

BANK INDONESIA

**REPORT FOR THE
FINANCIAL YEAR
1975/1976**

BANK INDONESIA

Head Office :

JAKARTA

Representatives :

KUALA LUMPUR

LONDON

NEW YORK

SINGAPURA

TOKYO

Branch Offices :

AMBON, AMPENAN,

BANDA ACEH, BANDUNG,

BANJARMASIN, BENGKULU,

CIREBON, DENPASAR, JAMBI, JAYA-

PURA, JEMBER, KEDIRI, KENDARI, KUPANG,

MALANG, MEDAN, MENADO, PADANG, PALEMBANG,

PALU, PEKANBARU, PONTIANAK, SAMARINDA, SEMARANG,

SOLO, SURABAYA, TELUKBETUNG, UJUNG PANDANG, YOGYAKARTA.

Cash Offices :

BALI KPAPAN

PURWOKERTO

TEGAL

Position as per end of March 1976

NOTES, SYMBOLS AND SOURCE OF DATA

r	Revised figures
*	Provisional figures
**	Incomplete figures (i.e. compiled from incomplete data)
. . .	Data not yet available
- -	Nil or less than the last digit
()	Partial data
x	Break in comparability before and after the symbol
\$	United States Dollar

Source of data: Bank Indonesia, unless mentioned otherwise.

PREFACE

During 1975/1976 the Indonesian economy faced various domestic as well as external challenges. As a country in which foreign trade and other international economic relationships play important roles, Indonesia had also to face the negative effects of the recession suffered by the industrial and other countries. The demand for Indonesian export commodities was generally disappointing, and activities in other sectors suffered as well.

PERTAMINA's financial troubles in addition to the global recession — presented serious challenge during 1975/1976. Becoming increasingly serious toward the end of 1974/1975, PERTAMINA's financial difficulties not only resulted in a decline in Government foreign exchange receipts, but also in an increase in foreign exchange expenditures to pay off debts. Furthermore, the Government provided funds—rupiahs as well as foreign currency — to finance the continuation of several activities and projects already initiated by PERTAMINA.

These problems complicated the Government's task of supporting development and maintaining sound monetary conditions during 1975/1976. Within this framework, therefore, the results of the Government's efforts to control price increases cannot be regarded as disappointing. The index of prices of 62 commodities and services in Jakarta, used as the general measure of the inflation rate, increased by 19.8% during 1975/1976,

compared to 20.1% in the previous year, despite the substantially greater increase in the money supply in 1975/1976 (39%) than in the previous year (31%). This improved performance resulted in part from the increased supply and improved distribution of important commodities, the implementation of the national stockpiling policy, and the change in the public liquidity preference reflected in the rapid increase in time deposits and TABANAS.

As in the previous years, the Government Budget of Receipts and Expenditures (APBN) in 1975/1976 was based on the principle of a balanced budget. For the fiscal year, the budget showed realized receipts of Rp 2,733 billion, close to forecast levels, 38% above last year's. In the sector of corporate taxes, increased Government revenue resulted from the expiration of tax holidays and other investment facilities granted to some of the companies within the Domestic and Foreign Capital Investment schemes. The realization of the tax on oil companies totalled Rp 1,249 billion which was below the amount budgeted (Rp 1,540 billion) and reflected the disappointing foreign demand for oil and PERTAMINA's continuing financial troubles. Nevertheless, the importance of oil company taxes in Government receipts continued to increase and in 1975/1976 comprised 56% of domestic receipts and 46% of total receipts.

Since domestic receipts were much larger than routine expenditures, Government savings (Rp 909 billion) for the year increased substantially, over the previous year. This saving, together with greater foreign aid, enabled the Government to finance development ex-

penditures of Rp 1,398 billion, 45% higher than in 1974/1975.

The efforts of the Government to stimulate more labor intensive activities and projects in the regions and to improve conditions and infrastructure in the noneconomic sectors were reflected in the pattern of Government expenditures. Expenditures for regional development rose by 48%, of which expenditures for health purposes (particularly the PUSKESMAS) rose by 188% and for construction of primary schools by 153%. Village/rural aid (INPRES), granted to stimulate public mutual self-help activities, rose by 40% as a result of the increase in grants from Rp 200 thousand for each village in 1974/1975 to Rp 300 thousand in 1975/1976. Likewise, assistance for the Kabupaten/Kotamadya increased by 39%, chiefly as the result of an increase in the amount of assistance provided per person from Rp 300,— in 1974/1975 to Rp 400,— in 1975/1976.

The largest part of the increase in money supply of Rp 400 billion (39%) in 1975/1976 was caused by the increase in bank credit of Rp 1,241 billion or 71%, compared to only 44% in the previous year. As opposed to earlier years, the largest part of the increase in these credits (73%) went for financing official entities and public enterprises whereas the portion for private enterprises and individuals was a relatively small part (27%). This development reflected the increase in Government projects and activities of official entities and public enterprises such as PERTAMINA, which were financed by the banks. It should be noted that most of the in-

crease in credit did not result in an increase in the money supply, since it was used to finance the repayments of PERTAMINA's foreign debts. Discounting these repayments, the increase of total credit in 1975/1976 was 46%.

During the reported year the policy of limiting the increase in bank credit and other net domestic assets continued to be one of the major factors limiting the expansion of the money supply. A ceiling of 34% was set for the increase in bank credit for 1975/1976. However, due mainly to the careful and cautious attitude of the banks and through supervision by Bank Indonesia, the realized increase in credit and other net domestic assets by banks excluding Bank Indonesia was only 25%. The previous year's realized increase had been 26%, compared to the ceiling of 31%. Besides quantitative policies, the Government also continued its efforts to direct funds to priority sectors and activities. In this context, to stimulate export development an adjustment was made in the interest rate on credit for exports and for the production of export commodities. Effective April 1, 1976, the interest rate for export credit and credit for the production of export commodities provided by State Banks was lowered from 15% to 12% per year. In accordance with that adjustment, Bank Indonesia lowered its interest rate on liquidity credits to the handling banks from 10% to 5% annually.

The implementation of the Government policy to improve the activities of small and medium sized businesses was reflected in the rapid increase of Small investment Credits (KIK) and Permanent Working Capital Credits (KMKP). The value of approved requests

for KIK rose by 82% in 1975/1976, with clients increasing by 75% to nearly 20 thousand people by the end of March 1976. The value of KMKP credits and clients rose by 128% and 428%, respectively and a total of 83 thousand clients were registered at the end of 1975/1976.

As for the mobilization of funds, measures taken by the Government during the year were the continuation of Government policies during previous years. These policies were mainly directed toward increasing funds for the financing of development activities and controlling inflation. To improve the mobilization of funds and support the development of the money market, the Government in 1975/1976 took the measure of not taxing interest, dividends and royalties (PBDR) received on financial instruments such as promissory notes and bills of exchange. These, along with attractive interest rates and a sound economic climate, resulted in a dramatic increase in savings through the banking system. Time deposits in the state banks rose by 66% to Rp 447 billion by the end of March 1976. Certificates of deposit issued by 12 banks increased 19%, and TABANAS also showed a rapid increase of 51%. This large increase was encouraging and reflected the increased saving attitude of the public. The total of TABANAS books, which at the end of December 1971 totalled only 0.9 million, reached 4.3 million at the end of March 1976. The rapid growth of TABANAS, which is designed for relatively small savers, shows that the will to save has spread throughout the various layers of the society.

In its efforts to guide and develop the private national banks, Bank Indonesia has continuously encouraged the merger of these banks to strengthen their management and financing. In view of these efforts, the Government extended the final deadline for obtaining tax facilities for mergers from December 31, 1975 to December 31, 1976. During 1975/1976 a total of 6 banks merged their activities into two bank groups, and by the end of March 1976 a total of 53 banks had merged into 20 banks.

Several steps were further taken to stimulate the development of the private national banks and the regional development banks in a more satisfactory direction. In this context Bank Indonesia carried out a policy of providing liquidity credits in the form of refinancing facility the total of which was linked to the sound conditions of the respective banks and their roles in providing guidance to certain clients.

As was the case in 1974/1975, the global economic recession and PERTAMINA's financial troubles had a large impact on Indonesia's balance of payments in 1975/1976. These two problems were the main cause of the deficit of \$ 364 and \$ 9 million in the balance of payments in 1975/1976 and 1974/1975. The deficit in the balance of payments during the reported year reflected in part the deficit of \$ 833 million in current transactions, caused by increased expenditures on imports and services and nearly unchanged export receipts. Besides the current transactions, repayments of PERTAMINA's foreign debts during 1975/

1976 were \$ 1,468 million. On the other hand, direct capital investment, project aid and projects with relatively soft terms financed part of the increased import expenditures. Likewise, realized export credits, still insignificant during 1974/1975, reached \$ 389 million during the reported year, reducing the burden of foreign exchange expenditures on the balance of payments. Nevertheless, special funds were still required to prevent too large a deficit in the balance of payments. For this purpose, Bank Indonesia for and on behalf of the Government arranged a 5 year syndicate loan of \$ 1,049 million from banks in Europe, the United States and Japan.

As mentioned above, the value of exports during 1975/1976 did not change significantly. On the one hand the value of oil exports rose by 3% from \$ 5,312 million in the 1975/1976 year. This increase was caused by price increases as well as increases in the volume of exports. On the other hand, the value of non-oil exports of \$ 1,873 million declined 8% from the previous year. The global economic recession was the main cause of the decline in the value of Indonesia's export commodities, such as timber, rubber, tin, palm-oil and copper. Among imports, raw materials and capital goods significantly increased, but imports of consumption goods declined. This reflected mainly the decline in the value of rice imports.

Overall, 1975/1976 production was not entirely satisfactory. Besides the global recession, domestic factors such as floods (in sev-

eral regions) and plant diseases resulted in unsatisfactory production of domestic commodities, particularly foodstuffs. Crude oil production increased only 3% to 498 million barrels. From the technical point of view, most increases in production of this commodity would result from increased foreign demand. Rice production of 15.3 million tons and rubber of 823 thousand tons did not increase significantly from the previous year. The production of other commodities, particularly timber, corn, tin, bauxite and nickel, even declined. On the other hand, the production of textiles, palm oil, tobacco, tea, copra, fisheries and copper did show significant increases, although not as high as expected. But the production of two important commodities, urea fertilizer and cement, showed satisfactory growth. Because of the rapid expansion of capacity and increased domestic requirements, the production of urea fertilizer and cement increased by 90% and 31% respectively.

It can therefore be concluded that during 1975/1976 the Indonesian economy faced more serious challenges than in the year before. The measures taken to overcome some of the problems and the measures taken to support development did have a significant impact, but results were still below expectations.

Governor of Bank Indonesia

RACHMAT SALEH

I. MONEY SUPPLY

Measures in the Monetary Sector

The 1974/1975 year indicated that the Government had succeeded in lowering the inflation rate by implementing a package of measures known as the April 1974 policy. One of the most important measures was the imposition of a ceiling on the increase of net domestic assets of banks, covering limitation on increases in loans and net other domestic assets, with a monetary effect such as of loans. Thus the increase in bank credit was limited to a level considered sufficient to fulfill the requirements of the economy while contributing to lowering the inflation rate.

During 1975/1976 the imposition of a ceiling on increases of net domestic assets continued to be a major tool for controlling monetary development. Increases in credit and net other domestic assets from banks excluding Bank Indonesia were set at around 34% as compared to 31% in the previous year. However, it turned out that in 1975/1976, as in 1974/1975, increases of net domestic assets were below limit, being respectively 25% and 26%, largely the result of the careful and cautious attitude of the banking system in granting credit.

Besides quantitative measures the Government also introduced qualitative measures by directing credits to priority sectors.

Meanwhile, credit directed to sectors considered important by the Government,

such as economically weak entrepreneurs and the agricultural and rural sectors of smallholders, were still subject to relatively low interest rates of 12% -15% annually, these included K I K, KMKP, other small scale credits and BIMAS.

The policy for mobilizing funds still emphasized attracting funds in the form of time deposits and TABANAS. Similarly, in maintaining a minimum amount of liquidity the banks continued the basically tight money policy of the previous year.

A series of steps were taken at the end of 1975/1976 to stimulate exports, becoming effective on April 1, 1976. One of the steps in the monetary sector was the reduction of interest rates for exports and production of exports commodities from 15% to 12% annually.

Money Supply

The money supply during 1975/1976 increased more than the previous year, being Rp 400 billion or 39% compared to Rp 242 billion or 31% in 1974/1975 (see Table 1). Of this amount, deposit money increased more rapidly than currency, by 58% and 22% respectively, while in the previous year the figures were respectively, 34% and 28%.

Although the money supply increased more rapidly than during the previous year, the inflation rate as measured by the Jakarta cost of living index did not change significantly, being 19.8% in 1975/1976 compared to 20.1% in 1974/1975. This was caused in

part by the increase in the public liquidity preference as reflected in the rapid increase of time deposits, and also by improvements in the supply of commodities.

In 1975/1976 the increase in the money supply was higher than the inflation rate, being respectively 39% and 19.8%, indicating that the real money supply increased in 1975/1976.

Table 2, index of money supply being expressed in September 1966 prices, shows a 16% increase in 1975/1976 as compared to 9% in the previous year.

Factors affecting the Money Supply

The money supply in 1975/1976 increased by Rp 400 billion. Factors with expansionary effects, as shown by Table 3, include the Central Government, official entities and public enterprises, private enterprises and individuals, and net other items being Rp 11 billion, Rp 1,064 billion, Rp 208 billion and Rp 155 billion respectively.

During 1975/1976 the Central Government had an expansionary effect on the money supply, but smaller than during the year before, i.e. only Rp 11 billion vis-a-vis Rp 49 billion in the previous year. During this year the greatest expansionary effect occurred during the last quarter. This declining expansionary effect reflected the decline of the special liquidity credit of Bank Indonesia¹ and the increase of the Government account at the banks. By the end of March 1976 the special liquidity credit was reduced

to Rp 43 billion, compared to Rp 109 billion at the end of March 1975 and Rp 158 billion in December 1975.

The special liquidity credit was not a continuing part of the 1975/1976 Budget, but were nevertheless Government expenditures financed by banking funds. The need for this credit reflected PERTAMINA's troubles, which reduced Government revenues from oil toward the end of the 1975/1976 fiscal year. A large part of the loan was used for subsidizing fertilizers and the imports of pesticides, following the policy of the Government of supporting development in the agricultural sector and raising the incomes of the farmers. The remainder was used to finance the national stock of important commodities and to continue financing Government's development projects.

The increase in the Government account totalled Rp 69 billion during 1975/1976, compared to Rp 37 billion during 1974/1975. This increase was in part caused by the increasingly smooth processing of Government finances.

As generally known, in order to handle liquidity difficulties faced by PERTAMINA, Bank Indonesia for and on behalf of the Government accepted medium/long term syndicate loans from foreign banks beginning June 1975, which amounted to Rp 435 billion (\$ 1,049 million) during 1975/1976. The syndicate loan was booked in a Government blocked account at Bank Indonesia and had a contractionary effect on the money supply.

Claims on official entities and public enterprises, i.e. the granting of loans and other claims, had the most important expansionary effect on the money supply. During 1975/1976 the expansionary effect was Rp 1,064 billion, an increase of 230% over the previous year. The amount consisted of increases in the claims of Bank Indonesia and other banks of respectively Rp 704 billion and Rp 360 billion.

The claims of Bank Indonesia increased very steeply during this year by Rp 704 billion, or 270% compared to the previous year's rise of Rp 131 billion or 101%. The Rp 704 billion was the result of loans to PERTAMINA, in rupiahs as well as foreign exchange, of Rp 712 billion, and decreases in claims on other parties of Rp 8 billion. The loans were used by PERTAMINA to pay off foreign debts and to finance domestic activities. Since Rp 560 billion of the Rp 704 billion was granted to repay PERTAMINA's foreign debts, the monetary effect of this credit expansion was only Rp 144 billion.

Loans to private enterprises and individuals caused an expansionary effect of Rp 208 million during 1975/1976, compared to the previous year's expansionary effect of Rp 292 billion. The decline, as previously mentioned, was primarily attributable to the careful and cautious attitude of banks in providing loans to official entities and public enterprises (Rp 360 billion) as well as to private enterprises and individuals (Rp 203 billion), in order that the ceiling on the increase of the net domestic assets not be exceeded. The realized ceiling on increases of net do-

mestic assets only reached 73% in 1975/1976 as compared to 83% during the previous year.

Unlike preceding years, the foreign sector did not have an expansionary effect in 1975/1976, but had a contractionary effect of Rp 318 billion. This resulted from a decline in the foreign exchange reserves of Rp 151 billion and the decline in net other foreign assets of Rp 167 billion. The overall effect of the Rp 435 billion syndicate loan from foreign banks, due to the repayments of PERTAMINA's Rp 560 billion foreign debts, had been in a reduction in the foreign exchange reserves, its amount being nearly equal to the difference between the syndicate loan and PERTAMINA's foreign debts. The decline in the net other foreign assets was primarily engendered by the acceptance of loans from foreign banks by Bank Indonesia which increased by Rp 79 billion during 1975/1976. This decline was also caused by the increased obligations of Bank Indonesia in rupiahs to nonresidents of Rp 83 billion and the decline in the net foreign assets of other banks of Rp 8 billion.

Time and savings deposits had a contractionary effect of Rp 285 billion compared to Rp 138 billion during the previous year. This effect consisted of the increase in time deposits in State banks of Rp 171 billion (60%), TABANAS/TASKA of Rp 25 billion (51%), certificates of deposit of Rp 43 billion (78%) and foreign currency deposits of Rp 49 billion (42%), while time and savings deposits with other banks decreased by Rp 3 billion (5%). The increase in time

deposits at state banks was made up of the increase in 24 month time deposits of Rp 184 billion and the decline in less—than 24 month time deposits of Rp 13 billion. This was caused by the fact that the interest rate for 24monthly deposits was several percentage points above the inflation rate, providing a positive real interest. The increase in certificates of deposit was caused by interest rates on these for some periods being more attractive than those on time deposits at state banks. Besides this, it was suspected that part of the certificates of deposit were purchased by nonresidents, who were not permitted to deposit their funds in time deposits at state banks. The flow of funds

from abroad was stimulated by the difference between the domestic and foreign interest rates, a low inflation rate abroad and a fixed exchange rate between rate of the rupiah and the American dollar.

Net other items included fixed assets, import deposits, capital accounts, other balances and interbank balances, produced an expansion of Rp 155 billion. During the previous year this sector had a contractionary effect, but in 1975/1976 its expansionary effect was the result of the decline in import deposits of Rp 266 billion and increases in other liabilities of Rp 71 billion.

TABLE 1 – MONEY SUPPLY ¹⁾
(millions of Rupiahs)

End of	Total	Change	Percentage Change	Currency	% of total	Deposit money	% of total
1968	113,894			74,684	66	39,210	34
1969	183,439	69,545	61	115,698	63	67,741	37
1970	250,284	66,845	36	154,618	62	95,666	38
1971	320,759	70,475	28	199,355	62	121,404	38
1972 : December	474,611	153,852	48	271,769	57	202,842	43
1973 : March	530,291	55,680	12	291,131	55	239,160	45
June	598,763	68,472	13	331,608	55	267,155	45
September	629,156	30,393	5	350,823	56	278,333	44
December	669,003	39,847	6	374,968	56	294,035	44
Total 1973		194,392	41				
1974 : March	784,288	115,285	17	421,071	54	363,217	46
June	825,657	41,369	5	436,931	53	388,726	47
September	873,455	47,798	6	455,275	52	418,180	48
December	937,524	64,069	7	494,235	53	443,289	47
Total 1974		268,521	40				
1975 : March	1,025,797	88,273	9	538,495	52	487,302	48
June	1,116,855	91,058	9	548,435	49	568,420	51
September	1,264,331	147,476	13	653,896	52	610,435	48
December	1,250,094	-14,237	-1	625,341	50	624,753	50
Total 1975		312,570	33				
1976 : March	1,426,184	176,090	14	658,424	46	767,760	54
Total 1975/1976		400,387	39				

1) In this report all figures have been made consistently to the revised definitions of monetary system liabilities that only liabilities to resident accounted as component of money supply. The adjustment comprises the figures since 1968.

TABLE 2 — MONEY SUPPLY EXPRESSED IN SEPTEMBER 1966 PRICES 1)
(millions of Rupiahs)

Year/Month	Money Supply	Price Index	Money supply expressed in September 1966 prices	Index of money supply expressed in September 1966 prices 1)
1968	113,894	523	21,777	145
1969	183,439	575	31,902	213
1970	250,284	626	39,981	266
1971	320,759	642	49,962	332
1972	474,611	807	58,812	391
1973 : March	530,291	806	65,793	437
June	598,763	871	68,744	457
September	629,156	945	66,577	442
December	669,003	1,028	65,078	432
1974 : March	784,288	1,188	66,018	439
June	825,657	1,251	65,999	439
September	873,455	1,282	68,132	453
December	937,524	1,370	68,432	455
1975 : March	1,025,797	1,427	71,885	478
June	1,116,855	1,465	76,236	507
September	1,264,331	1,545	81,834	544
December	1,250,094	1,640	76,225	507
1976 : March	1,426,184	1,709	83,451	555

1) September 1966 = 100

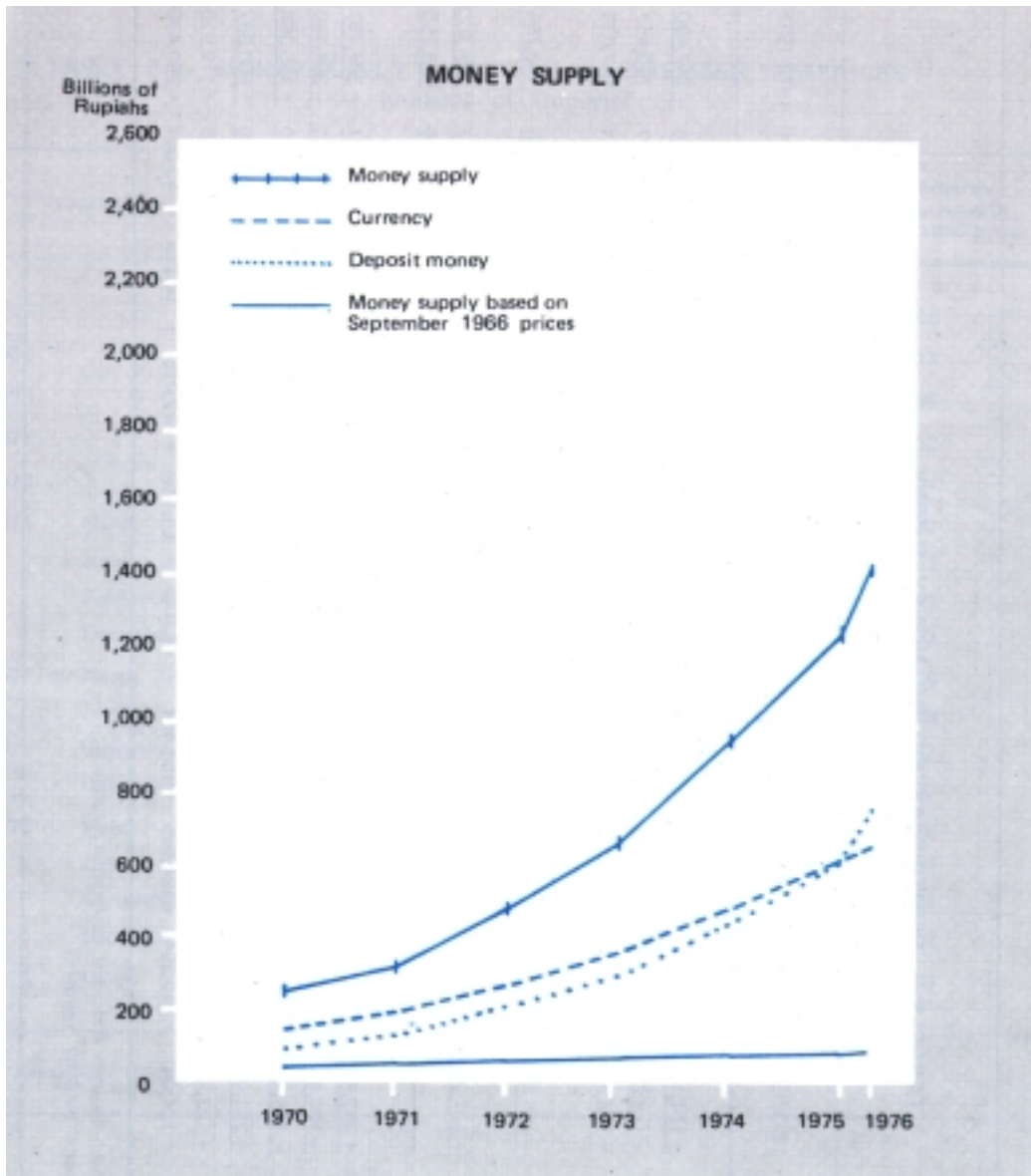
TABLE 3 — FACTORS AFFECTING MONEY SUPPLY
(millions of Rupiahs)

	1973/1974	1974	1974/1975	1975	1975				1976	1975/1976
					I	II	III	IV		
Net Foreign Assets										
1. Foreign Exchange reserves	+ 154,192	+ 363,983	+ 2,746	- 587,577	- 263,051	- 114,720	- 184,779	- 25,027	+ 7,036	- 317,490
2. Other foreign assets	+ 145,675	+ 285,609 ^f	- 4,476	- 408,498	- 230,014	- 119,103	- 77,885	+ 18,504	+ 28,027	- 150,457
	+ 8,517	+ 78,374	+ 7,222	- 179,079	- 33,037	+ 4,383	- 106,894	- 43,531	- 20,991	- 167,033
Government										
1. Central Government	- 25,321	- 116,614 ^f	+ 49,299	+ 163,310	+ 214,124	- 60,621	+ 5,734	+ 4,073	+ 61,568	+ 10,754
2. Claims on official entities and public enterprises ¹⁾	+ 107,239	+ 171,708	+ 253,324	+ 1,051,967	+ 105,962	+ 486,370	+ 314,868	+ 144,767	+ 118,017	+ 1,064,022
3. Blocked Account	---	---	---	- 415,000	---	- 207,500	- 31,125	- 176,375	- 20,250	- 435,250
Claims on Private Enterprises and individuals										
Time & Savings deposits ²⁾	+ 362,815	+ 254,661	+ 292,449	+ 189,681	+ 94,199	- 67,379	+ 92,399	+ 70,462	+ 112,281	+ 207,763
Net other items ³⁾	- 180,416	- 196,306	- 138,099	- 232,426	- 42,418	- 84,918	- 59,374	- 45,716	- 94,772	- 284,780
Money Supply	- 164,512	- 208,911	- 218,210	+ 142,615	- 20,543	+ 139,826	+ 9,753	+ 13,579	- 7,790	+ 155,368
— currency	+ 253,997	+ 268,521	+ 241,509	+ 312,570	+ 88,273	+ 91,058	+ 147,476	- 14,237	+ 176,090	+ 400,387
— deposit money	+ 129,940	+ 119,267	+ 117,424	+ 131,106	+ 44,260	+ 9,940	+ 105,461	- 28,555	+ 33,083	+ 119,929
	+ 124,057	+ 149,254	+ 124,085	+ 181,464	+ 44,013	+ 81,118	+ 42,015	+ 14,318	+ 143,007	+ 280,458

1) After calculated BULOG import deposits and aid counterpart funds

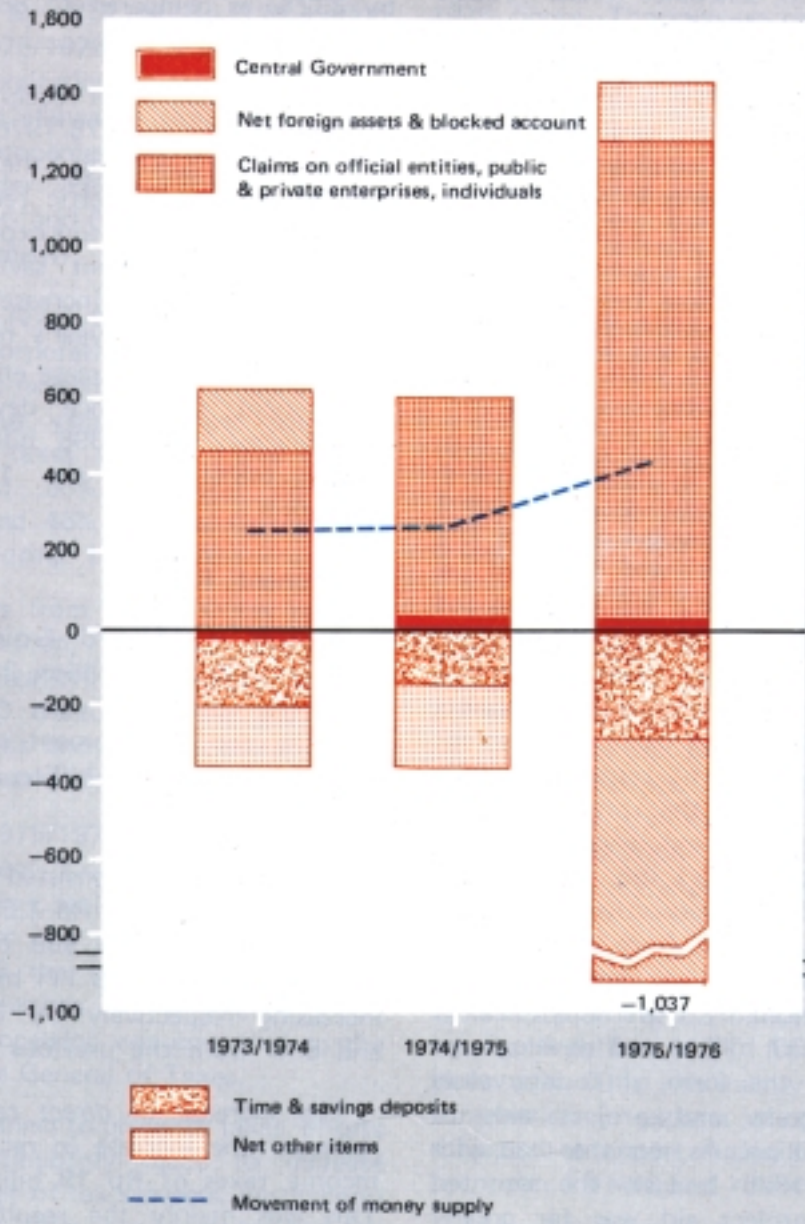
2) Includes foreign currency deposits held by residents

3) Includes import deposits



FACTORS AFFECTING MONEY SUPPLY

Billions of
Rupiah



II. GOVERNMENT FINANCE

General

The 1975/1976 fiscal year was the second year of implementation of the REPELITA II, scheduled to last through the end of 1978/1979. Efforts of the Government during REPELITA II will be directed to improve economic growth and to achieve other targets, including the expansion of employment opportunities, improvements in social justice, the strengthening of weak economic groups, educational expansion, health, etc. To achieve these targets, Government and private investment should be increased, consistent with maintenance of monetary stability.

Government finance during the 1975/1976 fiscal year continued to be based upon the balanced-budget principle. The 1975/1976 Budget was balanced at Rp 2,735 billion, an increase of Rp 1,157 billion (73%) over the previous year. Budgeted receipts were Rp 2,496 billion from domestic receipts and Rp 239 billion from development receipts, increases of respectively 83% and 12% from the previous year. Budgeted routine and development expenditure were Rp 1,466 billion and Rp 1,268 billion respectively, increases of 53% and 106% from the previous year. Development expenditures were to be financed by Government savings of Rp 1,030 billion and development receipts in the form of counter values from program and project aids of Rp 239 billion. As was the case with the 1974/1975 budget, the counter value of project aid was far greater than that of program aid.

Government savings were to continue to increase, and the role of development financing from foreign sources to decline. During 1975/1976 Government Savings in the Budget were to increase by 156% and exceed total foreign aid by 332%, as compared to 88% during the previous year.

Realized Government receipts as well as expenditures in 1975/1976 were in overall accordance to the budget. Because realized domestic receipts far exceeded realized routine expenditures, 1975/1976 Government savings were Rp 909 billion, an increase of 23% as compared to last year's realization. Such a substantial increase enabled the Government to finance development expenditures (Rp 1,398 billion) far greater (45%) than the 1974/1975 realization.

Government Receipts

Realized 1975/1976 Government receipts of Rp 2,734 billion, 38% greater than the previous year, comprised domestic and development receipts of respectively Rp 2,242 billion (82%) and Rp 492 billion (18%).

Domestic receipts consisted of receipts from direct taxes of Rp 1.592 billion, indirect taxes of Rp 539 billion and non-tax receipts of Rp 111 billion, each increasing respectively by 30%, 18% and 66% from the previous year.

The increase in *direct tax* receipts reflected the increase in receipts from income taxes of Rp 19 billion (43%). This was mainly the result of more intensive collection procedures, which more than offset the effects

of the Government's having reduced the effective tax rate by changing the level of taxable income and raising the amount of non-taxable income.

Corporate taxes, the principal source for direct taxes after oil company taxes, increased by 40% to Rp 128 billion during 1975/1976. This increase reflected the expiration of tax holidays and investment allowance facilities for some of the companies enjoying those facilities under PMA (Foreign Capital Investment) and PMDN (Domestic Capital Investment).

Despite lower than budgeted receipts from oil corporation taxes in 1975/1976 these were nevertheless 28% higher than in previous year. Receipts from oil company taxes of Rp 1,249 billion constituted 56% of total domestic receipts and 46% of total Government receipts during 1975/1976.

Receipts from the MPO tax reached Rp 97 billion, 17% over the 1974/ 1975 realization. To increase receipts from MPO the Government appointed state banks and state corporations as MPO collection agencies.

The 1975/1976 IPEDA (Regional Development Contribution) reached Rp 35 billion, an increase of Rp 7 billion (24%) over the previous year. During 1975/1976 the Government took corrective measures in the IPEDA sector and its processing was entrusted to the Directorate General of Taxes.

With respect to property taxes, efforts were continuously made to increase the number of tax subjects, particularly in the big cities, by improving the tax subject registration number and other administrative corrective measures. The Government also extended the capital clearance facility, which it was hoped would increase tax receipts.

Realized indirect tax receipts reached Rp 539 billion on 18% over the 1974/ 1975 figure. The increase reflected the increase in receipts from sales tax of domestic commodities and services, and excises.

Realized sales tax receipts reached Rp 119 billion, Rp 34 billion (40%) over the 1974/1975 figure. Efforts to increase sales tax receipts were made by appointing state banks and State Enterprises as tax collectors.

Excise taxes of Rp 97 billion in 1975/1976 increased by Rp 23 billion (31%), the result of a rise in tobacco excises and base price adjustments for excises on sugar, beer, and refined alcohol.

Receipts from import duties constituted the largest item in indirect tax receipts. Realized receipts from import duties in 1975/ 1976 were Rp 174 billion, an increase of Rp 13 billion (8%) over 1974/1975 receipts. This relatively small increase was the result of a change in the composition of imports toward essential raw materials with low import duties.

Receipts from export taxes in 1975/ 1976 totalled Rp 62 billion, declining by Rp 9 billion (12%) from the previous year. This was mainly caused by a reduction in exports of commodities subjected to export duties, such as timber, palm kernels and rubber.

Increased prices of crude oil used as inputs for petroleum products for domestic consumption produced a rise in the production costs of those products, necessitating a rise in their sales prices. In the interest of domestic consumers the adjustment of prices of petroleum products was to be done gradually. Thus in 1974/1975, some adjustment was made, but this still resulted in a negative net profit (Rp 16 billion), meaning that these prices contained a subsidy element from the Government. Further price adjustments were made in 1975/1976 which reduced the subsidy to Rp 1 billion.

Non-tax receipts were of an administrative nature, such as fines and the Government's share of profits of state enterprises and state banks. Realized non-tax receipts in 1975/1976 totalled Rp 111 billion, a 66% increase over 1974/1975. The increase was mainly due to administrative improvements and financial controls.

Development receipts from foreign sources consisted of program and project aid. Realized development receipts during 1975/1976 increased by Rp 260 billion (112%), consisting of increases in project aid of Rp 276 billion (141%) and declines in program aid of Rp 16 billion (44%) compared to the 1974/1975 realization. The increase

was made possible by improvements undertaken in the procedures of implementation, particularly in project aid

Government Expenditures

Routine expenditures continued to increase in accordance with the development of the results of development. Nevertheless, the major program in preparing routine expenditures was still based on saving. During the 1975/1976 fiscal year realized routine expenditures amounted to Rp 1,333 billion, increasing by 31% over the previous year.

Realized routine expenditures for personnel/pensions reached Rp 594 billion, 41% over the 1974/1975 realization. This was mainly caused by improvements in salaries/pension, rice allowance and funds for food-stuffs. Material expenditures reached Rp 305 billion, or 74% over the previous year. This increase reflected in part the increased volume and improved quality of the state's roads, buildings, irrigation networks harbours, etc., which all required additional funds for maintenance. This item also included expenditures for increased supervision, departmental/institutional reorganizations, rice availability for victims of natural disasters and the opening of new representative offices for the Republic of Indonesia abroad.

Expenditures for payment of interest and repayment of debts reached Rp 79 billion, Rp 5 billion (7%) over the 1974/1975 realization. The absolute total of expenditures

for interest and debt installments continued to increase particularly the repayment for foreign debts and interest. Nevertheless, the amount paid out did not in any way disturb the availability of funds for increased development activities.

Other routine expenditures for the General Elections, for subsidizing the imports of foodstuffs, and other expenditures for the stability of foodstuffs prices, particularly rice fell from Rp 145 billion in 1974/1975 to Rp 71 billion in 1975/1976. Of the Rp 71 billion expenditures, Rp 50 billion (71%) was Government expenditures for subsidizing the availability of foodstuffs. The decline was caused by the fall in world prices of foodstuffs and the successful domestic crop harvests permitting imports to be reduced and subsidies on domestic rice prices to be lowered.

Development expenditures in 1975/1976 amounted to Rp 1,398 billion, an increase of Rp 436 billion (45%) over the 1974/1975 realization. This item consisted of rupiah development expenditures of Rp 926 billion (66%) and project aid of Rp 471 billion (34%), increases of 21% and 141% respectively over the 1974/1975 realization. Development expenditures other than project aid can be classified into three groups, the financing of Departments/Institutions of Rp 385 billion 28% regional development, including IPEDA, the construction of primary schools and health services (PUSKESMAS) of Rp 234 billion (17%) and other expenditures of Rp 307 billion (22%).

Expenditures for financing Departments/Institutions increased Rp 163 billion or 74% over the 1974/1975 realization. Expenditures for regional development in 1975/1976 increased Rp 76 billion, or 48% over the 1974/1975 realization. This increase was primarily intended to stimulate regional development in the sectors of infrastructure, education, health, employment opportunities and others. The increases for health services/PUSKESMAS (188%) and construction of primary schools (153%) were the most prominent of the expenditures for regional development during 1975/1976.

Rural aid (INPRES), granted to encourage the public's self-help efforts in developing their villages, increased by 40% to Rp 16 billion as a result of the raising of the calculation base from Rp 200,000. - per village in 1974/1975 to Rp 300,000. - in 1975/1976. Aids to kabupaten/kotamadya also increased by 39% to Rp 59 billion. This increase reflected the increase in the calculation base per person from Rp 300,— in 1974/1975 to Rp 400. - in 1975/1976. Development aid for each DATI I (province) in 1975/1976 was raised by Rp 500 million in the previous year.

Other development financing totalled Rp 307 billion and consisted of expenditures for subsidizing imports of fertilizers of Rp 134 billion (44%), participation of Government's capital of Rp 109 billion (35%) and other items of Rp 64 billion (21%).

Expenditures for subsidizing fertilizer imports declined by Rp 93 billion (41%) as

a result of the decline in the import value of fertilizer and the raising of its domestic selling price from Rp 60.— to Rp 80. - per kg.

Participation of Government capital, channelled through the banking system, reached Rp 109 billion, an increase of Rp 18 billion (19%) over the 1974/1975 realization. These expenditures included capital assistance to export foodstuff processing industries, transportation, and warehouse construction in the capital city, as well as in the regions and Indonesia's contribution to the capital of the Islamic Development Bank.

As previously explained, project aid during 1975/1976 increased 141% over that of the previous year. This additional aid was used for the sectors of transportation and

tourism, generation of electric power, industries, and mining, agriculture and irrigation and others.

These expenditures covered the payment of subsidies (fertilizers, imports of pesticides, cotton imports), the financing of national stock (spinning yarn, cement, iron, tires and others), the financing of development projects such as PERUM TELEKOM, PN PELNI, BULOG Warehouse in the regions and others.

Banking funds made available by Bank Indonesia to the Government were known by the term special liquidity credits. During 1975/1976 the largest part of the special liquidity credits were repaid by the Government.

TABLE 4 – GOVERNMENT RECEIPTS
(millions of Rupiahs)

	1970/1971		1971/1972		1972/1973		1973/1974		1974/1975		1975/1976	
	actual receipts	original budget	actual receipts	original budget	actual receipts	original budget	actual receipts	original budget	actual receipts	original budget	actual receipts	original budget
I. Domestic Receipts	<u>344,606</u>		<u>428,021</u>		<u>590,608</u>		<u>671,000</u>		<u>1,363,400</u>		<u>1,753,663</u>	
A. Direct Taxes	<u>121,617</u>		<u>180,989</u>		<u>302,229</u>		<u>372,500</u>		<u>867,400</u>		<u>1,228,621</u>	
– Income tax	13,375		17,394		23,722		26,700		49,300		43,257	
– Corporation tax	20,091		25,405		30,598		39,500		60,200		91,163	
– Oil Company tax	68,818		112,497		198,885		252,400		653,700		973,100	
– Withholding tax (MPO)	19,132		24,610		30,195		30,600		70,100		83,265	
– IPEDA – land tax	---		---		15,200		18,500		24,200		27,977	
– Others	201		1,083		3,629		4,800		9,900		9,859	
B. Indirect Taxes	<u>209,876</u>		<u>219,538</u>		<u>253,770</u>		<u>285,100</u>		<u>466,400</u>		<u>458,397</u>	
– Sales tax	18,333		24,010		34,491		40,500		65,800		84,899	
– Sales tax on imports	22,097		22,402		27,801		28,900		65,300		68,904	
– Excises	38,881		40,391		47,279		51,100		67,800		74,402	
– Import duties	70,696		69,417		73,223		76,400		167,300		160,635	
– Export tax	25,023		28,101		32,739		29,400		65,200		70,300	
– Net profit from oil	30,427		28,213		31,563		51,300		19,300		-15,933	
– Others	4,419		7,004		6,674		7,500		15,700		15,190	
C. Non Tax receipts	<u>13,113</u>		<u>27,494</u>		<u>34,609</u>		<u>13,400</u>		<u>29,600</u>		<u>66,645</u>	
II. Development Receipts	<u>120,531</u>		<u>135,527</u>		<u>157,800</u>		<u>191,400</u>		<u>213,900</u>		<u>232,046</u>	
1. Program aid	78,951		90,527		95,500		108,400		89,100		36,146	
2. Project aid	41,580		45,000		62,300		83,000		124,800		195,900	
T o t a l	<u>465,137</u>		<u>563,548</u>		<u>748,408</u>		<u>862,400</u>		<u>1,577,300</u>		<u>1,985,709</u>	
												<u>2,734,700</u>
												<u>2,733,489</u>

Source : Department of Finance

TABLE 5 — GOVERNMENT EXPENDITURE
(millions of Rupiahs)

	1970/1971		1971/1972		1972/1973		1973/1974		1974/1975		1975/1976	
	Actual Expenditure	Original Budget	Actual Expenditure	Original Budget	Actual Expenditure	Original Budget	Actual Expenditure	Original Budget	Actual Expenditure	Original Budget	Actual Expenditure	Original Budget
I. Routine Expenditure	288,177	349,095	438,100	518,300	713,302	961,600	1,016,112	1,466,300	1,332,572	1,466,300	1,332,572	1,332,572
1. Personnel Expenditure	131,437	163,340	200,372	246,100	268,862	405,100	420,124	602,418	593,946	602,418	593,946	593,946
— Rice allowance	33,550	31,178	31,302	35,600	50,602	57,100	59,513	101,426	111,877	101,426	111,877	111,877
— Salaries & pension	70,596	100,412	131,636	167,000	173,895	290,400	301,706	418,698	399,977	418,698	399,977	399,977
— Food allowance	11,699	13,177	14,562	15,400	16,800	23,000	24,422	42,204	43,537	42,204	43,537	43,537
— Other domestic personnel Exp.	10,809	14,058	17,245	20,900	20,200	25,100	24,685	27,578	25,821	27,578	25,821	25,821
— External	4,783	4,515	5,634	7,200	7,365	9,500	9,798	12,512	12,734	12,512	12,734	12,734
2. Material expenditure	62,567	67,125	95,421	105,700	110,140	174,700	175,218	267,210	304,862	267,210	304,862	304,862
— Domestic	56,285	59,725	83,448	94,100	98,340	157,300	158,426	244,701	283,120	244,701	283,120	283,120
— External	6,282	7,400	11,973	11,600	11,800	17,400	16,792	22,509	21,742	22,509	21,742	21,742
3. Subsidies to Local Government	56,166	66,800	83,900	101,200	108,600	168,400	201,906	279,254	284,454	279,254	284,454	284,454
— Irian Jaya	10,068	10,600	10,600	10,300	10,300	11,500	14,289	19,700	18,700	19,700	18,700	18,700
— Other Local Government	46,098	56,200	73,300	90,900	98,300	156,900	187,617	259,554	265,754	259,554	265,754	265,754
4. Interest & Instalments on debts	25,600	46,600	53,400	56,500	70,700	82,100	73,698	74,210	78,510	74,210	78,510	78,510
— Domestic	2,000	5,600	7,400	8,700	8,200	15,000	6,445	3,500	6,800	3,500	6,800	6,800
— Foreign	23,600	41,000	46,000	47,800	62,500	67,100	67,253	71,710	71,710	71,710	71,710	71,710
5. Others	12,407	5,230	5,000	8,800	155,000	131,300	145,166	243,208	70,800	243,208	70,800	70,800
II. Development Expenditure	169,752	195,900	298,224	344,100	450,956	615,700	961,817	1,268,400	1,397,727	1,268,400	1,397,727	1,397,727
1. Department/Institutions	78,469	97,560	144,043	156,275	160,069	191,952	191,952	461,570	384,896	461,570	384,896	384,896
2. Department of Defence	4,500	5,000	6,000	7,225	7,225	18,000	18,000	—	—	—	—	—
3. Regional Development	32,681	37,247	57,800	67,700	85,687	147,800	158,279	229,110	234,245	229,110	234,245	234,245
— Subsidies to villages	5,590	5,250	5,700	5,700	5,700	11,400	11,400	15,929	15,929	15,929	15,929	15,929
— Subsidies to Kabupaten	5,645	8,823	12,800	19,200	19,200	42,500	42,500	59,072	59,072	59,072	59,072	59,072
— Irian Jaya	782	2,374	3,300	3,500	3,300	4,000	4,000	5,000	5,000	5,000	5,000	5,000
— Subsidies to Provinces — Dati I	20,664	20,800	20,800	20,800	20,800	42,650	47,408	52,287	54,022	52,287	54,022	54,022
— IPEDA — rural development	—	—	15,200	18,500	19,501	24,200	27,977	31,700	34,600	31,700	34,600	34,600
— Primary School	—	—	—	—	17,186	18,000	19,703	49,900	49,900	49,900	49,900	49,900
— Public Health Centre	—	—	—	—	—	5,050	5,291	15,222	15,222	15,222	15,222	15,222
4. Other Development Expenditure	12,522	11,093	28,081	29,900	83,850	133,148	385,979	359,320	307,216	359,320	307,216	307,216
— Subsidies on fertilizer	—	—	—	1,250	33,000	50,100	227,210	187,000	134,500	187,000	134,500	134,500
— Government Capital Participation	1,000	7,046	22,543	23,000	40,800	28,589	91,107	112,694	108,677	112,694	108,677	108,677
— BIMAS project	9,576	1,000	—	—	—	—	—	—	—	—	—	—
— Others	1,946	3,047	5,538	5,650	10,050	54,459	67,662	59,626	64,039	59,626	64,039	64,039
5. Project aid	41,580	45,000	62,300	83,000	114,125	124,800	195,900	218,400	471,370	218,400	471,370	471,370
T o t a l	457,929	544,995	736,324	862,400	1,164,258	1,577,300	1,977,929	2,734,700	2,730,299	2,734,700	2,730,299	2,730,299

Source: Department of Finance

III. BANK CREDIT DEVELOPMENT

Credit Policy

Credit policy in 1975/1976 was intended to contribute to development while maintaining monetary stability. Policy measures were taken based on economic developments throughout the year.

As one measure for controlling inflation, limits were set on increases in bank credits and net other domestic assets for the first time in 1974/1975 and limits were maintained during 1975/1976. Furthermore, rigid controls over the minimum liquidity position of banks continued to be enforced. Due to subsequent developments, interest rates for some credits, raised by the April 9, 1974 policy, were lowered on December 28, 1974. These rates, in light of monetary developments, were maintained for 1975/1976.

To intensify aid to small businessmen/weak economic groups, improvements were continuously made in the regulations as well as procedures for investment credits, Small Investment Credits (KIK), and Permanent Working Capital Credits (KMKP). This effort included the grouping of investment credits into 4 categories, beginning April 1973, based on the size of credits with priority to the small categories. In addition, small credits with an upper limit of Rp 100 thousand had been granted to small businessmen, since 1974/1975, particularly in the villages.

Two surveys were undertaken in February 1975 and March/April 1976 in the frame-

work of cooperation between Bank Indonesian and the World Bank on a Small Business Development Project to be implemented in West Sumatra, Central and East Java, with elements of the Local Government and local banks participating. This project is planned to begin in early 1977.

The steps taken in 1975/1976 to implement the above policies consisted, among others, of the following:

1. Setting a limit on increases in bank credit and net other domestic assets for 1975/1976 of around 34%, compared to approximately 31% in the previous year. The 1975/1976 realization (25%) was lower than the previous year's (26%). The limits on increases in bank credit and net other domestic assets for each category of banks compared to the previous year's are as follows.

	1975/1976	1974/1975
- State Banks	34%	33%
- National Private Banks	57%	34%
- Foreign Banks	13%	15%

2. Encouraging appropriate activities on the part of national private banks and Local Development Banks, new regulations were established on the granting of liquidity credits by Bank Indonesia, based on the degree of reliability of the respective banks and their activities in guiding their clients. "Healthy" national private banks could obtain liquidity credits as refinancing facility of up to 100%, and "sufficiently healthy" ones up to 50%

of their own capital. Certain national private banks and Local Development Banks in healthy condition, and having guided certain major clients particularly, could obtain liquidity credits of up to 200%, while those not yet providing guidance to certain major clients were limited to 150% of their own capital. In emergencies, furthermore, healthy and sufficiently healthy banks could obtain emergency liquidity credits of up to 100% of their own capital.¹⁾

3. Issuing several new regulations to encourage the granting of investment credits.

a. The general regulation was that the maximum allowable investment credit granted was around Rp 1 billion for a maximum period of 5 years. However, the new regulations stated that large Government projects requiring investment credits exceeding the above amount could obtain it subject to certain conditions pertaining to interest rate, liquidity credits and credit period. This loan was to be granted with a 12% annual interest rate a maximum period of 5 years, with the stipulation that the period could be longer than 5 years if there is a guarantee from the Government. For this credit Bank Indonesia granted liquidity credits to handling banks of 90% of the credit granted at 9 1/2% annually.²⁾

b. Investment credit recipients, for Government as well as private sec-

tors, requiring a longer than 5 year repayment period could request re-scheduling. In this case the interest rate for the first five years would be 12% annually for categories I, II, or 15% annually for categories for the period after the first 5 years.³⁾

c. Investment credits were no longer granted to joint ventures.⁴⁾

d. New investment credits could be granted to companies already utilizing this facility if at least 75% of their loan had been repaid. After full repayment of the first loan and 75% of the second loan a third investment credit might be granted.⁵⁾

e. Investment credits and working capital credits for real estate project financing were for the time being not permitted. Regulations on repayment were set for the existing loans.

4. Prohibiting credits to non-BUUD/KUD rice millers/hullers and rice/ hull/paddy traders.⁶⁾

1) Bank Indonesia Circular No. SE 8/12/UPK, June 30, 1975.

2) Bank Indonesia Circular No. SE 8/16/UPK, August 7, 1975.

3) Bank Indonesia Circular No, SE 8/27/UPK, 21, 1975

4) Bank Indonesia Circular No. SE 8/22/UPK, October 23, 1975

5) Bank Indonesia Circular No. SE 8/4/UPK, April 14, 1975

6) Bank Indonesia Circular No. SE 8/29/UPK, and No. SE 8/30/UPK, December 3, 1975.

5. Permitting appointed companies to obtain bank loans at 15% annual interest for the purchase of copra for the copra national stock. Furthermore, to assist the financing of clove supplies and distribution, bank loan facilities of 18% annual interest were granted to companies appointed by the Trade Minister. With regard to the domestic supply and distribution of cement, state as well as private companies appointed by the Department of Trade could be provided with assistance in loans and facilities for opening L/C's to import/distribute cement at 18% annual interest.
6. Assisting the financing of intensification of smallholders sugar cane production, in accordance with the Government's program, Bank Rakyat Indonesia made loans available to farmers based on directives from the Department of Agriculture. The annual interest rate was 15%, with liquidity credit assistance from Bank Indonesia of 70% of the maximum value of the loan at 10% interest annually.
7. Assisting Indonesia's export performance by adjusting regulations on the provision of loans for exports and the production of export commodities. The regulation was issued at the end of 1975/1976, effective April 1, 1976. The interest rate on loans for exports and production of export commodities granted by the state banks was lowered from 15% to 12% annually. In connection with this, Bank Indonesia lowered its interest on liquidity credits to the banks in charge from 10% to 5% annually.⁷⁾
8. Providing small credits for investment and working capital, in addition to KIK/KMKP. These range from Rp 10,000. - — Rp 100,000.— and have been granted through Bank Rakyat Indonesia since 1974. Interest rates were 12% and 15% annually for both investment and working capital. The source of these loans was the Government. Especially for Irian Jaya, the implementation of small credits was handled by Bank Ekspor Impor Indonesia.

Volume and Allocation of Credits

At the end of 1975/1976 the volume of credit granted by the banking sector was Rp 2,997 billion, a much higher increase (71%) than that of the previous year (44%). This was mainly caused by the granting of more credit to the state oil company for the repayment of its foreign debts as well as for the financing of its domestic requirements. If these credits are discounted, the 1975/1976 credit increase would only have been 30% less than that of 1974/1975.

The bank loans consisted Rp 2,004 billion (67%) and Rp 993 billion (33%) respectively for rupiah and foreign currency loans,

7) Decision of the Board of Directors of Bank Indonesia No.8/161/Kep/Dir/UPK dated 31 March 1976.

for investment and working capital purposes in the various sector of the economy.

In paying the foreign debts of the state oil company the role of Bank Indonesia's direct loans increased from previous years. While at the end of 1973/1974 and 1974/1975 direct loans were 11% and 15% respectively of Bank Indonesia's total loans, in 1975/1976 they grew to 33%. This problem also caused a dramatic increase in foreign currency credits, viz, 226%, and they became 33% of total bank loans, compared to 17% at the end of March 1975. This was also reflected in the increase in credit granted to the mining sector, viz, 758%, totaling Rp 855 billion at the end of March 1976, or 29% of total bank loans, compared to only 6% at the end of 1974/1975.

Credit to the agricultural sector increased by 114% to Rp 260 billion, or 9% of total bank loans. Loans to the industrial sector, mostly used to finance the textile and metal industries increased by 84% to Rp 741 billion or 25% of total bank loans. Meanwhile, credit to the trade sector increased by 29% to Rp 790 billion (26%), mostly used to finance the supply of foodstuffs and other important commodities. Credit for the services and other sector totalled Rp 200 billion and Rp152 billion respectively, 7% and 5% respectively of total bank loans.

Rupiah loans in 1975/1976 rose by Rp 552 billion (38%), to Rp 2,004 billion. Of this total 10% consisted of investment credits ⁸⁾ whereas the remainder (89%) consisted of working capital/short term credits, including

KIK, KMKP and other investment credits. The Rp 1,808 billion working capital/short term credits were used for financing the trade and services (49%), industrial (24%) and agricultural sectors (12%), with the remainder for the mining and other sectors. The credits for these sectors are shown in Table 7.

Investment credit in 1975/1976 also increased, and at the end of March 1976 the amount approved totalled Rp 269 billion, an increase of 36% compared to 13% in the previous year. The utilization of investment credit rose by 38% to Rp 196 billion, compared to 20% in 1974/1975. The sectors obtaining the greatest portions of the investment credit were manufacturing, services and agricultural sectors with respectively Rp 82 billion (42%), Rp 70 billion (36%) and Rp 29 billion (15%) of total investment credit. The sources of investment credit were mainly Bank Indonesia, with liquidity credits of Rp 105 billion (54%), the handling banks Rp 88 billion or 45% and the Budget (1%).⁹⁾ Of 1,770 recipients of investment credit at the end of 1975/1976, a total of 803 recipients (45%) obtained category I investment credit, which includes loans of up to Rp 25 million for each recipient. For the category

8) Investment credits as regulated for the first time by the Announcement of the Board of Bank Indonesia No. Peng. 1/DIR/1969 March 7, 1969 and Circular of the Board of Bank Indonesia No. SE 1/170/UPK/Pr, March 8, 1969, and other additional regulations and their amendments.

9) Since 1971 the new source from the Budget is not any more made available for financing investment credits. The funds already returned are put into the Investment Funds to be used subsequently for the granting of new investment credits.

II, loans from Rp 25 million to Rp 100 million, 609 recipients (34%) were recorded. Category I and II loans were granted with easier terms than categories III and IV, in line with the intent of helping relatively small enterprises.

Apart from the classification of investment credits, intensive assistance to small entrepreneurs was also carried out through small investment credits (KIK), permanent working capital credits (KMKP), and the small credits. The credits for small amounts increased rapidly in 1975/1976. At the end of March 1976 the total approved requests for KIK totalled 19,804 with a value of Rp 34.1 billion with utilization of Rp 25.5 billion, for the KMKP a total of 83,281 approved requests with a value of Rp 40.8 billion with utilization of Rp 26.7 billion. Thus the average value for each KIK and KMKP request was Rp 1.7 million and Rp 0.5 million respectively. Compared to utilization as of March 1975 increases for KIK and were 64% and 96% respectively. The utilization of small credits meanwhile reached Rp 5.3 billion, increasing by 130%.

Limits on the increase in bank net domestic assets

As explained previously, limits on increases in net domestic assets were maintained in 1975/1976.

The realized increase of net domestic assets of commercial banks during 1975/1976 was Rp 376 billion or 25% of the base figure (position at end of March 1975), whereas in 1974/1975 it was Rp 322 billion or 26% of the position at the end of March 1974.

The limit set on increases for 1975/ 1976 was Rp 515 billion or 34% from the base figure, as compared to Rp 386 billion or 31% for the year before. Thus the increase in bank net domestic assets in 1975/1976 was 73% of the limit set, whereas in the previous year it was 83%. The failure of the increase to reach the ceiling was due to the careful and cautious attitudes of the banks and the firm attitude of the central bank in supervising its implementation. In addition, the decline in economic activities due to the recession abroad also contributed to the increase in the net domestic assets of banks, particularly in the provision of credits.

TABLE 6 – BANK CREDITS IN RUPIAH AND FOREIGN EXCHANGE ¹⁾
(millions of Rupiahs)

	1973	1974	1975				1976
	I	I	I	II	III	IV	I
Bank Credits	<u>770,175</u>	<u>1,216,595</u>	<u>1,756,446</u>	<u>2,171,811</u>	<u>2,551,756</u>	<u>2,769,349</u>	<u>2,997,412</u>
1. Agriculture ²⁾	67,260	100,455	121,284	189,423	197,347	220,186	259,995
2. Mining ³⁾	4,555	6,303	99,604	362,566	598,453	783,309	854,568
3. Manufacturing ²⁾	196,983	346,882	401,830	582,831	652,897	694,008	741,060
4. Trade	341,102	425,731	613,340	761,533	806,411	766,333	789,822
5. Service rendering industry ⁴⁾	56,464	92,934	135,232	150,946	152,880	171,649	199,536
6. Others ⁴⁾	103,811	244,290	385,156	124,512	143,768	133,864	152,431
A. Credits in Rupiah ⁵⁾	<u>684,970</u>	<u>1,089,180</u>	<u>1,451,662</u>	<u>1,624,973</u>	<u>1,794,484</u>	<u>1,844,638</u>	<u>2,004,550</u>
1. Agriculture	67,260	100,455	121,284	181,905	190,989	211,852	251,787
2. Mining	4,555	6,303	13,672	28,376	83,832	113,234	138,307
3. Manufacturing	196,983	346,882	401,830	415,828	453,357	483,284	510,236
4. Trade	290,156	401,262	590,664	737,749	783,539	741,135	766,302
5. Service rendering industry	56,464	92,934	135,232	146,197	147,875	166,176	190,249
6. Others	69,552	141,344	188,980	114,918	134,892	128,957	147,669
B. Credits in Foreign Exchange	<u>85,205</u>	<u>127,415</u>	<u>304,784</u>	<u>546,838</u>	<u>757,272</u>	<u>924,711</u>	<u>992,862</u>
1. Agriculture	—	—	—	7,518	6,358	8,334	8,208
2. Mining	—	—	85,932	334,190	514,621	670,075	716,261
3. Manufacturing	—	—	—	167,003	199,540	210,724	230,824
4. Trade	50,946	24,469	22,676	23,784	22,872	25,198	23,520
5. Service rendering industry	—	—	—	4,749	5,005	5,473	9,287
6. Others ⁴⁾	34,259	102,946	196,176	9,594	8,876	4,907	4,762

1) Includes Bank Indonesia direct credits.

Excludes interbank credits, credits to government and to non residents.

2) Processing of agricultural products is classified by manufacturing industry according to International Standard Industrial Classification (ISIC) 1968.

3) Includes credits to State Oil Company for repayment of foreign borrowings.

4) Up to March 1975, includes credits in foreign exchange for agriculture, mining, manufacturing industry, trade (other than exports and imports) and services rendering industry which classification is not available yet.

5) Includes investment credits, small investment credit (KIK) and permanent working capital credits (KMKP). Excludes foreign exchange component of project aid.

TABLE 7 – BANK CREDITS IN RUPIAH BY MATURITY
(millions of Rupiahs)

	1973	1974	1975				1976
	I	I	I	II	III	IV	I
Short term Credits ¹⁾	<u>588,166</u>	<u>969,908</u>	<u>1,308,983</u>	<u>1,470,419</u>	<u>1,628,312</u>	<u>1,666,850</u>	<u>1,808,157</u>
– Agriculture	59,359	90,751	107,849	163,963	166,992	184,995	222,455
– Mining	4,313	6,135	13,525	28,231	83,690	113,091	133,164
– Manufacturing	139,530	285,880	329,449	340,631	376,893	404,977	428,376
– Trade & Service rendering industry	317,349	453,018	719,900	832,907	875,704	845,090	886,205
– Others	67,615	134,124	156,260	104,687	125,033	118,697	137,957
Investment Credits ²⁾	<u>96,804</u>	<u>119,272</u>	<u>142,679</u>	<u>154,554</u>	<u>166,172</u>	<u>177,788</u>	<u>196,393</u>
– Investment Credit ³⁾	90,604	107,952	126,098	134,519	143,786	153,246	171,231
– Investment Credit for Rupiah cost of project aid	6,200	11,320	16,581	20,035	22,386	24,542	25,162
T o t a l	684,970	1,089,180	1,451,662	1,624,973	1,794,484	1,844,638	2,004,550

1) Includes permanent working capital credits (KMKP), small investment credits (KIK) and other investment credits not included in Investment credits

2) Based on Announcement of the Board of Directors of Bank Indonesia No. Peng.1/DIR/1969, dated March 7, 1969.

3) Excludes investment credits for Rupiah cost and foreign exchange component of project aid.

TABLE 8 – INVESTMENT CREDITS ¹⁾
(millions of Rupiahs)

	1973	1974	1975				1976
	I	I	I	II	III	IV	I
Credit Outstanding	<u>96,804</u>	<u>119,272</u>	<u>142,679</u>	<u>154,554</u>	<u>166,172</u>	<u>177,788</u>	<u>196,393</u>
1. By economic sectors							
– Agriculture	7,901	9,704	13,435	17,942	23,997	26,857	29,332
– Mining	242	168	147	145	142	143	5,143
– Manufacturing	57,453	61,002	72,381	75,197	76,464	78,307	81,860
– Service rendering industry	29,271	41,178	46,672	51,039	55,710	62,221	70,346
– Others	1,937	7,220	10,044	10,231	9,859	10,260	9,712
2. By source of funds							
– Central Bank	64,027	73,035	75,738	70,590	81,604	87,892	104,775
– State banks	25,388	41,392	62,993	80,059	80,664	86,058	87,785
– Budget ²⁾	7,389	4,845	3,948	3,905	3,904	3,838	3,833
Approved by banks (credit line)	<u>146,740</u>	<u>175,316</u>	<u>198,303</u>	<u>215,368</u>	<u>223,825</u>	<u>255,066</u>	<u>269,456</u>
1. By economic sectors							
– Agriculture	11,826	18,247	19,012	31,340	32,013	34,354	35,869
– Mining	470	513	221	165	154	154	5,154
– Manufacturing	75,161	84,143	99,605	101,504	103,817	108,658	109,557
– Service rendering industry	54,184	62,321	65,916	68,472	73,249	96,763	103,741
– Others	5,099	10,092	13,549	13,887	14,592	15,137	15,135
2. By source of funds							
– Central Bank	108,433	126,405	130,308	141,614	144,352	163,828	179,568
– State banks	27,837	41,684	62,256	68,213	74,002	85,877	84,784
– Budget ²⁾	10,470	7,227	5,739	5,541	5,471	5,361	5,104

1) Based on Announcement of the Board of Directors of Bank Indonesia No. Peng.1/DIR/1969 dated March 7, 1969. Excludes small investment credits and foreign exchange component of project aid. Includes Rupiah cost of project aid.

2) Since 1971 new funds from the Budget is not any more available for financing investment credits, where as the funds already returned are put into the Investment Funds to be used subsequently for the granting of new investment credits.

TABLE 9 – SMALL INVESTMENT CREDITS, (KIK), PERMANENT WORKING CAPITAL CREDIT (KMKP), AND MINI CREDITS
(millions of Rupiahs)

	1974		1975				1976
	I	IV	I	II	III	IV	I
I. Small Investment Credits							
– Number of applications approved	4,611	9,554	11,324	12,836	14,734	16,646	19,804
– Value of applications approved	5,667	15,253	18,768	21,657	24,186	28,091	34,090
– Credit outstanding	3,966	13,039	15,533	17,294	18,717	21,644	25,533
II. Permanent Working Capital Credits							
– Number of applications approved	3,303	14,524	15,769	17,626	21,355	24,141	83,281
– Value of applications approved	4,488	15,502	17,914	20,693	24,702	28,689	40,756
– Credit outstanding	2,913	12,513	13,578	14,681	17,001	19,233	26,671
Total I + II							
– Number of applications approved	7,914	24,078	27,093	30,462	36,089	40,787	103,085
– Value of applications approved	10,155	30,755	36,682	42,350	48,888	56,780	74,846
– Credit outstanding	6,879	25,552	29,111	31,975	35,718	40,877	52,204
III. Mini Credits							
– Credit outstanding	--	1,598	2,289	3,230	4,376	4,770	5,308

**TABLE 10 – CEILING OF NET DOMESTIC ASSETS
OF COMMERCIAL BANKS**
(millions of Rupiahs)

	1974/1975	1975/1976
1. State Banks		
a. Base Figures ¹⁾	984,180	1,218,545
b. Ceiling	324,720	417,750
c. Actual	291,237	320,053
d. Ratio :		
– Ceiling/base figures	33.0%	34.3%
– Actual/base figures	29.6%	26.3%
– Actual/ceiling	89.7%	76.6%
2. National private banks		
a. Base figures	117,238	135,362
b. Ceiling	40,000	77,000
c. Actual	18,124	50,075
d. Ratio :		
– Ceiling/base figures	34.1%	56.9%
– Actual/base figures	15.5%	37.0%
– Actual/Ceiling	45.3%	65.0%
3. Foreign Banks		
a. Base figures	142,043	154,679
b. Ceiling	21,437	20,284
c. Actual	12,670	6,497
d. Ratio :		
– Ceiling/base figures	15.1%	13.1%
– Actual/base figures	8.9%	4.2%
– Actual/ceiling	59.1%	32.0%
4. Commercial Banks (1 + 2 + 3)		
a. Base figures	1,243,461	1,508,586
b. Ceiling	386,157	515,034
c. Actual	322,031	376,625
d. Ratio :		
– Ceiling/base figures	31.1%	34.2%
– Actual/base figures	25.9%	25.0%
– Actual/ceiling	83.4%	73.1%

1) Represent net domestic assets level at the end of March 1974 for 1974/1975 and at the end of March 1975 for 1975/1976.

IV. MOBILIZATION OF FUNDS

The steps taken by the Government in 1975/1976 to mobilize funds were a continuation of the policies pursued during the previous years. These were particularly aimed at increasing the availability of funds which could be used for financing economic growth and development activities, as well as a tool for controlling inflation. In this respect, time deposits played a very important role. Interest rates and other regulations on time deposits, such as their maturities, were continuously adjusted to the requirements of monetary and economic growth. Although interest rates and regulations were adjusted significantly in 1974/1975, they were unchanged during 1975/1976. The same was true for other deposits, including TABANAS/TASKA and demand deposits.

Time Deposits

Time deposits in state banks continued to increase and in 1975/1976 were Rp 178 billion (66%) higher than one year earlier. The major reasons for this were the continuing public confidence in the rupiah and the attractive rate of interest, although the latter had been reduced on December 28, 1974, for time deposits of certain maturities.

Time deposits with the longest maturity always accounted for the largest part of overall time deposits. During 1975/1976 24-monthly time deposits were 80 - 88% of total time deposits, as may be seen from Table 11.

Efforts of the Government to stimulate banks to mobilize time deposits through subsidized interest rates were continued during 1975/1976. The subsidy granted since April 1974 for 18 and 24 month time deposits was lowered to 6% and 9% p.a. since December 28, 1974. The total of subsidy payments from April 1974 to the end of March 1976 reached Rp 50 billion.

Interest rates prevailing during 1975/1976 time deposits are as shown below.

P e r i o d	Annual Interest Rates	
	April 9, 1974	December 28, 1974
Less than		
3 months	6%	6%
3 months	9%	9%
6 months	12%	12%
12 months	18%	15%
18 months	24%	21%
24 months	30%	24%

Certificates of Deposit

In addition to mobilizing funds, the issuance of certificates of deposit was also an effort to develop trading in securities. 5 state and 7 foreign banks in Indonesia issued certificates of deposit. The state banks issued most of the certificates of deposit between 74% to 90% of the total (Table 12 and 13).

Although interest rates on certificates of deposit during 1975/1976 were lowered from 6% - 17% to 6% - 13 1/2% the value of certificates of deposit nevertheless increased by Rp 15 billion (19%) to reach Rp 94 billion by the end of March 1976. This reflected the

continuing relatively high rate of return obtained from certificates of deposit.

TABANAS and TASKA

The TABANAS and TASKA program, established in 1971, was not only intended to mobilize funds for financing development, but also to stimulate and develop the public's desire to save. The Government tried to encourage savings by those younger in age, and for this purpose a special savings program was implemented among the students and pramuka (boy scouts) in the context of TABANAS. In addition, a program was also established for employees, which was started with Government employees.

As may be seen from Table 14, TABANAS and TASKA increased during 1975/1976. The TABANAS increased 51 % against 47% in 1974/1975, where as TASKA increased 51% as compared to 8%. The growth of savers and value of savings demonstrated that the public preferred to invest its funds in TABANAS rather than in TASKA. 4.3 million savers held TABANAS deposits of Rp 82 billion at the end of March, 1976, whereas 10 thousand savers held 127 million in TASKA deposits. The TABANAS savings for students and the pramuka reached Rp 319 million with 745 thousand savers as compared to Rp 174 million and 451 thousand savers at the end of 1974/1975, increases of 83% and 65% respectively.

Pilgrimage Fare (ONH)

The deposits of ONH by aspirant hajis were given discounts by the handling banks in order to stimulate deposits of funds for pilgrimage expenditures as early as possible.

Until the ONH were transferred to the Government the funds could be used by the receiving banks for their own purposes.

The ONH for 1975/1976 for each aspirant haji was set at Rp 795 thousand for those travelling by boat and Rp 690 thousand for those by plane. At the end of March, 1976, the total ONH received from 54,286 aspirant hajis by the banks in charge, i.e. BNI 1946, BRI, and BEII, had reached Rp 39 billion.

Money and Capital Market

1. Inter Bank Money Market

In its efforts to create an infrastructure to support the mobilization of public funds, the Government took some steps to encourage the formation of an organized money market. As the first stage Bank Indonesia in 1974/1975 started to organize an interbank call money market, which was limited to clearing participants and domiciled in Jakarta.

Monthly transactions of the interbank call money market totalled Rp 32 billion, with interest ranging between 5 1/2% to 36%

annually. High interest rates also prevailed for interbank transactions between national private banks, i.e. 25% - 36% annually, whereas the interest rates at Government and foreign banks were only 5 1/2% - 11 1/2% annually.

2. Trade of Securities

Up to now securities trading in Indonesia has not played a significant role, and is only a carryover from the trade in securities issued prior to World War II and in 1950, 1959 and 1964. During recent years the trade of securities in Indonesia has declined. Apart from the absence of new issues, this was caused in part by the growing volume of public funds invested in short term secu-

rities, such as certificates of deposit, time deposits or TABANAS/TASKA, due to the greater income to be earned.

The value of securities traded in 1975/1976 through the Stock Exchange in Jakarta declined by approximately 66% from the previous year. The rate for stocks, particularly for Government bonds. These credit stocks securities in the Stock Exchange, declined to between 50% to 89% for the lowest and 53% to 90% for the highest rate.

As regards foreign funds, the traded value did not change significantly, but a shift occurred in its kind from Dutch shares to rupiah shares (ex NI Gld) of issues around 1900.

TABLE 11 – TIME DEPOSITS ¹⁾
(millions of Rupiahs)

	24 months	18 months	12 months	6 months	3 months	less than 3 months	Total
1974 :							
March	---	---	129,722	9,331	3,621	1,229	143,903
June	87,224	1,713	69,493	10,087	4,087	1,187	173,791
September	138,004	5,343	50,199	8,430	2,553	1,531	206,060
December	179,934	8,090	37,226	8,298	3,708	1,385	238,641
1975 :							
March	210,602	10,177	29,637	10,243	5,062	2,828	268,549
June	250,381	10,370	24,840	11,392	3,081	6,437	306,501
September	293,781	10,905	26,995	9,895	3,387	363	345,326
December	335,476	10,281	27,372	9,212	3,630	341	386,312
1976 :							
March	394,169	7,059	29,397	11,524	3,997	363	446,509

1) According to Presidential Decree No. 28/1968

TABLE 12 – OUTSTANDING OF CERTIFICATES OF DEPOSITS ¹⁾
(millions of Rupiahs)

	Issued by		
	State Banks	Foreign Banks	Total
1974 :			
March	48,608	8,145	56,753
June	68,575	8,909	77,484
September	67,849	9,665	77,514
December	64,732	8,221	72,953
1975 :			
March	70,056	9,475	79,531
June	76,925	8,081	85,006
September	83,393	10,387	93,780
December	71,117	10,691	81,808
1976 :			
March	70,020	24,373	94,393

1) Outstanding i.e. the balance of CD issued over those repaid.

TABLE 13 – INTEREST DISCOUNT/RATES OF CERTIFICATES OF DEPOSITS
(in annual percentage rates)

Maturity	1 9 7 5				1976
	March	June	September	December	March
1 week	10.2	10.2	8.7	8.7	8.7
2 weeks	10.8 – 12.0	10.8 – 12.0	9.0 – 11.4	9.0 – 11.4	9.0
1 month	6.0 – 13.5	6.0 – 13.5	6.0 – 12.0	6.0 – 12.0	6.0 – 9.5
2 months	12.0 – 14.0	12.0 – 14.0	9.6 – 12.6	9.6 – 12.6	9.6 – 10.0
3 months	9.0 – 14.5	9.0 – 14.5	9.0 – 13.2	8.0 – 13.2	8.0 – 10.5
4 months	---	---	10.5	10.5	10.5
5 months	---	---	10.8	10.8	10.8
6 months	12.0 – 15.5	12.0 – 15.5	11.4 – 13.8	9.0 – 13.8	9.0 – 12.0
9 months	13.8	13.8	12.0	12.0	12.0
12 months	14.0 – 17.0	14.0 – 17.0	13.2 – 15.0	10.0 – 15.0	10.0 – 13.5

TABLE 14 – TABANAS AND TASKA
(Outstanding in millions of Rupiahs)

	TABANAS		TASKA		Total	
	Number of accounts	Out-standing	Number of accounts	Out-standing	Number of accounts	Out-standing
1974 :						
March	3,019,497	36,777	11,135	78	3,030,632	36,855
June	3,187,563	37,038	9,827	83	3,197,390	37,121
September	3,359,453	40,024	9,055	92	3,368,508	40,116
December	3,450,148	43,984	8,755	74	3,458,903	44,058
1975 :						
March	3,649,896	54,205	8,658	84	3,658,554	54,289
June	3,839,773	57,544	8,355	94	3,848,128	57,638
September	3,987,346	63,044	9,200	112	3,996,546	63,156
December	4,110,872	70,131	9,349	114	4,120,221	70,245
1976 :						
March	4,325,387	81,873	10,288	127	4,335,675	82,000

V. BANKS AND OTHER FINANCIAL INSTITUTIONS

Banking Policy

Article 30 of Law No. 13 on the Central Bank states that one of the tasks of Bank Indonesia is to provide guide Banks toward sound banking practices. Bank Indonesia therefore continuously monitors the development of each bank in order to provide necessary guidance. For this purpose Bank Indonesia has prepared a method to evaluate the development of a bank.

The establishment of criteria for determining the condition of a bank is expected to inform the board of the bank of the degree of soundness of the bank under its charge and to subsequently effect changes where needed. The evaluation is based on 2 factors:

- a. An evaluation on the financial condition of the bank.
- b. An evaluation on the work procedure of the bank.

The evaluation of the condition of a bank may be seen from its liquidity position based on the frequency of violation of regulations on minimum liquidity levels, occurrences of negative balances in the clearing, the profitability position based on the profit/loss experienced during a certain period and its solvency, based on adequacy of the bank's own capital.

The evaluation on the work procedures of a bank is measured by the implementation of sound work principles and obedience to generally accepted banking criteria.

Due to the issue of certified checks by certain banks and the forgeries of check certification by irresponsible parties and to prevent the occurrence of events which might lessen the public confidence in checks and other similar instruments as means of exchange in general and the banks in particular, Bank Indonesia prohibited the banks from issuing certified clearings, certified payments of the addition of other words with the same intension as cheques/transfer ticket¹⁾ and other similar means of payments²⁾.

In supporting the banks in their efforts to merge, the Government still considered it necessary to grant tax facilities. In that connection the Department of Finance extended the deadline for obtaining tax facilities from December 31, 1975 to December 31, 1976.³⁾

During 1975/1976 a total of 6 banks merged into two bank groups, and through the end of March 1976 a total of 53 banks had merged into 20 banks.

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- 1) This instrument is similar to crossed check i.e. it can be used only to transfer an amount of money from one account to another account.
 - 2) Circular of the Board of Directors of Bank Indonesia, No. SE 8/8-UPPB, May 16, 1975.
 - 3) Decree of the Minister of Finance No. KEP 1353/MK/II/11/1975, November 24, 1975.

To stimulate and facilitate the sales and purchase of securities, such as promissory notes, bills of exchange, drafts and other similar securities issued by financial institutions, the Government decided not to tax the interest, dividends and royalties obtained from those securities. However, the interest obtained from these securities was still subject to corporate taxes ⁴⁾.

Likewise, to facilitate the development of a money and capital market and the establishment of other legal entities, the Government adjusted stamp duties. ⁵⁾

With regard to economic development in general and the development of banking in particular, Bank Indonesia has set down new regulations for implementing of the decree No. 53/1962 of the Monetary Council. These regulations were essentially the following:

- a. The refusal of bad cheques/bad transfer ticket by banks
- b. Administrative sanctions on the closing of accounts
- c. The counting of the frequency of violations concerning the issuance of bad cheques/bad transfer ticket
- d. A blacklist
- e. Opening special accounts
- f. Administrative sanction period
- g. Rehabilitation conditions
- h. Procedures on opening of accounts
- i. Other stipulations

In order to organize the accounts of clients and the use of seals as conditions for

drawing from the accounts of clients, Bank Indonesia⁶⁾ issued the following regulations:

- a. Accounts of clients at banks were differentiated into private and company accounts. The use of seals on documents as a condition of drawing at the bank was allowed only for clients with company accounts.
- b. Banks were only allowed to administer single accounts and prohibited from administering joint accounts in the name of several companies, individuals or a mixture of the two.

In implementing its policy of providing guidance to banks, particularly the national private banks and local development banks, Bank Indonesia up to the end of March 1976 approved the provision of liquidity credits to these banks of Rp 12,742 million, of which Rp 10,368 million has been utilized. Of this amount the refinancing facility approved was Rp 9,608 million for 50 banks with the use of Rp 8,032 million by 46 banks. Furthermore, emergency credits approved totalled Rp 3,032 million for 8 banks with the usage of Rp 2,234 million by 8

4) Decree of the Minister of Finance No. KEP 335/MK/II/4/1975, April 1, 1975.

5) Decree of the Minister of Finance No. KEP—239/MK/ II/3/1975, March 4, 1975 and No.KEP—240/MK/II/3/1975.

6) Bank Indonesia circular No. SE 8/56-UPBB, 4 February 1976.

banks. In addition, clearing liquidity credits approved totalled Rp 102 million, for 3 banks, all of which were used.

Development of Banks

By the end of March 1976 the number of commercial banks had declined to 107, but their offices increased to 949, as compared to 113 banks with 894 offices at the end of March 1975.

The decline in the number of commercial banks was caused by the merger of several national private banks as well as the withdrawal of the permits to operate of some banks, while the increase in the number of offices was mainly due to the opening of branches of state banks in the regions. The number of development banks remains 28, including 1 state bank (BAPINDO) and 1 private development bank, but their offices increased to 135, due to the opening of 11 branches of local development banks.

The number of savings banks in 1975/1976 did not change, remaining at 8 banks with 14 offices. The number of rural banks increased from 5,899 at the end of March 1975 to 5,913 banks at the end of March 1976. This increase was not due to permits for opening new banks, but to the approval of business permits to operate from the Minister of Finance for companies which were formerly engaged in banking activities.

The development of commercial bank undertakings in Indonesia may be viewed from the total of the consolidated balance

sheets, the deposit liabilities and the loans granted, which at the end of March 1976 were respectively Rp 2,963 billion, Rp 1,866 billion and Rp 2,021 billion. Thus, if compared to the position at the end of March 1975, increases in the total assets, deposit liabilities and credits granted were respectively Rp 446 billion (18%), Rp 484 billion (35%) and Rp 529 billion (35%).

The role of state banks in Indonesian banking industry continued to be prominent, as seen from their total assets (82%), deposit liabilities (78%) and credits granted (86%).

National private banks and foreign banks were about equally important in terms of their total assets deposit liabilities and credits granted, which for the national private banks were 9%, 11 % and 7% respectively and for the foreign banks 9%, 12% and 7% respectively. The national private banks performed somewhat better during 1975/1976.

Banks as a whole during 1975/1976 were above the minimum liquidity level set for that year (30%), i.e. the average level was 36%.

The same also held for the balance of accounts at Bank Indonesia, which recorded a level of 30%, 20% above the minimum set.

Non-Bank Financial Institutions

Non-bank financial institutions at the end of the reported year numbered 12, consisting of 2 development finance corporations

and 10 investment finance corporations. In addition, there were also 3 representative offices of foreign non-bank financial institutions.

In October 1975 Bank Indonesia issued new regulations⁷⁾ on the requirements or conditions for the endorsement and guarantee of drafts issued by companies and traded in the money market. For this purpose the banking institutions and non-bank financial institutions were expected to assist the bonafide companies in issuing drafts.

As was the case with banking institutions, the Minister of Finance also issued regulations for non-bank financial institutions, prohibiting them from providing information on the financial situation of their clients and other matters of a confidential nature.⁸⁾

To increase the share of capital owned by Bank Indonesia in foreign/joint companies, the Government established a Participation Fund the processing of which was

done by Bank Pembangunan Indonesia (BAPINDO). This Fund in the first stage totalled approximately Rp 10 billion intended as initial capital for the purchase of stocks to be issued for sale to the public.

Through the end of March 1976 the investment of the Fund had increased by 30% (or at an average of 4.5% monthly) to Rp 68,998 million (Table 18). Long term investment during that period increased by 30% to Rp 21,870 million. Long term funds invested in March 1976 comprised 32% of total investment.

As previously mentioned, in striving to develop a money and capital market the Minister of Finance decreed that no taxes were to be put on interest, dividends and royalties (PBDR) obtained from the interest on promissory notes, bills of exchange and other similar securities normally traded in the money market. This succeeded in increasing the activities of the non-bank financial institutions, as reflected in the increase in short term investment by 30% to Rp 47,128 million at the end of March 1976, from September 1975. In addition, the call money position also increased by 231% to Rp 801 million during the same period.

7) Bank Indonesia Circular No. SE 8/7-UPUM, October 27, 1975

8) Decree of the Minister of Finance No. KEP—1382/MK16/11/1975, November 28, 1975.

**TABLE 15 – NUMBER OF BANKS AND THEIR OFFICES
IN INDONESIA ¹⁾**

	March 1975	1975/1976		March 1976
	Number of banks/offices	Established	Licence revoked	Number of banks/offices
Commercial Banks				
State banks				
– Number of banks	5	---	---	5
– Number of offices	614	59	2	671
National private banks				
– Number of banks	97	1	7	91
– Number of offices	259	11	13	257
Foreign Banks				
– Number of banks	11	---	---	11
– Number of offices	21	---	---	21
Development Banks				
State Development Banks				
– Number of banks	1	---	-	1
– Number of offices	11	---	---	11
Local Development Banks				
– Number of banks	26	---	---	26
– Number of offices	112	11	---	123
Private Development Banks				
– Number of banks	1	---	---	1
– Number of offices	1	---	---	1
Savings Banks				
State Savings Banks				
– Number of banks	1	---	---	1
– Number of offices	7	---	---	7
Private Savings Banks				
– Number of banks	7	---	---	7
– Number of offices	7	---	---	7
Secondary Banks				
Village banks	3,556	7	---	3,563
Paddy banks	2,211	---	---	2,211
Market banks	132	10	3	139
Total number of offices	6,931	98	18	7,011

1) Excludes representative offices

TABLE 16 – CONSOLIDATED BALANCE SHEET OF DEPOSIT MONEY BANKS
March 1975 – March 1976
(millions of Rupiahs)

	March 1975			March 1976			
	State Banks	National Private banks	Foreign Banks	State Banks	National Private banks	Foreign Banks	Total
Assets							
1. Cash in hand	48,457	14,727	3,016	53,459	23,009	2,876	79,344
2. Bank Indonesia	422,216	33,224	47,009	375,241	49,936	47,478	472,655
3. Securities	763	692	502	35	41	1	77
4. Domestic drafts	8,389	1,864	6,131	22,602	3,317	8,410	34,329
5. Loans outstanding	1,111,529	98,134	63,356	1,515,284	149,032	76,079	1,740,395
6. Foreign exchange assets							
– Loans	153,425	1,109	64,692	219,846	1,438	59,308	280,592
– Other	241,857	4,144	45,078	164,471	7,723	60,537	232,731
7. Participation	2,065	1,250	—	6,075	2,001	—	8,076
8. Premises, Furniture and Fixtures	23,212	9,723	5,140	24,134	13,942	5,794	43,870
9. Other Assets	69,434	22,136	13,380	46,886	16,964	6,631	70,481
Total Assets	2,081,347	187,003	248,304	2,428,033	267,403	267,114	2,962,550
Liabilities							
1. Paid up capital	1,097	21,057	9,575	34,717	35,427	12,331	82,475
2. Reserves/profit & loss account	98,265	10,494	9,393	93,897	13,085	4,543	111,525
3. Borrowings	3,716	437	—	10,037	781	—	10,818
4. Demand deposits	384,747	86,031	54,523	578,666	124,478	56,273	759,417
5. Time and savings deposits	380,926	35,475	44,818	605,735	50,072	55,525	711,332
6. Drafts payable	6,702	1,469	276	32,768	4,667	992	38,427
7. Guarantee deposits	17,726	3,019	2,088	16,360	7,409	1,844	25,613
8. Foreign exchange liabilities							
– Demand deposits	31,761	988	66,466	33,661	2,932	78,131	114,724
– Time and savings deposits	211,660	1,433	23,070	166,745	3,744	27,186	197,675
– Borrowings	21,244	1,678	1,123	5,492	1,326	839	7,657
– Other	296,886	8,125	30,760	87,992	3,201	27,053	118,246
9. Bank Indonesia	463,612	5,012	172	596,523	8,711	399	605,633
10. Other liabilities	163,005	11,785	6,040	165,440	11,570	1,998	179,008
Total	2,081,347	187,003	248,304	2,428,033	267,403	267,114	2,962,550

TABLE 17 – MONTHLY AVERAGE OF LIQUIDITY POSITION OF BANKS
(millions of Rupiahs)

	1974/1975			1975/1976				
	State Banks 1)	National Private Banks 2)	Foreign Banks	Total	State Banks 1)	National Private Banks 2)	Foreign Banks	Total
Liquid Assets	188,408	37,376	25,375	251,159	277,367	61,953	28,554	367,874
Current liabilities	536,163	84,595	71,777	692,534	814,796	124,615	87,260	1,026,671
Percentage of liquidity	35.1%	44.2%	35.4%	36.3%	34.0%	49.7%	32.7%	35.8%
30% of current liabilities	160,849	25,379	21,533	207,760	244,439	37,384	26,178	308,001
Excess/lack of liquid assets	27,559	11,997	3,842	43,399	32,928	24,569	2,376	59,873
Required reserves with Bank Indonesia	53,616	8,459	7,178	69,253	81,480	12,461	8,726	102,667
Total reserves with Bank Indonesia	150,316	25,525	21,318	197,159	234,098	44,039	25,967	304,104

1) Includes Bank Pembangunan Indonesia

2) Includes Local Development Banks

TABLE 18 – INVESTMENT OF FUNDS
(millions of Rupiahs)

	1 9 7 5				1 9 7 6		
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
Short term (up to 1 year)							
1. Call money	242	286	198	217	308	350	801
2. Securities							
a. Shares and Bonds	5	5	5	10	10	10	10
b. Other securities	33,163	33,438	36,114	39,150	39,093	37,724	39,337
3. Loan outstanding	157	150	150	404	510	510	519
4. Time deposits	2,697	6,567	4,946	5,321	4,534	6,700	6,461
Long term (more than 1 year)							
5. Securities							
a. Shares	754	755	431	774	823	838	879
b. Other securities	10,470	10,189	11,194	12,940	14,516	14,008	14,478
6. Loan outstanding	5,592	5,678	5,722	5,403	5,254	5,281	6,013
7. Capital participation	29	36	370	47	47	47	50
8. Time deposits	—	903	733	525	525	450	450
T o t a l	53,109	58,007	59,863	64,791	65,620	65,918	68,998

VI. INTERNATIONAL RELATIONS

The measures taken by the Government in international relations and the balance of payments during the reported year generally were a continuation of policies implemented during the preceding years, viz. the adjustment of the foreign trade structure for supporting economic growth. In the balance of payments particularly, the steps taken covered the intensification and development of exports and the control of imports in line with the development plan. To increase exports the Government intensify the efforts on standardization as well as supervising the quality of export commodities, in order to strengthen their competitive strength in the international market. Likewise, efforts were undertaken for the further processing of commodities to be exported, in order to improve their quality and expand domestic employment opportunities.

With the purpose of lessening the dependency on traditional export commodities, various new export commodities, such as people's handicraft, industrial goods, sea fisheries and cattle fodder, were continuously developed. For this purpose fiscal facilities were made available through the creation of export processing zones, import-duty free areas and bonded warehouses. Furthermore, cooperation among producing countries of similar commodities, in this case rubber, copra, coffee, pepper, timber, tin and copper, was fostered by the Government in order to achieve increased and more stable foreign exchange earnings. Apart

from that, it was hoped that through better cooperation with international and regional institutions, such as the EEC, it might further increase the marketing of Indonesian export commodities.

In order to stimulate the growth of domestic industry and savings in foreign exchange, special attention was devoted to the policy of import substitution, particularly for industries using substantial domestic raw material.

For this objective the Government took steps to reduce the use of imported raw and supporting material and to stimulate the use of domestic production.

However, in order to maintain the production of the domestic industry, the Government also secured the availability of imports of essentially needed raw and supporting material. Particularly through import duties policy, the Government strived stagewise to shift the imports composition from consumption goods to capital goods and raw material.

The measures taken in the services sector was directed at saving of and increasing foreign exchange revenues. For this purpose the Government took further steps to expand the capacity of ocean going vessels and intensify efforts in the tourism sector. The number of ocean going vessels showed a significant increase during the recent past years, and quality hotels had also increased rapidly, particularly in area normally visited by tourists.

To step up economic growth the Government continuously strived to obtain foreign aid/loans as a supplement to domestic funds. Due to the improving economic development and balance of payments during the past years, since 1974 several countries and international financial institutions had been reluctant to provide soft loans to Indonesia. Nevertheless, in seeking foreign funds the Government continuously paid special attention to the consequences of the terms and conditions of these loans towards the development of the balance of payments in the coming years. In selecting alternatives for obtaining foreign funds, therefore, matters such as interest rates and repayment period were always the primary considerations.

Exports

To stimulate exports, several export commodities during the reported year were declared as finished goods and as such not subject to export taxes. Some of these goods were corn oil, gapek pellets, katul pellets, foam rubber.

1. In order to maintain the domestic prices of copra, coconut oil and cooking oil at stable levels and particularly with regard to secure a favorable income of coconut farmers, the export prohibition of those commodities was revoked on August 1975.
2. In the context of developing the processing export commodities, the exports of kapok seeds from Java and Madura were prohibited.

Imports

1. To protect domestic industries and to stimulate domestic production of carbon sheets, stencil sheets, ceramics, reinforcing steel, glucose and cement imports of such goods were prohibited from using Merchant's L/Cs.
2. To support the growth of domestic industries, all products imported through Merchant's L/Cs and without L/Cs were subject to approval of the Ministry of Trade. Imports of products through general entrepots and goods brought by passengers/ parcels with a maximum amount of \$ 100.- were exempted from this regulation.
3. The check price, used as a basis for fixing import duties, for all textiles imports was raised by 20 to 50%.

Services and Capital Movements

No new measures were taken in the sector of services and capital movement during the reported period.

Indonesia's Balance of Payments

As it was the case in 1974/1975, the development of Indonesia's balance of payments in 1975/1976 was still affected by the global economic recession and the financial difficulties of PERTAMINA and thus resulted in a continued deficit. Developments during the preceding years had always been favorable, as evidenced from the surpluses of \$ 360, \$ 425 and \$ 100 million respectively for 1973/1974, 1972/1973 and 1971/

1972. The balance of payments deficit of 1974/1975 was only \$ 9 million, while for the period reported it reached \$ 364 million.

The relatively large amount of deficit for 1975/1976 was closely related to expenditures for imports and services which were greater than revenues from exports and services, and thus current transactions resulted in a deficit of \$ 833 million as compared to \$ 123 million in the previous year. The export value including oil totalled \$ 7,185 million, which did not show an increase compared to 1974/1975. Apart from that, expenditures for imports (including imports of oil companies) and services showed an increase of respectively 6% and 18%, or \$ 5,406 million and \$ 2,612 million.

On the other hand, the non-monetary capital movement sector showed receipts of \$ 806 million; the increase of 122% was closely related to net receipts of capital in the Government sector, increasing from \$ 509 million to \$ 1,902 million in 1975/1976. The increase was also closely related to receipts of foreign credits in the form of export credit facilities of \$ 389 million and cash credits from foreign banking groups of \$ 1,049 million.

As explained in more detail below, the receipt of cash credits was closely related to PERTAMINA's problem, which among others had caused foreign exchange expenditures in 1975/1976 amounting to \$ 1,468 million to repay debts and other obligations of the company. Taking into consideration the difference of \$ 353 million which could not

be accounted for, then during this year of report the Indonesia's balance of payment showed a deficit of \$ 364 million.

International Balance of Trade

The effect of the global recession on the balance of payments was reflected in the decline of prices and volumes of Indonesia's major export commodities, whereas prices of imports products generally showed an increase. All these factors had caused the surplus in the balance of trade was only \$ 1,779 million, a decline of 15% as compared with the previous year.

During the reported year exports totalled \$ 7,185 million, which was the same as in the previous year. Nevertheless, as shown in the commodity composition, non oil exports declined by 8% to reach \$ 1,783 million, whereas the value of exports of oil increased by 3% to reach \$ 5,312 million (Table 20).

The decline of non oil exports was caused mainly by the decline of the export value of several major export commodities, such as timber, rubber, palm oil, tin and copper. Some of the other export commodities increased while there were also some others which declined. The value of timber exports during the reported year indicated a decline of 14% to reach \$ 527 million as compared to 1974/1975, due to the decline in demand, and consequently the volume as well as the prices of timber exports declined by 8% and 14% respectively.

The values of rubber and palm oil also decreased by respectively 10% and 23%, due to the decline in the prices, although the volumes did increase.

A similar situation appeared also on tin and copper exports, which declined respectively by 5% and 56% due to the decline in prices as well as volumes.

Several export commodities did show increases in their values during 1975/ 1976, notably coffee (22%), livestock (14%) and tobacco (11 %). The relatively high increase in coffee was caused by its increase in volume as well as price during the second half-year of 1975/ 1976 as a consequence of damaged crop in several South American countries.

The export value of crude oil of \$ 5,312 million only increased by 3% if compared to the previous year. The volume of oil exports in 1975/1976 of 424 million barrels declined insignificantly if compared with 1974/1975. However, the value of oil exports increased due to the increase in the export price of oil from \$ 12.60 to \$ 12.80 per barrel, which became effective on October 1975.

It should be noted that oil exports to Japan, the main buyer of Indonesia's oil, declined by 22%, hence the portion of oil exports to Japan to total Indonesia's exports of oil dropped from 64% to 50%. On the other hand, oil exports to the United States increased by 52%, and the share of this country to total oil exports increased to 36% in 1975/1976 compared with 24% in the previous year.

As mentioned above, oil exports played an important role in the exports to those two countries. In the case of Japan exports of certain commodities, like timber, rubber also played an important role.

The pattern of exports value by country of destination in general is the same as the previous year (Table XI). Japan still held first place with 42% of total exports or 75% of Indonesia's exports to Asian countries, followed by the United States with 28%. All this means that 70% of Indonesia's exports had been directed to Japan and the United States.

In line with the domestic development activities the value of Indonesia's imports in 1975/1976 (\$ 5,406 million) continued to increase although not as rapid as during the preceding year. Non oil imports during the reported year increased by 17% to reach \$ 4,479 million as compared to the previous year's increase of 46%. On the other hand, oil imports declined by 27% from the year before to stand at \$ 927 million, due to the reduction of PERTAMINA's imports. Thus the total value of imports increased by only 6%.

As regards the composition of imports, the values of consumption goods and raw material declined significantly, reducing their shares of total imports from 22% to 17% and 51 % to 32% respectively. On the other hand, imports of capital goods increased significantly, and its share of total imports value increased to 51% in 1975/1976 as compared to 27% in the previous year. The reduced share of imports consumption goods and

raw material was closely related to the decline of rice and fertilizer imports and increased domestic production of consumption goods and raw material. The increased share of capital goods of total imports was caused by the increasingly growing domestic industry.

During 1975/1976, imports financed by foreign credits in the form of aid foreign exchange and food aid decline respectively by 60% and 86%, whereas project aid imports increased by 94% to reach \$ 767 million (Table 22). This development reflected the change in the foreign aid pattern which during the recent past years had shifted from program aid (aid foreign exchange and food aid), to project aid. Besides, improvements of procedures in the implementation of project aid enabled its rapid realization. Direct investment imports also increased substantially by 107% to reach \$ 593 million. This was related to PERTAMINA's imports, particularly in connection with LNG projects and the Cilacap refinery. As shown in Table XII no significant changes took place in 1975/1976 with regard to the composition of imports by countries of origin. Japan, the EEC countries, the United States and Singapore were yet the important countries for imports, sharing respectively 31%, 19%, 15% and 8% of total imports.

Services

Expenditures for services mainly consisted of transfers of investment profits of foreign companies, including oil companies, and the payment of interest of foreign cred-

its. These expenditures had increased over the years and in 1975/1976 the balance of services showed a deficit of \$ 2,612 million, which meant an increase of 18% if compared to the preceding year.

The main reason for this development was the transfer of other investment income which increased by \$ 225 million, or 110% as compared to the previous year.

The transfer of profits of foreign companies (non-oil companies) and the payment of interest on the Government's foreign borrowings were the main elements of the aforesaid increase. In addition, the expenditures for services of transportation and insurance of import goods increase by \$ 52 million, foreign travel by \$ 12 million and other services increased by \$ 250 million.

Capital Movement and Monetary Gold

The non-monetary capital movement sector in 1975/1976 showed a surplus of \$ 806 million, which constituted an outcome of the surplus in the Government sector of \$ 1,902 million and the deficit in the private sector of \$ 1,096 million. The latter was mainly caused by expenditures of \$ 1,468 million for repayment of PERTAMINA's debts and other obligations. Besides, direct capital investment by foreign companies also declined by 17% to reach \$ 433 million.

The surplus in the Government sector was particularly caused by the receipts of medium and long term loans of \$ 1,902 million which was mainly linked to

PERTAMINA's financial difficulties. Of that amount \$ 1,049 million consisted of cash borrowings from foreign syndicate banks, and the remainder consisted mainly of borrowings under the framework of export credit facilities, which since early 1975/1976 played an increasing role.

If the foreign borrowing of the Government sector in 1975/1976 are broken down by lending country/international institution then the utilization of borrowings from the United States would be the largest, i.e \$ 1,005 million or 51%, followed respectively by IDA with \$ 294, Japan \$ 257, the Netherlands \$ 145 and England with \$ 76 million. In 1974/1975 Japan held the first position followed by the United States, IDA, France and Canada.

Foreign Trade and Payment Agreements

A trade agreement was signed in 1975/1976 with the Republic of Syria, containing the following stipulations:

1. The two countries agreed to step up their trade volumes in accordance to the laws and regulations in effect in each country.
2. Each Country was to give equal treatment in the context of trade between the two countries such as provided to other countries, particularly in connection with the regulations and formalities referring to customs, excises, other charges/ costs and import-export regulations. This stipulation would not hold for:

- a. Benefits and facilities granted by Indonesia to ASEAN countries;
 - b. Benefits and facilities granted by Syria to Arab League countries;
 - c. Benefits and facilities occurring from a customs union or preference area where one of the countries was or was to become a member.
3. Payments were to be made in convertible currency mutually agreed by the two parties, in accordance with the laws and regulations in effect in each country.
 4. All values in contracts or invoices, including payment documents and payment instructions, within the realm of trade between the two countries was to be stated in a Convertible currency to be agreed upon mutually by the two countries.
 5. Each party was to permit the other party to grant the facilities required in accordance to the laws and regulations in effect for holding fairs, exhibitions and trade centers.

International monetary developments and international financial institutions

International monetary developments

Following the second meeting held in Washington DC on February 15 - 17, 1975, the Interim Committee and the Development Committee, which were established in 1974, met for the third time i.e. in Paris from June 10 through 13, 1975.

In this third meeting, the Interim Committee further reconsidered the matters of the second meeting, in addition to international buffer stock financing and compensatory financing facilities. The Development Committee, on the other hand, concentrated on the following matters:

- (1) capital requirements of developing countries in 1975-1980;
- (2) establishment of a "Third Window" for IBRD loans on concessional terms to low per capita income developing countries;
- (3) establishment of a "Trust Fund" for balance of payments assistance to low per capita income developing countries;
- (4) developing countries' access to capital markets;
- (5) organization of the markets for primary products.

The fourth meeting of the Interim Committee and the Development Committee was held in Washington DC, concurrent with the 1975 Annual Meeting of IMF/IBRD. The Interim Committee further reconsidered the following matters:

- (1) world economic outlook;
- (2) the 1975 oil facility;
- (3) review of IMF quotas;
- (4) gold;
- (5) establishment of the "Trust Fund";
- (6) surveillance of the exchange rate system;
- (7) buffer stock financing and compensatory financing facilities.

The Development Committee discussed the report on the progress of its work during

the period of October 1974 —June 1975, and its program of work for the period ahead. The establishment of a "Trust Fund", "Third Window" and the developing countries' access to capital markets were specifically discussed.

Discussions of the above mentioned matters were continued in the fifth meeting of the Interim Committee and the Development Committee held in Kingston, Jamaica, on January 7 - 8 and 9 - 10, 1976, respectively.

The following agreements were achieved in this meeting:

- (1) Interim Committee
 - (a) IMF quota increase
 - IMF quotas would be increased from SDR 29.2 billion to SDR 39.0 billion; this was subsequently approved by the Board of Governors on March 22, 1976.
 - Payments in connection with this quota increase could be made in SDRs, the currency of the respective member country, or the currency of another member country. As is generally known, formerly 25 per cent of a quota increase should be paid in gold and 75 per cent in the currency of the respective member country. It was moreover agreed that, subject to certain conditions, the currencies of all member countries would be usable in the Fund's transactions with other member countries.

(b) Amendments of the Fund's Articles of Agreement

- In order to enable the establishment of policies for a better surveillance of international liquidity, the SDR should be made the principal reserve asset in the international monetary system.
- It was considered necessary to stipulate the Fund's authority to sell the remainder of the gold (4/6 of 150 million ounces = 100 million ounces), the profits of which should be used for:
 - (i) increasing the Fund's resources, and
 - (ii) balance of payments assistance to developing countries on special terms and conditions.

(c) Gold

The Interim Committee agreed to sell 1/6 of the Fund's gold, and to restitute 1/6 to member countries. The sale of the 1/6 portion (25 million ounces) should be as follows:

- the gold should be sold by public auction,
- the gold should be sold in stages over a period of 4 years;
- the profits from gold sales should be channeled through the Trust Fund to low per capita income developing countries.

(d) Policy on the use of the Fund's resources

- The limitation on drawings under the compensatory financing facility should be increased from 50 per cent to 75 per cent of a member country's quota.
- In order to enable member countries to make enlarged use of the Fund's resources the Interim Committee agreed that until the effective date the amendments of the Articles of Agreements, the size of the credit tranches should be increased by 45 per cent, which would result in an increase of each credit tranche from 25 per cent to 36 1/4% per cent of the respective member country's quota. Therefore, the maximum access under standby arrangements would increase from 100 per cent to 145 per cent of quota.

(e) Trust Fund

The Interim Committee agreed to establish the Trust Fund without delay. The Trust Fund was intended to provide balance of payments assistance to low income developing countries on concessional terms. Resources of the Trust Fund would be derived from the profits of gold sales and contributions from rich countries.

(1) Development Committee

(a) *World economic developments and prospects of developing countries*

The Development Committee in its meeting expressed its concern that the non-oil producing countries most likely would face serious deficits on current account in 1976 and three years thereafter. The aforementioned countries would perhaps be unable to achieve the 6 per cent minimum growth target set for the Second Development Decade, so that they would still be in need of sizable amounts of foreign capital inflow.

(b) *“Third Window”*

The Development Committee noted that IBRD loans through the “Third Window” could be extended up to a total amount of \$ 600 million. The loans would be subject to an interest rate which was 4 percentage points lower than the IBRD rate; the interest rate differential would be borne by the “Interest Subsidy Account”. The amount of \$ 600 million was determined on the basis of interest subsidy contributions amounting to approximately \$ 120 million already received or committed by the donor countries.

(c) *Developing countries’ access to capital markets.*

The Development Committee proposed that the studies on methods for access to international capital

markets be completed, i.e. implementation of a multilateral guarantee scheme, development of secondary markets and establishment of an international investment fund.

International financial institutions

International Monetary Fund

Transactions with the Fund during the year under report reflected the changes in Indonesia’s foreign exchange position, i.e.:

- a. Indonesia’s RPF (Reserve Position in the Fund) which at the end of 1974/1975 amounted to approximately SDR 70 million, increased to SDR 80 million early in 1975/1976, due to a payment of SDR 10 million in convertible currency. In September 1975, however, Indonesia purchased SDR 80 million from the Fund in order to meet current payment obligations.
- b. As there were no SDR allocations until the end of the reporting year, Indonesia’s total cumulative allocation remained unchanged at SDR 90.2 million. In the preceding years Indonesia effected a number of SDR transactions which resulted in SDR holdings of SDR 55.1 million. Indonesia’s SDR holdings became SDR 6.3 million as a result of the transactions in 1975/1976

World Bank Group

During the year under report, Indone-

sia did not receive any credits from the International Development Association (IDA). As mentioned in the previous Annual Report, Indonesia was no longer eligible for IDA credits, as it was considered able to contract loans on less concessional terms, i.e. from the International Bank for Reconstruction and Development (IBRD). Therefore, IDA credit approvals as of the end of 1975/1976 remained at \$ 561.8 million

In 1974/1975 Indonesia received its first loans from the *International Bank for Reconstruction and Development* (IBRD) for a total amount of \$ 252.5 million. IBRD loan approvals during the year under report amounted to \$ 208.5 million for the financing of the following projects:

— Irrigation in Cirebon and Rentang (Central Java)	\$ 65.0 million
— Electricity in Muara Karang, Jakarta	\$ 41.0 million
— PUSRI fertilizer plant	\$ 68.0 million
— Agricultural research and development	\$ 21.5 million
— Research and mapping of national resources	\$ 13.0 million

Total IBRD loan approvals as of the end of the year under report therefore amounted to \$ 461.0 million. It should be emphasized that the aforementioned IBRD loans were subject to less concessional terms, i.e. a repayment period ranging from 15 1/2 to 30 years including 3 1/2 to 6 years grace, and an annual interest rate of 8 1/2 per cent.

During the year under report, the *International Finance Corporation (IFC)* did not increase its investments in Indonesia; IFC investments—equity as well as loans-- in 9 companies in Indonesia for a total amount of \$ 59.0 million therefore remained unchanged.

Asian Development Bank (ADB)

Analogous to loans from the World Bank Group, Indonesia was considered to be no longer eligible for concessional loans from ADB. Therefore, since 1974/1975 Indonesia only received loans from Ordinary Resources which were less concessional, i.e. with repayment periods ranging from 10 to 30 years including 2 to 7 years grace and an annual interest rate of 8 3/4 per cent.

During the year under report, ADB loan approvals for 6 projects amounted to \$ 65.05 million, i.e.:

— Palm oil processing in Gohor Lama (North Sumatra)	\$ 11.3 million
— Electricity, irrigation and construction of dam (multipurpose project) in Karang Sambung (Central Java)	\$ 2.9 million
— Electricity in Garung (Central Java)	\$ 19.8 million
— Irrigation in Teluk Lada (West Java)	\$ 12.2 million
— Surabaya Institute of Technology	\$ 14.5 million
— Belawan and Surabaya port improvement	\$ 435 million

Inclusive of the aforementioned loans, total ADB loans to Indonesia amounted to \$ 267.25 million as of the end of the reporting year.

In addition to loans, Indonesia received technical assistance for an amount of \$ 2.0 million to finance project preparations for transmigration, urban development and sanitation, smallholder development, Karang Sambung multipurpose project, and Belawan and Surabaya port improvement. Technical assistance received from ADB therefore amounted to \$ 6.0 million in total.

Islamic Development Bank (IDB)

The Islamic Development Bank was officially established in Jeddah on April 23, 1975.

The Articles of Agreement i.e. stipulate that the primary objective of the Bank shall be to foster and stimulate economic and social development in Moslem countries and communities, individually as well as jointly, through:

- equity capital participation in projects and companies in member countries;
- loans on concessional or semi-concessional terms;
- assistance to Moslem communities in non-member countries.

The authorized capital of the Bank amounts to ID 2 billion (ID = Islamic Dinar; ID 1 = SDR 1), of which ID 750 million shall be paid up. Indonesia's subscription to the capital of IDB is ID 25 million, payable in convert-

ible currency in 5 annual installments. The first installment was paid on May 25, 1975.

Inter-Governmental Group on Indonesia (IGGI)

The 17th IGGI meeting held in May 1975 agreed to commit a level of \$ 2 billion of financial assistance to Indonesia. This amount was in agreement with the preliminary discussions among IGGI member countries held in April 1975.

A breakdown of the amount follows below:

- a. Bilateral ODA: \$ 400 million
- b. Multilateral aid (semi concessional)
 - \$ 520 million
 - IBRD (not less than) \$ 400 million
 - ADB (not less than) \$ 120 million
- c. Other semi concessional loans to a total amount of approximately \$ 300 million were expected from non-IGGI sources.
- d. Official export credits and commercial credits provided in conjunction with the latter amounted to \$ 800 million.

As had been agreed in the 17th meeting, the 18th meeting was held in November 1975 to consider Indonesia's economic performance since the meeting in May 1975.

In the 18th meeting, bilateral aid commitments and multilateral aid commitments through IBRD were increased from \$ 400 million to \$ 433.1 million and from not less than \$ 400 million to not less than \$ 500 million, respectively.

TABLE 19 – BALANCE OF PAYMENTS OF INDONESIA¹⁾
(millions of \$)

	1973/1974	1974/1975	1975/1976
A. Goods and Services	- 743	- 123	- 833
1. Merchandise goods : Exports, f.o.b.	+ 3,613	+ 7,186	+ 7,185
Imports, f.o.b.	- 3,074	- 5,097	- 5,406
2. Non-monetary gold	---	---	---
3. Freight and insurance related to import	- 366	- 662	- 714
4. Other transportation	- 35	- 55	- 70
5. Travel	- 35	- 58	- 70
6. Investment income	- 712	- 1,256	- 1,342
6.1. Direct investment (oil)	(- 542)	(- 1,051)	(- 912)
6.2. Other	(- 170)	(- 205)	(- 430)
7. Government, not included else where	- 16	- 16	- 30
8. Other Services	- 118	- 165	- 386
Balance of goods and services (1 through 8)	- 743	- 123	- 833
Balance of goods (1 through 2)	+ 539	+ 2,089	+ 1,779
Balance of services (3 through 8)	- 1,282	- 2,212	- 2,612
B. Grants	+ 50	+ 62	+ 16
9. Private	---	---	---
10. Government	+ 50	+ 62	+ 16
C.11. Special Drawing Rights (SDR)	---	---	---
Total (1 through 11)	<u>- 693</u>	<u>- 61</u>	<u>- 817</u>
D. Capital and Monetary Gold	<u>+ 688</u>	<u>+ 372</u>	<u>+ 1 170</u>
<i>Non-Monetary sector</i>	+ 1,048	+ 363	+ 806
12. Private sector	+ 536	- 146	- 1,096
12.1. Long term liabilities	+ 518	- 159	- 1,110
a. Direct investment	(+ 318)	(+ 523)	(+ 433)
b. Other	(+ 200)	(- 682)	(- 1,543)
12.2. Long term Assets	---	---	---
a. Direct investment	(---)	(---)	(---)
b. Other	(---)	(---)	(---)
12.3. Short term liabilities	+ 18	+ 13	+ 14
12.4. Short term Assets	---	---	---
13. Government sector	+ 512	+ 509	+ 1,902
13.1. Long term liabilities (net)	+ 512	+ 509	+ 1,902
13.2. Long term Assets	---	---	---
13.2. Short term liabilities (net)	---	---	---
13.4. Short term Assets	---	---	---
<i>Monetary sector</i>	- 360	+ 9	+ 364
14. Central Bank			
14.1. IMF position (net)	- 136	- 65	+ 88
14.2. Short term liabilities (net)	---	---	205
14.3. Movement in foreign exchange holdings	- 224	+ 74	+ 71
(- = increase)			
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	5	- 311	- 353

1) Includes oil companies

TABLE 20 – EXPORTS (F.O.B.)
(millions of \$)

	1973/1974	1974/1975	1975/1976	Percentage change (%) 1974/1975- 1975/1976
A. Non oil exports	<u>1,905</u>	<u>2,033</u>	<u>1,873</u>	— 7.9
Rubber	483	425	381	— 10.4
Coffee	79	92	112	21.7
Tin	98	166	158	— 4.8
Wood	720	615	527	— 14.3
Palm Oil products	95	193	146	— 24.4
— Palm Oil	(89)	(184)	(142)	(— 22.8)
— Palm kernels	(6)	(9)	(4)	(— 55.6)
Copra products	22	23	32	39.1
— Copra	(3)	(—)	(3)	(—)
— Copra cakes	(19)	(23)	(29)	(26.1)
Tobacco	46	36	40	11.1
Pepper	31	22	25	13.6
Tea	31	50	50	—
Hides	13	10	11	10.0
Foodstuffs	56	77	54	— 29.9
— Tapioca	(7)	(30)	(17)	(— 43.3)
— Other foodstuffs	(49)	(47)	(37)	(— 21.3)
Nutmeg and mace	2	2	7	250.0
Animals and livestock products	90	92	105	14.1
Other spices	7	5	6	20.0
Mining products	77	130	99	— 23.8
— Copper	(56)	(102)	(74)	(27.5)
— Other mining	(21)	(28)	(25)	(— 10.7)
Other	55	95	120	26.3
B. Exports of oil and products	<u>1,708</u>	<u>5,153</u>	<u>5,312</u>	3.1
Total (A + B)	<u>3,613</u>	<u>7,186</u>	<u>7,185</u>	—

TABLE 21 – IMPORTS (C.I.F.) BY COMMODITY GROUP
(millions of \$)

	1973/1974	%	1974/1975	%	1975/1976	Percentage change (%) 1974/1975- 1975/1976	
Consumer goods	1,003	34.0	921	21.9	762	17.3	—17.3
Raw material:	1,167	39.6	2,142	50.9	1,403	31.8	—34.5
Capital goods	776	26.4	1,146	27.2	2,243	50.9	95.7
	2,946	100.0	4,209	100.0	4,408	100.0	4.7

Based on L/C Application

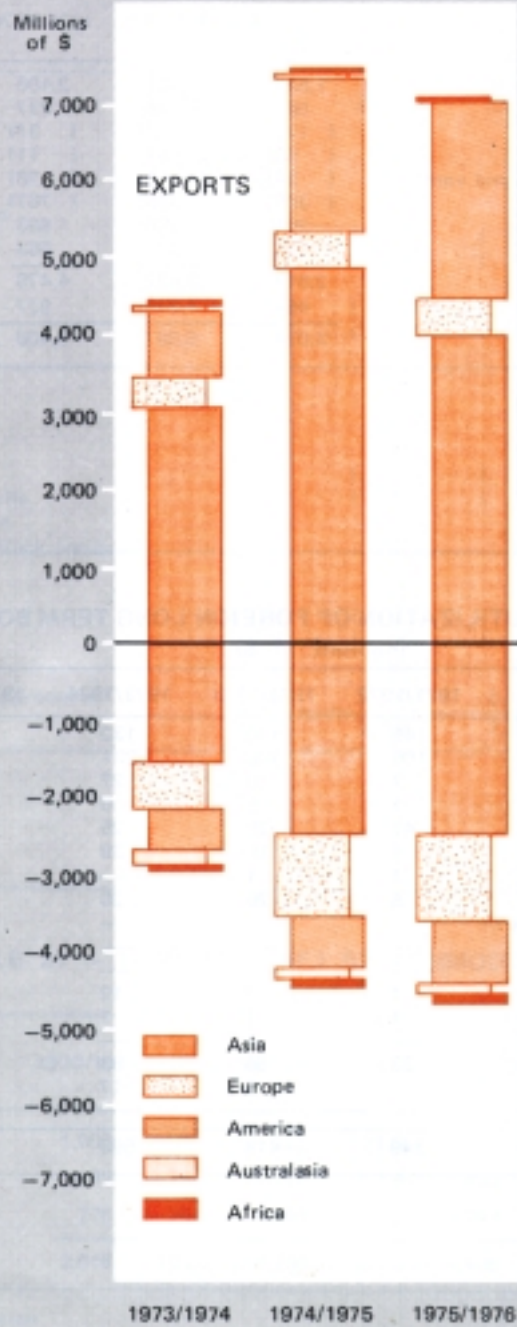
TABLE 22 – IMPORTS (F.O.B.)
(millions of \$)

	1973/1974	1974/1975	1975/1976	Percentage change (%) 1974/1975- 1975/1976
General foreign exchange imports	1,524	2,481	2,496	0.6
Aid foreign exchange imports	564	566	837	47.9
– Program aid	(175)	(77)	(31)	– 59.7
– Food aid	(50)	(84)	(11)	– 86.1
– PL 480 (rice, wheat, cotton and yarn)	(34)	(9)	(28)	211.1
– Project aid	(305)	(396)	(767)	93.7
Imports under direct investment	201	286	593	107.3
Imports under merchant's L/C	324	489	553	13.1
T o t a l	2,613	3,822	4,479	17.2
Imports of oil companies	461	1,275	927	27.3
T o t a l	3,074	5,097	5,406	6.1

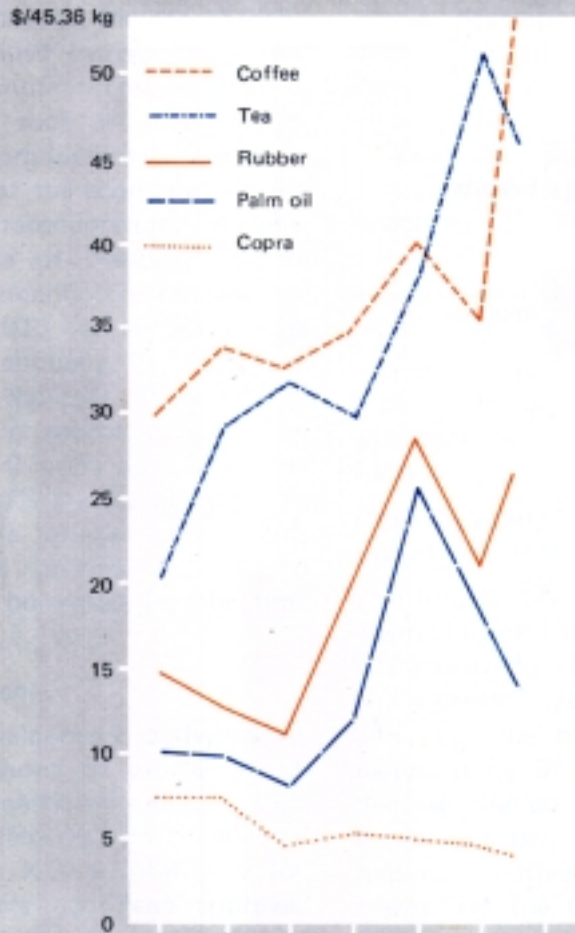
TABLE 23 – UTILIZATION OF FOREIGN LONG TERM BORROWING
(millions of \$)

	1971/1972	1972/1973	1973/1974	1974/1975	1975/1976
U.S.A.	145	150	132	96	1,005
Japan	106	108	231	276	257
Netherlands	7	19	27	19	145
Belgium	1	5	6	1	17
Germany, Federal Republic of	42	25	25	16	64
France	4	15	39	38	65
Italy	1	1	—	—	—
United Kingdom	8	26	20	9	76
Germany, Democratic Republic of	—	—	—	—	—
Yugoslavia	—	—	—	—	—
Denmark	—	—	—	3	2
Canada	1	7	12	33	22
New-Zealand	1	1	1	—	1
Zwitzerland	—	—	—	—	1
IDA	33	56	83	81	294
ADB	—	5	17	26	29
Iran	—	—	—	—	—
T o t a l	349	418	593	598	1,979

**EXPORTS BY COUNTRY OF DESTINATION
AND
IMPORTS BY COUNTRY OF ORIGIN**

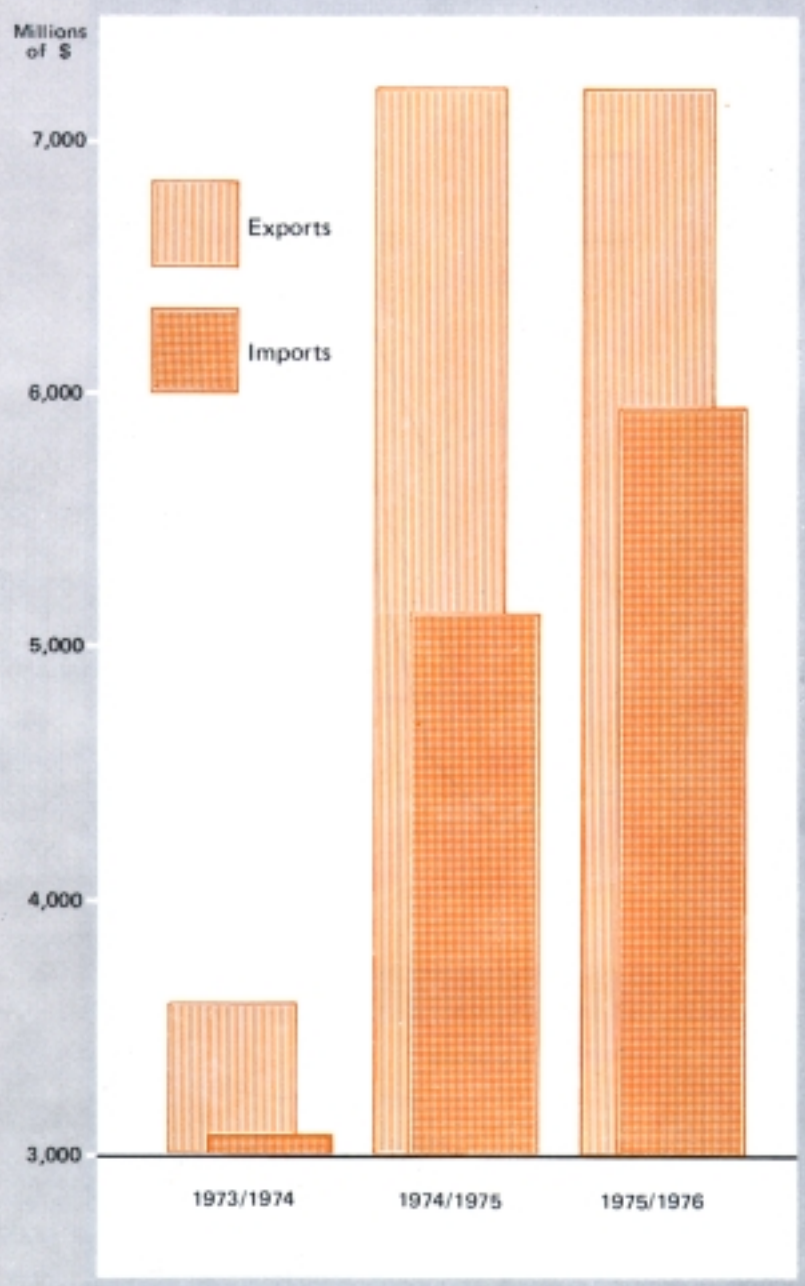


PRICES OF EXPORT COMMODITIES



Source : Central Bureau of Statistics

FOREIGN TRADE



VII. PRODUCTION, INFRASTRUCTURE AND PRICE LEVELS

National Income

One of the targets of REPELITA II is to achieve an average annual increase in Indonesia's National Income of 7 1/2%. With the continued increase in capital investment and more intensified Government activities, such as infrastructure improvements, production increases in various sectors of the economy and the stipulation of transmigration, the provisional estimate of National Income since the implementation of development through 1975 had shown average increases of 7% annually. In 1975 estimated Gross National Income was Rp 7,800 billion or approximately twice the figure of 10 years ago. Since the Central Bureau of Statistics is conducting further analysis on the components of the National Income, no detailed figures can be presented for the time being.

Capital Investment

Intensive development activities require large amounts of capital investments, with domestic as well as foreign capital as complements. Up till the end of 1975 (Table XV) a total of 2,400 and 823 projects had been approved respectively for the Domestic Capital Investment (PMDN) and Foreign Capital Investment (PMA). Apart from the projects already realized, some projects were terminated due to deviations from the initial plans and lack of serious intent from the side of the investor. For joint ventures

this problem was solved by providing an opportunity to the investor to renegotiate with his counterpart. When no positive results were forthcoming within a certain period, the joint relationship was regarded as having withdrawn and the project was to be transferred to another party.

In the context of utilizing capital investment for rapid and balanced economic development, the Government also paid special attention to the following:

- supporting the interests of the weak economic groups;
- expanding the participation of the local community in development undertakings;
- spreading activities to the regions and;
- enlarging employment opportunities.

These aspects were the most important considerations for the Government in granting approval to PMDN and PMA projects.

Development of Domestic Capital Investment (PMDN)

A total of 172 PMDN projects with a planned investment of Rp 251 billion was approved in 1975. This as compared to the previous year, meant a decline of 34%, but the planned investment had increased by 9%. This was due mainly because the companies obtaining their investment permits in 1975 generally required relatively large capital investments. Of the total projects approved, 130 projects with planned investment of Rp 199 billion (or 79% of the total

planned investment) was in the industrial sector.

From 1968 through 1975 a total of 2,400 PMDN projects had been approved with planned investment of Rp 1,742 billion. Projects for the industrial sector were 1,773 with planned investment of Rp 1,125 billion, or 65% of total planned investment, followed by the forestry sector with Rp 179 billion or 10% of total planned investment.

Development of Foreign Capital Investment

PMA projects approved (excluding the oil and banking sectors) by the Government in 1975 totalled 43 with planned investment of \$ 1,762 million, which meant an increase of 18% as compared to the year before. As in the preceding years, the largest capital investment in 1975 occurred in the industrial sector with \$ 1,134 million, or 64% of total planned investment, followed by the mining sector with \$ 541 million (31%). The industrial sector included the Asahan project with a planned investment of \$ 870 million. Since the issue of the law on Foreign Capital Investment up till 1975 a total of 823 PMA projects had been approved with a planned investment of \$ 6,445 million, of which 805 projects had been realized with a total investment of \$ 2,160 million.

Production

During the reported year various domestic as well as foreign factors had influenced the development of production.

The domestic factors were among others the simultaneous occurrence of floods in several regions, plant diseases and increases in costs of production. Factors from abroad among others consisted of the global economic recession which was reflected in the low demand of the industrial countries for Indonesia's export commodities, price increases of raw and supporting materials for the industry, and high transportation costs.

On the other hand, various favourable factors were also present contributing to increase production of several commodities, some among them being the intensification efforts which were not restricted to rice only but also extended to other plantings, the use of modern tools in fisheries, the increasingly smooth transportation of goods and increased capital investment. Besides, various activities were continued by the Government to assist producers, such as provision of credits, protection, tax exemptions, as well as technical guidance and processing companies with the purpose of increasing production and the people's income.

Meanwhile, for the interest of the consumers the Government maintained a policy of making available a sufficient supply of goods at fair prices, particularly the major goods required. For this purpose the national reserve policy for commodities regarded important for development and living purposes was continued. Thus during 1975/1976 the cost of living index did not increase but slightly declined compared to the previous year.

Government Measures in the Sector of Foodstuffs Production

During the reported year efforts of the Government to increase foodstuffs production were still emphasized on rice without neglecting other kinds of foodstuffs. This effort was specifically implemented through intensification of rice plantings by expanding the BIMAS and INMAS areas coupled with improvements in their implementation. The area of intensification of the paddy planting in 1975/1976 increased by 2.5% to become 4.2 million ha, of which 3 million was BIMAS and the remainder INMAS area.

With the increasing expansion of intensification, the number of BRI Village Units as a supporting vehicle for the BIMAS/INMAS continued to increase, viz. in 1975 it increased by 11.5% to reach 2,900 units. With this increase it was hoped that closer contact between the banking system and the farmers could be effected and thus further facilitate the implementation of the BIMAS program, including the repayments of credits. Meanwhile the number of Village Unit Enterprise/Village Unit Cooperative continued to be improved on by the Directorate General of Cooperatives. A total of 3,514 BUUD/KUD units were established in 1975, as compared to 2,993 in the previous year.

Besides the above, the number of paddy processing units and their production capacity did not change much during the reported year as evidenced by the following figures :

	Number of Rice Millers and Hullers (thousand units)	Rice Production Capacity per year (million tons)
1971	13.0	5.4
1972	18.0	9.3
1973	24.0	12.2
1974*	29.0	13.5
1975*	29.2	13.6

Source : Department of Agriculture

To stimulate farmers for increased paddy production and simultaneously raise their incomes, the Government, as from February 1, 1976, raised the floor price of paddy from Rp 42.— to Rp 50. - /kg, for stored dry paddy in the villages. This meant that if rice prices in the village should decline to Rp 50. - /kg, then BU LOG would be obliged to purchase paddy from the farmers.

Based on experiences and the difficulties faced in the previous years, and in order to achieve the target of rice production as set in REPELITA II, the Government took steps for facilitating the implementation of intensification, among others being the following:

- a. Intensification efforts for protection of paddy plantings and increase the use of fertilizers and pesticides;
- b. Increase the use of fertilizers by equalizing their prices for paddy plantings, in the context of BIMAS, INMAS as well as outside the two programs, and facilitating their purchase. These also held for other plantings.
- c. Prepare high yielding paddy seeds, par-

ticularly for rice fields lying 600 m above sea level.

- d. Increase personnel for extension service on agriculture and increase the locations for selling agricultural inputs, particularly fertilizers, pesticides and high yielding seeds.

Besides efforts for increasing rice production, the Government also took measures for stimulating the production of second crops through the BIMAS. This was done with the consideration that second crops as export commodities could be used as substitutes for principal foodstuffs like rice. The BIMAS Palawija (Second Crop BIMAS) was started in 1972/1973 with an area of 10,500 ha, and increased to 177,000 ha in 1975/1976. Besides, the implementation was continuously improved, among others by raising efficiency in the use of fertilizers, protection of plant and providing information on market conditions.

Production of Foodstuffs

During 1975, the production of principal foodstuffs, except sweet potatoes and ground nuts, was rather disappointing.

Rice production reached 15,342 thousand tons (provisional figure), meaning that it practically did not change from last year's production of 15,276 thousand tons. Factors which were influential in the less rapid increase of production were among others:

- a. damage by the "wereng" pest and paddy

virus, and floods in several principal rice producing regions;

- b. the elements of the Panca Usaha ¹⁾ not yet being applied;
- c. the less smooth implementation of intensification expansion.

As a result, the harvested area in 1975 slightly declined if compared to the previous year, viz. to 8,501 thousand hectares.

1975 second crop production was lower than 1974, except for sweet potatoes and ground nuts. *Corn* production declined by 12% to become 2,628 thousand tons, because of reduced harvested area, i.e. from 2,667 (1974) to 2,360 thousand hectares, although yield per ha remained more or less constant. The decline in the harvested area was caused by the relatively wet climate, which enabled the farmers to use the land for more profitable crops, particularly paddy.

Cassava production in 1975 declined by 5% to become around 12 million tons, whereas *sweet potatoes* production may be said to have remained constant, where its decrease in harvest area was offset by increased yield per ha.

Ground nut production in 1975 increased by 7% to reach 330 thousand tons, mainly caused by increased yield per ha i.e. from

1) The Panca Usaha consists of the following elements; the use of high yielding seeds, pesticides, fertilizers, irrigation and better cultivation techniques

7.5 quintal/ha to 7.9 quintal/ha. Production of soybeans in 1975 declined by 4% to become 563 thousand tons.

Developments in production, harvest area and average yield per ha of principal food-stuffs during the last 3 years were as follows:

	Production (thousand tons)			Harvest area (thousand ha)			Average yield per ha (quintal/ha)		
	1973	1974 ^r	1975 [*]	1973	1974 ^r	1975 [*]	1973	1974 ^r	1975 [*]
Rice	14,607	15,276	15,342	8,403	8,509	8,501 ¹⁾	33.4 ¹⁾	34.5 ¹⁾	34.7 ¹⁾
Corn	3,690	3,011	2,638	3,433	2,667	2,360	10.8	11.3	11.2
Cassava	11,186	13,031	12,323	1,429	1,509	1,361	78.0	86.0	91.0
Sweet potatoes	2,387	2,469	2,478	379	330	304	63.6	75.0	82.0
Ground nuts	290	307	330	416	411	416	7.0	7.5	7.9
Soybeans	541	589	563	743	768	733	7.3	7.7	7.7

1) Paddy

Source : Department of Agriculture
BAPPENAS

Rice

Rice production during the last 10 years from 1966 to 1975 showed favourable developments, i.e. increasing by 64% or an annual average of 6%. This was made possible particularly by increased efforts in the intensification program through the BIMAS and INMAS schemes.

The 1975 rice production target in REPELITA II had been set 15,633 thousand tons. However, due to the "wereng" plant disease and the paddy virus, as also the occurrence of floods in several principal producing areas as mentioned above, realized production in that year only reached 15,342 thousand tons, or 98% of the target. In connection herewith, and considering the population increase and the raise in the people's income, and in order to fulfill the domestic requirement, the Government in 1975 still continued to import rice, i.e a total of 677

thousand tons as compared to 1,090 thousand tons in the previous year.²⁾The trend in rice production during the last 10 years was as follows:

Year	Production (thousand tons)	Year	Production (thousand tons)
1966	9,336	1971	13,724
1967	9,047	1972	13,183
1968	11,666	1973	14,607
1969	12,249	1974	15,276
1970	13,140	1975 [*]	15,342

Source : Central Bureau of Statistics

Rice prices development in several large cities in Indonesia generally increased up till February 1976, declining subsequently in the following month (Table 24). As for example, medium quality rice in Jakarta at the end of October 1975 was priced at Rp 118.75 per kilogram, but in the following month jumped to Rp 141.66 and continued

2) BULOG figures

to reach Rp 153.28 per kilogram in February 1976. The rising rice prices towards the end of 1975 was caused by the religious festivities of Idul Fitri, Christmas and New Year 1976, whereas during the first month of 1976 by the coming of the dry season. Besides, in the context of raising the farmers income the Government as from February 1, 1976 raised the floor price of paddy from Rp 42.—to Rp 50.—per kg. The decline in rice prices in February 1976 was caused by the measures of the Government through free sales of rice by BULOG in the markets. In addition, the arrival of the harvest season also contributed to the declining rice prices.

To maintain a national reserve and increase the farmers' income, the Government c.q. BULOG, in the reported year continued to purchase rice in the husk (gabah) from the farmers at fair prices. Differing from the former years, BULOG did not set a minimum target for purchase. The purchase was particularly to guard against paddy/gabah rice prices at farmers level becoming not lower than the floor prices as set by the Government. Besides, considering that gabah can hold out much longer, the Government preferred its purchase instead of rice. In the context of maintaining a stock, around 1 million tons of rice warehouses were needed, and for this purpose the Government in 1975/1976 continued to construct new ones which was started in 1974/1975.

World rice (paddy) production declined in 1974 but in 1975 increased again by 7% to reach 343 million tons. The causes for

these among others were increases in planting areas, from 136 million hectares to 139 million hectares, apart from favourable weather conditions. The increase mostly occurred in Asian countries, among them the People's Republic of China, India, Thailand and the Philippines.

With the increase in world rice production and the revival of the volume of reserves in consuming as well as producing countries, rice prices then declined. The price of 15% broken white rice in Bangkok at the end of February 1975 was £ 382/long ton, in January 1976 declined to £ 244.—and continued to decline to £ 233/long ton in March 1976. This situation favored Indonesia which still imported rice in large quantities.

Forestry

Production and exports of timber declined significantly in 1975, as shown by the following figures:

Year	Production (thousand m ³)
1971	13,738
1972	17,717
1973	25,800
1974	23,280
1975	19,000

Source : Department of Agriculture

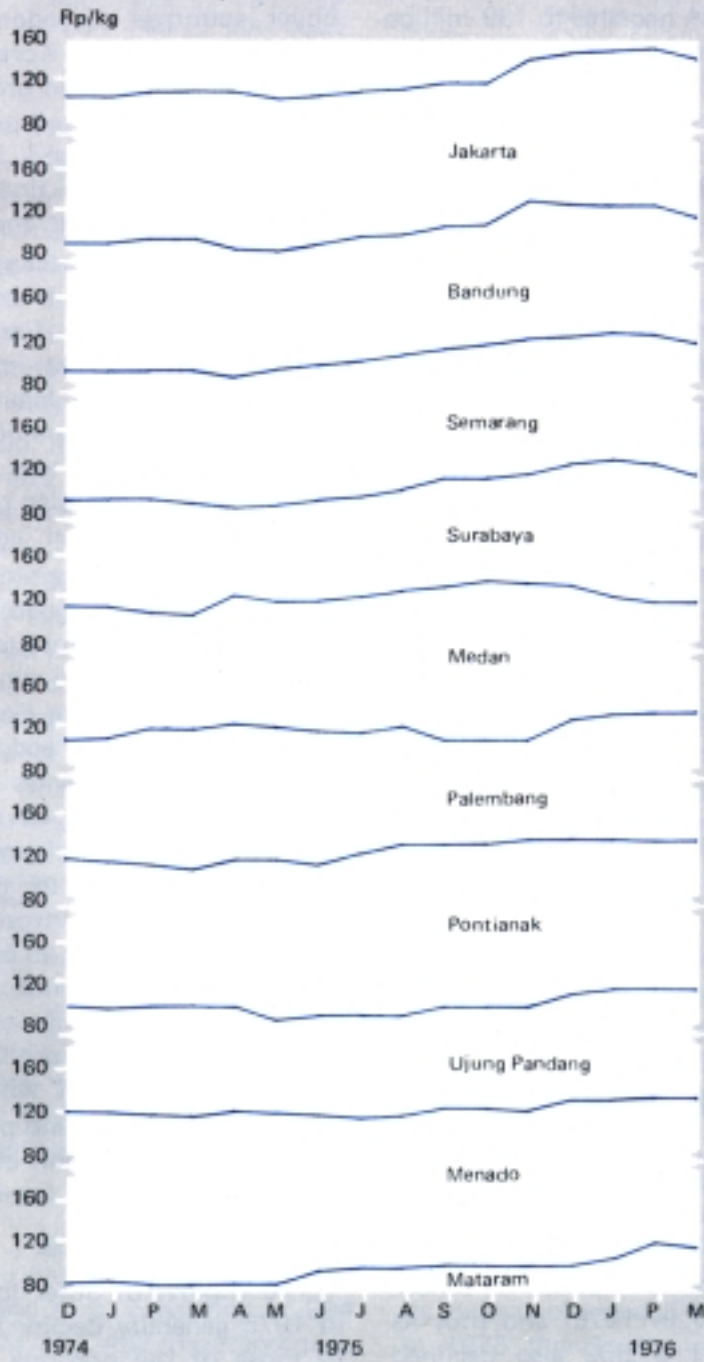
Timber production, which reached its peak in 1973, had been declining since 1974. In 1975 production of 19 million m³ showed a decline of 18% as compared to the previous year. Likewise, volume and unit prices of timber exports declined in 1975, and thus its export value of \$ 502 also declined by 31%.

TABLE 24 - PRICES OF MEDIUM QUALITY RICE IN SELECTED CITIES
Average price in Rp/Kg

	Jakarta	Bandung	Semarang	Surabaya	Medan	Palembang	Pontianak	U.Pandang	Menado	Mataran
1971 December	45,30	43,-	45,-	44,50	45,50	35,-	48,25	40,-	51,50	40,-
1972 December	78,10	74,-	81,67	73,85	63,-	57,50	90,-	60,-	80,-	60,-
1973 March	78,10	74,-	68,33	54,87	67,-	52,50	65,-	52,50	57,50	57,50
June	120,-	71,25	73,83	64,60	102,50	130,-	200,-	65,-	84,50	60,-
September	95,-	85,-	80,75	72,50	110,-	110,-	120,-	70,-	120,-	81,50
December	100,-	90,50	80,83	75,-	115,-	120,-	125,-	75,-	118,50	75,-
1974 March	106,25	81,25	78,75	70,-	105,-	118,-	120,-	85,-	120,-	70,-
June	93,75	75,-	75,-	75,-	96,-	117,50	115,-	75,-	120,-	68,-
September	95,-	75,-	78,33	73,50	81,-	106,25	105,-	92,50	116,-	67,50
December	106,25	87,50	88,33	88,-	110,-	106,75	115,-	97,50	120,-	80,-
1975 January	106,25	88,-	88,33	90,-	110,-	107,50	112,50	95,-	120,-	80,50
February	110,-	92,50	90,33	90,50	105,-	117,50	110,-	97,50	118,-	77,50
March	111,25	92,50	90,-	86,-	102,50	116,58	105,-	97,50	116,50	80,-
April	110,-	81,67	83,33	81,50	120,-	121,20	115,-	97,50	122,50	80,-
May	103,75	80,-	90,-	83,50	115,50	118,75	115,-	85,-	120,-	80,-
June	106,25	87,50	95,83	87,50	115,-	115,20	110,-	90,-	117,50	92,50
July	111,25	95,-	99,17	92,50	120,-	113,50	120,-	90,-	115,-	95,-
August	112,50	96,25	106,67	99,-	125,-	118,88	130,-	90,-	117,50	95,-
September	118,75	105,-	111,67	110,-	130,-	106,13	130,-	97,50	125,-	97,50
October	118,75	106,25	115,-	109,-	135,-	106,88	130,-	97,50	125,-	97,50
November	141,66	130,-	120,-	115,50	133,-	107,50	135,-	97,50	122,50	97,50
December	147,46	126,-	123,27	124,-	131,20	125,-	135,-	110,-	132,50	97,50
1976 January	150,94	124,50	126,67	127,50	120,-	130,-	135,-	115,-	133,-	105,-
February	153,28	124,-	124,58	125,-	115,-	132,12	134,-	115,-	135,-	120,-
March	144,30	113,75	118,33	113,50	115,-	133,-	134,-	115,-	135,-	115,-

Source : Body of Logistic Affairs

**PRICES OF MEDIUM QUALITY RICE
IN SELECTED CITIES**



The declines in production and exports were mainly caused by the aftermath of the recession particularly in buyer countries of Indonesia's timber, such as Japan, South Korea and Taiwan. Furthermore, increased production costs mainly due to increased prices of timber cutting equipment and labour prices, and the difficulty to find vessels made it difficult to market the commodity.

Of the various species, the Meranti still held first place in exports, and of the producing areas East Kalimantan still played the most important role. Although exports to Japan declined by 38% to reach 6.1 million tons, this country nevertheless was still the principal buyer of Indonesian timber, besides South Korea, Taiwan and Singapore.

The stages for obtaining the permits required in timber exploitation among others covered the forestry agreement, investment permit in the PMDN and PMA schemes and the Forest Exploitation Right. Up till the end of 1975/1976 a total of 27 companies had obtained Forestry Agreements covering an area of 2.4 million ha and planned investment of \$ 62.4 million. In the meantime companies obtaining investment permits a total of 71 covering an area of 6.1 million ha and planned investment of \$ 182.8 million, while companies obtaining Decrees on Forest Exploitation Rights numbered 267 with an area of 26.2 million hectares and planned investment of Rp 520 million in rupiahs and \$ 979.2 million in foreign currency.

Other Forest Products

The exports of other forest products in 1975 generally declined if compared to those of the previous year, as may be seen from the following figures:

	Total (thousand tons)		Value (million \$)	
	1974	1975*	1974	1975*
Rattan	52.7	45.9	3.5	3.4
Dipterocarpaceae	3.5	0.9	0.4	0.2
Resin	7.3	5.5	0.8	1.0
Copal	2.1	1.8	0.2	0.1

The decline was, among others, caused by the increasing number of entrepreneurs/exporters of forest products shifting their activities to the timber sector considered more profitable. Besides, the collectors of forest products faced difficulties in the timber concession areas of holders of Decrees of Forest Exploitation Rights.

To maintain the harmony and function of forests, reforestation efforts were implemented during the reported year for an area of 83.9 ha. This undertaking was not solely financed and implemented by the Government but also by the forestry entrepreneurs having obtained their Forest Exploitation Right Decrees. Developments during the last 5 years were as follows (in thousand of hectares):

	by Govern- ment	by Private	Total	
1971/1972	18.0	10.1	28.1	102.3
1972/1973	29.2	6.5	35.7	107.9
1973/1974	32.4	21.0	53.4	104.5
1974/1975	35.3 ¹⁾	10.3	45.6	149.8
1975/1976*	39.1 ¹⁾	44.7	83.8	...

1) Not yet including the part financed by the APBD (Local Government Revenue and Expenditure)

Source : Department of Agriculture

Fisheries

Fisheries production in 1975 totalled 1,397 thousand tons, consisting of 994 thousand tons and 403 thousand tons of both sea and inland fisheries.

Developments during the last 5 years are shown below (in thousand tons):

	Sea Fisheries	Inland Fisheries	Total
1971	820	424	1,244
1972	836	433	1,269
1973	886	393	1,279
1974	949	395	1,344
1975*	994	403	1,397

Source : Department of Agriculture
BAPPENAS

The above figures show that fisheries production had increased continuously which was particularly due to increased capital investment in the fisheries sector, viz. the increased use of modern fishcatching equipment. The use of these was more extensive in the sea than inland fisheries, and hence the more prominent increase in the former. Inland fisheries did not show any stable development, due to the relatively less usage of modern equipments and the decreased area for fish culture.

The increase of ever-all fisheries production shows an advance in the availability of animal protein, but the problem still was its uneven consumption among the regions. It is due among others to the miserable state of the distribution system supporting the fish marketing from producing to consuming areas. To overcome this problem the Government made available various means, such

as establishing ice factories and cold storage, and improving the transportation system for the sake of its marketing intensification, specifically to the island of Java.

Although fisheries production indicated the increase mentioned previously, its export volume and value had declined in 1975 due to the decreased foreign and increased domestic demand. Compared to the previous year export volume declined by 25% to reach 41 thousand tons, whereas its value declined by 3% to reach \$ 83 million. Among the various fisheries products exported shrimps was yet the principal export commodity, although its volume and export value in 1975 declined by respectively 25% to become 25 thousand tons, and 7% to become \$ 78 million.

Rubber

The provisional figure of 1975 rubber production of 823 thousand tons did not show any significant change as compared to 1974, and consisted of estate and smallholders rubber of respectively 257 and 566 thousand tons. Its development during the last 5 years was as follows:

	Rubber Production (thousand tons)		Total
	Estate	Smallholders	
1971	239	547	786
1972	236	567	803
1973	246	599	845
1974	245	573 ^r	818
1975*	257	566	823

Source : —Central Bureau of Statistics
—Directorate General of Plantations
—BAPPENAS

Estate rubber production for 1975 slightly increased, as reflected by its increased yield per hectare, maintenance of plantings and the application of better tapping methods. Smallholders rubber production on the other hand, did not increase and even slightly declined due to the unpredictable price fluctuations in the world market, and smallholders rubber had always been sensitive to price fluctuations.

Government efforts for stagewise improving rubber quality, particularly smallholders rubber, had begun to show its results. This was reflected in crumb rubber production which had continuously increased during the preceding years and which in 1975 increased by 6% to reach 397 thousand tons. A breakdown of the qualities produced is shown below:

	1972		1973	
	thousand tons	%	thousand tons	%
SIR 5/5L	10	3.3	12	3.5
SIR 10	—	—	4	1.0
SIR 20	176	60.7	187	54.3
SIR 35	1	0.2	—	—
SIR 50	104	35.8	142	41.2
	<u>291</u>	<u>100.0</u>	<u>345</u>	<u>100.0</u>

	1974		1975	
	thousand tons	%	thousand tons	%
SIR 5/5L	13	3.5	11	2.8
SIR 10	5	1.3	10	2.5
SIR 20	217	58.0	248	62.5
SIR 35	—	—	—	—
SIR 50	139	37.2	128	32.2
	<u>374</u>	<u>100.0</u>	<u>397</u>	<u>100.0</u>

Source : Department of Trade

The above figures show that for 1974, as well as 1975, crumb rubber took nearly 50% of Indonesia's total rubber production, which during the preceding years was approximately 40%. Furthermore, among the various qualities crumb rubber produced nearly all consisted of SIR—20 and SIR—50, which was caused by high foreign demand for those two qualities and the availability of raw materials originating from smallholders rubber for producing it.

Rubber prices in the world market in 1975 were still influenced by the recession in the industrial countries. As an example, RSS I prices in New York at the end of December 1974 was 31.50 dollar cents/lb, then declined to 29 dollar cents/lb during mid year and increased again to 34.25 dollar cents/lb at the end of the year.

It goes without saying that heavily fluctuating world rubber prices also influenced the incomes of the rubber producing countries and it was felt that certain measures should be taken to guard against harmful influences. In this context, the countries participating in the Association of Natural Rubber Producing Countries (ANRPC), including Indonesia, held various meetings to formulate measures required for achieving improvements and stability of rubber prices in the world market. The principal points to be implemented in these efforts were basically to be done in a simultaneous way through 2 measures:

- a. limiting exports as adjusted to demand;
- b. establishing an international bufferstock;

The measures were expected to stabilize natural rubber prices in the world market at profitable levels in the producing as well as consumer countries.

Indonesia, as a natural rubber producing country, was also influenced by the up and down fluctuations of rubber prices in the world market. Since the decline, both in volume and in export unit price, the export value decreased by 25% to reach \$ 358 million. The export unit price in 1975 of \$ 454 showed a 20% decline. Rubber exports development during the last 5 years were as follows :

	Export volume (thousand tons)	Value (million \$)
1971	789	222
1972	775	189
1973	893	395
1974	840	479
1975	788	358

Destination countries for Indonesia's rubber exports were as follows :

	1971	1972	1973	1974	1975
	(thousand tons)				
Singapore	440	406	467	433	438
United States	150	188	214	215	217
Soviet Union	23	18	11	35	45
West Germany	77	68	64	57	44
Netherland	8	10	18	16	20
Japan	25	22	28	23	19

The above figures show Singapore and the United States as being the biggest importing countries.

The figures of the International Rubber

Study Group indicated that Indonesia's rubber production in 1975 was 25% of world natural rubber production of 3,293 thousand tons.

World rubber production and consumption during the last 3 years were as follows:

	Production (thousand tons)	Consumption (thousand tons)
Natural rubber		
1973	3,513	3,410
1974 ^r	3,448	3,520
1975 [*]	3,293	3,555
Synthetic rubber		
1973	7,505	7,318
1974	7,390	7,265
1975	6,508	6,600
Total		
1973	11,018	10,728
1974	10,838	10,785
1975	9,801	10,155

Source : Rubber Statistical Bulletin

It should be noted that world rubber production and consumption in 1975 declined by respectively 10% and 6% to become 9.8 and 10.2 million tons. It may also be concluded that natural rubber production in 1975 declined by approximately 5%, whereas production and consumption of synthetic rubber also declined by respectively 12% and 9%.

Copra

Copra production, after declining during the preceding years as a consequence of the long dry season in 1972, showed rapid increases during the last two years as may be seen below :

Copra Production (thousand tons)		Copra		Copra cakes	
		Volume (thousand tons)	Value (million \$)	Volume (thousand tons)	Value (million \$)
1971	1,277				
1972	1,254				
1973	1,274*	1971	96.9	14.7	230.2
1974	1,419*	1972	40.6	3.9	293.4
1975	1,457*	1973	52.6	5.9	256.0
		1974	—	—	226.1
		1975	30.1	2.8	311.5
					26.2

Source : Department of Agriculture

The increased production in 1975 was mainly caused by the favourable weather and the intensified efforts for eliminating the sexava pest. Again, the replanting of coconut trees during the preceding years began to show its results.

With increased production, copra and coconut oil prices declined in the producing as well as consuming areas such as Java.

Copra prices in Sulawesi, which in December 1973 was Rp 202/kg, declined to Rp 125/kg at the end of 1974 and further declined to Rp 93/kg at the end of 1975. The same also held for coconut oil prices, which was Rp 252/ bottle in 1974 declined to an average of Rp 172/bottle in 1975. Its price at the end of 1975 was Rp 133/bottle.

In facing the downward trend of the copra prices, the Government in 1975 eliminated the prohibition for copra exports, which had been in effect since August 1973. In 1975 copra exports totalled 30 thousand tons with a value of \$ 3 million, whereas exports of copra cakes totalled 312 thousand tons with a value of \$ 26 million. Development of copra and copra cake exports during the last five years were as follows:

The decline in the volume of copra exports was among others caused by increased domestic consumption due to population increase and the additions of new coconut oil factories requiring copra as raw material. Meanwhile, the decline of the export value was caused by the declining copra prices in the world market as a consequence of increased production in the producing countries, particularly the Philippines (which exported 70% of world exports), besides increased production of other vegetable oils. Copra prices at the end of 1974 which stood at \$ 380/long ton, declined to \$ 180/long ton at the end of 1975.

Meanwhile the export value of copra cakes continued to increase to reach \$ 26 million in 1975.

Considering that copra prices in the world market during the last several years had steadily declined, the copra producing countries associated in the Asian Coconut Community (including Indonesia) took measures for preventing further price declines. In this connection a cooperation was effected to:

- a. explore the marketing of copra, coconut oil and other coconut products in the world market and regulate its supply;

- b. mutually providing each other with information on price developments of copra and coconut oil.

To analyse the measures to be taken in the context of the above cooperation several sessions had been held abroad as well as in Jakarta.

Palm Oil

As a result of the replanting and expansion of plantings with high yielding seeds in the preceding years accompanied by better maintenance, production of palm oil and palm kernels steadily increased during the last years. In 1975 palm oil and palm kernel production increased respectively by 17% and 14% to reach 411 and 84 thousand tons. Developments during the last 5 years were as follows (in thousand tons):

	Pal oil	Palm Kernels
1971	248	56
1972	269 ^r	59
1973	290	64
1974	351	74
1975*	411	84

Source : Central Bureau of Statistics

As the increase of production, the volume of exports was increased. In 1975 the export volumes of palm oil and palm kernels increased respectively by 36% and 64% to reach 400 and 41 thousand tons. Due to declining prices in the world market however, the exports values declined by respectively 5% and 40% to reach \$ 158 and \$ 5 million, as may be seen from the following figures:

	Palm Oil		Palm Kernels	
	Volume (thousand tons)	Value (million \$)	Volume (thousand tons)	Value (million \$)
1973	269	72.5	44	4.8
1974	294	166.0	25	8.5
1975	400	158.1	41	5.1

Palm oil prices in London, which at the end of 1974 was \$ 680/long ton, declined to \$ 397.50/long ton at the end of 1975. Compared with the average price, which in 1974 was at \$ 687.50/long ton, while in the next year \$ 429.17. Meanwhile the price of palm kernels, which was recorded at £ 175.0/long ton at the end of 1974, declined to £ 94.60 at the end of 1975.

The decline of palm oil and palm kernels among others was caused by increased world production, besides the competition from other vegetable oils, such as soybeans and copra oil which also increased in production during the reported year.

The principal destination countries for palm oil exports in 1975 were Netherland (82 thousand tons), Pakistan (82 thousand tons), Japan (49 thousand tons), the United States (47 thousand tons) and Iraq (30 thousand tons).

S u g a r

Sugar production in 1975 of approximately 1 million tons did not change much from the previous year. Estimating the per capita requirement for sugar as being 10 kg per year with a population of 132 million would mean that a total of 1,320 thousand

tons of sugar would still be required in 1975. Thus a shortage still prevailed of approximately 300 thousand tons which would have to be imported.

Sugar imports in 1975 only reached 90 thousand tons and thus the sugar shortage during this period was covered by brown sugar. Production of granulated sugar and brown sugar during the last five years was as follows:

	Granulated Sugar	Palm Sugar
1971	834	219
1972	889	214
1973	820	204
1974	1.025 ^r	250 ^r
1975	1.030	221

Source : Central Bureau of Statistics
Directorate General of Plantations

Due to the sugar shortage as mentioned above the Government strived to raise production by implementing several measures, among others:

- a. expanding the planting area, especially outside Java;
- b. rehabilitating and increasing the capacity of existing factories;
- c. intensifying sugar-cane planting, particularly smallholders sugar-cane;
- d. constructing new factories, particularly outside Java.

In addition, to increase production and income of the sugar-cane farmers, the Government took measures for transferring the cultivation of sugar-cane planting from the land leasing system to the Intensification of

Smallholders Cane (TRI) System.³⁾ With this system the TRI participant-farmer would obtain credit assistance from the Bank Rakyat Indonesia for the financing of production facilities, planting expenditures and cost of living. The amount of credit package for First Sugar-Cane Planting Smallholders (Package A) was set at Rp 262 thousand per hectare and for continued Sugar-cane Smallholders or Tebu Rakyat Keprasan⁴⁾ (Package B) was set at Rp 181 thousand per hectare. Besides, credits were also made available of Rp 5 thousand per hectare for pesticides and expenses for spraying prevention and eradication of plant diseases. The participant farmers of the TRI project were obliged to deliver their sugar-cane to the sugar factory which guided them and for this they would obtain part of the sugar produced in money form. The portion received was between 55% up to 70% depending on the sugar content of the sugar-cane delivered. Apart from this, the farmers were also to receive money for the value of 1.5 kg of molasses for each quintal of sugar-cane delivered.

As a first step in 1975/1976 the TRI project was implemented in West Java, Central Java, the Yogyakarta Special Territory and East Java with a target of 12.3 thousand ha. Its realization until the end of the reported year had reached 11.5 thousand hectares. According to Government plans,

3) Inpres No. 9/1975, April 22, 1975.

4) Tebu Keprasan are sugar-cane plantings which will grow again after its yield has been taken

at the end of REPELITA II all sugar-cane production should already be smallholders sugar-cane production. Efforts of the Government to raise sugar-cane production were also made through the construction of new sugar factories.

During 1975/1976 a sugar factory in Bone (South Sulawesi) was officially opened with a milling capacity of 3 thousand tons of sugar-cane per day. With the completion of this factory, Indonesia has now 57 sugar factories, including among them 2 outside Java, namely in Bone and Cot Girek (Aceh).

Tea

A large part of estate tea planting are old, but with better cultivation and regular fertilizing estate tea production in the form of black tea in 1975 succeeded to increase by 10% to reach 55 thousand tons. Meanwhile, smallholders tea production in the form of green tea of 15 thousand tons did not change from the previous year. The development of these two varieties during the last five years was as follows:

	Tea Production (thousand tons)	
	Estate	Smallholders
1971	48	15
1972	48	12
1973	53	14
1974*	50	15
1975*	55	15

Source : Directorate General of Plantations
BAPPENAS

Due to the increase in estate tea production, the export volume and value also increased by respectively 12% to reach 57 thousand tons and 22% to reach \$ 53 million. The increase in the export value was among others caused by the improved quality of the tea exported as a consequence of the rehabilitation undertaken in the tea factories. Furthermore, average tea prices in the world market in 1975 were slightly favourable if compared to the previous year, which was mainly caused by price increases around the first semester of 1975. Indonesia's tea in 1975 was mainly exported to Australia (11 thousand tons), the United States (10 thousand tons), Netherlands (6 thousand tons) and United Kingdom (5 thousand tons).

It may be added that world tea production in 1975 increased by 3% to reach 1,643 thousand tons. A large part of the increase occurred in the principal tea producing countries, i.e. the People's Republic of China and Ceylon.

Coffee

Coffee production in 1975 was 159 thousand tons, consisting of 19 and 140 thousand tons respectively of estate and smallholders coffee. Compared to the previous year, production in 1975 did not change significantly. Developments during the last 5 years are shown below:

	Estate	Smallholders	Total
1971	19	162	181
1972	22	158	180
1973	10	140	150
1974 ^r	16	142	158
1975*	19	140	159

Source : — Directorate General of Plantations
— BAPPENAS

Indonesia had made good use of declining world coffee production and because the quota export system which have not been implemented by the International Coffee Organization, it succeeded to increase its coffee exports. It should be noted that declining world coffee production in 1975 by 7% to reach 4,574 thousand tons was mainly caused by the harvest failures in Brazil and the civil war in Angola.

To increase coffee exports, the Government expanded the granting of export quota to exporters and in consequence, the export volume of coffee in 1975 increased by 19% to reach 136 thousand tons.

Nevertheless, its export value, \$ 100 million, did not change if compared to the previous year. This was caused by the fact that coffee prices in the world market which only increased in the 2nd semester of 1975, preceded by a decline in the first semester. The average price of Robusta coffee in the world market in the first semester of 1975 was Sin.\$ 117/picol and increased to an average of Sin. \$ 181/picol in the following semester. At the end of the reported year coffee prices increased again to Sin. \$ 211/picol. Principal destination countries for coffee exports in 1975 were the United States (44 thousand tons), Netherlands (25 thousand tons) and Japan (12 thousand tons).

Tobacco

Of the various tobacco varieties planted in Indonesia the most well known is the Deli tobacco (Sumatra), Vorstenlanden tobacco and Besuki tobacco.

Deli tobacco production in 1975 increased by 11% to reach 29 thousand bales despite a slight decrease in its planting area. The increase was made possible by favourable weather conditions. Vorstenlanden tobacco (Java) production declined by 27% to reach 19 thousand bales, which was caused by the sooner than expected arrival of the rainy season. Its area did not change much from the previous year of 2 thousand hectares. The planting of Besuki NO tobacco covered an area more extensive than the two previous varieties combined, i.e. 19 thousand hectares in 1975 with a production of 107 thousand bales. In addition there also existed a Besuki NO tobacco planting area of 4 thousand ha with a production of 19 thousand bales.

Tobacco sales abroad was for a large part conducted through auction at Bremen, particularly for the high quality tobacco, whereas other quality tobacco were directly sold. The tobacco unsold during the auction was sold through private contracts.

According to the records of the Tobacco Institute⁵⁾ export volume of all tobacco varieties in 1975 declined by 25% to reach 214 thousand bales, which was among others caused by the decline of Besuki NO tobacco exports by 30%

5) An institute created by the Department of Trade for guiding production, quality and the marketing of Indonesian tobacco abroad.

to reach 102 thousand bales. Its value however, only declined by 3% to reach \$ 39 million, which was caused by increased average prices of all tobacco varieties from \$ 141 in 1974 to \$ 184 per bale in 1975. The tobacco was mainly directed to West Germany, Netherlands, the United States, Spain and Japan.

Tobacco sales in Bremen in 1975 reached 174 thousand bales with a value of DM 117 million with the following breakdown:

The above figures show that approximately 62% of total sales in Bremen was

	Volume (thousand bales)		Value (million DM)	
	1974	1975	1974	1975
A. Through auction in the Tobacco Exchange				
— Sumatra Tobacco	22	22	48	44
— Java Tobacco	75	86	45	55
	<u>97</u>	<u>108</u>	<u>93</u>	<u>99</u>
B. Outside the auction/by private contracts	68	66	22	18
	<u>165</u>	<u>174</u>	<u>115</u>	<u>117</u>

done through auction and the remainder by private contracts. These sales were approximately 81% of total Indonesian tobacco exports.

Spices

Pepper production in 1975, i.e. around 27 thousand tons, did not change much compared to the year before. To increase its production the Government implemented intensification projects and expansion of planting areas through the pepper BIMAS, particularly in the Lampung region, by:

- eradicating of the pepper plant disease, such as the “rotting root trunk” disease;
- improving soil fertility through more intensive planting methods by using fertilizers.

The planned intensification program would cover a pepper planting area of 13 thousand hectares during REPELITA II. In the first stage, intensification was executed in the North Lampung area of 500 ha. As was the case with sugar-cane plantings, BIMAS credits were also made available for the required fertilizers and pesticides. The amount of credit package was Rp 150 thousand per ha, consisting of Rp 100 and Rp 50 thousand respectively for pesticides and fertilizers, and for cost of living.

In order to raise the income of pepper farmers the Government established the BUUD/KUD (Village Unit Enterprise/Village Unit Cooperative) where the farmers could sell their harvest at better prices, and which at the same time would eliminate the role of the middlemen usually harmful to the farmers. The BUUD/KUD, equipped with better processing and drying facilities, would be able to store each quantity of pepper offered by the farmers for further processing and thus better quality could be reached.

The export volume and value of pepper in 1975 declined respectively by 7% to become 15 thousand tons and by 9% to become \$ 23 million. The main cause for this was the decline in prices of white pepper abroad, i.e. from \$ cents 100/lb in Decem-

ber 1974 to \$ cents 88/lb in December 1975. Besides, Indonesia as a pepper exporter also faced competition from other exporting countries, such as Malaysia and Brazil.

Cloves production in 1975 showed an increase of 6% and reached 17 thousand tons. In order to further raise production, plans in REPELITA II called for the implementation of intensification projects using Zanzibar superior seeds, such as in West Sumatra, Lampung, Central Java, North Sulawesi and Maluku. These projects were to be implemented through the cloves BIMAS program, whereas the credit package was to be granted in the form of fertilizers, pesticides and cultivation expenses. Besides, the Government also expanded the planting area in new regions, such as Irian Jaya, to be planted with the Zanzibar superior seeds.

Although cloves production slightly increased in 1975 if compared to the previous year, it nevertheless was still far below the amount required for domestic consumption. In this case large volumes had to be imported, i.e. to the amount of 25 thousand tons with a value of \$ 74 millions. Nearly all the domestic requirement was for the clove cigarette industry.

Mining

Until now mining production in Indonesia had nearly all been done by large companies, whereas mining undertaking by smallholders had not yet been developed.

In the 1975/1976 reported year produc-

tion of various mining products, such as crude oil, coal, gold and copper, had shown increases, but other mining products such as tin, bauxite, nickel, silver and iron sand had declined. Nearly all mining products were exported, whereas a small part was used for domestic requirements. Production of mining products during the last 3 years was as follows:

	1973/ 1974	1974/ 1975	1975/ 1976
Crude Oil (million bbls)	508	485	498
Bauxite (thousand tons)	1.241	1.284	936
Tin (thousand tons)	23	26 ¹⁾	25 ²⁾
Nickel (thousand tons)	990	781	751
Iron Sand (thousand tons)	322	349	346
Coal (thousand tons)	146	172	204
Gold (kg)	327	260	316
Silver (tons)	9	6	4
Copper (thousand tons)	163	208	213

1) Including production of PT Kobatin

2) Including production of PT Kobatin and Broken-Hill Proprietary Indonesia

Source : Department of Mining

Crude Oil

Crude oil production in the reported year reached 498 million bbls (+ 1.4 million bbls per day), or increased by 3% from the previous year. This amount did not yet reflect the real capacity since production had been adjusted to market capacity. Among the oil companies active in Indonesia CALTEX produced approximately 60% of total oil production from 32 oil fields in the central part of Sumatra.

In 1975/1976 the volume of crude exports slightly increased, i.e. by 1% to reach 384 million bbls whereas its value increased by 7% to reach \$ 4,847 million. Indonesia's crude oil prices since October 1975 was

between \$ 12.10 - \$ 13.00 per bbl (f.o.b.). The largest part of the exports was exported to Japan and the United States. As was the case with crude exports, the export value of oil products also declined as a consequence of the decline in the export volume. The export volume of oil products declined by 11% to reach 40 million bbls and its value declined by 24% to become \$ 465 million, mainly caused by the weak foreign demand since the industrial countries suffering from the global recession had not yet fully recovered. Explorations conducted by PERTAMINA with 3 contractors in the context of work contracts and with 14 contractors in the context of production sharing was continued in 1975 to discover new oil and gas reserves. The number of drillings declined from 231 in 1974 to 196 in 1975, caused among others by increased explorations costs. Although the number of drilling wells declined, 33 oil fields were discovered in 1975, as compared to 28 in the previous year. The refining managed by PERTAMINA in Pangkalan Brandan, Sungai Pakning, Dumai (Putri Tujuh), Sungai Gerong, Plaju, Wonokromo and Balikpapan had a total production capacity of 422 thousand bbls per day. The construction of a new oil refinery in Cilacap with a capacity of 100 thousand bbls per day was expected to be completed in 1976. The total of oil refined, including refined abroad, in 1975 was 113 million bbls or a decline of 10% if compared to the previous year.

Domestic sales of fuels and lub oils continued to increase due to the increased number of factories, motor vehicles and users

of kerosene by the population and the increasingly smooth performance of the distribution system. In 1974 a total of 70 million barrels was sold and in the next year it increased to 79 million bbls among them 31 million bbls of kerosene, 18 million bbls of gas oil and 14 million barrels of premium. Due to increased production costs the Government since April 1975 raised the prices of fuels, among them kerosene from Rp 13 to Rp 16, per liter, premium from Rp 46 to Rp 57, gas oil from Rp 19 to Rp 22 and avtur from Rp 60 to Rp 62 per liter. Nevertheless, net Government receipts from oil in 1975/1976 still showed a shortage of around Rp 1 billion, which meant that it still contained a subsidy element for domestic consumers.

Natural gas during the reported year production increased by 16% to reach 239 million mcf. Domestic use of natural gas was still limited and only partly utilized, mainly as raw materials for fertilizer and LPG. With the coming completion of the PUSRI III and IV plants it was hoped that the use of natural gas would increase. The construction of the Arun (Aceh) and Badak (Kalimantan) LNG projects was being continued. In 1977 Indonesia was expected to export LNG, particularly to Japan and the United States.

Other Mining Products

As regards tin, besides the PN Timah, the PT Kobatin since 1973 started trial production and in the next year was already in commercial production. It was followed in 1975 by Broken Hill Proprietary Indonesia

(BHPI) which had its mining area in Kelapa Kampit (Belitung Island), whereas the undertaking of the NV Biliton Exploratie Maatschappij was still in its exploration stage in Tujuh Island (near Bangka Island).

Tin production in 1975 which was adjusted to export capabilities based on Indonesia's quota as a member of the International Tin Council, declined by 2% to reach 25 thousand tons. Indonesia's export quota, fixed based on the International Tin Agreement was 18.4 thousand tons, or approximately 18% of the total quota. With increased tin exports by the People's Republic of China, as also the aftermath of the global recession, Indonesia's tin exports in 1975/1976 declined by 11% to reach 21 thousand tons and a decline in its value by 5% to reach \$ 158 million.

Considering that the tin mining State Corporation established by Government Regulation No. 21 year 1968 already fulfilled the condition as stated in the Law No. 12, 1969 on Public Corporations (PERSERO), the form of PN Timah was changed into a PERSERO.⁶⁾ The conditions to be fulfilled among others concerned the expectation for growth without losses.

During the reported year *bauxite* production declined by 27% to reach 936 thousand tons. Its export volume likewise declined by 32% to reach 899 thousand tons and its value by 29% to reach \$ 5 million. A large

part of the bauxite was exported to Japan and the remainder to Canada.

To fulfil-domestic requirements for *aluminium*, the Government decided to construct an aluminium factory on Bintan Island. Its planned production was to be approximately 700 thousand tons annually, 450 thousand tons of which was to be made available for raw materials for the Asahan Aluminium project and the remainder to be exported.

Nickel production in 1975/1976 declined by 4% to reach 751 thousand tons. Three nickel pellet smelting projects are at the present being constructed, among others the Ferro Nickel project constructed by PT Aneka Tambang in South East Sulawesi with a capacity of 20 thousand tons and which is expected to produce in mid-1976. The first stage of the nickel processing factory from International Nickel Company (INCO) in South Sulawesi with a production capacity of 15 thousand tons is nearing completion and will be producing in September 1976. Meanwhile PT Pacific Nickel is making efforts for additional capital for constructing a nickel refining plant in Gag Island (Irian Jaya).

Although nickel export volume during the reported year declined by 5% to reach 691.8 thousand tons, its value nevertheless increased by 5% to reach \$ 17 million. The principal country of destination for nickel export was Japan.

Iron sand production during the reported year which was exploited in the Cilacap area did not change significantly i.e. 346 thousand

6) Government Regulation 3/1976, January 24, 1976.

tons, meanwhile the volume and value of export declined by 23% to become 269 thousand tons and 6% to become \$ 2 million respectively.

Due to the rehabilitation of production facilities, *coal* production in 1975/1976 increased by 19% to become 204 thousand tons. Future domestic requirements for coal was expected to increase steadily with the construction of the Baturaja Cement Factory (South Sumatra) expansion of the Indarung Cement Factory and the increasing of capacity of the tin smelting unit in Bangka Island. The mining company PT Sumbara Shell up till now is still in the exploration stage in the Bukit Asam area based on the production sharing agreement between PN Batubara and NV Shell Mijnbouw. Apart from this, the PT Rio Tinto Bethlehem obtained an exploration permit in the Sinamar area (West Sumatra).

Gold production in 1975/1976 increased by 22% to reach 316 kgs. To increase production the Government planned to revive the smallholders gold mining undertakings in Lebong Tandai (North Bengkulu).

Silver production declined by 33% to reach 4 tons. In order to obtain new reserves, drillings were made since 1973 in Cirotan (South Banten), but so far the results were not satisfied.

Copper mining undertaken by Freeport Indonesia Incorporated in Irian Jaya increased by 3% to reach 213 thousand tons.

Its export volume declined, however, by 15% to become 190 thousand tons and its value by 26% to reach \$ 76 million, which was caused by the decline in world copper prices and the decline in demand particularly from West Germany and Japan as principal buyers of Indonesia's copper.

Industry

Government policy in the industrial sector aimed at fulfilling domestic requirements, reduce the goods so far imported and expand employment opportunities. Thanks to the policy of making available sufficient funds for assisting activities in the various sectors of the industry nearly all kinds of industries during the reported year underwent rapid increase.

The funds made available in the 1975/1976 Development Budget for the Industrial and the Mining sectors totalled Rp 48 billion, or increased by 390% as compared to the previous year's budget, of which the industrial subsector took Rp 42 billion.

Besides this, funds were also made available from Project Aid of Rp 3 billion and funds originating from investments credits. The funds already granted came from investment credits of Rp 82 billion (up till February 1976) with the following breakdown (in million of rupiahs):

As regards capital investment it may be stated that PMDN requests approved since 1968 up till the end of 1975 numbered 2,400

Industry	1975/1976 ¹⁾
Foodstuff	14,153
Clothing	15,156
Paper and paper products	4,280
Printing	1,812
Chemical	6,815
Pharmacy	548
Rubber Products	12,110
Construction and Construction materials	7,604
Others	<u>19,095</u>
Total	81,572

1) Until February 1976

with planned investment of Rp 1,742 billion, of which 1,773 (74%) were for the industrial sector with planned investment of Rp 1,125 billion (65%). Domestic capital investment for the industrial sector was mainly for the textile and chemical industries.

Foreign capital investment (PMA) projects approved since 1967 up till the end of 1975 totalled 823 with planned investment of \$ 6,445 million, among them 486 (59%) for the industrial sector with planned investment of \$ 3,499 million (54%) with the following breakdown :

The development of several industries will be dealt with in the following sections.

Industry	Number of Projects	Planned Investment (million \$)
Foodstuffs	61	173
Textiles and Hides	76	981
Timber and Timber products	13	40
Paper and Paper products	15	35
Chemical and Rubber	135	492
Metal	146	1,435
Others	40	343
T o t a l	<u>486</u>	<u>3,499</u>

Textile Industry

Production of the textile industry during the reported year did not show any significant change, viz. from 974 million meters in 1974/1975 to 1,017 million meters during the reported year, or an increase of 4%. One of the major causes for the slow increase during the last few years had been the difficulties faced in the marketing sector. These were closely related to the fact that supply of textiles had exceeded its demand, which was caused by textile imports.

It should also be stated, that production in 1975/1976 of 1,000 million meters had exceeded the target of 990 million meters as set in REPELITA II.

Production of spinning yarn meanwhile increased by 22% to 445 thousand bales, which was caused by the increased number of spindles used, from 873 to 1,239 thousand units in 1975/1976. Besides, the increase in spinning yarn production enabled the Government to take steps to prevent imports of textiles.

Chemical Industry

Products of the chemical industries generally showing increases during the reported year, were urea fertilizer, cement, paper and tyres for motor vehicles. Two other products, viz. ZA fertilizer and salt, slightly declined as compared to the previous year. With the

starting of production of the PUSRI II plant with 380 thousand tons capacity since August 1975, production of urea fertilizer increased by 90% to reach 397 thousand tons per year.

Considering the importance of urea fertilizer as a means for increasing foodstuffs production, particularly rice, new urea fertilizer factories are at the present in the construction stage, among others the PUSRI III and PUSRI IV with the same capacity of 570 thousand tons. Production of ZA fertilizer as a side product of the Petrochemical factory slightly declined, i.e. from 129 thousand tons in 1974/1975 to 119 thousand tons in 1975/1976, because its supply was adjusted to a relatively low demand.

With the increased demand for *cement* for the construction of buildings, dams and other structures, cement as a raw material was needed in large quantities. For this purpose the Government had increased the capacity of the existing factories, constructed new factories, among others 2 factories in Cibinong each of 1.2 million ton capacity and the other of 1 million tons capacity per year. Increased domestic production at that time was not yet sufficient to meet total requirements and the resulting shortage still had to be imported. Cement imports in 1974 totalled 1,738 thousand tons and in the following year 1,609 thousand tons.

The decline of *salt* production from 70 thousand tons in 1974/1975 to 53 thousand tons in the following year was among others caused by unpredictable weather. The

resulting domestic salt shortage was made up through imports on permission from the Minister of Trade.

Various Industries and Crafts

Nearly all the companies in this sector showed positive developments in their expansion of production facilities as well as increases in production. Production of *bicycle tyre* companies underwent a sufficiently large increase of 20% for inner tyres and 18% for outer tyres, respectively to become 6 and 7 million tyres, whereas production of *matches* and *washing soap* increased respectively by 10% and 8% to reach 780 million boxes and 161 thousand tons. Production of *white cigarettes* practically did not change (around 21 million) and the same held for clove cigarette production.

Metal and Machine Industries

Production of the metal and machine industries in 1975/1976 rapidly increased, particularly the products of companies closely related to the construction of physical infrastructure such as warehouses and the like. In this case the production of zinc sheets increased by 143% to become 170 thousand tons and iron sheet production by 32% to reach 152 thousand tons. Other products also increased, such as dry batteries and motor batteries respectively by 25% and 22%, as well as assembling of television sets and cars by respectively 23% and 20%.

Electricity and Gas.

Modernization and rehabilitation of electricity in 1975 was continued in accordance with the plans set by the Government. One of the larger projects was the construction of the PLTU Muara Karang (Steam Generated Electric Power Plant) in Jakarta. Units I and II as well as the distribution network were expected to be completed at the end of 1977/1978, to be followed by Unit III expected to be completed in 1978/1979. Total capacity was to be 300 MW.

The construction of 2 units of the PLTA Batang Agam (Water Generated Electric Power Plant) in West Sumatra with a capacity of 6,700 KW nearly completed and hopefully can be used at the end of this year. Another 4 units of the PLTA Maninjau has been planned with a capacity of 68 MW, which is expected to be completed in 1981.

To overcome the shortage in electric power in Balikpapan and Samarinda 4 PLTD units are being prepared for those towns with a total capacity of 16,000 KW, which is expected to be completed in 1977.

Construction and rehabilitation of electric power in the regions were being continued. Overall wattage development during the last three years was as follows (in thousand of kilowatts):

Electric Generator	1973	1974	1975
Diesel Generated (PLTD)	230	264	267
Steam Generated (PLTU)	225	250	250
Water Generated (PLTA)	279	279	279
Gas Generated (PLTG)	42	126	171
	<u>776</u>	<u>919</u>	<u>967</u>

Source : P.L.N. (State Electric Corporation)

Production by the P.L.N. (State Electric Corporation) during 1975 was 2,894 million KWH, purchased from outside the P.L.N. 777 million KWH, giving an overall total of 3,671 million KWH, of which 2,691 million KWH was sold to the public, an increase of 13% over the previous year.

The State Gas Corporation and its units in the whole of Indonesia in 1975 succeeded in increasing its production by 25% to reach 71 million m3 with the following breakdown (million m3):

Unit	1973	1974	1975
Medan	3.9	3.6	3.1
Jakarta	12.4	13.0	11.3
Bogor	1.6	1.5	1.4
Bandung	7.8	7.9	8.1
Cirebon	0.8	18.6	35.6
Semarang	2.8	2.9	2.9
Surabaya	8.7	8.5	7.7
Ujung Pandang	0.8	0.9	0.9
	<u>38.8</u>	<u>56.9</u>	<u>71.0</u>

Source : State Gas Corporation

The kinds of gas produced and the raw materials used were as follows:

Gas Produced (million m3)	1973	1974	1975
Cooking gas	4.7	3.3	5.2
Oil gas	34.0	35.5	30.2
Earth gas	—	18.1	35.6
	<u>38.7</u>	<u>56.9</u>	<u>71.0</u>

Raw Materials Used

Coal (thousand tons)	2.6	1.0	5.7
Fuel Oil (millions litres)	26.7	25.7	23.7

Source : State Gas Corporation

Communications

Development activities in the communications sector during 1975/1976 were a continuation of the program for rehabilitation and

improvements of infrastructure and the transportation means. The various efforts undertaken are discussed in the following sections.

Land Transportation

With the completion of the rehabilitation, improvements and construction of new roads and bridges in 1975/1976 the land transportation network improved and expanded and thus traffic became smoother and more organized. This had stimulated the domestic production of motor vehicle assembly as well as the land transportation fleet. The development of the transportation fleet was as follows (in thousands):

Year	Buses	Trucks/ Cargo vehicles	Passenger cars	Motor cycles
1973	30	144	308	720
1974	31	166	338	945
1975	36	189	378	1.151

Railway transportation made rapid progress in its service to public, with the rehabilitation, improvements of facilities and railway vehicles and the perfecting of the organization of the PJKA (State Railway Corporation). Due to increased carrying capacity and expansion of highway traffic, goods and passengers which formerly used to railway facilities have shifted to highway transportation.

In connection with this, the sales of the railway service declined by 6% to reach 23,854 thousand passengers in 1975, although the total passenger—km increased

by 2% to reach 3,534 passenger-km. The decline in total railway passengers occurred in short-distance transportations, the long-distance ones actually showed an increase. In the transportation of goods, the tonnage as well as ton-km of goods carried also declined, respectively by 15% and 14%. Developments in railway transportation were as follows:

	Passenger Transportation (million passenger—km)	Goods Transportation (million ton—km)
1973	2,727	1,069
1974	3,466	1,116
1975	3,534	959

Source : Department of Communications

Sea Transportation

The scrapping of old vessels and the addition of new ones to the national merchant fleet resulted in an increase in 1975 :

Year	Total Vessels	Capacity (thousand DWT)
1973	267	284.9
1974	304 r	307.6 r
1975	319	330.4

Source : Department of Communications

This increase was very significant to the smooth communication and economic and social life in the regions visited by the vessels.

Efforts for intensifying Pioneer Sailing, which was started in 1974/1975, to link isolated regions with other regions for the equal spread of development, were continued. The total vessels operated was increased to 16 (it was 15 in 1974), connecting small ports

at the coasts of West Sumatra, Riau Islands, West Nusatenggara, East Nusatenggara, North Sulawesi, Central Sulawesi, South Sulawesi, South East Sulawesi, Maluku and Irian Jaya.

The Ocean going capacity in 1975 also increased, but in connection to the decline of international economic activities, the cargo carried by the national ocean going fleet declined, as may be seen from the following:

Year	Vessels Operated		Cargo Thousand Tons
	Number of	Thousand Tons	
1973	41	386.7	9,916.8
1974	45	425.5	9,038.0
1975	49	419.1	8,794.3

Source : Department of Communications

Air Transportation

Efforts for improving air transport productivity were made by developing the fleet, expand the network and increase the flight frequency and improving the infrastructure. Several companies had increased their airplanes, and thus the total of airplanes in regular flights showed the following:

Kind of Aeroplane	1973	1974	1975
– Piston engined	14	14	13
– Turboprop	25	30	32
– Turbojet engined	16	20	33
T o t a l	55	64	78

Source : Department of Communications

With these expansions the domestic air fleet showed the following developments:

	1973	1974	1975
Production (million ton–km)	214	264	303
Sales (million ton–km)	115	144	165
Passengers carried (thousands)	1.649	2.126	2.323
Distance flown (million kms)	33	42	47
Flight hours (thousands)	85	106	116
Cargo carried (thousand tons)	14	19	23

Postal and Giro Services

Postal and giro services in 1975 rapidly increased due to continued efforts for smooth and speedy service to the public. During that year normal/fast postal letter services had increased by 7%, postal drafts by 28%, postal giro and cheques by 31% and savings at the State Savings Bank by 87%. Their developments were as follows:

	1973	1974	1975
Normal/fast delivery (million)	176	187	200
Postal drafts (billion rupiahs)	46	63	81
Postal Giro and Cheques (billion rupiahs)	204	326	426
Savings at State Savings Bank (billion rupiahs)	1	2	4

Source : Department of Communications

Telecommunications

In the context of the automation program of the telephone network, 2 automatic telephone centrals were completed in 1975 with a capacity of 18,100 connections. With this additional capacity 3 manual telephone with 4,480 connections were not used. Telephone

capacity in 1975 increased by 6% to reach 243,662 connections.

Year	Automated		Manual	
	Central	Capacity (connections)	Central	Capacity (connections)
1973	34	115.500	504	101.920
1974	37	126.000	507	104.042
1975	39	144.100	504	99.562

As regards the construction of a microwave transmission network system, the Trans-Sumatra Microwave was inaugurated in August 1975. With its completion the towns of Tanjung Karang, Palembang and Medan were included in the network of towns capable of connecting each other through Long Distance Direct Connection (SLJJ) such as the cities in the Java-Bali Micro-wave system inaugurated in 1973. Furthermore, in December 1975 the construction of the Surabaya—Banjarmasin microwave using the troposcatter system was completed, being a microwave communication system bounced back through the troposphere. Thus Banjarmasin entered the network of cities capable of telephone connection with SLJJ. As for East Indonesia, a contract agreement was signed in July 1975 for the construction of an East Indonesia microwave project to connect West Nusatenggara — East Nusatenggara — Ujung Pandang. The project is expected to be completed in 1977 and will be connected with the Java- Bali microwave, Trans-Sumatra microwave and the Surabaya-Banjarmasin troposcatter through Denpasar. Other microwave projects in construction are the Padang — Pekanbaru — Tanjung Pinang microwave and the Medan — Banda Aceh microwave.

As regards the Domestic Satellite Communication System (SKSD) it may be noted here, that in 1975 a Principal Satellite Control Station was constructed in Cibinong and earth stations in 39 locations and skilled personnel in operations and maintenance were prepared for managing the SKSD. It was hoped that the control station and all the earth stations will be completed before August 17, 1976, when the use of the SKSD would then be officially inaugurated.

Tourism

Although 1975 was still characterized by the aftermath of the global recession and which was expected to influence tourism activities, it turned out nevertheless that the number of foreign tourists visiting Indonesia increased by 20% to reach 373 thousand people. This was achieved due to continued efforts for improving accommodation facilities, transportation and developing tourism objects, besides efforts for marketing Indonesian tourism abroad by opening tourism marketing offices in Frankfurt, West Germany and the availability of direct flights among others from Australia, Hongkong and Tokyo to Bali.

Most of the foreign tourists visiting Indonesia came from the United States, Australia, Japan and the Netherlands, whereas Jakarta and Bali were the most frequently visited locations. Other regions most visited were North Sumatra, West Sumatra, Central Java (particularly Yogyakarta), West Java and East Java. The development of the number of foreign tourists visiting Indonesia during the last 3 years was as follows:

Year	Number of Tourists (thousands)	Estimated Expenditures in Indonesia (million \$)
1973	273	41.0
1974	311	54.4
1975	373	62.3

1) It was estimated that each tourist would stay 5 days in Indonesia spending \$ 30 for 1973–1974, \$ 35 /day for 1975.

Source : Department of Communications

It may be seen from the above figures that increases in the number of tourists may bring about significant revenues from the sales of services and goods, and this will stimulate other activities in the economy and expand employment opportunities.

Prices and Wages

Prices

The price index of 62 goods and services in Jakarta, used for measuring the inflation rate, increased by 19.8% in 1975/1976, compared with 21.1% in the preceding year (Table XXI). This increase, besides by external factors, particularly increased prices of imported goods in the world market, was also caused by domestic developments, such as increase in the money supply and the Government policy of upwardly adjusting the floor price of paddy/rice for increasing the farmers' income.

Although money supply during the reported year had increased by 39%, the cost of living index nevertheless only increased by 19.8%. Reasons for this were the increasing liquidity preference of the public as reflected in the rapid increase of time deposits and the success of the policy for making

available principal commodities, particularly in the national stock scheme. This stock, which was expanded in the context of the April 9, 1974 policy, besides rice, also covered several other principal commodities like wheat flour, sugar, fertilizers and cement.

During the first semester of 1975/1976 the cost of living index increased by 8.3% to reach 1,545, mainly due to the increase in the index for Foodstuffs and Housing. The increase in the index for foodstuffs was among others due to the increase in rice prices, cow's meat and vegetables during the period approaching the Idul Fitri festivities. The increase in the index for Housing was caused by the increase in rentals and increase of kerosene prices due to the price adjustments of fuels by the Government in April 1975.

During the second semester of 1975/1976 the cost of living index increased again by 10,6% to reach 1,709 as a consequence of the increase of the index for foodstuffs (particularly rice) and the sector of others. The increase in the index for foodstuffs was mainly caused by increased rice prices occurring during the dry season. To mention another, the upward adjustment of the floor price of paddy/rice by the Government for raising the farmers' income announced in October 1975 turned out also to be influential in the increase of rice prices. Although the new basic floor price would become effective in February 1976, rice prices in the market had nevertheless already started to increase since November 1975, as may be seen from the price developments after

October 1975. Medium quality rice in Jakarta in October 1975 stood at Rp 118.75/kg, increased to Rp 141.66 in November and continued to increase to Rp 153.28/kg in February 1976.

On the average the percentage increase of the cost of living index in Jakarta in 1975/1976 was approximately equal to the preceding year, which was 1,5% per month.

As regards the price index of 9 essential commodities, it may be stated that its increase during this reported year was approximately equal to the increase in the cost of living index, i.e. 19.8%, as compared to the previous year's of 11.2%. Developments during the last 3 years are shown in Table XXII.

On the average, the percentage increase was 1.5% per month as compared to 0.9% in 1974/1975. Commodities which increased in prices were among others rice kerosene, salt salted fish and granulated sugar, by respectively 27.5%, 25.0%, 20.7%, 20.0% and 12.0%. On the other hand, prices of cooking oil and washing soap declined respectively by 23.5% and 17.6%, which was mainly caused by the decline of domestic prices of copra.

The price increase of several export commodities in Jakarta was closely related to the price increases of those commodities in the international market. Rubber prices showed an upward trend, although they declined during the first quarter of 1975/1976. At the end of the previous reported year RSS

I was priced at Rp 178.35/kg and at the end of this reported year it jumped to Rp 243.59/kg. Meanwhile, RSS I prices in New York increased from \$ cents 31 3/8 /lb to \$ cents 37 1/2/lb. The same also held for coffee, the price of Robusta coffee in Jakarta doubling from Rp 245.82 in March 1975 to Rp 507/kg in the same month of the following year. The price of coffee in the world market during the same period increased from Sin. \$ 113/picol to Sin. \$ 211/picol. Copra prices, however, showed a down ward tendency, from Rp 94.51 to Rp 89.18/kg. This was caused by the declining copra prices abroad as result of increased world copra production and other vegetable oils. Tea prices were rather stable during 1975, for BOP tea its price was Rp 310.78/kg, but since the beginning of 1976 its price declined to Rp 301.64/kg. Pepper prices, white as well as black, continued to fluctuate. Up till June 1975 its price continuously declined, but increased again in the third quarter and for the last 6 months of this reported year its price had been fluctuating. In March 1976 white pepper was priced at Rp 455.37/kg and black pepper at Rp 379.82/kg. Price developments may be seen in Table XXIII.

Salaries/Wages

In general salaries/wages during 1975/1976 did not increase as much as the previous year. Average minimum and maximum wages at certain companies in the various sectors of the economy during the reported year increased approximately by the same magnitude, i.e. around 0 - 29%.

Developments in the various sectors were as follows :

After having their Work Allowance raised by 500% of their basic salaries, making it

	Average Minimum Wage		Average Maximum Wage	
	(Rp)	1)	(Rp)	1)
	1974/1975	1975/1976	1974/1975	1975/1976
Plantations	7,868	8,965	115,487	138,135
Mining	23,900 ²⁾	25,398	264,453 ²⁾	285,872
Industry	23,612	27,510	208,633	251,101
Construction	17,584 ²⁾	18,072	151,093 ²⁾	155,271
Electricity	14,262	14,262	89,595	89,595
Trade	22,898	29,473	140,073	179,878
Communication	20,613 ²⁾	21,893	161,281	171,236
Services	13,100	13,100	146,855	151,800

1) Salaries/Wages in January

2) Salaries/Wages in April 1975

Source : Department of Manpower, Transmigration and Cooperatives.

then 900% in January 1975, Civil servants did not obtain salary increases during the reported year.

It should be noted here that no clear and binding Government regulation exist on salaries, as regards its minimum size as well as uniformity for each sector and region. In order to formulate policies and seek the correct minimum wage level for the various sectors and regions, tripartite meetings had been held in 1975/1976 among the Government, Management of Companies and Labor Unions. Data on salaries in companies operating in the various sectors in West Java, the Yogyakarta Special Territory, East Java, North Sulawesi, West Kalimantan, South Sumatra, Jambi and Aceh were also compiled.

Manpower

Government policies on manpower, besides directed at expanding employment opportunities was also aimed at increasing productivity and income and the more optimal use of manpower itself. In REPELITA II expansion of employment opportunities had been one of the targets to be achieved through development activities.

The above policy was pursued, considering that the manpower sector up to now was still facing the problem on what measures to implement in order that the vast additional labor force, estimated of reaching 1.3 million people each year for the 1975 - 1980 period, would not become a burden but a source of labor for development pur-

pose. Another problem had been the fact that a large part of the labor force was unskilled and only capable of using traditional technology resulting in their low productivity and income.

Efforts and programs prepared to achieve the above objectives were basically a continuation and intensification of measures implemented during the preceding years. In order to expand employment opportunities the New Style Labor Intensive program, Kabupaten/Kotamadya Inpres program and greening and reforestation programs were among others implemented.

Efforts for more effective utilization of manpower was implemented through the Voluntary Labor Mobilization/BUTSI program, the Indonesianisation of labor in foreign capital investment companies and the intensification of informational activities in the labor market and job referral activities, local, regional as well as between countries.

To spread the needed skills in development, training on skills were given through Labor Training Centers and Mobile Training Units.

Efforts for increasing productivity of the manpower were developed through the creation of work security in the production process, i.e. by increasing efforts to develop sound labor relations and protection of the manpower. In this connection measures had been implemented for perfecting the regulations on working condition as well as their implementation, development of labor orga-

nizations and managements organizations directed towards the creation of good labor-management cooperation, and stimulate the implementation of Collective Labor Agreements in companies.

Of the various efforts implemented in 1975 the results obtained were among others as follows:

- The New Style Labor Intensive projects implemented in 17 Provinces at 138 kecamatans (sub-districts) were capable of employing more than 62 thousand people every day during 3 to 9 months.
- The Kabupaten/Kecamatan Inpres program, which was implemented in 1975/1976 with aid provision of Rp 400,— per capita was able to provide employment opportunities to more than 1 million people, assuming each working for a maximum period of 100 days.
- To provide employment opportunities to university/academy graduates, the Voluntary Labor Mobilization/BUTSI program succeeded in mobilizing approximately 1,300 graduates.
- Through informational activities in the labor market and job referral activities, a total of approximately 98 thousand people could be placed.
- By continued efforts for improving and rehabilitating Industrial and Agricultural Training Centers and the Man-

agement Training Centers found in several cities, training facilities were improved. The total labor trained in those Centers in 1975 reached approximately 15 thousand. Besides that,

to provide guidance to young rural laborers 29 Mobile Training Units had been sent out and a total of approximately 3 thousand people were trained in the agricultural and mechanics skills.

APPENDICES

APPENDIX A

BANK INDONESIA
CONDENSED BALANCE SHEET
as per March 31, 1976
(millions of Rupiahs)

ASSETS	LIABILITIES
FOREIGN EXCHANGE ASSETS	CURRENCU IN CIRCULATION
a. Gold and foreign exchange	Foreign exchange liabilities
b. Other foreign assets 1)	a. Foreign liabilities 1)
	b. Others
1,614,054	85,355
	655,100
	740,455
Claims on Government	Deposits :
a. Advances to Government	a. Government
b. Transactions/payments on account	b. Government, counterpart funds
of membership in financial	of foreign borrowing
institutions	c. International Financial-
— in gold	institutions
— in Rupiahs	d. Third parties
7,011	— Banks
61,192	— Others
	392,112
	8,796
	400,908
c. DICS promissory notes	
200,965	
	CAPITAL AND RESERVE
LOANS	OTHER LIABILITIES
a. Banks	
b. Others	
574,058	1,091,050
261,384	54,936
	120,107
PREMISES, FURNITURE AND	
FIXTURES	
15,378	
OTHER ASSETS	
94,185	
2,760,024	2,760,024

1) Does not constitute a component of international reserves:

BANK INDONESIA
PROFIT AND LOSS ACCOUNT
as per March 31, 1976
(millions of Rupiahs)

EXPENDITURE	REVENUE
Expenses	
— Personnel / Material / Operational	83,785
— Currency in Circulation	237
— Miscellaneous	
— Dotation to Pension Fund	12,628
— Depreciation	
PROFIT	
— Profit before tax	32,855
	<u>96,650</u>
	<u>96,650</u>

APPENDIX B

MANAGEMENT OF BANK INDONESIA AS PER MARCH 31, 1976

Government Commissioner : Soegiono

BOARD OF MANAGING DIRECTORS

Governor : Rachmat Saleh
Managing Director : Marathon Wirija Mihardja
Managing Director : Soeksmono Besar Martokoesoemo
Managing Director : J.A. Sereh
Managing Director : Arifin Mohamad Siregar
Managing Director : J.E. Ismael
Managing Director : Durmawel Ahmad
Managing Director : M. Djoko Soedomo

GENERAL MANAGERS

Office of the Board	:	A.U. Laoh
International Department	:	T.M. Zahirsjah
Foreign Exchange Department	:	W. Kidarsa
Loan Department	:	Kamardy Arief
Credit Planning and Credit Supervision Department	:	R.P. Soema di Pradja
Bank Supervision Department	:	Abdullah Ali
Money and Capital Market Department	:	Sutadi
Issue Department	:	R. Soejatno Soemardjo
Economics and Statistics Department	:	R. Paryono
Legal Department	:	Ismail Djamil
Administration and Organization Department	:	H.P. Toar
Budget Department	:	M.S. Mansoer
Internal Control Department	:	R. Dhoemadi Singowigoeno
Personnel Department	:	R. Rachmad
General Services Department	:	Eddy Suwardi

REPRESENTATIVES

Kuala Lumpur and Singapore	:	Lulu Prawira Subrata
London	:	E.J. Hartoko
New York	:	Achmad Effendie
Tokyo	:	R. Soejoto

BRANCH MANAGERS

Ambon	: Husnie Azhurie
Ampenan	: Ekotjipto
Banda Aceh	: Suparman Widjaja
Bandung	: Oesman Ibrahim
Banjarmasin	: Sumantri Hadisuryatno
Bengkulu	: R. Husni Djojoseputro
Cirebon	: Tom Hartono
Denpasar	: Soewarno Poespowidjojo
Jambi	: Soetrisno
Jayapura	: Dewa Made Gunawan
Jember	: Dulkalip
Yogyakarta	: Suparto W ignyasubrata
Kediri	: R. Soenoekarto Darsopanambang
Kendari	: Thamrin Soerawisastra
Kupang	: Usman Sugiarto
Malang	: Sanjoto Abdulradjak
Medan	: Mahfud Jakile
Menado	: Ph.K. Intama
Padang	: Soedharnindhito
Pekanbaru	: Akhmad Martinus
Palembang	: R. Koesmadi Sastrodipoero
Palu	: R.N.G. Natakoesoemah
Pontianak	: Ruslan Ahmadi
Samarinda	: Soepardi
Semarang	: Bambang Susilo
Solo	: R.M. Soedianto Mangkoesoebroto
Surabaya	: R. Sujanto
Telukbetung	: A. Sulaiman Gandabrata
Ujung Pandang	: Wiardi

CASH OFFICE MANAGERS

Balikpapan	: Achmad Sanusi Hardjarana
Purwokerto	: Judjono Gandasubrata
Tegal	: R. Soeroto Dono

APPENDIX C

TABLE I – AREA AND POPULATION OF MAIN ISLANDS

	Area		Number of population			
	(thousands sq. km)	%	1971 ¹⁾ (millions persons)	%	1975 ²⁾ (millions persons)	%
Java & Madura	132.2	6.9	76.1	63.8	83.5	63.2
Sumatera	473.6	24.9	20.8	17.4	23.6	17.9
Sulawesi	189.2	9.9	8.5	7.1	9.6	7.3
Kalimantan	539.5	28.3	5.2	4.4	5.8	4.3
Bali	5.6	0.3	2.1	1.8	2.4	1.8
Irian Jaya	422.0	22.2	0.9	0.8	1.0	0.8
Other islands	142.5	7.5	5.6	4.7	6.2	4.7
Indonesia	1,904.6	100.0	119.2	100.0	132.1	100.0

1) 1971 Census

2) Estimated figures

Source : Central Bureau of Statistics

TABLE II – DEVELOPMENT EXPENDITURE EXCLUDING PROJECT AID
1972/1973 – 1975/1976
(billions of Rupiahs)

Type of expenditure/items	1972/1973	1973/1974	1974/1975	1975/1976
1. Departments/Institutions	150.0	167.3	221.6	384.9
2. Regional Development	57.8	85.7	158.3	234.2
a. Subsidies to villages	(5.7)	(5.7)	(11.4)	(15.9)
b. Subsidies to Kabupaten/Kotamadya	(12.8)	(19.2)	(42.5)	(59.1)
c. Subsidies to Provinces	(20.8)	(20.8)	(47.4)	(54.0)
d. Irian Jaya	(3.3)	(3.3)	(4.0)	(5.5)
e. Primary School	(—)	(17.2)	(19.7)	(49.9)
f. Public Health Centre	(—)	(—)	(5.3)	(15.2)
g. I P E D A	(15.2)	(19.5)	(28.0)	(34.6)
3. Other development expenditure	28.1	83.8	386.0	307.2
a. Subsidies on commercial imports of fertilizer	(—)	(33.0)	(227.2)	(134.5)
b. Government Capital Participation	(22.5)	(40.8)	(91.1)	(108.7)
c. Others	(5.6)	(10.0)	(67.7)	(64.0)
Total	235.9	336.8	765.9	926.3

Source : Department of Finance

TABLE III – DEVELOPMENT EXPENDITURES 1975/1976
(Billions of Rupiahs)

S e c t o r	Expenditure in Rupiah	Project Aid	Total
1. Agriculture and Irrigation	214.0	43.0	257.0
2. Industry and Mining	47.7	76.4	124.1
3. Electric Power	38.0	89.7	127.7
4. Communications and Tourism	85.1	226.5	311.6
5. Trade and Cooperatives	2.9	0.6	3.5
6. Manpower and Transmigration	11.3	0.6	11.9
7. Regional Development	172.5	0.4	172.9
8. Religion	2.5	—	2.5
9. Education, National Culture and Development of Young Generation	106.4	7.3	113.7
10. Health, Family Planning and Social Welfare	30.8	6.9	37.7
11. Housing and Water supply	10.5	2.8	13.3
12. Law and order and law enforcement	4.6	—	4.6
13. Defence and National Security	35.8	—	35.8
14. Information and Communication	7.0	10.1	17.1
15. Science and Technology, Research and Statistics	16.7	0.4	17.1
16. Government Apparatures	31.8	—	31.8
17. Government Capital Participation	108.7	6.7	115.4
T o t a l	926.3	471.4	1,397.7

Source : Department of Finance

TABLE IV – DEVELOPMENT EXPENDITURE 1972/1973 – 1975/1976
(Billions of Rupiahs)

S e c t o r	1972/1973	1973/1974	1974/1975	1975/1976
1. Agriculture and Irrigation	52.7	98.1	301.8	257.0
2. Industry and Mining	20.7	33.3	70.7	124.1
3. Electric Power	23.7	45.1	79.0	127.7
4. Communications and Tourism	69.9	79.4	123.5	311.6
5. Trade and Cooperatives	—	—	4.2	3.5
6. Manpower and Transmigration	0.3	0.3	4.5	11.9
7. Regional Development	59.1	69.8	135.9	172.9
8. Religion	0.7	0.6	3.0	2.5
9. Education, National Culture and Development of Young Generation	18.0	36.9	47.2	113.7
10. Health, Family Planning and Social Welfare	7.8	8.5	25.3	37.7
11. Housing and Water supply	5.7	8.5	6.5	13.3
12. Law and Order and Law enforcement	—	5.8	1.9	4.6
13. Defence and National Security	6.0	7.2	22.7	35.8
14. Information and Communication	11.1	16.6	2.7	17.1
15. Science and Technology, Research and Statistics	—	—	11.2	17.1
16. Government Apparatures	—	—	23.9	31.8
17. Government Capital Participation	22.5	40.8	97.8	115.4
T o t a l	298.2	450.9	961.8	1,397.7

Source : Department of Finance

TABLE V – DEVELOPMENT EXPENDITURE BY SECTOR EXCLUDING PROJECT AID
(Billions of Rupiahs)

S e c t o r ¹⁾	1972/1973	1973/1974	1974/1975	1975/1976
1. Agriculture and Irrigation	40.9	79.5	275.5	214.0
2. Industry and Mining	4.6	4.6	6.6	47.7
3. Electric Power	14.8	17.6	40.5	38.0
4. Communication and Tourism	48.4	51.1	81.3	85.1
5. Manpower and Transmigration ²⁾	0.3	0.3	4.3	11.3
6. Regional Development	59.1	69.8	135.5	172.5
7. Religion	0.7	0.6	3.0	2.5
8. Education, National Culture and Development of Young Generation ³⁾	15.8	35.4	39.4	106.4
9. Health, Family Planning and Social Welfare	7.4 ⁴⁾	7.5 ⁴⁾	17.9	30.8
10. Housing and Water supply	4.3 ⁵⁾	5.8 ⁵⁾	5.4	10.5
11. Defence and National Securities	6.0	7.2	22.7	35.8
12. Trade and Cooperatives	---	---	3.6	2.9
13. Law and Order and law enforcement	---	---	1.9	4.6
14. Information and Communication	11.1	16.6	2.3	7.0
15. Science and Technology, Research and Statistics	---	---	11.0	16.7
16. Government Apparatures	---	---	23.9	31.8
17. Government Capital Participation	22.5	40.8	91.1	108.7
T o t a l	235.9	336.8	765.9	926.3

1) Classification by sectors based on REPELITA II

2) In REPELITA I, this sector was called manpower and population

3) In REPELITA I, this sector was called education and national culture

4) Excluding social welfare

5) Including social welfare

Source : Department of Finance

TABLE VI – ACTUAL PROJECT AID
(Billions of Rupiahs)

S e c t o r ¹⁾	1972/1973	1973/1974	1974/1975	1975/1976
1. Agriculture and Irrigation	11.8	18.6	26.3	43.0
2. Industry and Mining	16.1	28.7	64.1	76.4
3. Electric Power	8.9	27.5	38.5	89.7
4. Communications and Tourism	21.5	28.3	42.2	226.5
5. Education, National Culture and Development of Young Generation	2.2	1.5	7.8	7.3
6. Health, Family Planning and Social Welfare	0.4 ²⁾	1.0 ²⁾	7.4	6.9
7. Housing and Water supply	1.4 ³⁾	2.7 ³⁾	1.1	2.8
8. Trade and Cooperatives	---	---	0.6	0.6
9. Manpower and Transmigration	---	---	0.2	0.6
10. Regional Development	---	---	0.4	0.4
11. Religion	---	---	---	---
12. Law and Order and law enforcement	---	5.8	---	---
13. Defence and National Security	---	---	---	---
14. Information and Communication	---	---	0.4	10.1
15. Science and Technology, Research and Statistics	---	---	0.2	0.4
16. Government Apparatures	---	---	---	---
17. Government Capital Participation	---	---	6.7	6.7
T o t a l	62.3	114.1	195.9	471.4

1) Classification by sectors based on REPELITA II

2) Excluding Social Welfare

3) Including Social Welfare

Source : Department of Finance

TABLE VII – INVESTMENT CREDITS ¹⁾
(millions of Rupiahs)

	1973	1974	1975				1976
	I	I	I	II	III	IV	I
Credit Outstanding	<u>90,604</u>	<u>107,952</u>	<u>126,098</u>	<u>134,519</u>	<u>143,786</u>	<u>153,246</u>	<u>170,192</u>
1. By Economic Sectors							
– Agriculture	7,046	8,305	9,545	10,886	14,600	15,671	16,338
– Mining	242	168	147	145	142	143	5,143
– Manufacturing	52,108	52,764	61,404	63,952	65,190	66,754	69,103
– Service rendering industry	29,271	41,178	46,672	51,039	55,710	62,221	70,346
– Others	1,937	5,537	8,330	8,517	8,144	8,457	9,262
2. By source of funds							
– Central Bank	59,010	64,096	61,454	53,696	61,008	65,594	81,258
– State Banks	24,205	39,011	60,696	76,918	78,874	83,814	85,101
– Budget ²⁾	7,389	4,845	3,948	3,905	3,904	3,838	3,833
Approved by banks	<u>133,722</u>	<u>157,478</u>	<u>177,071</u>	<u>184,393</u>	<u>191,397</u>	<u>221,528</u>	<u>226,137</u>
1. By Economic Sectors							
– Agriculture	9,061	10,956	12,139	15,198	14,418	15,650	17,955
– Mining	470	513	221	165	154	154	5,154
– Manufacturing	66,499	75,187	86,837	88,262	90,575	95,415	85,743
– Service rendering industry	54,184	62,321	65,916	68,472	73,249	96,763	103,741
– Others	3,508	8,501	11,958	12,296	13,001	13,546	13,544
2. By sources of funds							
– Central Bank	96,717	110,351	111,827	114,236	115,521	133,887	139,846
– State Banks	26,535	39,900	59,485	64,616	70,405	82,280	81,187
– Budget ²⁾	10,470	7,227	5,759	5,541	5,471	5,361	5,104

1) Based on the Announcement of the Board of Directors of Bank Indonesia No. Peng.1/DIR/1976 dated March 7, 1969.

Excludes KIK and Foreign exchange components and Rupiah Financing of project aid.

2) Since 1971 new funds from the Budget is not any more made available for financing investment credits, whereas the funds already returned are put into the Investment Funds to be used subsequently for the granting of new investment credits.

**TABLE VIII – INVESTMENT CREDITS FOR RUPIAH (LOCAL) COST OF
PROJECT AID**
(millions of Rupiahs)

	1973	1974	1975				1976
	I	I	I	II	III	IV	I
Credit Outstanding	<u>6,200</u>	<u>11,320</u>	<u>16,581</u>	<u>20,035</u>	<u>22,386</u>	<u>24,542</u>	<u>26,201</u>
1. By economic sectors							
– Agriculture	855	1,399	3,890	7,076	9,397	11,186	12,994
– Mining	---	---	---	---	---	---	---
– Manufacturing	5,345	8,238	10,977	11,245	11,274	11,553	12,757
– Service rendering industry	---	---	---	---	---	---	---
– Others	---	1,683	1,714	1,714	1,715	1,803	450
2. By sources of funds							
– Central Bank	5,017	8,939	14,284	16,894	20,596	22,298	23,517
– State banks	1,183	2,381	2,297	3,141	1,790	2,244	2,684
– Budget	---	---	---	---	---	---	---
Approved by banks	<u>13,018</u>	<u>17,838</u>	<u>21,232</u>	<u>30,975</u>	<u>32,428</u>	<u>33,538</u>	<u>43,319</u>
1. By economic sectors							
– Agriculture	2,765	7,291	6,873	16,142	17,595	18,704	17,914
– Mining	---	---	---	---	---	---	---
– Manufacturing	8,662	8,956	12,768	13,242	13,242	13,243	23,814
– Service rendering industry	---	---	---	---	---	---	---
– Others	1,591	1,591	1,591	1,591	1,591	1,591	1,591
2. By sources of funds							
– Central Bank	11,716	16,054	18,481	27,378	28,831	29,941	39,722
– State banks	1,302	1,784	2,751	3,597	3,597	3,597	3,597
– Budget	---	---	---	---	---	---	---

TABLE IX – INVESTMENT CREDITS FOR FOREIGN EXCHANGE COMPONENT
OF PROJECT AID
(millions of Rupiahs)

	1973	1974	1975			1976	
	I	I	I	II	III	IV	I
Credit Outstanding	<u>19,275</u>	<u>42,114</u>	<u>79,032</u>	<u>84,579</u>	<u>89,185</u>	<u>96,771</u>	<u>100,521</u>
1. By economic sectors							
– Agriculture	6,876	14,185	21,927	23,542	26,333	28,301	29,227
– Mining	---	1,866	9,637	10,435	10,543	11,210	11,268
– Manufacturing	10,254	18,702	33,970	38,125	38,836	40,480	42,527
– Service rendering industry	962	3,743	8,789	8,749	9,746	10,864	11,088
– Others	1,183	3,618	4,709	3,728	3,727	5,916	6,411
2. By Sources of funds							
– Central Bank	19,275	41,939	78,571	84,352	89,097	96,678	100,395
– State banks	---	175	461	227	88	93	126
– Budget	---	---	---	---	---	---	---
Approved by banks	<u>60,859</u>	<u>80,540</u>	<u>116,141</u>	<u>123,875</u>	<u>127,677</u>	<u>153,497</u>	<u>161,161</u>
1. By economic sectors							
– Agriculture	20,105	25,615	40,037	45,525	48,731	49,442	49,291
– Mining	---	10,303	13,800	12,758	12,758	12,758	12,895
– Manufacturing	31,574	34,565	50,401	49,393	49,393	49,332	51,187
– Service rendering industry	5,400	6,277	8,123	12,419	13,015	30,614	30,613
– Others	3,780	3,780	3,780	3,780	3,780	11,351	17,175
2. By Sources of funds							
– Central Bank	60,859	80,540	115,389	123,875	127,677	153,497	161,161
– State banks	---	---	---	---	---	---	---
– Budget	---	---	752	---	---	---	---

TABLE X – BALANCE OF TRADE
(millions of \$)

	Imports (f.o.b.)			Exports (f.o.b.)			Balance of trade			Percentage Change (%) 1975/1976 against 1974/1975	
	1973/ 1974	1974/ 1975	1975/ 1976	1973/ 1974	1974/ 1975	1975/ 1976	1973/ 1974	1974/ 1975	1975/ 1976	Imports	Exports
	1 st. Qtr	614	1,181	1,613	663	1,842	1,601	+ 49	+ 661	- 12	36.6
2 nd. Qtr	712	1,334	1,549	834	1,904	1,857	+ 122	+ 570	+ 308	16.1	- 2.5
3 rd. Qtr	800	1,169	1,335	901	1,794	1,770	+ 101	+ 625	+ 435	14.2	- 1.3
4 th. Qtr	948	1,413	1,487	1,215	1,646	1,956	+ 267	+ 233	+ 469	5.2	18.8
Total	3,074	5,097	5,984	3,613	7,186	7,185	+ 539	+2,089	+1,200	17.4	---

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

	1971/1972	1972/1973	1973/1974	1974/1975	1975/1976
E u r o p e					
United Kingdom and the Republic of Ireland	10	25	35	23	36
Germany, Federal Republic of	63	84	126	171	131
France	8	11	23	18	15
Belgium – Luxemburg	16	33	15	11	12
Netherlands	72	69	110	166	158
Italy	10	26	42	16	33
Denmark	5	5	9	8	9
Norway	1	1	4	2	2
Sweden	1	1	2	4	2
Other	13	22	34	58	54
Total exports to Europe	199	277	400	477	452
Percentage of total exports	16.0%	14.4%	9.0%	6.4%	6.4%
A m e r i c a					
Canada	3	1	2	33	10
United States of America	217	274	746	1,546	1,969
Other	3	54	141	461	643
Total exports to America	223	329	889	2,040	2,622
Percentage of total exports	17.9%	17.2%	20.0%	27.3%	36.9%
A f r i c a					
United Arab Republic	---	1	---	---	1
Portugese East Africa	---	---	---	3	2
Union of South Africa	---	---	---	---	---
Other	1	4	11	17	1
Total exports to Africa	1	5	11	20	4
Percentage of total exports	0,1%	0,3%	0,2%	0,3%	0,1%
A s i a					
Iraq	---	5	---	---	14
India	---	---	3	5	8
Pakistan	---	---	2	44	33
Burma	1	---	---	15	3
Thailand	---	---	2	7	3
Malaysia	27	36	35	82	56
Singapore	131	156	450	555	609
Vietnam	---	---	---	---	---
Hongkong	11	14	16	25	27
China	---	---	---	---	---
Japan	602	1,007	2,324	3,940	3,008
Philippines	25	7	1	4	33
Other	1	38	253	189	205
Total exports to Asia	798	1,263	3,086	4,866	3,999
Percentage of total exports	64.0%	65.8%	69.3%	65.3%	56.3%
A u s t r a l a s i a					
Australia	14	13	15	24	24
New Zealand	1	1	1	1	1
Oceania – Hawaii	11	31	53	30	---
Total exports to Australasia	26	45	69	55	25
Percentage of total exports	2.0%	2.3%	1.5%	0.7%	0.3%
Via free port :					
Sabang, Tanjung Uban and ports not specifically mentioned	---	---	---	---	---
Percentage of total exports	---	---	---	---	---
Total exports of Indonesia	1,247	1,919	4,455	7,458	7,102

Source : Central Bureau of Statistics

TABLE XII – IMPORTS BY COUNTRY OF ORIGIN
(millions of \$)

	1972/1973	1973/1974	1974/1975	1975/1976
E u r o p e				
United Kingdom and the Republic of Ireland	69	112	167	146
Germany, Federal Republic of	126	211	359	365
Germany, Democratic Republic of	—	2	1	—
France	23	50	86	85
Belgium and Luxemburg	9	19	44	63
Netherlands	70	97	105	138
Italy	17	28	55	80
Czechoslovakia	1	1	2	12
Switzerland	12	21	33	40
Sweden	5	9	16	15
Spain	—	1	2	2
Other	27	32	153	191
Total imports from Europe	359	583	1,023	1,137
Percentage of total imports	20.5%	20.6%	23.1%	24.4%
A m e r i c a				
Canada	9	21	45	62
United States of America	291	538	637	704
Other	6	6	19	23
Total imports from America	306	565	701	789
Percentage of total imports	17.4%	20.0%	15.8%	16.9%
A f r i c a				
United Arab Republic	—	—	—	—
British East Africa	45	33	20	101
Union of South Africa	—	—	—	—
Other	18	5	14	—
Total imports from Africa	63	38	34	101
Percentage of total imports	3.6%	1.3%	0.7%	2.1%
A s i a				
India	7	15	25	79
Pakistan	26	78	54	12
Burma	—	4	21	31
Thailand	43	71	86	33
Malaysia	8	15	16	19
Singapore	109	147	288	356
Cambodia	—	—	—	—
Hongkong	27	169	122	51
China	43	56	186	169
Japan	587	819	1,325	1,422
Philippines	7	14	12	15
Other	104	161	380	278
Total imports from Asia	961	1,549	2,515	2,465
Percentage of total imports	54.7%	54.7%	56.7%	52.9%
A u s t r a l a s i a				
Australia	52	90	149	104
New Zealand and Oceania	14	6	15	67
Total imports from Australasia	66	96	164	171
Percentage of total imports	3.8%	3.4%	3.7%	3.7%
Via free port :				
Sabang, Tanjung Uban and ports not specifically mentioned	—	—	—	—
Percentage of total imports	—	—	—	—
Total imports of Indonesia	1,755	2,831	4,437	4,663

Source : Central Bureau of Statistics

TABLE XIII – GRANTS RECEIVED
(millions of \$)

	1971/1972	1972/1973	1973/1974	1974/1975	1975/1976
Australia	12	17	15	16	3
U.S.A.	---	---	---	---	---
Netherlands	22	27	24	16	5
Japan	9	8	1	8	---
Belgium	1	---	1	3	---
Germany, Federal Republic of	1	3	3	4	---
United Kingdom	2	---	---	1	---
Italy	1	1	---	---	2
Canada	2	6	5	---	3
France	1	1	1	4	3
E.E.C.	---	---	---	10	---
T o t a l	51	63	50	62	16

**TABLE XIV – APPROVED DOMESTIC INVESTMENT PROJECTS BY SECTOR,
1968 – 1975**
(billions of Rupiahs)

	Nov.1968- 1972		1973		1974		1975		Total	
	Number of projects	Invest- ment plan	Number of projects	Invest- ment plan	Number of projects	Invest- ment plan	Number of projects	Invest- ment plan	Number of projects	Invest- ment plan
Agriculture	34	18.3	41	43.4	9	8.7	14	19.2	98	89.6
Forestry	146	83.0	74	56.3	39	32.1	13	7.3	272	178.7
Mining	6	29.5	4	18.1	3	2.4	---	---	13	50.0
Manufacturing	1,003	411.5	448	344.0	192	170.4	130	199.4	1,773	1,125.3
Construction	3	1.7	3	12.5	---	---	---	---	6	14.2
Hotel/Tourism	70	40.5	27	35.6	3	2.3	4	1.4	104	79.8
Housing/Office	6	6.1	3	71.1	---	---	4	15.2	13	92.4
Other services	71	62.4	30	26.6	13	14.4	7	8.3	121	111.7
T o t a l	1,339	653.0	630	607.6	259	230.3	172	250.8	2,400	1,741.7

TABLE XV – APPROVED FOREIGN INVESTMENT PROJECTS ¹⁾
BY SECTOR, 1967 – 1975
(millions of \$)

S e c t o r	1967- 1972	1973	1974	1975	1967 – 1975	
					Investment Plan	Projects
Agriculture	82.9	19.7	2.6	1.0	106.2	58
Forestry	460.5	45.2	30.9	15.9	552.5	86
Fishery	27.4	4.1	19.3	13.7	64.5	19
Mining	953.7	—	69.0	541.4	1,564.1	17
Manufacturing:	<u>768.9</u>	<u>471.7</u>	<u>1,124.6</u>	<u>1,133.8</u>	<u>3,499.0</u>	<u>486</u>
– Foodstuffs	91.1	24.9	33.9	23.5	173.4	61
– Textile	307.1	243.6	398.7	31.1	980.5	76
– Timber	2.0	6.4	10.1	21.8	40.3	13
– Paper	13.3	2.5	1.0	18.5	35.3	15
– Chemical	124.9	73.6	232.2	61.3	492.0	135
– Metal	143.7	75.4	310.9	904.5	1,434.5	146
– Other	86.8	45.3	137.8	73.1	343.0	40
Construction	34.6	14.6	26.8	10.3	86.3	60
Hotels and Trade	99.7	28.4	80.9	9.3	218.3	19
Transportation and						
Communications	18.3	15.2	3.0	20.3	56.8	21
Other services	83.7	56.5	140.7	16.5	297.4	57
T o t a l	2,529.7	655.4	1,497.8	1,762.2 ²⁾	6,445.1	823

1) Excluding oil and banking sector

2) Including the Asahan Project with an investment plan of \$ 870 million.

TABLE XVI – IMPLEMENTATION OF FOREIGN INVESTMENT PROJECTS
BY SECTOR 1967 – 1975
(millions of \$)

S e c t o r	1967- 1972	1973	1974	1975	1967 – 1975	
					Investment Value	Projects
Agriculture	16.6	7.9	4.5	2.2	31.2	58
Forestry	112.0	40.9	50.3	28.9	232.1	85
Fishery	19.6	6.5	21.9	9.0	57.0	19
Mining	165.5	6.6	44.3	30.2	246.6	17
Manufacturing:	<u>357.8</u>	<u>306.7</u>	<u>368.5</u>	<u>296.6</u>	<u>1,329.6</u>	<u>472</u>
– Foodstuffs	55.2	34.8	21.7	12.0	123.7	59
– Textile	136.1	149.5	157.7	132.1	575.4	75
– Timber	3.4	0.3	1.8	9.6	15.1	12
– Paper	7.3	5.1	1.5	0.5	14.4	14
– Chemical	58.4	37.1	50.8	36.7	183.0	132
– Metal	79.1	48.7	89.9	68.9	286.6	141
– Other	18.3	31.2	45.1	36.8	131.4	39
Construction	4.0	1.5	16.6	5.6	27.7	60
Hotels and Tourism	16.5	17.9	19.6	6.6	60.6	19
Transportation and						
Communications	7.7	0.9	1.1	0.7	10.4	19
Other services	10.7	4.9	107.1	41.6	164.3	56
T o t a l	710.4	393.8	633.9	421.4	2,159.5	805

TABLE XVII – AGRICULTURAL PRODUCTION
(Thousand tons)

	1971	1972	1973	1974	1975 *)
1. Foodstuffs					
– Rice	13,724	13,183	14,607	15,276	15,342
– Maize corn	2,606	2,254	3,690	3,011	2,638
– Cassava roots	10,690	10,385	11,185	13,031	12,323
– Sweet potatoes	2,211	2,066	2,387	2,469	2,498
– Peanuts	284	282	290	307	330
– Soya beans	516	518	541	589	563
2. Forestry ¹⁾					
– Timber	13,738	17,717	25,800	23,280	19,000
3. Fishery	1,244	1,269	1,279	1,344	1,397
– Sea	(820)	(836)	(886)	(949)	(994)
– Inland	(424)	(433)	(393)	(395)	(403)
4. Estate					
– Rubber	786	803	845	818	823
– a. Smallholder	(547)	(567)	(599)	(573)	(566)
b. Estate	(239)	(236)	(246)	(245)	(257)
– Copra	1,277	1,254	1,274	1,419	1,457
– Palm Oil	248	269	290	351	411
– Palm kernel	56	59	64	74	84
– Sugar					
a. Smallholder	219	214	204	250	221
b. Estate	834	889	820	1,025	1,030
– Tea					
a. Smallholder	15	12	14	15	15
b. Estate	48	48	53	50	60
– Coffee	181	180	150	158	159
a. Smallholder	(162)	(158)	(140)	(142)	(140)
b. Estate	(19)	(22)	(10)	(16)	(19)

1) Thousand m³

Source : Department of Agriculture
Central Bureau of Statistics
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TABLE XVIII – LIVESTOCK POPULATION
(thousand of heads)

	1971	1972	1973	1974	1975
1. Cows	6,311	6,354	6,715	6,466	6,470
2. Buffaloes	2,976	2,822	2,489	2,415	2,433
3. Sheep	3,146	2,996	3,547	3,403	3,326
4. Goats	6,943	7,189	6,793	6,517	6,522
5. Horses	665	693	645	600	646
6. Pigs	3,352	3,350	2,768	2,906	3,097
7. Ducks	10,416	12,404	11,124	13,620	14,467
8. Cultivated Chickens	1,799	3,000	2,173	3,450	3,847
9. Non Cultivated Chickens	73,841	79,627	82,207	89,650	93,470

Source : Attachment to the speech of the President, RI August 16, (1974, 1975, 1976).

TABLE XIX – PRODUCTION OF MEAT, EGG AND MILK
(Thousand Tons)

	1971	1972	1973	1974	1975
Meat	332	366	379	403	434
Egg	68	78	81	98	126
Milk	36	38	35	57	51

Source : Attachment to the speech to the President, RI August 16, (1974, 1975, 1976).

TABLE XX – INDUSTRIAL PRODUCTION

	Unit	1973/1974	1974/1975	1975/1976
Textiles Industry				
– Textile	million metres	926.9	974.0	1,017.1
– Yarn	thousand bales	316.2	364.0 ^r	445.4
Chemical Industry				
– Fertilizer (Urea)	Thousand tons	115.7	209.1	396.7
– Fertilizer (Z.A.)	thousand tons	122.8	129.1	118.7
– Cement	thousand tons	818.1 ^r	828.9	1,088.8
– Paper	thousand tons	47.1 ^r	43.2 ^r	45.9
– Salt	thousand tons	86.0 ^r	70.0	53.0
– Motor car tires	thousand pcs	1,351.5	1,704.0	2,432.8
– Motor car tubes	thousand pcs	581.3	587.1	625.8
Miscellaneous and handicrafts				
– Bicycle tires	thousand pcs	5,836.0	6,015.2	7,074.8
– Bicycle tubes	thousand pcs	4,549.6	4,691.9	5,621.5
– Coconut oil	thousand tons	264.5	265.0	265.8
– Cooking oil	thousand tons	28.7	29.4	30.0
– Soap	thousand tons	131.3	148.9 ^r	161.0
– Detergents	thousand tons	6.6	7.0 ^r	7.8
– Clove cigarettes	million pcs	30,221	30,600	31,133
– White cigarettes	million pcs	20,376	21,865	20,992
– Safety matches	million boxes	556	707	780
– Dental cream	million tubes	32	46	53
Metal and Machine Industry				
– Automobiles	thousand	36.0 ^r	65.6 ^r	78.9
– Motorcycles	thousand	150.0	251.0	300.0
– Storage batteries	thousand	140.0	180.0	220.0
– Dry batteries	million of dozens	11.0	12.0	15.0
– T.V. sets	thousand	60.0 ^r	135.0	166.0
– Radio sets	thousand	900.0	1,000.0	1,100.0
– Light Bulbs / TL	million pcs	13.5 ^r	18.9	21.5
– Electric cables	thousand tons	7.0	9.0	9.0
– Concrete Steel	thousand tons	110.0	115.0	152.0
– Zinc Plate	thousand tons	70.0	70.0	170.0
– Iron pipes	thousand tons	80.0	94.0	94.0

Source : Department of Industry

TABLE XXI — COST OF LIVING INDEX IN JAKARTA
(September 1966 = 100)

	Food-stuffs	Housing	Clothing	Other	General Index	Change (%)	
						Annual/Quarterly	Monthly
1973							
March	890	903	467	813	806		
1973/1974						<u>47.4</u>	
June	969	962	482	883	871	8.1	
September	1,048	1,080	542	936	945	8.5	
December	1,162	1,025	574	1,021	1,028	8.8	
March	1,356	1,194	632	1,166	1,188	15.6	
1974/1975						<u>20.1</u>	
June	1,380	1,225	678	1,370	1,251	5.3	
September	1,407	1,236	730	1,406	1,282	2.5	
December	1,536	1,258	765	1,442	1,370	6.9	
March	1,615	1,323	772	1,472	1,427	4.2	
1975/1976						<u>19.8</u>	
April	1,634	1,466	774	1,480	1,450		1.6
May	1,632	1,508	779	1,533	1,463		0.9
June	1,632	1,546	780	1,529	1,465	2.7	0.1
July	1,652	1,561	780	1,521	1,476		0.8
August	1,672	1,563	784	1,518	1,488		0.8
September	1,760	1,591	808	1,524	1,545	5.5	3.8
October	1,784	1,597	809	1,523	1,559		0.9
November	1,846	1,633	825	1,551	1,605		3.0
December	1,896	1,665	836	1,561	1,640	6.2	2.2
January	1,953	1,688	846	1,562	1,676		2.2
February	1,991	1,695	846	1,615	1,709		2.0
March	1,986	1,695	846	1,635	1,709	4.2	—

Source : Central Bureau of Statistics

TABLE XXII – PRICE INDEX OF 9 ESSENTIAL COMMODITIES
(October 1966 = 100)

	Index	Change (%)	
		Annual/Quarterly	Monthly
1973			
March	861		
1973/1974		<u>31.2</u>	
June	899	4.4	
September	1,004	11.7	
December	1,050	4.6	
March	1,130	7.6	
1974/1975		<u>11.2</u>	
June	1,053	– 6.8	
September	1,050	– 0.3	
December	1,184	12.8	
March	1,257	6.2	
1975/1976		<u>19.8</u>	
April	1,239		–1.4
May	1,195		–3.6
June	1,193	– 5.1	–0.2
July	1,230		3.1
August	1,269		3.2
September	1,336	12.0	5.3
October	1,348		0.9
November	1,430		6.1
December	1,482	10.9	3.6
January	1,497		1.0
February	1,515		1.2
March	1,506	1.6	–0.6

Source : Central Bureau of Statistics

TABLE XXIII – PRICES OF SELECTED EXPORT COMMODITIES
(Rupiah/kg)

	Rubber RSS I	Coffee Robusta	White pepper	Black pepper	BOP Tea	Copra
1975 :						
March	178.35	245.82	526.25	362.30	310.78	94.51
April	171.70	228.19	471.57	321.87	310.78	91.69
May	169.69	225.59	451.76	308.61	310.78	74.32
June	175.02	259.29	411.51	285.74	310.78	70.34
July	185.05	305.31	423.53	304.71	301.64	73.01
August	191.36	401.88	444.54	318.67	310.78	89.62
September	183.19	436.60	470.06	331.64	310.78	82.65
October	178.22	423.89	468.56	348.79	310.78	78.48
November	186.29	401.85	468.56	335.82	310.78	79.91
December	205.76	452.16	482.10	338.57	310.78	88.65
1976 :						
January	214.69	487.50	480.60	384.85	301.64	88.71
February	233.86	502.50	480.60	365.88	301.64	85.61
March	243.59	507.00	455.37	379.82	301.64	89.18

Source : Central Bureau of Statistics