to US\$ 2.21 per barrel effective April 1971 and from US\$ 2.21 to US\$ 2.60 per barrel effective October 1971. Accounting for payments on imports and services in the oil sector of US\$ 132 million and US\$ 254 million, respectively, net proceeds of crude oil exports in 1971/1972 amounted to US\$ 204 million as against US\$ 135 million in 1970/1971.

The increase of export value of goods exclusive of crude oil from US\$ 752 million in 1970/1971 to US\$ 784 million in 1971/1972 was mainly caused by the increase of timber, tobacco, pepper and tea exports. The value of timber exports rose by 30.7% in 1971/1972 and made up 21.7% of the total export value (exclusive of oil) as against 17.3% in 1970/1971. Other selected export commodities such as rubber, coffee and copra had declined in value, especially because of the decline in world market prices; this held especially in the case of rubber which near the end of 1971 had hit its lowest point since 1948. Even so, rubber exports continued to play the most significant role in the context of exports as a whole (excluding crude oil), namely 27.4% in 1971/1972, and was second only to crude oil in the total context of export values.

The pattern of exports by country of destination remained in 1971/1972, broadly speaking, unchanged. The bulk of exports was still directed to Asian countries (66.2%), followed by America 16.9% and Europe (14.8%). Japan and the United States contin-

TABLE 22 – FOREIGN TRADE
(millions of US\$)

	Import (f.o.b.)			Export (f.o.b.)			Balance of trade			Percentage change 1970/1971-1971/1972	
	1969/1970	1970/1971	1971/1972	1969/1970	1970/1971	1971/1972	1969/1970	1970/1971	1971/1972	Import	Export
1st Qtr.	236	259	294	243	281	314	+ 7	+ 22	+ 20	13.5	11.7
2nd Qtr.	278	291	348	270	298	340	- 8	+ 7	- 8	19.6	14.1
3rd Qtr.	297	280	312	252	315	343	- 45	+ 35	+ 31	11.4	8.9
4th Qtr.	286	272	333	279	310	377	- 7	+ 38	+ 44	22.4	21.6
T o t a l	1,097	1,102	1,287	1,044	1,204	1,374	- 53	+ 102	+ 87	16.8	14.1

FOREIGN TRADE

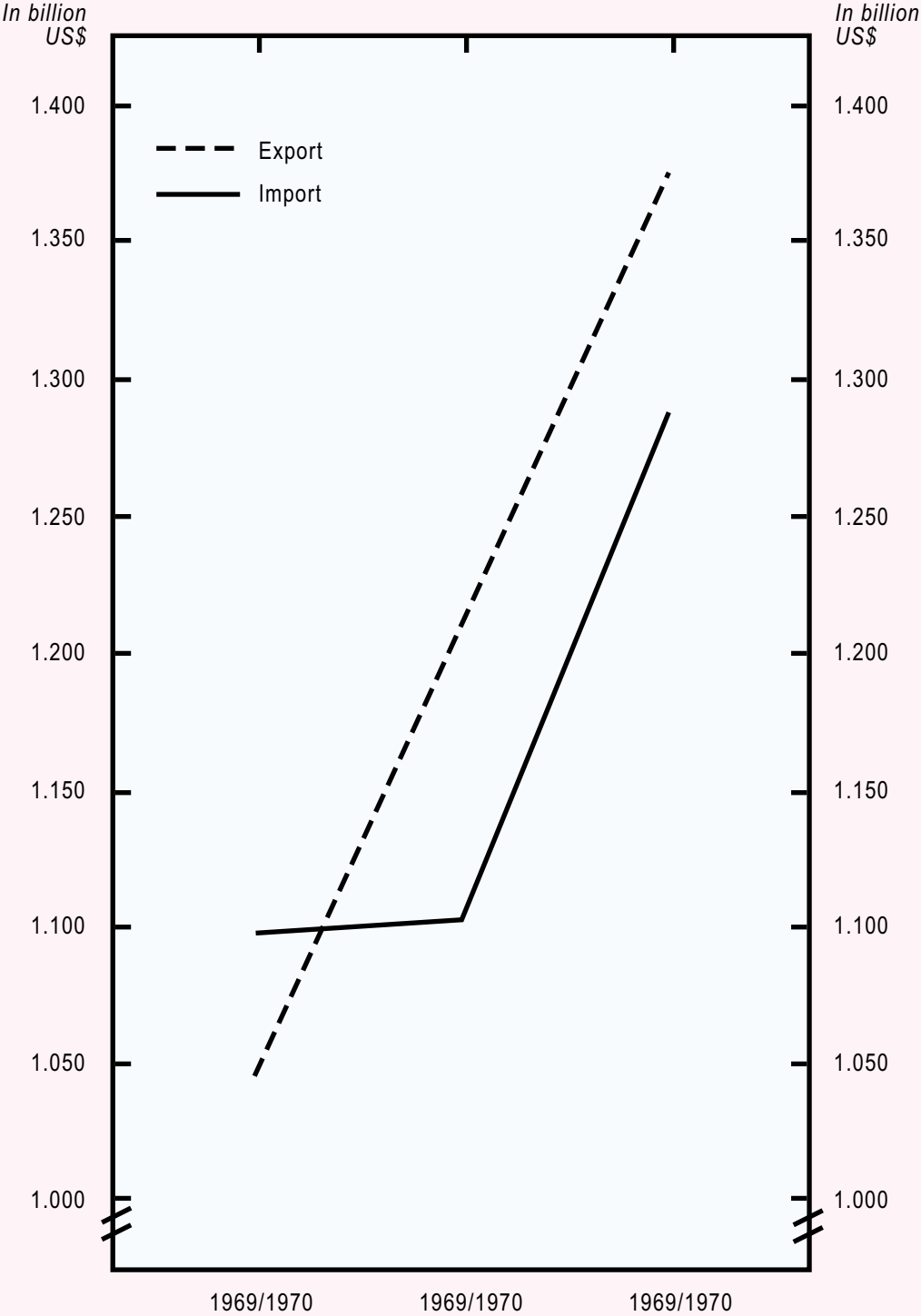


TABLE 23 – EXPORT (F.O.B.)
(millions of US \$)

	1969/1970	1970/1971	1971/1972	Percentage change 1970/1971 – 1971/1972
<i>A. Exports excl. oil and oil products</i>	<u>486</u>	<u>752</u>	<u>784</u>	<u>4.3</u>
1. Rubber	232	256	215	-16.0
2. Coffee	54	62	54	-12.9
3. Tin	56	61	64	4.9
4. Wood	34	130	170	30.8
5. Palm oil products	27	46	51	10.8
– Palm oil	(23)	(41)	(45)	(9.8)
– Palm kernels	(4)	(5)	(6)	(20.0)
6. Copra products	17	41	20	-51.2
– Copra	(15)	(33)	(8)	(-75.0)
– Copra cakes	(2)	(8)	(12)	(33.3)
7. Tobacco	15	14	20	42.9
8. Pepper	9	10	21	110.0
9. Tea	6	23	31	34.8
10. Hides	4	6	6	–
11. Foodstuffs	5	31	41	32.3
– Tapioca	(1)	(10)	(14)	(40.0)
– Other foodstuffs	(4)	(21)	(27)	(28.6)
12. Nutmeg and mace	1	2	2	–
13. Animals and livestock products	2	11	23	109.1
14. Mining products	8	16	18	12.5
15. Other spices	3	4	4	–
16. Other	13	39	44	12.8
<i>B. Over-price</i>	<u>174</u>	<u>9</u>	<u>–</u>	<u>–</u>
<i>C. Export of oil and oil products</i>	<u>384</u>	<u>443</u>	<u>590</u>	<u>33.2</u>
Total (A + B + C)	<u>1,044</u>	<u>1,204</u>	<u>1,374</u>	<u>14.1</u>

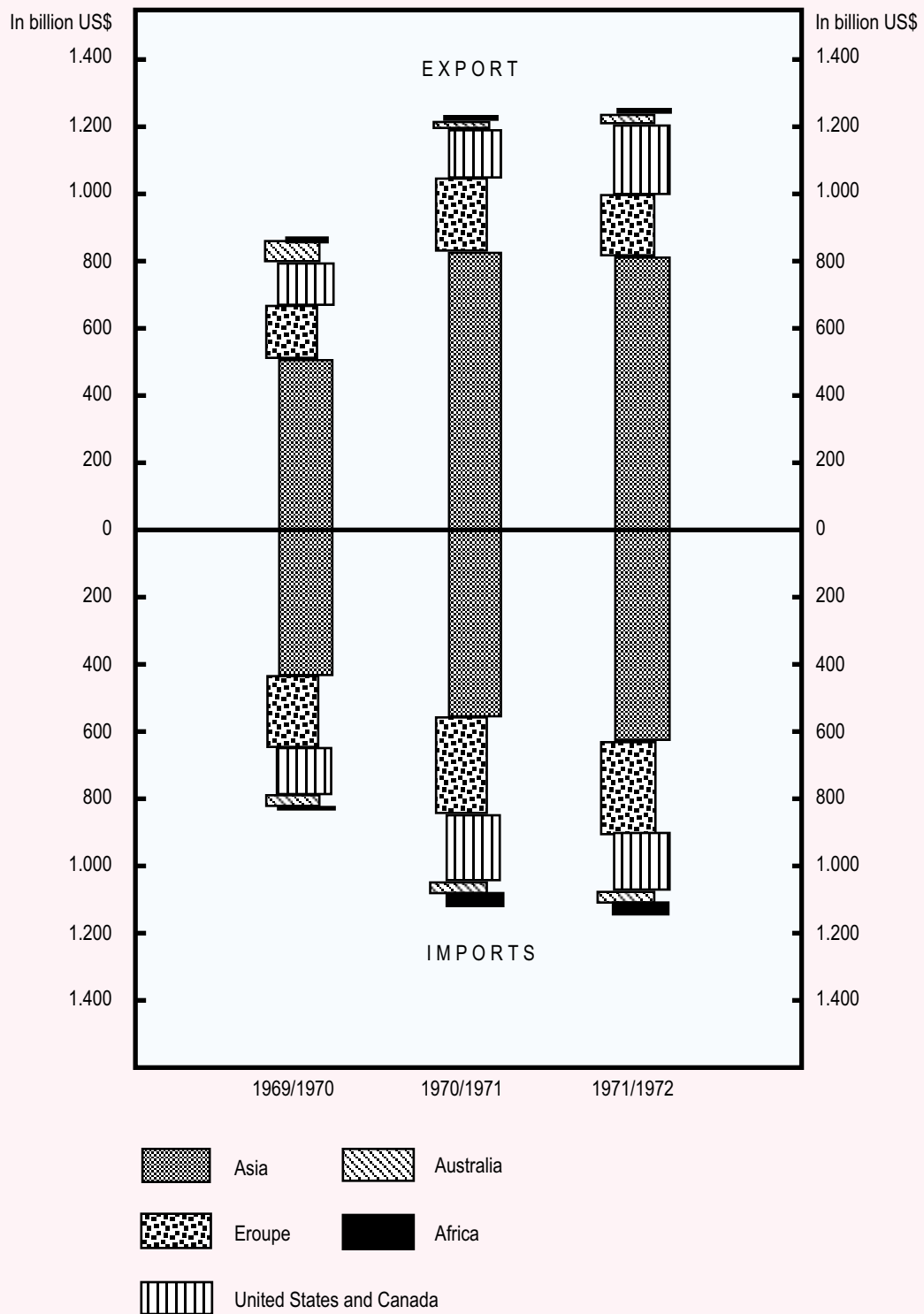
TABLE 24 – EXPORTS BY COUNTRY OF DESTINATION
(millions of US \$)

Country of destination	1969/1970	1970/1971	1971/1972 1)
<i>EUROPE</i>			
United Kingdom and Republic of Ireland	11	17	10
Germany	44	64	61
France	5	8	7
Belgium and Luxemburg	17	16	16
Netherlands	52	67	64
Italy	4	8	8
Denmark	1	3	5
Norway	1	1	1
Sweden	—	1	1
Other Countries	24	30	13
Total exports to Europe	159	215	186
Percent of total export value	18.2%	17.3%	14.8%
<i>AMERICA</i>			
Canada	—	—	3
United States	132	146	206
Other	—	4	4
Total exports to America	132	150	213
Percent of total export value	15.1%	12.1%	16.9%
<i>AFRICA</i>			
United Arab Republic	—	—	—
Portugise East Africa	—	—	—
Union of South Afrika	—	—	—
Other	1	1	1
Total exports to Africa	1	1	1
Percent of total export value	0.1%	0.1%	0.1%
<i>ASIA</i>			
Iraq	—	—	—
India	—	—	—
Pakistan	—	—	—
Burma	—	—	1
Thailand	6	—	—
Malaysia	—	1	—
Penang	30	15	7
Singapore	156	175	131
Vietnam	1	—	—
Hongkong	8	13	10
China	—	—	—
Japan	189	476	602
Philippines	27	25	25
Other	3	139	59
Total exports to Asia	520	844	834
Percent of total export value	59.4%	68.1%	66.2%
<i>AUSTRALASIA</i>			
Australia	57	18	14
New – Zealand	1	—	1
Oceania – Hawai	5	12	11
Total exports to Australasia	63	30	26
Percent of total export value	7.2%	2.4%	2.0%
Via free ports : Sabang, Tandjung Uban and ports not specifically mentioned	—	—	—
Percent of total export value	—	—	—
Grand total	875	1,240	1,260

1) Provisional figures

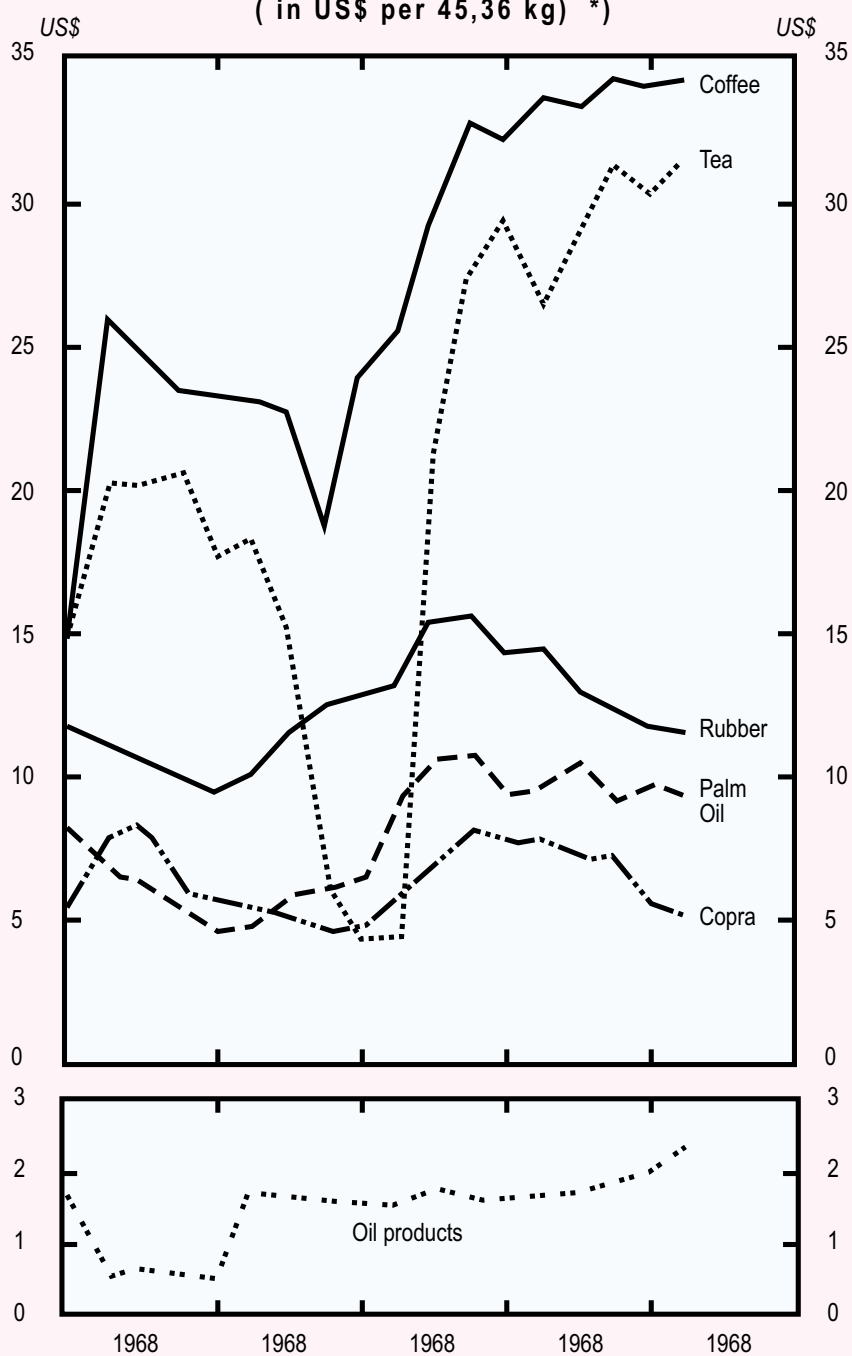
Source : Central Bureau of Statistics.

EXPORTS BY COUNTRY OF DESTINATIONS AND IMPORTS BY COUNTRY OF ORIGIN



PRICES OF EXPORT COMMODITIES

(in US\$ per 45,36 kg) *)



*) Oil products in US. \$ per Barrel

Source : Data from Central Bureau of Statistics

ued to be the countries of destination for the largest exports, viz. 47.8% and 16.3% respectively of the aggregate export value in 1971/1972, followed successively by Singapore, the Netherlands and West Germany with shares of 10.4%, 5.1% and 4.8%, respectively. Exports to Australia fell off, namely from 2.4% in 1970/1971 to 2.0% in 1971/1972 (Table 24).

Import

The import value rose from US\$ 1,102 million in 1970/1971 to US\$ 1,287 million in 1971/1972 or by 16.5%. Capital goods and raw material were mainly responsible for this increase with shares of 18.2% and 6.2% respectively, while consumers' goods dropped by 30.2%.

From the categories of imported goods may be inferred that capital goods formed the major part of imported goods (44.3%), followed by raw material (39.2%), while consumers' goods held the smallest share with 16.5%. This contrasted with the situation of some years before in which the major part of imports in the aggregate was made up of consumers' goods (see Table 25). The change in terms of percentages which took place in regard to the categories of import goods was attributed to increased import in the context of project aid, foreign capital investment and imports of raw material, machinery and other equipment for the domestic industry.

TABLE 25 – IMPORTS (C.I.F.) BY COMMODITY GROUP
(millions of US \$)

	1969/1970	1970/1971	1971/1972 ¹⁾	Percentage change
				(%) 1970/1971 – 1971/1972
Raw materials	349	418	444	6.2
Capital goods	267	424	501	18.2
Consumer goods	212	268	187	– 30.2
Total	828	1,110	1,132	2.0

1/ Provisional figures

TABLE 26 – IMPORT (F. O. B.).
(millions of US \$)

	1969/1970	1970/1971	1971/1972	Percentage change 1970/1971-1971/1972
1. General foreign exchange imports	469	419	361	– 13.8
2. Aid foreign exchange imports	337	346	393	13.6
– Program aid	(106)	(125)	(139)	11.2
– Food aid	(40)	(39)	(40)	2.6
– PL 480 (rice, cotton, and yarn)	(135)	(105)	(111)	5.7
– Project aid	(56)	(77)	(103)	33.8
3. DP and free import	178 ¹⁾	32	42	31.3
4. Imports under direct investment	25	65	121	86.2
5. Imports under merchant's L/C	–	146	238	63.0
T o t a l	1,009	1,008	1,155	14.6
6. Imports of oil companies	88	94	132	40.4
T o t a l	1,097	1,102	1,287	16.8

1) Including import for BIMAS Gotong Royong to the amount of US \$ 35 million

In 1971/1972, the main objective of the economic policy of the Government was to intensify domestic economic activities without putting a strain on domestic prices as well as on the balance of payments. With this end in view, the credit policy in the year under report aimed at preventing credit to grow to such an extent that it would interfere with the effort to reach the abovementioned objective. This was one of the reasons why general foreign exchange imports dropped by 13.8%, viz. from US\$ 419 million in 1970/1971 to US\$ 361 million in 1971/1972.

For the purpose of getting greater benefit from aid foreign exchange, the Government began in August 1971 to grant compensations to importers who utilized aid foreign exchange, and as from March 1972, importers were granted the facility to make forward purchases with respect to aid foreign exchange.

As seen from the financing point of view it must be obvious that the volume of imports which had been financed with general foreign exchange and aid foreign exchange was less than that of the previous year. (Table 26)

TABLE 27 IMPORTS BY COUNTRY OF ORIGIN
(millions of US \$)

	1969/1970	1970/1971	1971/1972 1)
<i>EUROPE</i>			
United Kingdom and Republic of Ireland	28	34	51
Federal Republic of Germany	68	97	78
German Democratic Republic	4	1	31
France	12	15	17
Belgium and Luxemburg	5	7	7
Netherlands	37	48	49
Italy	13	17	12
Czechoslovakia	3	4	1
Sweden	1	3	4
Switzerland	10	8	9
Spain	1	—	—
Other	37	54	21
Total imports from Europe	219	288	280
Percent of total import value	26.4%	25.9%	24.7%
<i>AMERICA</i>			
Canada	2	2	1
United States	120	200	162
Other	28	—	3
Total imports from America	150	202	166
Percent of total import value	18.1%	18.2%	14.7%
<i>AFRICA</i>			
United Arab Republic	—	4	—
British East Africa	6	30	31
Union of South Africa	—	—	—
Other	1	6	5
Total imports from Africa	7	40	36
Percent of total import value	0.8%	3.6%	3.2%
<i>ASIA</i>			
India	7	5	5
Pakistan	17	16	13
Burma	4	7	1
Thailand	6	9	7
Malaysia	4	6	6
Singapore	41	64	71
Cambodia	—	—	—
Hongkong	26	22	19
China	38	33	29
Japan	219	326	396
Philippines	4	2	4
Other	64	60	66
Total imports from Asia	427	550	617
Percent of total import value	51.6%	49.6%	54.5%
<i>AUSTRALASIA</i>			
Australia	22	37	31
New Zealand and Oceania	3	3	2
Total imports from Australasia	25	30	33
Percent of total import value	3.1%	2.7%	2.9%
Via free ports : Sabang , Tandjung Uban and ports not specifically mentioned	—	—	—
Percent of total import value	—	—	—
Total imports of Indonesia	828	1,110	1,132

1) Provisional figures.

Source : Central Bureau of Statistics.

The largest increase in imports in terms of percentages occurred in the sector of direct foreign capital investment (86.2%), because of i.a. the larger number of projects which were implemented.

Imports with Merchant's Letter of Credit continued also to show a large increase (63.0%), although since April 1971, importers who utilized the Merchant's L/C facility were required to make an advance payment in Rupiah currency to the extent of 25% of the value of Merchant's Letters of Credit to the foreign exchange bank concerned.

The pattern of imports by country of origin remained in 1971/1972, broadly speaking, unchanged as compared with that of the previous year (Table 27). Japan maintained its position as the largest supplier, viz 35.0%, followed successively by the United States, West Germany and Singapore with shares of 14.3%; 7.0% and 6.3% respectively.

Services and Grants

The balance on services in the period under report showed a deficit of US\$ 539 million, which meant an increase of US\$ 84 million or 18% as compared with the previous year's deficit of US\$ 455 million (see Table 21). Components of the services sector responsible for the aforesaid deficit were the repatriation of corporate profit (by foreign companies) which rose by US\$ 64 million, freight and insurance payments related to imports by US\$ 13 million and payments for travels abroad by US\$ 10 million.

Foreign oil companies accounted for the greatest part of the increase in the repatriation of profit. Oil companies engaged in production-sharing projects, the previous year's output of which was relatively small, began this year to repatriate their profits. Factors which contributed to the size of the profit of foreign oil companies were the volume of output and the development of world prices of oil. The rather swift increase in output in the period under report had made it possible for foreign oil companies to repatriate their profit. The larger payments for freight and insurance related to imports went hand in hand with the increase in import value.

Travels abroad continued to suffer a deficit because more Indonesian citizens were traveling abroad, to which should be added the payments with respect to the hajji pilgrimages.

TABLE 28 – GRANTS RECEIVED
(millions of US \$)

	1969/1970	1970/1971	1971/1972
1.. Australia	18	11	11
2. U.S.A.	13	–	–
3. Netherlands	16	14	22
4. Japan	15	10	10
5. Belgium	1	1	1
6. Federal Republic of Germany	2	1	2
7. United Kingdom	–	3	2
8. Italy	–	1	1
9. Canada	2	3	2
10. France	2	1	1
Total	69	45	52

The grants received from donor countries in the year under report amounted to US\$ 52 million which meant receipts of US\$ 7 million more than those of the previous year. In terms of percentages, this amounted to 14% of long term credit. Of the total volume of grants received, the Netherlands, Australia and Japan shared for 42%, 21% and 19%, respectively (Table 28). It should be mentioned that the grants were provided in the form of goods and also foodstuffs.

Capital movements

The development of capital movements reflected the policy of the Government. Both the private as well as the Public sector maintained their rising trend. In the period under report, net capital inflow amounted to US\$ 177 million which meant an increase of US, 46 million or 35% as compared with the previous year. This increase was almost wholly attributable to the inflow of capital in the form of goods executed by foreign companies in the context of direct capital in investment.

Since the number of approvals with respect to foreign capital investment in Indonesia is still growing, it is anticipated that in the forthcoming years the inflow of foreign capital will continue to increase and in still larger volumes.

Short term capital investment declined from US\$ 36 million in the previous year to US\$ 4 million in the year under report. This was presumably caused by the fact that the many loans which had been received during the past years had just started to be repaid, another contributing factor could be the provisions concerning the utilization of Merchant's L/C.

The Public sector accounted for an inflow of long term loans to the extent of US\$ 368 million which meant an increase of US\$ 44 million, or 14%, as compared with the previous year. From the volume of these loans may be inferred that the United States, Japan, West Germany and the IDA continued to play an extensive part with a total volume of loans of 91% of the volume of credit as a whole, viz. 43%, 31%, 8% and 9%, respectively (Table 29).

TABLE 29 – LONG TERM FOREIGN LOANS
(millions of US \$)

	1969/1970	1970/1971	1971/1972
1. U.S.A.	164	145	158
2. Japan	71	92	115
3. Netherlands	13	7	9
4. Belgium	2	1	2
5. Federal Republic of Germany	20	21	32
6. France	8	7	6
7. Italy	12	6	1
8. United Kingdom	5	8	10
9. German Democratic Republic	1	1	—
10. Yugoslavia	3	1	—
11. Denmark	—	3	—
12. Canada	—	—	2
13. New Zealand	—	1	—
14. I.D.A.	3	30	33
15. A.D.B.	—	1	—
Total	302	324	368

Short term loans, which in the previous year showed a balance of payments of US\$ 30 million had in the year under report nothing to show for reasons that in the previous year the Government had been successful in paying back all foreign loans in the context of the BIMAS Gotong Rojong project.

Foreign trade and payments agreements

The conference held in the period under report were mainly concerned with trade and payments between Indonesia, the Philippines and the Netherlands and provided the following results:

The Philippines

In July 1971 a conference was held between Indonesia and the Philippines to discuss i.a. the procedure with respect to goods movements in the border area between the two countries, cooperation in the field of wood processing and shipping.

The conference bore i.e. the following results:

1. Border trade agreement

- Border trade was to be carried out under a special licence.
- The value of the goods a person was permitted to carry with him on each crossing of the border was not to exceed P 400.- ; in the case of oversea transportation, the value was not to exceed P 4,000. - .
- On the Indonesian side, the Sangir Taulaud islands and the Nunukan district were designated as border trade areas, those on the side of the Philippines the Balud and Tawi2 islands.

2. Shipping agreement

- To intensify shipping facilities between the two countries and other matters related to shipping.

The Netherlands

In February 1972 the Fifth Joint Commission of Indonesia and the Netherlands was convened in Jakarta on which occasion an "Agreed Minutes of Discussions" was signed concerning i.a. the following matters:

1. Trade

- The Netherlands Government was willing to look into the possibility a bilateral effort with respect to the financing of a Coffee Diversification Program.
- The Netherlands Government would make Dutch experts join the Judging Committee on the Lampung cloves projects.

2. Capital Investment

- The Indonesian Government advised the Government of the Netherlands to intensify Dutch capital investment in Indonesia.
- Both parties were aware of the need for better information on the policy and regulations which govern foreign capital investment in Indonesia

3. International economic cooperation

- The Indonesian Government expressed its concern over the preferential treatment extended by the European Economic Community (EEC) to African nations.
- In dealing with goods imported from developing nations having ties with MEE member nations, the Netherlands Government would guarantee fair treatment of identical goods imported from Indonesia and from other developing nations.

Rescheduling of debts

As has already been reported, a multilateral agreement between Indonesia and the IGGI member countries as defined in an "Agreed Minutes" had been reached on 23-24 April 1970. In the context of the rescheduling of old debts as a whole, bilateral agreements were signed with:

East Germany	+ US\$	77.1 million
Czechoslovakia	+ US\$	78.0 million
Poland	+ US\$	108.8 million
Japan	+ Yen	33.7 million
Rumania	+ US\$	15.7 million
Italy	+ Lira	93.0 million

The agreements called for the repayment of the principal debt within a period of 30 years effective as from 1970 and on the debt on interest within 15 years effective as from 1985. Principal debts and interests which had been consolidated were not subjected to interest. Besides, Indonesia was granted the opportunity to defer the repayment of a part of its principal debt which would be due for repayment during the first 8 years of the repayment schedule to the final 8 years of the aforesaid schedule, at interest of 4% per annum.

Exclusively with Czechoslovakia and Poland settlement was reached concerning the matter of Indonesian export goods which had been detained by these countries and reconciled with the principal debts which amounted to approximately US\$ 2.8 million and US\$ 10.2 million, respectively. The aforesaid debts were to be repaid during 8 years as from 1970 to 1977 inclusive and during 15 years as from 1970 until 1984 inclusive.

International Financial Institutions

International Monetary Fund (I.M.F)

With respect to the financial relations between Indonesia and IMF during the year under report may be mentioned the following:

- (a) In the context of the financing of international tin reserves, Indonesia's drawings amounted to SDR 3.8 million.¹⁾ On the other hand, Indonesia's repurchases in the context of the 1968/1969 standby arrangement amounted to SDR 20 million and its initial payment in the context of the quota increase amounted to SDR 0.9 million.
- (b) Hence, Indonesia's debt position with respect to IMF at the end of the year under report was SDR 121.4 million, viz. the total drawings over the years 1968/1969 to 1970/1971 inclusive to the extent of SDR 132.6 million less contributions in the form of gold payments to the amount of SDR 11.2 million.
- (c) In April 1971, IMF approved the standby arrangement for 1971/1972 to the amount of SDR 50 million. Until the end of the period under report, Indonesia had as yet to effect a drawing under the aforesaid 1971/1972 standby arrangement.

1) S.D.R. 1,- = 0,888671 grams of pure gold

In the 1971 annual meeting of the Fund, a resolution was adopted concerning the problems related to the international monetary crisis. In the main the said resolution appealed to all IMF members to cooperate not only with IMF, but also among themselves in order to reach the following goals:

- (a) To carry out a realignment of currencies as soon as possible by allowing for larger margins, to reduce the impediments in the fields of trade and foreign exchange payments transactions and to permit IMF to resume its proper role in the current monetary crisis soon.
- (b) To put an immediate halt to the tendency to put restrictions on trade and foreign exchange payments transactions and to draw up satisfactory regulations with respect to the settlement of international transactions.

The foregoing resolution also requested the IMF Board of Directors to present the Board of Governors with its report on the necessary measures to be taken to either amend or made drastic changes in the prevailing international monetary system. In this connection, it would be necessary to study all aspects of the international monetary system including the possibility of revising the Articles of Agreement of IMF.

In the 1971 annual meeting of the Fund, Indonesia was elected to both the chairmanship of the IMF Board of Governor and that of the World Bank for the 1971/1972 term; the aforesaid posts were to be occupied by the Minister of Finance and the Governor of Bank Indonesia, respectively.

In January 1972, Indonesia received its third SDR allocation to the extent of SDR 27.6 million. This third allocation made for SDR receipts a total of SDR 90.2 million, of which SDR 63.8 million had already been drawn. On the other hand, in accordance with prevailing provisions, Indonesia also effected a reconstitution to the extent of SDR 9 million; the SDR balance at the end of the period under report was therefore SDR 35.4 million.

World Bank (IBRD)

During the period under report, several IBRD missions visited Indonesia for discussions and for surveys with respect to the projects which the Government had proposed for financing by loans through IDA.

During the period under report, the aid committed to Indonesia by IDA amounted to US\$ 79.3 million, for the following projects:

a. Seed cultivation project	:	US\$ 7.5 million
b. Rehabilitation of PNP XII & XIII	:	US\$ 15.0 million
c. Rehabilitation of Highways II	:	US\$ 34.0 million
d. Technical assistance III	:	US\$ 4.0 million
e. Rehabilitation of Irrigation IV	:	US\$ 12.5 million
f. Agricultural training project	:	US\$ 6.3 million

The approval of these new loans raised the volume of IDA loans committed to Indonesia until the end of the period under report to US\$ 250.2 million.

It has already been reported that the aforesaid loans were provided under very easy terms. The loans were repayable in 50 years, included a grace period of 10 years, were interest free and required only the payment of an annual service charge of 3/4%.

In the context of private capital investment in developing countries, another subsidiary of the World Bank, namely the International Finance Corporation (IFC) had agreed to invest its capital in Indonesia.

Until the end of the period under report, IFC's position with respect to its capital investment in Indonesia was as follows:

<u>Company</u>	<u>Loan</u>	<u>Share capital</u>	<u>Total</u>
	<i>(in million US\$)</i>		
a. P.T. Semen Tjibinong	10.6	2.5	13.1
b. P.T. Unitex (textiles)	2.5	0.8	3.3
c. P.T. Primatex (textiles)	2.0	0.5	2.5
d. P.T. Kabelindo (cables)	<u>2.8</u>	<u>0.4</u>	<u>3.2</u>
	17.9	4.2	22.1

IFC's credit terms were as follows:

- maturities of from 7 to 12 years
- grace periodes of from 2 to 3 years
- interest rate as prescribed by international capital markets

Asian Development Bank (ADB)

In the period under report, the aid committed to Indonesia by ADB amounted to US\$ 24.3 million; these loans came out of the Special Fund and were designed to finance the following projects:

- | | |
|---|------------------|
| a. Modernization of the Bank Rakjat Indonesia | US\$ 3.4 million |
| b. Pontianak electrification project | US\$ 4.6 million |
| c. Sempor irrigation project | US\$ 9.2 million |
| d. West Sumatra electrification project | US\$ 7.1 million |

Approval of these new loans has raised the volume of ADB's loans committed to Indonesia until the end of the period under report to US\$ 47.8 million.

The ADB loans which came out of the Special Fund were extended under the following terms:

- interest from 2 1/2 to 3% per annum
- maturities of from 24 1/2 to 30 years
- grace periods of from 7 to 8 years.

In addition to the aforesaid loans, during the period under report, Indonesia also received technical assistance in the form of ADB grants to the extent of US\$ 130 thousand for the West Irian electrification projects and wood marketing surveys.

The aforesaid technical assistance raised the volume of ADB's technical assistance to Indonesia since 1967 to US\$ 1.6 million.

ADB's fourth annual meeting which was convened in Singapore in April 1971 approved the following points:

- To raise the number of ADB's executive directors from 10 to 12.
- To increase ADB's capital, the Special Fund was to play a more significant role.

ADB's Board of Governors approved an increase of 150% over its present capital, 20% of which was to be in the form of paid-in capital and 80% in callable capital.

In connection with the aforesaid capital increase, Indonesia's participation rose by US\$ 37.5 million to become US\$ 62.5 million.

Inter-Governmental Group on Indonesia (IGGI)

In the period under report, the IGGI nations were convened on two occasions in order to discuss Indonesia's need for foreign aid.

The 10th IGGI conference which was convened in April 1971 discussed the development and prospects of Indonesia's economy and its request for aid to the extent of US\$ 640 million for 1971/1972 which had already been presented to the conference in December 1970. The aforesaid amount was approved in accordance with the following specifications: US\$ 270 million for project aid, US\$ 160 million for food aid and US\$ 210 million for program aid.

The 11th IGGI conference which was convened in December 1971 discussed Indonesia's request for aid for 1972/1973 to the extent of US\$ 670 million which was specified as follows: US\$ 350 million for project aid, US\$ 110 million food aid and US\$ 210 million for program aid.

VII. PRODUCTION, INFRASTRUCTURE, PRICE LEVEL AND SOCIAL DEVELOPMENT

Production of foodstuffs

From the point of view of foodstuffs production, the year 1971 was in general less satisfactory, since the production of foodstuffs as a whole (with the exception of rice) was less than the previous year's output.

In 1971, the production of *rice* reached 12.8 million tons¹⁾ (provisional figure), which meant an increase of 5% as compared with the previous year's output, or was more by 2% than the target for 1971 which had been set for 12.5 million-tons.

Factors which contributed to the increase in rice production were the greater effort to intensify the cultivation of paddy in the context of the BIMAS and INMAS schemes, and the expansion of rice land on account of the better system of irrigation.

With rice production at the level of 1971 as already mentioned above and with a population of 120.1 million people (Central Bureau of Statistics), the output per capita was more or less 106 kg per annum.

In contrast to the production of rice, the production of *maize* during the past years was still on the decline. Output in 1971 dropped by 7% viz. from 2.8 million tons (1970) to 2.6 million tons (1971).

The decline in output was i.a. caused by the crowding out of the maize culture by paddy due to the rehabilitation of the irrigation system. Moreover, farmers did not find the price of maize attractive enough to justify the cultivation of this crop.

In 1971 the production of *cassava* dropped by 4% compared to the previous year's output, viz. from 10.5 million tons to 10 million tons.

With respect to sweet potatoes, the output in 1971 had hardly changed and stayed at around 2.2 million tons.

The effort to intensify the production of cassava towards the export of cassava chips and cassava meal was made in the face of rather stiff competition from Thai-

1) Indikator Ekonomi, August 1972, Central Bureau of Statistics, Jakarta.

land and African countries. Since the destination of export from Indonesia was mainly for EEC member countries, whereas Indonesia is not a member of the said community, cassava chips and cassava meal exports to the aforesaid countries was difficult due to the imposition of high import duties.

The production of *peanuts* in 1971 was 280 thousand tons and had not changed much from that of the previous year.

In 1971, the production of *soya beans* at 475 thousand tons was 5% less than the output of the previous year.

Since the price of animal protein has remained still beyond the reach of the general population, the production of pulses in the PELITA I was expected to become the main source for intensifying the consumption of vegetable protein by each person.

For 1971, the production of pulses aimed at an output of 1.1 million tons; actual output, however, which consisted of peanuts and soya beans reached only 0.8 million tons (74.1%).

Measures of the Government to increase the production of foodstuffs

As was also the case in 1970, in the year under report the Government continued to favour the effort to increase the production of rice, in which the intensification of the paddy culture in the context of the BIMAS/INMAS schemes continued to play the most important part. The perfected BIMAS scheme initiated during the Planting Season (PS) of 1970/1971 in the effort to improve upon the credit facilities which had been extended to rural areas provided good results. It was revealed that repayments of the loans granted in the context of the National BIMAS scheme for the 1969/1970 PS, 1970 PS, 1970/1971 PS and 1971 PS (until March 1972 inclusive) were to the extent of respectively 52.8%, 69.0%, 84.6% and 58.6% of the credit granted.

The land cultivated under the BIMAS scheme in the 1970/1971 PS and 1971 PS extended over an area of 1,408 thousand ha and consisted of 39 thousand ha cultivated under the ordinary BIMAS scheme and 569 thousand ha under the New BIMAS scheme. During the same period, the INMAS scheme covered an area of 1,468 thousand ha which consisted of 954 thousand ha cultivated under the ordinary INMAS scheme and 514 thousand ha under the New INMAS scheme.

In 1970 Bank Rakjat Indonesia established 538 village units to serve the area cultivated under the BIMAS scheme mentioned above; in 1971, the number of these village units had risen to 1,047.

As from the 1970/1971 PS, the effort to improve upon the distribution of input for production (especially fertilizer) made it mandatory for distributors to set up their storing and selling facilities of input as close as possible to the farmers.

In 1971/1972, 8 firms were designated as importers of fertilizer; these firms had to be at once responsible for the distribution of the fertilizer to the village units.

In the meantime, the Government's strategy to subsidize the price of urea and TSP fertilizer with the intention of bringing the price down to Rp 26.60 per kg at the village unit level (in Djawa) together with the effort to give better information were instrumental in intensifying the use of fertilizer by farmers.

To make sure that the aid of the Government would reach the desired objective, at the end of every planting season, each distributor designated by the Government was required to file a report on how the fertilizer for the BIMAS scheme was distributed. The measure made it also mandatory for the aforesaid report to be validated by the Badan Pembina BIMAS (BIMAS Development Board). The execution of the above mentioned requirement, however, was as yet unsatisfactory, since the reports filed by the importers/ distributors in the provinces and districts were not up to the required standard.

It was observed that the price of fertilizer for the INMAS scheme fixed at Rp 26.60 per kg was affected not only by the distance between distributor and the area designated for the distribution of the fertilizer, but also by how much fertilizer was available in the market. It was therefore considered of utmost importance to have an adequate supply of fertilizer on hand at the right time.

The rehabilitation of the irrigation system which continued to be carried out by the Department of Public Works and Electric Power in support of the effort to intensify the cultivation of paddy, produced tangible results. This may be observed from the increase in the area of rice land by 182 thousand ha (2.2%) to become 8,317 thousand ha.

Activities in the irrigation sector were not merely concerned with improving the techniques of irrigation but also with the extensification of the current irrigation network.

Another effort in the context of increasing the production of rice consisted of more intensive studies which were carried out by the Lembaga Pusat Penelitian Pertanian (Central Institute for Agricultural Studies) which resulted in the discovery of new high yielding varieties, namely the Pelita I/1 and Pelita I/2 .

In the meantime, in order to raise the paddy output and the income of farmers to still higher levels, the Government rehabilitated the existing rice processing units and improved the marketing of such units.

According to the data of the Department of Agriculture²⁾, in 1971 the paddy processing capacity as represented by the capacity of rice mills had reached about 43% of the targeted rice production as compared with only 21% in 1968.

Rice

In the economic structure of our country the price of rice plays an important role, since rice is still considered as a price leader of other commodities. The cost of living index which is normally used to measure the rate of inflation in Indonesia shows, for instance, that rice makes up 31% of the cost of living index as a whole. This implies that if the prices of other goods had remained stable, an increase of 10 % in the price of rice would boost the rate of inflation by 3.1%.

For this reason, in 1971 the Government continued its policy to keep the price of rice stable. The determination of a minimum paddy price and a maximum rice price would benefit not only the farmers/producers but also the consumers.

Both the efforts to improve the cultivation techniques and the determination of the minimum price of paddy had served to increase the production of paddy.

Table 30 shows that the determination of the minimum and maximum prices had not only kept the fluctuation of the rice price to a minimum, but had also succeeded to reduce the difference in rice prices among the regions.

World output of rice in the past years had increased meaningfully. Several countries which used to import rice succeeded to raise their output and became self sufficient in the matter of rice. This was facilitated by the use of high yielding seeds,

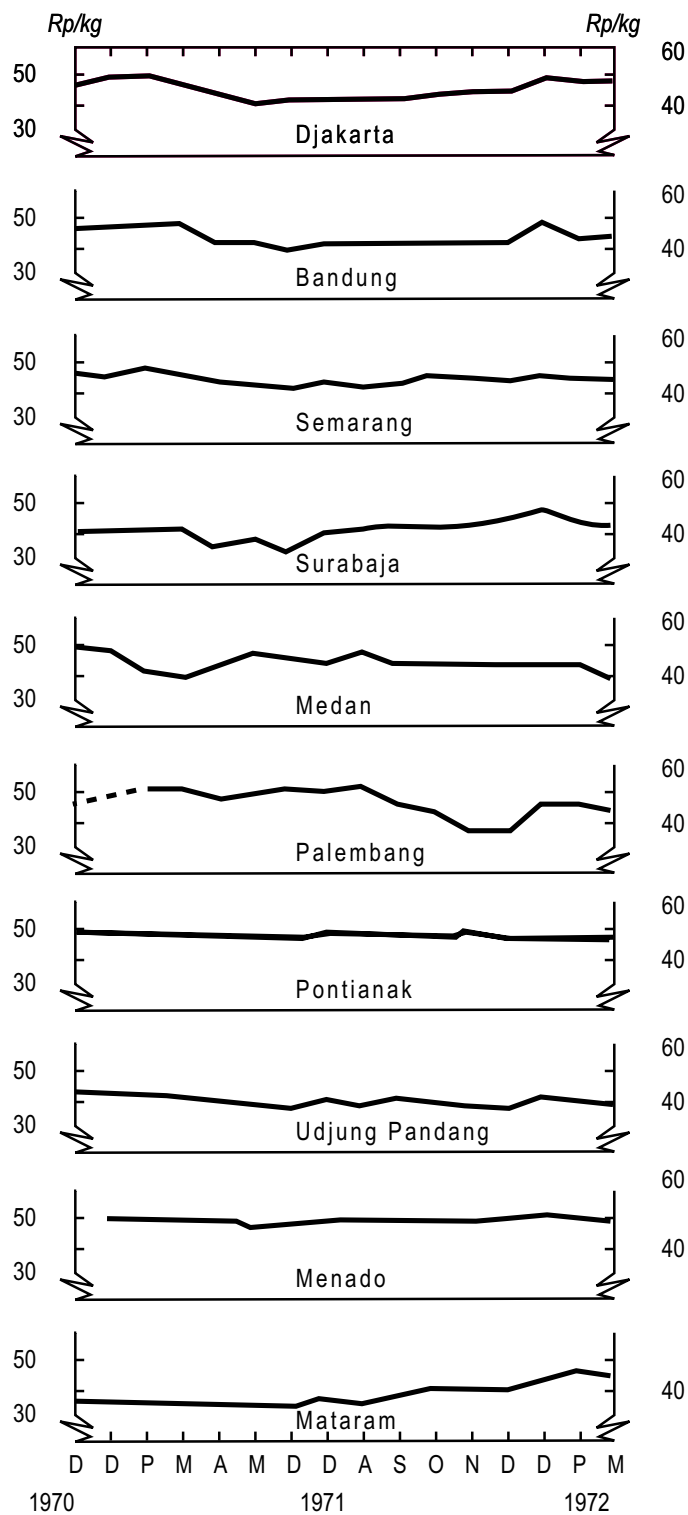
2) Annual Report of the Department of Agriculture for 1971/1972

TABLE 30 — PRICES OF MEDIUM QUALITY RICE IN SELECTED CITIES

	Jakarta	Bandung	Semarang	Surabaya	Medan	Palembang	Pontianak	Ujung Pandang	Menado	Mataram
1970 December	46.40	47.—	47.50	41.—	50.—	45.—	50.—	43.—	. . .	35.—
1971 January	49.50	47.50	46.—	41.—	48.30	. . .	50.—	43.—	49.50	35.—
February	50.—	47.50	47.50	42.—	42.—	49.50	49.75	43.—	49.—	35.—
March	47.80	47.—	45.50	42.—	40.—	50.—	49.—	42.50	49.—	35.—
April	43.31	42.—	42.50	37.—	44.—	47.—	48.75	42.25	49.—	35.—
M a y	40.75	41.—	42.—	38.30	47.33	47.50	48.50	40.75	47.50	35.—
June	41.25	40.—	41.50	35.90	46.—	50.—	48.25	38.75	48.50	34.—
July	42.10	41.50	42.50	40.—	45.33	49.—	49.50	41.—	49.50	36.33
August	42.50	41.35	41.50	41.55	48.16	50.—	50.—	40.—	49.50	35.—
September	42.07	41.55	42.50	42.—	45.—	45.—	49.—	41.—	50.—	37.—
October	43.10	41.50	45.—	42.—	45.—	41.—	48.50	41.—	50.—	40.—
November	44.56	42.50	45.—	42.50	45.—	35.—	49.50	40.—	50.—	40.—
December	45.30	43.—	45.—	44.50	45.40	35.—	48.25	40.—	51.50	40.—
1972 January	48.49	49.—	46.25	48.—	45.—	45.—	48.50	42.—	51.50	42.50
February	47.80	43.—	45.—	45.—	45.—	45.—	48.50	41.—	50.—	47.50
March	47.50	44.—	44.56	43.—	40.25	43.—	48.25	40.—	48.50	46.—
April	45.30	39.—	42.—	41.—	45.40	44.—	48.25	38.—	48.50	44.17

Source : BULOG (Board of Logistic Affairs).

PRICES OF MEDIUM QUALITY RICE IN SELECTED CITIES



fertilizer and better cultivation techniques, besides the use of the later varieties of high yielding seeds (I.R.5 and I.R.8).

In contrast to the previous years, world output of rice in 1971 had not increased but had declined slightly, viz. from 308 million tons in 1970 to 306 million tons in the year thereafter. Even so, world market prices of rice in 1971 continued to show a declining trend. This was believed to have been caused by the large stocks of rice which originated from the previous years's output, during which years the production of rice had increased substantially. If the average price of white rice 15% broken (Bangkok) in 1970 was quoted at £ 58.38/long ton, the same in 1971 had declined to £ 42.38/long ton.

The rice trade sector presented a changed picture, since several South East Asian countries such as Vietnam which used to export rice were now forced to import rice.

Developing countries exporting rice such as Thailand and Burma were faced with the problem raised by rice exports from advanced nations (such as the United States) which were effected under easy terms and in large volumes. Competition from another source will come from the People's Republic of China which is believed to be capable of supplying the world markets with inexpensive rice.

With the signs of over production of rice as mentioned above, several countries had limited the production of rice and had even begun to replace rice by other crops. Taiwan reduced the area of its rice land and started to grow bananas, castor bean and pineapples, besides rice. The Philippines ceased to utilize its less fertile land for the cultivation of paddy and used the land for raising other crops. In the meantime, Japan had granted premiums to farmers who converted a part of their rice land into orchards, vegetable gardens or just plain grass land.

Forestry

Timber

In the year under report the production of timber continued to show a swift increase. Data provided by the Directorate General of Forestry show that the production of timber (exclusive of firewood and charcoal) increased

in 1971 by 26.2% to become 13.0 million m³ of roundwood equivalent.³⁾

Factors which contributed to the aforesaid increase were i.a.:

- intensified capital investment (national as well as foreign) in the forestry sector;
- increased demand for timber from Indonesia; intensified efforts to improve the quality of export timber.

Until December 1971 the number of companies already in the possession of a Surat Keputusan Hak Pengusahaan Hutan (H.P.H. i.e. Forest Exploitation Rights) and Surat Keputusan izin industri/Persetujuan Pemerintah (Industrial licence/Government approval) was 102. These rights were effective over an area of 11.7 million ha and involved a total capital investment of US\$ 546.6 million and Rp 520 million. In the meantime, 46 companies were still waiting for the approval of the Government with respect to their H.P.H. application.

In harmony with the continued increase in timber output, both the volume and value of timber exports had risen steadily. The volume of timber exports rose in 1971 by 45.5%, viz. from 5.9 million tons (1970) to 8.6 million tons (1971), while the export value increased by 67.3%, viz. from US\$ 101 million (1970) to US\$ 169 million (1971).

Exports of teakwood and ramin wood were mainly destined for European countries, whereas meranti varieties were mainly exported to Japan, South Korea and Taiwan.

In view of the rising timber exports of the past years, the role of timber as a source of foreign exchange increased in prominence. As compared with the export value as a whole (excluding oil), the foreign exchange receipts on account of timber exports over the past 5 years developed as follows:

<i>Year</i>	<i>Total export Value excluding oil (' 000 US \$)</i>	<i>Export Value of timber (' 000 US\$)</i>	<i>Per cent of total export value</i>
1967	422,658	6,253	1.5
1968	451,155	12,512	2.8
1969	465,868	26,015	5.6
1970	674,816	100,605	14.9
1971	774,299	168,635	21.8

3) State Address of the President of the Republic of Indonesia before Parliament assembled on August 16, 1972.

The abovementioned figures show that timber exports began to gain significance as a source of foreign exchange receipts in 1970, viz. the year in which companies in the possession of a H.P.H. started to operate their logging business in earnest.

It is expected that the export of timber (especially that of meranti) will continue to increase in the future, with Japan, South Korea and Taiwan as the main countries of destination for the said exports. This will be facilitated by the following factors:

1. Ever increasing development of the timber industry in the above mentioned countries.
2. Future reduction of the supply of meranti from Malaysia and the Philippines to the three countries mentioned above, because of i.e. the rising demand for timber placed by the developing wood industry in Malaysia and the Philippines.

Timber exports from the Philippines is expected to fall off at an annual rate of 5-10%, so that in 1975 the export of timber from this country will not exceed 4.5 million m³. Timber exports from Malaysia are also expected to be reduced in a similar fashion.

Other forest produce

While in 1971 the volume and value of timber exports had increased, the export of other forest produce such as rattan, copal and shorea nuts (with the exception of dammar) had on the other hand declined. The export volume and export value in 1970 and 1971 with respect to the abovementioned forest produce developed as follows:

	<i>Volume ('000 tons)</i>			<i>Value ('000 US\$)</i>		
	<i>1970</i>	<i>1971</i>	<i>Change</i>	<i>1970</i>	<i>1971</i>	<i>Change</i>
Rattan	42.7	31.4	-26.5%	1,307	783	-40.1%
Copal	3.7	2.2	-40.6%	328	235	-28.4%
Shorea nuts x)	5.7	0.5	-91.2%	1,195	105	-91.2%
Dammar	6.5	7.1	+ 9.2%	309	624	+101.9 %

x) Data of the Central Bureau of Statistics

The table shows that especially in the case of shorea nuts both the export volume and export value in 1971 had dropped sharply as compared with the previous year. This was mainly ascribed to the drop in the price of shorea nuts in world markets (London). If in the beginning of 1970 the price of shorea nuts was still quoted at £ 220/long ton, in 1971 shorea nuts were valued only at £ 105/long ton.

Livestock

Livestock products such as meat, milk and eggs still failed to develop along the same lines as other products of the agricultural sector as, for example, rice.

Since a higher income per capita will result in a higher demand for animal protein, raising the output of livestock products makes such an effort mandatory in order to prevent a greater discrepancy between the consumption of animal protein and that of carbohydrates. In this connection should be kept in mind that Indonesia's potentials with respect to the livestock sector are sufficiently large.

Development of Livestock (in '000 heads)

Year	<u>Large livestock</u>			<u>Small livestock</u>		Total
	Cows	Water buffaloes	Horses	Goats & Sheep	Pigs	
1966	6,790	3,820	906	12,086	3,225	26,827
1967	6,816	2,493	632	10,847	3,236	24,024
1968	6,576	2,870	612	10,837	3,365	24,260
1969	6,447	2,976	645	10,542	2,879	23,489
1970	6,130	2,976	692	9,698	3,169	22,665
1971	6,151	2,806	667	9,212	4,160	22,996

Source : - Annual Report for 1971/1972
Department of Agriculture

- Bulletin Statistik dan Ekonomi Ternak No.11

Several factors may be regarded as impediments to animal husbandry and the production of livestock products; these include i.e. the inadequate supply of select breeding stock and of cattle food, the continued presence of animal diseases, the insufficient skill of cattle farmers, and the inadequate marketing infrastructure.

Production and per capita consumption of livestock products

Year	('000 persons)	<u>Livestock products</u>			<u>Per capita consumption/year</u>		
		Meat (tons)	Milk ('000 liters)	Egg (million pcs)	Meat (kgs)	Milk (liters)	Egg (pcs)
1966	107,645	255,844	42,907	1,635	2.3	0.4	15
1967	109,964	300,993	45,193	1,617	2.7	0.4	14
1968	112,377	305,095	47,278	1,280	2.7	0.4	11
1969	114,880	309,302	28,923	1,300	2.7	0.3	11
1970	117,469	251,400	29,304	1,302	2.1	0.2	11
1971	120,149	260,600	31,000	1,503	2.2	0.3	12

Sources : Department of Agriculture
Central Bureau of Statistics

The abovementioned figures reveal that the per capita consumption of meat, milk and eggs per annum fell still short of the minimum requirement as suggested by the Seminar on Nutrition of 1968, viz. meat 8.1 kg; milk 2.2 liters; and 44 eggs.

In order to overcome these deficiencies it will be necessary to improve the quality of the stock for slaughtering and for milk production by means of importing select breeding stock from abroad, distributing livestock to the regions and eradicating animal diseases. It will also be necessary to improve the marketing of livestock in order to stimulate the farmers to increase production and to turn from the current practice of cattle farming as a sideline to commercial cattle farming.

The following data show that the volume and value of water buffalo exports in 1971 had declined by 2.6% and 2.8%, respectively as compared with the preceeding year. In the same period, the volume and value of cow exports had increased by 2.2% and 8.9%, respectively.

<i>Cattle Exports</i>				
	<i>Volume (tons)</i>		<i>Value (in '000 US\$)</i>	
	<u>1970</u>	<u>1971</u>	<u>1970</u>	<u>1971</u>
Water buffaloes	9,619	8,372	643	462
Cows	17,954	18,351	1,144	1,246

Fishery

The production of both sea fish and inland fish in 1971 at 1,227 thousand tons had declined by about 22 thousand tons or by 1.8% as compared with the previous year's output (see figures below), and fell 437 thousand tons (26.3%) short of the REPELITA target. The failure to reach the REPELITA target was i.a. caused by the inadequate facilities for catching sea fish, which hence put a limit on the area where fish could be caught, while natural catastrophes such as floods, diseases which affected the fish, and the persistent use of toxicants for catching fish were reasons why the production of inland fish had declined.

Year	Production of fish ('000 tons)					Sea fishery	Grand total
	Inland fishery						
	Fish ponds	Rice fields	"Tambak"	Public waters	Total		
1966	60	20	54	348	482	727	1,209
1967	60	20	57	365	502	678	1,180
1968	53	19	44	320	436	722	1,158
1969	42	20	52	314	429	785	1,214
1970	44	20	53	330	447	802	1,249
1971	51	23	60	283	417	810	1,227

Source : Department of Agriculture

Fish exports, in terms of volume as well as value, experienced in 1971 an extraordinary increase, viz. by 211% and 426%, respectively, reaching a volume of 3,580 tons and a value of US\$ 836 thousand. The aforesaid increase was i.a. attributed to the fact that fishing corporations had started operating on a large scale.

Rubber

The year 1971 was a sad year for natural rubber producing countries. As was the case in 1970, natural rubber prices in 1971 had continued to decline because of the competition from synthetic rubber, the release of natural rubber from U.S. rubber stockpiles to the extent of 20 thousand metric tons, and the disruption of rubber shipments to the United States on account of the dockworkers strike.

In 1971 the price of RSS I in the New York market varied between US\$ cts 15 3/8 per lb and US\$ cts 18 4/8 per lb, whereas the previous year's price had fluctuated between US\$ cts 17 4/8 per lb and US\$ cts 24 4/8 per lb.

Domestic rubber prices in either 1970 or 1971 had declined. RSS I which in 1970 was able to fetch a price in the Djakarta market of Rp 147,— per kg was in 1971 valued at not more than Rp 107,- per kg.

The development of the crumb rubber industry in 1971 provided better prospects for the future due to the additional number of factories which had come into production. If in 1970 there were only 33 factories with a combined output of 33,887 tons, the number of factories in 1971 rose to 58 with a combined output of 129,235 tons. In 1972 the volume of production is expected to reach 200,000 tons. This will i.e. be facilitated by an expansion of the markets for Standard Indonesian Rubber (SIR) not only to Western Europe, the United States and Japan, but also to East European countries, such as East Germany, Yugoslavia and Poland.

Aside from prohibiting the export of several varieties of low quality rubber such as Blanket D, Smoked Blanket and Ribbed Smoked Sheet No.V, the effort to raise the quality of export rubber involved also the establishing of auxiliary laboratories for the testing of the quality of the SIR in selected regions.

The figures below show that in terms of volume as well as value, the export of rubber in 1971 declined by 2.4% and 14.1%, respectively, as compared with the previous year's figures.

<i>Year</i>	<i>Rubber exports</i>	
	<i>Volume (in thousand tons)</i>	<i>Value (in million US \$)</i>
1970	826	260
1971	804	222

The lower figures for 1971 were ascribed to the decline in natural rubber prices in world markets and the disruption of rubber shipments to the United States as has already been explained earlier.

World production of natural rubber in 1971 instead of increasing had slightly declined, viz. from 3.1 million tons to 3.0 million tons. On the other hand, world consumption in 1971 was higher than that of 1970, and rose from 2.9 million tons to 3 million tons. This was facilitated by the consumption of natural rubber which came from the stock of previous years.

In contrast to natural rubber, the output as well as consumption of synthetic rubber in 1971 had increased significantly. Output and consumption in 1971 rose by 4% and 9 % respectively to reach a volume of 6.1 million tons each.

Since during the past years the growth rate of synthetic rubber exceeded that of natural rubber, the production of natural rubber in proportion to total rubber output had declined as may be seen from the following figures.

<i>Year</i>	<i>World production of natural and synthetic rubber ('000/metric tons)</i>	<i>Share of natural rubber (%)</i>	<i>Share of synthetic rubber (%)</i>
1968	7,592.5	35.4	64.6
1969	8,490.0	35.3	64.7
1970	8,962.5	34.6	65.4
1971	9,162.5	33.4	66.6

Copra

The copra output potential (equivalent) in 1971 is expected to be equal to that of the previous year, namely about 1,425 thousand tons.

Since the coconut culture consists for the most part of relatively old trees, while the attack by saxava has not been wiped out completely, it is feared that the copra output potential in the forthcoming years is not going to get any higher, but may even decline.

In its effort to solve this problem, the Government took the two measures mentioned below:

- a. Short term : to increase the output of the existing culture by means of i.a. a more effective maintenance of the culture, eradication of pests, etc.
- b. Long term : to increase the output by means of rejuvenating the culture.

As was also the case in the previous year, the implementation of the Government's policy with respect to the copra trade in 1971 was still entrusted to the Badan Pengurusan Kopra (BAPENGKO i.e. Copra Management Agency), of which the copra cooperatives in the working area of the BAPENGKO served as its instruments.

The world market price of copra in 1971 continued to drop steeply. Whereas the average price in 1970 was US\$ 226.75 per long ton, in the year thereafter the price had dropped to US\$ 190.42 per long ton and slipped further down to merely US\$ 156.— per long ton in December of 1971.

While the world market price of copra was sliding downwards, increasingly more copra was sold domestically, with the result that less and less copra was exported. In 1971, the volume of copra exports was merely 96.9 thousand tons and had a value of US\$ 14.727 thousand, hence indicating a decline of 48.4% in terms of volume and of 50.2% in terms of export value.

Palm oil

In 1971 the production of palm oil reached 248 thousand tons and that of palm kernels 56 thousand tons. Since the previous year's output was 216 thousand tons and 48 thousand tons, respectively, the figures for 1971 indicate that palm oil production had increased by 14.8% and that of palm kernels by 16.6%.

With production at the levels as mentioned above, palm oil production in 1971 had exceeded the REPELITA target by 12.7%, whereas palm kernels output was higher by 1.8%.

The main factors which contributed to the higher output were the rejuvenation of the culture which started in 1961 and the effective maintenance of the culture.

With increased production of palm oil and palm kernels, the volume of exports had also increased. In 1971, palm oil exports rose in volume by 25% to become 217 thousand tons, while the export value increased by 26.5% to become US\$ 46.3 million. The export volume of palm kernels in 1971 rose by 23% to become 54 thousand tons, while the export value rose by 10% to become US\$ 5.5 million. Impeded these exports; these were i.a.

- the imposition of high import duties due to the fact that Indonesia has no ties with the EEC;
- the competition from palm oil producing countries on the African continent, which as associate members of the EEC enjoyed preferential treatment.

Even though the average price of palm oil in the London market had in 1971 not differed from the average price of the previous year, viz. £ 109.30 per long ton, at the year's end, however, the price was quoted at £ 94.—per long ton, which meant a drop of £ 21.—per long ton as compared with the price at the end of 1970. On the other hand, the average price of palm kernel in 1971 had continued to decline until at the end of the year the price was only £ 62.71 per long ton as against an average price of £ 70.10 per long ton at the end of 1970.

Cinchona

Based on the figures of the Central Bureau of Statistics, the production of cinchona bark by cinchona estates in 1971 had declined by 17.4%, viz. from 1,711 tons in 1970 to 1,414 tons in 1971. The lower output was i.a. caused by the fact that the Decision of the Minister of Trade (April 1970) concerning the prohibition of cinchona bark exports was kept in force. This was based on the consideration that the export of cinchona in its crystalline form was more profitable; only in the event of an excessive accumulation of cinchona bark at home would the Government consent to issue a special permit for the export of cinchona bark.

In 1971 the export of cinchona in its crystalline form was 199 tons with a value of US\$ 1,351 thousand, whereas the volume of cinchona bark exports was 588 tons with a value of US\$ 144 thousand. The price of both cinchona in its crystalline form and cinchona bark had declined in 1971.

It should be noted that the marketing of natural cinchona from Indonesia had to be effected in the face of competition from synthetic cinchona and also from the natural cinchona produced in Central and South America and in Africa.

Sugar

In 1971 the production of granulated sugar was 834 thousand tons, which meant an increase of 17% over the last year's output. The higher output was mainly attributed to the larger acreage under cultivation, and also by the higher yield average per ha as the result of favourable climatic conditions.

Although the production of granulated sugar had in the past years continued to increase, its rate of increase still failed to match the growth rate of the population. Moreover, the demand of the enterprises sector for sugar could still not be fulfilled. In its effort to overcome the problem raised by the sugar shortage, the Government aimed at increasing the production of sugar by means of raising the efficiency of the sugar-factories in Djawa and by erecting new sugar-factories outside of Djawa. With these ends in view, plans were drawn up in 1971 for the development of the sugar industry with aid from the World Bank.

In the context of improving the distribution of granulated sugar, the Government stipulated a new policy, effective July 1971, which in principal concerned the following: ⁴⁾

- The State Sugar Plantations were henceforth required to sell the total volume of their production to Bank Bumi Daya (BBD);
- The firms to be entrusted with the distribution of granulated sugar were to be determined by the Department of Trade;
- The BULOG (Board for Logistical Affairs) was to act as the single buyer of BBD and to allocate the sugar to the distributors which had been appointed by the Department of Trade. The Board was to be responsible also for exercising control over the sale of granulated sugar to the general public.

The export of molasses which is a by-product of the production of granulated sugar reached in 1971 a volume of 279.0 thousand tons and had a value of US\$ 4.1 million as compared with a volume of 134.8 thousand tons and a value of US\$ 2.5 million in the previous year.

4) Presidential Decision No.43 of 1971

Tea

In 1971 the production of estate tea and smallholders' tea had increased. Estate tea (black tea) rose by 12% to become 48 thousand tons, whereas smallholders' tea (green tea) rose by 19% to become 24 thousand tons.

The higher output was mainly caused by the rehabilitation of the tea estates in North Sumatra and West Djawa carried out with aid from the World Bank.

The volume of tea exports in 1971 declined by approximately 1% to become 45 thousand tons; its value, however, rose by 63% to become US\$ 28.7 million. The decline in export volume was i.a. caused by the quota on tea exports from Indonesia which had been determined by the Inter Governmental Group on Tea. On the other hand, the increase in export value was mainly attributed to the higher world market price of tea and the better quality of several varieties of the tea destined for export.

The tea price in world markets had continued to increase and reached an average of £ 0.34 per lb in 1971 as against £ 0.16 per lb in the previous year. The higher price was i.a. caused by:

- the multilateral agreement effective 1970 between tea producing countries concerning the determination of export quotas for tea;
- the decline in export volume of tea from Ceylon and India as the principal tea producers in the world

Coffee

In 1971 the production of estate coffee and that of small holders' coffee had increased as compared with the previous year. Estate coffee output rose by 19% to become 19 thousand tons, whereas smallholders' coffee output rose by 5% to become 178 thousand tons.

With production at the aforesaid level and by taking into consideration the estimated figure for consumption, in 1971 and the export quota for 1970/1971 of 63.4 thousand tons as had been determined by the International Coffee Organization (ICO), expectations are that there will be a coffee surplus of about 49 thousand tons. It is hoped that this surplus may be exported to non quota countries.

Because of the determination of the export quota by ICO, the export volume of coffee in 1971 to the extent of 74 thousand tons indicated a decline of 16%- as compared with the previous year's export volume. The export value had likewise declined and reached only US\$ 55 million in 1971 as against US\$ 66 million in 1970 due to the decline in the world market price of coffee. The average coffee price in the New York market in 1971 was merely US\$ cts 49.7 per lb as against US\$ cts 54.7 per lb in the previous year.

As from 1970 the members of the Indonesian coffee exporters syndicate were consolidated into several groups for the purpose of providing the members better business opportunities and more continuity of operation in the context of improving the quantity as well as quality of the coffee designed for marketing abroad.

In spite of the foregoing efforts, the large membership of the coffee exporters syndicate - as seen from the point of view of the marketing of coffee abroad - was certainly not in Indonesia's favour. For this reason it was found necessary to replace the syndicate by a system of joint marketing agents operating in the world trading centres.

Tobacco

It was estimated that the production of Sumatra (Deli) tobacco in 1971 would be no different from the 1970 output of 20 thousand bales. The production of Vorstenlanden tobacco, however, had risen by 27.7% to reach 23 thousand bales. Unfortunately, however, the higher output was accompanied by a slight decline in quality due to the rather improper tilling of the land. Besuki N.O. tobacco had in 1970 also increased in output, viz. by 55% to become 141 thousand bales, which was attributed to an expansion of the area under cultivation.

In 1971 the export of all kinds of tobacco reached a volume of 199.4 thousand bales, which meant an increase of 7%. The total volume of all kinds of tobacco sold through the Bremen exchange in 1971 was 105.4 thousand bales with a total value of DM 96.4 million; a specification of the sales is presented below:

A. Through auctions at the Tobacco Exchange :

Sumatra tobacco	:	23.468	bales for	DM 52,420,000
Djawa tobacco	:	58,781	bales for	DM 37,295,000
Total	:	82,249	bales for	DM 89,715,000

B. Not through auctions/

by private contracts	:	23,132	bales for	DM 6,729,246
Total (A + B)	:	105,381	bales for	DM 96,444,246

As compared with figures for the previous year, the volume of tobacco sold through the Bremen exchange in 1971 had declined by 24%; the value, however, had risen by 13%, because of the relatively high prices fetched by the tobacco, which had its reasons in the better quality of the tobacco and the smaller sales quantity of the tobacco due to the limited supply.

To enable the tobacco to fetch still better prices at the Bremen exchange, in May 1971 the Government stipulated that the tobacco of both the state plantations and the private sector had to be sent to designated handling agents in Bremen.

An effort was also made to export tobacco directly to the United States, Spain, North Africa and the Canari islands.

Spices

In 1971 the volume and value of *pepper* exports had increased by respectively 21.0 thousand tons and US\$ 21.1 million to reach a volume of 23.6 thousand tons and an export value of US\$ 24.2 million.

The higher export value was mainly attributed to the increase in export volume. Factors which contributed to the greater output were the rehabilitation of the pepper culture, the successful eradication of plant diseases and the improved trading techniques.

Indonesian pepper was sold directly to consuming nations and ceased to be marketed through Singapore. Black pepper ASTA quality went mainly to the United States, whereas white pepper FAQ quality was exported to European countries.

The export value of *nutmeg* and *mace* in 1971 reached US\$ 2.8 million, which meant an increase of 63.4% as compared with the previous year's figure. The higher export value was attributed to the larger export volume which rose by 4.3 thousand tons to become 7.0 thousand tons in 1971. The aforesaid increase was caused by the higher volume of production due to the rehabilitation of the culture in the eastern part of Indonesia.

The export volume of *cassia vera* rose in 1971 by 9% to become 2.9 thousand tons, while its value dropped by 12% to become US\$ 2.7 million. The lesser export value was ascribed to the decline in price in foreign markets.

In 1971 the production of *cloves* reached 14.1 thousand tons and was 1.3 thousand tons less than the previous year's output. The smaller production was ascribed to the fact that the cloves culture in West Sumatra had been affected by disease.

Since domestic cloves production still failed to meet the domestic demand for this product, in 1971 cloves continued to be imported from abroad.

Other agricultural and estate produce

The production of estate *coconut* in 1971 reached 1.4 thousand tons, which meant an increase of 17% as compared with the output in 1970. The higher production was due to the larger area under cultivation and the favourable climatic conditions.

The decline in the production of *hard fibers* in 1971 by 57% to become merely 2.3 thousand tons was ascribed to i.e. the lesser area under cultivation. Exports, on the other hand, increased by almost 100% to reach 1,788 tons and had an export value of US\$ 203 thousand.

The production of *capok* in 1971 declined by 3% as compared with the previous year's output and amounted to only 28.9 thousand tons. Capok exports, however, reached a volume of 1,236 tons and had a value of US\$ 490 thousand, which meant an increase of 95% in terms of volume and 182% in terms of value compared to the previous year's figures.

Following an increase in output in 1970, the production of *cotton* was 29% less than the previous year's figure and succeeded to reach a volume of only 1.8 thousand tons.

Mining

As was also the case in 1970/1971, the output in 1971/1972 of the mining sector - with the exception of silver - had increased.

Crude oil production rose by 5.3%, viz.. from 324.2 million Bbl in 1970/1971 to 341.5 million Bbl in 1971/1972. The higher output was attributed to the drilling of new oil wells, the rehabilitation of the existing production units and the higher world market price of oil. The output of oil refineries rose by 4.1%, viz. from 86.8 million Bbl in 1970/1971 to 90.4 million Bbl in 1971/1972. This increase was facilitated by the completion of the new oil refinery at Dumai.

In the meantime, the export volume of crude oil and oil refinery products rose in 1971/1972 by approximately 20 million Bbl, viz. from 267.8 million Bbl in 1970/1971 to 287.8 million Bbl in 1971/1972, whereas the export value increased by US\$ 241.2 million, viz. from US\$ 441.6 million in 1970/1971 to US\$ 682.8 million in 1971/1972.

The production of *coal* rose by 7.3%, viz. from 19.1 thousand tons in 1970/1971 to 20.5 thousand tons in 1971/1972. The higher output was not only caused by the rehabilitation of the tin production units but also by the output of the new tin mines at Bangkinang, Riau.

In the meantime, the export volume of tin in 1971/1972 increased by 2 thousand tons, viz. from 17.1 thousand long tons in 1970/1971 to 19.1 long tons in 1971/1972, while the export value rose by approximately US\$ 3.7 million, viz. from US\$ 59.9 million in 1970/1971 to US\$ 63.6 million in 1971/1972.

Other minerals

The production of *bauxite ore* increased by 6.6%, namely from 1,208 thousand tons in 1970/1971 to 1,288 thousand tons in 1971/1972. The main factors which contributed to the higher output were the rehabilitation and improvement of the shipping capacities.

Continued exploration for ore of low bauxite content revealed the presence of sufficiently large deposits of bauxite ore which could justify the erection of an aluminium plant having a production capacity of 200 to 250 tons per year. The possibility of erecting such an aluminium plant with cooperation from Japan is currently being investigated. Meanwhile, an American company (ALCOA) during one of its explorations had found signs of bauxite ore deposits in West Kalimantan. Pursuant to these discoveries, it is expected that the output of bauxite ore in 1972/1973 will be raised by approximately 14%.

The output of *nickel ore* rose by 23.4%, viz. from 689 thousand tons in 1970/1971 to 849.9 thousand tons in 1971/1972. This increase was attributed to i.e. the following factors:

- Japan's consent in her capacity as consumer to accept nickel ore with a rejection point of 2.2%;
- better organization and improved work capabilities;
- increased loading capabilities, viz. from 2,000 tons to 3,000 tons per day.

In the meantime, the PN Aneka Tambang in the context of a cooperation with Japan - completed a preliminary exploration for ore of low nickel content.

In 1971/1972, the export volume increased from 675.6 thousand metric tons in 1970/1971 to 764.7 thousand metric tons; the export value, however, declined from US\$ 10 million to US\$ 9.4 million.

In 1971/1972, the production of *coal* rose by 12.3%, viz. from 175.4 thousand tons in 1970/1971 to 196.9 thousand tons. The increase in output was mainly caused by the higher volume of production of both the Ombilin and Bukit Asam mines due to the implementation of open cast mining techniques. The Ombilin coal mines have continued work on the erection of a power plant and on the studies and preparations with respect to the exploitation of the aforesaid power plant.

The production of *gold* increased by 34.5%, viz. from 255.4 kg in 1970/ 1971 to 343.4 kg in 1971/ 1972, whereas the production of *silver* had declined by 11.6% viz. from 9,200 kg to 8,141 kg in the same period. The higher gold production was attributed to the discovery of deposits of higher gold content.

Efforts to increase the production of *diamonds* consisted of a study of current mining and washing techniques and the drawing of a plan for the erection of a washing plant,

In 1971/1972, the *iron sand mine* at Tjilatjap started its initial production run with an output of 298,504 tons of iron sand. The total output which had a value of US\$ 1.34 million was exported to Japan in accordance with the agreement between PN Aneka Tambang and Japan. The aforesaid agreement is effective for a 10 year period.

Industry

The year under report revealed a quite meaningful increase in the activities of the industrial sector. This may be observed from i.e. the volume of goods produced for domestic consumption as well as for export, the better quality of the goods and the additional number of new products, and also the increased volume of private capital investment in the context of domestic as well as foreign capital investment.

The volume of financing allocated to the industrial sector during 1971/1972 was higher than that of 1970/1971. Financing provided by the Development Budget rose by Rp 0.2 billion to become Rp 1.5 billion. Financing in the form of the Rupiah

counter value of foreign aid rose by Rp 2.5 billion to become Rp 8.2 billion during 1971/1972. Furthermore, in 1971/1972, financing in the form of investment loans was also higher by Rp 13.3 billion and was to the extent of Rp 46.7 billion, according to the following specification:

— chemical industry	Rp	7,681.3	million
— state textile industry	”	299.3	”
— private textile industry	”	12,805.3	”
— flour milling industry	”	2,223.8	”
— state tire industry	”	1,337.2	”
— private tire industry	”	34.5	”
— other industries	”	22,327.3	”

With respect to the domestic capital investment sector, project applications until the end of March 1972 numbered 1,247 with a total investment plan of Rp 653.9 billion and included 753 projects for the industrial sector with a total investment plan of Rp 288 4 billion. Project approvals until the end of March 1972 numbered 945 with a total investment value of Rp 420.7 billion which included 616 projects for the industrial sector with a total investment value of Rp 230.0 billion.

Until the end of March 1972, the number of project approvals in the context of foreign capital investment was 476 with a total investment value of US\$ 1,701.3 million which included 266 projects for the industrial sector with a total investment value of US\$ 523.3 million.

The basic industry sector was mainly concerned with the manufacturing of equipment and machinery for the sectors which had priority over others in the five year development plan; these products included items such as agricultural equipment, telecommunications equipment and machines for the textile industry.

In 1971, the *electric light bulbs* industry performed quite satisfactorily, and reached an output of 6 million bulbs as against 5 million bulbs in the previous year.

As compared with the previous year's output, the production of the chemical industry sector revealed the following developments .

The production of Sriwidjaja fertilizer in 1971 was approximately 105 thousand tons as against approximately 98 thousand tons in 1970. The effort to increase the output of the Sriwidjaja fertilizer plant with aid from the World Bank is still continuing and may make it possible for the second production unit of the PUSRI to start

producing in 1974. It is also expected that the PT Petro Kimia will see its initial production run in 1972.

In 1971, the production of *cement* declined by about 17 thousand tons' viz. from 561 thousand tons in 1970 to 544 thousand tons. The decline was-mainly ascribed to the work which had been carried out in the context of rehabilitating and expanding the Gresik cement plant. This was done in the attempt to raise its production capacity from 375 thousand tons to 500 thousand tons.

The following schedule presents the developments of selected products of other sectors of industry in 1971/ 1972 :

<i>Type of product</i>		<u><i>Production</i></u>		<i>Change</i>	
		<i>1970/1971</i>	<i>1971/1972</i>	<i>Total</i>	<i>(%)</i>
1. Paper	(tons)	22,000	30,000	8,000	36
2. Tires	(pcs)	400,000	500,000	100,000	25
3. Coconut oil	(tons)	257,184	260,700	3,516	1
4. Cooking oil	(tons)	26,503	27,200	697	3
5. S o a p	(tons)	130,000	132,400	2,400	1
6. Radio & television					
	(sets)	397,963	481,000	83,037	21
7. Textile	(meters)	598,300,000	732,000,000	133,700,000	22
8. Yarn	(bales)	217,000	239,000	22,000	10

Electric power and gas

In 1971 the Government continued its effort to rehabilitate and raise the capacity of electric power production. The development of electric power production of the Perusahaan Listrik Negara (PLN i.e. State Electric Power Company) over the whole of Indonesia is presented below (in thousand KW installed capacity):

<i>Power plant</i>		<i>1969</i>	<i>1970</i>	<i>1971</i>
Diesel electric	(PLTD)	201,699	194,359	203,327
Steam electric	(PLTU)	113,032	100,832	125,000
Hydro electric	(PLTA)	184,874	189,343	186,938
Gas electric	(PLTG)	42,000	42,000	42,000
		541,605	526.543	557.265

In 1970, of the total installed capacity of 651.5 thousand KW, 526.5 thousand KW was supplied by the electric power sources of the PLN and 125 thousand KW by the Pembangkit Listrik Tenaga Air (PLTA i.e. Hydro Electric Power Plant) at Djatiluhur. In 1971, the production capacity succeeded to be raised to 682.2 thousand KW. of

which 557.3 thousand KW was supplied by PLN and 125 thousand KW by the PLTA Djatiluhur.

Electric power sold to consumers increased by about 12%, viz. from 1,589.2 million Kwh (kilowatt hour) in 1970 to 1,786.1 million Kwh in 1971.

Besides, in 1971/ 1972 the following project had been completed and put into service:

- PLTU Ujung Pandang, capacity: 25 thousand KW
- PLTU Tandjung Priok, capacity: 100 thousand KW.

With respect to the distribution of electric power to consumers, the Government had decided to convert the secondary line voltage of the PLN from 110 Volts to 220 Volts and 380 Volts. Work on the conversion of the line voltage will be carried out in stages until fatal conversion is achieved in 1980.

To increase the production of gas and the sale thereof to consumers, the Perusahaan Gas Negara (State Gas Works) had in 1971 rehabilitated its production apparatus and renewed the gas mains to the extent of 36,300 meters at a total cost of Rp 640 million.

Studies were also carried out to seek the possibility of expanding the distribution of gas in cities where a distribution network already exists.

Communications

In 1971, the Government's strategy with respect to the communications sector still aimed at rehabilitating and improving the communications infrastructure.

The development of transportation by rail may be observed from the following figures:

<i>Year</i>	<i>Freight</i> <i>(million tons/km)</i>	<i>Passengers</i> <i>(million persons/km)</i>
1969	840	3,422
1970	855	3,466
1971	949	3,623

Although the number of passengers travelling by train had declined from 52.4 million persons in 1970 to 50.9 million persons in 1971— this was caused by the improved long distance transportation on the highway as conducted by private companies—the aforesaid decline was matched by the increase in distance travelled, viz. from 3,466 million passengers/km to 3,623 million passengers/km.

A similar increase was observed in the volume of freight by rail which rose from 855 million tons/km to 949 million tons/km.

The income of the State Railways System rose from Rp 10,006 million in 1970 to Rp 10,814 million in the year there after.

With respect to the development of PN DAMRI (State Motor Transportation Enterprise) during 1971 may be reported the following: of 322 buses and 58 trucks owned by DAMRI only 148 buses and 5 trucks were still in running condition. In the meantime, plans are being made to restore the production capacity of DAMRI by adding 200 new buses to the present motor pool. Financial aid from the Fund of the United Nations for the Development of West Irian (FUNDWI) facilitated the procurement of 20 buses for operations in West Irian.

During 1971, passenger transportation by DAMRI buses had declined as compared with 1970, viz. from 276.0 million passengers/km to 227.7 million passengers/km. The decline may not only be ascribed to the increasing number of bus transportation facilities provided by the private sector, but also by the better service offered by these private companies in comparison to that provided by DAMRI. The volume of freight carried by DAMRI had also declined, viz. from 630 thousand tons/km to 122 thousand tons/km.

In the sea communications sector, especially with respect to the regular liner service, the capacity of the domestic shipping fleet during 1971 had increased by 20.2%, viz. from 267.7 thousand DWT (273 vessels) to 321.7 thousand DWT (282 vessels).

The number of vessels mentioned above includes 59 vessels with a combined capacity of 97.8 thousand DWT owned by the PELNI and 23 vessels with a combined capacity of 19.5 thousand DWT owned by the Bahtera Adiguna.

With respect to international shipping may be reported that during 1971 Indonesian vessels carried 2,000.6 thousand tons of import and export commodities to

various destinations as against 1,912.6 thousand tons in 1970; a schedule of the volume of freight by country of destination is presented below.

<i>Destination</i>	<i>1970</i>		<i>1971</i>	
	<i>Volume ('000 tons)</i>	<i>Value (million US\$)</i>	<i>Volume ('000 tons)</i>	<i>Value (million US\$)</i>
Europe	468.9	16.4	605.9	21.2
Japan	608.8	12.2	584.7	11.7
Australia	48.9	1.5	58.4	1.8
America	144.5	5.8	147.9	5.9
Hongkong	56.1	0.8	83.3	1.2
Singapore	585.4	4.1	520.4	3.6
	1,912.6	40.8	2,000.6	45.4

It should also be mentioned that the national commercial shipping fleet serving international shipping routes consisted of 45 vessels with a combined capacity of 405.3 thousand DWT .

The development of the domestic air communications sector may be observed from the following schedule:

	<i>1969</i>	<i>1970</i>	<i>1971</i>
Output (millions tons/km)	52.5	80.2	102.5
Sales (millions tons/km)	34.9	51.1	68.5
Passengers flown (thousands persons)	499.1	770.4	992.8
Distance covered (millions km)	12.2	16.5	20.5
Flight hours (thousands hours)	45.3	54.4	61.0

The number of passengers and hours flown by domestic airlines showed the following developments:

	<i>1970</i>		<i>1971</i>	
	<i>Hours flown ('000 hours)</i>	<i>Passengers flown ('000 persons)</i>	<i>Hours flown ('000 hours)</i>	<i>Passengers flown ('000 persons)</i>
PN Garuda	29.3	568.5	26.2	629.4
PN Merpati Nusantara	11.5	82.1	20.8	202.0
PT Seulahwah Air Service	4.7	42.2	4.0	57.0
PT Zamrud	5.0	39.6	2.1	16.0
PT Mandala Airlines	1.3	15.9	3.2	42.0
PT Bouraq	2.6	16.1	4.6	45.0

During 1971 the PN Garuda fleet was expanded by the addition of 2 DC-9 jets and 3 Fokker F- 28 aircrafts, so that the fleet is currently composed of 4 DC-9 jets, 3 Fokker F-28, 11 Fokker F-27 and 6 other aircraft of different types.

In the telecommunications sector, the Djatiluhur relay station via satellite was instrumental in increasing the number of international telephone connections during 1971 by 71% as compared with the previous year's figure, viz. from 1,057 thousand minutes in 1970 to 1,805 thousand minutes in 1971.

Telex communications with foreign countries rose from 727 thousand minutes in 1970 to 1,103 thousand minutes in 1971, whereas domestic telex communication increased from 4,934 million pulses in 1970 to 6,786 million pulses in 1971.

With respect to the tourism sector may be reported that the number of tourists who visited Indonesia in 1971 was 179 thousand as against 129 thousand in 1970.

Foreign exchange receipts related to tourism also rose from US\$ 16 million in 1970 to US\$ 22.6 million in 1971.

In anticipation of the PATA conference which will be held in Djakarta in 1974, an effort is being made to complete the construction of Hotel Banteng earlier than scheduled, which will make it thus possible for the said hotel to accomodate some of the PATA participants.

Prices and wages

Prices

During the period under report (1970/1971) the movement of prices (foodstuffs, clothing, foreign exchange rates) became increasingly more stable. This may in general be observed from the figures which represent the cost of living index, the prices of the 9 essential commodities and the price of rice.

The cost of living index for Djakarta which includes 62 kinds of goods and services and which is normally used to measure the rate of inflation, rose only by 0.9% as against 7.8% in 1970/1971 and 10.6% in 1969/1970. During the first half of 1971/1972, the figure for the cost of living index dropped continuously until the drop was 6.7%. The main factors which contributed to the decline in the cost of living index were the foodstuffs and housing sectors which recorded declines by 11.3%

and 1.9%, respectively, while the clothing sector and other sectors had remained constant. The decline in the index of the foodstuffs sector was mainly attributed to the decline in the rice price due to the harvest season and adequate domestic supplies of rice

During the second half of 1971/1972, the cost of living index rose by 8.1%, which was ascribed to the increase in the indices of all sectors. The said increases were in the main related to the arrival of the patjeklik season (season of shortages) and the November and December holidays. The adequate supply of essential goods (especially textile) in the markets on the eve of the holidays, however, prevented the occurrence of extraordinary price increases. The largest increase viz. 3.6% occurred in November 1971 and compared favourably with the increase of 3.9% in the same month of the previous year.

The development of the price indices of the 9 essential commodities in Djakarta during 1971/1972 became increasingly more stable as may be seen from the following index figures (4 October 1966 = 100):

1969	:	December	549
1970	:	March	593
		June	548
		September	537
		December	562
1971	:	March	602
		June	517
		September	519
		December	535
1972	:	January	556
		February	579
		March	582

During the aforementioned period, the cost of living index declined by 3.3% as against an increase of 1.5% in 1970/1971; this was mainly attributed to the successful effort of the Government in keeping the prices of the essential commodities on a stable level, and especially the price of rice.

The policy of a minimum and maximum price with respect to the procurement and sale of rice by the Government in the effort to keep the rice price stable was kept in force. Since the Government succeeded in laying its hands on a sufficiently large supply of rice, to which should be added the more favourable condition of the infrastructure and the means of transportation, the rice price was kept at a stable level. Moreover, since rice could be freely transported from region to region, the difference in rice price was lessened. Low quality rice (tumbuk bulu No. 2) which at the end of March 1971 fetched a price of Rp 35.75/liter in Djakarta, subsequently dropped in price to Rp 29.-- /liter at the end of July. The price gradually rose again to Rp 34.-/liter at the end of February and March 1972, and at Rp 34.-/liter fetched its highest price during the period under report.

In the meantime, the price of the highest quality rice in selected cities developed as follows (Rupiah/kg):

	<i>Djakarta</i>	<i>Udjung Pandang</i>	<i>Medan</i>	<i>Pontianak</i>
1969 : December	65.—	52.50	50.—	56.—
1970 : March	60.90	58.—	50.—	59.—
June	58.75	49.—	55.—	60.—
September	60.—	44.—	70.— x)	66.—
December	61.70	52.50	60.—	—
1971 : January	64.50	51.—	60.—	59.—
February	67.15	50.—	59.—	59.—
March	65.60	49.50	58.—	59.50
April	60.30	48.50	60.—	60.50
May	60.—	46.—	65.—	61.—
June	60.—	44.—	65.—	59.50
July	61.25	46.—	65.—	60.25
August	61.25	46.—	65.—	60.25
September	61.25	45.—	60.—	62.50
October	67.50	47.—	65.—	65.—
November	62.50	50.—	60.—	64.—
December	62.50	52.50	56.25	62.—
1972 : January	67.15	53.—	53.33	61.—
February	67.15	52.—	51.66	62.50
March	67.15	52.50	50.—	62.—

x) As from September 1970 another kind of rice was used since the earlier kind ceased to be available in the market.

Source : Badan Urusan Logistik.

TABLE 31 — INDEX OF COST OF LIVING IN DJAKARTA
(September 1966 = 100)

	Food-stuffs 63.4%	Housing 10.8%	Clothing 8.5%	Other 17.3%	Index 100%	Change (%)	
						Annual/ Quarterly	Monthly
1968							
December	557	521	353	570	523		
1969						+ 9.9	
December	604	585	359	671	575		
1970						+ 8.9	
December	612	871	426	750	626		
1971						+ 2.6	
March	667	883	426	770	662	+ 5.8	
April	653	863	426	771	653		— 1.4
M a y	632	825	424	771	638		— 2.3
June	604	879	424	771	626	— 5.4	— 1.9
July	604	879	424	771	626		0
August	595	871	424	773	620		— 0.9
September	592	866	427	770	618	— 1.3	— 0.3
October	605	848	431	770	625		+ 1.1
November	632	879	456	772	647		+ 3.6
December	626	879	437	777	642	+ 3.9	— 0.8
1972							
January	644	872	436	778	652		+ 1.7
February	668	875	436	787	667		+ 2.4
March	669	875	436	788	668	+ 4.2	+ 0.1

Source : Central Bureau of Statistics.

Besides from the cost of living index, the price indices of 9 essential commodities and the price of rice, the stable condition of the price sector may also be inferred from the development of foreign exchange rates which during 1971/1972 had also remained stable. Prior to August 23, 1971 - the date on which the Government adjusted the value of the Rupiah in relation to foreign exchange—the exchange rate of the US Dollar in the Djakarta free market was stable, viz. about Rp 382.—per US\$ 1.—Following the decision to revise the exchange rate into Rp 415.- per US\$ 1.- (medium exchange rate) on the 23rd of August 1971, the price of the US Dollar in the free market rose to Rp 418.—and thenceforth fluctuated between Rp 417.—and Rp 418. - . In the meantime, the exchange rate of the Rupiah with respect to other foreign exchange underwent also a change in accordance with the revised exchange rate of the US Dollar

From the foregoing may be inferred that although during the period under report changes had occurred in the cost of living index, the price of 9 essential commodities, the price of rice, and foreign exchange rates, the stable economic situation was successfully kept in hand.

Wages

In 1971/1972, wages and salaries increased although to differing tents between sectors and between enterprises.

In this connection may be reported that the Government continued policy to effect a gradual improvement of the wages and salaries of civil servants and members of the armed forces.

As from April 1, 1971, civil servants and members of the armed forces enjoyed a salary increase in the form of an increase in their work allowance by approximately 33 1/3%.

Besides in the context of efforts to increase and safeguard public receipts and expenditure, personnel of the Department of Finance were granted a Special Allowance for the Development of Public Finance to the extent of 9 times their basic salary, effective as from April 1, 1971.⁵⁾

In the meantime, the Government had decided to cease the granting of aid/allowances related to selected holidays in a gradual manner. Whereas in the 1970/1971 fiscal year, all civil servants still enjoyed a holiday allowance of Rp 1,500. - , in the 1971/1972 fiscal year, only civil servants of the categories I and II were granted such an allowance to the amount of Rp 1,000.— per person. Private enterprises were still required to grant their personnel a holiday allowance, the amount of which was not to be less than the allowance granted in the previous year.

Work opportunities

The growth rate of the population and that of the labour force in Indonesia still failed to balance the available work opportunities. On the other hand, the available manpower often times failed to meet the requirements of the available work oppor-

1) Presidential Decision No.15 of 1971.

tunities. Hence, the number of unemployed persons was still rising, especially in the rural areas where it is known that many of the disguised unemployed and visibly unemployed live.

The main policy of the Government in this case consisted of creating as many work opportunities as possible while trying to meet the demand for Man powers by means of education and the training of skill.

The consideration to create as many work opportunities as possible is clearly shown in the REPELITA I with its emphasis on development in the agricultural sector, its various programmes and efforts to develop the infrastructure, all of which require the mobilization of a sizable labour force. The Village Aid Programme and the Development Programme for Districts/ Municipalities both aim at creating work opportunities in the regions by means of stirring up regional activities and stimulating regional participation in development efforts.

Even though in various economic sectors an increase in work opportunities was observed as the result of the PELITA execution, the rate of increase of new work opportunities was still unable to keep up with the growth rate of the population during 1971/1972. During the year under report, an increase in work opportunities was i.a. observed in the building, agricultural, forestry, oil mining, transportation, communications and trading sectors. In the industrial sector, especially in the textile and cigarette manufacturing sectors, no increase in work opportunities was observed. In this connection may be reported that even though new work opportunities were created due to the establishing of new factories in the context of foreign as well as domestic capital investment, older establishments were, on the other hand, forced to close their business.

It should be added that during the year under report 2,500 persons were added to the ranks of civil servants in order to meet the demand for additional personnel placed by the Department of Finance.

To relieve the pressure brought about by unemployment, the Government intensified the efforts it had already been making sofar; these were i.a.:

- Construction work in the context of Padat Karya (Job Intensive) projects.
- Village Aid Programme and Development Programme for Districts/ Municipalities.
- Sending young people and university graduates to the rural areas under the coordination of the BUTSI (Volunteer Workers Board of Indonesia).
- To raise the education and skill of the unemployed to higher levels in order to increase and develop their work capabilities.

APPENDICES

APPENDIX A

BANK INDONESIA CONDENSED BALANCE SHEET as per March 31, 1972 (millions of Rupiahs)

A S S E T S

LIABILITIES

1. GOLD COINS AND BULLION	Rp 885	1. BANK NOTES/COINS ISSUED	Rp 229,924
2. FOREIGN EXCHANGE ASSETS	" 120,005	2. FOREIGN EXCHANGE LIABILITIES	" 20,392
3. CLAIM ON GOVERNMENT :		3. BALANCE ON CURRENT ACCOUNT :	
a. Advances	Rp 72,644	a. Government	Rp 23,642
b. Transactions/payments on account of membership in International financial institutions		b. Government, foreign aid and counterpart	" 64,449
- in gold	Rp 4,826	c. International financial institutions	" 59,138
- in Rupiahs	" 59,826	d. Third parties	
c. Promissory notes	" 64,652	- Banks	Rp 64,063
	" 22,903	- Other	" 9,921
4. LOANS :			" 73,984
a. Banks	Rp 155,268	4. BANK INDONESIA	
b. Other	" 79,849	5. CAPITAL AND RESERVES	" 17,936
5. PREMISES AND INVENTORY	" 9,275	6. MISCELLANEOUS LIABILITIES	" 140,587
6. MISCELLANEOUS ASSETS	" 104,571		
	<u>Rp 630,052</u>		<u>Rp 630,052</u>
	=====		=====

BANK INDONESIA
PROFIT AND LOSS ACCOUNT
for the 4th financial year ending March 31, 1972.
(millions of Rupiahs)

EXPENDITURE		REVENUE	
Expenses			
– Personnel/Materiel/Operational	Rp 5,169	– Interest	Rp 14,620
– Bank notes	" 3,238	– Commission	" 371
– Miscellaneous	" 1,656	– Miscellaneous	" 2,392
– Dotation to Pension Fund	" 200		
– Depreciation	" 4,300		
	<u>Rp 14,563</u>		
PROFIT			
Profit before tax	Rp 2,820		
	<u>Rp 17,383</u>		
	=====		
			<u>Rp 17,383</u>
			=====

APPENDIX B

BANK INDONESIA

Management as per March 31, 1972

BOARD OF MANAGING DIRECTORS

Radius Prawiro	:	Governor
M. Djoeana Koesoemahardja	:	Managing Director
Rachmat Saleh	:	Managing Director
Marathon Wirija Mihardja	:	Managing Director
Soeksmono Besar Martokoesoemo	:	Managing Director
Slamet Herjanto	:	Managing Director
J.A. Sereh	:	Managing Director
Arifin Mohammad Siregar	:	Managing Director

GENERAL MANAGERS

D. Wisaksana	:	General Manager/Head, Loan Department
Abdullah Ali	:	General Manager/ Head, Credit Planning and Credit Supervision Department
M. Djoko Soedomo	:	General Manager/Head, International Department and Foreign Exchange Department
Martojo Koento	:	General Manager/ Head, Bank Supervision Department
Arko Baksono	:	General Manager/ Head, Administration and Organization Department
R. Dhoemadi Singowigoeno	:	General Manager/ Head, Internal Control Department
Eddy Suwardi	:	General Manager/ Head, General Services Department.
T. Soerjawidjaja	:	General Manager/Financial Administrator
Samali T. Budimulia	:	General Manager/ Head, Economics and Statistics Department
R. Markoem Djojohadisoeparto	:	General Manager/ Head, Legal Department
R. Soejatno Soemardjo	:	General Manager/ Head, Issue Department
R. Sujanto	:	Official in Charge of Office of the Board
Bambang Soesilo	:	Official in Charge of Personnel Department
A.C. Tjahjadi	:	Official in Charge of Mobilization of Funds Department
Soekarsono	:	General Manager in Charge of Desk for Personnel Planning
Gusti Abdul Azis	:	General Manager, assistant to the Head of Administration and Organization Department
D.U. Budiman	:	General Manager, assistant to the Managing Director for International Affairs
Sulwan S. Astradiningrat	:	General Manager, assistant to the Agency for Money and Capital Market Development

BRANCH MANAGERS AND REPRESENTATIVES

Achmad Effendi	:	General Manager/ Branch Office Semarang
R. Soemartono M.S.	:	Deputy General Manager/ Branch Office Udjung Pandang
Muljana Wiraatmadja	:	Deputy General Manager/ Branch Office Pontianak
Huznie Azhurie	:	Manager, Branch Office Ambon
Dadang Surman	:	Manager, Branch Office Ampenan
Sjarief Iksanoeddin	:	Manager, Branch Office Banda Atjeh
W.T. Lunggono	:	Manager, Branch Office Bandjarmasin
Wijardi	:	Manager, Branch Office Bandung
Mahfud Jakile	:	Manager, Branch Office Denpasar
Sunjoto Kusumodidjojo	:	Manager, Branch Office Djajapura
R. Jasin Soeriadiredja	:	Manager, Branch Office Djambi
Suparto Wignjasubrata	:	Manager, Branch Office Jogjakarta
Wahju Handojo	:	Manager, Branch Office Kediri
Ph. K. Intama	:	Manager, Branch Office Kendari
Achmad Sirod	:	Manager, Branch Office Medan
Sumantri Hadisurjatno	:	Manager, Branch Office Menado
R. Koesrnadi Sastrodipoero	:	Manager, Branch Office Padang
Sudarsono	:	Manager, Branch Office Pakanbaru
Irlan Soehendra	:	Manager, Branch Office Palembang
Soepardi	:	Manager, Branch Office Samarinda
Achmad Martinus	:	Manager, Branch Office Solo
R. Soejoto	:	Manager, Branch Office Surabaya
Tom Hartono	:	Manager, Branch Office Tjirebon
R.I.H. Muladi	:	Official in Charge of Branch Office Kupang
Saenan Soesanto	:	Official in Charge of Branch Office Malang
R. Soenarto	:	Official in Charge of Branch Office Djember
R . Soenoearto Darsopanambang	:	Official in Charge of Branch Office Palu
R. Saptadi Baroto	:	Official in Charge of Branch Office Telukbetung

Usman Sugiarto : Official in Charge of Cash
Office Purwokerto
T.M. Zahirshah : Bank Indonesia Representative
in New York
M.P. Hutabarat : Bank Indonesia Representative
in London
E.J. Hartoko : Bank Indonesia Representative
in Tokyo
Parjono : Bank Indonesia Representative
in Singapore and Kuala Lumpur

APPENDIX C

REGULATIONS/ACTS ON MONEY AND BANKING

Money

1. Presidential Decision No. 8 of 1971, effective as from February 18, 1971.

This Decision stipulates that the Rupiah (Rp) becomes effective as legal tender in the province of West Irian besides the West Irian Rupiah (IBRp), and is subject to the exchange rate of Rp 18.90 to IBRp 1.-

2. Minister of Finance Decision No. Kep. 146/MK/IV/3/1971, effective as from February 18, 1971.

This Decision stipulates that if a transaction effected in West Irian Rupiah (IBRp) is to be stated in Rupiah (Rp), the conversion is to be effected on the basis of the exchange rate of Rp 18.90 to IBRp 1.-.

3. Government Regulation No. 60 of 1971, effective as from September 15, 1971.

Besides revoking Government Regulation No. 36 of 1963 concerning Perusahaan Negara Pertjetakan Kebajoran (Kebajoran State Printing Enterprise) and Government Regulation No. 1 of 1965 concerning the establishing of Perusahaan Negara Arta Yasa (Arta Yasa State Enterprise), this Government Regulation stipulated the establishing of Perusahaan Umum Pertjetakan Uang Republik Indonesia (Public Corporation for the Printing of Currency of the Republik of Indonesia).

Financial Control

Presidential Decision No. 70 of 1971, effective as from October 4, 1971.

This Decision defines the procedure for the controlling of Public finance to be practiced by the Direktorat Djenderal Pengawasan Keuangan Negara (Directorate General for the Control of Public Finance).

Money and Capital Markets

1. Minister of Finance Decision No. Kep. 331/MK/IV/5/1971, effective as from May 11, 1971.

This Decision stipulates the honourable dismissal of the provisional management of the Money and Securities Trading Association which had been installed pursuant to Minister of Finance Decision No. Kep. 245/MK/ IV/4/1970 dated April 29, 1970, and at the same time installed the new management of the said Association.

2. Minister of Finance Decision No. Kep.25/MK/IV/1/1972, effective as from January 13, 1972.

In virtue of this Decision, the Money and Capital Markets Team which had been established and commissioned pursuant to Minister of Finance Decisions No. Kep. 822/MK/IV/11/1969 dated November 1969 and No. Kep. 244/MK/IV/4/1970 dated April 29, 1970 was dissolved. The same Decision established the Board for the Development of Money and Capital Markets.

Financial Institutions other than banks

Minister of Finance Decision No. Kep.38/MK/IV/1/1972, effective as from Januari 18, 1972.

In this Decision, the Minister of Finance confirmed and complemented the requirements and procedure for the establishing of financial institutions other than banks.

Credit Insurance

Government Regulation No. 1 of 1971, effective as from January 11, 1971.

This Decision confirmed the establishing of the Credit Insurance Corporation with capital participation from the Government and Bank Indonesia.

Team for the Orderly Settlement of Credit

Minister of Finance Decision No. Kep.288/MK/IV/4/1971, effective as from April 29, 1971.

This Decision stipulated the dissolution of the Team for the Orderly Settlement of Credit B.E. which had been established pursuant to Minister of Finance Decision No.0189/MK/9/6/1968 as revised and renewed by Minister of Finance Decision No. 263/MK/8/5/1970.

The duties and powers of the said Team were subsequently transferred to the “Committee for the Supervision of Goods imported in the context of aid-BE from the United States” which had been established pursuant to a Joint Decision of the Minister of Trade, Minister of Communications, Minister of Finance and the Governor for the Central Bank.

No Sufficient fund (NSF) Checks

Act No. 12 of 1971, effective as from October 16, 1971.

This Act promulgated Government Regulation in lieu of Act No. 1 of 1971 concerning the Revocation of Act No. 17 of 1964 on the Prohibition to draw NSF Checks as an Act.

Submitting of Public claims

Minister of Finance Decision No. Kep.271/MK/7/4/1971, effective as from April 26, 1971.

In this Decision is defined the requirements and procedure for submitting Public claims which have been declared “unclaimable” to the Committee for Public Claims.

Validation of invoice of import goods

Minister of Finance Decision No. Kep. 689/MK/III/9/ 1971, effective as from September 7, 1971.

Pursuant to this Decision all goods imported from Hongkong, Singapore, Malaysia and Japan by means of the opening of a L/C, whether Bankers L/C (ordinary L/C) or Merchant’s L/C (M.L/C.) must be accompanied by an invoice which has been validated by the Representative Office of the Republic of Indonesia c.q. the Chief of Customs in the aforesaid countries. Goods imported with credit foreign exchange and goods the import of which does not require the opening of a L/C are excluded from the abovementioned provision.

Import duty and tax exemptions and abatements

1. Minister of Finance Decision No. Kep.289/MK/IV/4/1971, effective April 30, 1971.

This Decision perfected and revised the provisions with respect to import duty and sales tax exemptions/abatements in the context of foreign capital investment. Exemptions/abatements may be granted to:

- goods imported by companies which have already obtained an operating licence from the Government in the context of foreign capital investment and domestic capital investment;
- goods brought into the country from abroad, i.a. raw material and auxiliary material, transportation equipment, building equipment and building material for the companies concerned.

2. Minister of Finance Decision No. Kep.615/MK/II/8/ 1971, effective August 12, 1971.

This Decision stipulates that interest or other benefits, principal deposits and certificates relating to the Tabungan Pembangunan Nasional (TABANAS) and the Tabungan Asuransi Berdjangka (TASKA) are exempt from income tax, property tax, tax on interest, dividends and royalties and stamp duty.

Evidences relating to the payment of the proceeds and principal deposits in the context of the TABANAS and TASKA schemes are still subjected to the payment of stamp duty in accordance with prevailing regulations. These tax facilities are effective only on savings by private individuals.

3. Minister of Finance Decision No. Kep.724/MK/IV/9/1971, effective September 20, 1971.

In virtue of this Decision, enterprises engaged in the construction and management of office buildings may be granted facilities and exemptions with respect to tax and import duties, i.a. in the form of:

- refraining from investigating the origin of the capital invested;
- exemption from property tax;
- exemption from stamp duty on the subscribed capital;
- compensation for losses;
- stimulating capital investment;
- exemption from dividend tax.

Collection of taxes, withholding tax, proceeds from the sale of Certificates of Deposit and Royalty related to forest exploitation.

1. Minister of Finance Decision No. Kep.539/MK/II/7/1971, effective as from July. 17, 1971.

This Decision designated:

- a) Badan Urusan Logistik/Depot Logistik to collect withholding tax, income tax/corporation tax and sales tax which person/bodies were indebted to pay on account of:
 - procurements of rice, paddy and rice in the husk;
 - the sale of rice, granulated sugar and wheat flour;
 - payments to third parties.
- b) Bank Indonesia to take care of the collection of the said withholding tax which is paid or received through Bank Indonesia. The same provision also requires other banks to collect the withholding tax and sales tax on transactions effected by Badan Urusan Logistik/Depot Logistik.

2. Monetary Council Decision No. 02/Kep./DM/1971, effective as from July 24, 1971.

This Decision stipulated that:

- a) imports with Merchant's L/C are subjected to withholding tax to the extent of 6% of the import value;
 - b) the interest on time deposits and certificates of deposit are subjected to a tax on interest, dividend and royalty;
 - c) the granting of investment loans is subject to the following:
 - 1) investment loans are to be distinguished between loans for priority projects and those for non-priority projects; this distinction is to be made by Bank Indonesia;
 - 2) the share of Bank Indonesia, the handling bank and the customer in the financing of investment loans shall be determined by the priorities mentioned under figure 1 above.
3. Minister of Finance Decision No. Kep.549/MK/II/7/1971, effective as from July 24, 1971.

This Decision stipulates that the rate of the withholding tax which importers who utilize Merchant's L/C are required to pay is 6% of the valuation price used to determine the import duty. In the event that the price declared on the K.P.P. is lower than the valuation price, withholding tax is to be collected on the difference between the two prices mentioned above.

4. Minister of Finance Decision No. Kep.551/MK/II/7/1971, effective as from July 24, 1971.

This Decision stipulates that the interest received from the sale of certificates of deposit is subject to a tax of 20%; further, that banks are required to collect the aforesaid tax at the time the certificates of deposit are sold.

5. Minister of Finance Decision No. Kep.614/MK/II/8/1971, effective as from August 12, 1971.

This Decision stipulates that:

- the profit which arises from the liquidation of a private national bank in the context of a merger with another private national bank is subject to the imposition of a 10% corporation tax;
- the subscribed and paid-in capital of the bank as the result of the aforesaid merger are exempt from capital stamp duty;
- the subscribed and paid-in capital resulting from a new issue of shares sold by the bank which arose from the merger of the banks mentioned above are still subjected to the imposition of capital stamp duty.

No investigation—in a fiscal sense—will be made regarding the origin of the capital used to buy shares of the new issue. Indebted taxes may be paid in instalments; such tax facilities, however, will be granted only on certain conditions.

6. Minister of Agriculture Decision No. 458/Kpts/EKKU/XI/1971, effective as from November 2, 1971.

This Decision determines the amount of additional Royalty which has to be paid to cover the cost of dredging, rehabilitation and maintenance of rivers, and the resettlement of the local population.

Foreign exchange banks are to collect the said royalty from the proceeds of exports of forest products.

Securities

Presidential Decision No. 57 of 1971, effective as from August 12, 1971.

This Decision empowers the Minister of Finance to manage the securities owned by the Central Government, Regional Governments as well as by Funds the management of which is either neglected or not clearly defined.

Bank Indonesia has the responsibility of safekeeping and administering the aforesaid securities.

Foreign aid

1. Minister of Finance Decision No. Kep.703/MK/I/9/1971, effective as from September 13, 1971 with retroactive effect as from April 1, 1971.

This Decision defines the procedure and administration with respect to the execution of project aid and/or technical assistance from abroad.

2. Minister of Finance Decision No. Kep.300/MK/V/5/1971, effective as from May 4, 1971.

This Decision defines the procedure and administration of foreign aid as well as the procedure for the repayment of foreign debts to the debit of the Government's account with Bank Indonesia.

3. Presidential Decision No. 65 of 1971, effective as from September 23, 1971.

This Decision defines the provisions with respect to the filing of reports on actual receipts and implementation of project aid with the Department of Finance, BAPPENAS and Bank Indonesia.

4. Joint Decision of the Minister of Finance and Minister of Trade No. Kep. 177/MK/IV/3/1972 effective as from March 28, 1972.
114/KPB/III/72

This Joint Decision stipulates that credit foreign exchange may be utilized toward the import of categories A,B, C and D commodities. Excluded from this provision are goods which have been prohibited for import (see Appendix of this Joint Deci-

sion), and goods to be specified by Bank Indonesia in a separate announcement at the request of creditor nations.

Domestic capital investment

Minister of Finance Decision No. Kep. 592/MK/II/8/1971, effective as from August 4, 1971.

This Decision stipulates that enterprises established in virtue of Act No. 19 Prp. of 1960 and public corporations established in virtue of Act No. 9 of 1969 are not permitted to invest or reinvest their profit in accordance with the provisions defined in article 14 of Act No. 6 of 1968 concerning Domestic Capital Investment.

The aforesaid enterprises have to pay tax in accordance with prevailing regulations.

The Dana Pembangunan Semesta (DPS) as specified in article 18 of Act No. 19 Prp. of 1960 may subject to a permit from the Minister of Finance - be used for investment or reinvestment purposes.