

# **Bank Indonesia**

**Report for the Financial Year  
1976/1977**

# Bank Indonesia

*Head office:*

JAKARTA

*Representatives :*

KUALA LUMPUR

LONDON

NEWYORK

SINGAPURA

TOKYO

*Branch offices*

AMBON, BANDA ACEH,

BANDUNG, BANJARMASIN, BENGKULU,

CIREBON, DENPASAR, JAMBI, JAYAPURA,

JEMBER, KEDIRI, KENDARI, KUPANG, MALANG,

MATARAM, MEDAN, MENADO, PADANG, PALEMBANG,

PALU, PEKANBARU, PONTIANAK, SAMARINDA, SEMARANG,

SOLO, SURABAYA, TELUKBETUNG, UJUNG PANDANG YOGYAKARTA.

*Cash offices:*

BALIKPAPAN

LHOKSEUMAWE

PURWOKERTO

TEGAL

TERNATE

Position as per end of March 1978

## 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

While in 1975/1976 the performance of the Indonesian economy was unsatisfactory because of special problems emanating from both domestic and external factors, the economy made good progress in 1976/1977. Government policy to promote exports and domestic production began to show results. Domestic production in almost all fields increased significantly so that Gross Domestic Product rose faster than in the previous year. Another factor in this progress was the improvement in the world economy which stimulated demand for Indonesia's export products. The value of Indonesian exports rose substantially and achieved a record level in 1976/1977. This, together with a reduced outflow of foreign exchange — particularly on account of smaller repayments of PERTAMINA's shortterm debts — gave rise to a large balance of payments surplus. As a result, the level of foreign exchange reserves showed a sharp increase. The progress in production, balance of payments and foreign exchange reserves was accompanied by an improvement in the monetary situation as reflected in the decline in the rate of inflation.

The rate of inflation as measured by the Jakarta cost of living index was 12 per cent in 1976/1977. While this was still comparatively high, it constituted a substantial decline from the two previous years when the rate of inflation was about 20 per cent. The reduced rate of increased in 1976/1977 was attributable to improved supply and distribution of certain essential goods, and to a

decline in the rate of expansion of liquid assets as reflected in the money supply figures. While in 1975/1976 money supply increased by 39 per cent, it expanded by only 27 per cent in 1976/1977. It should be noted that the comparatively modest increase in money supply occurred in the face of substantial expansionary pressure from the balance of payments surplus, and was achieved because of a large contractionary effect exerted by the Government financial operations.

Government financial policy has continually been directed towards economic development and the maintenance of relative monetary stability. In addition, this policy is designed to increase employment and to effect a more equal distribution of income. To achieve these objectives, Government financial policy continues to be based on a balanced budget, and one which increases in size from year to year. In 1976/1977 actual budget results rose by 35 per cent and reached Rp 3,690 billion. Domestic receipts exceeded routine expenditures by a substantial amount; as a consequence, public saving was Rp 1,276 billion, which was 40 per cent higher than in 1975/1976. This large rise in public saving coupled with increased foreign aid, enabled the Government to finance substantially higher development expenditures. These expenditures rose by 47 per cent to Rp 2,055 billion and constituted 56 per cent of total Government expenditure in 1976/1977, compared with only 37 per cent during PELITA.<sup>1)</sup>

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1) First Five Year Development Plan 1969/1970  
1973/1974

Domestic revenues were satisfactory as both oil receipts and non-oil revenues experienced substantial increases. Oil revenues rose by 30 per cent to Rp 1,619 billion in 1976/1977. This increase resulted from higher oil production and exports together with a higher Government share in the revenue from foreign oil companies' operations. Non-oil domestic receipts also showed an increase of 30 per cent. This was attributable mainly to an intensification of tax collections and a higher level of production and foreign trade activities.

It should be pointed out that in 1976/1977 actual Government receipts exceeded the budgeted figure. This was due largely to higher receipts from export tax, imports duties, withholding tax and non-tax revenues. Moreover, the Government succeeded in reducing certain kind of expenditure below originally budgeted levels. One example was the reduction in expenditures on rice and fertilizer subsidies which was made possible by lower world market prices of rice and fertilizer and to a decreased use of imported fertilizer subsidies which was made possible by lower world market prices of rice and fertilizer and to a decreased use of imported fertilizer. These savings on expenditures and the higher than budgeted receipts enabled the Government to reduce its liabilities to Bank Indonesia and to finance additional expenditures while maintaining a balanced budget. This was a positive contribution to the above-mentioned monetary developments.

Within the framework of increasing employment opportunities outside the cities and improving both the economic and non-economic infrastructure, the Government continued to expand various kinds of expenditures, especially through transfer payments to the regions. Government expenditures for regional development in 1976/1977 rose by 22 per cent. Part of this expenditure was used to assist the rural population in their efforts to improve the conditions of their villages through laborintensive activities. Similarly, construction of primary schools and public health clinics continued to increase significantly. To encourage the construction and renovation of market place and to promote reforestation, the Government started to give subsidies through special programs under a Presidential Decree.<sup>2)</sup> Moreover, in its efforts to assist small businessmen, the Government began to provide resources to finance loans to petty traders (Kredit Candak Kulak) in addition to a small credit program (known as Kredit Mini) which was started several years ago.

As mentioned above, money supply increased by 25 per cent (Rp 383 billion) in 1976/1977. While in the pervious year the foreign sector had a contractionary effect, in 1976/1977 this sector constituted the most important expansionary factor adding Rp 478 billion to domestic liquidity. This was caused by a substantial increase in foreign exchange reserves resulting from the balance of payments surplus. Another expan-

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2) Known as the INPRES programs.

sionary factors was the rise of Rp 356 billion in bank credit to Government entities and enterprises, although the increase was far below the previous year's figure (Rp 927 billion). The smaller increase was related to PERTAMINA's improved financial situation which required much less borrowing especially to repay its external short-term debts. Another expansionary factor was loans to private enterprises and individuals which increased by Rp 321 billion. This increase, however, was well below the previous year's figure. Offsetting the expansionary factors, the increase in time and savings deposits and Government financial operations exerted sufficient contractionary impact so that the rate of increase in money supply in 1976/1977 was much lower than in 1975/1976.

During the past few years the largest inflationary pressures have originated from bank credits to both private companies and Government entities and enterprises. It is, therefore, understandable that a main instrument in controlling inflation has been the credit ceiling policy. Taking into account the desired rate of economic growth and the developments in the balance of payments, the annual ceiling on the expansion of credit and banks' net other assets has been determined each year since April 1974 with the objective of achieving a tolerable rate of inflation. For 1976/1977 the ceiling on credit expansion was fixed at Rp 508 billion or a 27 per cent increase over 1975/1976. However, the actual increase in credits and banks' net other assets was only Rp 407 billion or 22 per cent, compared with 25 per cent in the previous year. As was the case

in 1975/1976, the relatively small increase was a result of the cautious attitude of banks in evaluating loan applications which, in turn, could be attributed to the more intensive supervisions by Bank Indonesia.

To enhance the effectiveness of the quantitative credit policy, the monetary authorities continued to implement and improve the allocation of credits to priority sectors and activities. Considering the weakness of the export sector in 1974/1975 and 1975/1976, which was due mainly to the world economic situation, the Government took measures to promote export activities. One measure was a lowering of the interest rate on export credit from 15 per cent to 12 per cent per annum starting from APRIL 1, 1976. To assist the commercial banks in implementing this change, Bank Indonesia reduced the rate of interest on its refinancing facility for export credit from 10 per cent to 5 per cent a year.

The selective credit policy aimed at promoting small and medium enterprises and labor-intensive activities was continued and expanded. This was reflected in the setting up of a program to assist petty traders by providing credits on soft terms and with simple procedures. A special credit program aimed at enabling traders to rent market places at reduced costs was introduced. Under this program credits on soft terms are being extended to construct and renovate market places.

To increase the effectiveness of the small investment credit program (KIK) and the

permanent working capital credit program (KMKP), the maximum loan available under these programs was increased from Rp 5 million to Rp 10 million starting in February 1977. The KIK and KMKP programs have expanded substantially. The value of loans approved under the KIK program increased by 62 per cent in 1967/1977 and the number of borrowers rose by 55 per cent to more than 30,000. The KMKP program has developed even more rapidly. The value of approved KMKP loans increased by 83 per cent and the number of borrowers rose by 12.1 per cent and reached almost 184,000 at the end of March 1977. It should be added that the KIK and KMKP programs, which were begun in January 1974, have already started to play an important role in meeting the financing needs of small and medium enterprises.

Within the framework of mobilizing savings and increasing the participation of the public in the capital market, the Government took measures to encourage the development of a capital market. These consisted, among other things, of the establishment of a Capital Market Implementation Agency (BAPEPAM) with the task of supervising and implementing a market in stocks and other securities. In carrying out the task, BAPEPAM has been given the responsibility of preparing regulations and supervising the activities of the stock exchange as well as regulating trading procedures in the exchange. BAPEPAM is to receive guidelines from the Minister of Finance, who is assisted by a Capital Market Advisory Board. The Association of Security and Money Traders

was selected as the main organization for trading in the stock exchange. To enable small investors to make use of the stock exchange and to promote activities in the exchange' P.T. Danareksa was established. P.T. Danareksa's main task is to buy shares of companies and to split the shares into small denominations in order to sell them to relatively small investors. In addition to the establishment of the agencies mentioned above the Government also took certain measures aimed at giving incentive to participants in this stock exchange; these consisted of tax relief for companies which are willing to sell their shares through the exchange and tax relief for investors who are willing to buy those share'.

The Government continued its policy of mobilizing funds truth as a means of financing economic development and as an instrument to control inflation. Steps were taken to modify the terms and interest rates on time and savings deposits to adapt the policy to changing conditions. In this connection, it should be noted that the interest rates on deposits under the INPRES time deposit program and the National Development Savings Scheme (TABANAS) deposits were reduced on January 13, 1977. This reduction represented an adjustment to the lower rate of inflation. Despite the reduction of the interest rates, the INPRES ti deposits increased by 41 per cent in 1976/1977, a lower rate than in the previous year. TABANAS deposits also rose by 43 per cent again a lower rate of increase than in 1975/1976. It should be added that the number of TABANAS passbooks exceeded 6 million at

the end of March 1977 despite the fact that the program has been operating only since August 1971.

In the past few years the private national commercial banks have shown a significant improvement. Both their deposits and loans have risen considerably. This was made possible by a considerable increase in their efficiency resulting to a large extent from mergers among the banks. During 1976/1977 12 banks merged to become 6 banks. Therefore ~ ~ up to the end of March -1977, a total of 61 banks have carried out mergers resulting in the formation of 22 banking organizations. The total number of private national banks fell from 129 in 1971 to 29 at the end of 1976/1977. To continue encouraging the banks to merge, the Government extended again the time limit, during which the banks may enjoy tax facilities in the case of merger, from December 31, 1976 until December 31, 1977. Bank Indonesia also continued its policy to assist private national banks by providing refinancing facilities at low interest rates to those banks which showed signs of improvement.

In addition to reducing interest rates for export credits, the export promotion program which started on April 1, 1976 consisted of the reduction and elimination of export tax on certain commodities, the abolition of some regional levies, the exemption from stamp duties and the reduction of bank charges. These steps, coupled with the increased world demand for Indonesian export products and savings in some categories of foreign exchange expenditures, re-

sulted in a balance of payments surplus of \$ 1,001 million in 1976/1977, compared with a deficit of \$ 364 million in the previous year. As a result, net international reserves, which amounted to only \$ 557 million at the end of March 1976, rose to \$ 1,558 million at the end of March 1977.

The total value of exports rose by 29 per cent and reached a record level of \$ 9,213 million in 1976/1977. Both oil and non-oil exports contributed to the increase. Owing to increases in volume and price, gross oil exports rose by 20 per cent to \$ 6,350 million. After allowing for foreign oil companies' imports and share in profit, the net value of oil exports amounted to \$ 3,710 million, an increase of 18 per cent over the previous year. Non-oil exports rose even more rapidly. These exports at \$ 2,863 million increased by as high as 53 per cent, due to both higher prices and volume. The value of non-oil exports in 1976/1977 constituted the highest level ever achieved. In addition to principal exports such as timber, rubber, coffee and tin, most other export commodities also increased considerably.

As was the case with exports, imports of goods and services also rose significantly. However, there were some savings in the import bill, such as in the case of urea fertilizer. While in 1975/1976 almost \$ 500 million was needed for imports of urea fertilizer, in 1976/1977 this commodity was no longer imported; in fact, increased domestic production and stocks enabled Indonesia to start exporting urea fertilizer. On the other hand, development needs as reflected



in the increase of government projects financed with foreign aid, continued to increase so that there was still a deficit of \$ 776 million in the current account, compared with \$ 833 million in the year before. However, the large inflow of capital—bilateral as well as multilateral aid and private capital—and the substantial decline in foreign exchange expenditures needed to repay PERTAMINA's short-term debts were such that the overall balance of payments in 1976/1977 showed a surplus of \$ 1,001 million.

As mentioned above, production generally rose considerably as reflected in the increase of Gross Domestic Product (GDP). In 1976 GDP at constant prices rose by more than 7 per cent, compared with about 5 per cent in 1975. It should be added that this increase was achieved in the face of some obstacles, such as increased imports of textiles and reinforcing steel and pest problems in the case of rice production. Owing to both Government policies and increased world demand, the production of export commodities in particular rose considerably. Timber production in 1976 rose by 31 per cent. Similarly, the production of coffee, tea, rubber, palm oil and fisheries showed a significant increase. Rice production (15.7 million tons), which was adversely affected by pest attacks, still showed an increase of about 4 per cent; however, this was below expectations. Since the consumption of rice grew as the population increased, large imports of rice were still required. Unfavourable weather conditions resulted in a lower production of some foodcrops, such as corn, peanuts and

soyabeans. However, oil production in 1975/1976 rose by 14 per cent and reached a record level of 568 million barrels. Despite strong competition from imports, production of textiles and reinforcing steel increased by 23 per cent and 47 per cent, respectively. However, production of these two commodities was still below capacity so that Government took a series of measures aimed at promoting domestic production. In most other areas of manufacturing industry, production also showed a considerable increase, such as in the case of cement, paper and urea fertilizer.

The domestic and foreign investment laws, coupled with a marked improvement in the domestic economic situation, had led to increased investments in the past few years. As a result, both production and productive capacity in various sectors of industries have grown rapidly. This rapid development and the world recessionary activities have resulted in some marketing problems and have, in turn, led to a declined propensity to invest. In the light of this development and in order to steer investment in a direction considered to be more beneficial for the development of Indonesia, the Government issued in February 1977 a list of priorities containing 831 types of business activity. This list shows the types of investment which enjoy different degrees of priority and the kind of incentives attached to them, it also defines those activities that are closed for both domestic and foreign investment. The list, which will be revised periodically, is intended to aid prospective investors in se-

lecting the particular area in which they wish to invest. To encourage mineral development in the non-oil fields, the Government has formulated a policy, which is known as Third Generation Work Contracts. This policy has basically standardized the existing incentives and regulations and is intended to provide a clearer picture to prospective investors about both the available incentives and the requirements that have to be met.

It can be concluded that the performance of the Indonesian economy in 1976/1977 was satisfactory. Both Government policy

and the improvement in the world economy resulted in favorable developments, especially in the case of production, balance of payments and the control of inflation. Performance, which was markedly better than in the year before, constitutes a useful basis for accelerating the pace of development in the years to come.

The Governor, Bank Indonesia

RACHMAT SALEH

## I. MONEY SUPPLY

### Monetary development and measures

Government monetary policy has been aimed primarily at controlling inflation and limiting the growth of domestic liquidity to the rate considered optimal for economic growth.

Domestic liquidity represents the liabilities of the monetary system to the public, comprising the money supply in its narrow sense plus quasi money. The latter consists mainly of rupiah time and savings deposits. The growth of domestic liquidity and the factors affecting it have been used as the principal monetary indicator in guiding policy actions.

Past experience has shown clearly that excessive increases in domestic liquidity cause inflationary pressures. Domestic liquidity increased by 50 per cent in 1971/1972, 40 per cent in 1972/1973 and by 56 per cent in 1973/1974. This excessively rapid expansion of liquidity resulted in a rate of inflation of 47 per cent in 1973/1974. Without tighter control over monetary expansion it was feared that the pace of inflation would increase further.

Accordingly, a new policy emphasizing closer control over the expansion of domestic liquidity was adopted in 1974/1975, and this has been pursued by keeping the expansion of liquidity to a rate consistent with a rate of economic growth of 7 - 8 per cent and a tolerable rate of inflation.

Considering the estimated rate of growth of the economy the planned increases in domestic liquidity for 1974/1975, 1975/1976 and 1976/1977 were 37 per cent, 39 per cent and 31 per cent respectively.

In fact the increases which occurred were 32 per cent, 42 per cent and 26 per cent. These figures indicate that, following the new policy, there was a substantial reduction in the rate of expansion compared to the preceding period. This and other policies have had considerable impact on the rate of price increases. The inflation rate declined sharply from 47 per cent in 1973/1974 to 20 per cent in 1974/1975, 20 per cent in 1975/1976 and went down further to 12 per cent in 1976/1977.

Control over the expansion of domestic liquidity has been exercised primarily by setting a limit on the maximum increase in the volume of the banking system's net assets (so defined to include bank loans and other items contributing to monetary changes). This ceiling was set after taking into account the projected monetary impact of the external account and government finance. For 1974/1975 and 1975/1976 the maximum expansion of banks' net assets was set at 31 per cent and 34 per cent, while the actual figures were 26 per cent and 25 per cent respectively. The underutilization of the ceilings was for the most part accounted for by the cautious attitude exhibited by banks in their lending operation and closer supervision by the Central Bank.

For the reporting period the limit for the

expansion of banks' net assets was set at 27 per cent, but the outturn has again been lower, i.e. 22 per cent.

The significantly smaller increase in domestic liquidity in the reporting period compared to the preceding period, i.e. 26 per cent as against 42 per cent, reflected a reduction of the rate of money supply expansion from 39 per cent to 27 per cent and of the increase in quasi money from 50 per cent to 23 per cent. The slower pace of money supply expansion reflected the large contractionary effect from the Central Government budget with the repayment of a significant part of Government debts to the Central Bank.

Interest rates on funds deposited with the banks continued to be adjusted in accordance with developments in the monetary and economic situation. Since the government has managed to reduce the inflation rate to 12 per cent in 1976/1977, the interest rates for time deposits, TABANAS and TASKA (special savings deposit schemes) were reduced, effective as of January 13, 1977.

No significant change was made in lending rates in the reporting period. The measures taken on the lending side were mostly of a qualitative nature. Under the selective credit policy, which is still maintained by the government, efforts have been focused on channeling banks' financial resources into priority sectors of the economy. In this context measures have been taken to increase financial assistance to small-scale enter-

prises, inter alia, by offering special categories of loans with concessionary terms, such as BIMAS, Small Investment Credit (KIK), Permanent Working Capital Credit (KMKP) and Mini Credit. In 1976/1977 two new loan programs called Candak Kulak Credit and INPRES Pasar Credit were introduced to channel financial aid to small merchants and retailers. The promotion of external trade, particularly exports, has also been implemented through a set of policy measures known as the April 1 Package. This includes a decrease in interest rates on loans for export and export production from 15 per cent to 12 per cent annually. The lending to these high priority sectors has been encouraged by the Central Bank by lowering its discount rate for this purpose from 10 per cent to 5 per cent annually.

Improvement in the balance of payments situation has had a substantial impact on economic and monetary development in 1975/1977. Increased export revenue and the reduced burden arising from PERTAMINA's foreign obligations contributed to significant increases in the Central Bank's international reserves.

Based on the target of GDP growth of 7.5 per cent in real terms for 1977/1978 and a lower rate of inflation than in the previous period, the planned rate of increase in domestic liquidity in 1977/1978 is around 25 per cent. Considering the projected development in the balance of payments and the government budget, the ceiling for the increase in banks' net assets has been tentatively set at 20 per cent.

## The Money Supply

At the end of March 1977, the money supply had reached Rp 1,811 billion, recording an increase of Rp 383 billion, or 27 per cent, during the fiscal year 1976/1977. This was a significant reduction from the 39 per cent increase in the year before.

Until 1975/1976, more than half the money supply was held in the form of cash. By mid 1975/1976, however, the composition of the money supply changed, so that more than half was held in the form of demand deposits. This shift in the public's preference in holding money reflected the increasing use by the public of banking services. At the beginning of PELITA I (the First Five Year Development Plan: i.e. end March 1969), the share of demand deposits in the total money supply was 38 per cent. It rose to 46 per cent by the end of PELITA I (i.e. end March 1974) and to 53 per cent at the end of 1976/1977.

Quasi money showed a considerably smaller increase in 1976/1977 compared to the preceding period, i.e. Rp 195 billion or 23 per cent, as against Rp 277 billion or 50 per cent in 1975/1976. As a result, domestic liquidity, which is the sum of narrow money and quasi-money, went up by only Rp 578 billion or 26 per cent, compared to Rp 678 billion or 43 per cent in the previous year.

With an actual rate of inflation of 12 per cent and a nominal increase in money supply of 27 per cent in 1976/1977, the money

supply in real terms showed an increase of 13 per cent. The increase was 3 per cent less than that in the preceding fiscal year. Since the beginning of PELITA I, real money balances have shown a tendency to increase. This indicates that the degree of monetization of the economy and the confidence of the public in the currency have been increasing over time.

As seen in Table 4, in 1976/1977 the foreign sector was the principal expansionary factor affecting the money supply, reflecting the improved balance of payments performance. This is in contrast with the situation in the previous two years, where the foreign sector was contractionary in a substantial magnitude.

The Central Government budget performance produced a large contractionary effect on the money supply, as a result of the repayment of government debts to the Central Bank. In previous years it had almost always been slightly expansionary. The sub-sector of government enterprises and official entities remained a major expansionary factor, as in previous years, but less so than in 1975/1976. On the other hand the contractionary effect of the Government Special Account (which reflect the Government syndicate borrowing from overseas banks) was very minor compared to the preceding period, when it represented the leading contractionary item among the factors affecting money supply.

Claims on private enterprises and individuals also contributed a smaller share to

the expansion of money supply than in 1975/1976, due primarily to the restriction imposed on the expansion of bank credits. Time and savings deposits also continued to increase, causing a significant contractionary influence on money supply.

### **Factors affecting money supply**

The factors contributing to the Rp 383 billion increase in money supply in 1976/1977 are presented in Table 4. Expansionary factors were the foreign sector (Rp 476 billion), claims on government entities and enterprises (Rp 350 billion), and claims on the private business and individuals (Rp 322 billion). Contractionary factors included the central government (Rp 345 billion), Government Special Account (Rp 31 billion), time and savings deposits (Rp 195 billion) and net other items (Rp 194 billion).

The expansionary effect of the foreign sector (Rp 476 billion in 1976/1977 as against a contractionary effect of Rp 320 billion in the preceding period) reflected the increase in international reserves of Rp 414 trillion or 178 per cent and in other foreign assets of Rp 62 billion or 40 per cent. The remarkable increase in international reserves was made possible by the greater revenue from both oil and traditional exports as well as the reduced burdens of PERTAMINA's foreign obligations.

As mentioned earlier, claims on government enterprises and entities remained a major source of monetary expansion with an increase of Rp 350 billion or 23 per cent

in 1976/1977. Of this amount, Rp 202 billion was Bank Indonesia's claims and Rp 148 billion other banks' claims. The rate of the expansion of these claims has, however, been greatly reduced compared to the previous year's expansion, which reached Rp 928 billion or 157 per cent. The slower pace reflected the reduction in the amount of new loans extended by Bank Indonesia to PERTAMINA, for servicing the foreign debts of the state oil company. In 1976/1977 the Bank Indonesia loans to PERTAMINA increased by only Rp 202 billion or 22 per cent, as against Rp 714 billion in 1975/1976.

The increase in the claims on private enterprises and individuals in the reporting period, amounting to Rp 322 billion, was lower than in the preceding period by about Rp 15 billion. The conservative attitude of commercial banks in their lending operations coupled with the closer supervision by the Central Bank was the major factor in this low credit expansion.

The large contractionary effect of the central government sector, amounting to Rp 345 billion in 1976/1977, reflected the significant increase in government tax revenue as well as savings in several expenditure items, which enabled the government to repay a considerable part of its debt to Bank Indonesia. The debts repaid included those arising from Bank Indonesia's prepayments of interest subsidies on time deposits, special liquidity credit and from DICS (Debt Investment Conversion Scheme).

In alleviating the pressure on the balance

of payments brought about by PERTAMINA's foreign debt obligations, Bank Indonesia on behalf of the Government received some short and medium-term loans from the foreign banks and a syndicate of banks. The total receipts from the foreign borrowings amounted to Rp 466 billion or \$ 1,123 million at the end of 1976/1977, out of which Rp 31 billion was made in 1976/1977. The proceeds have been recorded in a special rupiah account of the Government, and treated as a separate contractionary factor affecting the money supply. The entry in this special account therefore cancels out the expansionary effects from the foreign sector arising from such borrowings.

Time and savings deposits continued to grow and to absorb liquidity amounting to Rp 195 billion in 1976/1977, as against Rp

277 billion in 1975/1976. INPRES time deposits and TABANAS and TASKA savings deposits are the major items which in 1976/1977 showed an increase of Rp 160 billion and Rp 36 billion respectively. On the other hand certificates of deposit, which in the past had been an important source of funds for commercial banks, went down by Rp 55 billion, reflecting the general excess liquidity of the banks in 1976/1977.

Other factors in 1976/1977 represented another contractionary influence amounted to Rp 194 billion. This was contributed by the increases in the paid-in capital and retained earnings of the banking sector by Rp 51 billion, in other unclassified items by Rp 133 billion, in import deposits by Rp 8 billion and in inter-bank deposits by Rp 2 billion.

**TABLE 1 – DOMESTIC LIQUIDITY**  
(millions of Rupiahs)

End of Year <sup>1)</sup> /month	Domestic Liquidity <sup>2)</sup>				Money Supply <sup>3)</sup>		Quasi-Money <sup>4)</sup>		
	Total	Changes		Out- standing Rp	% of Total	Out- standing Rp	% of Total		
		Annual Rp	%					Quarterly Rp	%
1969	233,291	107,193	85.0			183,439	78.6	49,852	21.4
1969/1970	265,851	107,371	67.8			210,739	79.3	55,112	20.7
1970	330,405	97,114	41.6			250,284	75.8	80,121	24.2
1970/1971	365,075	99,224	37.3			270,167	74.0	94,908	26.0
1971	468,885	138,480	41.9			320,759	68.4	148,126	31.6
1971/1972	548,067	182,992	50.1			360,251	65.7	187,816	34.3
1972	694,969	226,084	48.2			474,611	68.3	220,358	31.7
1972/1973	768,935	220,868	40.2			530,291	69.0	238,644	31.0
1973	987,438	292,469	42.1			669,003	67.8	318,435	32.2
1973/1974	1,203,331	434,396	56.4			784,288	65.2	419,043	34.8
1974/1975									
June	1,255,487			52,156	4.3	825,657	65.8	429,830	34.2
September	1,373,862			118,375	9.4	873,455	63.6	500,407	36.4
December	1,452,242	464,804	47.1	78,380	5.7	937,524	64.6	514,718	35.4
March	1,584,240	380,909	31.7	131,998	9.9	1,027,092	64.8	557,148	35.2
1975/1976									
June	1,742,544			158,304	10.0	1,116,855	64.1	625,689	35.9
September	1,933,724			191,180	11.0	1,264,331	65.4	669,393	34.6
December	1,978,114	525,872	36.2	44,390	2.3	1,250,094	63.2	728,020	36.8
March	2,262,292	678,052	42.8	283,257	14.3	1,427,919	63.1	834,373	39.9
1976/1977									
June	2,314,236			52,865	2.3	1,432,751	61.9	881,485	38.1
September	2,566,199			251,963	10.9	1,607,519	62.6	958,680	37.4
December	2,631,251	653,137	33.0	65,052	2.5	1,602,959	60.9	1,028,292	39.1
March	2,840,003	577,711	25.5	208,018	7.9	1,810,606	63.7	1,029,397	36.3

1) Fiscal year ends March 31.

2) Consists of Narrow-Money and Quasi-Money

3) Consists of Currency and Deposit Money

4) Consists of Time and Savings Deposits and Foreign Exchange Deposits held by Domestic Private Sector.



**TABLE 2 – MONEY SUPPLY**  
(millions of Rupiahs)

End of Year <sup>1)</sup> /month	Money Supply						Currency		Deposit Money	
	Total	Changes				Out- standing Rp	% of Total	Out- standing Rp	% of Total	
		Annual Rp	%	Quarterly Rp	%					
1969	183,439	69,545	61.1			115,698	63.1	67,741	36.9	
1969/1970	210,739	79,889	61.1			126,295	59.9	84,444	40.1	
1970	250,284	66,845	36.4			154,618	61.8	95,666	38.2	
1970/1971	270,167	59,428	28.2			166,787	61.7	103,380	38.3	
1971	320,759	70,475	28.2			199,355	62.2	121,404	37.8	
1971/1972	360,251	90,084	33.3			210,275	58.4	149,976	41.6	
1972	474,611	153,852	48.0			271,769	57.3	202,842	42.7	
1972/1973	530,291	170,040	47.2			291,131	54.9	239,160	45.1	
1973	669,003	194,392	41.0			374,968	56.0	294,035	44.0	
1973/1974	784,288	253,997	47.9			421,071	53.7	363,217	46.3	
1974/1975										
June	825,657			41,369	5.3	436,931	52.9	388,726	47.1	
September	873,455			47,798	5.8	455,275	52.1	418,180	47.9	
December	937,524	268,521	40.1	64,069	7.3	494,235	52.7	443,289	47.3	
March	1,027,092	242,804	31.0	89,568	9.6	538,495	52.4	488,597	47.6	
1975/1976										
June	1,116,855			89,763	8.7	548,435	49.1	568,420	50.9	
September	1,264,331			147,476	13.2	653,896	51.7	610,435	48.3	
December	1,250,094	312,570	33.3	-14,237	-1.1	625,341	50.0	624,753	50.0	
March	1,427,919	400,827	39.0	177,825	14.2	659,238	46.2	768,681	53.8	
1976/1977										
June	1,432,751			4,832	0.3	679,924	47.5	752,827	52.5	
September	1,607,519			174,768	12.2	799,943	49.8	807,576	50.2	
December	1,602,959	352,865	28.2	-4,560	-0.3	781,013	48.7	821,946	51.3	
March	1,810,606	382,687	26.8	207,647	12.9	848,617	46.9	961,989	53.1	

1) Fiscal year ends March 31.

TABLE 3 – MONEY SUPPLY EXPRESSED IN SEPTEMBER 1966 PRICES

End of Year <sup>1)</sup> /month	Money supply (millions of Rps)	Price Index	Money supply expressed in September 1966 prices (millions of Rps)	Index of money supply expressed in September 1966 prices
1969	183,439	575	31,902	212
1969/1970	210,739	614	34,322	228
1970	250,284	626	39,981	266
1970/1971	270,167	662	40,811	271
1971	320,759	642	49,962	332
1971/1972	360,251	668	53,930	358
1972	474,611	807	58,812	391
1972/1973	530,291	806	65,793	437
1973/1974				
June	598,763	871	68,744	457
September	629,155	945	66,577	442
December	669,003	1,028	65,078	432
March	784,288	1,188	66,018	439
1974/1975				
June	825,657	1,251	66,000	438
September	873,455	1,282	68,132	453
December	937,524	1,370	68,432	455
March	1,027,092	1,427	71,976	478
1975/1976				
June	1,116,855	1,465	76,236	506
September	1,264,331	1,545	81,834	544
December	1,250,094	1,640	76,225	506
March	1,427,919	1,709	83,553	555
1976/1977				
June	1,432,751	1,779	80,537	535
September	1,607,519	1,870	85,964	571
December	1,602,959	1,873	85,582	568
March	1,810,606	1,916	94,499	627

1) Fiscal year ends March 31.

**TABLE 4 – FACTORS AFFECTING MONEY SUPPLY**  
(millions of Rupiahs)

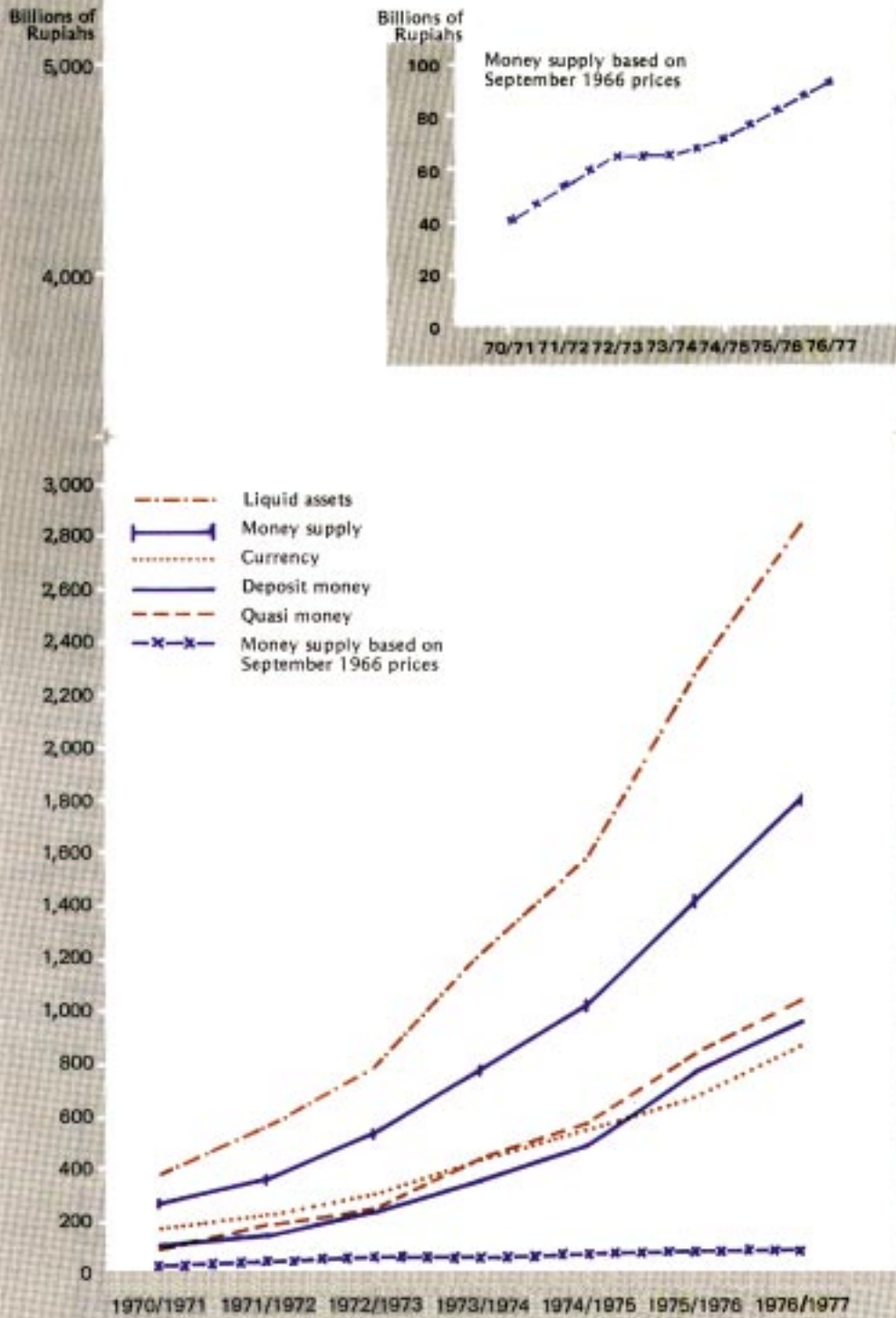
	1974/1975	1975	1975/1976	1976	1976				1977	1976/1977
					I	II	III	IV	I	
<b>Net Foreign Assets</b>	+ 1,127	- 588,512	- 319,659	+ 345,028	+ 4,195	+ 54,450	+ 107,388	+ 178,995	+ 135,462	+ 476,295
1. Foreign exchange reserves	- 3,333	- 407,271	- 150,456	+ 304,488	+ 28,027	+ 40,568	+ 119,543	+ 116,350	+ 137,624	+ 414,085
2. Other foreign assets	+ 4,460	- 181,241	- 169,203	+ 40,540	- 23,832	+ 13,882	- 12,155	+ 62,645	- 2,162	+ 62,210
<b>Government</b>										
1. Central Government	+ 25,010	+ 162,332	+ 25,110	- 290,126	+ 52,607	- 149,086	- 2,293	- 191,354	- 2,483	- 345,216
2. Claims on official entities and public enterprises <sup>1)</sup>	+ 309,225	+ 926,038	+ 928,439	+ 401,878	+ 127,834	+ 128,537	+ 91,788	+ 53,719	+ 76,082	+ 350,126
3. Blocked Account	--	- 415,000	- 435,250	- 51,375	- 20,250	--	--	- 31,125	--	- 31,125
<b>Claims on private enterprises and individuals</b>	+ 238,562	+ 298,399	+ 336,965	+ 361,450	+ 115,308	+ 69,311	+ 84,687	+ 92,144	+ 75,905	+ 322,047
<b>Time and Savings deposits <sup>2)</sup></b>	- 138,105	- 213,302	- 277,225	- 300,272	- 106,353	- 47,112	- 77,195	- 69,612	- 1,105	- 195,024
<b>Net other items <sup>3)</sup></b>	- 193,015	+ 142,615	+ 142,447	- 113,718	+ 4,484	- 51,268	- 29,607	- 37,327	- 76,214	- 194,416
<b>Money Supply</b>	+ 242,804	+ 312,570	+ 400,827	+ 352,865	+ 177,825	+ 4,832	+ 174,768	- 4,560	+ 207,647	+ 382,687
- Currency	+ 117,424	+ 131,106	+ 120,743	+ 155,672	+ 33,897	+ 20,686	+ 120,019	- 18,930	+ 67,604	+ 189,375
- Deposit money	+ 125,380	+ 181,464	+ 280,084	+ 197,193	+ 143,928	- 15,854	+ 54,749	+ 14,370	+ 140,043	+ 193,308

1) Offset against BULOG import deposits and aid counterpart funds

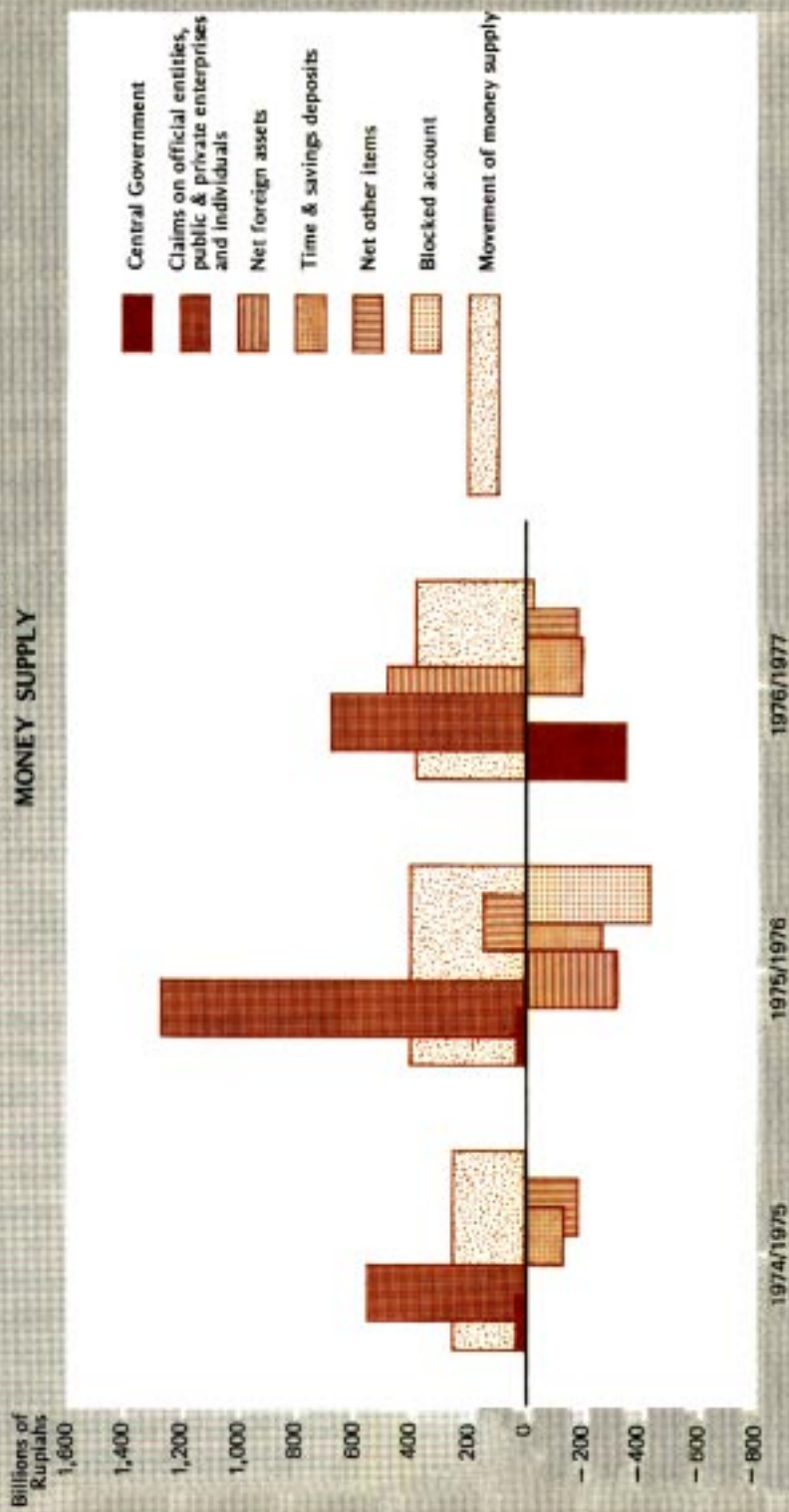
2) Includes foreign currency deposits held by residents

3) Includes import deposits

## MONEY SUPPLY AND LIQUID ASSETS



## FACTORS AFFECTING MONEY SUPPLY



## II. BANK CREDIT DEVELOPMENT

### Credit Policy

Credit policy pursued in 1976/1977, as in previous years, was directed towards accelerating the process of economic development while at the same time maintaining monetary stability. Changes taking place in general economic conditions have always been taken as the basis for making necessary adjustments in policy, either quantitative or qualitative.

In the context of Government policy to curb monetary expansion, which was considered necessary to confine inflationary pressures, limits have been imposed since 1974/1975 on the expansion of bank loans and other assets having the same monetary impacts as credits. These restrictions were kept in force throughout 1976/1977, along with the requirement that banks maintain a specified minimum liquidity, which was last adjusted in April 1974.

Some adjustments have also been made in the rates of interest on loans extended by state banks to reflect changes in development priorities and the general economic situation. The slackening export activities outside the oil sector, especially during 1975/1976, made it necessary for the Government to provide special stimulation to this priority sector. In the financial sector the stimulus was given in 1976/1977 by offering lower rates of interest on bank loans for export trade and export production. This decline in interest rates was backed up by a decrease

in the interest rates on Bank Indonesia refinancing credit and an increase in the share of the refinancing credit available to the handling banks. No changes were made in 1976/1977 in the rates of interest on loans to other sectors. The rates applicable since December 1974 are between 12 per cent and 24 per cent annually with the exception of loans for food aid imports on which the rate is 6 per cent a year.

In order to increase financial assistance to small-scale and economically-weak enterprises, efforts have been made to improve the administration of various credit facilities made available to these enterprises, such as investment loans, Small Investment Credit (KIK), Permanent Working Capital Credit (KMKP) and other small loans. And opportunity has also been given to small borrowers to get an extension, when they are not able to pay off the credits within the 5 years limit set for such credits.

KIK and KMKP credit programs, which were introduced in January 1974, have begun to show favorable results as demonstrated by the increased activities of small-scale enterprises. The larger capital needs of these enterprises have made it necessary to raise the maximum amount of loans in 1976/1977. Small-scale entrepreneurs in rural areas have had, since 1974, access to a similar program called the Mini Credit facility which provides loans of up to Rp 100,000.-. In 1976/1977 another credit facility was made available to small traders and retailers on concessionary terms and with simplified procedure, called

Kredit Candak Kulak ( KCK). Moreover, the Central Government has made loans available to district and municipal Governments, called INPRES Pasar, to finance the construction or rehabilitation of market places. The loans are to be repaid in 10 years with interest fully subsidized by the Central Government.

For an effective administration of small loans, Bank Indonesia and the World Bank will cooperate in a project to assist banks in developing necessary skills and methods for evaluating and administering small loans, so that these banks can assist their customers to use these credits efficiently. This project, called the Small Business Development Project, is to be implemented in West Sumatra, Central Jawa and East Jawa and has been examined on two occasions by the banking communities and authorities in those provinces. Local Government officials, World Bank experts and Indonesian consultants would take part in the implementation of the project, which was planned for late 1977.

The major steps taken in 1976/1977 in pursuance to the Government credit policy are given in more detail below.

1. The ceiling on the expansion of loans and other domestic assets of deposit money banks for 1976/1977 was set at 27 per cent, which was well below the previous year's target figure (34 per cent) The actual performance was even lower, i.e. 22 per cent compared with 25

per cent in 1975/1976. The underutilization of the ceiling was a result of the extremely cautious attitude exhibited by banks in their lending operations and the more careful supervision by the central bank. The ceiling set for each group of banks for 1976/1977 in comparison with 1975/1976 was as follows:

	1976/1977	1975/1976
- State banks	27%	34%
- Private national banks	37%	50%
- Foreign banks	14%	13%

The policy of restricting the expansion of bank loans and other domestic assets will be continued throughout 1977/1978. The ceiling for this fiscal year has tentatively been set at 20 per cent, which, taking into account the projected impact of the balance of payments and Government finance, is consistent with the planned 25 per cent increase in total liquidity.

2. As a stimulus to non-oil exports, adjustments were made in the rates of interest on loans to finance exports and production of export commodities and in the terms of Bank Indonesia refinancing credit to handling banks for these purposes.

- a. As of April 1, 1976 the interest rate on loans for exports and production of export commodities was lowered from 15 per cent to 12 per cent per annum.

At the same time the rate for Bank Indo-

nesia refinancing credits was brought down from 10 per cent to 5 per cent per annum.<sup>1)</sup>

b. The handling (state) banks are entitled to Bank Indonesia refinancing credits for 70 per cent of the loans extended by the banks to the export sector. Before 1976/1977 only loans of over Rp 10 million were eligible for Bank Indonesia refinancing. In 1976/1977, however, the minimum limit on the loan amount was abolished.

3. Financial support to small-scale and economically-weak entrepreneurs has been increased by improving the provisions and administration of KIK, KMKP and other small loans.

a. The maximum limit on KIK and KMKP loans was raised from Rp 5 million to Rp 10 million each, effective as of February 1, 1977.<sup>2)</sup>

b. The procedures for KIK and KMKP loans were simplified, so that handling banks can acquire Bank Indonesia refinancing credit in a more convenient way.<sup>3)</sup>

4. Financial aid has also been made available to small and medium-scale merchants through KCK, a concessionary credit scheme, and INPRES Pasar Credit.

a. KCK was introduced in 1976/1977 and designed to free small traders, in rural areas particularly, from the clutches of moneylenders by providing small loans on concessionary terms and with simple procedure. The KCK loan is used for financing purchases by petty traders from their suppliers. The funds for these loans are provided by the Central Government and are channeled through BUUD's under the supervision of the Directorate General of Cooperatives. Each loan amounts to around Rp 2,000.- to Rp 15,000.- and bears 12 per cent interest per extended for a minimum of 5 days and a maximum of 7 months without any collateral requirement. For 1976/1977 Rp 1.5 billion has been set aside for this program, which in the initial stage was confined to Jawa and Madura.

b. In addition to KCK, loans have also been made available to local governments at the district (Kabupaten) and municipal (Kotamadya) levels, to finance the construction or the restoration of market places and other facilities for petty traders <sup>4)</sup> Loans under this program, called INPRES Pasar, bear no interest and are to be repaid over a ten year period. Bank funds of Rp 20 billion were budgeted in 1976/1977 for this purpose and two state banks, i e. Bank Rakyat Indonesia and Bank Ekspor Impor Indonesia, were appointed to distribute these credits.

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1) Directives of Bank Indonesia No.8/161. KEP/Dir/UPK, March 31, 1976.

2) Circular of Bank Indonesia No.SE 9/1 2/UPK, February 4, 1977.

3) Circular of Bank Indonesia No.SE 9/7/UPK August 16, 1976 and No. SE 9/9/UPK, September 4, 1976.

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4) Presidential decree (INPRES Pasar) No.7, 1976.



With the introduction of the INPRES Pasar program, loans are no longer available under the general investment credit scheme for the construction of market places and shopping centres.

5. As was mentioned in last year's report, the credit facility for non-BUUD/KUD rice millers/hullers was suspended in 1975/1976. Granting of credit for the purchase of rice and paddy was, however, resumed in 1976/1977 to support the market price of paddy which was still below the floor price set by the Government.

#### **Volume and allocation of credit**

The total volume of bank credit outstanding at the end of 1976/1977 was Rp 3,718 billion, an increase of Rp 729 billion or 24 per cent above the level at the end of the previous reporting period. The increase was relatively low compared with the increase of Rp 1,232 billion or 70 per cent during 1975/1976. This was for the most part explained by the much lower increase in Bank Indonesia's credit to the state oil corporation, PERTAMINA, used for financing both its foreign debt service as well as its domestic requirements, and by the decrease in bank lending to state enterprises.

Excluding Bank Indonesia's loan to PERTAMINA, total bank credit outstanding rose by Rp 440 billion or 20 per cent in 1976/1977, which was also lower than the Rp 529 billion or 32 per cent increase during 1975/1976.

Total bank credit outstanding consisted of Rp 2,525 billion or 68 per cent in Rupiah and Rp 1,193 billion or 32 per cent denominated in foreign exchange. These credits were used to finance both fixed and working capital investments in various economic sectors. In 1976/1977 the Rupiah component grew at a faster rate than the foreign exchange component, i.e. by Rp 520 billion or 26 per cent as against Rp 209 billion or 21 per cent.

The resolution of PERTAMINA's financial difficulties had a substantial impact on the growth of total bank credits, evident in the slower expansion of Rupiah and foreign exchange credits to the mining sector and of direct credits of Bank Indonesia. It should be noted that most of Bank Indonesia's credits to the state oil company have been used to service its foreign debts. In 1975/1976, when the corporation's financial trouble was at its height, total bank credits to the mining sector went up by as much as 710 per cent over the previous year's level. However, in 1976/1977 the expansion slowed down to only 36 per cent. The slower pace was also demonstrated by the foreign exchange credits outstanding, which rose by only 21 per cent compared with 223 per cent in the previous year. In part this reflects the fact that direct credits of Bank Indonesia, of which the credits to PERTAMINA made up the major part, increased by only 28 per cent in 1976/1977 as against 265 per cent in the year before.

Bank Indonesia's massive lendings to PERTAMINA, especially in 1975/1976, have

also resulted in a marked rise in the share of Bank Indonesia's direct credits in the total bank credit outstanding, i.e. from 11 per cent at the end of 1973/1974 to 15 per cent, 32 per cent and 33 per cent at the end of 1974/1975, 1975/1976 and 1976/1977, respectively. Excluding the PERTAMINA component, Bank Indonesia's share in total bank credit outstanding increased to 12 per cent as against 8 per cent at the end for March, 1976.

Total bank credit outstanding excluding Bank Indonesia's direct credits increased by Rp 460 billion or 23 per cent in 1976/1977, which was considerably below the 36 per cent in increase in the previous year. This performance resulted more from the conservative attitude of banks in their lending than from the credit restraint imposed by the Central Bank.

In terms of the distribution of credit among economic sectors, industry (manufacturing) experienced the largest increase i.e. 37 per cent; outstanding credits to this sector reached Rp 1,071 billion or 29 per cent of total bank credit. The major portion of this credit was for investment in textile and basic metal products. The second largest increase, i.e. 36 per cent, was in the service sector, of which telecommunication was the major recipient. The amount outstanding at the end of 1976/1977 was Rp 271 billion and represented 7 per cent of total bank credit outstanding. Credits to agriculture grew by 10 per cent to a level of Rp 286 billion and accounted for 8 per cent of total bank credit outstanding at the end of the reporting pe-

riod. A nominal increase of 3 per cent was recorded in credit to the trade sector, whose share was Rp 811 billion or 22 per cent of total bank credit. Most of the amount outstanding was utilized for the distribution of food and other essential commodities, such as granulated sugar, cement, newsprint, etc.

Of the total Rupiah credits outstanding at the end 1976/1977, 18 per cent was granted as investment loans under various programs: the general investment credit scheme<sup>5)</sup> 18 per cent), KIK (2 per cent) and other schemes (6 per cent). The remaining part, i.e. 82 per cent, was given as short term loans (including KMKP). Out of the total of Rp 2,064 billion given as short-term loans at the end of the reporting year, 43 per cent was received by the trade/distribution sector, 28 per cent by the industrial sector and 11 per cent by agriculture

The volume of credits under the medium term investment credit scheme<sup>5)</sup> also continued to grow in 1976/1977. The total credits approved reached Rp 343 billion by the end of March 1977, indicating a rise by 27 per cent over the level a year before. The increase was lower than the previous year's 36 per cent. The total amount outstanding rose from Rp 196 billion to Rp 263 billion during 1976/1977. The percentage increase (34 per cent) was about equal to the previous years. New loans were for the most part

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5) As regulated for the first time by the Bank Indonesia's Announcement No. Peng. 1/DIR/1969, March 7, 1969 and Circular No. SE 1/170/UPK/KPr, March 8, 1969, followed by amendments and other directives.

given to the state telecommunication company, PERUMTELEKOM and to food industries (since November 1976). This is reflected in the considerable increase in credits to the service and industrial sectors. These two sectors accounted for the largest shares in total investment credits, i.e. 37 per cent or Rp 97 billion and 42 per cent or Rp 111 billion, respectively. They were followed by the agricultural sector with a share of Rp 41 billion or 16 per cent and the mining sector with a share of Rp 4 billion or 1 per cent. Other sectors together accounted for Rp 10 billion or 4 per cent.

The breakdown of bank credits by economic sector is presented in Table 8.

The major portion of the funds needed for investment loans has been provided by Bank Indonesia through the refinancing credit facility. The remainder has been provided by the banks except for a small contribution from the government budget.<sup>6)</sup>

Of the total investment credit outstanding at the end of March 1977, Rp 230 billion (67 per cent) was financed with Bank Indonesia liquidity credit.<sup>7)</sup>

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6) Since 1971 no more funds for investment credit were made available from this source. However, the funds generated from the repayments of previous investment credits have been put into the Investment credits, which is to be used for subsequent extensions of investment credits

7) In Bank Indonesia' Circular No.SE. 7/43/UPK dated December 27, 1974, refinancing credits amounting 80 per cent, 75 per cent, 70 per cent and 65 per cent were made available for loan categories I, II, III, and IV, respectively.

Rp 108 billion (31 per cent) with the handling banks' own funds and Rp 5 billion (2 per cent) with transfers from the Government budget.

As has already been mentioned, financial assistance to small-scale and economically-weak entrepreneurs has been given through the KIK, KMKP, Kredit Mini and KCK schemes.

KIK has experienced a marked growth since its introduction in January 1974. In 1976/1977 it recorded an increase of 55 per cent to reach Rp 40 billion at the year's end. On an approval basis it reached a total value of Rp 55 billion, divided among 30,741 customers. Small credits under KMKP scheme show a similar trend, with an increase of 74 per cent during 1976/'1977. A total value of Rp 75 billion has been approved for about 183,877 customers up to the end of 1976/1977, of which Rp 46 billion had been utilized. With the raising of the maximum amount allowed for individual loans under the KIK and KMKP credit schemes to Rp 10 billion in 1976/1977, the volume of credit extended under these two schemes is expected to grow even more quickly.

A large rise of 63 per cent, was also recorded in the volume of the Kredit Mini, with the outstanding amount reaching Rp 8.2 billion at the end of March 1977. The amount was divided into capital investment loans (Rp 1.5 billion) and working capital loans (Rp 6.7 billion). The performance of KIK, KMKP and Kredit Mini is presented in some details in Table 9.

### Ceilings on increase in net assets of banks

As mentioned above, the policy of imposing a ceiling on the increase in bank loans and other assets was continued in 1976/1977. In implementing this policy, a distinction was made between program loans and nonprogram loans. Program loans included all loans granted for the implementation of specific Government programs. Both the amount of program loans and its distribution among uses may be adjusted so that it accords with changes in Government policy. Program loans *inter alia* comprised investment loans, loans for local cost financing of projects, KIK, KMKP and loans for selected purposes such as BIMAS, rice supply (BUUD/KUD, BULOG), sugar stock and clove imports.

Ceilings were specified not only for the increase in net assets of commercial banks, but also for the sub-categories of program and non-program loans, and a ceiling was specified for the increase in those other as-

sets of the banks which have the same monetary effect as loans. The commercial banks were required to maintain their operation within these ceilings. While the ceiling for nonprogram loans must not be exceeded, program loans may, however, exceed their ceiling provided that the overall ceiling is not exceeded.

Early in 1976/1977, the ceiling on the increase in net assets of commercial banks was fixed at Rp 442 billion or 23 per cent above the position at the end of March 1976. During the year, the ceiling was increased by Rp 66 billion (mostly in the sub-category program loans), so as to amount to Rp 508 billion or a 27 per cent increase.

The actual increase in net assets of commercial banks amounted to Rp 407 billion which was 80 per cent of the ceiling. This underutilization is attributable to the cautious attitude of the banks in their lending operations and firmer control by the Central Bank.

TABLE 5 – BANK CREDITS IN RUPIAH AND FOREIGN EXCHANGE <sup>1)</sup>  
(millions of Rupiahs)

	1973/ 1974	1974/ 1975	1975/ 1976	1976/1977			
				I	II	III	IV
<b>Bank Credits</b>	1,216,595	1,756,446	2,988,719	3,209,202	3,405,293	3,573,913	3,717,646
Agriculture <sup>2)</sup>	100,455	121,284	259,995	247,778	321,476	265,523	285,643
Mining <sup>3)</sup>	6,303	99,604	806,615	898,611	957,555	1,035,921	1,099,262
Manufacturing <sup>4)</sup>	346,882	401,830	780,521	842,643	898,493	990,184	1,070,602
Trade	425,731	613,340	789,822	811,489	830,867	858,082	811,020
Service rendering industry	92,934	135,232	199,536	219,396	216,763	260,443	271,255
Others	244,290 <sup>5)</sup>	385,156 <sup>5)</sup>	152,430	189,285	180,139	163,460	179,864
<b>A. Credits in Rupiah <sup>6)</sup></b>	1,089,180	1,451,662	2,004,550	2,160,609	2,318,343	2,422,180	2,524,384
Agriculture	100,455	121,284	251,787	234,767	310,540	255,351	273,963
Mining <sup>3)</sup>	6,303	13,672	99,047	135,970	159,616	175,590	208,525
Manufacturing <sup>4)</sup>	346,882	401,830	549,196	609,596	648,102	739,135	807,515
Trade	401,262	590,664	766,302	793,417	811,875	836,690	792,720
Service rendering industry	92,934	135,232	190,249	206,385	208,841	253,370	264,217
Others	141,344	188,980	147,669	180,474	179,369	161,741	177,444
<b>B. Credits in Foreign Exchange</b>	127,415	304,784	984,169	1,048,593	1,086,950	1,151,733	1,193,262
Agriculture	...	...	8,208	13,011	10,936	10,172	11,680
Mining <sup>3)</sup>	...	85,932	707,568	762,641	797,939	860,331	890,737
Manufacturing <sup>4)</sup>	...	...	230,825	233,047	250,391	251,049	263,087
Trade	21,469	22,676	23,520	18,072	18,992	21,392	18,300
Service rendering industry	...	...	9,287	13,011	7,922	7,073	7,038
Others	102,946 <sup>5)</sup>	196,176 <sup>5)</sup>	4,761	8,811	770	1,716	2,420

- 1) Excludes interbank credits, credits to Government, credits to non-residents and special liquidity credits.
- 2) Processing of agricultural products is classified under manufacturing industry according to International Standard Industrial Classification (ISIC) 1968.
- 3) Includes credits to State Oil Company for repayment of foreign borrowings.
- 4) Includes credits to PT Krakatau Steel.
- 5) Includes credits in foreign exchange for agriculture, mining, manufacturing industry, trade (other than exports and imports) and service rendering industry for which classification is not available.
- 6) Includes Investment Credits, Small Investment Credits (KIK) and Permanent Working Capital Credits (KMKP). Excludes foreign exchange component of project aid.

**TABEL 6 – BANK CREDITS IN RUPIAH BY MATURITY**  
(millions of Rupiahs)

	1973/ 1974	1974/ 1975	1975/ 1976	1976/1977			
				I	II	III	IV
<b>Short term Credits <sup>1)</sup></b>	969,908	1,308,983	1,808,157	1,951,932	2,094,477	2,176,024	2,261,530
– Agriculture	90,751	107,849	222,455	202,689	274,404	216,429	233,159
– Mining	6,135	13,525	93,904	131,333	154,870	171,312	204,247
– Manufacturing	285,880	329,449	467,636	525,296	561,809	645,369	710,445
– Trade & service rendering industry	453,018	679,224	886,205	923,094	933,565	990,075	946,469
– Others	134,124	178,936	137,957	169,520	169,829	152,839	167,410
<b>Investment Credits <sup>2)</sup></b>	119,272	142,679	196,393	208,677	223,866	246,156	262,854
– Investment credits <sup>3)</sup>	107,952	126,098	168,829	177,253	188,385	208,724	221,737
– Investment credit for rupiah cost of project aid	11,320	16,581	27,564	31,424	35,481	37,432	41,117
<b>T o t a l</b>	<b>1,089,180</b>	<b>1,451,662</b>	<b>2,004,550</b>	<b>2,160,609</b>	<b>2,318,343</b>	<b>2,422,180</b>	<b>2,524,384</b>

1) Includes Small Investment Credits (KIK), Permanent Working Capital Credits (KMKP) 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 foreign exchange component of project aid.

**TABLE 7 – INVESTMENT CREDITS <sup>1)</sup>**  
(millions of Rupiahs)

	1973/ 1974	1974/ 1975	1975/ 1976	1976/1977			
				I	II	III	IV
<b>Credit outstanding</b>	119,272	142,679	196,393	208,677	223,866	246,156	262,854
<b>1. By economic sectors</b>							
– Agriculture	9,704	13,435	29,332	32,078	36,136	38,922	40,804
– Mining	168	147	5,143	4,637	4,746	4,278	4,278
– Manufacturing	61,002	72,381	81,860	84,300	86,293	94,066	97,070
– Service rendering industry	41,178	46,672	70,346	76,708	87,151	99,985	110,668
– Others	7,220	10,044	9,712	10,954	9,540	8,905	10,034
<b>2. By source of funds</b>	119,272	142,679	196,393	208,677	223,866	246,156	262,854
– Central Bank	73,035	75,738	104,775	107,206	118,387	120,219	126,540
– State banks	41,392	62,993	87,785	97,679	101,716	122,174	133,165
– Government Budget	4,845	3,948	3,833	3,792	3,763	3,763	3,149
<b>Approved by banks</b>	175,316	198,303	269,456	285,259	290,710	320,002	343,468
<b>1. By economic sectors</b>							
– Agriculture	18,247	19,012	35,869	40,693	43,506	44,434	48,348
– Mining	513	221	5,154	5,154	5,295	5,296	5,296
– Manufacturing	84,143	99,605	109,557	119,588	119,557	130,264	137,045
– Service rendering industry	62,321	65,916	103,741	104,624	108,360	125,465	137,219
– Others	10,092	13,549	15,135	15,200	13,992	14,543	15,560
<b>2. By source of funds</b>	175,316	198,303	269,456	285,259	290,710	320,002	343,468
– Central Bank	126,405	130,308	179,568	184,900	189,086	202,451	230,130
– State banks	41,684	62,236	84,784	95,302	96,572	112,758	108,161
– Government Budget <sup>2)</sup>	7,227	5,759	5,104	5,057	5,052	4,793	5,177

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 no funds from the Budget are made available for financing investment credits, whereas the funds already returned are put into the investment funds to be used subsequently for granting new investment credits.

**TABLE 8 – SMALL INVESTMENT CREDITS (KIK), PERMANENT WORKING CAPITAL CREDITS (KMKP) AND MINI CREDITS**  
(millions of Rupiahs)

	1973/ 1974	1974/ 1975	1975/ 1976	1976/1977			
				I	II	III	IV
<b>I. Small Investment Credits</b>							
– Number of applications approved	4,611	11,324	19,804	22,697	25,026	27,827	30,741
– Value of applications approved	5,667	18,768	34,090	39,025	43,889	49,602	55,269
– Credit outstanding	3,966	15,533	25,533	29,310	32,564	36,086	39,605
<b>II. Permanent Working Capital Credits</b>							
– Number of applications approved	3,303	15,769	83,281	102,193	148,896	166,149	183,877
– Value of applications approved	4,488	17,914	40,756	49,210	57,993	67,080	74,786
– Credit outstanding	2,913	13,578	26,671	31,786	37,277	41,446	46,342
<b>Total I + II</b>							
– Number of applications approved	7,914	27,093	103,085	135,890	173,922	193,976	214,618
– Value of applications approved	10,155	36,682	74,846	88,235	101,882	116,682	130,055
– Credit outstanding	6,879	29,111	52,204	61,096	69,841	77,532	85,947
<b>III. Mini Credits</b>							
(Credit outstanding)	---	2,289	5,029	5,767	6,563	7,217	8,192
– Investment	---	524	1,063	1,566	1,358	1,504	1,474
– Working capital							
Short term	---	1,765	3,966	4,201	5,205	5,713	6,718



**TABLE 9 – CEILING OF NET DOMESTIC ASSETS OF COMMERCIAL BANKS**  
(millions of Rupiahs)

	1974/1975	1975/1976	1976/1977
<b>1. State banks</b>			
a. Base figures <sup>1)</sup>	984,180	1,218,545	1,538,598
b. Ceiling	324,720	417,750	416,638
c. Actual	291,237	320,053	320,393
d. Ratio (%)			
– Ceiling/base figures	33.0	34.3	27.1
– Actual/base figures	29.6	26.3	20.8
– Actual/ceiling	89.7	76.6	76.9
<b>2. National private banks</b>			
a. Base figures <sup>1)</sup>	117,238	135,362	185,614
b. Ceiling	40,000	67,332 <sup>f</sup>	69,266
c. Actual	18,124	50,075	61,953
d. Ratio (%)			
– Ceiling/base figures	34.1	49.7	37.3
– Actual/base figures	15.5	37.0	33.4
– Actual/ceiling	45.3	74.4	89.4
<b>3. Foreign banks</b>			
a. Base figures <sup>1)</sup>	142,043	154,679	161,176
b. Ceiling	21,437	20,284	21,720
c. Actual	12,670	6,497	24,508
d. Ratio (%)			
– Ceiling/base figures	15.1	13.1	13.5
– Actual/base figures	8.9	4.2	15.2
– Actual/ceiling	59.1	32.0	112.8
<b>4. Commercial banks</b>			
a. Base figures <sup>1)</sup>	1,243,461	1,508,586	1,885,388
b. Ceiling	386,157	505,366 <sup>f</sup>	507,624
c. Actual	322,031	376,625	406,854
d. Ratio (%)			
– Ceiling/base figures	31.1	33.5	26.9
– Actual/base figures	25.9	25.0	21.6
– Actual/ceiling	83.4	74.5	80.1

l) Net domestic assets level at the end of last financial year.

Due to adjustments the base figures at the beginning of a financial year are not equal to the total of the base figures and the actuals in the preceding year.

### III. MOBILIZATION OF FUNDS

The measures taken by the Government in 1976/1977 to promote funds mobilization represents a continuation of the policies of previous years. The principal aim of these policies is to mobilize funds from the public, as a means both of financing economic development and controlling inflation. The implementation of these policies is adjusted in accordance with economic and monetary developments.

With improvements in general economic conditions, downward adjustments have been made in the rates of interest on INPRES time deposits and on TABANAS and TASKA savings deposits. Nevertheless, the INPRESS time deposits continued to play a very important role, compared to other forms of deposits.

To promote the development of a domestic capital market, a set of measures was taken in 1976/1977 to provide the instruments and institutional infrastructure necessary for the mobilization of funds through the capital market.

#### Time Deposits

INPRES time deposits with state banks in 1976/1977 increased by Rp 184 billion or 41 per cent, which was lower than the 66 per cent increase of the previous year. This smaller increase reflected the impact of the declining interest rates on the INPRES time deposits since January 13, 1977. The increase in INPRES time deposits with state

banks during the first three months of 1977 was 3 per cent, whilst the quarterly average increase in 1976/1977 was about 12 per cent.

As in previous years, in 1976/1977 there was no change in the composition of time deposits. Time deposits with the longest maturity always accounted for the largest share in the total time deposits. The volume of INPRES time deposits of 24-month maturity reached 86 per cent of total deposits at the end of 1976/1977 compared to 88 per cent at the end of 1975/1976.

The changes made in the rates of interest on time deposits from April 9, 1974 until January 13, 1977 were as follows:

		Annual Interest Rates		
		As of Jan. 13, 1977 1)	As of Dec. 28, 1974	As of Apr. 9, 1974
Less than	3 months	3%	6%	6%
	3 months	6%	9%	9%
	6 months	9%	12%	12%
	12 months	12%	15%	18%
	18 months	—	21%	24%
	24 months	18%	24%	30%

1) Bank Indonesia Circular No. SE 9/6/UPUM, January 26, 1977.

In addition to the downward adjustment of interest rates, on January 13, 1977, the 18-month time deposits, were abolished, as this maturity had not been sufficiently attractive to the public.

Although interest rates on time deposits have been lowered, the cost of money is still

too high for banks which receive these time deposits. The Government therefore decided to continue subsidizing the interest rates. According to the regulation in force since December 1974, the interest subsidy was 6 per cent and 9 per cent for time deposits of 18-month and 24-month maturities, respectively. Since January 13, 1977, the subsidy for 24-month deposits has been 6 per cent. With the subsidy, the interest cost to the banks of the 24-month deposits is 12 per cent per annum. Up to the end of 1976/1977, banks had received about Rp 93 billion in payment of the subsidy.

### **Certificates of Deposit**

Certificates of deposit are among the marketable securities issued by banks since 1971 in their efforts to attract more funds from the public.

As may be seen from Table 11, up to the end of 1975/1976 the value of certificates of deposit issued has been growing, implying that they have been attractive to the investors. But in the reporting year the total outstanding volume of CD's declined by 50 per cent to Rp 47 billion at the end of March 1977. This decline reflected the reduced willingness of banks, especially the state banks, to issue certificates of deposit, because in the reporting period most of the banks had excess funds and the relatively high interest rates, while attractive for savers, represent a high cost for the banks.

This development was reflected in the decline in interest rates offered on CD's dur-

ing 1976/1977 from 6 per cent — 12.5 per cent range in 1975/1976 to the 3 - 12 per cent range 1976/1977.

### **TABANAS and TASKA**

The TABANAS program, designed to stimulate and develop the public's desire to save, has shown encouraging results.

As seen in Table 14, TABANAS deposits went up by Rp 41 billion in 1976/1977 compared to a rise of Rp 28 billion in the previous year. The number of savers continued to grow and in the reporting year increased by 52 per cent to approximately 6 million.

TASKA deposits increased by Rp 61 million (48 per cent), slightly lower than the increase in the previous year. The number of savers at the end of 1976/1977 was about 10 thousands and did not show any significant change.

The efforts to develop the desire to save among students, young people and boy-and girl-scouts (pramuka) were started in 1974 with a campaign known as the PERATA P3. For the same purpose a similar program was also designed for civil servants in early 1976/1977. These efforts have shown encouraging results: total savings mobilized amounted to Rp 3 billion and the number of savers was about 1.5 million at the end of March 1977.

Effective as of January 13, 1977, the interest rate for TABANAS deposits was reduced from 18 per cent to 15 per cent per-annum on any balance up to Rp

200,000.- and from 9 per cent to 6 per cent on the balance in excess of Rp 200,000.-<sup>1)</sup>. In the case of TASKA deposits the interest rate was decreased from 15 per cent to 9 per cent per annum on the balance fully paid in during a given year <sup>2)</sup>. In spite of the decline in the interest rates of TABANAS and TASKA, the number of TABANAS savers and the value of savings continued to increase.

In order to simplify the TABANAS lottery system and in view of the fact that the lottery element in these deposits was intended only as an incentive and not as an objective in itself, in 1976/1977 the lottery system was altered. In the former system the distribution of lottery coupons was based on the value of each savings account; in the new system only one coupon is allocated to each account.

### **Savings for the haj pilgrimage to Mecca**

Every pilgrim candidate is given the opportunity to deposit the predetermined cost of going on pilgrimage (ONH) with a bank. This payment should be surrendered by the bank to the Government. These deposits represent a significant source of funds for banks which they can use for business financing for a certain period of time. For the pilgrim candidate this arrangement is convenient in that he or she can make a timely payment to the Government and at the same time gain some interest income.

Three banks were appointed for handling the ONH funds, i.e. BNI 1946, BRI and BEI ( especially for Irian Jaya). The amount of ONH for 1976/1977 was fixed at Rp 925,000.- for those travelling by sea and Rp 890,000.- for those travelling by air. Compared with previous year these cost rose by 16 per cent and 29 per cent, respectively.

During the 1976/1977 pilgrimage season, the total ONH money received by the handling banks was Rp 23 billion, which was deposited by 25,335 prospective pilgrims. This was about 50 per cent smaller than the previous year's level of Rp 39 billion (54,286 pilgrims).

### **Money and Capital Market**

The interbank call money market has been promoted by Bank Indonesia since 1974/1975 in Jakarta and is intended to help banks which run short of funds to meet their clearing obligations. These banks can borrow for up to 7 days at the agreed interest rates from other clearing participants who have excess funds. The activities of the interbank call money market up to the end of 1976/1977 were limited to the Jakarta clearing participants only. Interbank call money market outside Jakarta are not yet regulated by Bank Indonesia. Nevertheless, the banks are using these interbank call money market facilities to improve the utilization of the public's funds.

As the case in 1975/1976, monthly transaction during the reporting period in the Jakarta interbank call money market totalled

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1 ) Bank Indonesia Circular No. SE 9/7/UPUM, February 1, 1977.

2) Decree of the Board of Directors of Bank Indonesia, No. 9/96/Kep/DIR/UPUM, January 13, 1977.

Rp 32 billion with interest rates ranging from 5<sup>1/2</sup> per cent to 36 per cent annually. Each month about 2<sup>1/2</sup> per cent of the total deficits experienced by banks in clearing transactions was financed through the market. The highest annual interest rate for interbank transactions among national private banks was between 28<sup>1/2</sup> per cent and 36 per cent, whereas among Government banks and foreign banks it was only 5<sup>1/2</sup> per cent—8 per cent.

### Capital market

In 1952 the Government established a stock exchange to provide facilities for trading in shares and other securities<sup>3)</sup>. In this context it was determined that the activities at the stock exchange would be carried out by the PPUE (money and securities brokers association). However, trading activity at the stock exchange, particularly after 1958, was below expectations. This was mainly attributable to the economic conditions prevailing in Indonesia at that time which were characterized by an increasing rate of inflation and were therefore not conducive for the development of a capital market.

When monetary and economic conditions started to improve, the Government initiated efforts to enhance the activities of the money and capital market which should serve as an important vehicle with respect to the mobilization of funds and broadening of investment opportunities. Preparations

towards this aim commenced in 1968 and were followed by the establishment of the BAPEPUM (agency for the development of the money and capital market) in 1972<sup>4)</sup>. The main task of this agency was to study the money and capital market and submit recommendations to the Government concerning the establishment of an institution which would be in charge of money and capital market operations. It should be mentioned that in 1972 the Government also decided to establish non-bank financial institutions<sup>5)</sup>. The principal operations of these institutions would be the mobilization of funds, investment in medium and long-term loans, equity participation and underwriting. They are therefore expected to be an important element in supporting the activities of the money and capital market.

In 1976/1977, the Government established the BAPEPAM (capital market executive agency)<sup>6)</sup> which is in charge of the supervision and operation of a stock exchange. BAPEPAM will prepare the regulations and supervise the activities of the stock exchange, and it is also responsible for offering and trading procedures. Brokers are needed in order to enable the trade in securities at the stock exchange; they should hold a license issued by the Minister of Finance upon recommendation of BAPEPAM. The PPUE functions as the parent organization of the brokers.

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3) Act. No.15/1952.

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4) Decision of the Minister of Finance No. Kep. 25/MK/II/1972 January 13, 1972.

5) Decision of the Minister of Finance No. Kep. 38/MK/IV/II/1972 January 18, 1972.

6) Presidential Decree No. 52 December 27, 1976.

An advisory council, i.e. the Capital Market Policy Council, was also established to provide guidelines for the development of a capital market in the direction desired by the Government. This council is designed to submit recommendations on capital market policy to the Minister of Finance who is responsible for the development of a capital market. Membership of the council i.e. the Minister of Finance (concurrently chairman of the council), the Minister of State for Control Public Service/Vice Chairman of the National Planning Board, the Minister of Trade, the Cabinet Secretary, the Governor of Bank Indonesia and the Chairman of the Capital Investment Coordinating Board.

In 1976, the Government established PT Danareksa<sup>7)</sup> with the objective to enable small investors to participate in capital market activities. In this context, PT Danareksa plans to buy shares from companies, and convert them into share certificates of relatively small denominations (Rp 10,000. - ) for sale to the public. Purchases are limited to 100 share certificates of one company or Rp 1 million, so as to avoid large-scale acquisition by an individual.

In line with the measures set out above, a number of facilities in the field of taxation are also granted to companies prepared to go public, as well as to individuals who invest in securities which are traded at the stock exchange. Tax facilities granted to companies are a reduction of corporation tax, exemption from tax on revaluation of assets, as well as from stamp duty on capital <sup>8)</sup> Tax facilities granted to buyers of securities are i.e. exemption from investigation regarding the origin of funds used in purchases of securities at the stock exchange in amounts not exceeding Rp 10 million. Moreover, proceeds from sale of shares and other securities are exempted from income tax as well as from tax on interest, dividend and royalty, while the funds invested in those securities are also exempted from payment of wealth tax. <sup>9)</sup>

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7) Government Regulation No. 25 December 27, 1976.

8) Decision of the Minister of Finance No. Kep.1678/MK/II/12/1976 December 28, 1976.

9) Decision of the Minister of Finance No. Kep.1676/MK/II/12/1976 December 28, 1976.

**TABLE 10 – TIME DEPOSITS <sup>1)</sup>**  
(Millions of Rupiahs)

	24 months	18 months	12 months	6 months	3 months	Less than 3 months	Total
1969 : March			10,835	3,732	1,179	44	16,390
June			17,589	5,293	1,522	144	24,548
September			22,144	6,147	1,393	139	29,823
December			25,128	6,699	1,496	257	33,580
1970 : March			29,518	3,607	1,410	297	34,832
June			30,292	3,832	2,139	267	36,530
September			33,116	3,970	3,014	545	40,645
December			38,263	6,824	4,755	587	50,429
1971 : March			45,024	6,824	7,356	534	59,738
June			53,521	8,640	10,242	1,286	73,689
September			70,251	10,145	9,176	790	90,362
December			75,514	15,522	12,598	993	104,627
1972 : March			82,140	25,580	17,845	551	126,116
June			89,705	36,086	18,616	754	145,161
September			101,402	37,058	10,910	802	150,172
December			107,576	28,699	8,819	731	145,825
1973 : March			105,200	32,993	8,483	2,486	149,162
June			116,666	35,377	8,240	408	160,691
September			120,339	23,747	5,921	1,689	151,696
December			129,382	14,162	4,000	1,371	148,915
1974 : March			129,722	9,331	3,621	1,229	143,903
June	87,244	1,713	69,493	10,086	4,087	1,187	173,790
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
June	430,233	4,588	39,657	19,437	7,094	1,969	502,978
September	471,197	3,759	47,445	24,115	8,048	1,709	556,273
December	517,568	3,987	48,500	25,082	14,031	2,544	611,712
1977 : March	543,283	3,596	48,540	24,433	9,144	1,534	630,530

1) According to Presidential Decree No. 28/1968

TABLE 11 – CERTIFICATES OF DEPOSIT OUTSTANDING <sup>1)</sup>  
(millions of Rupiahs)

	Issued by		Total
	State Banks	Foreign Banks	
1971 : March		291	291
June		635	635
September	1,768	472	2,240
December	1,717	394	2,111
1972 : March	1,273	833	2,106
June	6,614	2,537	9,151
September	10,596	6,863	17,459
December	4,960	3,694	8,654
1973 : March	6,201	1,505	7,706
June	7,106	2,495	9,601
September	19,447	10,364	29,811
December	23,381	8,354	31,735
1974 : March	48,608	8,145	56,753
June	68,575	8,909	77,484
September	67,850	9,665	77,515
December	64,732	8,221	72,953
1975 : March	70,056	9,475	79,531
June	76,924	8,082	85,006
September	83,393	10,387	93,780
December	71,117	10,691	81,808
1976 : March	70,020	24,373	94,393
June	51,893	20,101	71,994
September	38,126	20,486	58,612
December	24,883	18,915	43,798
1977 : March	14,540	32,192	46,732

1) i.e. issuance minus redemption.



TABLE 12 – INTEREST/DISCOUNT RATES OF CERTIFICATES OF DEPOSIT  
(In annual percentage rates)

Maturity	1 9 7 6				1977
	March	June	September	December	March
1 week	8.7	6.9	5	5	5
2 weeks	9	7 – 9	6 – 7	3 – 6	3 – 6
1 month	6 – 9.5	7 – 9.5	5.5 – 7.6	5.5 – 7.6	3 – 7.6
2 months	9.6 – 10	8 – 9.6	7.56 – 8	6 – 7.56	6 – 7.56
3 months	8.5 – 10.5	8 – 10.5	6 – 9	6 – 9	6 – 9
4 months	10.5	9.6	8.16	8.16	8.16
5 months	10.8	10.2	8.26	8.28	8.28
6 months	9.5 – 11.5	9.5 – 11.5	6.5 – 11.3	6.5 – 11.3	6.5 – 11.3
9 months	12	8.76	8.76	8.76	8.76
12 months	10 – 13.5	9 – 15	8 – 15	8 – 15	8 – 12

**TABLE 13 – 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
1972 :						
March	1,503,475	11,017	23,648	77	1,527,123	11,094
June	1,963,345	16,606	26,458	127	1,989,803	16,733
September	2,225,832	21,100	26,251	145	2,252,083	21,245
December	2,389,105	25,680	17,876	99	2,406,981	25,779
1973 :						
March	2,560,275	30,373	14,991	86	2,575,266	30,459
June	2,715,525	30,107	13,437	92	2,728,962	30,199
September	2,813,561	30,514	12,790	96	2,826,351	30,610
December	2,870,603	32,465	11,782	84	2,882,385	32,549
1974 :						
March	3,019,497	36,777	11,135	78	3,030,632	36,885
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
June	4,663,625	90,225	10,628	151	4,674,253	90,376
September	5,171,102	98,672	11,101	157	5,182,203	98,829
December	5,429,981	109,147	10,836	158	5,440,817	109,305
1977 :						
March	6,566,385	123,117	10,402	188	6,576,787	123,305

## IV. BANKS AND OTHER FINANCIAL INSTITUTIONS

### Banks

#### Banking policy

In line with its duties as a Central Bank, Bank Indonesia monitors the development of banks to ensure that policies are, in fact, achieving their objectives. In November 1976 Bank Indonesia issued new provisions concerning the obligation of commercial banks to publish their balance sheet and income statement in newspapers <sup>1)</sup>. This is designed to enable the public to evaluate the financial condition of banks.

The new provisions replace the old ones which were inadequate as they were neither specific nor widely circulated. There was moreover no uniformity with respect to the format of the balance sheets to be published; this made it difficult to compare one bank with another.

The essentials of the new provisions in effect since July 1, 1977, are:

- a. Commercial banks shall publish their balance sheets and income statements according to the format determined by Bank Indonesia, in not less than one newspaper, which has a wide circulation in the area where the bank operates.

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1) Bank Indonesia Circular No. SE 9/53/UPPB, November 30, 1976.

- b. The publication shall be made 4 (four) times a year on dates to be determined by Bank Indonesia.
- c. Balance sheets to be published shall be consolidated balance sheets (including assets and liabilities of branch offices abroad). With respect to foreign banks, which are a branch office of a bank abroad, the balance sheets to be published shall concern its office in Indonesia only.
- d. Banks, which violate this provision, are considered negligent and may be suspended temporarily from participation in clearing operations.

In the efforts to achieve sound private national banks, since 1971 the Government has encouraged these banks to merge. In line with this policy, in 1976/1977 the Government extended the time limit on tax exemption facilities from December 31, 1976 to December 31, 1977<sup>2)</sup>. This extension was allowed as the process of merging has proved to be quite time consuming, and a large number of banks have expressed the desire to merge. In 1976/1977 a total of twelve banks merged into six, so that at the end of March 1977 in total 61 banks has merged to become 22. Between March 1971 and March 1977 the total number of private national banks fell from 129 to 85.

For the past few years foreign exchange

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2) Bank Indonesia Circular No. SE 9/66/UPPB, December 20, 1976.

banks have been allowing customers to maintain checking accounts denominated in foreign exchange. This was allowed under Government Regulation No. 16/1970 which permits unrestricted acquisition and use of foreign currency. These current accounts in foreign currency made it possible to issue checks and transfer orders denominated in foreign currency and enabled the foreign exchange banks to create foreign currency deposits. Therefore, as a preventive measure, Bank Indonesia prohibited the issuing of checks and transfer orders denominated in foreign currency <sup>3)</sup>. The banks which had issued checks and transfer orders were requested to withdraw them from their customers. Thenceforth, payments or transfers from current accounts denominated in foreign exchange shall be effected through cash transfers or book entries.

### **Banking development**

At the end of March 1977 the total number of commercial banks had declined to 101, but the number of offices had increased to 961, compared with 107 banks and 949 offices at the end of March 1976. The decline in the number of commercial banks was due to the merger of several private national banks and revocation of the operating permits of a few others.

The total number of development banks remained at 28, i.e. one state bank (The

Development Bank of Indonesia), 26 local development banks and one private development bank.

However, the number of offices increased to 142, due to the opening of 7 branches of local development banks.

The number of savings banks in 1976/1977 remained constant at 8 banks with 14 offices.

During the year under report, the number of rural banks (village banks, paddy banks and petty-traders' banks) increased by two to reach 5,915. The Minister of Finance issued 5 permits to establish operations and revoked the operating permits of three entities which were formerly engaged in rural banking.

The development of commercial banking activities in Indonesia during the year is reflected in the consolidated balance sheets of the banks. Total assets rose 23 per cent to reach Rp 3,637 billion; deposit liabilities rose 27 per cent to Rp 2,365 billion; and loans granted rose 23 per cent to Rp 2,490 billion.

Viewed by class of banks the state banks continued to play the predominant role, with their assets, deposit liabilities and credits granted accounting for 82 per cent, 79 per cent and 85 per cent of the total. Private national banks and foreign banks were about equally important in terms of assets, deposit liabilities and loans granted, with the share of the national private banks accounting for

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3) Bank Indonesia Circular No. SE 9/16/UPPB, May 31, 1976.

10 per cent, 11 per cent and 9 per cent, respectively, of the total and the share of the foreign banks accounting for per cent, 10 per cent and 6 per cent, respectively. The corresponding percentages for the preceding year were 9 per cent, 11 per cent and 7 per cent for the private national banks and 9 per cent, 12 per cent and 7 per cent for the foreign banks. The enhanced activities of private national banks was one result of the mergers encouraged by the Government.

In 1976/1977 there were no changes in the liquidity requirements. The minimum liquidity ratio with respect to rupiah and foreign currency liabilities remained at 30 per cent. The monthly average liquidity ratio of banks in 1976/1977 was above the required 30 per cent. The rupiah liquidity ratio of state banks, private national banks and foreign banks was 34 per cent, 48 per cent, 30 per cent, respectively: overall liquidity in the year under report was therefore 35 per cent. Compared with the preceding year, there was not much change in the liquidity ratios of the state banks, private national banks or foreign banks, which had been 34 per cent, 50 per cent and 33 per cent, respectively, in 1975/1976 with an overall ratio of 36 per cent. In absolute terms, nevertheless, the level of reserves maintained by the banks increased from Rp 368 billion at the end of 1975/1976 to Rp 494 billion at the end of the reporting year.

The banks' rupiah balances with Bank Indonesia were continuously above the required ratio of 10 per cent, i.e. 19 per cent,

23 per cent and 17 per cent for the state banks, private national banks and foreign banks,

respectively. The corresponding percentages in the preceding year were 19 per cent, 25 per cent and 20 per cent. In the year under report, the liquidity ratio for foreign exchange was far above the required level, being 79 per cent in 1976/1977 compared with 67 per cent in the preceding year.

Data on the developments and activities of the banking sector during the year under report are presented in tables 14, 15, 16 and 17.

## **Other financial institutions**

### **Non-bank financial institutions**

The steps taken by the Government to establish non-bank financial institutions were particularly aimed at stimulating the development of a money and capital market in Indonesia. The principal activities of non-bank financial institutions, established since 1972,<sup>4)</sup> are efforts to increase the participation of the community in fund raising by issuing securities and to use the funds to help finance companies by granting loans and equity participation. They will provide avenues of finance to companies other than from banking sources.

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

As a first step, the Government decided that only two categories of financial institutions could be established, namely development finance corporations and investment finance corporations. The former group is engaged principally in granting medium and long term credit and equity participation, while the latter in underwriting activities.

At the end of the year under report there were 12 non-bank financial institutions, consisting of 2 development finance corporations and 10 investment finance corporations. In addition, there were 3 representative offices of foreign non-bank financial institutions.

The activities of non-bank financial institutions were reflected by their resources, which, up to the end of March 1977 increased by 40 per cent to Rp 102 billion while investments went up by 42 per cent to Rp 98 billion.

The 2 development finance corporations, i.e. PT Indonesian Development Finance Corporation (IDFC) and PT Private Development Finance Company of Indonesia (PDFCI) also showed a significant progress: resources increased by nearly 7 per cent to Rp 16,847 million, while investments rose

by more than 6 per cent to Rp 15,924 million.

As previously mentioned there were 10 investment finance corporations, while one of them is still inactive. These corporations also developed rather favorably and at the end of the reporting year, resources and investment of funds increased by 50 per cent to Rp 85,063 million and by 52 per cent to Rp 82,037 million. The increase in resources was achieved through borrowing and issuing of securities, while the rise in investment was attributable to investments in banker's bills and other commercial papers, especially promissory notes. The development of the financial institutions is shown in tables 18, 19 and 20.

## Pawnshop

As a type of non-bank financial institution, pawnshops still play an important role, i.e. in meeting contingencies of the community in general and those of the low income group in particular. Loans from pawnshops are relatively easy and simple to obtain, in contradiction to bank loans. At the end of 1976, the Pawnshop Institution had 441 offices as against 437 in 1971. The lending activities of the pawnshops are reported in the table below:

Pawnshops in Indonesia						
	1971	1972	1973	1974	1975	1976
Total of pawnshop offices	437	437	440	440	441	441.
Loans granted (in million Rupiahs)	9,480.5	11,880.4	16,444.0	23,345.4	30,893.4	37,969.4
Repayments (in million Rupiahs)	8,732.0	11,098.2	15,213.6	21,156.0	28,972.3	35,264.6
Loans outstanding (in million Rupiahs)	2,622.9	3,414.1	4,643.5	6,552.9	8,464.3	11,169.4

Source : Pawnshop Institution

The activities of pawnshops are reflected by the total amount of loans granted. In 1976, total loans granted amounted to Rp 38 billion or increased by 23 per cent over 1975, while the value of pawns redeemed was Rp 35 billion, i.e. increased by 22 per cent. Loans outstanding with the Pawnshop Institution amounted to Rp 11.2 billion in 1976, which indicated a Rp 2.7 billion increase in net loans outstanding.

### Credit insurance

The development of small entrepreneurs is often hampered by the shortage of capital needed for their operations. In general, small entrepreneurs meet with a number of difficulties when applying for bank loans, particularly because of their inability to provide adequate collateral. Therefore, because of the risk involved, banks are rather unwilling to extend loans in relatively small amounts. In order to enable small entrepreneurs to obtain bank loans, in 1971 the Government

in conjunction with Bank Indonesia established PT Asuransi Kredit Indonesia (PT ASKRINDO) which is domiciled in Jakarta.<sup>1)</sup>

The objective of the said institution is to safeguard loans granted by banks to medium and small entrepreneurs engaged in handicraft, agriculture, animal husbandry, fishery, trade and services. PT ASKRINDO undertakes to bear part of the risk arising from default of the relevant bank customers. It may be mentioned that all loans granted by banks under the KIK/KMKP program are insured by PT ASKRINDO.

During 1976, the number of bank customers insured with PT ASKRINDO increased by 24 per cent to reach 140 thousand while the nominal amount of loans increased by 61 per cent to Rp 70,716 million. The activities of PT ASKRINDO in a number of economic sectors during the last three years were as follows (amounts in million of Rp):

Economic Sector	1974		1975		1976	
	Number of customers	Amount insured	Number of customers	Amount insured	Number of customers	Amount insured
1. Agriculture	26,003	4,805	43,764	9,428	69,698	17,749
2. Manufacturing	6,239	8,066	4,048	5,333	5,035	7,479
3. Trade	34,738	14,288	29,647	16,672	33,567	27,568
4. Services	4,639	7,076	5,654	8,113	6,931	12,804
5. Others	23,258	3,665	29,829	4,362	24,296	5,116
	94,877	37,900	112,942	43,908	139,527	70,716

Source : PT ASKRINDO

1) Government Regulation No. 1/1971, January 11, 1971 and Notarial Document by Mohamad Ali Jakarta No. 2 April 6, 1971.

TABLE 14 – NUMBER OF BANKS AND THEIR OFFICES  
IN INDONESIA <sup>1)</sup>

	March 1976	1976/1977		March 1977
	Number of banks/offices	Established	licences revoked	Number of banks/offices
<b>Commercial Banks</b>				
State banks				
– Number of banks	5	---	---	5
– Number of offices	671	9	1	679
National private banks				
– Number of banks	91	---	6	85
– Number of offices	257	27	23	261
Foreign banks				
– Number of banks	11	---	---	11
– Number of offices	21	---	---	21
<b>Development Banks</b>				
State Development Banks				
– Number of banks	1	---	---	1
– Number of offices	11	---	---	11
Local Development Banks				
– Number of banks	26	---	---	26
– Number of offices	123	7	---	130
Private Development Banks				
– Number of banks	1	---	---	1
– Number of offices	1	---	---	1
<b>Savings Banks</b>				
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
Number of Commercial Banks, Development Banks and Savings Banks				
– Number of banks	143	---	6	137
– Number of offices	1,098	43	24	1,117
<b>Rural Banks</b>				
– Village banks	3,563	3	---	3,566
– Paddy banks	2,211	---	3	2,208
– Petty traders' banks	139	2	---	141
Total number of offices	7,011	48	27	7,032

1) Excludes representative offices.



**TABLE 15 — CONSOLIDATED BALANCE SHEET OF DEPOSIT MONEY BANKS**  
 March 31, 1976 and March 31, 1977  
 (millions of Rupiahs)

	March 1976				March 1977			
	State Banks	National Private Banks	Foreign Banks	Total	State Banks	National Private Banks	Foreign Banks	Total
<b>Assets</b>								
— Cash in hand	53,459	23,009	2,876	79,344	55,528	30,382	2,475	88,385
— Bank Indonesia	375,241	49,936	47,478	472,655	480,758	56,083	45,876	582,717
— Securities	35	41	1	77	29	41	—	70
— Domestic drafts	22,602	3,317	8,410	34,329	21,403	6,467	11,369	39,259
— Loans outstanding	1,516,039 <sup>r1</sup>	149,032	76,079	1,741,150 <sup>r1</sup>	1,876,880	210,886	99,369	2,187,135
— Foreign exchange assets								
— Loans	219,846	1,438	59,308	280,592	239,705	1,859	60,971	302,535
— Other	164,471	7,723	60,537	232,731	209,775	16,859	69,886	296,520
— Participation	6,073	2,001	—	8,076	6,684	1,901	—	8,585
— Premises, Furniture and Fixtures	24,134	13,942	5,794	43,870	28,840	20,805	6,372	56,017
— Other assets	46,886	16,964	6,631	70,481	62,973	8,024	4,691	75,690
<b>Total</b>	<b>2,428,788</b>	<b>267,403</b>	<b>267,114</b>	<b>2,963,305</b>	<b>2,982,577</b>	<b>353,307</b>	<b>301,009</b>	<b>3,636,893</b>
<b>Liabilities</b>								
— Paid-up capital	34,757	35,427	12,331	82,475	51,317	46,974	12,633	110,924
— Reserves/profit & loss account	93,897	13,085	4,545	111,525	62,959	14,875	6,417	84,251
— Borrowings	10,037	781	—	10,818	14,916	2,058	500	17,474
— Demand deposits	578,666	124,478	56,273	759,417	771,953	156,881	64,937	993,771
— Time and savings deposits	605,735	50,072	55,525	711,332	765,317	70,069	61,758	897,144
— Drafts payable	32,768	4,667	992	38,427	35,150	7,457	1,930	44,537
— Guarantee deposits	16,360	7,409	1,844	25,613	23,059	23,884	2,880	39,803
— Foreign exchange liabilities								
— Demand deposits	33,661	2,932	78,131	114,724	42,900	1,868	62,909	107,677
— Time and savings deposits	166,745	3,744	27,186	197,675	204,628	6,002	48,601	255,231
— Borrowings	5,492	1,326	839	7,657	7,467	1,487	473	9,427
— Other	87,992	3,201	27,053	118,246	88,749	4,459	37,333	130,541
— Bank Indonesia	597,278 <sup>r1</sup>	8,711	399	606,388 <sup>r1</sup>	674,043	11,703	799	686,545
— Other liabilities	165,466	11,570	1,998	179,068	240,139	15,590	3,839	259,568
<b>Total</b>	<b>2,428,788</b>	<b>267,403</b>	<b>267,114</b>	<b>2,963,305</b>	<b>2,982,577</b>	<b>353,307</b>	<b>301,009</b>	<b>3,636,893</b>

**TABLE 16 – MONTHLY AVERAGE OF RUPIAH LIQUIDITY POSITION OF BANKS**  
(Millions of Rupiahs)

	1975/1976				1976/1977			
	State Banks 1)	National Private Banks 2)	Foreign Banks	Total	State Banks 1)	National Private Banks 2)	Foreign Banks	Total
Liquid assets	277,367	61,953	28,554	367,874	378,716	81,365	34,234	494,315
Current liabilities	814,796	124,615	87,260	1,026,671	1,117,992	170,430	114,413	1,402,835
Percentage of liquidity	34.0%	49.7%	32.7%	35.8%	33.8%	47.7%	29.9%	35.2%
30% of current liabilities	244,439	37,384	26,178	308,001	335,398	51,129	34,324	420,851
Excess/deficiency	32,928	24,569	2,376	59,873	43,318	30,236	-90	73,464
Required reserves with								
Bank Indonesia	81,480	12,461	8,726	102,667	111,799	17,043	11,441	140,283
Reserves with Bank Indonesia	234,098	44,039	25,967	304,104	328,608	55,655	31,059	415,322
Excess/deficiency	152,618	31,578	17,241	201,437	216,809	38,612	19,618	275,039
% of current liabilities	18.7%	25.3%	19.8%	19.6%	19.4%	22.7%	17.1%	19.6%

1) Includes Bank Pembangunan Indonesia

2) Includes local development banks

TABLE 17 – MONTHLY AVERAGE OF FOREIGN EXCHANGE LIQUIDITY POSITION OF BANKS  
(thousands of US \$)

	1975/1976				1976/1977			
	State Banks	National Private Banks	Foreign Banks	Total	State Banks	National Banks	Foreign Banks	Total
Liquid assets	342,432	20,182	176,269	538,883	335,595	43,073	205,482	584,150
Current liabilities	533,556	33,853	239,231	806,640	335,665	54,065	350,599	740,329
Percentage of liquidity	64.2%	59.6%	73.7%	66.8%	100.0%	79.7%	58.6%	78.9%
30% of current liabilities	160,067	10,156	71,769	241,992	100,700	16,219	105,180	222,099
Excess deficiency	182,365	10,026	104,500	296,891	234,895	26,854	100,302	362,051
Required reserves with Bank Indonesia	97,957	5,249	40,914	144,120	58,117	7,671	42,247	108,035
Reserves with Bank Indonesia	72,951	4,524	190,051	267,526	106,123	4,565	196,261	306,949

**TABLE 18 – CONSOLIDATED BALANCE SHEET OF NON BANK FINANCIAL INSTITUTIONS**  
(Millions of Rupiahs)

	1 9 7 6				1 9 7 7		
	March	June	September	December	January	February	March
<b>Current Assets</b>							
Cash and Bank	2,510	1,560	1,093	1,223	1,276	1,152	2,385
Call money	801	223	375	2,995	716	442	463
Securities							
Marketable shares and bonds	10	10	10	12	12	12	12
O t h e r s	39,337	39,718	43,950	55,860	56,035	60,969	66,387
Loan and Advances	519	464	268	597	590	588	712
Other current assets	8,222	7,345	8,135	8,645	7,662	8,764	8,671
<b>Other Assets</b>							
Securities							
Non marketable shares and bonds	879	847	908	1,084	1,084	1,088	1,125
O t h e r s	14,478	19,443	20,963	17,778	15,919	15,508	13,838
Underwriting	—	—	—	—	—	—	—
Loan and advances	6,013	6,720	7,641	7,426	7,678	7,404	7,664
Equity participation	50	72	75	74	74	74	90
Fixed assets	843	845	854	847	845	835	840
O t h e r s	1,083	2,049	1,673	1,879	1,869	1,879	2,054
<b>ASSETS = LIABILITIES</b>	<b>74,745</b>	<b>79,306</b>	<b>85,945</b>	<b>98,420</b>	<b>93,760</b>	<b>99,015</b>	<b>104,241</b>
<b>Current Liabilities</b>							
Call money	1,049	1,060	779	2,050	1,260	255	725
Securities issued	13,602	12,569	16,734	24,768	24,281	27,959	34,613
Borrowings	31,005	32,697	36,059	38,310	34,854	36,918	35,484
Other current liabilities	2,026	2,053	2,259	2,464	2,475	2,826	2,148
<b>Other liabilities</b>							
Securities issued	—	—	—	—	—	—	—
Borrowings	7,329	10,806	9,359	9,452	9,350	9,350	9,358
O t h e r s	106	112	111	175	188	186	183
<b>Subordinated Loan and Equity</b>							
Subordinated loan	5,063	5,003	5,003	5,426	5,426	5,426	5,426
Paid in capital	11,824	11,845	12,146	12,260	12,261	12,146	12,146
Reserves	1,381	1,753	1,503	1,658	1,657	1,798	1,783
Retained earnings	1,360	1,408	1,992	1,857	2,008	2,151	2,375

**TABLE 19 — INVESTMENT AND SOURCES OF FUNDS**  
**"NON BANK FINANCIAL INSTITUTIONS"**  
(millions of Rupiahs)

	March 1976			March 1977		
	Develop- ment type	Invest- ment type	Total	Develop- ment type	Invest- ment type	Total
<b>I. Investment of funds</b>						
1. Call money	50	751	801	—	463	463
2. Marketable securities	6,131	47,684	53,815	4,636	75,589	80,225
3. Time deposits	1,879	5,032	6,911	2,375	5,295	7,670
4. Loan outstanding	6,426	106	6,532	8,157	219	8,376
5. Shares and bonds	499	390	889	741	396	1,137
6. Equity participation	—	50	50	15	75	90
T o t a l	14,985	54,013	68,998	15,924	82,037	97,961
<b>II. Sources of funds</b>						
7. Call money	200	849	1,049	—	725	725
8. Securities	1,050	12,552	13,602	850	33,763	34,613
9. L o a n	5,408	32,926	38,334	6,735	38,107	44,842
10. Subordinated loan	1,660	3,403	5,063	1,660	3,766	5,426
11. Capital	7,465	7,100	14,565	7,602	8,702	16,304
T o t a l	15,783	56,830	72,613	16,847	85,063	101,910

**TABLE 20 – CONSOLIDATED BALANCE SHEET  
OF NON BANK FINANCIAL INSTITUTIONS**  
(millions of Rupiahs)

	March 1976			March 1977		
	Develop- ment type	Invest- ment type	Total	Develop- ment type	Invest- ment type	Total
<b>Current assets</b>						
Cash and bank	541	1,969	2,510	187	2,198	2,385
Call money	50	751	801	—	463	463
<b>Securities</b>						
– Marketable shares and bonds	—	10	10	—	12	12
– Others	6,131	33,206	39,337	4,636	61,751	66,387
Loans and advances	519	—	519	712	—	712
Other current assets	2,259	5,963	8,222	2,866	5,805	8,671
<b>Other assets</b>						
<b>Securities</b>						
– Non marketable shares and bonds	499	380	879	741	384	1,125
– Others	—	14,478	14,478	—	13,838	13,838
Underwriting	—	—	—	—	—	—
Loans and advances	5,907	106	6,013	7,445	219	7,664
Equity participation	—	50	50	15	75	90
Fixed assets	208	635	843	220	620	840
Others	215	868	1,083	317	1,737	2,054
<b>ASSETS = LIABILITIES</b>	<b>16,329</b>	<b>58,416</b>	<b>74,745</b>	<b>17,139</b>	<b>87,102</b>	<b>104,241</b>
<b>Current liabilities</b>						
Call money	200	849	1,049	—	725	725
Securities issued	1,050	12,552	13,602	850	33,763	34,613
Borrowings	94	30,911	31,005	280	35,204	35,484
Other current liabilities	457	1,569	2,026	149	1,999	2,148
<b>Other liabilities</b>						
Securities issued	—	—	—	—	—	—
Borrowings	5,314	2,015	7,329	6,455	2,903	9,358
Others	89	17	106	143	40	183
<b>Subordinated loan and equity</b>						
Subordinated loan	1,660	3,403	5,063	1,660	3,766	5,426
Paid in capital	6,500	5,324	11,824	6,500	5,646	12,146
Reserves	236	1,145	1,381	669	1,114	1,783
Retained earnings	729	631	1,360	433	1,942	2,375

## V. GOVERNMENT FINANCE

### General

In 1976/1977 (the third year of REPELITA II, Government finance policy continued to emphasize monetary stability and economic growth. Monetary stability is necessary to create the right environment for the achievement of the economic growth envisaged in REPELITA II. As well, the Government has other objectives, such as expansion of employment opportunities, more equal distribution of the benefits of development, and encouraging saving and productive private investment.

In accordance with these objectives the Government pursued a policy of balanced budgets while at the same time the overall size of the budget increased from year to year. The 1976/1977 State Budget envisaged that revenue and expenditure would be balanced at Rp 3,521 billion, an increase of Rp 788 billion or 29 per cent over the realized budget figures of the previous year. The revenue side comprised domestic receipts totalling Rp 2,803 billion and development receipts (which represent program aid and project aid) totalling Rp 717 billion. This represented an increase of 25 per cent in domestic receipts and 46 per cent in development receipts, compared with the corresponding actuals for 1975/1976. On the expenditure side, the State Budget envisaged routine and development expenditures of Rp 1,600 billion and Rp 1,921 billion, respectively. These amounts were 20 per cent and 37 per cent higher than the actual figures for the previous year.

In 1976/1977 actual receipts as well as expenditures were 5 per cent higher than budgeted, and were approximately 35 per cent over the corresponding actual figures for the previous year.

Actual domestic receipts totalled Rp 2,906 billion or 4 per cent higher than budgeted. This was attributable to an increase of 12 per cent in indirect tax receipts and a 104 per cent increase in non-tax receipts. Actual receipts were 30 per cent higher than in the preceding year.

Actual routine expenditure amounted to Rp 1,630 billion, an increase of 22 per cent over the corresponding figure of 1975/1976, and 2 per cent above the budget estimates. This increase occurred mainly in material expenditure, subsidies to local governments and debt servicing. In contrast, personnel and other expenditures were below the budget estimates.

As domestic receipts were higher than routine expenditures, public saving the surplus on the routine budget amounted to Rp 1,276 billion in 1976/1977, an increase of 40 per cent over the previous year. During the first 3 years of REPELITA II, public saving financed 68 per cent of total development expenditures compared with only 41 per cent during REPELITA I. The increase of public saving reflected the Government's greater ability to finance development expenditures.

In order to achieve the rate of economic growth envisaged in REPELITA II, domestic

capital formation has to increase. Public saving has been around 30 - 40 per cent of total domestic capital formation. As private domestic capital is not yet adequate, foreign aid (especially in the form of project aid) is still needed, although its role is gradually diminishing.

As mentioned above, public saving continued to increase significantly. Foreign aid receipts also increased by 59 per cent to reach Rp 784 billion in 1976/1977. Development expenditures in the reporting year amounted to Rp 2,055 billion, i.e. an increase of 47 per cent over the actual level of 1975/1976. Among the various types of development expenditures, the most notable increase was in Government participations, which rose by 101 per cent.

It should be noted that in this reporting year, actual receipts were higher than budgeted, while on the other hand several types of expenditure were lower than provided for in the budget. Receipts which exceeded the budget estimates were export taxes, import duties, MPO (withholding tax) and non-tax receipts. Lower than expected expenditures were mainly attributable to a decrease in the Government subsidies on fertilizer and food imports as a result of declining world market prices of these products and lower fertilizer imports. These favorable circumstances enabled the Government to repay a part of its debt to Bank Indonesia and to finance other additional expenditures while maintaining a balanced budget.

The State Budget for 1977/1978 provides, or receipts and expenditures to be balanced at Rp 4,247 billion, which is an increase of around 15 per cent over the budget actuals of 1976/1977. In fact, in 1977/1978 the Government pursued the policy of preceding years in providing for a balanced and dynamic budget designed to achieve monetary stability, foster economic growth and spread the benefits of development throughout the country.

### **Government receipts**

As mentioned above, in the fiscal year 1976/1977 Government receipts increased by 30 per cent to reach Rp 2,906 billion. This was derived from direct taxes (Rp 2,047 billion or 70 per cent of total), indirect taxes (Rp 741 billion or 26 per cent) and non-tax receipts (Rp 118 billion or 4 per cent).

Direct tax receipts were 29 per cent higher than in the preceding year. This increase occurred in almost all types of direct taxes. In this fiscal year, income tax amounted to Rp 84 billion, an increase of 36 per cent over the 1975/1976 figure.

This increase was attributable to the intensification of tax collection and the expansion of economic activity.

In setting the income-tax scale so that it is in accordance with the community's tax paying ability, the Government introduced a number of regulations. A tax payer with a



spouse and 3 children whose income was less than Rp 402,000 was exempted from tax ( the figure in 1975 was Rp 360,000). The amount of income subject to the lowest rate, i.e. 10 per cent, was increased from Rp 60.000 to Rp 100.000. The highest tax rate, i.e. 50 per cent, only applied to taxable incomes in excess of Rp 7.5 million, instead of Rp 6.0 million as in the preceding year.

After a substantial rise in 1975/1976, corporation tax receipts decreased slightly in 1976/1977. However, it should be noted that withholding tax receipts increased by 53 per cent to Rp 148 billion and part of this amount was actually advance payments of corporation tax. The increase of these withholding tax receipts resulted from higher export and import activities. The Government also increased the rate of withholding tax on selected export commodities such as logs and coffee and on imported goods.

Oil company tax receipts totalled Rp 1,619 billion, an increase of 30 per cent over the previous year. This reflected the increase in domestic oil production, the increase in the world market price of oil in October 1975, and the renegotiation of Contracts of Work and Production Sharing Contracts. In January 1977 the Indonesian oil export price was again increased, but the effect of this will only be felt in 1977/1978.

IPEDA receipts increased by 22 per cent to reach Rp 42 billion. The extensification and intensification of IPEDA collection in rural and urban areas,

on agricultural estates, and in the forestry and mining sectors were responsible for the increase.

Other direct tax receipts (the property tax, and taxes on interest, dividends and royalties) increased by 19 per cent. To broaden the tax base, the Government began to apply the MPS system for collecting tax on interest, dividends and royalties in November 1976.

In 1976/1977 actual indirect tax receipts reached Rp 741 billion, 37 per cent higher than in the previous year. Almost all types of indirect tax receipts increased markedly. This reflected the higher level of production, expansion of trade activities, improvement of the tax collecting machinery, and an increase in the number of tax payers.

Sales tax receipts totalled Rp 162 billion, an increase of 36 per cent. This increase was attributable to higher domestic production and trade. As well, the Government increased the sales tax on passenger cars, station wagons and similar vehicles. The Government also introduced several measures, such as exemption of sales tax on the construction of low-cost houses and on buses, trucks, and other commercial vehicles considered essential to meet community needs. In order to stimulate domestic industry the Government exempted domestically produced woven and knitted textiles from sales tax beginning in January 1977. In spite of this, overall sales tax receipts increased.

In 1976/1977 sales tax on imports rose to Rp 102 billion (a 41 per cent increase), while import duties reached Rp 257 billion (a 48 per cent increase). The Government increased the import duty and import sales tax on finished products, passenger cars and station wagons. On the other hand, the Government also reduced the sales tax on imports of raw materials needed for domestic industries as well as on commercial cars in CKD condition.

Excise receipts totalled Rp 131 billion or an increase of 34 per cent over the previous year. This resulted from the adjustment of the base price of beer, distilled alcohol, an increase in tobacco excise and intensification of collection.

Export tax receipts amounted to Rp 62 billion, a slight increase over the preceding year. Although the Government reduced the export tax rate in the context of the April 1976 measures, export tax receipts still increased somewhat. This increase was attributable to a marked rise in export proceeds which also made export tax receipts in 1976/1977 far higher than budgeted.

Net petroleum profit<sup>1)</sup> reached Rp 16 billion in 1976/1977. In 1975/1976 there was a shortfall on this item as the Government paid subsidies amounting to Rp 1 billion. The substantial increase mentioned above resulted from the adjusted sales price of fuel, e.g. gasoline rose from Rp 57 to Rp 70 per liter and kerosene from Rp 16 to Rp 18 per liter.

Other indirect tax receipts (including stamp duties, duties on auctions, and other levies) totalled Rp 11 billion in 1976/1977, 33 per cent lower than in the preceding year. One factor in this reduction was the decision not to collect the stamp duty on agricultural produce, in order to encourage exports and facilitate domestic trade in agriculture produce. As well, the Government reduced the stamp duties on capital and credit, which had been 5 per cent and 0.5 per cent, respectively, to 0.1 per cent.

In the reporting year, non-tax receipts reached Rp 118 billion, an increase of 7 per cent over 1975/1976. These receipts included the Government's share in the net profit of state banks and state enterprises, and proceeds from the sale of state property. Non-tax receipts also included the 1975/1976 budget carry-over and the education development contribution (SPP) amounting to a total of Rp 18 billion.

## Government expenditures

Total Government expenditure is subdivided into routine expenditure and development expenditure. Routine expenditure was met from domestic receipts, while development expenditure was financed by public saving and by foreign aid receipts.

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1) Represents the discrepancy between the proceeds from domestic sales of petroleum products and the total costs of crude, refining and distribution involved.

In line with the expansion of economic development, routine expenditure has been increasing each year and in this reporting year rose by 22 per cent to reach Rp 1,630 billion. This rise was reflected in almost all types of routine expenditure.

Expenditure for salaries and pensions rose by 7 per cent compared with the preceding year, as the Government increased the minimum salaries of civil servants in the lowest category, the incomes of the veterans of the struggle for independence and the basic pensions of officials.

In the year under report, material expenditure totalled Rp 340 billion. i.e. an increase of 11 per cent. This increase was attributable to increased defence and security expenditures and increased petroleum usage. Besides, there was an increase in the education development contribution (SPP) and larger expenditure by several ministries.

Government subsidies to autonomous regions amounted to Rp 313 billion, i.e. an increase of 10 per cent over the previous year. This resulted mainly from the higher salaries of category I civil servants in the regions, a rise in the number of primary school teachers and nurses and the payments to replace the education development contribution (SPP) for the first through the third grades, which was cancelled in January 1977. Moreover, the integration of East Timor into the Republic of Indonesia increased subsidies to the autonomous regions.

Expenditure for debt servicing rose to Rp 189 billion, 141 per cent higher than in the preceding year. The increase was mostly attributable to the payment of interest and principal on foreign debts.

Other routine expenditures increased by 113 per cent to reach Rp 151 billion. This consisted of subsidies on food imports (Rp 30 billion), preparation for the general elections (Rp 37 billion) and public services other than those provided by ministries (Rp 75 billion). The amount of subsidies on food imports decreased markedly in the year under report, as the decline in the world market price of rice allowed the Government to cease payment of rice subsidies after July 1, 1976. Payments of subsidies on food imports were 22 per cent lower than in the previous year and represented only 35 per cent of the budget estimate.

In 1976/1977, actual development expenditure totalled Rp 2,055 billion, an increase of 47 per cent. With the exception of expenditure for fertilizer subsidies-- which was included in the category of development expenditure— and aid to Irian Jaya, all types of development expenditure increased.

In the year under report, expenditure for ministries and public entities increased by 22 per cent reflecting the increased capacity to disburse development expenditure.

The Government devoted approximately 14 per cent of development expenditure to labor-intensive projects in the regions, to the

improvement of facilities and infrastructure and to expenditures not directly related to economic development.

Expenditure for regional development was 22 per cent higher than in the previous year. This increase was attributable to larger development subsidies to villages, kabupatens, provinces, reimbursement of IPEDA, assistance for the construction of primary school, provision, of health facilities and several new "INPRES" projects, such as for markets and reafforestation. These measures were designed to enhance and spread development activities over the country more evenly.

The subsidies to villages were meant to stimulate and activate the communities' efforts to develop their villages through the development of rural infrastructure projects. In the reporting year, subsidies to villages increased by 24 per cent and the number of villages involved increased from 45,303 to 58,675. The subsidy remained at Rp 300,000 per village.

The subsidy to kabupatens and kotamadyas increased by 6 per cent over the preceding year. Government subsidies to kabupaten were maintained at Rp 400 per capita, but the minimum subsidy to each kabupaten was increased from Rp 20 million in 1975/1976 to Rp 30 million in 1976/1977.

The minimum subsidy for development of provinces was also increased from Rp 750 million in 1975/1976 to Rp 1 billion in

1976/1977, and was therefore 14 per cent higher than in the previous year.

Subsidies for development of primary schools increased by 15 per cent to Rp 57 billion to cover the higher cost of maintenance and the cost of school books.

Subsidies to health centers/clinics (PUSKESMAS) reached Rp 21 billion, 37 per cent higher than in the preceding year. This reflected, in addition to routine expenditure on facilities, the construction of new buildings and repairs of old ones.

Development expenditure from IPEDA (collected by the Central Government and intended for use by the local governments for the financing of selected development activities) increased by 22 per cent to Rp 42 billion.

The INPRES programs for reafforestation and construction of market places began in 1976/1977. Under "INPRES Pasar" a subsidy was paid to regions for the construction of markets so as to provide the economically weak group with an opportunity to expand their business. Actual expenditure under "INPRES Pasar" was still insignificant (Rp 15 million), as it only included administration cost. The current budget provides for an amount of Rp 5 billion which includes an amount for interest on loans, the implementation of which will begin in July 1977. Subsidies under "INPRES Penghijauan" were paid to a number of kabupatens to reafforest critical land in order to maintain permanent forest and to pre-

vent erosion. Actual expenditure under "INPRES Penghijauan" was equal to the budget estimate of Rp 16 billion.

Other development expenditure, which included Government participations and subsidies on imported fertilizer, increased by 32 per cent to Rp 405 billion. Of this amount, Rp 218 billion was for Government participations which increased by 101 per cent over the preceding year. This figure included the interest subsidy on time deposits, participation in the capital of state banks, state projects, international institutions and others. In this reporting year, the interest subsidy on time deposits paid by the Government to the relevant banks amounted to Rp 60 billion, compared with Rp 9 billion in

the previous year. The subsidy payment on imported fertilizer declined by 20 per cent to Rp 107 billion, as fertilizer imports decreased following the rise in domestic fertilizer production.

In order to assist petty traders and spread development more evenly, in the year under report the Government made funds available under a program called "Kredit Candak Kulak". The funds were channelled through BUUDs under the guidance and supervision of the Directorate General of Cooperatives. At the end of 1976/1977, the amount of "Candak Kulak" credits extended was Rp 267 million) channelled through 533 BUUDs in Jawa and Bali. Each BUUD received a loan of Rp 500 thousand.

**TABLE 21 — GOVERNMENT RECEIPTS**  
(millions of Rupiahs)

	1971/1972	1972/1973	1973/1974	1974/1975		1975/1976		1976/1977	
	Actual Receipts	Actual Receipts	Actual Receipts	Original Budget	Actual Receipts	Original Budget	Actual Receipts	Original Budget	Actual Receipts
<b>I. Domestic Receipts</b>	428,021	590,608	967,687	1,363,400	1,753,663	2,496,100	2,241,850	2,803,200	2,905,990
<b>A. Direct taxes</b>	180,989	302,229	504,974	867,400	1,228,621	1,867,500	1,592,028	2,082,200	2,046,613
— Income tax	17,394	23,722	34,393	49,300	43,257	52,400	61,725	81,500	84,179
— Corporation tax	25,405	30,598	44,223	60,200	91,163	125,600	128,136	161,000	127,249
— Oil company tax	112,497	198,885	344,612	653,700	973,100	1,540,000	1,249,059	1,656,500	1,619,400
— Withholding tax (MPO)	24,610	30,195	56,745	70,100	83,265	104,800	97,308	123,500	148,396
— IPEDA — land tax	—	15,200	19,501	24,200	27,977	31,700	34,600	35,200	42,150
— Others	1,083	3,629	5,500	9,900	9,859	13,000	21,200	24,500	25,239
<b>B. Indirect taxes</b>	219,538	253,770	412,949	466,400	458,397	571,600	539,413	662,900	740,903
— Sales tax	24,010	34,491	54,621	65,800	84,899	109,900	119,231	151,700	162,284
— Sales tax on imports	22,402	27,801	50,725	65,300	68,904	88,500	72,442	89,300	102,241
— Excises	40,391	47,279	61,674	67,800	74,402	90,200	97,307	122,900	130,658
— Import duties	69,417	73,223	128,172	167,300	160,635	221,400	174,011	223,300	257,407
— Export tax	28,101	32,739	68,623	65,200	70,300	71,700	61,600	36,300	61,700
— Net profit from oil	28,213	31,563	37,634	19,300	-15,933	-31,100	-1,078	17,700	15,699
— Others	7,004	6,674	11,500	15,700	15,190	21,000	15,900	21,700	10,714
<b>C. Non tax receipts</b>	27,494	34,609	49,764	29,600	66,645	57,000	110,409	58,100	118,474
<b>II. Development Receipts</b>	135,527	157,800	203,994	213,900	232,046	238,600	491,639	717,400	783,800
1. Program aid	90,527	95,500	89,869	89,100	36,146	20,200	20,269	10,200	10,200
2. Project aid	45,000	62,300	114,125	124,800	195,900	218,400	471,370	707,200	773,600
<b>T o t a l</b>	<b>563,548</b>	<b>748,408</b>	<b>1,171,681</b>	<b>1,577,300</b>	<b>1,985,709</b>	<b>2,734,700</b>	<b>2,733,489</b>	<b>3,520,600</b>	<b>3,689,790</b>

Source : Department of Finance

TABLE 22 - GOVERNMENT EXPENDITURE  
(millions of Rupiahs)

	1971/1972	1972/1973	1973/1974	1974/1975		1975/1976		1976/1977	
	Actual Expenditure	Actual Expenditure	Actual Expenditure	Original Budget	Actual Expenditure	Original Budget	Actual Expenditure	Original Budget	Actual Expenditure
<b>I. Routine Expenditure</b>	349,095	438,700	713,302	561,600	1,016,112	1,466,300	1,332,572	1,000,300	1,629,759
1. Personnel Expenditure	163,340	202,572	268,862	405,700	420,724	602,418	593,946	644,800	636,583
- Rice allowances	31,179	31,302	53,602	57,300	59,573	101,426	111,877	125,300	124,853
- Salaries and pensions	100,412	131,636	173,855	290,400	301,706	418,698	399,977	438,038	424,761
- Food allowances	13,177	14,562	16,800	23,000	24,423	42,201	43,537	45,700	45,700
- Other domestic personnel exp.	14,058	17,245	20,200	25,700	24,683	27,578	25,821	27,800	36,945
- External	4,515	5,634	7,365	9,500	9,798	12,512	12,734	13,962	14,324
2. Material Expenditure	67,125	95,421	110,140	174,700	175,218	267,270	304,862	312,900	339,747
- Domestic	59,725	83,448	98,340	157,300	158,426	246,703	283,120	293,300	320,825
- External	7,400	11,973	11,800	17,400	16,792	22,567	21,742	19,600	18,922
3. Subsidies to Local Government	66,800	83,500	108,800	168,400	291,906	279,254	281,454	307,000	313,000
- Irian Jaya	10,600	10,600	10,300	11,500	14,289	19,700	18,700	19,700	19,700
- Other local governments	56,200	73,300	98,300	156,900	187,617	259,554	265,754	287,300	293,300
4. Interest & Instalments on Debts	46,600	53,400	70,700	82,100	73,698	74,210	78,570	175,400	189,786
- Domestic	5,500	7,400	8,200	15,000	6,445	2,500	6,800	7,200	24,429
- Foreign	41,000	46,000	62,500	67,100	67,253	71,710	71,770	172,200	165,357
5. Others	5,230	5,933	15,000	131,300	145,166	243,208	70,800	155,200	150,943
<b>II. Development Expenditure</b>	295,900	298,224	450,956	615,700	961,817	1,268,400	1,397,727	1,520,300	2,054,485
1. Department/Institutions	97,560	144,063	160,569	191,052	221,659	461,570	394,896	619,263	590,900
2. Department of Defence	5,000	6,000	7,225	18,000	-	-	-	-	-
3. Regional Development	37,247	57,800	85,687	147,800	158,275	229,110	234,245	283,065	285,050
- Subsidies to villages	5,230	5,700	5,700	11,400	11,400	15,523	15,929	19,794	19,794
- Subsidies to Kabupaten	8,523	12,900	15,200	42,500	42,500	59,072	59,072	62,400	62,400
- Irian Jaya	2,374	3,300	3,300	4,200	4,000	5,000	5,500	5,000	5,000
- Subsidies to Provinces - Dati I	20,800	20,900	20,900	42,650	47,408	52,287	54,022	61,500	61,500
- IPEDA - rural development	-	15,200	15,501	24,200	27,977	31,700	34,600	35,200	42,150
- Primary school	-	-	17,186	18,600	19,703	49,900	49,900	57,325	57,325
- "INPRES dasar"	-	-	-	-	-	-	-	5,000	15
- Public health centers	-	-	-	5,050	5,291	15,222	15,222	20,816	20,846
- "INPRES Penghijauan"	-	-	-	-	-	-	-	16,000	16,000
4. Other Development Expenditure	11,093	26,081	83,850	133,148	385,979	359,320	367,216	313,777	404,955
- Subsidies on fertilizer	-	-	33,000	50,100	227,210	187,000	137,500	127,400	157,272
- Government capital participation	7,046	22,543	40,600	28,589	91,137	112,594	108,577	111,803	217,911
- BIMAS project	1,000	-	-	-	-	-	-	-	-
- Others	3,047	5,538	10,050	54,459	67,662	59,826	64,039	68,569	79,772
5. Project Aird	15,000	62,300	114,125	124,900	195,900	278,400	477,270	757,200	773,600
<b>Total</b>	<b>544,995</b>	<b>736,324</b>	<b>1,164,258</b>	<b>1,577,300</b>	<b>1,977,929</b>	<b>2,734,700</b>	<b>2,730,299</b>	<b>3,520,600</b>	<b>3,694,244</b>

Source : Department of Finance

## VI. INTERNATIONAL ECONOMIC AND MONETARY DEVELOPMENTS

### 1. World economic conditions

After the recession of 1974 - 1975, world economic conditions in 1976 were generally characterized by an economic revival in the industrialized countries. Many of these countries were also rather successful in combating inflation. Subsequently, world trade was expanding and boosted economic activity in other countries, as was i.e. reflected in a higher demand for exports from developing countries such as Indonesia.

In 24 OECD member countries, Gross National Product (GNP) in real terms increased by 5 per cent in 1976 as compared with a decline of 1.2 per cent in 1975.

USA, the Federal Republic of Germany and Japan achieved the highest rate of increase in GNP, i.e. above the average for the industrialized countries as a whole, whereas the rate achieved by the United Kingdom was far below average.

Prices in the industrialized countries increased by 8.4 per cent in 1976. Three of these countries, i.e. the USA, the Federal

Gross National Product and consumer price index in OECD countries

	Gross National Product					Percentage change				
	1969-1973 (average)	1974	1975	1976	1977 <sup>1)</sup>	1969-1973 (average)	1974	1975	1976	1977 <sup>1)</sup>
OECD	4.4	0.3	-1.2	5.0	4.5	6.0	13.4	11.2	8.4	8.0
OECD, Europe	4.6	2.3	-1.9	3.7	3.0	6.2	13.1	13.1	11.1	10.8
USA	3.4	-1.8	-1.8	6.1	5.5	4.9	11.0	9.1	5.8	6.0
Japan	9.3	-1.3	2.1	6.3	6.5	7.5	22.7	12.1	9.7	9.0
United Kingdom	2.7	-0.1	-1.8	0.9	2.0	8.0	16.0	24.2	16.6	13.5
Germany, Fed. Rep. of	4.3	0.4	-3.2	5.6	5.0	5.3	7.0	6.0	4.5	4.0
France	5.6	3.9	-1.2	5.0	3.5	6.2	13.7	11.7	9.2	8.0
Italy	4.1	3.4	-3.7	4.5	-0.5	6.6	19.1	17.0	16.8	20.5
Canada	5.3	3.2	0.6	4.7	4.0	4.6	10.8	10.8	7.3	7.0

1) Estimate by OECD Economic Outlook, December 1976.

Source : National Institute Economic Review, London; OECD Economic Outlook.

Republic of Germany and Canada recorded a relatively low increase of 5.8 percent, 4.5 per cent and 7.3 per cent, respectively. The rate of inflation in the United Kingdom and Italy, on the other hand, was as high as 16.6 per cent and 16.8 per cent.

Despite the progress in economic growth and the decline in the rate of inflation, un-

employment remained a matter of serious concern. The rate of unemployment was 5.3 per cent in 1976, a percentage close to the peak rate during the recession in the second half of 1975 when it stood at 5.5 per cent.

In the USA, GNP in real terms increased by 6.1 per cent in 1976 as against a decline



of 1.8 per cent in 1975. The economic revival starting in the second quarter of 1975 was caused by an increase in consumer expenditure, residential construction and inventory accumulation. In spite of a sizable increase in labor force, unemployment declined from 8.9 per cent in 1975 to 7.7 per cent in 1976. The rate of inflation was 5.8 per cent in 1976 as compared with 9.1 per cent in 1975. Adequate supplies of foodstuffs and an increase in output, especially manufacturing output, were mainly attributable to the improved price developments.

*Japan* was the only industrialized country with a positive rate of growth in 1976 as well as in 1975. GNP in real terms rose by 6.3 per cent in 1976 as against 2.1 per cent in the preceding year. In order to maintain the level of industrial activity, the Government of Japan was attempting to stimulate investment through a fiscal program and an expansionary budget. It is worth noting that the rate of unemployment was 2 per cent in 1976 — unchanged from 1975 — while the rate of inflation declined from 12.1 per cent to 9.7 per cent in 1976.

Among the major industrialized OECD member countries, in 1976 the *United Kingdom* recorded the lowest increase in GNP, i.e. 0.9 per cent. Since early March 1976, the pound sterling rate in the world market was declining, and reached its lowest point in September 1976. In an attempt to restore the rate of the pound sterling, the British Government applied for financial assistance from the International Monetary Fund to an

amount of SDR 3.4 billion. Especially after the adjustment of the foreign exchange rate, in conjunction with other ameliorative measures this financial assistance succeeded in stimulating economic activity in general and manufacturing industry and export in particular. The rate of inflation was 16.6 per cent in 1976 as against 24.2 per cent in 1975. The United Kingdom and Italy therefore recorded the highest inflation rates among the OECD countries.

Economic activities in *France* were fairly good in 1976. GNP increased by 5 per cent as compared with a 1.2 per cent decline in 1975. However, inflation remained a matter of serious concern. Inflation was 9.2 per cent in 1976 as against 11.7 per cent in the preceding year. The Government has issued a series of tax measures and is pursuing a contractionary monetary policy in an attempt to further reduce the inflation rate.

Similar to the USA and economic growth in the *Federal Republic of Germany* was relatively high in 1976 as compared with 1975. GNP declined by 3.2 per cent in 1975 and increased by 5.6 per cent in 1976. Adequately available credits and lower interest rates contributed to a growing investment volume and are expected to support the same rate of growth in 1977 as in 1976. The improvement in economic conditions was also reflected in a declining rate of inflation, i.e. from 6 per cent in 1975 to 4.5 per cent in 1976. This rate was the lowest among the industrialized countries.

The description above leads to the conclusion that the efforts undertaken by the industrialized countries in 1976 to keep inflation under control and to revive world economic activity in general started to be fruitful. Efforts to improve the international monetary system, however, have not yet resulted in satisfactory solutions. Attempts to restructure the international monetary system were initiated by the Committee of Twenty which was established by the International Monetary Fund (IMF) in July 1972. The Committee of Twenty prepared an Outline of the new international monetary system and, after the completion of its term, was dissolved at the time of the IMF/IBRD Annual Meeting in 1974. The Interim Committee and the Development Committee were then established to continue the work of the Committee of Twenty. The Interim Committee, established by the IMF, has only an advisory role in supervising the developments of the international monetary system besides other duties, such as the study of proposals on the amendment of the Fund's Articles of Agreement. The principal assignment of the Development Committee, established jointly by IMF and IBRD, is to propose methods for the transfer of real resources from developed to developing countries. The two committees have continuously been discussing international economic and monetary problems and have solved several issues. These solutions were contained in the agreements reached in the meeting which was held in Kingston, Jamaica, early in January 1976. The proposals from the Interim Committee to the Board of Governors i.a. concern an increase

in total IMF member quotas from SDR 29.2 billion to SDR 39.0 billion, amendment of the Fund's Articles of Agreement, reduction of the role of gold in the international monetary system, establishment of a "Trust Fund" and liberalization of conditions and increasing the access of member countries to use the Fund's resources. The Development Committee, on the other hand, recommended that studies on the access of developing countries to international capital markets be completed, i.e. through the use of multilateral guarantees, strengthening of the secondary market and creation of an International Investment Trust.

On April 30, 1976, the Board of Directors of IMF approved the resolution on the Amendment of the Fund's Articles of Agreement. The amendments i.e. pertain to the provisions on the adjustment of exchange rates, reduction of the role of gold in the international monetary system, characteristics of the Special Drawing Rights and expansion of its use in making it the primary reserve asset. At the IMF/IBRD Annual Meeting held in Manila in October 1976, the Interim Committee suggested that the IMF Board of Directors consider the implementation of the surveillance of exchange rate policy after the effectiveness of the Amendment of the Fund's Articles of Agreement. Concurrently, the Development Committee agreed to speed up the Implementation of the Fifth IDA Replenishment and requested attention from other financial institutions for an increase in capital stock to meet the developing countries need for loans.

Meanwhile, OPEC member countries who are playing an increasingly important role in determining the direction of international economic developments, met in Doha, Qatar, in December 1976, to decide on oil prices for 1977. The meeting did not succeed in taking a unanimous decision on prices. Eleven member countries, i.e. Indonesia, Algeria, Equador, Gabon, Iran, Iraq, Kuwait, Lybia, Nigeria, Qatar and Venezuela agreed to increase oil prices by 10 per cent as from January 1, 1977, and by another 5 per cent as from July 1, 1977. On the other hand, two members, i.e. Saudi Arabia and the United Arab Emirates, agreed to increase oil prices by only 5 per cent in 1977. In order to assist developing (non-OPEC member) countries in overcoming economic problems following international monetary disturbances, in January 1976 Finance Ministers of OPEC countries established an OPEC Special Fund which was expected to amount to \$ 1 billion. At the end of the year under report, commitments by participants amounted to \$ 790.5 million out of which \$ 200 million and \$ 180 million were allocated for balance of payments assistance and development finance, respectively. The balance would be transferred to the International Fund for Agricultural Development, i.e. an institution to provide assistance for the agricultural sector in developing countries. The amount of Indonesia's contribution to the OPEC Special Fund was \$ 2.5 million.

## 2. International financial institutions

### *International Monetary Fund*

The undermentioned transactions between Indonesia and the Fund took place during the year under report:

- a. Following an improved external reserves position, for the fifth time Indonesia was included in the currency budget for an amount of SDR 15 million, covering the quarter from December 1976 through February 1977. This implies that up to the said amount, Rupiahs may be used by the Fund in transactions with other countries. However, no Rupiahs were used through the end of the period.
- b. Until the end of the reporting year, there were no other SDR allocations; Indonesia's total cumulative allocation therefore remained at SDR 90.2 million. As a result of the transactions in the preceding reporting years, Indonesia's SDR holding at the end of 1975/1976 amounted to SDR 6.3 million. However, after a number of transactions in 1976/1977, the balance available for use amounted to SDR 12 million.
- c. In the context of the Fund's disposal of 50 troy ounces of gold, half will be restituted to member countries. The gold to which members are entitled is

determined on the basis of the members' shares in total quotas as of August 31, 1975, computed at the rate of SDR 35 per troy ounce. The gold will be restituted once year over a period of 4 (four) years; the first restitution took place on January 10, 1977, involving 6.25 million troy ounces, out of which Indonesia received 55,629 troy ounces against payment of SDR 1,947,000.

### *World Bank Group*

As set out in the previous annual report, Indonesia is no longer eligible for concessional loans from the *International Development Association* (IDA), since more needy developing countries were accorded priority following the dwindling resources of IDA. Total IDA credits to Indonesia as of the end of 1976/1977 therefore remained at \$ 561.8 million.

During the year under report, the *International Bank for Reconstruction and Development* (IBRD) extended loans to a total amount of \$ 694.5 million for the following projects:

- Highway rehabilitation in Sumatra, Sulawesi, Jawa and Bali \$ 130.0 million
- Vocational education and training \$37.0 million
- Rehabilitation of sea transportation \$54.0 million
- Third fertilizer expansion (PUSRI III) \$ 70.0 million

- Electric power in West Jawa, Jakarta and surroundings \$90.0 million
- National foodcrops extension (9 provinces) \$22.0 million
- Rehabilitation of irrigation in Jawa and Sulawesi \$33.0 million
- Transmigration and rural development (South Sumatra) \$30.0 million
- Second urban development (Jakarta & Surabaya) \$52.5 million
- Tanjung Priok port development \$32.0 million
- Private Development Finance Company of Indonesia (second loan) \$ 15.0 million
- Electric power in Jakarta (Muara Karang) and other cities in Jawa \$116.0 million
- Nutrition development \$13.0 million

Total loans approved by IBRD as of the end of the period under report therefore amounted to \$ 1,155.5 million. The loans are on less concessional terms, i.e. subject to a term of repayment of 15 to 30 years including 3 to 6 years grace, with an interest rate ranging from 7.25 to 8.85 per cent annually.

During the year under report, *International Finance Corporation* (IFC) increased its investments in Indonesia by \$ 1.3 million, consisting of a \$ 1.1 million increase in equity investment in PT Semen Cibinong, and a \$ 0.2 million increase in loans to PT Daralon (textile mill). As of the end of the reporting period, IFC investments (equity and loans) in 9 enterprises in Indonesia therefore amounted to \$ 60.1 million.

### *Asian Development Bank (ADB)*

ADB loan approvals to Indonesia during the year under report amounted to US \$109.34 million for the 5 projects mentioned below:

- Electric hydropower, Maninjau (West Sumatra) \$ 39.70 million
- Road improvement in Central and East Java \$20.00 million
- Bandung urban development and sanitation (West Java) \$1.15 million
- South East Sulawesi transmigration development \$0.28 million
- Rehabilitation and construction of highway from Porong to Malang (East Java) \$48.21 million

Inclusive of the aforementioned loans, total ADB loans to Indonesia as of the end of the reporting year amounted to \$ 376.59 million. It should be mentioned that the loans extended in 1976/1977 originated from Ordinary Resources and are subject to the following less concessional terms: repayment ranging from 10 to 30 years including 2 to 7 years grace and an annual interest rate ranging from 7.5 to 9.1 per cent.

### *Islamic Development Bank (IDB)*

The IDB was effectively established on April 25, 1975, with 32 countries as members at the end of the year under report. Indonesia signed the Declaration of Intent on August 12, 1974, and subsequently submitted the Instrument of Ratification or Acceptance on March 20, 1975.

Indonesia's subscription to the capital stock of IDB amounts to ID (Islamic Dinar) 25 million (ID 1 = SDR 1), wholly payable in convertible currency in 5 equal annual installments. The first and second installments were paid in May 1975 and 1976, respectively.

In the first years of its operation, IDB plans to concentrate on equity participation and investment based on profit sharing. As of the end of the period under report, IDB had provided financial assistance to 5 member countries for a total amount of ID 30 million.

### *Inter - Governmental Group on Indonesia (IGGI)*

Donor countries participating in the 19th IGGI meeting in June 1976 agreed to provide assistance to Indonesia for a total amount of \$ 1,137.8 million, specified as follows:

- a. Bilateral official development assistance \$ 467.8 million
- b. Multilateral loans (semi concessional) \$ 670.0 million
  - IBRD (not less than) \$ 120.0 million
  - ADB (not less than) \$ 550.0 million

On top of the amount mentioned above, export credits and commercial credits in support of export credits are expected for an amount of \$ 2 billion, out of which \$ 1 billion will be used for financing of cost overruns of special projects.

### 3. Economic and monetary developments in ASEAN countries

The Association of South East Asian Nations (ASEAN), established on August 8, 1967, is i.a. designed to enhance economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership. In order to accelerate the implementation of economic cooperation, ASEAN Economic Ministers met in Jakarta from December 1975 until January 1976, their main purpose was to discuss patterns of economic cooperation such as establishment of joint industrial projects.

The aforementioned meeting was subsequently followed by the First Summit Meeting of ASEAN Heads of State held in February 1976 in Bali where a number of agreements were reached. A significant decision taken at this meeting was the adoption of a Treaty of Amity and Co-operation and the Declaration of ASEAN Concord. The Declaration basically includes provisions for promotion of co-operation in all fields particularly in the economic field, in order to strengthen the foundation for a prosperous and peaceful community of South East Asian Nations. In the economic field, some agreements have been reached such as on collaboration and mutual assistance in providing essential goods and energy, and the establishment of joint industrial projects. In this connection, it had been agreed to establish five ASEAN industrial projects, viz. urea in Indonesia and Malaysia, superphosphate in the Philippines, diesel engines in

Singapore and soda ash in Thailand. In the trade sector, a few matters were agreed upon, such as Preferential Trading Arrangements, the agreement on attaining better access to other markets for ASEAN products and a joint approach with respect to problems of international trade. The Preferential Trading Arrangements are designed to promote intra ASEAN trade for mutual benefit through certain facilities such as reduction of tariffs. In the context of the joint movement to export products to non—ASEAN countries, efforts will be made to reduce or eliminate tariffs and other trade barriers prevailing in those markets, whereas the joint approach with respect to problems of international trade i.e. concern reform of the international trade and monetary systems, the transfer of real resources in the context of the New International Economic Order, and the establishment of bufferstocks for major commodities.

In line with the efforts mentioned above, the Governors/Managing Director of Central Banks/Monetary Authority in ASEAN countries explored forms of monetary and financial cooperation. The forms explored are i.e. ASEAN Clearing Arrangement, ASEAN “Swap” Arrangement as well as other forms of monetary cooperation such as export credit insurance. The ASEAN Clearing Arrangement is a payment arrangement among Central Banks in order to expedite intra-ASEAN trade, while the ASEAN Swap Arrangement is designed to provide mutual relief among participating ASEAN member countries encountering short-term liquidity problems. It should be noted that

among the forms of cooperation considered, the ASEAN Swap Arrangement has been agreed for immediate implementation by all member countries.

The economic upswing in the industrialized countries in 1976 promoted recovery of economic activities in ASEAN countries. Favorable developments in demand and prices for primary commodities in industrialized countries resulted in higher exports of all ASEAN countries. This had a marked impact upon the real growth rate of the said countries, ranging from 6 per cent in the Philippines and Thailand to 11 per cent in Malaysia. Improvement was also recorded with respect to domestic price developments in 1976.

Among the ASEAN countries, *Malaysia* achieved the highest rate of growth in 1976. Due to a better export performance, in 1976 Cross National Product (GNP) at current prices rose by 24.1 per cent or by 11.3 per cent at constant prices. Per capita real income, which declined by 6.5 per cent in 1975, increased by 16 per cent in 1976. The growth occurred in almost all major economic sectors such as agriculture, forestry, fishery and mining. The improvement of overall economic performance in 1976 was accompanied by favorable domestic price developments. The consumer price index rose by only 3 per cent in 1976, as against 17 per cent and 5 per cent in 1975 and 1974, respectively.

In 1976, *Thailand*, the single ASEAN rice exporting country, recorded a 6.2 per cent

increase in Gross National Product (GNP) at constant prices, compared with 5.5 per cent in 1975. Agricultural output, especially rice and maize, was adversely affected by drought and only increased by 3 per cent in 1976 compared with 5 per cent in 1975. The increase in the rate of inflation commencing in 1974, started to decline in 1976. The consumer price index rose by 5 per cent in 1976, as against 5.3 per cent in 1975.

Among the ASEAN countries, *Singapore* is the only country with Gross Domestic Product mainly originating from manufacturing industry and services. Real gross domestic product rose by 7 per cent in 1976, as against 4 per cent in the preceding year. The better performance of the economy was caused by the expansion of industrial activities which led to a growth in exports and entrepot trade as well as services. Domestic price inflation was successfully contained, as was reflected by a 1.9 per cent decline in the consumer price index in 1976, compared with an increase of 3 per cent in 1975 and 22 per cent in 1974.

As in the case of other ASEAN countries, real Gross National Product in the *Philippines* rose by 6.3 per cent in 1976, which was attributable to improved export demand and sustained public investment, particularly in construction. Almost all economic sectors indicated higher growth in output compared with the preceding year. Domestic price inflation continued to slow down from 1974 to 1975 and 1976, and stood at 34.3 per cent, 8.0 per cent and 5.6 per cent, respectively.

## VII. THE BALANCE OF PAYMENTS OF INDONESIA

### A. Balance of payments policy

The Government's policy on the overall balance of payments and, more specifically on the export-import front, was continuously directed at obtaining the utmost benefit of the foreign trade sector so as to enable Indonesia to support its domestic economic development. To achieve this aim, taking into consideration the international economic and monetary developments, various new measures were undertaken affecting exports, imports, services and capital movements.

A series of decisions (which came to be known as the "April 1, 1976, package") were taken in this reporting period in order to promote export earnings. Also, a number of steps were taken in the import sector to guide and protect the development of domestic industry and to increase government revenue. In the capital and service accounts, especially with regard to the oil sector, agreements were concluded with the foreign companies which resulted in a larger share of oil revenue for the Government.

#### 1. Export measures

In order to improve the competitiveness and increase the export earnings of non-oil export commodities, since April 1, 1976, a series of measures covering taxes, bank credits and institutional matters have been

taken within the Export Promotion Programme. The main points of the Export Promotion Programme are described below.

#### a. Export tax

Export commodities were reclassified into 3 groups, according to the level of tax charged, namely 0 per cent, 5 per cent and 10 per cent while the previous classification consisted of only 2 groups, 0 per cent and 10 per cent.<sup>1)</sup> The main consideration in the former classification was whether the export was processed or not. The regulations promulgated on April 1, 1976 were especially meant to emphasize the degree of processing.

The new regulation in principal determines that unprocessed traditional export commodities which are still highly competitive in the international markets would be charged a 10 per cent tax while semi processed commodities are to be subject to a 5 per cent tax. Industrial goods, handicrafts and commodities strategically important from the country's economic point of view, involving a large amount of labour or which were of special importance in particular regions, were exempted from the export duty. In addition, it was also decided that the difference between the sales price (transaction price) and the check price were exempted from both the export tax and the MPO.

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1) Government Regulation No. 11/1976 dated March 31, 1976 and Decree of the Minister of Finance No KEP-343/MK/IV/1976 dated March 31, 1976.



The effect of the above regulation was, that the export tax on 39 commodities declined from 10 per cent to 5 per cent while the tax on 117 other commodities went down from 5 per cent to 0 per cent, thus, only 19 commodities were still subject to a 10 per cent tax compared to 175 commodities in the previous period. The share of exports in terms of the tax grouping composition (10 per cent, 5 per cent and 0 per cent) had changed substantially. Prior to the above regulation, about 97 per cent of the 1974 export value were concentrated in the 10 per cent tax group leaving the remainder as tax-free exports. After this regulation came into force the composition became 46 per cent, 41 per cent and 13 per cent, subject to the 10 per cent, 5 per cent and 0 per cent export tax respectively.

#### *b. Regional levies, Cess and other levies*

A number of regional levies which were felt to be an additional cost-burden on exports were abolished while some other levies were identified for further reconsideration. Prior to this regulation, Cess levies ranged from Rp 1.50 to Rp 500.- per kg or per piece or other unit of measurement. In the new regulation Cess will not be collected.<sup>2)</sup> In addition, the Rehabilitation Fund collected on selected commodities, was abolished.<sup>3)</sup> In

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2) Decree of the Minister of Finance No. KEP-344/MK/IV/3/1976 dated March 31, 1976

3) Decree of the Minister of Trade No.68/KP/IV/1976 dated April 1, 1976..

the preceding period, coffee, pepper, tengkawang and copra & copra products were charged with Rp 2.00; Rp 2.50; Rp 6.00 and Rp 1.00 per kilo respectively.

#### *c. Stamp duties*

Stamp duties on exports were not to be collected.<sup>4)</sup> Prior to this, the stamp duty was 0.5 per cent charged to both buyer and seller.

#### *d. Banking Credit and charges*

The rate of interest for export and export production credits was reduced from 15 per cent to 12 per cent p.a.<sup>5)</sup> Bank charges were also lowered from 0.5 per cent to 0.25 per cent of the value of the bill of exchange with a maximum charge of \$ 2,500.<sup>6)</sup> In addition to that export credit facilities will be improved.

#### *e. Institutional matters*

Trade centres are being set up in New York, Hamburg, Jeddah and London. Export Processing Zones (areas where the processing of the goods will enjoy certain tax facilities) will be established in Jakarta, Cilacap, Belawan and Ujung Pandang. Furthermore, the regional offices of the Department of Trade are au-

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4) Decree of the Minister of Finance No. KEP/334/MK/II/3/1976 dated March 31, 1976.

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

6) Decision on the Board of Directors of Bank Indonesia No 8/162/Kep/Dir/ULN dated March 31, 1976

thorized to issue Export Identification Numbers (Angka Pengenal Export) to exporters domiciled within the area under their jurisdiction.<sup>7)</sup> To simplify the procedure of timber exports, the number of documents ( other than form E3) to be filled in by the exporter was reduced from 11 to 1.

In addition to the above regulations, the Government has also standardized the quality of certain export commodities in order to assist overseas marketing.

## 2. Import policies

In order to develop domestic industries and solve the smuggling problems, the Government has undertaken the following measures and steps as described below.

An Inter-Departmental Team ( Departments of Finance, Trade and Industry) was established in April 1976 to determine the Check Price (Harga Patokan) of import commodities to be used as the basis in calculating import duties.<sup>8)</sup> The Check Prices should be made public so that the relevant importers know about them. This measure was taken in order to expedite custom clearance and also to avoid misunderstanding between the customs and the importers.

Foreign exchange banks were not allowed to transfer payments or collect

charges on imports without L/C. In the case of imports L/C's, foreign exchange banks were prohibited from changing the terms of L/C's after receipt documents or on issuance of the custom clearance documents (Keterangan Pemasukan Pabean).

Furthermore, imports of food, beverages, building material, textiles and some household goods are now required to be in the original container. Changes in containers are allowed only if each contains only one type of product of the same brand and quality. Such imports using Merchant L/C, should be accompanied by a Certificate of Inspection issued by Sucofindo or their correspondents abroad or at the Indonesia ports.

In order to guide the domestic industry towards a healthy and sound development, the Government issued a regulation according to which polyester fibre textiles, gunny sacks and reinforcing steel could be imported only through the use of a banker's L/C. This regulation was later known as the Joint-Decree of 3 Ministers (SKB Tiga Menteri).<sup>9)</sup> This decree stated that on opening an L/C the importer was required to pay in full the value of the L/C and in addition to make a "guarantee deposit" amounting to 100 per cent of the value of the L/C opened. The guarantee deposit will be returned to the importer after the goods have been cleared through customs according to the stipulated rules. In addition, the importer had

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7) Decree of the Minister of Trade No. 69/KP/IV/1976 dated April 1, 1976.

8) Decree of the Minister of Trade No. 85/KP/IV/1976, dated April 27, 1976.

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9) joint Decree of the Ministers of Trade, finance and Industry respectively No 314/KPB/XII/76, No. 1699/MK/III/12/1976 and No. 475/M/SK/12/76 dated December 31, 1976.

also to deposit the full value of the import duty at the time of the L/C opening. Apart from that, Merchant's L/C imports of aluminium, extrusion, plastic bags, cokes, battery components, candies and agar-agar were prohibited.<sup>10)</sup>

In the meantime the Government had approved the import of goods without L/C for the Liquefied Natural Gas (LNG) Plants in North Sumatera and East Kalimantan, and for PT Tambang Batubara (coal mine) in South Sumatera. The steps taken were felt necessary to expedite the development of those projects.

### 3. The policy on capital movement and services

#### a. Oil Sector

In an effort to increase the Government take from the production and export of oil, the Government concluded new sharing arrangements with foreign oil companies working under Contracts of Work (Kontrak Karya)<sup>11)</sup> as well as under Production Sharing Contracts (Kontrak Bagi-Hasil).<sup>12)</sup> The revised agreements became effective on January 1, 1976.

Oil companies working under Contracts of Work have to surrender \$ 1.00

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10) Decree of the Minister of Trade No. 118/KP/IV/1976 dated June 12, 1976.

11) During 1976, companies working under Contracts of Work, comprising of 3 companies, produced 58 per cent of the production.

12) In 1976, Production; sharing Contractors produced 36 per cent of total production.

to the Government for- each barrel produced in addition to the old take. However, with respect to exports to distant count ries such as the East Coast of the United States and Trinidad and Tobago, the additional Government take will be reduced by the extra freight charges incurred. The original sharing arrangements concluded between the Government and the foreign contractors were on a 60/40 basis of net operating income.<sup>13)</sup> In the revised agreement reached in December 1975, it was agreed that if the production and the price exceed a certain level, the Government take will be adjusted progressively in Indonesia's favor to a maximum percentage of 95 per cent.

In the agreement concluded with the Production Sharing Contractors it was agreed that the Indonesian share would be 85 per cent of net operating income. The previous agreement had fixed this share at 65 per cent to 95 per cent, depending on the levels of production and prices.

In addition, the above agreement stipulated the level of capital depreciation, which was to be included as a component of production costs. Prior to this agreement, the maximum level of operating recovery cost was fixed at 40 per cent of the annual production, in other words, the cost could be recovered

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13) Net operating income is defined as total exports less certain costs of production.

within two and a half years. Under the recent rearrangement, the manner of depreciation had been restricted by extending the depreciation period and differentiating the time schedule of depreciation depending on the type of production costs. Within this context, the foreign oil companies were classified into two groups. Group I comprised companies with proven reserves with less than 7 year production capacity, while group 11 consisted of companies with proven reserves of more than 7 year production capacity.

Further, the production cost was classified into 2 categories, i.e. capital cost and non-capital cost. The depreciation period of capital cost of Group I was fixed at not less than 7 years while for Group 11 it was not less than 14 years. The depreciation period of non capital cost was determined according to the type of expenditures and the above mentioned groupings. Thus, in the early years the amount of net operating income to be shared would be higher, and hence the Government's revenue would increase accordingly.

In order to boost investments and explorations in the petroleum sector, the Government had increased incentives to foreign contractors operating under Contracts of Work as well as Production Sharing Contracts, commencing on January 1977.

Oil companies working under Production Sharing Contracts will henceforth surrender prorata crude to the Government at the prevailing export prices, compared to only \$ 0.20 per barrel previously. This incentive was applicable to production from new investments for the first five years of commercial output, after which time the surrender price was again fixed at \$ 0.20 per barrel. In addition, new investments were entitled to a 20 per cent investment allowance. Furthermore, all Production Sharing Contractors could recover new investment costs over a period of seven years using the double declining method, regardless of the magnitude of the proven reserves.

Companies operating under Contracts of Work were given a flat \$ 0.50 per barrel more on production of new investments during the first five years of commercial output.

#### *b. Non-Petroleum foreign Capital Investment*

In the period under report, the Government introduced new regulations in the sector of foreign capital investment. In August 1976, the Government promulgated a decree on foreign capital investment, especially meant for the non-oil mining sector. The main purpose of this decree was to bolster new foreign capital investments while at the same time refining the existing regulations.

Agreements under these regulations would be known as “Third Generation Contracts of Work”<sup>14)</sup>

Compared to the previous Contracts of Work, some of the highlights were as follows :

- i. Exports of products under these contracts should adhere to the general export regulations.
- ii. Goods exported by these companies were subject to export tax except for processed or semi-processed products.
- iii. Long term sales contracts with overseas companies should have Government approval.
- iv. Interest, dividends and royalties would be taxed at half the prevailing rate.
- v. Imports of goods needed by the companies were exempted from import duties and sales tax (import) for ten years after commencing production.
- vi. The tax credit incentive which in previous Contracts of Work was 8 per cent of total investment, was replaced by a tax allowance amounting to 20 per cent of total investment.

Based on the experience of the development impact of foreign investment, on February 1977 the Government is-

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14) Companies established during 1967 and July 1968 were subject to “The First Generation Contracts of Work” while those established between July 1968 and July 1972, were subject to “The Second Generation Contracts of Work”. For a more detailed information, see Chapter VIII.

sued a new regulation setting out a more comprehensive list of priorities areas for foreign investment. The objective of this new regulation was to set down more specific direction for foreign investment and also to provide a guide for governmental institutions in their policy decisions on new investments. More detailed information on this subject is provided in Chapter VIII.

### *c. Tourism*

The policies adopted in this sector during this reporting period were generally aimed at increasing foreign exchange receipts from services. Especially in the tourism sector, the measures taken were intended to improve the facilities in the field of immigration, air transportation, tourist promotion, taxation, bank credits, investments and objects of tourism. The purpose of those measures was to attract foreign tourists while keeping the development of tourism projects in line with development activities in the regions.

## **B. The balance of payments development**

### **1. Main features**

The Indonesian balance of payments situation during 1976/1977 showed considerable improvement. The overall balance of payments surplus reached \$ 1,001 million, in contrast to a deficit of \$ 364 million in the previous period. It should be observed that

this is the largest surplus ever achieved. As a result of this surplus, net international reserves which at the end of March 1976 stood at \$ 557 million rose to \$ 1,558 million at the end of the reporting period.

The principal factors underlying the improvement in the balance of payments situation were higher export proceeds and reduced foreign exchange expenditures relating to the repayment of foreign debts. The increase in export earnings was the result of the export measures taken by the Government in early 1976/1977 known as the "April 1, 1976 package", combined with the increase in demand for Indonesian export commodities following the economic recovery of the industrial countries. The increase in oil exports was a result of the economic recovery of the industrial countries as well as the successful renegotiations with the foreign oil companies, which resulted in a larger share for the Government. There was a substantial decline of foreign exchange outflows which was closely connected with the drop in PERTAMINA'S short-term debt repayments.

Although exports increased by 29 per cent, imports of goods and services rose faster still, and so the balance on current account still showed a deficit of \$ 776 million. The deficit on current account was mainly due to imports financed by foreign aid which increased by 86 per cent to reach \$ 1,556 million in 1976/1977. Although foreign aid imports were the major cause of the increased deficit on current account, on the other hand these imports also increased

the surplus in the capital account by an equal amount. If imports financed by foreign aid were to be excluded, the current account would have shown a surplus of \$ 780 million compared to merely \$ 4 million in 1975/1976.

As mentioned above, the current account deficit was attributable primarily to imports of goods and services financed by foreign aid. However, since the capital account registered a net inflow of \$ 1,595 million, the overall balance of payments in 1976/1977 showed a surplus of \$ 1,001 million.

## 2. The current account

A characteristic of the current account during recent year-e has been the surpluses in the balance of trade and deficits in the services account, generally resulting in deficits on the current account. As a result of the substantial surplus in the trade balance in 1976/1977, the deficit in the current account improved by 7 per cent compared with the year before and reached the level of \$ 776 million.

As mentioned earlier, the balance of goods and services showed a deficit of \$ 776 million although the trade balance was in surplus by \$ 2,040 million. The major reason for this deficit was foreign aid imports which rose by 86 per cent to reach \$ 1,556 million in 1976/1977.

### *a. Balance of Trade*

As was the case in the previous years, the balance of trade during the reporting period showed a surplus of \$ 2,040 million

compared to \$ 1,737 million in 1975/1976. The primary reason for this surplus was the rapid increase of exports which exceeded the increase of imports, despite the substantial rise in the latter.

The developments of the balance of trade during the last five years are shown in the following table.

**Indonesia's balance of trade  
(In millions of \$)**

	Exports (fob)	Imports (fob)	Balance of Trade
1972/1973	1,939	1,651	+ 288
1973/1974	3,613	3,074	+ 539
1974/1975	7,186	5,097	+ 2,089
1975/1976	7,146	5,409	+ 1,737
1976/1977	9,213	7,173	+ 2,040

### 1. Exports

The Government's policy of promoting non-oil exports, the steps undertaken in the oil sector, and the economic recovery of the industrial countries (especially Japan and the United States) were the main contributing factors to Indonesia's increase in exports. The increased economic activity was clearly reflected in the substantial growth of exports which rose by 29 per cent to reach a level of \$ 9,213 million during 1976/1977. It should be emphasized that this amount was the highest level ever reached both for oil and for non-oil exports.

#### — Non-oil exports

Non-oil exports in 1976/1977 performed remarkably, reaching \$ 2,863

million. This was 53 per cent higher than in 1975/1976 and 182 per cent above the annual average of the First Five-Year Development Plan.

As mentioned above, non-oil exports in the reporting period established a new record. The growth of the export volume can be seen from the figures for exports at constant prices. The value of exports at constant prices, using 1973/1974 as the base year, showed a 16 per cent increase over 1975/1976 and was 124 per cent higher than in the first year of the First Five-Year Development Plan.

Timber, coffee and rubber together made up 78 per cent of the export increase in 1976/1977. Due to the substantial increase in prices, export value of several commodities - palm kernel copra, tobacco and tapioca—increased although the volume declined. It should be noted that for the first time in many years, Indonesia did not have to import urea fertilizer, and could even begin exporting.

Further detail on the progress of several commodities are described below.

#### *Timber*

In the reporting period, timber remained the leading non-oil export, contributing about 31 per cent to non-oil exports. Export value increased by 68 per cent over the previous year with volume rising by 39 per cent and a 22 per cent increase in prices. It should be noted that both value and volume set new records.

The stronger demand of industrial countries (especially Japan) resulting from the improving economic activity of those countries was the major cause of the rising volume and price of this commodity.

In order to create more employment opportunities, the Government continued to pursue efforts to change the composition of timber exports, which at present consist mainly of logs, into finished products. Japan is still the principal export destination with a share of 54 per cent, followed by the Republic of South Korea with 17 per cent.<sup>15)</sup>

The volume and value of timber exports during the last 5 years are displayed in the following table.

	<b>T i m b e r</b>	
	<b>Value</b> (In millions of \$)	<b>Volume</b> (In Thousands of Tons)
1972/1973	275	12,701
1973/1974	720	15,704
1974/1975	615	12,434
1975/1976	527	11,385
1976/1977	885	15,770

### *Rubber*

Exports of rubber during 1976/1977 amounted to \$ 577 million, maintaining second place after timber, with a share of 20 per cent of total non-oil exports. The export value of this commodity increased by 51 percent during 1976/1977, compared to the preceding year

which recorded a decline of 10 per cent. This was another record.

The principal reason for this significant increase was higher prices (43 per cent above the previous year) while the volume expanded by 5 per cent. The increasing demand for natural rubber by the consumer countries was the major cause of the price increase.

The price trend of natural rubber during the recent years has tended to be unstable, so that producing countries - Indonesia, Malaysia, Thailand and also Singapore (as an exporting country) - made joint efforts to stabilize the prices at a more favorable level. These combined efforts resulted in a mutual agreement to limit exports according to the demand for rubber and the establishment of an international buffer stock for rubber.<sup>15)</sup>

The following table shows the value and volume of rubber exports during the last five years.

	<b>R u b b e r</b>	
	<b>Value</b> (In millions of \$)	<b>Volume</b> (In Thousands of Tons)
1972/1973	211	826
1973/1974	483	902
1974/1975	425	842
1975/1976	381	846
1976/1977	577	892

15) For further details, see Chapter VIII on Development on Production, Infrastructure and Prices



## Coffee

As a result of the rapidly increasing value of exports during this reporting period, coffee exports went from fifth place to third, following timber and rubber. Export value went up by 195 per cent while its share became 12 per cent of total non-oil exports, compared to only 6 per cent in the previous period. The main reason for this large increase was the 195 per cent increase in prices while volume was practically the same as last year. The principal reason for the in the international markets was that Brazil, the main producer, has still not recovered from the frost damage.<sup>16)</sup>

The following table shows the volume and value of coffee exports during the period.

	<b>Coffee</b>	
	<b>Value</b>	<b>Volume</b>
	(In millions of \$)	(In Thousands of Tons)
1972/1973	83	111
1973/1974	79	96
1974/1975	92	105
1975/1976	112	142
1976/1977	330	143

## Tin

The value of tin exports during the reporting period rose 15 per cent to reach \$ 181 million, due mainly to the increase

in volume which rose by 29 per cent to reach 2, thousand tons in 1976, 1977. The increasing volume of tin exports was a result of the economic recovery in the industrial countries. Following this improved situation, the International Tin Agreement (ITA) decided to abolish the quota on tin export established in mid 1976. Further efforts to stabilize the international tin price were still pursued. In this connection, the International Tin Agreement (ITA) concluded an accord on new floor and ceiling prices which were fixed respectively at M \$ 1,075 and M\$ 1,325 per pikul. These new prices were considerably high than the previous floor and ceiling prices.

Volume and value of exports during the last five years can be seen in the table below.

	<b>Tin</b>	
	<b>Value</b>	<b>Volume</b>
	(In millions of \$)	(In Thousands of Tons)
1972/1973	70	21
1973/1974	98	22
1974/1975	166	24
1975/1976	158	21
1976/1977	181	27

## Palm oil

The value of palm oil exports during the reporting period increased by 3 per cent compared with the previous period, when it fell by 23 per cent. This increase was due to higher prices while volume was approximately the same. The aver-

16) For more detailed information, see Chapter VIII on Development of Production, Infrastructure and Prices

age price was \$ 341 per ton in 1975/1976 and rose to \$ 352 per ton in 1976/1977, as a result of the increasing world demand for palm oil.

The production of palm oil during 1976 rose by 10 per cent, the result of replanting in earlier years. However, the volume of exports was practically the same because of the increasing domestic consumption.

The table below shows the performance of palm oil exports, in value and volume, during the past five years.

	<b>Palm oil</b>	
	<b>Value</b>	<b>Volume</b>
	(In millions of \$)	(In Thousands of Tons)
1972/1973	42	245
1973/1974	89	279
1974/1975	184	303
1975/1976	142	417
1976/1977	147	415

### **T e a**

Exports of tea showed a good performance. The price and volume of exports rose by 20 per cent and 7 per cent the previous increase of respectively over year. The price coffee resulted in a consumer shift from coffee to tea, and thus the price and volume of tea exports also went up.

Data on the value and volume of exports during the last five years can be seen in the following table.

	<b>T e a</b>	
	<b>Value</b>	<b>Volume</b>
	(In millions of \$)	(In Thousands of Tons)
1972/1973	31	46
1973/1974	31	46
1974/1975	50	51
1975/1976	50	60
1976/1977	64	64

### **Animal and produce**

Exports of animal and produce during the reporting period still held the sixth place amounting to \$ 146 million and contributed 5 per cent to total non-oil exports. The amount of these exports rose by 39 per cent over the previous period. Shrimp, which formed the major part of this export, rose by 49 per cent in 1976 to reach \$ 117 million. This increase reflected the stronger demand for this commodity, particularly from Japan and South Korea.

Volume and value of animal and produce were as follows :

	<b>Animal and Produce</b>	
	<b>Value</b>	<b>Volume</b>
	(In millions of \$)	(In Thousands of Tons)
1972/1973	42	101
1973/1974	90	84
1974/1975	92	76
1975/1976	105	70
1976/1977	146	82

### --- Oil/ exports

Compared to the preceding period, oil exports during 1976/1977 increased in value as well as in volume. Export volume rose by 17 per cent to 495 million barrels while the value rose by 20 per cent to reach \$ 6,350 million. The higher demand for oil which resulted from the economic recovery of the industrial countries, especially Japan and the United States, was the primary cause of the increase in the oil exports. The production during the reporting period increased substantially so that the increased demand for oil exports could be met even though domestic needs were increasing.

Oil production during the reporting period reached 568.3 million barrels, surpassing even the 1975/1976 production which was the highest production ever reached. In this reporting year the production of oil was 14 per cent higher than in 1975/1976 (497.7 million barrels) or 17 per cent above production in 1974/1975 (485.1 million barrels). This increase occurred mainly in the Production Sharing Contracts.

At the OPEC meeting in Doha, Qatar on December 15, 1976, Indonesia together with 10 other OPEC member countries (Algeria, Ecuador, Gabon, Iran, Irak, Kuwait, Libya, Nigeria, Qatar and Venezuela) agreed to increase the export price of oil by 10 per cent. On the other hand, 2 other OPEC member countries namely Saudi Arabia and the United Arab Emirates, agreed to increase their oil export price by 5 per cent commencing on January 1, 1977. In addition all the 11 OPEC member countries mentioned above decided to increase the price of oil exports by another 5 per cent commencing on July 1, 1977.

Basically, the export price of Indonesia's oil was raised by 10 per cent, which was in accordance with the above stipulated agreement. However, in the past the export price of Indonesia's oil had included premium for special factors, such as low sulphur content. Changed circumstances had reduced the value of those premium, the end result was that on the average, the price of Indonesia's oil exports went up by only 7 per cent. After the price adjustment Indonesia's oil was priced as follows:

Export prices of selected Indonesian crude oil  
(\$ per barrel)

Selected Crude Oil	1972	1973		1974		1975		1976	1977
	April	April	October	January	April	July	October	February	January
Minas	2.96	3.73	4.75	10.80	11.70	12.60	12.80	12.80	13.55
Arjuna	2.86	3.73	6.80	10.80	11.70	12.60	12.80	12.60	13.70
Cinta	2.96	3.73	6.00	10.80	11.70	12.60	12.40	12.40	13.15
Attaka	2.80 <sup>1)</sup>	3.73	6.00	10.80	11.70	12.60	12.80	12.80	14.10
Handil	—	—	—	—	—	12.60	12.40	12.40	13.30
Walio	—	5.00 <sup>2)</sup>	6.00	10.80	11.70	12.60	12.10	12.00	13.00
Bekapai	—	—	—	—	—	—	—	12.80	14.10
Badak	—	—	—	—	—	12.60	12.80	12.80	14.10
North Sumatera	2.65	3.73	6.50	10.80	11.70	12.60	13.00	13.00	14.40

Source: Department of Mining  
1) October 1972  
2) July 1973

### --- Export By Country of Destination

In terms of export by country of destination, Asia still took the largest share, with 55 per cent of total exports, followed by America (36 per cent), Europe (5 per cent) and Australia together with Africa 1 per cent (see table XI). It should be noted that since 1973/1974 there has been a shift in the export of oil on a country-of-destination basis. The percentage of Indonesia's oil exported to Japan was 46 per cent compared to 49 per cent, 63 per cent and 70 per cent respectively in 1975/1976, 1974/1975 and 1973/1974. On the other hand the percentage of oil export to the United States has shown an increasing trend since 1974/1975. In the reporting period its share was 37 per cent compared with 36 per cent, 25 per cent and 22 : cent respectively in 1975/1976, 1974/1975 and 1973/1974.

### 2. Import

In line with the progress in domestic economic development, total imports during the exporting period rose by 33 per cent to reach a level of \$ 7,173 million

#### --- Non - oil imports

Non-oil imports rose from \$ 4,479 million to \$ 5,420 million and 68 per cent of this increase was accounted for by imports of government development projects. During 1976/1977 these imports amounted \$ 1,409 million, exceeding the previous year- by 84 per cent. This was 95 per cent higher than the annual average of the First Five-Year Development Plan ( PELITA 1). In addition the value of rice imports within the framework of the Government's stabilization programme showed a 21 per cent

Oil exports by country of destination  
(In millions of barrels and \$)

	1973/74		1974/75		1975/76		1976/77	
	Barrel	\$	Barrel	\$	Barrel	\$	Barrel	\$
1. United States	91.9	574.7	104.1	1,285.6	151.3	1,902.7	184.1	2,375.3
- % Share	21.0	21.7	25.6	25.4	35.9	36.1	37.2	37.4
- Crude oil	86.8	525.6	102.3	1,262.0	143.5	1,820.9	181.5	2,344.1
- Products	5.1	49.1	1.8	23.6	7.8	81.8	2.6	31.2
2. Japan	311.2	1,848.9	253.6	3,183.8	207.0	2,600.8	229.5	2,932.5
- % Share	71.0	70.0	62.3	62.9	49.0	49.3	46.4	46.2
- Crude oil	261.4	1,534.0	223.1	2,750.2	181.1	2,289.9	199.0	2,558.3
- Products	49.8	314.9	30.5	433.6	25.9	310.9	30.5	374.2
3. Other Countries	35.3	220.1	49.2	591.0	63.7	769.7	81.2	1,041.9
- % Share	8.0	8.3	12.1	11.7	15.1	14.6	16.4	16.4
- Crude oil	31.2	137.4	44.8	537.4	56.8	697.4	77.0	989.6
- Products	4.1	82.7	4.4	53.6	6.9	72.3	4.2	52.3
4. Total	438.4	2,643.7	406.9	5,060.4	422.0	5,273.2	494.8	6,349.7
- % Share	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
- Crude oil	379.4	2,197.0	370.2	4,549.6	381.4	4,808.2	457.5	5,892.0
- Products	59.0	446.7	36.7	510.8	40.6	465.0	37.3	457.7

increase to reach \$ 333 million while import volume rose by 105 per cent compared to the previous period. In sharp contrast, program me imports of fertilizer declined by 94 per cent to only \$ 27 million in 1976/1977. This progress was achieved because of the increased domestic production of Up R EA fertilizer, in fact, Indonesia was even able to start exporting UREA in the last quarter of 1976/1977 Domestic requirements for fertilizer other than UREA, such as TSP, still had to be imported although it is planned to produce future requirements for TSP domestically. The increase in imports of rice during 1976/1977 was felt necessary to keep the price level stable since domestic production could not meet the demand. Other foodstuff imports, such as wheat and sugar, stayed approximately unchanged in value as well as in volume. Imports related to foreign investment projects rose by 28 per cent to reach \$ 760 million. Of this increase 26 per cent were imports within the foreign investment framework (PMA) and 74 per cent was for the LNG projects (see table 22).

In 1976/1977, 91 per cent of foreign aid was used for imports related to projects. In the first year of PELITA I this share was only 17 per cent and it continued to increase reaching 92 per cent in 1975/1976. This clearly indicates that the larger part of foreign aid was used for the purpose of development projects

The composition of imports by major economic groups shows that 35 per

cent were capital goods, 39 per cent raw material and 26 per cent consumption goods. Compared to the preceding period, imports for consumption goods rose by 17 per cent to reach 26 percent of total imports. The main cause of this increase was rice imports which went up by 21 per cent.

#### -- *Imports by oil companies*

Imports by oil companies increased by 88 per cent to \$ 1,753 million in the reporting period compared to a decline of 27 per cent in the year before. The increase in troth price and volume were closely related to the increase in both domestic oil refining capacity and domestic needs. The share of imports by origin in the reporting period was much the same as in preceding years. During the reporting period 52 per cent of Indonesia's total imports came from Asia European, American and Australia together with African countries followed with respectively 19 per cent, 1 per cent, 4 per cent and 1 per cent. Japan, United States, Singapore and the Federal Republic of Germany were the main countries of origin of Indonesia's imports. In this reporting period imports from those 4 countries were 68 per cent of total imports, compared with 61 per cent in the year before.

#### *b. Balance of Services*

Indonesia is a developing country with substantial foreign investment, so the balance of services has always

shown significant deficits. In this year the balance of services was in deficit by \$ 2,816 million.

Non-oil services mainly comprised profit transfers of foreign investments and interest payments on Government as well as private debts. These transfers were \$ 43 million 1975/1976 and went up by 67 per cent to \$ 718 million in the reporting year. On the other hand oil-related service payments dropped by 36 per cent to \$ 887 million in 1976/1977. This decline reflected the larger Government share of oil revenue resulting from the new sharing arrangements concluded between the Government and foreign oil contractors which became effective January 1, 1976. Service payments other than oil, such as transportation, travel and other service rose from \$ 345 million in 1975/1976 to \$ 490 million in 1976/1977

### 3. Movement of Capital and Monetary Gold

#### a. Movement of Capital

Capital movement in the non-monetary sector in the reporting period showed surplus of \$ 1,595 million, 98 per cent higher than the period before. The main cause this improvement was the decline in PERTAMINA's debt repayments. During 1975/1976 such payment amounted to \$ 1,468 million compared with \$ 487 million during the reporting period. The principal factor in this sharp decline was repayment of PERTAMINA's

short term debts, the larger part of which had been paid during 1975/1976. However, net inflow originating from long term borrowings showed a decrease of \$ 319 million. This decline reflected the fact that cash loans were no longer necessary during 1976/1977, since PERTAMINA's debt repayments were significantly lower. On the other hand, there were larger capital inflows in the form of medium and long term loans which were related to the financing of various Government projects. Such loans amounted to \$ 1,409 million compared with only \$ 767 million in the year before.

Direct foreign investment of non-oil companies amounted \$ 261 million. This figure presents the difference between gross capital inflow and repayment of loans by these companies. This meant that in the reporting period the inflow of capital was still larger than the outflow, although the net figure went down by 40 per cent compared with the 1975/1976 period.

#### b. International Reserves and Monetary Gold

International reserves during 1976/1977 showed a marked improvement. Gross foreign assets at the end of the reporting period amounted \$ 1,794 million which meant an increase of 135 per cent, a sharp contrast with the previous year which showed a drop of 18 per cent. Gross foreign assets comprised total

foreign exchange assets including that which originated from the Central Bank's short term borrowings (less than 1 year). Net foreign assets, defined as gross foreign assets minus the Central Bank's short term borrowings, amounted \$1,558 million at the end of the reporting period, compared to only \$ 557 million at the end of the previous period.

The improvement in international reserves reflected the substantial surplus in the balance of payments which was discussed above.

#### 4. The Balance of Payments Prospects for 1977/1978

The balance of payments improvements during 1976/1977 was expected to continue in the 1977/1978 period, although at a lower level. This estimate was based on prudent observation of recent international as well as domestic economic developments.

Total exports were anticipated to continue to rise by 10 per cent compared with the 29 per cent increase in the year before. This assumption was based on the expectation that on average the price would fall below the level of 1976/1977, but that export volume would go up slightly. Imports and services, however, were expected to go up by 10 per cent and 20 per cent respectively, hence the current account would still be in deficit as it had been in previous years. The major cause of the above deficits were imports

financed by foreign aid, which were offset by capital inflow of an equal amount.

Thus it is estimated that the balance of payments in 1977/1978 will show a surplus of about \$ 500 million, which will add to reserves.

#### C. Foreign Trade and Payment Agreement

In January 1977 an agreement was concluded with the Government of the Republic of Iraq on foreign trade and payments. The main points of the agreement were :

1. Both countries agreed, within the framework of their respective laws and regulation in force, to facilitate expansion of trade.
2. Both sides agreed to apply no less favorable treatment in trade relations between the two countries than that applying to any other country, particularly with regard to customs rules and formalities, customs duties and charges of any kind, and export import regulations. The above provisions would not apply to :
  - a. Advantages and facilities accorded by Indonesia to ASEAN member countries,
  - b. Advantages and facilities accorded by Iraq to member states of the Arab League,
  - c. Advantages and facilities accorded by either of the two countries to neighboring countries and to advantages

- and facilities resulting from a “custom union” or a “preference area” to which either of the two countries is or may become a member party.
3. Payments under this agreement should be made in freely convertible currency acceptable to both sides, in accordance with the laws and regulations enforced in the respective countries.
  4. Both countries agreed to accord, subject to their respective laws and regulations, facilities for the holding of trade fairs and exhibitions, trade centres and visits of businessmen and trade delegations.
  5. This agreement replaces the previous agreement which was concluded on April 4, 1960.



TABLE 23 – BALANCE OF PAYMENTS OF INDONESIA <sup>1)</sup>  
(millions of \$)

	1974/1975	1975/1976 <sup>2)</sup>	1976/1977
<b>A. Goods and Services</b>	- 123	- 833	- 776
1. Merchandise goods: Exports, f.o.b.	+ 7,186	+ 7,146	+ 9,213
Imports, f.o.b.	- 5,097	- 5,409	- 7,173
2. Non-monetary gold	---	---	---
3. Freight and insurance related to import	- 662	- 714	- 938
4. Other transportation	- 55	- 70	- 100
5. Travel	- 58	- 70	- 100
6. Investment income	- 1,256	- 1,268	- 1,249
6.1. Direct investment (oil)	(- 1,051)	(- 838)	(- 531)
6.2. Other	(- 205)	(- 430)	(- 718)
7. Government, not included else where	- 16	- 30	- 40
8. Other Services	- 165	- 418	- 389
Balance of goods and services ( 1 through 8)	- 123	- 833	- 776
Balance of goods (1 through 2)	+ 2,089	+ 1,737	+ 2,040
Balance of services (3 through 8)	- 2,212	- 2,570	- 2,816
<b>B. Grants</b>	+ 62	+ 16	+ 74
9. Private	---	---	---
10. Government	+ 62	+ 16	+ 74
<b>C.11. Special Drawing Rights (SDR)</b>	---	---	---
Total (1 through 11)	- 61	- 817	- 702
<b>D. Capital and Monetary Gold</b>	+ 372	+ 1,170	+ 594
<i>Non-Monetary sector</i>	+ 363	+ 806	+ 1,595
12. Private sector	- 146	- 1,096	+ 12
12.1. Long term liabilities	- 159	- 1,110	+ 44
a. Direct investment	(+ 523)	(+ 433)	(+ 261)
b. Other	(- 682)	(- 1,543)	(- 217)
12.2. Long term Assets	---	---	---
a. Direct investment	( --- )	( --- )	( --- )
b. Other	( --- )	( --- )	( --- )
12.3. Short term liabilities	+ 13	+ 14	- 32
12.4. Short term Assets	---	---	---
13. Government sector	+ 509	+ 1,902	+ 1,583
13.1. Long term liabilities (net)	+ 509	+ 1,902	+ 1,583
13.2. Long term Assets	---	---	---
13.3. Short term liabilities (net)	---	---	---
13.4. Short term Assets	---	---	---
<i>Monetary sector</i>	+ 9	+ 364	- 1,001
14. Central Bank			
14.1. IMF position (net)	- 65	+ 87	---
14.2. Short term liabilities (net)	---	+ 206	+ 31
14.3. Movement in foreign exchange holdings ( - = increase)	+ 74	+ 71	- 1,032
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	- 311	- 353	+ 108

1) Includes oil companies

2) Revised figures

TABLE 24 – VALUE OF EXPORT (F.O.B.)  
(millions of \$)

	1974/ 1975	1975/ 1976	I	II	III	IV	1976/ 1977
<b>A. Non oil exports</b>	2.033	1.873	620	684	761	798	2.863
Rubber	425	381	139	142	148	148	577
Coffee	92	112	90	79	56	105	330
T i n	166	158	35	45	45	56	181
Timber	615	527	159	218	266	242	885
Palm product	192	146	30	33	55	33	151
– Palm oil	( 184)	( 142)	( 29)	( 32)	( 54)	( 32)	( 147)
– Palm kernels	( 8)	( 4)	( 1)	( 1)	( 1)	( 1)	( 4)
Coconut product	22	32	6	8	9	13	36
– Copra	( —)	( 3)	( —)	( —)	( —)	( —)	( —)
– Copra cakes	( 22)	( 29)	( 6)	( 8)	( 9)	( 13)	( 36)
Tobacco	36	40	16	8	4	13	41
Pepper	22	25	13	12	15	15	55
T e a	50	50	14	14	17	19	64
Hides	9	12	6	6	6	5	23
Foodstuffs	77	54	14	15	20	13	62
– Tapioca	( 30)	( 17)	( 1)	( 3)	( 4)	( 2)	( 10)
– Other foodstuffs	( 47)	( 37)	( 13)	( 12)	( 16)	( 11)	( 52)
Nutmeg and mace	2	6	2	2	2	3	9
Animal and livestock products	92	105	30	35	42	39	146
Other spices	5	4	1	2	2	2	7
Mining products	130	99	39	30	34	36	139
– Copper	( 102)	( 74)	( 30)	( 21)	( 19)	( 25)	( 95)
– Other mining	( 28)	( 25)	( 9)	( 9)	( 15)	( 11)	( 44)
O t h e r	98	122	26	35	40	56	157
<b>B. Exports of oil and products</b>	<u>5.152</u>	<u>5.273</u>	<u>1.484</u>	<u>1.492</u>	<u>1.651</u>	<u>1.723</u>	<u>6.350</u>
Total (A + B)	7.185	7.146	2.104	2.176	2.412	2.521	9.213

TABLE 25 – VOLUME OF EXPORT  
(thousand of ton) <sup>1)</sup>

	1974/ 1975	1975/ 1976	I	II	III	IV	1976/ 1977
<b>A. Non oil exports</b>							
Rubber	842	846	231	219	224	218	892
Coffee	105	142	58	40	21	24	143
T i n	24	21	6	6	8	7	27
Timber	12.434	11.385	3.235	3.913	4.476	4.146	15.770
Palm product	333	458	103	107	148	87	445
– Palm oil	( 303)	( 417)	( 96)	( 100)	( 140)	( 79)	( 415)
– Palm kernels	( 30)	( 41)	( 7)	( 7)	( 8)	( 8)	( 30)
Coconut product	236	396	77	86	92	120	375
– Copra	( --)	( 34)	( --)	( --)	( --)	( --)	( --)
– Copra cakes	( 236)	( 362)	( 77)	( 86)	( 92)	( 120)	( 375)
Tobacco	26	23	8	7	3	3	21
Pepper	14	17	8	8	9	8	33
T e a	51	60	17	14	14	19	64
Hides	5	5	2	2	2	2	8
Foodstuffs	1,381	965	234	238	324	171	967
– Tapioca	( 455)	( 234)	( 21)	( 42)	( 50)	( 20)	( 133)
– Other foodstuffs	( 926)	( 731)	( 213)	( 196)	( 274)	( 151)	( 834)
Nutmeg and mace	7	11	2	2	6	2	12
Animal and livestock products	76	70	19	22	21	20	82
Other spices	9	9	2	5	3	2	12
Mining products	2.737	2.058	687	553	666	605	2.511
– Copper	( 222)	( 189)	( 79)	( 54)	( 42)	( 55)	( 230)
– Other mining	( 2.515)	( 1.869)	( 608)	( 499)	( 624)	( 550)	( 2.281)
Other	181	264	53	65	65	63	246
<b>B. Exports of oil and products</b>	<b>427</b>	<b>422</b>	<b>117</b>	<b>118</b>	<b>131</b>	<b>129</b>	<b>495</b>

1) Except for export of oil and products in millions of barrel.

TABLE 26 – VALUE OF EXPORTS AT CONSTANT PRICE <sup>1)</sup>  
(millions of US.\$)

	1969/1970	1970/1971	1971/1972	1972/1973	1973/1974	1974/1975	1975/1976	1976/1977
<b>A. Non oil exports</b>	<u>925</u>	<u>1,334</u>	<u>1,650</u>	<u>1,675</u>	<u>1,905</u>	<u>1,788</u>	<u>1,781</u>	<u>2,068</u>
Rubber	448	434	430	440	483	452	454	477
Coffee	64	71	59	91	79	87	117	118
T i n	75	80	89	93	98	125	93	120
Timber	80	302	415	573	720	575	527	725
Palm products								
– Palm oil	37	62	68	78	89	97	133	134
– Palm kernels	6	7	9	8	6	4	6	4
Copra products								
– Copra	13	24	8	8	3	—	4	—
– Copra cakes	4	19	20	26	19	21	32	33
Tobacco	29	26	25	35	46	34	30	27
Pepper	10	10	30	30	31	18	21	40
T e a	8	29	31	31	31	35	41	44
Hides	13	18	13	18	13	13	13	21
Foodstuffs								
– Tapioca	3	21	26	18	7	28	14	8
– Other foodstuffs	7	31	30	29	49	43	35	39
Nutmeg and mace	1	2	2	3	2	2	4	4
Animal and livestock products	38	138	329	108	90	81	75	87
Other spices	5	6	7	9	7	6	6	8
Mining products								
– Copper	—	—	—	12	56	99	84	102
– Other mining	8	16	20	21	21	23	17	21
Other	76	38	39	44	55	45	75	56
<b>B Exports of oil and products</b>	<u>893</u>	<u>1,030</u>	<u>1,073</u>	<u>1,379</u>	<u>1,708</u>	<u>1,700</u>	<u>1,685</u>	<u>1,984</u>
<b>T o t a l ( A + B )</b>	<b>1,818</b>	<b>2,364</b>	<b>2,723</b>	<b>3,054</b>	<b>3,613</b>	<b>3,488</b>	<b>3,466</b>	<b>4,052</b>

1) 1973/1974 = 100

**TABLE 27 – IMPORTS (C.I.F.) BY COMMODITY GROUP**  
(millions of \$)

	1974/1975	%	1975/1976	%	1976/1977	%	Percentage change (%) 1976/1977– 1975/1976
Consumer goods	922	21.4	793	17.2	1,279	26.5	+ 61.3
Raw material	2,104	48.9	1,191	25.8	1,869	38.7	+ 56.9
Capital goods	1,281	29.7	2,638	57.0	1,677	34.8	– 36.4
	4,307	100.0	4,622	100.0	4,825	100.0	+ 4.4

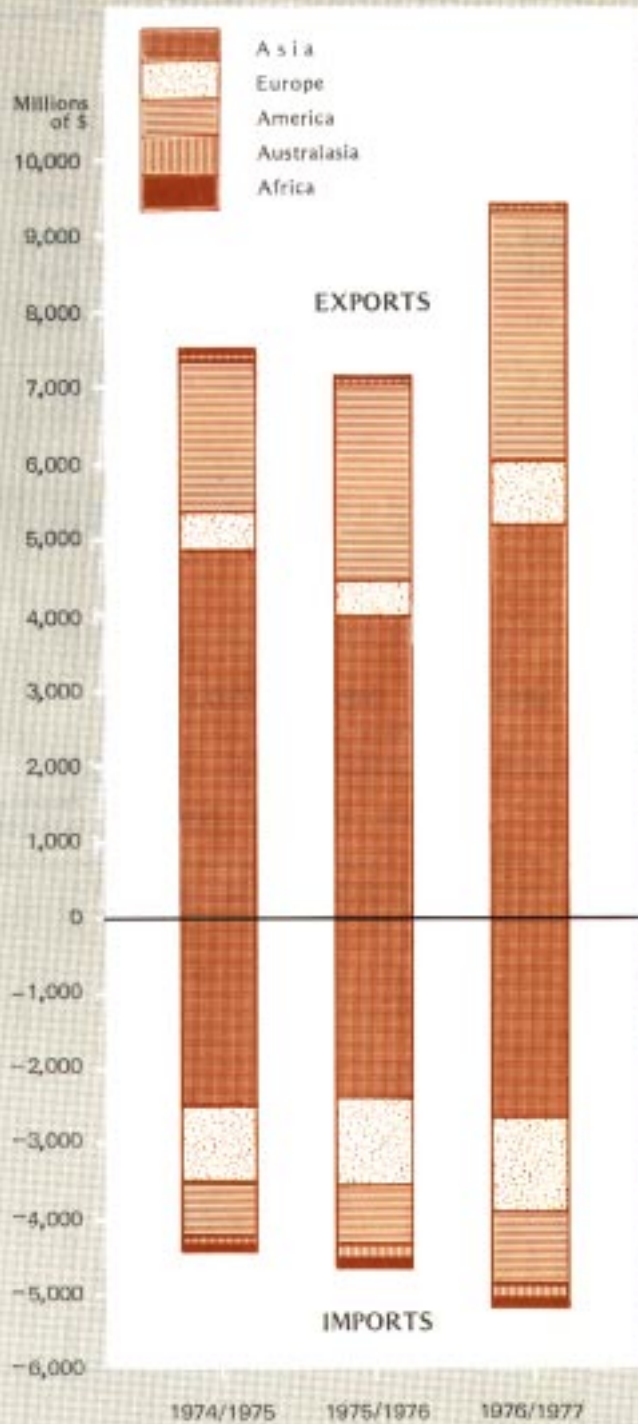
Based on L/C Application

**TABLE 28 – IMPORTS (F.O.B.)**  
(millions of \$)

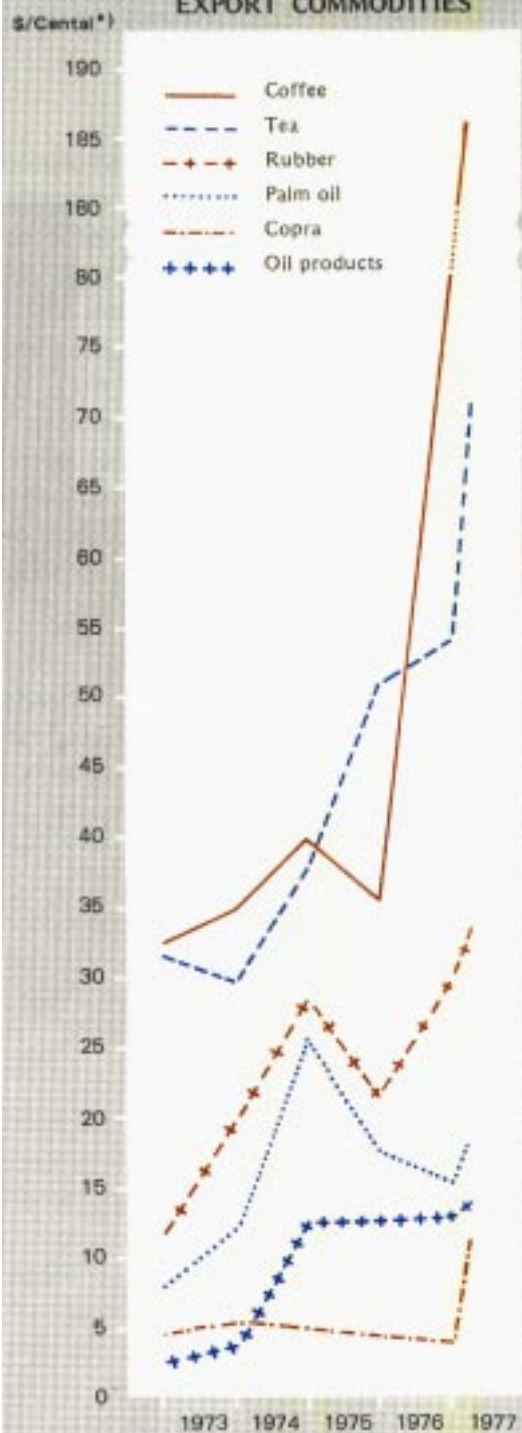
	1974/1975	1975/1976	1976/1977	Percentage change (%) 1976/1977–1975/1976
General foreign exchange imports	2,481	2,496	2,530	1.4
Aid foreign exchange imports	566	837	1,556	85.9
– Aid exchange	( 77)	( 31)	( 2)	–93.5
– Food Aid	( 84)	( 11)	( 50)	354.5
– PL 480 (rice, wheat cotton and yarn)	( 9)	( 28)	( 95)	239.3
– Project aid	( 396)	( 767)	(1,409)	83.7
Imports under direct investment <sup>1)</sup>	286	593	760	28.2
Imports under merchant's L/C	489	553	574	3.8
<b>T o t a l</b>	<b>3,822</b>	<b>4,479</b>	<b>5,420</b>	<b>21.0</b>
Imports of oil companies	1,275	930	1,753	88.3
<b>T o t a l</b>	<b>5,097</b>	<b>5,409</b>	<b>7,173</b>	<b>32.6</b>

1) Included LNG Company.

EXPORTS BY COUNTRY OF DESTINATION  
AND  
IMPORTS BY COUNTRY OF ORIGIN



### PRICES OF SELECTED EXPORT COMMODITIES

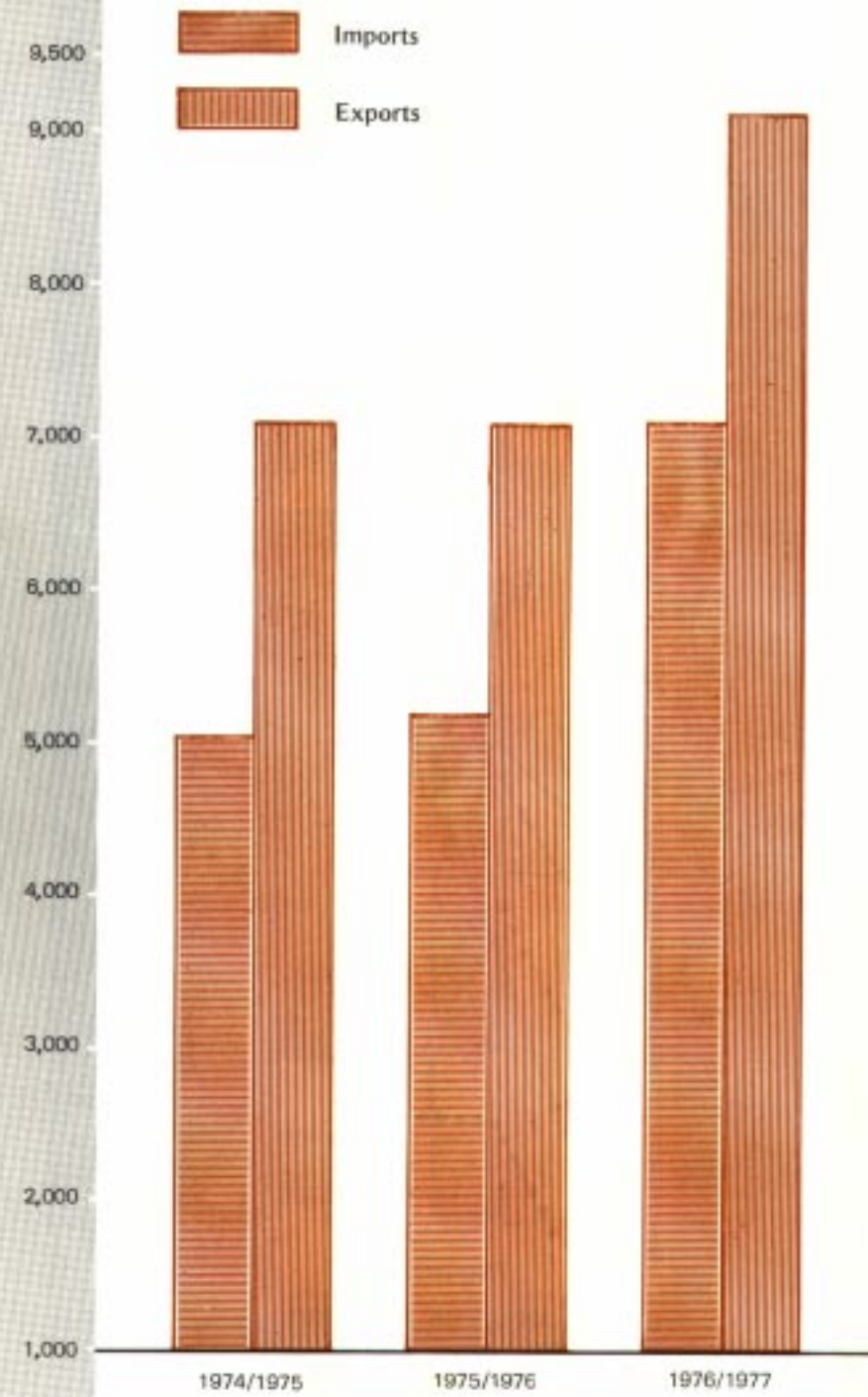


\*) Except for oil and products in \$ per barrel ( 1 cental is equivalent 45.36 kg or 100 pounds )

Source : Central Bureau of Statistics

## FOREIGN TRADE

Millions of \$





## VIII. PRODUCTION, INFRASTRUCTURE AND PRICE LEVEL

### National income

The world economic recession of the past few years adversely affected the economies of developing countries, including Indonesia. Its impact was still perceptible in 1975, as indicated by the demand for export commodities from Indonesia which in turn impaired the activities of other economic sectors as was reflected in real Gross Domestic Product (GDP) in constant 1973 prices which increased by only 5.4 per cent in 1975 compared with 7.2 per cent in the preceding year.

The impact of the world economic revival upon Indonesia's economy was discernible in 1976. Economic activities in general and export performance in particular improved markedly: in 1976, GDP in real terms achieved a growth rate of 7.1 per cent as against only 5.4 per cent in the previous year. This growth rate met the target of REPELITA II, which provided for a rate of economic growth of around 7 to 8 per cent per annum.

The 1976 growth in GDP was closely related to the 5 per cent increase of value added in the agricultural sector which remained constant in 1975. Moreover, value added in the mining sector which declined by 4 per cent in 1975, increased by 15 per cent in 1976. Value added in the sector of electricity, gas and water supply rose by 12 per cent, while value added in the sector of transportation and communication increased by 13 per cent. An increase

of 7 per cent in value added was recorded in the sector of manufacturing industry, while there was a 6 per cent increase in the sector of trade, financial institutions and other services.

In the period of 1972 - 1976, GDP in real terms rose from Rp 6,067 billion to Rp 8,175 billion, i.e. increased at an average annual rate of 7.8 per cent. During this period, Indonesia's population by mid-year estimated figures increased at an average annual rate of 2.4 per cent. Therefore, average real per capita GDP during the last five years increased by approximately 5.3 per cent per year. (Data of GDP by source of origin as well as by type of expenditure at constant 1973 prices and at current market prices are shown in tables 29 and 30.

GDP at current market prices amounted to Rp 15,494 billion and Rp 12,643 billion in 1976 and 1975, respectively. The corresponding figures of population by mid-year estimation were 133.7 million and 130.6 million. Accordingly, real GDP per capita rose to Rp 115,886 or \$ 279 in 1976, from Rp 96,807 or \$ 233 in the year before.

During the last five years, Gross National Income (GNY) was lower than Gross Domestic Product. This was mainly attributable to foreign investments in Indonesia which exceeded the amount of Indonesia's investments abroad. In 1976 and 1975, GNY at current market prices amounted to Rp 15,062 billion and Rp 12,087 billion, respectively, which was Rp 112,655 (\$ 271) and Rp 92,550 (\$ 223) on a per capita basis.

**TABLE 29 – GROSS DOMESTIC PRODUCT BY SECTOR OF ORIGIN**  
(billions of Rupiahs)

	1971	1972	1973	1974*	1975*	1976*
<b>I. At current market prices</b>						
Agriculture, forestry and fisheries	1,646	1,837	2,710	3,497	4,003	4,824
– Farm food crops	961	1,071	1,573	2,096	2,555	3,044
– Others	685	766	1,137	1,401	1,448	1,780
Mining	294	491	831	2,374	2,485	2,930
Manufacturing	307	448	650	890	1,124	1,418
Electricity, gas and water supply	18	20	30	52	70	98
Construction	128	174	262	406	590	813
Transportation and communication	162	182	257	442	521	662
Trade, finance and other services	1,117	1,412	2,013	3,107	3,850	4,749
Gross Domestic Product	3,672	4,564	6,753	10,768	12,643	15,494
<b>II. At constant 1973 prices</b>						
Agriculture, forestry and fisheries	2,441	2,479	2,710	2,811	2,811	2,952
– Farm food crops	1,436	1,415	1,573	1,681	1,696	1,756
– Others	1,005	1,064	1,137	1,130	1,115	1,196
Mining	551	674	831	859	828	952
Manufacturing	490	564	650	755	848	907
Electricity, gas and water supply	25	26	30	37	41	46
Construction	171	222	262	320	365	385
Transportation and communication	210	229	257	288	303	343
Trade, finance and other services	1,712	1,873	2,013	2,171	2,435	2,590
Gross Domestic Product	5,600	6,067	6,753	7,241	7,631	8,175

Source : Central Bureau of Statistics

**TABLE 30 – EXPENDITURE ON GROSS DOMESTIC PRODUCT**  
(billions of Rupiahs)

Types of expenditure	1971	1972	1973	1974 *	1975 *	1976 *
<b>I. At current market prices</b>						
Private consumption <sup>1)</sup>	2,833	3,402	4,791	7,013	8,744	10,491
Government consumption	341	414	716	1,147	1,254	1,590
Gross domestic investment	580	857	1,208	1,797	2,572	3,205
Exports of goods and non-factor services	529	754	1,354	3,105	2,851	3,430
Less: imports of goods and non-factor services <sup>2)</sup>	611	863	1,316	2,294	2,778	3,222
Gross Domestic Product	3,672	4,564	6,753	10,768	12,643	15,494
Net factor income to abroad	- 67	- 159	- 245	- 507	- 556	- 432
Gross National Product	3,605	4,405	6,508	10,261	12,087	15,062
Less :						
net indirect taxes	229	236	328	447	519	307
Less :						
depreciation	238	297	439	639	822	1,007
National income	3,138	3,872	5,741	9,175	10,746	13,748
<b>II. At constant 1973 prices</b>						
Private consumption <sup>1)</sup>	4,038	4,313	4,791	5,292	5,679	6,050
Government consumption	534	524	716	775	836	897
Gross domestic investment	867	1,032	1,208	1,440	1,650	1,749
Exports of goods and non-factor services	891	1,123	1,354	1,403	1,267	1,425
Less:						
imports of goods and non-factor services <sup>2)</sup>	730	925	1,316	1,669	1,801	1,946
Gross Domestic Product	5,600	6,067	6,753	7,241	7,631	8,175
Net factor income to abroad	- 80	- 171	- 245	- 369	- 360	- 367
Gross National Product	5,520	5,896	6,508	6,872	7,271	7,808
Less:						
net indirect taxes	272	294	328	352	371	399
Less:						
depreciation	364	394	439	471	496	534
National income	4,884	5,208	5,741	6,049	6,404	6,875

1) Residual

2) Balance of payment figures

Source : Central Bureau of Statistics

## Capital Investment

The Government policy on PMDN (domestic capital investment) and PMA (foreign capital investment) in recent years has provided many incentives for the development of investment in Indonesia. The said policy found expression mainly in the form of tax concessions, comprising, among others, tax allowances on imports of capital goods, on exports of finished products and for corporate tax. These concessions and the improvement of the Indonesian economy, have led to substantial development of domestic as well as foreign capital investment since the enactment of law No. 1/1967 on Foreign Capital Investment and Law No. 6/1968 on Domestic Capital Investment. This was reflected in the increase in investment approvals, which up to the end of 1976 reached Rp 2,018.0 billion for PMDN and \$ 6.890.1 million for PMA.<sup>1)</sup>

However, due to the world-wide economic recession in the last two years which adversely affected the demand for industrial output, investment interest in Indonesia showed some decline. In view of this situation and in order to direct capital investment toward economic sectors in keeping with development policy, the Government, on February 15, 1977, issued DSP (list of priority scales) for domestic and foreign capital investments<sup>2)</sup> The list comprises 831

types of undertaking, categorized into those areas which will be accorded priority, those areas which will be given some incentives, areas open for investment but which will not receive any incentives, and fields closed for new capital investment. The DSP will be periodically reviewed so that it conforms to the plan and progress of national development. It is hoped that the issuance of the list will help prospective investors to invest in those sectors which accord with Indonesia's development priorities.

It should be noted that the determination of priority fields is mainly based on their contribution to increasing exports, Government receipts, employment creation and the spreading of activities to the regions. Fields of undertaking open to capital investment with incentives are broadly similar to the priority category, but their role in supporting the implementation of development is lower. Fields of undertaking which have less effect on national development are categorized into areas open without incentives. In addition, certain areas of undertaking are regarded as making no contribution to national development and are closed for both foreign and domestic investment.

As mentioned earlier, the said DSP comprises 831 fields of undertaking. Of this total, 453 fields are open to domestic as well as foreign investment, and 297 are open only to domestic investment. Fields of undertaking closed for foreign investment totalled 378, whereas 81 fields are closed for domestic investment.

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1) Planned investment in PMDN and PMA projects outside oil and banking sectors.

2) Decision of the Chairman of the Capital Investment Coordinating Board, No.08/A/KEP/BKPM/II/1977, February 15, 1977.

## Domestic Capital Investment

The development of PMDN in 1976 was characterized by a 10 per cent increase in investment applications approved by the Government, to reach Rp 276.3 billion. The amount included 130 projects, most of which, i.e. 94 projects with a planned investment of Rp 174.6 billion, were in the manufacturing sector.

As mentioned earlier, since the enactment of the Law of 1968,<sup>3)</sup> the intended domestic capital investment approved by the Government up till the end of 1976 amounted to Rp 2,018 billion, consisted of 2,530 projects. Manufacturing was still the principal sector, with 64 per cent of the total. On the other hand, mining (with 13 projects and intended investment of Rp 50 billion) and construction (with 5 projects and intended investment of Rp 13 billion) seemed to be less attractive to PMDN. In the case of the mining sector, this was mainly a result of the large amount of capital and technical skill required, which at present cannot be met by domestic investors yet.

In terms of the geographic distribution of the projects, Jakarta area was the first, followed by West Jawa and other regions in Jawa, Sumatera, Kalimantan and other regions in Indonesia. The development of domestic capital investment during the period is shown in table XIV.

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3) Law No.6/1968 on Domestic Capital Investment.

## Foreign Capital Investment

The amount of intended foreign investment approved by the Government since the enactment of the Law of 1967<sup>4)</sup> has shown considerable advance. It covers 857 projects with intended investment of \$ 6,890.1 million. Of the total, 628 projects with a total investment of \$ 2,708.9 million have been realized. As in the case of PMDN, manufacturing was the sector with the largest intended capital investment, viz. 56 per cent of the total, of which 366 projects with a total investment of \$ 1,723.9 million have been realized.

In this connection it may be added that the amount of intended foreign capital investment approved by the Government in 1975 increased substantially to reach \$ 1,766.6 million. The large increase mainly related to the approval of 2 large investment projects, namely the Asahan Project (\$ 870 million and the additional capital of PT Inco (\$ 500 million), which covered 78 per cent of total intended foreign capital investment in the year. These projects were of a metal processing industry (Asahan Project) and the mining of metal ore (PT Inco). On the other hand, there was no large investment project approved by the Government in 1976, so that the amount of intended foreign capital investment approved during the year reached only \$ 450.6 million.

In order to provide more incentives to

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4) Law No.1/1967 on Foreign Capital Investment.

foreign investors in Indonesia, the Government has made mutual agreements with certain countries concerning PMA guarantees against non-business risks. These agreements, known as Investment Guarantee Agreements, provide guarantees against risks resulting from war, nationalization and foreign exchange restrictions. The Government has up till now signed agreements with the United States, Federal Republic of Germany, the Netherlands, Denmark, Belgium, South Korea, Canada, Norway, France, Switzerland and the United Kingdom.

The development of PMA during the period is shown in tables XV and XVI.

### Government measures to increase production of foodcrops

During the reporting year, the Government continued its efforts to increase production of paddy through intensification (under BIMAS and INMAS schemes) as well as extensification. The intensification programs succeeded in increasing the average yield of paddy per hectare from 42.7 q/ha (revised figure) in 1975 to 44.9 q/ha in 1976. However, on account of "wereng" pest and drought during the reporting year, the harvested area under intensification in 1976 was the same as in the previous year i.e. 3.6 million ha, out of which 2.4 million ha was under BIMAS and the remainder under INMAS programs, respectively. In the context of the efforts to expand the area under cultivation, in 1976/1977 the Government planned to open up 49,509 ha of tidal irrigated land outside Jawa, mainly in Riau,

Jambi, South Sumatera, West Kalimantan and Central Kalimantan. According to preliminary estimates, 30 thousand ha was implemented under this scheme.

With the expansion of the intensification program, the number of Bank Rakyat Indonesia Village Units in rural areas designed to support BIMAS/ INMAS programs increased by 7 per cent over the previous year to reach 3,113 units at the end of 1976. Meanwhile, the Directorate General of Cooperatives increased the total number of BUUD's/KUD's<sup>5)</sup> as well as their quality, so that at the end of 1976, their total rose by 6.4 per cent to 3,911 units.

Besides the efforts mentioned above, the Government increased the number of paddy mills and hullers to 29.3 thousand units at the end of 1976; they had an annual production capacity of 13.7 million tons.

The total number and capacity of paddy processing facilities during the last 5 years were as follows:

Year	Total of rice mills and hullers (thousand units)	Annual rice production capacity (million tons)
1972	18,0	9,3
1973	24,0	12,2
1974	29,0	13,5
1975	29,2	13,6
1976*	29,3	13,7

Source : Department of Agriculture

5) Presidential Decree No. 4, May 5, 1973, concerning the establishment of Village units and BUUD/KUD, to provide farmers with agricultural extension service credits, facilities for distribution of agricultural inputs as well as for processing and marketing of agricultural produce.

As in earlier years, on February 1, 1977<sup>6)</sup>, the Government raised the floor price of dry gabah at village level from Rp 64.-/kg to Rp 66.50/kg, and increased the price of rice from Rp 108.-/kg to Rp 110.-/kg. This was done to stimulate farmers to increase production and simultaneously raise their income. In the meantime, the price of Urea, TSP and NPK fertilizers was reduced from Rp 80.-/kg to Rp 70.-/kg on October 1, 1976. Thenceforth, fertilizer was anywhere available at the same price, whether or not for use under the BIMAS scheme.

As the 1976 rice production target would possibly not be met because of the explosion of the “wereng” pest and paddy virus in the 1975/1976 wet season, the President issued a decree<sup>7)</sup> concerning “special efforts to increase food production in 1976”. To increase paddy production in 1976, it would be necessary to pursue pest eradication in those regions attacked by “wereng” pest and paddy virus. Moreover, in the 1976 dry season farmers were obliged to plant “wereng” resistant varieties of paddy (PB 26, PB 28, PB 30) in areas which met the technical requirements, use the appropriate quantity of fertilizer, and eradicate “wereng” pest through at least must be sprayed twice during the planting season. High yielding varieties of paddy which are prone to “wereng” attack and even result in crop failure should be immediately destructed and substituted by PB 26.

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6) Presidential Decree No. 16/1976, December 18, 1976.

7) Presidential Decree No. 10/1976, April 20, 1976.

In pursuance of the policy of the previous year, the Government, through the Minister of Finance, took over the debt of BIMAS participant farmers whose harvest failed because of pests, disease and or natural disaster. This policy was adopted to facilitate the implementation of BIMAS programs in subsequent seasons.

On the other hand, the Government also introduced measures to stimulate the production of secondary crops through BIMAS and INMAS schemes. These measures were designed to increase the export of foodcrops other than rice and to stimulate their use as a staple food in substitution of rice. The BIMAS program for secondary crops was started in 1972/1973 wet season with a target area of 10,500 ha. The actual planted area in the 1976/1977 wet season was 724 thousand ha (95 per cent of the target) of which 163 thousand ha was under BIMAS and the remainder under INMAS programs.

Besides expansion of the area under BIMAS program, implementation of the program was also continuously improved, i.e. with respect to protection of plants, agricultural extension services, provision of information on price developments in domestic and foreign markets, and by raising efficiency in the use of fertilizers.

### **Production of Foodcrops**

Compared with 1975, production of the major foodcrops generally decreased in the reporting year, with the exception of rice. This decrease was attributable to a decline in the

harvested area following a long dry season as well as to pest attacks in several regions.

Rice production in 1976 reached 15,710 thousand tons, an increase of 3.5 per cent compared with the previous year. This was 95.9 per cent of the 1976 target for rice production set at 16,383 thousand tons. The target was not realized i.e. for the following reasons:

- a. The long dry season in 1976 prevented rice production end particularly the 1975/1976 rainy season crop prevented rice production from reaching the target.
- b. There were “wereng” pest attacks, paddy virus and floods in several principal rice producing regions.
- c. The farmers did not yet fully implement the elements of Panca Usaha.<sup>8)</sup>

As a result of the factors mentioned above, the harvested area of paddy in 1976 declined by 1.5 per cent compared to the previous year and covered 8,364 thousand hectares. The decrease of the harvested area occurred particularly in Jawa, with respect to the rainy season as well as the dry season harvest. Although the harvested area decreased, intensification efforts brought about 5.1 per cent increase in the average yield per hectare in the reporting year to become 36.1 q/ha. With this higher average yield, total rice production in 1976 increased.

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8) The Panca Usaha consists of the following elements. i.e. the use of high yielding seeds, pesticides, fertilizer, irrigation and better cultivation techniques.

As mentioned above, in 1976 the production of secondary crops dropped compared with the previous year. The decline in production was mainly caused by a reduction of the harvested area. The factors impeding an increase of the harvested area of secondary crops was the long 1976 dry season in the regions of West Jawa, Central Jawa, South Sulawesi, Lampung and South Sumatera. In addition, the occurrence of low prices, particularly at harvest time, could not yet be avoided and adversely affected farmers' incentives to expand secondary crops.

Corn production in 1976 declined by 13.5 per cent to 2,512 thousand tons, while the harvested area declined by 15.6 per cent to 2,064 thousand ha. However, as a result of intensive corn cultivation efforts (both under BIMAS and INMAS schemes the average yield per hectare increased by 2.5 per cent to become 12.2 q/ha.

As with corn, the harvested area of tubers also declined, with respect to cassava it declined by 3.8 per cent to 1,356 thousand ha and with respect to sweet potatoes it declined by 3.6 per cent to 300 thousand ha. However, the average yield per hectare of cassava and sweet potatoes increased by 3.4 per cent to 92 q/ha and 81 q/ha, respectively. Consequently, the output of cassava and sweet potatoes in 1976 remained more or less constant viz. 12,468 thousand tons and 2,418 thousand tons, respectively.

The production of groundnuts and soybeans in 1976 declined by 12.6 per cent



and 18.3 per cent to become 332 thousand tons and 482 thousand tons, respectively. This lower level of production was due to a decline in the harvested area by 13.5 per cent and 15.4 per cent, respectively as well as a decline in the average

yield per hectare, particularly of soybeans.

Developments in production, harvested area and average yield per hectare of principal foodcrops during the last 3 years were as follows:

	Production (in thousand tons)			Harvested Area (in thousand ha)			Average yield (q/ha)		
	1974	1975	1976*	1974	1975	1976*	1974	1975	1976*
1. Rice	15,276	15,185	15,710	8,509	8,495	8,364	34.5 <sup>1)</sup>	34.4 <sup>1)</sup>	36.1 <sup>1)</sup>
2. Corn	3,011	2,903	2,512	2,667	2,445	2,064	11.3	11.9	12.2
3. Cassava	13,031	12,546	12,468	1,509	1,410	1,356	86.0	89.0	92.0
4. Sweet potatoes	2,469	2,433	2,418	330	311	300	75.0	78.0	81.0
5. Ground nuts	307	380	332	411	475	411	7.5	8.0	8.1
6. Soybeans	589	590	482	768	752	636	7.7	7.9	7.6

1) Paddy

Source : Department of Agriculture

## Rice

As rice is the basic food of the Indonesian people, majority of the Indonesian people, efforts to increase rice production have always received top priority in agricultural development. As a result of this policy, rice production during PELITA I and the first 3 years of REPELITA II has been increasing, as shown in the following table :

Year	Production (thousand tons)
1968	11,666
1969	12,249
1970	13,140
1971	13,724
1972	13,183
1973	14,607
1974	15,276
1975	15,186
1976*	15,710

Source : Central Bureau of Statistics

The REPELITA II rice production target for 1976 was 16,383 thousand tons. However, actual production reached 95.9 per cent of the target due to "wereng" pest, paddy virus, and floods in several principal rice producing areas. The unfavorable circumstances have adversely affected production in two consecutive years; rice output in 1975 and 1976 was therefore below expectations. The table above shows that rice production even slightly declined by 0.6 per cent in 1975 and increased by only 3.5 per cent in 1976. This means that during the said two years, the average increase in rice production lagged far behind the growth in population which was estimated at 2.4 per cent per year.

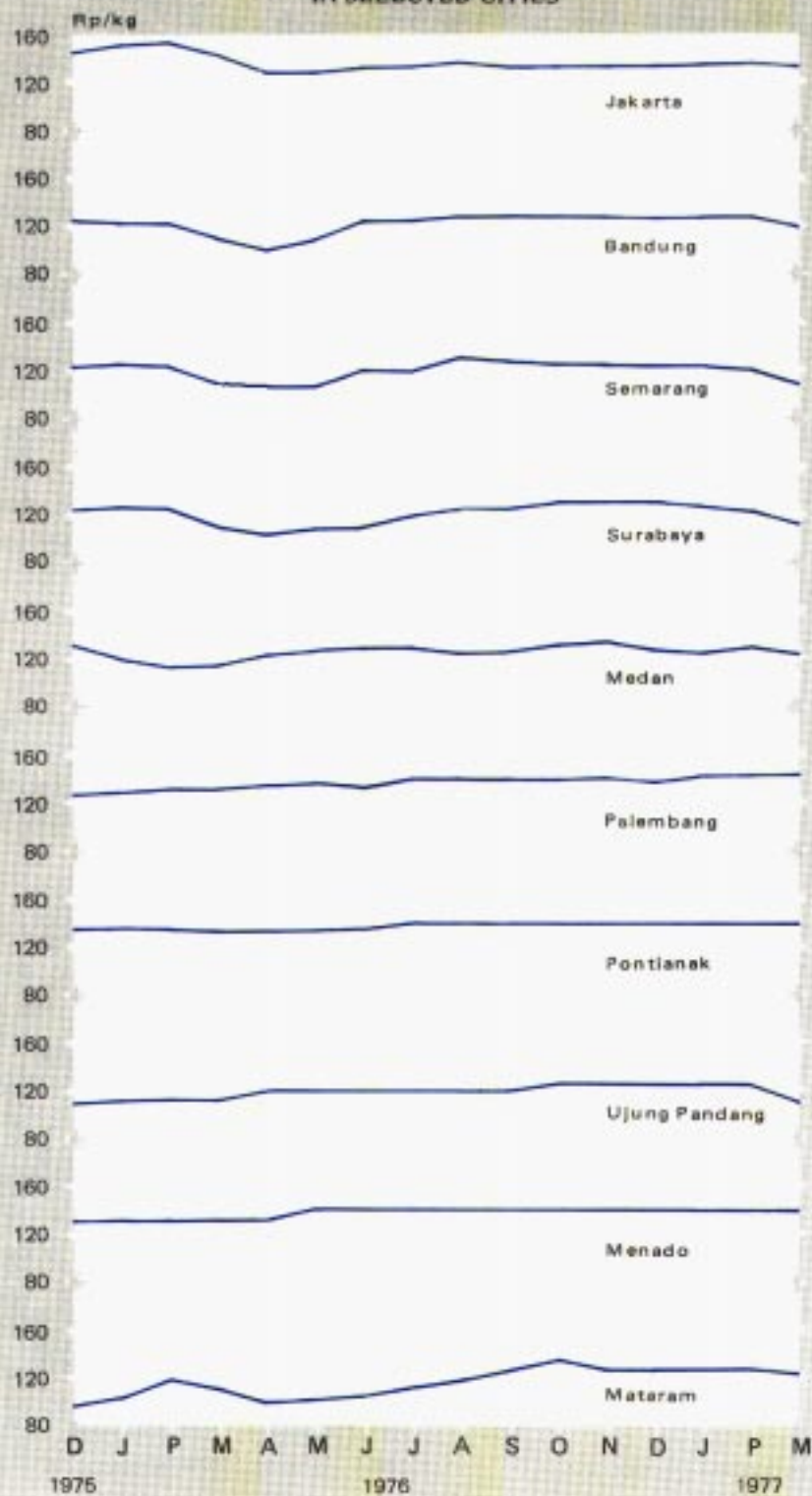
Although rice production in 1976 was below expectations, rice prices in a number of cities were stable during the reporting

TABLE 31 – PRICES OF MEDIUM QUALITY RICE IN SELECTED CITIES  
(Average price in Rp/kg)

		Jakarta	Bandung	Semarang	Surabaya	Medan	Palembang	Pontianak	Ujung Pandang	Menado	Mataram
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	December	100.—	90.50	80.83	75.—	115.—	120.—	125.—	75.—	118.50	75.—
1974	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.—
	J u n e	106.25	87.50	95.83	87.50	115.—	115.20	110.—	90.—	117.50	92.50
	J u l y	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.—
	April	128.67	103.50	111.67	107.50	125.—	134.—	135.—	120.—	135.—	100.—
	M a y	128.67	110.—	113.33	115.—	127.50	136.—	135.—	120.—	140.—	102.—
	J u n e	132.18	122.50	120.—	114.—	130.—	134.50	137.50	120.—	140.—	107.50
	J u l y	132.67	123.33	120.—	120.—	130.—	140.—	140.—	120.—	140.—	110.—
	August	135.46	126.—	130.—	125.—	125.—	140.—	140.—	120.—	140.—	117.50
	September	134.33	125.—	128.67	126.50	125.—	139.—	140.—	120.—	140.—	125.—
	October	134.81	125.—	124.—	130.—	133.—	139.—	140.—	120.—	140.—	132.50
	November	134.41	125.—	124.—	131.—	137.50	140.—	140.—	125.—	140.—	126.—
	December	135.23	125.—	124.—	130.50	132.50	139.—	140.—	125.—	140.—	126.—
1977	January	135.23	125.—	125.—	128.50	127.50	143.—	140.—	125.—	140.—	126.—
	February	135.56	125.—	122.50	124.—	130.—	143.—	140.—	125.—	140.—	127.—
	March	135.48	120.—	111.—	115.—	126.—	144.—	140.—	115.—	140.—	125.—

Source: Body for Logistic Affairs

### PRICES OF MEDIUM QUALITY RICE IN SELECTED CITIES



year. For example, the price of medium quality rice in Jakarta in January 1976 was Rp 150.94/kg. In the following months the harvest season brought about a decline in the rice price until it quoted Rp 128.67/kg in May 1976. In the months there after the price did not change much, as shown in table 31.

The stability of rice prices in 1976-1977 was mainly due to the Government's successful free market intervention in both urban and rural areas. This was made possible by a substantial national rice stock.

In order to maintain the national rice stock at an adequate level, the Government has been purchasing paddy and rice, both domestically and abroad. The domestic purchases were also designed to prevent that paddy or gabah prices paid to farmers were lower than the floor prices set by the Government. In the meantime, in order to increase the storage-life of paddy and rice, since 1974/1975 new storehouses were being constructed all over Indonesia. The storehouses have a planned capacity of approximately one million tons and are expected to be completed in 1976/1977.

According to provisional figures, the world output of rice (paddy) in 1976 was not much different from the previous year, i.e. 392 million tons compared with 345 million tons (revised figure)<sup>9)</sup> Nevertheless the average world market price of rice declined from \$ 337.67/metric ton in 1975 to \$ 234.67/

metric ton in 1976. For example, the price of 15 per cent broken white rice in Bangkok was \$ 284/metric ton at the end of December 1975 and declined to \$234,-/metric ton at the end of December 1976.

The decline of the rice price was attributable to the restored level of price stocks in consuming as well as producing countries, and was also indirectly affected by an increase in production of other foodstuffs, particularly of wheat grain. The price decline appeared to be in favour of Indonesia' as it still imported large quantities of rice.

## Forestry

The global economic recession in 1974 and 1974 had caused, among others, a decrease in production and export of Indonesian timber. The economic recovery in 1976/1977, however, brought about an increase in the world market demand for timber, so as to impart buoyancy in the forestry sector of the Indonesian economy.

Indonesian timber production which stood only at 16.3 million cubic meters (revised figure) in 1975, increased by 31 per cent to reach 21.3 million cubic meters in 1976. The enlarged production was due mainly to intensified logging activities to meet the increasing demand from consuming countries, especially Japan, South Korea and Taiwan.

The trend in timber production during the last 5 years is shown in the following table:

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9) Source: FAO Monthly Bulletin of Agricultural Economics and Statistics.

Year	Production (thousand M3)
1972	17,717
1973	25,800
1974	23,280
1975 <sup>f</sup>	16,296
1976*	21,332

Source : Department of Agriculture

With expanded output to absorb increases in foreign demand and favourable international prices, the volume of timber exports in 1976 increased by 33.4 per cent to reach 14.6 million tons as compared to the preceding year, and its value increased

by 55.7 per cent to reach \$ 781.1 million. In fiscal year \$ 781.1 million. In fiscal year 1976/1977 the export volume of timber reached 15.8 million tons with a value of \$ 885.0 million, which means increases of respectively 39 and 68 per cent as compared to the preceding year. The development of timber exports during the last 5 years was as follows:

Production (thousand M3)	Year	Volume (million tons)
17,717	1972	11.3
25,800	1973	15.1
23,280	1974	14.1
16,296	1975	11.0
21,332	1976	14.6

Of the various kinds of timber exported in 1976, Meranti still held the first place in export volume, viz. 57.1 per cent, subsequently followed by Ramin (7.0 per cent), Agathis (2.0 per cent), Pulai (2.0 per cent) and others. The principal importer of Indonesian timber in 1976 was Japan which purchased 53 per cent thereof. Other major importing countries were South Korea, Tai-

wan and Singapore. In order to create further employment opportunities for the people and to increase national income, the Government has been continuously making efforts to stimulate the export of processed timber. These efforts have shown appreciable results, as reflected in the increasing volume of exports of sawn timber in 1976/1977 which rose by 27 per cent to reach 548 thousand tons as compared to 1973/1974.

The Government has been giving facilities with regard to capital investments in the forestry sector. As of the end of 1976/1977, 26 companies had obtained Forestry Licences covering an area of 2.6 million hectares and planned investment of \$ 57.4 million. Meanwhile, 88 companies obtained investment permits covering an area of 7.1 million hectares with planned investment of \$ 219.1 million, while 310 companies acquired Forest Exploitation Rights with a total area of 29.8 million hectares and involving planned investment of Rp 500 million in Rupiah and \$ 841.9 million in foreign currency <sup>10)</sup>.

In order to arrest deforestation and to prevent erosion, reforestation and greening were continued on an increasing scale during the year under report.

Development in this regard during, the last 5 years was as follows:

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10) The permits for timber exploitation are basically issued in the following order: Forestry License, Investment Permit and Forest Exploitation Right.

Year	Forestation (thousand ha)	Greening (thousand ha)
1972/1973	35.7	107.9
1973/1974	53.4	104.5
1974/1975	45.6	149.8
1975/1976 *	83.9	70.6
1976/1977 *	125.4	304.3

Source : Department of Agriculture

It is noteworthy that the area of greening in 1976/1977 increased significantly as compared to the preceding years. This was mainly due to the implementation of greening INPRES Program which provides financial assistance to certain Kabupatens (Regencies) in order to implement greening measures in critical areas.<sup>11)</sup>

### Other Forest Products

Compared to the preceding year, the exports of other forest products in 1976 generally increased in volume as well as in value, except for "tengkawang" seeds.

The trend of exports of various forest products during the last 3 years was as follows:

Items	Volume (thousand tons)			Value (million \$)		
	1974	1975	1976	1974	1975	1976
1. Rattan	52.7	45.9	65.0	3.5	3.4	9.1
2. Resin	7.3	5.5	5.5	0.8	1.0	0.7
3. Copal	2.1	1.9	3.4	0.2	0.1	0.5
4. Tengkawang seeds	3.5	1.8	0.3	0.4	0.2	0.1

The increase in the volume of exports was i.e. due to the increasing demand from consumer countries, of which Hongkong was the most prominent.

11) Inpres No.8/1976, April 1, 1976.

### Fishery

The program for the development of fishery in REPELITA II places emphasis on the improvement of traditional small-scale fishery. Efforts to increase fishery production had shown some success as indicated by export figures of 1973, but the results are more encouraging since then. Fishery production over the first 3 years of REPELITA II increased from 1,278 thousand tons in 1973 to 1,448 thousand tons in 1976, which works to an average annual increase of 4.3 per cent annually. As compared with the projected annual rate of increase of 4 per cent in REPELITA II, the actual rate of increase has slightly exceeded the target.

The trend of fishery production during the last 5 years was as follows:

Year	Sea Fishery (thousand tons)	Inland Fishery (thousand tons)	Total (thousand tons)
1972	836	433	1,269
1973	889	389	1,278
1974	949	388	1,337
1975*	997	393	1,390
1976**	1,043	405	1,448

Source : Department of Agriculture

The increase in fishery production was due, among others, to the expanded motorized smallholder fishing fleet and the extensive usage of modern fish-catching equipment, i.e. trawl and gillnet.

Inland fishery production during the same period showed a relatively slow expansion, which was among others attributable to the slowdown in catching activities, particularly in Kalimantan, as activities were

switched to logging, inland waters became shallow and there were obstacles caused by enchoria.

As compared to the overall potential, the fishery resources that have been exploited are presently still about 23 per cent and 30 per cent with regard to sea fishery and inland fishery, respectively. There is, therefore, still enough potential to increase production.

In line with the increasing fishery production, domestic consumption in 1976 was approximately 10 kilograms per capita.

In order to preserve sea fishery resources and to protect fishermen who still apply traditional catching method, the Government has regulated fish catching in selected areas preserved for breeding. Within those areas it is only permitted to catch fish by using certain (specified) equipment.

Due to the expanding demand for Indonesian fishery products from a number of countries, particularly Japan and South Korea, the volume as well as value of exports

increased continuously during the last 5 years, as is apparent from the figures given in the table below:

Year	Shrimps (tons)	Fresh fish (tons)	Others (tons)	Total (tons)	Value (thousand \$)
1972	23,411	3,865	13,880	41,156	34,941
1973	28,787	5,868	17,523	52,178	68,185
1974	32,721	7,106	15,126	54,953	92,344
1975*	24,079	4,712	11,947	40,738	88,191
1976**	30,054	7,042	15,814	52,910	131,316

Source : Central Bureau of Statistics

The figures above showed that the export volume in 1976 expanded by 29.9 per cent to reach 52,910 tons, whereas its value increased by 48.8 per cent to reach \$ 131,316 thousand. Among the fishery products exported, shrimp was the most important.

Although its export declined in 1975 due to a drop in demand from importing countries.

With the continuous increase, export proceeds from fishery products in 1976 ranked sixth in order of magnitude among export commodities (excluding oil) i.e. after timber, rubber, coffee, tin and palm oil.

## Rubber

Since PELITA I the Government has been making efforts to increase rubber production, particularly smallholder's rubber, through replanting with high yielding seeds and application of better cultivation techniques. However, due to financial constraints, replanting has not yet shown appreciable results, so that during the last 5 years, total production of rubber has not increased significantly.

Rubber production developed as follows during the last 8 years:

Year	Rubber Production (thousand tons)		
	Estate	Smallholder	Total
1969	223	554	777
1970	238	571	809
1971	239	547	786
1972	236	567	803
1973	247	598	845
1974	249 <sup>f</sup>	571	820
1975	244	536	780
1976*	246	564	810

Sources : – Central Bureau of Statistics  
– Department of Agriculture

The above figures show that rubber production in 1976 increased by almost 4 per cent.

In order to increase production of agricultural estates in general and those producing rubber in particular, the Government through the banking system has formulated a credit program for private domestic agricultural estates. The term and conditions under this program, are far more concessional than with respect to other credits. This is i.a. reflected in the term of repay-

ment, which is adjusted to match the period at which the crops are beginning to yield, as well as in a lower share of the project cost which borrowers have to meet from their own resources.

Efforts have also been made to improve the quality of rubber in order to enhance competitiveness in the world market. In this context, since 1968/1969 the Government introduced measures to encourage the processing of rubber, particularly of smallholder's rubber, into crumb rubber. These efforts are gradually showing results, as reflected in the increasing crumb rubber production until 1976. Crumb rubber production in 1976 increased by 18 per cent to become 468 thousand tons. Developments during the last 5 years were as follows :

Year	Production (thousand tons)		Share of Crumb Rubber (per cent)
	Total Rubber	Crumb Rubber	
1972	803	291	36.2
1973	845	345	40.8
1974	820	374	45.6
1975	780	397	50.9
1976*	810	468	57.8

Sources : – Department of Agriculture  
– Department of Trade  
– Central Bureau of Statistics

The above figures show that the share of crumb rubber in total rubber production increased steadily from 36 per cent in 1972 to almost 60 per cent in 1976. The various qualities of crumb rubber produced (in descending order of quality) were SIR 5/5L, SIR 10, SIR 20, SIR 35 and SIR 50.<sup>12)</sup> This

12) SIR = Standard Indonesian Rubber. Since 1972, SIR 35 was not produced.



was i.a. a result of high foreign demand for these two qualities and the availability of raw materials for producing them.

As the result of the economic recession in industrial countries in 1974/1975, world market prices of rubber tended to decline till the end of 1975. Following the economic revival, since early 1976 rubber prices in the world market increased and at the end of 1976, RSSI was quoted at \$ cent 38.75/lb compared with \$ cent 34.25/lb at the end of 1975.

On account of higher demand as well as higher rubber prices in the world market, the volume as well as the value of Indonesia's rubber exports in 1976 increased by 4 per cent and 46 per cent respectively to become 881 thousand tons and \$ 534.1 million. These encouraging developments continued after 1976, so that in 1976/1977 the value of rubber exports increased by 51 per cent over 1975/1976 and amounted to \$ 577 million.

Indonesia's rubber exports during the last 5 years were as follows :

Year	Volume (thousand tons)	Value (million \$)
1972	803.4	195.9
1973	893.0	395.0
1974	855.4	487.3
1975	850.6	365.0
1976	880.5	534.1

The main countries of destination of Indonesia's rubber exports were Singapore, USA, the Soviet Union, West Germany the Netherlands and Japan.

Fluctuating world market of natural rubber prices have a great impact upon Indonesia, as rubber is still a major foreign exchange earner. Around 70 percent of total rubber production originates from smallholders, so that fluctuating rubber prices have a direct impact upon the income of smallholders.

In an attempt to stabilize world market prices of natural rubber, rubber producing member countries of the Association of Natural Rubber Producing Countries (ANRPC) met in Jakarta in November 1976 to sign an agreement on the stabilization of natural rubber prices in the world market. Among the member countries of ANRPC who signed the agreement, were Malaysia, Indonesia, Thailand and Singapore. The objective of the agreement would be pursued through the simultaneous implementation of 2 measures, i.e. limitation of exports so as to adjust supply to demand, and establishment of an international buffer-stock. The measures are expected to stabilize natural rubber prices in the world market at a level which is acceptable to producing as well as consuming countries.

According to figures of the International Rubber Study Group (IRSG), in 1976 world production of natural and synthetic rubber increased by 6.8 per cent and 15.7 per cent respectively, to reach 3,525 thousand tons and 7,960 thousand tons. Meanwhile world rubber consumption also increased, i.e. by 5.8 per cent and 11.2 per cent respectively, to reach 3,543 thousand tons and 7,788 thousand tons.

Developments of world rubber production and consumption during the last 5 years were as follows:

Year	Production (thousand tons)			Consumption (thousand tons)		
	Natural Rubber	Synthetic Rubber	Total	Natural Rubber	Synthetic Rubber	Total
1972	3,120	6,775	9,895	3,235	6,740	9,975
1973	3,505	7,763	11,268	3,403	7,550	10,953
1974	3,440	7,585	11,025	3,515	7,418	10,933
1975*	3,300	6,880	10,180	3,348	7,000	10,348
1976*	3,525	7,960	11,485	3,543	7,788	11,331

Source : Rubber Statistical Bulletin, Vol.31, No. 9, International Rubber Study Group

The above figures show that in 1976, synthetic rubber production was 69 per cent of world rubber production while the remainder (31 per cent) was taken up by natural rubber. In 1967 natural rubber accounted for 37 per cent of total world rubber production so that in the last 10 years the share of natural rubber decreased by approximately 6 per cent.

## Copra

As the raw material in the production of coconut oil, copra is an important commodity which often experiences price instability caused, inter alia, by trade speculation and fluctuations in production. At present, the greater part of copra originates from the smallholder sector with the balance produced by estates. In order to increase copra production the Government has, since PELITA I, carried out replanting to improve the age-structure of coconut palms, the majority of which are old. During PELITA I, the increase in copra production was not satisfactory, particularly in 1972 when pro-

duction declined as a consequence of the long dry season.

During the first 3 years of REPELITA II, copra production began to show some increase as a result, inter alia, of the replanting efforts in the previous years and better maintenance of trees. Copra production during the last 5 years was as follows:

Year	Copra production (thousand tons)
1972	1,254
1973	1,280
1974	1,343
1975*	1,370
1976*	1,521

Source : Department of Agriculture

The above figures show that especially in 1976, copra production had increased by 11 per cent to 1,521 thousand tons caused, inter alia, by the favourable weather and the Government's success in eradicating the sexava pest.

Up to the end of 1975, copra prices continued to decline, and since the middle of 1976 prices have begun to move up again. The copra price in Jawa at the end of December 1976 was Rp 170.- per kg, or an

increase of 82.8 per cent compared with the previous year i.e. Rp 93.- per kg. In the meantime, the price of coconut oil increased from Rp 172.- per bottle in 1975 to Rp 260.- per bottle at the end of 1976. The copra price in world markets moved in the same direction as domestic prices. It increased from \$ 180.- per ton in 1975 to \$ 370.- per ton in 1976.

In 1976 the volume of copra export decreased by 86.1 per cent to 4.2 thousand tons, the result of a higher domestic consumption of coconut oil for the production of which more copra was needed. The value of export also decreased by 85.7 per cent to \$ 0.4 million. The export volume of copra cake increased by 15.3 per cent to 359 thousand tons while the value increased by 18 per cent to \$ 30.8 million.

Volume and value of exports of copra and copra cake during the last 5 years were as follows:

	C o p r a		C o p r a c a k e	
	Volume (thousand tons)	Value (million \$)	Volume (thousand tons)	Value (million \$)
1972	43,2	4,3	293,4	13,3
1973	52,6	5,9	257,4	17,7
1974	—	—	226,3	23,2
1975	30,1	2,8	311,5	26,1
1976	4,2	0,4	359,2	30,8

## Palm oil

Until to date, palm oil and palm kernels are produced by estates, either state-owned or private. In order to increase production of palm oil, since 1960 the Government has

regularly carried out replanting and expansion of plantings with high yielding seeds and also implemented better cultivation techniques. As a result of these efforts, palm oil production doubled since the First Five-Year Plan period, viz. from 217 thousand tons in 1970 to 434 thousand tons in 1976. The volume and value of exports also increased.

Compared with the year of 1975, palm oil production increased by 5.6 per cent to 434 thousand tons, while palm kernels production remained practically constant. Production of palm oil and palm kernels during the last 7 years was as follows:

Year	Palm oil (thousand tons)	Palm kernels (thousand tons)
1970	217	49
1971	248	56
1972	269	59
1973	290	64
1974	351	74
1975	411	84
1976	434	82

Source : Central Bureau of Statistics

As a result of the increase in production, the export volume of palm oil in 1976 rose by 6 per cent to 423 thousand tons; the export value however, decreased by 10.2 per cent to \$ 142.- million. The decline in the export value was caused by a drop in the average world market price of palm oil from \$ 429,-/long ton in 1975 to \$406,-/ long ton in 1976.

Meanwhile, the export volume as well as value of palm kernels decreased by 27.7 per cent and 27.4 per cent respectively to reach 32 thousand tons and \$ 3.7 million.

The principal countries of destination for palm oil exports in 1976 were the Netherlands, Pakistan, Japan, U.S.A. and Iraq.

Palm oil and palm kernels exports during the last 5 years were as follows :

	Palm Oil		Palm Kernels	
	Volume (thousand tons)	Value (million \$)	Volume (thousand tons)	Value (million \$)
1972	240.6	42.0	53	3.7
1973	269.1	72.5	44	4.8
1974	292.3	166.0	27	8.4
1975	399.9	158.1	41	5.1
1976	422.9	142.0	32	3.7

## Sugar

In order to increase sugar production as well as sugar income of smallholders, in 1975/1976 the Government introduced a program designed to effect a change from the cultivation of sugar-cane under the land lease system by smallholders (TRI program). The implementation of this program was continued in 1976/1977 and it is expected that by the end of REPELITA II, all sugar-cane production would be in the hands of smallholders.

In 1976, the production of granulated sugar increased by 2.5 per cent to 1,056 thousand tons compared with an increase of only 0.5 per cent in the previous year. The enlarged output was i.a. brought about through the operation of the newly set-up sugar factories and the initial results of the TRI program. Brown sugar production of smallholders also increased, i.e. by 12.1 per cent and amounted to 250 thousand tons, mainly in response to higher market prices.

Production figures of granulated sugar and brown sugar during the last five years were as follows :

	Granulated sugar (in thousand tons)	Brown sugar <sup>13)</sup> (in thousand tons)
1972	889	214
1973	820	204
1974	1,025	250
1975	1,030	223
1976*	1,056	250

Sources : — Central Bureau of Statistics  
 -- Department of Agriculture

13) Including non-centrifugal sugar extracted from sugar-cane, sugar-palms and coconut-palms.

In order to increase the output of granulated sugar, particularly to meet domestic demand, the Government intensified sugar-cane cultivation and also introduced other measures, such as expansion of the capacity of existing sugar factories, expansion of the sugar-cane acreage, and establishment of new factories, especially outside

Jawa. Meanwhile, experiments to cultivate sugar-cane on non-irrigated land under the Sugar Industry Survey Project are being continued, i.a. in Aceh, North Sumatera, South Sulawesi and East Nusa Tenggara in order to enable the establishment of new sugar mills outside Jawa.

In 1976/1977, intensive sugar-cane cultivation by smallholders (TRI) covered an area of 36,337 ha, and was therefore below the target of 45,365 ha. However, compared with the previous achievement of 12,723 ha, the acreage has become nearly three times as large in 1976/1977. The target and the imple-

mentation of TRI in 1975/1976 and 1976/1977 were as follows:

	1975/1976		1976/1977	
	Target (ha)	Implementation (ha)	Target (ha)	Implementation (ha)
1. West Jawa	993	410	3,578	2,810
2. Central Jawa	3,834	4,987	13,517	12,368
3. DI Yogyakarta	477	370	1,618	484
4. East Jawa	7,017	7,056	26,652	20,675
<b>T o t a l</b>	<b>12,321</b>	<b>12,723</b>	<b>45,365</b>	<b>36,337</b>

Source : Department of Agriculture

As mentioned above, the TRI program primarily aims at increasing sugar production as well as the income of sugar smallholders. Participants in the TRI program are eligible for loans from Bank Rakyat Indonesia for the financing of production inputs, planting cost and living expenses.

Implementation of the TRI program is in fact development of smallholders, estates through nucleus estates under the guidance of PNP/PTP (Government estate enterprises) or sugar factories directly.

## Tea

In Indonesia, tea is cultivated by smallholders and estates, who produce green tea and black tea, respectively. In 1976, production of tea estates increased by 18.9 per cent to reach 61 thousand tons, while smallholder's tea increased by 14.3 per cent to reach 16 thousand tons. The larger output of both estates and smallholders was i.a. attributable to an expanded acreage under tea cultivation. Besides, the Government's efforts to rehabilitate and to

enhance the productivity of tea plants and processing factories undertaken since the launching of PELITA I were beginning to show results. The development of tea production during the last five years was as follows:

Year	Tea production (in thousand tons)	
	Estate	Smallholders
1972	48	12
1973	53	14
1974	50	14 <sup>f</sup>
1975	55	14 <sup>f</sup>
1976*	61	16

Sources :-- Central Bureau of Statistics  
-- Department of Agriculture

In 1976, Indonesia's export volume of tea did not change materially and was still around 60 thousand tons, whereas its value increased by 3.7 per cent to reach \$ 55.0 million. The increase in value was mainly attributable to higher tea prices in the world market, i.a. as a result of an increased demand for tea which partly originated from coffee consumers who shifted to tea after world market prices of coffee went up. The price of tea in the London market at the end of 1975 was £ 0.48/kg and increased to £ 0.83/kg at the end of 1976. Therefore the average tea prices increased from £ 0.54/kg in 1975 to £ 0.70/kg in 1976. Indonesia's tea export during the last five years was as follows:

Year	Volume	Value
	(in thousand tons)	(in million \$)
1972	46.0	31.4
1973	44.6	30.2
1974	50.5	43.6
1975	57.3	50.0
1976*	60.3	55.0

World tea production was estimated to increase by 3.8 per cent to reach 1,653 thousand tons in 1976. This larger world output was mainly due to production increase in the People's Republic of China, Turkey, Bolivia, Sri Lanka, Uganda and India.

## Coffee

In 1976/1977 the role of coffee as a foreign exchange earner rose significantly as a result of searing world market prices. In the previous year, coffee exports accounted for only 1.6 per cent of total export proceeds, while in 1976/1977 its share increased to 3.0 per cent. Coffee had therefore become the fourth largest foreign exchange earner after petroleum, timber and rubber, whereas in the previous year it was in fifth position after palm oil.

Coffee production in 1976 was 177 thousand tons, comprising 15 thousand tons of estate coffee and 162 thousand tons of smallholder's coffee. This compared with a production of 159 thousand tons in the previous year of which 15 thousand tons was estate and 144 thousand tons was smallholder's production. So in 1976 this was an increase of 18 thousand tons or 11.3 per cent.

Smallholder coffee production in 1976 increased by 12.5 per cent whereas estate production remained constant. The increase of smallholder's coffee production was, inter alia, caused by better cultivation, more intensive fertilizer use and replanting with high yielding seed.

The development of coffee production during the last five years was as follows:

Year	Estates (in thousand tons)	Smallholders (in thousand tons)	Total (in thousand tons)
1972	22	158	180
1973	10	140	150
1974	16	132	148
1975	15	144	159
1976*	15	162	177

Sources : — Central Bureau of Statistics  
— Department of Agriculture

During the last two years world coffee production decreased significantly. In 1975 world coffee production decreased by 8.6 per cent compared with the previous year to reach 4,410 thousand tons, and in 1976 it was estimated to decrease by 16.9 per cent to 3,663 thousand tons. The decrease of world coffee production in 1976 was mainly caused by a fall in the coffee production of Brazil after the serious frost-damage in mid 1975. As is known, Brazil is the biggest producer of coffee with an annual production of around 1.5 million tons which accounts for 30 per cent of world production. A decrease of coffee production also occurred in other principal producer countries such as Angola which was affected by civil war.

The decrease in coffee production disturbed world market supply so that coffee prices in 1976 increased significantly to reach the highest level of the past ten years. The price of Robusta coffee in the world market which was Sin. \$ 183.-/picul in December 1975 increased to Sin. \$ 600.-/ picul in December 1976. Average coffee prices in 1976 increased two-fold over the previ-

ous year, i.e. from Sin.\$ 148.9/ picul to Sin.\$ 329.3/picul.

In order to increase coffee exports, the Government enlarged export quotas to exporters and as a result, the export volume in 1976 increased by 4.6 per cent to 142 thousand tons. This measure was possible because quotas for 1976 had not yet been set by the International Coffee Organization. While the export volume increased by only 4.6 per cent, the export value increased by 147 per cent to \$ 250 millions.

The main countries of destination of coffee exports in 1976 were USA, the Netherlands and Japan. Indonesian coffee exports during the last five years were as follows:

Year	Export Volume (in thousand tons)	Export Value (in million \$)
1972	94	72.4
1973	100	77.4
1974	114	101.3
1975	136	101.0
1976	142	249.9

## Tobacco

In REPELITA II, the Government programs for tobacco are aimed at increasing production by the expansion of plantation area and the improvement of the quality by using better cultivation techniques.

In 1976, the production of Deli tobacco (Sumatera) was approximately the same as in 1975, i.e. 29,000 bales, whereas the production of Vorstenlanden and Besuki NO tobacco increased by 31.6 per cent to reach 25,000 bales and 21 per cent to reach

130,000 bales, respectively. The increase of production was caused by favourable climatic conditions and the expansion of harvested area.

Based on the data of the Tobacco Institute, export volume of all tobacco varieties increased by 2 per cent in 1976 to reach 218 thousand bales, while export value increased by 2.6 per cent to \$ 40 million. This export was mainly to West Germany, the Netherlands, USA, France, Japan and North Africa.

Tobacco sales in Bremen in 1976 reached 103 thousand bales with a value of DM 105 million, broken down as follows:

	Volume (in thousands of bales)			Value (in thousands of DM)		
	'74	'75	'76*	'74	'75	'76*
A. Through auction in the Tobacco Exchange						
— Sumatera Tobacco	22	22	25	48	44	49
— Jawa Tobacco	75	86	58	45	55	46
	97	108	83	93	99	95
B. Outside the auction	68	66	20	22	18	10
Total A + B	165	174	103	115	117	105

The above figures show that during 1976 the sales volume and the sales value of Jawa tobacco through the auction decreased significantly compared to the previous year. This was caused by the decline of quality offered which discouraged buyers. It should be noted that the tobacco auctioned during 1976 was produced in earlier years.

## Spices

World market price developments of *pepper*, especially of white pepper from Indo-

nesia, were very favourable in 1976. In 1976, pepper production increased by 8.7 per cent to reach 25 thousand tons compared with the previous year. Both export volume and value increased significantly, i.e. by 93.5 per cent to 29.8 thousand tons and by 102.6 per cent to \$ 46.2 million, respectively. The increase in the export value of pepper was mainly caused by world market prices which rose from \$ cent 88/lb for white pepper at the end of 1975 to \$ cent 105/lb at the end of 1976. The prices of black pepper also increased, viz from \$ cent 80/lb to \$ cent 102/lb.

The export volume of *mace and nutmeg* in 1976 increased by 26.9 per cent to 11.8 thousand tons, while the export value rose by 94.0 per cent to \$ 9.7 million. The rise in export volume was attributable to an increase in production as well as world market price.

In 1976 the production of cloves increased by 26.5 per cent and reached 21.5 thousand tons. The Government undertook various measures to increase production, such as intensive cultivation, loans to smallholders in amounts between Rp 1,500 and Rp 1,600 for each clove tree aged 10 years or more. The loans were subject to a term of repayment of one year. The Government also provided extension service to smallholders, and planted high yielding Zanzibar seedlings in the expanded area under cultivation all over Indonesia.

In the context of the extensification program in 1976/1977, the Government distrib-

uted about 8 million seedlings among all regions in Indonesia. It was also planned to distribute 6 million and 10 million Zanzibar seedlings in 1977/1978 and 1978/1979, respectively.

Meanwhile, in order to meet increasing domestic demand for cloves, every year the Government imports cloves from Tanzania, Malagasi, USA and Singapore. Clove imports in 1975 amounted to 25 thousand tons with a value of \$ 74 million, whereas in 1976 imports declined to 10.3 thousand tons, worth \$ 41.6 million.

## **Mining**

To date, mineral production in Indonesia is mostly in the hands of large companies, as small-scale mining could not yet be developed due to shortage of capital and skill. As referred to under balance of payments in general and in the context of the policy on services and capital movements in particular, the Government introduced a number of regulations in the field of mining. Contracts of work and production sharing agreements with respect to oil and natural gas were renegotiated, principally to increase the Government's revenue. Besides, in order to enhance the importance of minerals (other than oil and natural gas) as far as their level of production and foreign exchange earning capacity were concerned, the Government issued regulations to introduce uniformity in the payment of taxes and other levies. These regulations were designed to serve as a base for negotiations and agreements in the field of mineral production, as



materialized in the "Third Generation Contracts of Work in the field of Mining"<sup>14</sup>) Under the aforementioned contracts, the Government grants exemption of a number of taxes and other levies, such as corporation tax, import duties on production equipment, and export tax on processed minerals. The said contracts of work apply to investments under the Foreign as well as Domestic Capital Investment Law.

In 1976/1977, the output of a number of minerals such as crude oil, natural gas, bauxite, nickel and gold increased, while there was a decline in the production of other minerals such as tin, iron sand, coal, copper and silver. Nearly all mineral output was exported, with only a small part used domestically.

The output of mineral production during the last 3 years was as follows:

	1974/1975	1975/1976	1976/1977	Change
Crude oil (million bls)	485	498	568	+ 14 %
Natural gas (million mcf)	206	239	345	+ 44 %
Tin <sup>1)</sup> (thousand tons)	25.7	25.3	23.4	- 8 %
Bauxite (thousand tons)	1,284	936	1,048	+ 12 %
Nickel (thousand tons)	781	751	828	+ 10 %
Iron sand (thousand tons)	349	346	300	- 13 %
Coal (thousand tons)	172	204	183	- 10 %
Copper (thousand dmt)	208	214 <sup>r</sup>	212	- 0.9 %
Gold ( kgs )	260	327 <sup>r</sup>	351	+ 7 %
Silver (thousand kgs )	6	4	3	- 25 %

1) Calendar year

Source : Department of Mining

14) Government Regulation No. 21/1976, August 23, 1976.

## petroleum

Oil is the major source of Government income and accounting for 69 per cent of total foreign exchange proceeds, it is also the Government's principal foreign exchange earner. The share of oil in Gross Domestic Product is 18 per cent.

Indonesia is the ninth largest producer among the 13 major oil producing countries associated in the Organization of Petroleum Exporting Countries (OPEC). In 1976/1977, Indonesia's crude oil production increased

by 14 per cent to reach 568 million barrels, which was nearly 1.6 million barrels per day. This production increase reflected the rise in demand for petroleum following the world economic revival. It should be noted that Indonesia's crude oil production of 498 million barrels in 1975/1976 in fact could have been increased even further from the technical point of view, if demand had been higher. The crude oil was produced by the state enterprises PERTAMINA and LEMIGAS (31 million barrels or 5 per cent of total) and foreign oil companies (537 million barrels or 95 per cent of total). Among

the foreign oil companies, 316 million barrels (56 per cent) was produced by companies operating under contracts of work, and 221 million barrels (39 per cent) was produced by companies working under production sharing agreements. CALTEX (a company working under a contract of work) was still the biggest crude oil producer with an output of 301 million barrels in 1976/1977 which accounted for approximately 53 per cent of Indonesia's total crude oil production. The production increase in 1976/1977 was achieved due to a 52 per cent higher output of the foreign companies working under production sharing agreements, despite a 3 per cent and 1 per cent decline in the output of the state oil enterprises and the foreign oil companies working under contracts of work, respectively.

About 81 per cent of total crude oil production was exported while the rest was used as input for domestic refineries. Part of the refinery output was exported as refinery products, such as waxy residue. In 1976/1977, the volume of Indonesia's crude oil export increased by 20 per cent to reach 458 million barrels. The volume of crude oil exported to Japan, the major buyer of Indonesia's crude oil, amounted to 199 million barrels in the reporting year, i.e. increased by 10 per cent over the previous year; its share in total crude oil exports, however, gradually declined from 69 per cent in 1973/1974 to 43 per cent in 1976/1977. This decline resulted from the sluggishness of Japan's economy in 1974/1975, competitive prices of Middle East crude oil, and a larger supply of crude oil from the People's Re-

public of China. On the other hand, crude oil exported to the United States of America increased by 26 per cent compared with 1975/1976. As a consequence, the share of crude oil exported to the USA rose from 23 per cent in 1973/1974 to 40 per cent in 1976/1977.

Total exports of refinery products such as waxy residue, naphta and others declined in the reporting year from 41 million barrels to 37 million barrels.

This decline was closely related to a drop from 15 to 7 million barrels in the volume exported to the USA and other countries. The volume exported to Japan, on the other hand, increased from 26 to 30 million barrels.

Construction of the Cilacap refinery plant, with a daily capacity of 100 thousand barrels, was commenced in 1975; the plant was inaugurated in August 1976. Domestic refinery capacity therefore rose from 426 to 526 thousand barrels a day in 1976/1977. The Cilacap refinery was designed to process "Arabian Light Crude" which till then was processed in Singapore. Total refinery output, including refinery output from abroad, was around 114 million barrels in 1976, compared with 113 million barrels in the preceding year. Domestic sales of fuel and lubrication oil continued to increase, following the growth of the industrial sector, the number of motor vehicles and the increased household use of kerosene. In 1976 domestic sales rose to 88 million barrels, of which 33 million barrels of kerosene, 22 mil-

lion barrels of diesel oil and 16 million barrels of premium.

On account of higher cost production, the Government increased the price of fuel in April 1976; i.e. kerosene from Rp 16.- to Rp 18.- per liter, premium from Rp 57.- to Rp 70.- per liter, diesel oil from Rp 22.- to Rp 25.-per liter and avtur from Rp 62.to Rp 70.- per liter. Net Government revenue from oil, i.e. the difference between domestic sales proceeds of fuel and cost of refinery and distribution, amounted to about Rp 16 billion in the reporting year compared with a shortfall of Rp 1 billion in 1975/1976. This implies that in 1976/1977, domestic sales of fuel did not contain a Government subsidy as in the previous year. <sup>15)</sup>

*Natural gas* production in 1976/1977 increased by 44 per cent to reach 345 billion standard cubic feet compared with the previous year. Domestic use of natural gas is still very limited and only a minor part is used as raw material for the production of fertilizer, carbon black and LPG (liquified petroleum gas). With the impending completion of the PUSRI IV plant, the Kujang fertilizer plant and the Krakatau Steel plant, the use of natural gas is expected to increase. Meanwhile, the construction of the LNG (Liquified Natural Gas) projects in Arun (Aceh) and Badak (East Kalimantan), with an investment of nearly \$ 1.6 billion was approaching completion. The LNG plant in Badak was

expected to be in operation in the middle of 1977, while the Arun project was scheduled for completion at the end of 1978.

### Other mining products

Compared with 1975, the output of tin (produced by PT Timah, PT Kobatin and Broken Hill Proprietary of Indonesia) declined by 8 per cent to 23.4 thousand tons in 1976. This decline was attributable to technical constraints, especially the limited capacity of dredgers when operating at certain depths. As ITC export quotas were in effect during the period from April 18, 1975 through June 30, 1976, Indonesia's tin export in 1975 was only 22.2 thousand tons, even though production in that year was 25.3 thousand tons. With the abolition of tin export quotas on July 1, 1976, and better world market prices of tin, the export volume in 1976 increased by 9 per cent to 24.1 thousand tons. Indonesia's tin is primarily exported to Japan, Europe and the USA. Meanwhile, Indonesia has signed the 5th International Tin Agreement, which provides for floor and ceiling prices of M\$ 1,075 and M\$ 1,375 per picul, respectively, effective as from December 1976.

During the reporting year, *bauxite* production increased by 12 per cent to reach 1,048 thousand tons. Bauxite exports in 1975/1976 amounted to 899 thousand tons, although production was 936 thousand tons. Nearly all bauxite was exported to Japan. Plans are under preparation for the construction of an alumina smelting plant on the island of Bintan with an annual capacity of 700

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15) It should be mentioned that the Government bought refinery input (i.e. crude oil) from foreign oil companies generally at a price which was lower than the export price.

thousand tons. Meanwhile, work is in process on the construction of infrastructure and an aluminum smelting plant in Asahan which will use alumina from Bintan island. Both smelting plants are expected to be completed in 1981.

*Nickel* production in 1976/1977 increased by 10 per cent to reach 828 thousand tons, there was moreover a surplus production of about 186 thousand tons from previous year. The construction of two out of the three nickel projects, started in 1975, is presently completed, i.e. the ferro-nickel plant in Pomalaa (South East Sulawesi) and the nickel-matte plant in Soroako (South Sulawesi). The ferro-nickel plant established by PT Aneka Tambang has a capacity of 20 thousand tons of ferro-nickel with a nickel content of 5 thousand tons. The nickel-matte plant was established by PT Inco, it has a capacity of 15 thousand tons of nickel-matte in the first stage which is planned to be increased to 45 thousand tons in the second stage. Meanwhile, PT Pacific Nickel Indonesia is planning the establishment of a nickel metal plant on the island of Gag (Irian Jaya) and is still seeking additional finance for implementation of the project. The export volume of nickel increased by 31 per cent to reach 909 thousand tons compared with the previous year. Higher world market prices of nickel contributed to the increase. The principal countries of destination were Japan and the USA.

In 1976/1977, production of *iron sand* mined in the area of Cilacap decreased by 13 per cent to 300 thousand tons. The de-

cline was caused by a drop from 269 to 255 thousand tons in the volume exported to Japan, the sole buyer. Exploration for iron sand, jointly undertaken by Indonesia and New Zealand in Yogyakarta, was completed; mining activities are presently under preparation.

*Coal* production declined by 10 per cent and amounted to 183 thousand tons in 1976/1977. This drop was attributable to on-going rehabilitation of production facilities. Domestic demand for coal is expected to increase steadily in coming years, i.e. in connection with the construction of the Baturaja cement plant in South Sumatera, expansion of the Indarung cement plant in West Sumatera, expansion of the tin smelting plant on the island of Bangka, and use of coal for electric power generation. Shell Mijnbouw NV was engaged in exploration activities in the Bukit Asam area (South Sumatera). Besides, PT Rio Tinto Bethlehem had obtained an exploration permit and was also pursuing exploration in the Sinamar area (West Sumatera).

During the year under report, production of *gold* increased by 7 per cent to 351 kilograms. The Government has been exploring new areas around Cikotok and Cirotan, as well as reactivating small-scale gold mining in Lebong Tandai (Bengkulu) in order to increase gold production.

*Silver* production declined by 25 per cent and amounted to 3 thousand kilograms in the reporting year, as deposits decreased and there were no new mining activities.

Production of *copper* undertaken by PT Freeport Indonesia in Ertsberg (Irian Jaya) remained almost constant. The volume exported, however, increased by 11 per cent to reach 210 thousand tons, made possible by sizeable stocks early in 1976/1977. All copper was exported to Japan and the USA.

### Manufacturing industry

The output of manufacturing industry during the reporting year showed an increasing trend. The increase was not only in the sector of consumer goods such as textiles, foodstuffs and household utensils, but also included construction materials and capital goods, such as cement, fertilizer, motor vehicle tyres, reinforcing steel and steel tubes. However, several products met with marketing problems because of competition from imported goods, part of which were brought into the country outside the prevailing import procedure.

Therefore, in order to sustain and to protect domestic industry, the Government introduced a series of measures, such as stepping up of the anti smuggling campaign so as i.e. to prevent unsound competition in the marketing of domestically produced goods. Besides, the use of Merchant L/C, for the import of specific commodities was prohibited. Another measure was the promulgation of a Joint Decision of Three Ministers on December 31, 1976, which essentially increased tariffs and other import charges.<sup>16)</sup>

16) Joint Decision of 3 Ministers (Minister of Finance, Minister of Trade and Minister of Industry) No. 314/KPB/76, No. KEP-1699/MK/III/12/1976, No. 475/M/SK/12/76 December 31, 1976.

Meanwhile, the Government also allocated resources for the promotion of industrial activities in general, especially with regard to industrial infrastructure. The 1976/1977 Development Budget for the industry and mining sector totaled Rp 50 billion, an increase of 4 per cent compared to the budget of the previous year, while actual expenditure was Rp 57.6 billion. In addition, an amount of Rp 117 billion was also provided from project aid; Rp 137.3 billion was actually spent. The industrial sector accounted for 79 per cent of the development budget and 97 per cent of project aid. In addition to these funds, the industrial sector also had the benefit of bank financing in the form of investment credits, which at the end of 1976 had reached Rp 94 billion. As compared to the previous year, the amount of investment credits allocated to this sector increased by 20 per cent. A breakdown of investment credits follows below (in million Rupiahs):

Industry	End of December 1975	End of December 1976
Food	12,304.9	20,867.8
Textile	13,854.5	15,480.7
Paper and paper products	3,973.3	6,115.9
Printing	1,838.9	1,652.7
Chemicals	6,818.0	7,534.7
Pharmaceuticals	549.3	670.0
Rubber products	11,999.3	11,626.1
Construction and construction material	7,545.0	9,165.7
Others	19,423.0	20,952.8
<b>T o t a l</b>	<b>78,306.3</b>	<b>94,066.4</b>

As has been mentioned in the report on capital investment, as of the end of 1976, 1,867 projects or 64 per cent of the total projects under the Domestic Capital Investment Law approved by the Government was accounted for by the manufacturing sector. Moreover at the end of 1976 there were 511 intended Foreign Capital Invest-

ment projects with intended investments amounting to 56 per cent of total intended investments under the Foreign Capital Investment Law. Intended and implemented industrial projects under the Foreign Capital Investment Law for the period of 1967 - 1976 can be seen in the table below:

Industry	Number of Projects		Capital Investment	
	Intended	Imple- mented	Intended	Imple- mented
			(million \$)	
Food	63	47	241.0	137.3
Textile and leather	76	51	1,004.8	712.7
Logging and timber products	14	8	45.8	20.7
Paper and paper products	16	11	101.5	17.6
Chemical and rubber products	142	109	527.9	239.1
Metal	160	114	1,512.6	372.6
Others	40	26	441.5	223.9
<b>T o t a l</b>	<b>511</b>	<b>366</b>	<b>3,875.1</b>	<b>1,723.9</b>

The development of industrial output during the last three years is reported in table XXI.

## Textiles

Unlike in the previous year, textile production in 1976/1977 showed a meaningful increase of 22 per cent and reached 1,247 million meters. The production increase was to an expansion of spindles and weaving machines. In the year under report, the number of spindels increased from 1,239 thousand to 1,327 thousand, while weaving machines increased from 60 thousand to 62 thousand. The production of weaving yarn also rose significantly, although at a lower rate than textile production, i.e. by 8 per cent to become approximately 481 thousand bales at the end of 1976/1977.

As has been mentioned above, one of the difficulties in the marketing of domestic textiles was the competition from textiles imported outside the prevailing import procedure. To ensure the development of the domestic textile industry, the Government has taken several steps by issuing a number of regulations in addition to stepping up the anti smuggling campaign. Basically, the regulations provided for higher import duties and other import charges, primarily on imports of selected textiles and specific sizes of weaving yarn<sup>17)</sup> In order to promote and to protect domestic industry in general, the Government through a Joint Decision of Three Ministers stipulated provisions governing the import of goods which were already produced in quantities adequate to meet domestic demand, such as selected types of textiles, weaving yarn, reinforcing steel, gunny bags etc. These goods may only be imported on banker's L/C's, and the importer has to make full advance payment. In addition to that payment, the importer must lodge a guarantee deposit amounting to 100 per cent of the L/C value and pay in advance the full import duty base on the standard price of the commodity or its L/C value.

As a follow-up of the Joint Decision, the Minister of Trade<sup>18)</sup> issued a Decision regarding the import procedure of textile and poly-

17) Decisions of the Minister of Trade No. 69/KP/IV/1970, dated April 17, 1970, No. 182/KP/V/III/1970, dated August 20, 1970, and No.406-407/KP/II/1974, dated, November 11, 1974.

18) Decisions of the Minister of Trade No. 315/KP/XII/1976, December 31, 1976, and No.28-29/KP/I/1977, January 28, 1977.

ester. In order to ensure that this regulation does not put consumers at a disadvantage, the Government also set the ceiling price of domestically produced polyester fibre.

## Chemicals

### Fertilizer

Production of the chemical industry in general increased significantly. In 1976 Urea fertilizer production increased by 7 per cent to 412.4 thousand tons. With the establishment of the PUSRI III fertilizer plant in December 1976, there are 4 fertilizer plants in Indonesia i.e. PUSRI I, II, III and Petrokimia with a total annual production capacity of 1,095 thousand tons of Urea. PUSRI IV with a production capacity of 570 thousand tons per year is scheduled for completion in mid-1977, so that the entire Urea fertilizer production capacity in 1977/1978 will reach 1,665 thousand tons per year.

In order to meet the demand for urea fertilizer, both for domestic consumption as well as for export, the Government is building

fertilizer plants in Kujang (West Jawa) and in East Kalimantan, each with an annual production capacity of 570 thousand tons; the plants are expected to start production by the end of 1978 and early 1979, respectively. Meanwhile, another fertilizer plant in Aceh is planned with a production capacity of 570 thousand tons per year; this plant is expected to be finished not later than 1981. With the increased product

ion capacity, fertilizer production could be stepped up even further so that Indonesia would not need to import but could even export Urea fertilizer. In early 1977, Indonesia exported fertilizer for the first time. The country of destination was the Philippines; until the end of March 1977, 29.2 thousand tons of a value around \$ 3 million were exported. In order to satisfy the demands of the agricultural and forestry sector, a number of plants which produce fertilizer other than Urea, viz. NPK, TSP and NP, were being planned for construction. The production capacity of fertilizer plants (in existence or being planned) is shown in the following table:

Production capacity of fertilizer plants			
Name of plant	Location	Production capacity per year	Commencement of production
1. PT PUSRI I	Palembang	100,000 tons of Urea	1963
2. PT Petrokimia	Gresik	45,000 tons of Urea 150,000 tons of ZA	1972 1972
3. PT PUSRI II	Palembang	380,000 tons of Urea	1974
4. PT PUSRI III	Palembang	570,000 tons of Urea	January 1977
5. PT PUSRI IV	Palembang	570,000 tons of Urea	Augustus 1977
6. PT PUPUK KUJANG	West Jawa	570,000 tons of Urea	December 1978
7. PT Petrokimia	Gresik	330,000 tons of TSP 130,000 tons of NP, NPK	April 1979 April 1979
8. KALTIM I	Kalimantan	570,000 tons of Urea	1979
9. Cilacap	Central Jawa	200,000 tons of Urea	1980
10. Aceh	Aceh	570,000 tons of Urea	1981

Source : Department of Industry

## Cement

The cement industry showed an encouraging trend, as production increased by 59 per cent to 1979 thousand tons in 1976/1977. This level of production was actually below the capacity of the 5 existing plants, which totaled 2,450 thousand tons per year. This phenomenon was mainly due to conditions of the market which was still affected by cement imports. The production capacity of the five cement plants was as follows:

Name of factory	Production capacity per year (thousand tons)
1. PT Semen Gresik	500
2. PT Semen Padang	350
3. PT Semen Tonasa	120
4. PT Semen Cibinong	500
5. PT Semen Distinct, West Jawa	1,000
<b>Total expected production capacity at the end of 1977</b>	<b>2,450</b>

Source : Department of Industry

At the end of REPELITA II cement requirements are estimated to be 5,600 thousand tons. In order to meet this demand, the Government has planned to increase the production capacity of existing cement plants and to build a few others. It is expected that at the end of that period the total production capacity of cement plants in Indonesia will increase to 7,850 thousand tons per year. Accordingly, the following plants are presently under expansion or under construction.

After completion of the expansion/construction of the factories, it is expected that total production will meet domestic demand and may even enable cement to be exported.

Plant expansion	Additional production capacity per year (thousand tons)	Estimated completion date
1. PT Semen Gresik	1,000	1978
2. PT Semen Cibinong	700	1978
3. PT Semen Distinct, West Jawa	1,000	1978
4. PT Semen Padang	600	1979
5. PT Semen Tonasa	500	1979
<b>T o t a l</b>	<b>3,800</b>	
<b>Under Construction</b>		
6. PT Semen Nusantara Cilacap	600	1978
7. PT Semen Baturaja, South Sumatera	500	1979
8. PT Semen Cirebon	500	1979
<b>T o t a l</b>	<b>1,600</b>	
<b>Total additional production capacity at the end of 1979</b>	<b>5,400</b>	

Source : Department of Industry

## Paper

The paper industry showed a production increase of about 17 per cent and reached 54,000 tons in 1976/1977. In order to meet the domestic demand for paper, the production capacity of 5 factories was expanded by 11,500 in the reporting year. In addition, the construction of 2 new factories with a total production capacity of 10,500 tons was completed. Total annual production capacity consequently increased from 34,600 tons to 56,600 tons.

PN Kertas Leces, which is presently in the stage of expansion, is expected to operate with an additional production capacity of 26,100 tons per year in 1978. The types of paper at present produced by the factories are i.e. HVS, wrapping paper, cardboard and cigarette paper. The number of existing factories under expansion and new factories completed is reported in the following table.



**Annual production capacity, 1976/1977**  
(in tons)

	Existing	Addition	Total	Type of paper produced
I. Existing factories	34,600	11,500	46,100	
1. PN Kertas Padalarang, West Jawa	5,500	1,500	7,000	HVS, heavy printing paper, cigarette paper
2. PERUM Kertas Gowa South Sulawesi	9,000	6,000	15,000	Writing, printing, wrapping paper
3. PERUM Kertas Basuki Rachmat, East Jawa	9,000	4,000	13,000	HVS
4. PN Kertas Leces, East Jawa	9,900	---	9,900	HVS, Manila cardboard wrapping paper
5. PT Deli Tua Paper Mill, North Sumatera	1,200	---	1,200	Cigarette paper
II. New factories	10,500	---	10,500	
6. PT Impama, Jakarta	1,500	---	1,500	Tissue paper
7. PT Surya Kertas, East Jawa	9,000	---	9,000	HVS, wrapping paper

Source : Department of Industry

Paper Factories located in Jawa generally use rice straw and imported pulp as the main raw materials. In order to ensure the continuation of paper production, sufficient raw materials are needed on a long-term basis. Wood is one of the raw materials for the paper industry which is in adequate supply in Indonesia. Therefore, in order to benefit from wood as a major raw material for paper, the location of the planned factories will be primarily in regions outside Jawa, such as Sumatera, Kalimantan, Irian Jaya and other islands rich in wood.

In addition to state-owned paper factories, there are also privately owned factories which are mostly located in Jawa. In order to enhance the role of private enterprises in the paper industry, the Government would like to see more industrial activity outside Jawa. However, the results are not yet encouraging. This is primarily due to capital scarcity, as well as to the limited availability of infrastructure in the timber regions which is suitable for the paper industry.

### Motor vehicle tyres

The production of tyres for 4-wheel motor vehicles rose by approximately 5 per cent to 1,883 thousand tyres during the reporting year. In fact production could have been increased much further if market demand was higher.

Among the existing tyre factories, there are a number of fairly large size, i.e. Good Year, Dunlop, Intirub and Bridgestone. The latter factory is located in Jakarta and opened in early 1976. The total annual production capacity of the four factories is 2,380 thousand tyres, as shown in the following table.

Name of company	Production capacity per year
Good Year and Dunlop, Bogor	1,200 thousand tyres
Intirub, Jakarta and Palembang	720 thousand tyres
Bridgestone, Jakarta	460 thousand tyres
Total	2,380 thousand tyres

Source : Department of Industry

In addition to the above mentioned companies, there are also factories which specialize in rethreading of tyres, commonly used in public transportation. Therefore, part of the demand for tyres is also satisfied by these factories.

## Salt

The prolonged dry season which prevailed in the reporting year was most beneficial for the salt industry. This was reflected in the tremendous production increase of almost 300 percent to reach 563 thousand tons in 1976/1977. Out of this volume, 37 per cent was produced by PN Garam, while the rest was small-scale Production

In normal weather conditions, salt production in Indonesia is estimated at about 350 thousand tons per year. This level of production is less than domestic consumption of 420 thousand tons a year; the shortfall is imported. The import of salt always depends on the volume needed, so that at the end of the year there will be no excess supply. Salt imports fluctuate between 80 to 100 thousand tons annually.

In 1976/1977 260,000 tons of salt was imported. This substantial import was i.a. needed as production of salt in 1975/1976 amounted to only 147 thousand tons, and therefore far below the level required for domestic consumption. With the leap of salt production in the reporting year (563 thousand tons), total salt supply reached 823 thousand tons. As a consequence, there was an excess salt supply of around 400 thou-

sand tons.

In order to increase the quality and nutritional value of household salt, the Government initiated an iodisation program in 1975 in cooperation with UNICEF. That program was primarily designed to combat diseases caused by iodine shortage. By the end of REPELITA II the plan for salt iodisation involving both PN Garam production and small-scale salt production, is expected to reach 250 thousand tons broken down as follows (in tons):

	1976	1977	1978
PN Garam	120,000	120,000	120,000
Small scale salt industry	---	50,000	130,000
Total	120,000	170,000	250,000

Source : Department of Industry

## Miscellaneous industries and Handicrafts

Production of miscellaneous industries and handicrafts in 1976/1977 on the whole developed at significant rate, although not as high as the rate achieved in the previous year. Kretek (clove) cigarette production increased by 14 per cent, whereas production of bicycle tyres, cooking oil and laundry soap only increased at rates between 2 to 7 per cent. Other items produced by this sector such as detergent, white cigarettes and matches generally declined at a rate ranging from 1 to 4 per cent compared with 1975/1976. Data on the development of the aforementioned industrial products for the last three years are shown in table XXI.

## Metal and machinery industry

Generally, production of the metal and machinery industry increased meaningfully in 1976/1977. Among the products showing a very substantial increase was storage batteries, which recorded a rise of 118 per cent over the level of 1975/1976. In addition, assembling of three-wheel motor vehicles rose by 30 per cent, dry batteries by 75 per cent, television sets by 29 per cent and reinforcing steel by 47 per cent. On the other hand, the assembling of four-wheel and two-wheel motor vehicles decreased by 5 per cent and 11 per cent, respectively.

As has been touched upon above, the production of reinforcing steel experienced a very large increase, i.e. 47 per cent. Production could be increased even further if imports were cut down. The large imports of reinforcing steel were closely related to the provisions in the Laws on Domestic as well as Foreign Capital Investments which provide an opportunity for the import of this basic material. Likewise, part of the Government projects financed by foreign aid, was required to use materials from the donor country. This put the marketing of domestic reinforcing steel in a difficult position, and also competes with other domestically produced basic materials, such as electric wires, steel tubes and galvanized iron sheets.

A company for the assembling of aircraft has been established in Indonesia, i.e. PT Nurtanio. The company assembled 2 aircrafts in 1975 and 3 others plus 13 heli-

copters in 1976. The production of the metal and machinery industry can be seen in table XXI.

## Electric power and gas

As in past years, development policy in the *electricity* sector has been directed toward increasing the installed capacity and redressing the balance between installed capacity on the one hand and transmission and distribution network on the other.

The policy has been carried out by rehabilitating and expanding the distribution and transmission networks as well as the number of power stations and distribution stations. To support the development of small scale industry, electric power plants were built, taking the form of microhydro power, low capacity diesel, and tapping medium capacity networks which pass through the rural area. Such development of electricity in the rural area was meant to meet the demand for electric power of the rural community.

The result achieved in the reporting year comprise rehabilitation and construction of electric power stations of a capacity of 243.364 MW, three power stations with a capacity of 75.63 MVA, 4,508 distribution stations, 169.225 km of transmission network and 2,792,590 km of distribution network.

In 1976 installed capacity reached 1,200 thousand KW or increased by 26 per cent compared to the previous year. The devel-

opment of installed capacity during the past three years can be seen from the following figures.

	1974	1975	1976
Electric generator	(thousand KW)	(thousand KW)	(thousand KW)
Diesel generated	264	267	316
Steam generated	250	250	250
Water generated	279	279	321
Gas generated	126	171	333
<b>T o t a l</b>	<b>919</b>	<b>967</b>	<b>1,220</b>

Source : PLN (State Electricity Corporation)

Production of electric power in 1976 increased by 16 per cent to reach 3,363 million KWH so that electric power purchased outside PLN fell by around 18 per cent to 678 million KWH. With the increase of production, the sale to consumers increased by 13 per cent to 3,030 million KWH.

Total production and sales in the past 3 years can be seen in the table below:

Production and Sale of State Electricity (million KWH)			
	1974	1975	1976
PLN Production	2,567.2	2,893.6	3,362.9
Purchased outside PLN	678.8	776.9	677.9
<b>T o t a l</b>	<b>3,246.0</b>	<b>3,670.5</b>	<b>4,040.8</b>
Sales	2,376.0	2,691.2	3,030.0

Source : PLN (State Electricity Corporation)

Gas produced by units of the State Gas Corporation during 1976 as a whole amounted to 75 million cubic meters. Compared to the previous year,

production experienced an increase of around 4 million cubic meters. The gas production of the last three years was as follows:

	1974 (million m <sup>3</sup> )	1975 (million m <sup>3</sup> )	1976 (million m <sup>3</sup> )
Medan	3.6	3.1	3.0
Jakarta	13.0	11.3	10.7
Bogor	1.5	1.4	1.3
Bandung	7.9	8.1	8.1
Cirebon	18.6	35.6	39.7
Semarang	2.9	2.9	3.0
Surabaya	8.5	7.7	8.5
Ujung Pandang	0.9	0.9	0.9
	<b>56.9</b>	<b>71.0</b>	<b>75.2</b>

Source : State Gas Corporation

The kinds of gas produced and sales thereof during the past three years are shown by the figures below:

	1974 (million m <sup>3</sup> )	1975 (million m <sup>3</sup> )	1976 (million m <sup>3</sup> )
<b>Gas produced</b>			
Coal gas	3.3	5.2	3.3
Oil gas	35.5	30.2	32.2
Natural gas	18.1	35.6	39.7
<b>Total</b>	<b>56.9</b>	<b>71.0</b>	<b>75.2</b>
<b>Sales</b>			
Domestic	17.8	16.6	16.0
Commercial	27.5	42.9	45.6
<b>Total</b>	<b>45.3</b>	<b>59.5</b>	<b>61.6</b>
<b>Wastage and condensation (per cent)</b>	<b>20.3</b>	<b>16.2</b>	<b>18.1</b>
<b>Customers (persons/unit)</b>			
Domestic	21,185	20,876	20,361
Commercial	265	279	290
<b>Total</b>	<b>21,450</b>	<b>21,155</b>	<b>20,651</b>
<b>Material used</b>			
Coal (thousand tons)	1.6	5.7	1.1
Fuel oil (million liters)	25.7	23.7	23.3

Source : State Gas Corporation

## Communications

The development aspects of the communication sector included in REPELITA II related to the improvement of its services as an important pre-requisite for development activities in other economic sectors. Here the emphasis was placed on adequate development of infrastructure of all media covering land, sea and air transportation as well as telecommunication, in order to quicken the communication among all regions of the country. The various efforts made in this behalf are discussed in the following sections.

### Land transportation

The policy measures undertaken for the rehabilitation and improvement and for construction of new roads and bridges continued to be in the broader context of an improved land-transportation network, which has important economic and social consequences. The efforts were concentrated to expand the transportation network to conform with the development in each region. It also stimulated the demand for motor vehicles as reflected in the size of the land transportation fleet over the past four years as follows:

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
1976	39	221	419	1,407

Source : Department of Communications

In the railway sector efforts were not lacking for the improvement of rolling stock and services to the public. The aforementioned development of highways, however, provided alternate and competitive means to the people for land transportation. This seems to have adversely influenced the movement of passengers and cargo by railways which is evidenced by the declining trend during the immediate past. To wit, railway services in 1976 declined for passenger and passenger-km, respectively by 16 per cent and 5 per cent. Likewise, goods transportation as well as goods-ton/km also declined by 14 per cent and 27 per cent respectively. The position of railway transportation during the last four years was as follows:

Year	Passenger	Passenger-km	Goods (ton)	Goods (ton-km)
1973	29,370	2,727,000	5,040	1,069,000
1974	25,416	3,466,300	4,540	1,116,200
1975	23,854	3,534,200	3,871	959,300
1976	20,060	3,371,040	3,322	701,040

Source : Department of Communications

Owing to cooperation between PJKA (State Railway Corporation), Government estate in north Sumatera and PUSRI (Sriwijaya fertilizer plant) it is hoped that besides the development in the industrial and mining sectors in certain regions, the railway service would tend to improve in the foreseeable future.

### Sea transportation

During the year under report, the number of vessels and the capacity of the national merchant fleet showed significant in-

creases, i.e. an addition of 14 vessels to reach 319 vessels, with expansion of capacity by 18 thousand DWT to reach 330 thousand DWT. Efforts for improving its service potential by enlarging the fleet was according to the Government's program, which also included phased replacement of vessels long in use, either by acquiring new ones or moderately used ships.

When readjusting the schedule of the fleet in 1976/1977, the Government had treated it as a regular liner service (RLS) thereby hoping that its ships would call at assigned ports and also at facultative ports that needed transportation facilities. The trend of developments of merchant fleet in the recent past was as follows:

Year	Number of vessels	Capacity (thousand DWT)
1973	267	285
1974	300 <sup>f</sup>	272 <sup>f</sup>
1975	305 <sup>f</sup>	312 <sup>f</sup>
1976	319	330

Source : Department of Communications

To add to the effectiveness of sea transportation, the container system is being used in certain ports. In this connection, some of the main ports like Tanjung Priok, Tanjung Perak, Palembang and Belawan, were given priority to build container terminals. Besides that, LASH (Light Aboard Ship) is now being used in certain ports like Sabang, Jambi and Medan to reduce the transportation costs. This type of ship is actually a mothership supported by small auxiliary ships which could move to and from the ports after having been loaded from the mothership.

Further, to link and to develop communication of the isolated regions with other regions, efforts were made to intensify the pioneer sailings. The total number of operating vessels was increased to 19 in 1976 (which started with 4 in 1974 and 13 in 1975). This fleet operated on 22 routes and regularly called on the following small ports:

Small ports in	Number of vessels
West coast of Sumatera	3
Riau, Pulau Tujuh	1
West and East Nusa Tenggara	2
South and South-East Sulawesi	2
North and Central Sulawesi	3
Maluku	4
Irian Jaya	4
<b>Total</b>	<b>19</b>

Source : Department of Communications

The ocean-going fleet did not show any significant change during 1976. Compared with the previous year, the total number of vessels operated by the fleet increased from 47 to 50 while its capacity went up from 412 thousand to 450 thousand DWT. On the other hand, the cargo transported declined by 12 per cent to 5,462 thousand tons. This shrinkage was caused mainly by the world economic recession, whose influence was still felt on the mercantile activities during the reporting year. The development of the fleet and its output may be seen from the following figures:

Year	Total vessels	Capacity (thousand DWT)	Cargo (thousand tons)
1973	41	387	9,917
1974	45	339	9,094
1975	47	412	6,185
1976	50	450	5,462

Source : Department of Communications

## Air transportation

Air transportation showed promising features as evidenced by the increase in the number of aeroplanes operated in the regular flights. During 1976, 18 aeroplanes were added to reach the total of 105. The development of the fleet during last four years may be seen from the following data:

Kind of aeroplane	1973	1974	1975	1976
Piston engined	14	14	20 <sup>r</sup>	20
Turboprop	25	30	35 <sup>r</sup>	39
Turbojet	16	20	32 <sup>r</sup>	46
<b>T o t a l</b>	<b>55</b>	<b>64</b>	<b>87</b>	<b>105</b>

Source : Department of Communications

During the year under report, air transportation services also recorded a significant progress. In 1976, the total number of passengers increased by 19 per cent to 2,766 thousand persons: transportation of cargo increased by 22 per cent to 28 thousand tons. The development of air transportation in the past few years was as follows:

	1973	1974	1975	1976
Production (million ton-km)	214	264	303	378
Sales (million ton-km)	115	144	165	196
Passengers carried (thousand)	1,649	2,126	2,323	2,766
Distance flown (million kms)	33	42	47	55
Flight hours (thousand)	85	106	116	136
Cargo carried (thousand tons)	14	19	23	28

Source : Department of Communications

To maintain balanced growth of air transportation, numerous improvements were made in the related infrastructure which included, among others, the expansion of several airports and broadening and strengthening of runways. Flight safety had also received priority in the air transportation development, which found expression in the

use of additional radar equipment in flight control. Telecommunication and navigation facilities were also developed. To give better service to the public, the operating hours of the airports were increased. All these efforts to develop air transportation showed that, excluding the pioneer airports, 49 airports operated regular flight which could handle DC-3 aeroplanes, and of which 38 were capable for F-27, 26 for F-28, 13 for DC-9, 6 for DC-8 and 2 for DC-10.

## Postal and Giro Services

Postal and giro services during 1976 developed rapidly, where postal drafts increased by 22 per cent, postal giro and cheques by 11 per cent and savings at the State Savings Bank by 75 per cent. The trends over the past 4 years were as follows:

Postal and giro services	1973	1974	1975	1976
Normal/fast delivery (millions)	176	187	200	201
Postal drafts (billion Rupiahs)	46	63	81	99
Postal giro and cheques (billions Rupiahs)	204	326	426	471
Saving at the State Saving Bank (billion Rupiahs)	1	2	4	7
Post offices	1973	1974	1975	1976
Central Post offices	199	196	174	178
Sub Post offices	135	138	147	155
Auxiliary Post office	820	830	875	890
<b>T o t a l</b>	<b>1,154</b>	<b>1,164</b>	<b>1,196</b>	<b>1,223</b>

Source : Department of Communications

## Telecommunication

The process of automation of the telephone network was still continuing on the basis of the development program of the telecommunication sector through SKSD (domestic satellite communication system)

facilities. After Palapa domestic satellites were launched (Palapa I on August 17, 1976 and Palapa II on March 11, 1977), SLJJ (long distance direct connection) was markedly facilitated both for automatic and manual telephones. To cope with the capability of Palapa domestic satellites, telephone centrals and connection cable networks were added. This effort showed that automatic telephone central and its capacity in 1977 increased respectively by 33 per cent to reach 52 telephone centrals and by 56 per cent to reach 225,100 connections. Besides, 3 manual telephone centrals were added to have a total of 507 telephone centrals and their capacity was increased by 4 per cent to reach 103,886 connections in 1976.

The development of the number of telephone exchanges and their capacity during the last four years was as follows:

Year	Automated		Manual	
	Telephone exchanges	Capacity (connections)	Telephone exchanges	Capacity (connections)
1973	34	115,500	504	101,920
1974	37	126,000	507	104,042
1975	39	144,100	504	99,562
1976	52	225,100	507	103,886

Source : Department of Communications

The developments set out above obviously influenced the frequency of domestic as well as international telephone traffic. Compared with the previous year, domestic telephone calls (local calls and long distance direct connections) increased by 36 per cent to 1,192 million pulses while interlocal manual calls rose by 18 per cent to 58 mil-

lion minutes. International calls through the satellite system increased by 39 per cent to 4 million minutes, while border communications increased by 14 per cent to 135 thousand minutes.

Telegraph and telex facilities also developed, among others with the addition of 7 offices during the reporting year; the number of telegraph offices became 610. Compared with the previous year the total of telegram sent domestically as well as overseas increased by 13 per cent, while in the telex section the number of pulses, calls and minutes also increased by 36, 18 and 26 per cent respectively.

During 1976/1977, transmission and monitoring station in South and Central Kalimantan were completed for links between Banjarmasin and Palangkaraya, Banjarmasin and Ujung Pandang, and also in Maluku for the transmission between Ambon and Ternate. The monitoring station projects in West Jawa located at Rancaekek, Bandung and in South Sulawesi located at Baronglue, Ujung Pandang were also completed.

Meanwhile, in July 1976 the expansion of the Jawa – Bali microwave was completed and the communication service in Irian Jaya was augmented, especially for that between Sorong – Doom and Jayapura – Sentani.

## Tourism

The number of tourists visiting Indonesia has been continuously on the increase



over the past few years. It was 314 thousand people in 1974, 366 thousand in 1975 and 401 thousand in 1976. Most of the foreign tourists came from the United States, Australia, Japan and Singapore, whereas Jawa, Bali and West Sumatera were the most frequently visited islands. The development of tourist trade during the last four years may be seen from the following:

Year	Number of foreign tourist (in thousand)	
	Target (REPELITA II)	Realization
1973	256.6	270.3 <sup>F</sup>
1974	297.6	313.5 <sup>F</sup>
1975	345.3	366.3 <sup>F</sup>
1976	400.5	401.2

Source : Department of Communications

In order to promote tourism, the first priority was assigned by the Government to hotel development through credit and investment facilities. Most of these hotels are located in Jawa and Bali and in 1976 their number was 378 with a capacity of 19,787 rooms. In retrospect it seems that this policy led to unbalanced growth, thereby covering excess capacity and hence of relatively low occupancy rates. As a corrective, investments for new hotels in Jawa and Bali have been stopped by the Government since February 1977.

Efforts to make further improvements in the tourism sector will continue as a development program designed to centre not only on foreign tourists but also on domestic tourists.

For marketing connected with Indonesian tourism, promotion centres were set up,

among others, in Frankfurt for West Europe and in San Francisco for North America. Steps have also been taken for international flights, by allowing charter flights with reduced fares. Visas on arrival might be introduced for tourists visiting Indonesia.

In consonance with the above mentioned developments, skills are also needed and in that framework, schools for hotel and tourism have been started Up which numbered 32 in 1976.

## Prices and Wages/Salaries

### Prices

Price developments during the reporting year, as measured by the price index of 62 goods and services or cost of living index for Jakarta, showed an improvement over the preceding years. In 1976/1977 prices increased by 12 per cent compared to 19.8 per cent in 1975/1976 and 20.1 per cent in 1974/1975 (table XXII). The Government's effort in containing inflation may therefore be considered successful.

The result was achieved on account of the Government's success in controlling the increase of domestic liquidity, which is an important element in containing price increases as set out in Chapter I on Money Supply. Besides, the Government also succeeded in containing prices of principal commodities particularly of rice, which was accomplished through a policy of supply and distribution of several principal commodities in the context of the national stock.

It may further be mentioned that the 12 per cent increase in the price index of 62 goods and services in 1976/1977 is a reflection of a 10.7 per cent in the Food sector index, a 26.5 per cent increase in the Housing sector index, a 11.6 per cent increase in the Clothing sector index and a 11.7 per cent increase in the Miscellaneous sector index.

During the first half of 1976/1977, the cost of living index increased by 9.4 per cent to become 1,870 compared with a 8.3 per cent increase in the first half of the preceding year. The relevant increase was caused by the rise in kerosene price and electricity rates introduced by the Government in April 1976, which is reflected in the 17.8 per cent and 10.1 per cent increase in Housing sector and Miscellaneous sector indices, respectively. In the second half of 1976/1977 the cost of living index increased by only 2.5 per cent to become 1,916 compared with a 10.6 per cent rise in the corresponding period of the preceding year. This was mainly due to the Government's success in controlling the rice price through massive free market sales. The stable price was reflected in the Food sector index which increased by only 2.3 per cent.

The price commodities index of 9 essential in Jakarta during the reporting year showed a stable movement, i.e. a rise of only 0.9 per cent compared with 19.8 per cent in the preceding year (table XXIII). This was achieved through adequate supplies of principal commodities, particularly during the period approaching the religious holidays and in times of scarcity before harvests.

Prices of selected export commodities in the local market (Jakarta) in 1976/1977, increased conspicuously compared with the preceding year (table XXIV). This was mainly attributable to an increased foreign demand for Indonesian export commodities.

Rubber an export commodity of major importance as a foreign exchange earner as well as source of income for rubber smallholders, showed a significant price increase in 1976/1977. The average price of RSSI increased by 43.1 per cent over the average price of the preceding year and was quoted at Rp 278.80/kg. The improvement of the price of natural rubber this year was i.e. due to an increase in demand of the industrial countries.

As in the case of rubber, the average price of Robusta coffee also increased, i.e. by 191.6 per cent compared with the preceding year, and was quoted at Rp 1,125.56/kg. The jump of the local coffee price was affected by a higher demand for export coffee, as world market demand for coffee had increased after the crop failure in Brazil.

The rise in the world market coffee price brought about a partial shift in consumption from coffee to tea. The price was pushed (upward) and affected the price of tea in the local market. The average price quotation of tea (BOP quality) in 1975/1976 was Rp 307.77/kg and increased by 48.7 per cent to become Rp 457.57/kg.

In 1976/1977 the average copra price in the local market increased by 95.2 per cent

compared with the preceding year and was quoted at Rp 161.42/kg. This conspicuous increase in the copra price was mainly due to a disequilibrium between production and increase in demand for copra in the domestic market. Since the volume of copra exports in the reporting year was insignificant, i.e. 4.2 thousand tons, the world market price development did not materially affect the copra price in the local market.

The average local price of white pepper during the reporting year increased by 37.5 per cent and became Rp 631.27/kg, the black pepper price increased by 68.8 per cent to Rp 565.99/kg. This price rise was due to the increase in world market demand for pepper, particularly in Europe.

### Wages/Salaries

Changes in wages/salaries in Indonesia may be gauged from the wages paid by various enterprises in selected economic sectors such as estate, mining, manufacturing industry and others which employ a fairly large number of workers. The wages/salaries in a number of enterprises are subject to a minimum and maximum limit. Changes in the average wage of an employee with a wife and two children is set forth in the following table:

Economic sector	Average minimum wage (Rp)		Average maximum wage (Rp)	
	Jan.1976	Jan.1977	Jan.1976	Jan.1977
	Estate	8,625	9,759	114,303
Mining	48,372	51,228	321,090	365,761
Manufacturing industry	22,097	25,126	253,578	291,723
Construction	18,072	24,504	155,271	200,010
Electricity	14,262	14,262	89,595	89,595
Trade	25,220	30,431	220,651	284,311
Communications	21,527	24,861	122,930	154,657
Services	29,158	29,158	222,685	228,752

Source : Department of Manpower, Transmigration and Cooperatives

The above table shows that minimum wages during the period of January 1976 – January 1977 rose by an average of 11.7 per cent while maximum wages rose by an average of 15.3 per cent. Compared with prices which increased by 13.5 per cent during the same period, as measured by the cost of living index, the rate of increase in minimum wages was a bit lower, while the rate of increase in maximum wages was somewhat higher.

The Government's current efforts to regulate minimum wages are aimed at the determination of lowest levels adequate to meet basic physical needs and which provide for an appropriate wage comparison for jobs between enterprises and economic

sectors. Due to obstacles such as differences in price level within the country and the ability of enterprises to pay appropriate wages, the said efforts have not yet resulted in appreciable progress. However, the efforts are being enhanced, among others by intensifying the activities of the Regional Wage Council. A Government regulation designed to provide a legal basis for the determination of minimum wages is also under preparation.

### **Manpower**

According to the result of the 1971 census, the Indonesian population in 1976 was estimated to have increased by 2.3 per cent to reach 135.2 million, compared with the preceding year. In line with the increasing population, the size of the labor force also increased substantially from 44.6 million in 1975 to 45.7 million in 1976. Since the increase in the labor force has not been balanced by a sufficient increase in employment opportunities, the problem of employment expansion becomes more and more

serious. Therefore, employment expansion has been made one of the main goals of REPELITA II, which gives priority to solving through the implementation of development activities.

In this context, capital investment policy is aimed at stimulating labor intensive projects. As well, foreign investment policy encourages the utilization of more Indonesian labor. Further, several credit programs have been implemented, comprising K.I.K. (small investment credit), K.M.K.P. (permanent working capital credit) and Kredit Candak Kulak (credit for petty traders) to encourage small-scale business, which it is hoped will expand employment opportunities.

Various efforts were made in 1976 to expand employment opportunities, which were basically the continuation and intensification of efforts made during PELITA I. It was expected that, with the expansion of the economy, the additional labor force will be gradually absorbed.

## **APPENDICES**

## APPENDIX A

**BANK INDONESIA**  
**CONDENSED BALANCE SHEET**  
as per March 31, 1977  
(Millions of Rupiahs)

ASSETS			LIABILITIES		
FOREIGN EXCHANGE ASSETS			CURRENCY IN CIRCULATION		
a. Gold and foreign exchange <sup>1)</sup>	744,569				963,559
b. Other foreign assets	<u>1,541,490</u>	2,286,059	FOREIGN EXCHANGE LIABILITIES		
CLAIMS ON GOVERNMENT			a. Foreign liabilities <sup>1)</sup>	98,338	
a. Advances to Government	96,815		b. Others	<u>748,974</u>	847,312
b. Transactions/payment on account of membership on International Financial Institutions			DEPOSITS AND OTHER LIABILITIES		
– in gold	7,011		a. Government	167,737	
– in rupiahs	<u>44,171</u>		b. Government Counterpart funds of borrowing	655,451	
c. DICS Promissory Notes	<u>33</u>	148,030	c. International Financial Institutions	85,285	
LOANS			d. Third parties		
a. Financial Institutions <sup>2)</sup>	647,336		– Banks	524,339	
b. Others	<u>336,479</u>	983,815	– Others	<u>51,476</u>	1,484,288
PREMISES, FURNITURE AND FIXTURES				<u>575,815</u>	
OTHER ASSETS			CAPITAL AND RESERVE		
	98,869	17,299	OTHER LIABILITIES		
	<u>3,534,072</u>	98,869			76,594
		<u>3,534,072</u>			<u>162,319</u>
					<u>3,534,072</u>

1) Regarded as a component of international reserves.

2) Bank and non-Bank.

**BANK INDONESIA**  
**PROFIT AND LOSS ACCOUNT**  
 as per March 31, 1977  
 (Millions of Rupiahs)

EXPENDITURE		REVENUE	
Expenses		– Interest	155,633
– Personnel/Material/Operational	21,016	– Commission	154
– Currency in Circulation	7,713	– Miscellaneous	8,893
– Miscellaneous	72,343		
– Dotation to Pension Fund	200		
– Depreciation	19,821		
	<u>121,093</u>		
PROFIT			
– Profit before tax	43,587		
	<u>164,680</u>		<u>164,680</u>

## APPENDIX B

### MANAGEMENT OF BANK INDONESIA As per March 31, 1977

Government Commissioner : Soegiono

#### BOARD OF MANAGING DIRECTORS

Governor	:	Rachmat Saleh
Managing Director	:	Marathon Wirija Mihardja
Managing Director	:	Soeksmono Besar Martokoesoemo
Managing Director	:	Arifin Mohammad Siregar
Managing Director	:	Durmawel Ahmad
Managing Director	:	J. E. Ismael
Managing Director	:	M. Djoko Soedomo
Managing Director	:	Kamardy Arief



## **GENERAL MANAGERS**

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

## **REPRESENTATIVES**

Kuala Lumpur and Singapore	:	Muljana Wiraatmadja
London	:	Marjanto Danoesapoetro
New York	:	Achmad Effendie
Tokyo	:	R. Soejoto

## BRANCH MANAGERS

Ambon	:	Azwahin
Banda Aceh	:	Sugiono
Bandung	:	Suparto Wignyasubrata
Banjarmasin	:	Tom Hartono
Bengkulu	:	Husni Djojoseputro
Cirebon	:	Sutedja Trisnaatmadja
Denpasar	:	Soewarno Poespowidjojo
Jambi	:	Soetrisno
Jayapura	:	Permadi Sofion
Jember	:	Dulkalip
Kediri	:	R. Soenoekarto Darsopanambang
Kendari	:	Thamrin Soerawisastra
Kupang	:	Usman Sugiarto
Malang	:	Sanjoto Abdulradjak
Mataram	:	Ekotjipto
Medan	:	Mahfud Jakile
Menado	:	Ph. K. Intama
Padang	:	R. Soeyatno
Palembang	:	R. Koesmadi Sastrodipoero
Palu	:	R.N.G. Natakoesoema
Pekanbaru	:	Akhmad Martinoes
Pontianak	:	Muchtar Abdullah
Samarinda	:	Sofjan Lumad
Semarang	:	Bambang Susilo
S o l o	:	Sahrudin Siata
Surabaya	:	R. Sujanto
Telukbetung	:	A . Sulaeman Gandabrata
Ujung Pandang	:	Wiardi
Yogyakarta	:	Isbianto Poerwodinoto

## CASH OFFICE MANAGERS

Balikpapan	:	Samidjo
Lhokseumawe	:	M. Junus Abd. Rachman
Purwokerto	:	Judjono Gandasubrata
Tegal	:	Aibar Durin
Ternate	:	R. Muh. Komar

TABLE I – AREA AND POPULATION OF MAIN ISLANDS

	Area		Number of population			
	(thousands sq. km)	%	1971 <sup>1)</sup> (million persons)	%	1976 <sup>2)</sup> (million persons)	%
Jawa & Madura	132.2	6.9	76.1	63.8	85.3	63.1
Sumatra	473.6	24.9	20.8	17.4	24.3	18.0
Sulawesi	189.2	9.9	8.5	7.1	9.8	7.2
Kalimantan	539.5	28.3	5.2	4.4	5.9	4.4
Bali	5.6	0.3	2.1	1.8	2.4	1.8
Irian Jaya	422.0	22.2	0.9	0.8	1.1	0.8
Other islands	142.5	7.5	5.6	4.7	6.4	4.7
Indonesia	1,904.6	100.0	119.2	100.0	135.2	100.0

1) 1971 Census

2) Estimated figures

Source : Central Bureau of Statistics

**TABLE II – DEVELOPMENT EXPENDITURE EXCLUDING PROJECT AID**  
**1972/1973 – 1976/1977**  
 (Billions of Rupiahs)

Type of Expenditure/Items	1972/1973	1973/1974	1974/1975	1975/1976	1976/1977
1. Departments/Institutions	150.0	167.3	221.6	384.9	590.9
2. Regional Development	57.8	85.7	158.3	234.2	285.0
– Subsidies to Villages	( 5.7)	( 5.7)	( 11.4)	( 15.9)	( 19.8)
– Subsidies to Kabupaten/Kotamadya	( 12.8)	( 19.2)	( 42.5)	( 59.1)	( 62.4)
– Subsidies to Provinces	( 20.8)	( 20.8)	( 47.4)	( 54.0)	( 61.5)
– Irian Jaya	( 3.3)	( 3.3)	( 4.0)	( 5.5)	( 5.0)
– Primary School	( — )	( 17.2)	( 19.7)	( 49.9)	( 57.3)
– Public Health Center	( — )	( — )	( 5.3)	( 15.2)	( 20.8)
– IPEDA	( 15.2)	( 19.5)	( 28.0)	( 34.6)	( 42.2)
– "INPRES Pasar"	( — )	( — )	( — )	( — )	( — )
– "INPRES Penghijauan dan Reboisasi"	( — )	( — )	( — )	( — )	( 16.0)
3. Other Development Expenditure	28.1	83.8	386.0	307.2	405.0
– Subsidies on Commercial Imports of Fertilizer	( — )	( 33.0)	(227.2)	(134.5)	(107.3)
– Government Capital Participation	( 22.5)	( 40.8)	( 91.1)	(108.7)	(217.9)
– Others	( 5.6)	( 10.0)	( 67.7)	( 64.0)	( 79.8)
<b>T o t a l</b>	<u>235.9</u>	<u>336.8</u>	<u>765.9</u>	<u>926.3</u>	<u>1,280.9</u>

Source : Department of Finance

**TABLE III – DEVELOPMENT EXPENDITURE 1976/1977**  
(Billions of Rupiahs)

S e c t o r	Expenditure in Rupiah	Project Aid	Total
– Agriculture and Irrigation	249.4	106.7	356.1
– Industry and Mining	57.6	137.3	194.9
– Electric Power	52.9	165.2	218.1
– Communication and Tourism	125.0	303.8	428.8
– Trade and Cooperatives	9.4	0.1	9.5
– Manpower and Transmigration	26.1	1.0	27.1
– Regional Development	188.5	1.5	190.0
– Religion	5.5	—	5.5
– Education, National Culture and Development of Young Generation	130.2	5.3	135.5
– Health, Family Planning and Social Welfare	42.3	5.9	48.2
– Housing and Water Supply	27.5	2.9	30.4
– Law and Order and Law enforcement	7.4	—	7.4
– Defense and National Security	59.5	—	59.5
– Information and Communication	10.2	36.3	46.5
– Science and Technology, Research and Statistics	24.5	0.3	24.8
– Government Apparatus	47.0	—	47.0
– Government Capital Participation	217.9	7.3	225.2
<b>T o t a l</b>	<b>1,280.9</b>	<b>773.6</b>	<b>2,054.5</b>

Source : Department of Finance

**TABLE IV – DEVELOPMENT EXPENDITURE 1972/1973 – 1976/1977**  
(Billions of Rupiahs)

S e c t o r	1972/ 1973	1973/ 1974	1974/ 1975	1975/ 1976	1976/ 1977
– Agriculture and Irrigation	52.7	98.1	301.8	257.0	356.1
– Industry and Mining	20.7	33.3	70.7	124.1	194.9
– Electric Power	23.7	45.1	79.0	127.7	218.1
– Communication and Tourism	69.9	79.4	123.5	311.6	428.8
– Trade and Cooperatives	---	---	4.2	3.5	9.5
– Manpower and Transmigration	0.3	0.3	4.5	11.9	27.1
– Regional Development	59.1	69.8	135.9	172.9	190.0
– Religion	0.7	0.6	3.0	2.5	5.5
– Education, National Culture and Development of Young Generation	18.0	36.9	47.2	113.7	135.5
– Health, Family Planning and Social Welfare	7.8	8.5	25.3	37.7	48.2
– Housing and Water Supply	5.7	8.5	6.5	13.3	30.4
– Law and Order and Law enforcement	---	5.8	1.9	4.6	7.4
– Defense and National Security	6.0	7.2	22.7	35.8	59.5
– Information and Communication	11.1	16.6	2.7	17.1	46.5
– Science and Technology, Research and Statistics	---	---	11.2	17.1	24.8
– Government Apparatus	---	---	23.9	31.8	47.0
– Government Capital Participation	22.5	40.8	97.8	115.4	225.2
<b>T o t a l</b>	<b>298.2</b>	<b>450.9</b>	<b>961.8</b>	<b>1,397.7</b>	<b>2,054.5</b>

Source : Department of Finance

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

S e c t o r <sup>1)</sup>	1972/ 1973	1973/ 1974	1974/ 1975	1975/ 1976	1976/ 1977
– Agriculture and Irrigation	40.9	79.5	275.5	214.0	249.4
– Industry and Mining	4.6	4.6	6.6	47.7	57.6
– Electric Power	14.8	17.6	40.5	38.0	52.9
– Communication and Tourism	48.4	51.1	81.3	85.1	125.0
– Manpower and Transmigration <sup>2)</sup>	0.3	0.3	4.3	11.3	26.1
– Regional Development	59.1	69.8	135.5	172.5	188.5
– Religion	0.7	0.6	3.0	2.5	5.5
– Education, National Culture and Development of Young Generation <sup>3)</sup>	15.8	35.4	39.4	106.4	130.2
– Health, Family Planning and Social Welfare	7.4 <sup>4)</sup>	7.5 <sup>4)</sup>	17.9	30.8	42.3
– Housing and Water Supply	4.3 <sup>5)</sup>	5.8 <sup>5)</sup>	5.4	10.5	27.5
– Defense and National Security	6.0	7.2	22.7	35.8	59.5
– Trade and Cooperatives	—	—	3.6	2.9	9.4
– Law and Order and Law Enforcement	—	—	1.9	4.6	7.4
– Information and Communication	11.1	16.6	2.3	7.0	10.2
– Science and Technology, Research and Statistics	—	—	11.0	16.7	24.5
– Government Apparatus	—	—	23.9	31.8	47.0
– Government Capital Participation	22.5	40.8	91.1	108.7	217.9
<b>T o t a l</b>	<u>235.9</u>	<u>336.8</u>	<u>765.9</u>	<u>926.3</u>	<u>1,280.9</u>

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 : Departement of Finance

**TABLE VI – ACTUAL PROJECT AID**  
(Billions of Rupiahs)

S e c t o r <sup>1)</sup>	1972/ 1973	1973/ 1974	1974/ 1975	1975/ 1976	1976/ 1977
– Agriculture and Irrigation	11.8	18.6	26.3	43.0	106.7
– Industry and Mining	16.1	28.7	64.1	76.4	137.3
– Electric Power	8.9	27.5	38.5	89.7	165.2
– Communication and Tourism	21.5	28.3	42.2	226.5	303.8
– Education, National Culture and Development of Young Generation	2.2	1.5	7.8	7.3	5.3
– Health, Family Planning and Social Welfare	0.4 <sup>2)</sup>	1.0 <sup>2)</sup>	7.4	6.9	5.9
– Housing and Water Supply	1.4 <sup>3)</sup>	2.7 <sup>3)</sup>	1.1	2.8	2.9
– Trade and Cooperatives	---	---	0.6	0.6	0.1
– Manpower and Transmigration	---	---	0.2	0.6	1.0
– Regional Development	---	---	0.4	0.4	1.5
– Religion	---	---	---	---	---
– Law and Order and Law Enforcement	---	5.8	---	---	---
– Defense and National Security	---	---	---	---	---
– Information and Communication	---	---	0.4	10.1	36.3
– Science and Technology, Research and Statistics	---	---	0.2	0.4	0.3
– Government Apparatus	---	---	---	---	---
– Government Capital Participation	---	---	6.7	6.7	7.3
<b>T o t a l</b>	<b>62.3</b>	<b>114.1</b>	<b>195.9</b>	<b>471.4</b>	<b>773.6</b>

1) Classification by sectors based on REPELITA II

2) Excluding Social Welfare

3) Including Social Welfare

Source : Department of Finance



**TABLE VII – BANK CREDITS IN RUPIAH BY MATURITY**  
(Millions of Rupiahs)

	1975/1976	1976/1977			
		I	II	III	IV
<b>Short term credits</b>	1,684,215	1,819,935	1,923,461	1,987,334	2,064,271
– Agriculture	204,522	196,052	237,533	203,472	219,605
– Mining	91,292	127,069	151,658	167,973	200,197
– Manufacturing	394,379	439,413	473,778	528,806	579,984
– Trade	730,165	758,064	775,448	796,291	752,479
– Service rendering industry	127,488	131,454	109,281	133,054	139,496
– Others	136,369	167,883	175,763	157,738	172,510
<b>Investment credits <sup>1)</sup></b>	320,335	340,674	394,882	434,846	460,113
– Agriculture	47,265	38,715	73,007	51,879	54,358
– Mining	7,755	8,901	7,958	7,617	8,328
– Manufacturing	155,117	170,183	174,324	210,629	227,531
– Trade	36,137	35,353	36,427	40,399	40,241
– Service rendering industry	62,761	74,931	99,560	120,316	124,721
– Others	11,300	12,591	3,606	4,006	4,934
<b>Total</b>	<b>2,004,550</b>	<b>2,160,609</b>	<b>2,318,343</b>	<b>2,422,180</b>	<b>2,524,384</b>

1) Investment credits based on Announcement of the Board of Directors of Bank Indonesia No. Peng.1/DIR/1969, dated March 7, 1969; includes small investment credits and other investment credits; excludes foreign exchange component of project aid.

**TABLE VIII – INVESTMENT CREDITS <sup>1)</sup>**  
(millions of Rupiahs)

	1973/ 1974	1974/ 1975	1975/ 1976	I	1976/1977		
					II	III	IV
<b>Credit outstanding</b>	107,952	126,098	168,829	177,253	188,385	208,724	221,737
<b>1. By economic sectors</b>							
– Agriculture	8,305	9,545	16,338	17,413	18,447	18,713	18,965
– Mining	168	147	5,143	4,637	4,746	4,278	4,278
– Manufacturing	52,764	61,404	67,740	69,308	70,223	78,522	79,382
– Service rendering industry	41,178	46,672	70,346	76,708	87,150	99,985	110,668
– Others	5,537	8,330	9,262	9,187	7,819	7,226	8,444
<b>2. By source of funds</b>							
– Central Bank	64,096	61,454	81,369	80,017	89,916	89,309	92,498
– State banks	39,011	60,696	83,627	93,444	94,706	115,652	126,090
– Government budget <sup>2)</sup>	4,845	3,948	3,833	3,792	3,763	3,763	3,149
<b>Approved by banks</b>	157,478	177,071	224,825	238,909	242,168	272,623	291,052
<b>1. By economic sectors</b>							
– Agriculture	10,956	12,139	17,955	19,694	20,524	20,528	20,421
– Mining	513	221	5,154	5,154	5,296	5,296	5,296
– Manufacturing	75,187	86,837	84,430	95,828	95,588	108,476	114,241
– Service rendering industry	62,321	65,916	103,741	104,624	108,359	125,465	137,219
– Others	8,501	11,958	13,545	13,609	12,401	12,858	13,875
<b>2. By source of funds</b>							
– Central Bank	110,351	111,827	138,416	140,876	142,422	156,315	184,007
– State banks	39,900	59,485	81,305	92,976	94,693	111,515	101,868
– Government budget <sup>4)</sup>	7,227	5,759	5,104	5,057	5,053	4,793	5,177

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

2) Since 1971 investment credits are no longer financed by Government budget appropriations, while repayments are put into the Investment Fund to be used subsequently for granting new investment credits.

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

	1973/ 1974	1974/ 1975	1975/ 1976	1976/1977			
				I	II	III	IV
<b>Credit outstanding</b>	11,320	16,581	27,564	31,424	35,481	37,432	41,117
<b>1. By economic sectors</b>							
– Agriculture	1,399	3,890	12,994	14,665	17,689	20,209	21,839
– Mining	---	---	---	---	---	---	---
– Manufacturing	8,238	10,977	14,120	14,992	16,070	15,544	17,688
– Service rendering industry	---	---	---	---	---	---	---
– Others	1,683	1,714	450	1,767	1,722	1,679	1,590
<b>2. By source of funds</b>							
– Central Bank	8,939	14,284	23,407	27,189	28,471	30,910	34,042
– State banks	2,381	2,297	4,157	4,235	7,010	6,522	7,075
– Government budget	---	---	---	---	---	---	---
<b>Approved by banks</b>	17,838	21,232	44,631	46,350	48,542	47,379	52,416
<b>1. By economic sectors</b>							
– Agriculture	7,291	6,873	17,914	20,999	22,982	23,906	27,927
– Mining	---	---	---	---	---	---	---
– Manufacturing	8,956	12,768	25,126	23,760	23,969	21,788	22,804
– Service rendering industry	---	---	---	---	---	---	---
– Others	1,591	1,591	1,591	1,591	1,591	1,685	1,685
<b>2. By source of funds</b>							
– Central Bank	16,054	18,481	41,152	44,024	46,663	46,136	46,123
– State banks	1,784	2,751	3,479	2,326	1,879	1,243	6,293
– Government budget	---	---	---	---	---	---	---

**TABLE X INVESTMENT CREDITS FOR FOREIGN EXCHANGE COMPONENT  
OF PROJECT AID**  
(millions of Rupiahs)

	1973/ 1974	1974/ 1975	1975/ 1976	1976/1977			
				I	II	III	IV
<b>Credit outstanding</b>	<u>42,114</u>	<u>79,032</u>	<u>100,521</u>	<u>102,380</u>	<u>106,021</u>	<u>123,808</u>	<u>131,618</u>
<b>1. By economic sectors</b>							
– Agriculture	14,185	21,927	29,227	29,117	29,343	28,931	28,707
– Mining	1,866	9,637	11,268	11,281	11,121	10,937	10,572
– Manufacturing	18,702	33,970	42,527	45,320	48,877	64,017	71,584
– Service rendering industry	3,743	8,789	11,088	9,158	9,237	9,143	9,364
– Others	3,618	4,709	6,411	7,504	7,443	10,780	11,391
<b>2. By source of funds</b>	<u>42,114</u>	<u>79,032</u>	<u>100,521</u>	<u>102,380</u>	<u>106,021</u>	<u>123,808</u>	<u>131,618</u>
– Central Bank	41,939	78,571	100,395	102,272	105,453	123,700	130,940
– State banks	175	461	126	108	568	108	678
– Government budget	---	---	---	---	---	---	---
<b>Approved by banks</b>	<u>80,540</u>	<u>116,141</u>	<u>161,161</u>	<u>165,143</u>	<u>183,506</u>	<u>254,824</u>	<u>259,917</u>
<b>1. By economic sectors</b>							
– Agriculture	25,615	40,037	49,291	49,291	48,818	48,818	54,309
– Mining	10,303	13,800	12,895	12,895	12,661	13,443	13,443
– Manufacturing	34,565	50,401	51,187	53,859	72,336	142,873	142,475
– Service rendering industry	6,277	8,123	30,613	31,923	31,923	31,923	31,923
– Others	3,780	3,780	17,175	17,175	17,768	17,767	17,767
<b>2. By source of funds</b>	<u>80,540</u>	<u>116,141</u>	<u>161,161</u>	<u>165,143</u>	<u>183,506</u>	<u>254,824</u>	<u>259,917</u>
– Central Bank	80,540	115,389	161,108	165,143	183,506	254,824	259,917
– State banks	---	---	53	---	---	---	---
– Government budget	---	752	---	---	---	---	---

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

Country	1974/1975	1975/1976	1976/1977
<b>Europe</b>			
Netherlands	166	158	272
Belgium and Luxemburg	11	12	16
Denmark	8	9	31
United Kingdom and the Republic of Ireland	23	36	54
Italy	16	33	81
Germany, Federal Republic of	171	131	209
Norway	2	2	5
France	18	15	36
Sweden	4	2	3
Other	58	54	88
Total export to Europe	<u>477</u>	<u>452</u>	<u>795</u>
Percentage of total exports	6,4%	6.4%	8.5%
<b>America</b>			
United States of America	1,546	1,969	2,728
Canada	33	10	18
Other	461	643	596
Total export to America	<u>2,040</u>	<u>2,622</u>	<u>3,342</u>
Percentage of total exports	27.3%	36.9%	35.7%
<b>Africa</b>			
Egypt	---	1	4
Portugese East Africa	---	---	---
Union of South Africa	---	---	---
Other	20	3	16
Total export to Africa	<u>20</u>	<u>4</u>	<u>20</u>
Percentage of total exports	0.3%	0.1%	0.2%
<b>Asia</b>			
Burma	15	3	---
Hongkong	25	27	26
India	5	8	9
Iraq	---	14	16
Japan	3,940	3,008	3,854
Malaysia	82	56	17
Thailand	7	3	1
Pakistan	44	33	35
Philippines	4	33	128
Singapore	555	609	729
Other	187	202	362
Total export to Asia	<u>4,864</u>	<u>3,996</u>	<u>5,177</u>
Percentage of total exports	65.3%	56.3%	55.2%
<b>Australasia</b>			
Australia	24	24	30
New Zealand	1	1	3
Oceania – Hawaii	30	---	---
Total export to Australasia	<u>55</u>	<u>25</u>	<u>33</u>
Percentage of total exports	0.7%	0.3%	0.4%
Others <sup>1)</sup>	2	3	4
Total export of Indonesia	<u>7,458</u>	<u>7,102</u>	<u>9,371</u>

Source : Central Bureau of Statistics

1) Including exports via free port.

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

Country	1974/1975	1975/1976	1976/1977
<b>E u r o p e</b>			
Netherlands	105	138	165
Belgium and Luxemburg	44	63	71
Czechoslovakia	2	12	4
United Kingdom and the Republic of Ireland	167	146	169
Italy	55	80	59
Germany, Federal Republic of	359	365	460
Germany, Democratic Republic of	1	---	2
France	86	85	194
Spain	2	2	3
Sweden	16	15	21
Switzerland	33	40	34
Other	153	191	53
Total import from Europe	<u>1,023</u>	<u>1,137</u>	<u>1,235</u>
Percentage of total imports	23.1%	24.4%	24.1%
<b>A m e r i c a</b>			
Canada	45	62	60
United States of America	637	704	877
Other	19	23	23
Total import from America	<u>701</u>	<u>789</u>	<u>960</u>
Percentage of total imports	15.8%	16.9%	18.7%
<b>A f r i c a</b>			
United Arab Republic	---	---	...
British East Africa	20	101	48
Union of South Africa	---	---	---
Other	14	---	---
Total import from Africa	<u>34</u>	<u>101</u>	<u>48</u>
Percentage of total imports	0.7%	2.1%	0.9%
<b>A s i a</b>			
Burma	21	31	85
Hongkong	122	51	62
India	25	79	76
Japan	1,325	1,422	1,139
Pakistan	54	12	23
Philippines	12	15	14
Malaysia	16	19	17
Thailand	86	33	198
C h i n a	186	169	84
Singapore	288	356	497
Other	380	278	498
Total import from Asia	<u>2,515</u>	<u>2,465</u>	<u>2,693</u>
Percentage of total imports	56.7%	52.9%	52.5%
<b>A u s t r a l a s i a</b>			
Australia	149	104	173
New Zealand and Oceania	15	67	19
Total import from Australasia	<u>164</u>	<u>171</u>	<u>192</u>
Percentage of total imports	3.7%	3.7%	3.8%
Total import of Indonesia	<u>4,437</u>	<u>4,663</u>	<u>5,128</u>

Source : Central Bureau of Statistics

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

Country	1974/1975	1975/1976	1976/1977
U.S.A.	96	1,005	440
Netherlands	19	145	138
Belgium	1	17	110
Japan	276	257	171
Germany, Federal Republic of	16	64	174
France	38	65	189
United Kingdom	9	76	118
Yugoslavia	---	---	3
Denmark	3	2	---
Canada	33	22	15
New Zealand	---	1	1
Switzerland	---	1	---
I r a n	---	1	39
A D B	26	29	30
IDA – IBRD	81	294	210
CCC Credit	---	---	29
Saudi Arabia	---	---	7
Syndicate	---	---	75
<b>T o t a l</b>	<b>598</b>	<b>1,979</b>	<b>1,749</b>

**TABLE XIV – G R A N T S**  
(millions of \$)

Country	1974/1975	1975/1976	1976/1977
Australia	16	3	60
U.S.A.	---	---	---
Netherlands	16	5	1
Belgium	3	---	---
Japan	8	---	---
Germany, Federal Republic of	4	---	---
United Kingdom	1	---	---
Italy	---	2	3
Canada	---	3	10
France	4	3	---
EEC	10	---	---
<b>Total</b>	<b>62</b>	<b>16</b>	<b>74</b>



**TABLE XV — APPROVED DOMESTIC INVESTMENT PROJECTS  
BY SECTOR, 1968 — 1976**  
(billions of Rupiahs)

	Nov.1968—1973		1974		1975		1976		Total	
	Number of projects	Investment plan	Number of projects	Investment plan	Number of projects	Investment plan	Number of projects	Investment plan	Number of projects	Investment plan
Agriculture	75	61.7	9	8.7	14	19.2	14	42.3	112	131.9
Forestry	220	139.3	39	32.1	13	7.3	7	5.2	279	183.9
Mining	10	47.6	3	2.4	—	—	—	—	13	50.0
Manufacturing	1,451	755.5	192	170.4	130	199.4	94	174.6	1,867	1,299.9
Construction	6	14.2	—	—	—	—	-1	-1.2	5	13.0
Hotel/Tourism	97	76.1	3	2.3	4	1.4	12	6.7	116	86.5
Housing/Office	9	77.2	—	—	4	15.2	10	41.3	23	133.7
Other services	101	89.0	13	14.4	7	8.3	-6	7.4	115	119.1
<b>T o t a l</b>	<b>1,969</b>	<b>1,260.6</b>	<b>259</b>	<b>230.3</b>	<b>172</b>	<b>250.8</b>	<b>130</b>	<b>276.3</b>	<b>2,530</b>	<b>2,018.0</b>

**TABLE XVI — APPROVED FOREIGN INVESTMENT PROJECTS <sup>1)</sup>**  
**BY SECTOR, 1967 — 1976**  
(millions of \$)

S e c t o r	1967-1972	1973	1974	1975	1976	1967-1976	
						Investment Plan	Projects
Agriculture	83.2	19.7	2.6	1.0	8.2	114.7	59
Forestry	419.1	45.2	62.3	15.8	36.9	579.3	88
Fishery	27.4	4.1	19.3	13.7	5.7	70.2	19
Mining	953.7	—	69.0	507.2	3.6	1,533.5	17
Manufacturing Industry :	768.9	471.7	1,124.6	1,160.5	349.4	3,875.1	511
Foodstuffs	91.1	24.9	33.9	23.5	67.6	241.0	63
Textile	307.1	243.6	398.7	31.2	24.2	1,004.8	76
Timber	2.0	6.3	10.1	21.9	5.5	45.8	14
Paper	13.3	2.5	1.0	18.5	66.2	101.5	16
Chemical	124.9	73.6	232.2	61.4	35.8	527.9	142
Metal	143.7	75.5	310.9	904.4	78.1	1,512.6	160
Others	86.8	45.3	137.8	99.6	72.0	441.5	40
Construction	34.5	14.6	26.7	10.3	1.3	87.4	61
Hotels and Trade	99.7	28.4	80.9	21.3	14.2	244.5	20
Transportation and Communications	18.3	15.2	3.0	20.3	4.0	60.8	22
Other services	83.6	56.5	140.7	16.5	27.3	330.6	60
T o t a l	2,488.4	655.4	1,529.1	1,766.6	450.6	6,890.1	857

1) Excluding oil and banking sector

**TABLE XVII – IMPLEMENTATION OF FOREIGN INVESTMENT PROJECTS  
BY SECTOR, 1967 – 1976**  
(millions of \$)

Sector	1967–1972	1973	1974	1975	1976	1967–1976	
						Investment Value	Projects
Agriculture	16.6	7.9	4.5	3.2	8.6	40.8	47
Forestry	112.0	40.9	50.3	34.4	24.1	261.7	73
Fishery	19.6	6.5	21.9	11.3	8.8	68.1	12
Mining	165.5	6.6	44.3	40.4	40.9	297.7	15
Manufacturing Industry :	357.8	306.7	368.5	392.4	298.5	1,723.9	366
Foodstuffs	55.2	34.8	21.7	13.9	11.7	137.3	47
Textile	136.1	149.5	157.7	181.8	87.6	712.7	51
Timber	3.4	0.3	1.8	10.6	4.6	20.7	8
Paper	7.3	5.1	1.5	0.7	3.0	17.6	11
Chemical	58.4	37.1	50.8	45.9	46.9	239.1	109
Metal	79.1	48.7	89.9	84.4	70.5	372.6	114
Others	18.3	31.2	45.1	55.1	74.2	223.9	26
Construction	4.0	1.5	16.6	7.9	4.5	34.5	41
Hotels and Trade	16.5	17.9	19.6	8.2	17.7	79.9	19
Transportation and Communications	7.7	0.9	1.1	2.2	4.0	15.9	20
Other services	10.7	4.9	107.1	47.1	16.6	186.4	35
<b>T o t a l</b>	<b>710.4</b>	<b>393.8</b>	<b>633.9</b>	<b>547.1</b>	<b>423.7</b>	<b>2,708.9</b>	<b>628</b>

**TABLE XVIII – AGRICULTURAL PRODUCTION**  
(Thousand tons)

	1972	1973	1974	1975	1976*
<b>1. Foodstuffs</b>					
– Rice	13,183	14,607	15,276	15,185	15,710
– Maize	2,254	3,690	3,011	2,903	2,512
– Cassava roots	10,385	11,185	13,031	12,546	12,468
– Sweet potatoes	2,066	2,387	2,469	2,433	2,418
– Peanuts	282	290	307	380	332
– Soya beans	518	541	589	590	482
<b>2. Forestry <sup>1)</sup></b>					
– Timber	17,717	25,800	23,280	16,296	21,322
<b>3. Fishery</b>	1,269	1,278	1,337	1,390	1,448
– Sea	( 836)	( 889)	( 949)	997)	( 1,043)
– Inland	( 433)	( 389)	( 388)	( 393)	( 405)
<b>4. Estate</b>					
– Rubber	803	845	820	780	810
a. Smallholder	( 567)	( 598)	( 571)	( 536)	( 564)
b. Estate	( 236)	( 247)	( 249)	( 244)	( 246)
– Copra	1,254	1,280	1,343	1,370	1,521
– Palm oil	269	290	351	411	434
– Palm kernels	59	64	74	84	82
– Sugar					
a. Smallholder	214	204	250	223	250
b. Estate	889	820	1,025	1,030	1,056
– T e a					
a. Smallholder	12	14	14	14	16
b. Estate	48	53	50	55	61
– Coffee	180	150	148	159	177
a. Smallholder	( 158)	( 140)	( 132)	( 144)	( 162)
b. Estate	( 22)	( 10)	( 16)	( 15)	( 15)

1) Thousand M<sup>3</sup>

Sources : Central Bureau of Statistics  
Department of Agriculture

**TABLE XIX – LIVESTOCK POPULATION**  
(Thousand of heads)

	1972	1973	1974	1975 <sup>f</sup>	1976 <sup>*</sup>
– Cows	6,286	6,637	6,380	6,242	6,114
– Buffaloes	2,822	2,489	2,415	2,432	2,458
– Sheep	2,996	3,547	3,403	3,374	3,286
– Goats	7,189	6,793	6,517	6,315	6,112
– Horses	693	645	600	627	649
– Pigs	3,350	2,768	2,906	2,707	2,516
– Ducks	12,404	11,124	13,620	14,123	15,182
– Cultivated chickens	3,000	2,173	3,450	3,903	4,878
– Non cultivated chickens	79,627	82,207	89,650	94,572	97,504

Source : Attachment to the speech of the President RI, August 16, 1975 and 1976

**TABLE XX – PRODUCTION OF MEAT, EGG AND MILK**  
(Thousand tons)

	1972	1973	1974	1975	1976 <sup>*</sup>
– Meat	366.2	379.4	403.1	435.0	448.7
– Egg	77.5	81.4	98.1	109.0	115.6
– Milk	37.7	35.0	56.9	49.6	56.4

Source : Attachment to the speech of the President RI, August 16, 1975 and 1976

TABLE XXI – INDUSTRIAL PRODUCTION

	Unit	1974/1975	1975/1976 <sup>†</sup>	1976/1977 <sup>*</sup>
<b>Textile Industry</b>				
Textiles	million meters	974.0	1,017.1	1,247.0
Yarn	thousand bales	364.0	445.4	480.7
<b>Chemical Industry</b>				
Urea fertilizer	thousand tons	209.1	387.4	412.4
Z.A. fertilizer	thousand tons	129.1	113.7	105.2
Cement	thousand tons	828.9	1,241.4	1,979.3
Paper	thousand tons	43.2	46.7	54.4
Salt	thousand tons	70.0	147.2	563.0
Motor vehicle tyres	thousand units	1,704.0	1,796.0	1,883.8
Motor vehicle tubes	thousand units	587.1	625.8	673.4
<b>Miscellaneous Industry and Handicrafts</b>				
Bicycle tyres	thousand units	6,279.0	7,129.0	7,297.0
Bicycle tubes	thousand units	4,691.9	5,621.5	5,955.1
Coconut oil	thousand tons	265.0	268.4	276.2
Cooking oil	thousand tons	29.4	30.6	32.6
Laundry soap	thousand tons	148.9	164.6	175.5
Detergent	thousand tons	7.0	34.9	33.4
Clove cigarettes	million units	30,600.0	33,300.0	37,900.0
White cigarettes	million units	21,865.0	23,500.0	22,637.0
Matches	million boxes	707.0	780.0	772.0
Tooth paste	million tubes	46.0	107.8	103.6
<b>Metal &amp; Machinery Industry</b>				
<b>Motor Vehicle Assembling</b>				
Automobiles	thousand units	65.6	78.9	75.3
Three wheel vehicles	thousand units	1.1	3.7	4.8
Motor cycles	thousand units	251.0	300.0	267.6
Batteries	thousand units	180.0	220.0	480.0
<b>Shipyards</b>				
Steel vessels	thousand tons	17.8	15.0	18.5
<b>Aircraft Industry</b>				
Aeroplanes	units	—	2	3
Helicopters	units	—	—	13
<b>Electrical Appliances &amp; Electronics Industry</b>				
Dry batteries	million dozens	12.0	20.0	35.0
Television sets	thousand units	135.0	165.5	212.8
Radio sets	thousand units	1,000.0	1,071.0	1,100.0
Light bulbs/TL tubes	million units	18.9	21.5	26.0
<b>Other Metal Industry</b>				
Reinforcing steel	thousand tons	115.0	202.0	296.3
Electric cord	thousand tons	9.0	9.0	9.0
Galvanized iron sheets	thousand tons	70.0	145.0	156.0
Steel pipes	thousand tons	94.0	97.0	107.0

Source : Department of Industry

TABLE XXII – COST OF LIVING INDEX IN JAKARTA  
(September 1966 = 100)

	Food-stuffs	Housing	Clothing	Others	General Index	Change (%)	
						Annual/Quarterly	Monthly
1974							
March	1,356	1,194	632	1,166	1,188		
1974/1975						20.1	
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						19.8	
June	1,632	1,546	780	1,529	1,465	2.7	
September	1,760	1,591	808	1,524	1,545	5.5	
December	1,896	1,665	836	1,561	1,640	6.2	
March	1,986	1,695	846	1,635	1,709	4.2	
1976/1977			-			12.1	
April	1,984	1,783	866	1,650	1,721		0.7
May	2,004	1,824	879	1,708	1,748		1.6
June	2,052	1,857	885	1,708	1,779	4.1	1.8
July	2,064	1,921	885	1,742	1,797		1.0
August	2,096	1,982	902	1,779	1,829		1.8
September	2,150	1,997	930	1,800	1,870	5.1	2.2
October	2,145	2,029	932	1,800	1,870		
November	2,151	2,057	933	1,800	1,875		0.3
December	2,146	2,057	934	1,800	1,873	0.2	0.1
January	2,184	2,123	940	1,810	1,902		1.6
February	2,183	2,123	940	1,822	1,904		0.1
March	2,199	2,144	944	1,826	1,916	2.3	0.6

Source : Central Bureau of Statistics

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

	Index	Change (%)	
		Annual/Quarterly	Monthly
1974			
March	1,130		
1974/1975		11.2	
June	1,053	-6.8	
September	1,050	-0.3	
December	1,184	12.8	
March	1,257	6.2	
1975/1976		19.8	
June	1,193	-5.1	
September	1,336	12.0	
December	1,482	10.9	
March	1,506	1.6	
1976/1977		0.9	
April	1,470		-2.4
May	1,442		-1.9
June	1,471	-2.3	2.0
July	1,487		1.1
August	1,506		1.3
September	1,507	2.5	0.1
October	1,507		—
November	1,512		0.3
December	1,505	-0.1	-0.5
January	1,512		0.5
February	1,519		0.5
March	1,520	1.0	0.1

Source : Central Bureau of Statistics



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

	Rubber RSS I	Coffee Robusta	White pepper	Black pepper	BOP Tea	Copra
1974						
March	178.35	320.46	752.19	398.45	228.52	192.43
1974/1975						
June	231.77	282.63	632.02	412.46	246.80	217.92
September	179.19	270.96	545.17	392.58	257.89	192.20
December	187.38	315.06	582.70	442.31	274.21	126.88
March	178.35	245.82	526.25	362.30	310.78	94.51
1975/1976						
June	175.02	259.29	411.51	285.74	310.78	70.34
September	183.19	436.60	470.06	331.64	310.78	82.65
December	205.76	452.16	482.10	338.57	310.78	88.65
March	243.59	507.00	455.37	379.82	301.64	89.18
1976/1977						
April	259.32	625.50	478.75	414.80	310.78	92.51
May	282.76	775.00	485.00	406.84	340.00	115.34
June	299.84	781.25	442.50	401.35	380.00	126.55
July	274.71	762.50	457.50	401.94	380.00	131.49
August	274.08	756.25	475.00	416.78	400.00	147.50
September	266.68	835.00	559.00	453.12	480.00	153.75
October	287.67	1,068.75	646.25	539.38	480.00	176.07
November	289.71	1,150.00	670.00	616.25	480.00	182.69
December	273.50	1,500.00	665.00	654.38	480.00	178.75
January	281.79	1,487.50	727.50	708.25	480.00	203.33
February	277.32	1,675.00	748.75	728.75	480.00	204.00
March	278.29	2,090.00	1,220.00	1,050.00	800.00	225.00

Source : Central Bureau of Statistics