



Bank Indonesia



Report for the Financial Year
1980/1981

ISSN 0376 - 4303

Bank Indonesia

Head office:
JAKARTA

Representatives:

KUALA LUMPUR
LON DON
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SINGAPORE
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
PEMATANG SIANTAR
PURWOKERTO
SIBOLGA
TASIKMALAYA
TEGAL
TERNATE

Position as per end of March 1981

ISSN 0376 - 4303

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.

INTRODUCTION

During 1980, the Indonesian economy registered a remarkable progress, achieving the highest growth rate ever attained during the past seven years. Such growth was achieved just at the moment when the world economy was experiencing a recession. The foreign sector, induced particularly by oil and LNG exports, made significance advances during the reporting year. It brought the largest balance of payments surplus the country ever achieved. This surplus, together with a more liberal credit policy, resulted in a large expansion of the money supply. However, price increases were successfully restrained at a lower level than that recorded in 1979/80. This was made possible by the high rate of economic growth, adequate supply of essential commodities and rising demand for real money balances.

Real Gross Domestic Product (GDP), used as a yardstick to measure economic growth, increased by 9.6% in 1980 as compared with 5.3% in 1979. It is worth noting that besides successfully restraining price increases, this high growth rate was achieved despite increased Government efforts to improve distribution of income. The sectors showing the most rapid growth were industries, public administration, banking and other financial intermediaries, construction, wholesale and retail trade, transportation and communication. Mainly because of the spurt in rice production, the agricultural sector recorded a significantly high growth rate although still below that of GDP. On the other hand, as the case in the previous two years, mining production continued to decline.

The industrial sector grew remarkably, up by 21.2%, and its share in real GDP increased from 13% to 14.3% in 1980. This high rate of growth followed the completion of the Government sponsored industrial projects as well as from a more favorable business climate. Fertilizer and cement, registered large increases in their outputs, i.e. by 25.6% and by 24.4%, respectively. This was largely due to the high rate of output realized during the reporting year from new factories installed, and capacity expansions of existing factories carried out during the past two years. Since the past few years, production of these goods had been making steady progress which provided impetus to exports. However, during 1980/81 the increase in production of cement and fertilizers was surpassed by the rise in domestic consumption, resulting a decline in the volumes exported. Other commodities which also registered large increases were, inter alia, electrical appliances, motor vehicles and cigarettes.

The agricultural sector, which continued to command a predominant share in national production, registered an output increase of 5.5% as compared with 4.0% in 1979. The higher growth followed from the increase in rice production and several other food crops, especially corn and small green peas. Rice production rose by 13.3% to 20.2 million tons, the highest rate of increase ever achieved in recent years. Widespread and intensive use of fertilizers, insecticides and prime seeds, improvements in irrigation system aided by favorable weather conditions, contributed to the increased rice production. Consequently, the volume of rice imports fell from 2.6 million tons in 1979/80 to 1.2 million tons in 1980/81.

The slackening of the mining sector was brought about by a decline in output of crude oil, nickel ore, iron sand and copper, despite a rise in production of a few other mining products. With respect to crude oil, although the 1980 production was still lower than that in 1979, it showed an upturn in 1980. Oil production, which had been decreasing since 1978, picked up during the second half of 1980. This increase was due to the revival of exploration efforts since 1978, following a slowdown during the 1975-1977 period. As in previous years, natural gas production during 1980 rose by 4.7% to 1,046 million MSCF. This was prompted by an increase in the conversion of natural gas into LNG, and higher demand from industrial and household users. The production of LNG, entirely destined for exports, rose from 373 million MMBTU in 1979/80 to 424 million MMBTU in 1980/81. Among other mining products, coal production registered a substantial growth, by 23.2% to 329 thousand tons. Although this level of production was still far below the peak production of 591 thousand tons during 1963, it still presented prospects for promising growth in the future on account of the availability of large deposits and continued rise in prices of other energy sources. At present, most of the coal produced went towards domestic consumption, particularly in the cement factory, and ferro nickel and tin smelting plants.

The high growth in domestic production was accompanied by favorable developments in the external sector. The balance of payments registered a record surplus of \$ 2,736 million. Consequently, net foreign exchange reserves rose to \$ 7,342 million at the end of March 1981, and this level was equivalent to seven months of imports.

Surplus on current account was \$ 2,175 million as compared with \$ 2,198 million during 1979/80. Prior to 1979/80 the current account was continually in deficit during the last two decades.

Though the value of non-oil and non LNG exports registered a decline, the high increases in earnings from oil and LNG resulted in an overall export growth, by 25% to \$ 21,783 million. The increase in oil exports, by 41 % to \$ 14,088 million, was on account of higher oil prices, although the export volume decreased by approximately 2% to 434 million barrels. The oil export prices were increased twice during the reporting year, first in May 1980 and second in January 1981 by about 6.5% and 11 %, respectively. As a consequence, the average price of oil in 1980/81 was higher by 44% than that in 1979/80. With respect to LNG exports, both the volume and price increased in 1980/81.

The decline in the value of non-oil and non-LNG exports by 10% to \$ 5,584 million, was the first decline experienced during the last five years. This decline resulted partly from the downward slide in prices of export commodities and partly from the diversion of these commodities to the needs of domestic market. The major export commodities which encountered price decreases were timber, coffee, palm oil and shrimps. This was attributable to the world economic recession coupled with rising supply of these commodities and their substitutes in the world market. The volume of timber, coffee, palm oil and shrimp exports decreased quite substantially during the reporting year. The Government policy of restricting log exports in order to fulfill the supply of log for the domestic industry, contributed to the reduction in volume of

timber exports. Similarly, the Government's policy of prohibiting the use of fishing trawlers designed to preserve the national resources and protect the local fishermen, adversely affected the volume of shrimp exports. The reduction in volume of palm oil exports was largely due to expansion of domestic consumption. The decline in coffee exports was closely related to the reimposition of the export quota by the International Coffee Organization (ICO) in October 1980. The quota fixed for Indonesia was considerably lower than the export volume realized in the previous year.

During 1980/81 total imports rose by 35% to \$ 13,201 mil lion. This increase was brought about by the rising demand for imports as a consequence of higher income as well as by increases in import prices. Imports by oil and LNG companies rose by 55% to \$ 2,682 million and by non-oil and non-LNG companies increased by 31% to \$ 10,519 million. Capital goods continued to take the largest and increasing share in total imports in 1980/81, followed by raw materials and auxiliary inputs, and consumer goods.

The surplus in the balance of payments had a large expansionary impact on the money supply. A large expansionary impact was also attributed by the relaxation of the credit policy during the reporting year. Although the contractionary impact of the government budget was higher than that in the previous year, the money supply during 1980/81 showed a 37% increase to Rp 5,214 billion compared with an increase of 36% in the previous year. Total liquidity, comprising money supply, time and savings deposits, went up by 36% as compared with 40% in the preceding year.

Despite the high rate of growth of money supply and large expansion of total liquidity during 1980/81, prices rose by only 15.9% as compared with 19.1% in 1979/80. This distinctly lower rate of price increase was closely related to adequate supply and better distribution of essential commodities, high rate of economic growth, and increased demand for real money balances.

Government receipts and expenditures, in 1980/81 both increased by 45%, reaching approximately Rp 11.7 trillion, respectively. Consequent to oil price hikes, receipts from oil corporation tax which contributed 60% of total domestic receipts, increased by 65% to Rp 7,020 billion. Furthermore, receipts from non oil corporation tax, withholding tax, excise and import duties also rose significantly. Receipts from import duties increased by 41% following the growth of imports, while receipts from corporate, withholding taxes and excise duties increased by 51%, 49% and 34%, respectively. As a result of growth in domestic receipts, the share of foreign aid in total Government revenues declined further, from 17% in 1979/80 to 13% in the reporting year.

In 1980/81, the Government issued Keppres 14A, 1980 (Presidential Decree No. 14A, 1980) which granted greater opportunities to economically weak groups to participate in the implementation of Government development projects, (a modification of Keppres 14, 1979). In addition, to speed up the implementation of development projects, the Government simplified the procedures for filling out the DIP (project proposal list) and the supervision of projects through the system of post audit.

During 1980/81, development expen-

ditures increased at a faster rate than routine expenditures, the former rising by 47% to Rp 5,916 billion and the latter by 43% to Rp 5,800 billion. Development expenditures on economic services grew by 57% to Rp 2,768 billion, thereby improving its share to 47% of total development expenditures as compared to approximately 45% in the previous two years. A large part of expenditures on economic services was incurred on agricultural and irrigation items, the amount of which increased by 83%. This was followed by transportation and tourism, mining and energy expenditures, which during 1980/81 rose by 67% and 34%, respectively. In the non-economic service category, a significant portion of expenditures was absorbed by regional development for financing rural and urban projects, education and national culture, and employment and transmigration schemes. Routine expenditures increased by 43% to Rp 5,800 billion. This was largely due to raises on personnel expenditures, substantial growth in subsidies on petroleum fuels, and increases of subsidies to local governments. Personnel expenditures, the biggest component of routine expenditures, increased by 43% to Rp 2,023 billion, mainly due to salary and pension increases of civil servants and military personnel. The increase of subsidy on petroleum fuels was closely related to the international oil price hikes.

The monetary authority continued to apply ceilings on credit expansion to regulate the flow of bank credits. The ceilings on credit expansion fixed for 1980/81 were higher than those for 1979/80. Consequently, bank credits increased by 29% to Rp 8,170 billion as compared with a growth of 15% during the previous year. Category-wise, special credits such as KIK

and KMKP granted to the economically weak groups, showed a larger expansion than other types of credits. Total KIK and KMKP credits rose by 112% to Rp 633 billion and its share of total credits increased from 4.7% to 7.8% at the end of 1980/81. This implied an increasing role of the banking system in supporting the economically weak groups and thereby moving towards the goal of equitable distribution of income. Besides KIK and KMKP credits, other short-term credits were also provided to the economically weak groups and middle income groups such as Bimas, Mini, Midi, house ownership (KPR) and KCK credit schemes were implemented on an expanding scale.

Mobilization of funds continued to be undertaken through the banking system as well as through the money and capital markets. During the reporting year intensified efforts were made in promoting savings consciousness among youth, pupils and scouts, and in improving the management of Tabanas. Savings under Tabanas, having a predominant role in the savings scheme, increased by 35% to Rp 321 billion, while the number of depositors grew by 9% to 9 million.

The use of short-term commercial papers, as an instrument for the mobilization of funds, showed an encouraging development during the reporting year. The value of Certificates of Deposits with deposit money banks, introduced in 1971, went up by 74% in 1980/81 to Rp 82 billion, compared with an increase of 57% in 1980/81. Meanwhile, promissory notes issued by non-bank financial institutions, rose by 60% reaching an outstanding amount of Rp 264 billion at the end of 1980/81.

The mobilization of funds through the capital market continued to be encouraged, particularly after the reactivation of the capital market in 1977. To expedite emission and trade in medium as well as long-term financial papers, during 1980/81 the Government enforced a regulation regarding the establishment of trustees and guarantors to be responsible for protecting the interest of bond holders, and secure the repayments of the principal and interest of bonds. Stock trading through the capital market was induced by allowing stocks to be used as additional collateral on short-term borrowings from deposit money banks. An encouraging development in the capital market during the reporting year was, inter alia, reflected by an increase of two companies participating in marketing their shares. The number of shares marketed by these two companies were 6,430 thousand with an aggregate value of Rp 8.5 billion. Furthermore, stock prices of shares of companies participating in the capital market recorded an upward trend. The total stocks outstanding in the secondary market also increased significantly, from 441 thousand to 2,080 thousand shares of stocks in 1980/81.

During the year under report, promotion and development of financial institutions continued to be encouraged with greater emphasis on regional development banks and non-bank financial institutions. In regard to regional development banks, measures were undertaken to provide these banks with technical assistant, training, and

supply of funds by the Government for enlarging their capital base. Efforts to enhance the development of non-bank financial institutions was, inter alia, carried out through granting opportunities to these institutions to participate as trustees or guarantors in the issuance of bonds. During the reporting year a non-bank financial institution of the development type dealing with house ownership, namely PT Papan Sejahtera, was established. The activities of non-bank financial institutions both in raising and investing funds were encouraging. Funds mobilized (excluding owned capital) and amount invested both rose by 59% to reach Rp 408 billion and Rp 437 billion, respectively.

From the brief overview it can be concluded that the Indonesian economy had advanced remarkably during this reporting year. The rate of output growth was the highest achieved during the past few years, and the balance of payments registered the largest surplus the country ever had. Price increases, though still relatively high, were successfully restrained at a level distinctly lower than the previous year. This performance was achieved concurrent with increasing efforts moving a step further towards the goal of equitable distribution of income.

Governor of Bank Indonesia

RACHMAT SALEH

I. MONETARY DEVELOPMENTS

A. Monetary developments and policy

As in previous years, the monetary policy in 1980/81 continued to be directed towards the maintenance of the stability of prices and achievement of a high level of economic growth. Aside from restraining the pace of liquidity expansion, this policy was implemented by way of expanding the supply of goods in the domestic market and providing subsidies on essential commodities.

Monetary developments during the reporting year were characterized by a substantial surplus in balance of payments and a rise in bank credit. Nevertheless, the expansion of domestic liquidity¹⁾ was maintained at a lower rate than in the preceding year due to a large contractionary impact of the Government budget (APBN). As a result, the rate of price increases during 1980/81 was distinctly lower than that in 1979/80, despite an upward adjustment in the reporting year of domestic prices of fuel and petroleum products, and a sharp increase in the price of sugar. Consumer price index, which is generally used to measure the rate of inflation, rose by 15.85% as compared with 19.13% in 1979/80.

Domestic liquidity in 1980/81 expanded by 36.2%, compared with a somewhat higher rate of 39.6% in the preceding year. The bulk of expansion occurred in April-September 1980 at a monthly average rate of 4.3% as against 2.9% during the corresponding period of the previous

year. This was closely related to the increase in demand for nominal money following price increases and the efforts of society to recover real money balances that declined during 1979/80. During the period from October 1980 through March 1981, domestic liquidity increased slowly at an average monthly rate of only 1.4%.

The expansionary impact of the balance of payments in 1980/81, i.e. Rp 2,342 billion, was still dominant though its expansionary impact on domestic liquidity was lower than that in the previous year. On the other hand, the rate of increase in bank credits in 1980/81 was significantly higher than that in 1979/80. The rapid increase in bank credits resulted from a more liberal ceiling on credits and other assets of the banking system in 1980/81. The credit ceiling was set at Rp 1,410 billion, or 18.0% of the amount outstanding at the beginning of the year, but later this was raised to 27% during the course of the year.

B. Money supply and factors affecting its change

Money supply, comprising currency and demand deposits, reached Rp 5,214 billion at the end of the reporting year. This reflected a growth of Rp 1,417 billion or 37.3% compared with a somewhat lower rate of 35.6% in the previous year. Taking into account the rate of inflation in 1980/81, money supply in real terms grew by 17.4% compared with a rise of 12.2% recorded during the preceding year.

As presented in Table 4, the expansionary impact on money supply in 1980/81 emanated from the rise in net foreign assets and claims on business enterprises and individuals, while the contractionary im-

1) Domestic liquidity comprises currency, demand deposits and quasi-money

pact arose from changes in net claims on Government, quasi-money²⁾ and net other items.

The expansionary impact due to increase in foreign assets of the banking system amounted to Rp 2,342 billion in the reporting year as compared with Rp 2,622 billion in the previous year. The surplus in the balance of payments, induced largely from the increase in Indonesian oil price in the international market, contributed to the expansion of foreign assets.

Claims on business enterprises and individuals in 1980/81 contributed Rp 1,837 billion to the expansion in money supply. This was attributed by the expansion of bank credits to public enterprises, which increased by Rp 539 billion, and credits to private enterprises and individuals by Rp 1,298 billion. These increases surpassed the last year's expansion, when the former rose by Rp 250 billion and the latter by Rp 558 billion.

In 1980/81, the Government finance registered a contractionary impact of Rp 1,820 billion, which was Rp 641 billion larger than in 1979/80, mainly as a result of increases in Government receipts from oil corporate tax and export sales tax on oil following international oil price hikes.

Quasi-money, which has a contractionary impact on money supply, recorded an increase of Rp 686 billion in the reporting year, or a shade higher than the increase in the previous year. Foreign currency denominated deposits included in the quasi-money also rose significantly.

Net other items shows a contractionary impact on money supply amounting to Rp 256 billion in 1980/81.

C. Monetary prospects for 1981/82

For 1981/82, the expansionary impact of net foreign assets of the banking system was projected to be lower. The international developments relating to non-oil export commodities seem less favorable and this, together with the recent agreement among OPEC-members to freeze the price of oil, would bring about a substantially lower surplus on the balance in international payments than that in the reporting year. Further, the contractionary impact of the Government sector is expected to be lower due to the decline in net receipts from oil sector (after subtraction of oil subsidies) and export tax. On the whole both sectors will exert a smaller impact on money supply. This implies that the rate of monetary expansion in 1981/82 would be increasingly dependent upon the pace of bank credit expansion. In 1981/82 the ceiling on the expansion of credits and on other domestic assets of banks will continue to be imposed. Initially the credit ceiling has been set at 25% of the amount outstanding at the end of 1980/81.

Considering the likely developments in the banking system's net foreign assets and Government finance, and on the assumption that the rate of bank credit expansion will not be significantly different from that in 1980/81, the rate of monetary expansion in 1981/82 is estimated to be lower than in the reporting year. This lower rate of monetary expansion, combined with the continued efforts of the Government to improve the distribution of goods is expected to bring about a lower rate of price increases.

2) Comprises savings deposits in rupiah and foreign currency plus demand deposits in foreign currency

TABLE 1 — DOMESTIC LIQUIDITY
(billions of rupiah)

End of period 1)	Domestic liquidity 2)			Money supply 3)		Quasi money 4)	
	Total Rp	Changes (%)		Out- standing Rp	% of Total	Out- standing Rp	% of Total
		Annual	Quart- erly				
1970	330	41.6		250	75.8	80	24.2
1970/71	365	37.3		270	74.0	95	26.0
1971	469	42.1		321	68.4	148	31.6
1971/72	548	50.1		360	65.7	188	34.3
1972	695	48.2		475	68.3	220	31.7
1972/73	769	40.3		530	68.9	239	31.1
1973	987	42.0		669	67.8	318	32.2
1973/74	1,203	56.4		784	65.2	419	34.8
1974	1,452	47.1		937	64.5	515	35.5
1974/75	1,584	31.7		1,027	64.8	557	35.2
1975	1,978	36.2		1,250	63.2	728	36.8
1975/76	2,262	42.8	14.4	1,428	63.1	834	36.9
1976	2,631	33.0		1,603	60.9	1,028	39.1
1976/77	2,844	25.7	8.1	1,815	63.8	1,029	36.2
1977/78							
June	3,026		6.4	1,961	64.8	1,065	35.2
September	3,123		3.2	2,014	64.5	1,109	35.5
December	3,131	19.0	0.3	2,006	64.1	1,125	35.9
March	3,275	15.2	4.6	2,111	64.5	1,164	35.5
1978/79							
June	3,481		6.3	2,240	64.4	1,241	35.6
September	3,639		4.5	2,371	65.2	1,268	34.8
November 15	3,666			2,412	65.8	1,254	34.2
December	3,809 ⁵⁾	21.7	4.7	2,488	65.3	1,321 ⁵⁾	34.7
March	4,155 ⁶⁾	26.9	9.1	2,800	67.4	1,355 ⁶⁾	32.6
1979/80							
June	4,477		7.8	3,005	67.1	1,472	32.9
September	4,866		8.7	3,160	64.9	1,706	35.1
December	5,222	37.1	7.3	3,385	64.8	1,837	35.2
March	5,803	39.6	11.1	3,797	65.4	2,006	34.6
1980/81							
June	6,488		11.8	4,179	64.4	2,309	35.6
September	7,294		12.4	4,682	64.2	2,612	35.8
December	7,691	47.3	5.4	4,995	65.0	2,696	35.0
March	7,906	36.2	2.8	5,214	66.0	2,692	34.0

1) Fiscal year ends March 31

2) Consists of narrow money and quasi money (M₂)

3) Consists of currency and demand deposits (M₁)

4) Consists of time and savings deposits as well as foreign currency deposits held by domestic private sector

5) Includes revaluation of foreign currency deposits amounting to Rp 83 billion

6) Includes an additional revaluation of foreign currency deposits amounting to Rp 99 billion

TABLE 2 — MONEY SUPPLY
(billions of rupiah)

End of period ¹⁾	Money supply			Currency		Demand deposits	
	Total Rp	Changes (%)		Out- standing Rp	% of Total	Out- standing Rp	% of Total
		Annual	Q uart- erly				
1970	250	36.4		155	62.0	95	38.0
1970/71	270	28.2		167	61.9	103	38.1
1971	321	28.4		199	62.0	122	38.0
1971/72	360	33.3		210	58.3	150	41.7
1972	474	48.0		272	57.4	202	42.6
1972/73	530	47.2		291	54.9	239	45.1
1973	669	41.8		375	56.0	294	44.0
1973/74	784	47.9		421	53.7	363	46.3
1974	937	40.2		494	52.7	443	47.3
1974/75	1,027	31.0		538	52.4	489	47.6
1975	1,250	33.3		625	50.0	625	50.0
1975/76	1,428	39.0		659	46.2	769	53.8
1976	1,603	28.2		781	48.7	822	51.3
1976/77	1,815	27.1		853	47.0	962	53.0
1977/78							
June	1,961		8.0	924	47.1	1,037	52.9
September	2,014		2.7	971	48.2	1,043	51.8
December	2,006	25.1	0.4	979	48.8	1,027	51.2
March	2,111	16.3	5.2	1,036	49.1	1,075	50.9
1978/79							
June	2,240		6.1	1,110	49.5	1,130	50.5
September	2,371		5.9	1,156	48.8	1,215	51.2
November 15	2,412			1,164	48.3	1,248	51.7
December	2,488	24.0	4.9	1,240	49.8	1,248	50.2
March	2,800	32.6	12.5	1,369	48.9	1,431	51.1
1979/80							
June	3,005		7.3	1,493	49.7	1,512	50.3
September	3,160		5.2	1,480	46.8	1,680	53.2
December	3,385	36.1	7.1	1,552	45.9	1,833	54.1
March	3,797	35.6	12.2	1,774	46.7	2,023	53.3
1980/81							
June	4,179		10.1	1,955	46.8	2,224	53.2
September	4,682		12.0	2,130	45.5	2,552	54.5
December	4,995	47.6	6.7	2,153	43.1	2,842	56.9
March	5,214	37.3	4.4	2,229	42.8	2,985	57.2

¹⁾ Fiscal year ends March 31

TABLE 3 — MONEY SUPPLY AND INDEX OF REAL MONEY

End of period 1)	Money supply (billions of Rp)	Price index (April 1977— March 1978= 100)	Money supply in real terms (billions of Rp)	Index of real money (March 1979= 100)
1970	250	32.32	774	33.67
1970/71	270	34.19	790	34.36
1971	321	33.12	969	42.15
1971/72	360	34.48	1,044	45.41
1972	475	41.68	1,130	49.54
1972/73	530	41.64	1,273	55.37
1973	669	53.07	1,261	54.85
1973/74	784	61.35	1,278	55.59
1974	938	70.74	1,326	57.68
1974/75	1,027	73.69	1,394	60.64
1975	1,250	84.68	1,476	64.20
1975/76	1,428	88.26	1,618	70.38
1976	1,603	96.70	1,658	72.12
1976/77	1,815	98.95	1,834	79.77
1977/78				
June	1,961	101.38	1,934	84.12
September	2,014	105.30	1,913	83.21
December	2,006	108.13	1,855	80.69
March	2,111	108.93	1,938	84.30
1978/79				
June	2,241	108.92	2,057	89.47
September	2,371	110.72	2,141	93.13
December	2,488	115.36	2,157	93.82
March	2,800	121.77 2)	2,299 2)	100.00 2)
1979/80				
June	3,005	132.27	2,272	98.83
September	3,160	139.78	2,261	98.35
December	3,385	143.07	2,366	102.91
March	3,797	147.14	2,581	112.27
1980/81				
June	4,179	156.61	2,668	116.05
September	4,682	160.78	2,912	126.66
December	4,995	167.55	2,981	129.67
March	5,214	172.14	3,029	131.75

1) Fiscal year ends March 31

2) Based on the Consumer Price Index of Indonesia; prior to March 1979 the index was based on the Cost of Living Index for Jakarta

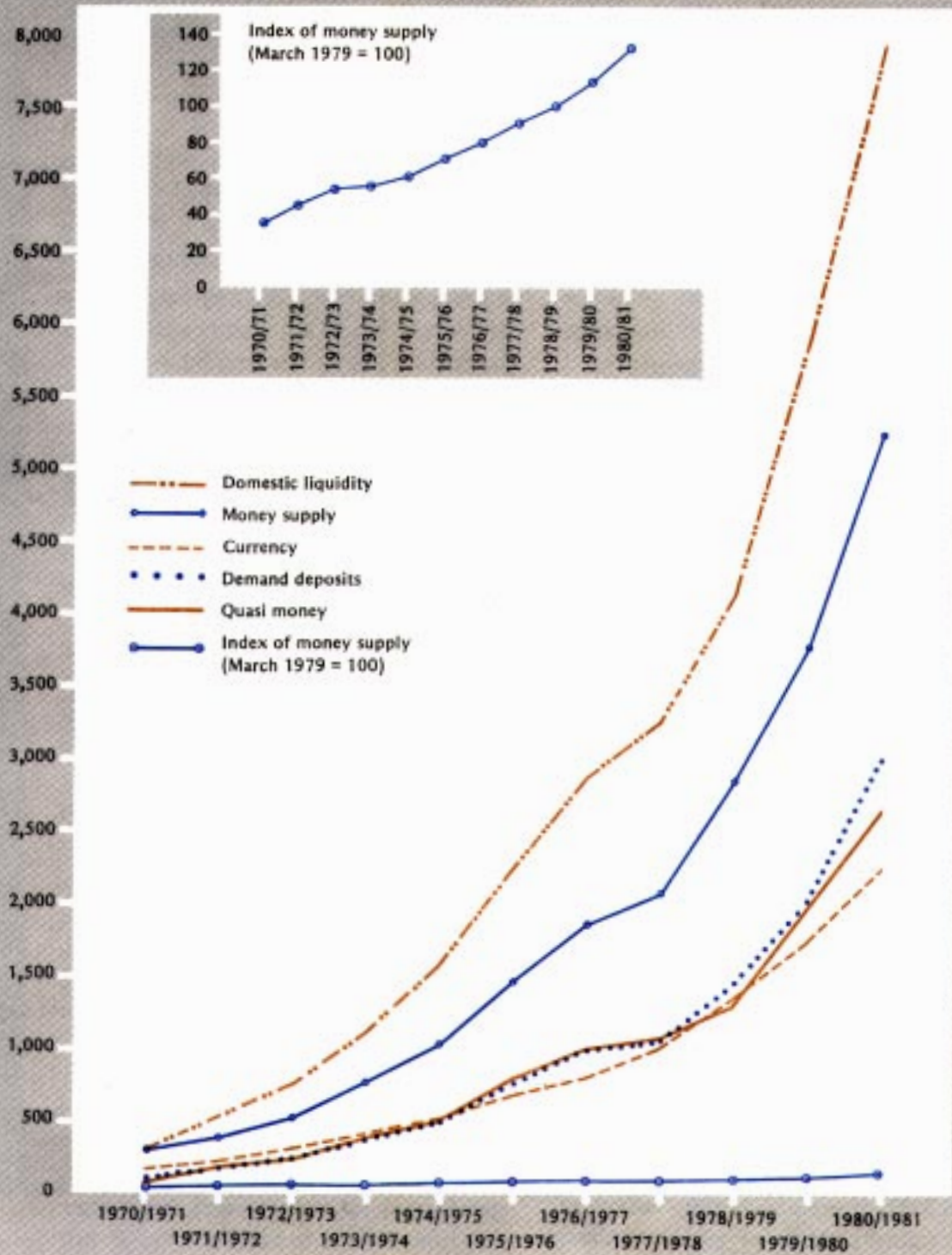
TABLE 4 – FACTORS AFFECTING MONEY SUPPLY
(billions of rupiah)

Items	1976/77	1977	1977/78	1978 ¹⁾	1978/79	1979	1979/80	1980	1981			
									I	II	III	IV
												1980/81
												I
Net foreign assets												
1. Foreign exchange reserves	+ 445	+ 636	+ 590	+ 641	+ 802	+ 1,864	+ 2,622	+ 3,050	+ 1,009	+ 1,125	+ 687	+ 229
	+ 414	+ 511	+ 274	+ 582	+ 899	+ 1,018	+ 1,086	+ 1,401	+ 284	+ 861	+ 392	- 76
2. Other foreign assets	+ 31	+ 125	+ 326	+ 59	- 97	+ 846	+ 1,537	+ 1,589	+ 725	+ 264	+ 295	+ 305
(Of which blocked account)	(- 31)	(+ 67)	(+ 149)	(- 77)	(- 155)	(+ 85)	(+ 81)	(- 5)	(- -)	(- 2)	(- 1)	(- 2)
Central Government	- 387	- 275	- 293	- 265	- 291	- 826	- 1,179	- 1,898	- 394	- 872	- 288	- 361
Claims on entities/enterprises and individuals	+ 719	+ 319	+ 358	+ 1,487	+ 1,606	+ 927	+ 808	+ 1,666	+ 138	+ 442	+ 599	+ 488
1. Claims on official entities and public enterprises	+ 402	+ 35	- 57	+ 900	+ 974	+ 372	+ 250	+ 488	- 65	+ 198	+ 211	+ 145
2. Claims on private enterprises and individuals	+ 317	+ 284	+ 365	+ 587	+ 632	+ 555	+ 558	+ 1,178	+ 203	+ 244	+ 388	+ 343
Time and savings deposits²⁾	- 195	- 97	- 155	- 195	- 191	- 516	- 650	- 859	- 169	- 303	- 303	- 84
Net other items	- 195	- 180	- 175	- 1,186	- 1,237	- 551	- 604	- 333	- 172	- 10	- 192	+ 41
Money supply	+ 387	+ 403	+ 295	+ 482	+ 689	+ 897	+ 997	+ 1,626	+ 412	+ 382	+ 503	+ 313
-- Currency	+ 194	+ 198	+ 182	+ 261	+ 333	+ 312	+ 405	+ 617	+ 222	+ 181	+ 175	+ 23
-- Demand deposits	+ 193	+ 205	+ 113	+ 221	+ 356	+ 585	+ 592	+ 1,009	+ 190	+ 201	+ 328	+ 290

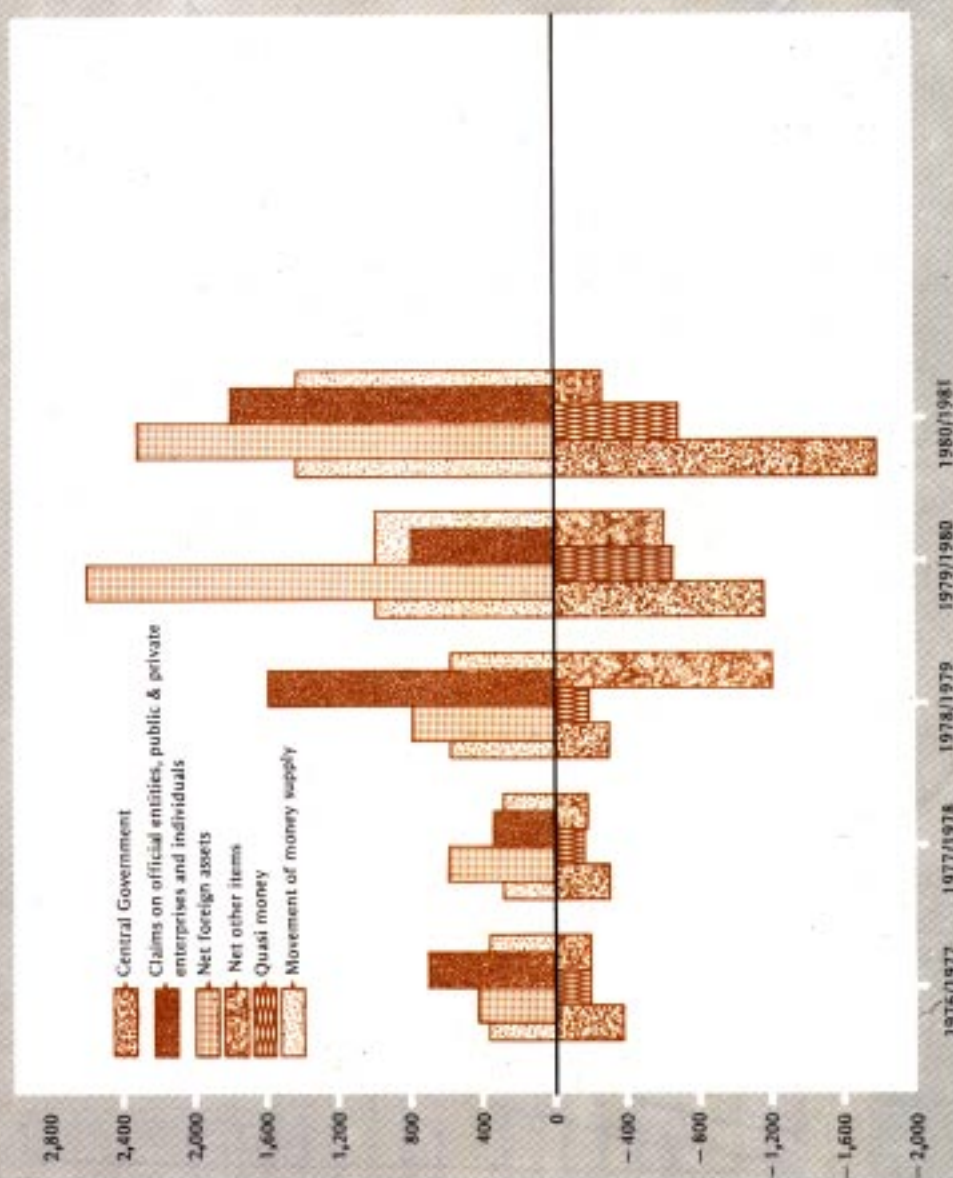
1) Includes increases from valuation adjustments of balances denominated in foreign exchange due to November 15, 1978 rupiah devaluation

2) Includes foreign currency deposits held by private residents

MONEY SUPPLY AND DOMESTIC LIQUIDITY



FACTORS AFFECTING MONEY SUPPLY



II. BANK CREDIT DEVELOPMENTS

A. Credit policy

During the reporting year, credit policy was designed to increase domestic production and assist economically weak groups while maintaining monetary stability. As in the previous year, credit policy contained quantitative and qualitative elements which were oriented in line with the economic and monetary developments.

Quantitative policy was implemented through the imposition of ceilings on the expansion of credits and other assets of the banks. In 1980/81, the ceiling on the expansion of commercial banks credit (excluding Bank Indonesia) which was initially set at 25% (Rp 1,069 billion) over the outstanding at the end of March 1980, was raised further to 33%. It may be noted that the ceiling in 1979/80 was 23%. The increase of ceiling in 1980/81 was necessitated to meet the additional demand for credit, to promote the activities of economically weak groups, and to accelerate the importation of raw materials and auxiliary goods required for domestic production.

Qualitative aspects of policy were aimed mainly to support programs for promoting more equal opportunities to do business and for expanding activities of the priority sector. This policy was implemented by providing more favorable terms and conditions, such as relatively low interest rates, less restrictive collateral and lower percentage of self-financing requirements.

Under the programs for promoting more equal opportunities to do business, the Government in the reporting year granted favorable terms for working capi-

tal and/or investment credits extended to economically weak groups participating in projects financed by Government budget (APBN). These credits, included in the Keppres 14A scheme, are extended to contractors executing government projects and making government purchases. The favorable terms were in the nature of reduction in payments of self-financing obligation, relaxation of collateral, dispensation of obligation in making feasibility reports for projects under investment credits, and wavering of import deposit requirements in obtaining a bank guarantee.

In regard to self-financing, the share of self-financing for credits up to the amount of small investment credit (KIK) and permanent working capital credit (KMKP) was to be determined in relation to the actual financial position of the borrower. For credits exceeding the maximum amount allowed under KIK and KMKP but not more than Rp 75 million, the minimum share of self-financing was set at 10% of the total credit. For credits above Rp 75 million but not more than Rp 200 million, the share of self-financing was fixed at a rate between 5% and 10% of the total credit.

In the case of collateral, the prospect of the project is the main determinant. Considering that the payments for the work under the contract would be made by the Government, it was stipulated that the payments by the Government to the contractors would be carried out through the lending bank. In case the additional collateral was required to be provided by the borrower, it was stipulated that the amount of collateral would be limited to a maximum of 50% of the credit. In order to obtain a bank guarantee, the amount of deposit required was to be as low as possible. Fur-

thermore, in the implementation of credit under Keppres 14A scheme, contractors were required to give preference to the domestically produced commodities.¹⁾

As is known, since 1974, state commercial banks were not allowed to extend credit for housing development except for the construction of low cost housing projects approved by the State Savings Bank (BTN) under house ownership credit scheme (KPR). In order to extend the ownership of houses to the middle income groups, state commercial banks in the reporting year were allowed to provide credits to finance the construction of housing projects, excluding luxury houses, provided PT Papan Sejahtera agreed to extend KPR to the prospective owners.²⁾ It may be noted that hitherto KPR was granted by BTN and PT Papan Sejahtera. Furthermore, to meet the expanding demand for warehouses, the commercial banks were allowed to provide investment credits for construction of warehouses for leasing purposes.³⁾

In line with the increase in demand for money due to the expanding economic activities, several changes in credit regulations were affected in July 1980. The maximum amount of investment credit extended by state commercial bank initially fixed at Rp 1,500 million, was revised upward to Rp 2,500 million per project, while

credits of more than Rp. 2,500 million was to be extended only by Development Bank of Indonesia (Bapindo).

The obligation to submit a feasibility report for investment credit was relaxed. Such an obligation, formerly applicable to credits of Rp 100 million, was now made applicable to credits of Rp 200 million. In addition, the minimum of loan which was to be supplemented by an accountant's report was revised from Rp 100 million to Rp 200 million for investment credits, and from Rp150 million also to Rp 200 million for working capital credits.⁴⁾

To increase the supply of raw materials and auxiliary goods, specified spareparts and capital goods required for domestic production, credit facility was made available for import deposit relating to these commodities.⁵⁾ The import deposit requirement, formerly fixed at the level of at least 40% of the L/C value, was liberalised in early 1980 so far as it related to the imports of raw materials and auxiliary goods, specified spareparts and capital goods by allowing the banks opening L/C to determine the rate of import deposit. In the reporting year, commercial banks were allowed to extend credits to importers from their own funds for import deposit obligation. For credits extended to importers to finance the L/C balance, the banks were permitted to have recourse to Bank Indonesia up to the maximum of 70% of the L/C balance. The refinancing facility from Bank Indonesia would be at an interest rate

1) Bank Indonesia Circular Letter No. 13/2/UP K, April 21, 1980
Bank Indonesia Circular Letter No. 13/3/UPK, May 19, 1980
Bank Indonesia Circular Letter No. 13/4/UP K, May 28, 1980.

2) Bank Indonesia Circular Letter No. 13/6/UPK, June 12, 1980.

3) Bank Indonesia Circular Letter No. 13/16/UPK, March 6, 1981

4) Bank Indonesia Circular Letter No 13/8/UPK, July 24, 1980

5) Minister of Trade and Cooperatives Decree No. 56, March 2, 1978
Minister of Trade and Cooperatives Decree No. 165, September 20, 1978
Minister of Trade and Cooperatives Decree No. 95, March 17, 1980

of 6% per annum for a period up to 6 months from the arrival of imported goods. In case the importation of goods not regulated as above, banks were allowed to extend credits from their own funds to finance the L/C balance with a maximum amount being limited to 60% of the L/C value. The credit was to be repaid within a period of 3 months from the arrival of imported goods, and at the prevailing rate.⁶⁾

With a view to encouraging investment in securities, stocks issued by institutions under Indonesian law and listed in the Jakarta stock exchange, were allowed to be used as collateral for short term credit. However, stocks were prohibited to be used as collateral for credit extended for purpose of financing trade in stocks.⁷⁾

The Government continued to encourage expansion of small business activities. Toward this purpose, the maximum allowable amount of Rp 100,000.00 under Mini Credit was increased in June 1980 to Rp 200,000.00. The interest rate for this credit remained the same at 12% per annum. Furthermore, a borrower showing good performance was permitted to have access to a larger facility known as Midi credit amounting between Rp 200,000.00 and Rp 500,000.00, with an interest rate of 10.5% per annum for investment credit and 12% per annum for working capital credit. It may be added that the funds for Midi credits are provided by Bank Indonesia and for Mini credits by the Government budget.

B. Volume and allocation of credits

Total outstanding of bank credits at end of the reporting year amounted to Rp 8,170 billion or increased over the year by Rp 1,843 billion (29%) compared with an increase of Rp 837 billion (15%) in the preceding year. The rise was caused mainly by the expansion of commercial banks' credits for importation of raw materials and auxiliary goods, and spare-parts, and rapid growth in credit to the economically weak groups. In addition, Bank Indonesia's credit to the state food procurement agency (Bulog) which declined in the previous year also expanded during the reporting year. As between commercial banks and direct credit by Bank Indonesia, the outstanding of commercial banks' credit increased by Rp 1,538 billion (36%), a remarkable growth in comparison with 23% in the previous year, and that of Bank Indonesia by only 15%.

As presented in Table 6, the rise in outstanding of bank credits was shared by all economic sectors, but significant contribution came from trade, manufacturing and agricultural sectors. The outstanding of credits to trade sector swelled by Rp 775 billion or (62%) following the easing of terms and conditions on credit for imports of raw materials and auxiliary goods, and spareparts, the enlargement of limits for credits under KIK and KMKP to the economically weak groups, and "viability credit" (Kredit Kelayakan), and the increase of Bulog credit for food procurement program. Credits in manufacturing sector increased by Rp 616 billion(29%), a large proportion of which was extended to metal products, basic metal, petrochemical, textile, clothing, leather and construction industries. Credits for the agricultural sector

6) Bank Indonesia Circular Letter No. 13/7/UPK, July 21, 1980

7) Bank Indonesia Circular Letter No. 13/14/UPK, Desember 22, 1980
Bank Indonesia Circular Letter No. 13/15/UPK, January, 1981

increased by Rp 177 billion (43%) due mainly to the expansion of credits under Bimas/Inmas and smallholder estates programs. Credits to services sector increased by Rp 91 billion (22%) mainly on account of public transportation and health services. Credits to the mining sector, mainly extended to PN Pertamina (the stateowned oil company), went up by Rp 18 billion or just 1%. The share of trade sector during the reporting year increased from 20% to 25%, whereas in the case of mining sector it declined from 28% to 22%. The share of other sectors showed no significant changes. The share of manufacturing sector in total credit outstanding continued to remain dominant at 33%.

As shown in Table 7, at end of the reporting year outstanding of rupiah credits for working capital amounted to Rp 4,830 billion and that for investment Rp 3,340 billion. The working capital credits increased by 42%. At the end of the year, the share in the outstanding was 40% for trade and 36% for manufacturing. The investment credits rose by only 14%, and the share in the outstanding being 49% for mining sector, 30% for manufacturing and 11% for services.

Of the total outstanding investment credit, Rp 608 billion or 18% were credits under Bank Indonesia 1969 investment credit scheme, Rp 249 billion or 8% were under KIK, and Rp 2,483 billion or 74% were other investments. A large part of other investment credits represented outstanding to PN Pertamina and PT Krakatau Steel. The distribution of these credits is shown in Table 5.

Outstanding of investment credits under Bank Indonesia 1969 scheme rose significantly by 31 % to reach Rp 608 billion at the end of March, 1981. Meanwhile, the

amount approved by lending banks amounted to Rp 922 billion at the end of the reporting year or increased by 39%. This development was mainly due to the rise in demand for money which was closely related to the increase in price, and the impact of the relaxation in terms and conditions of investment credits for certain sectors.

The amount of outstanding for KIK increases more rapidly than those under Bank Indonesia 1969 scheme, up by 111 % to reach Rp 249 billion at the end of March, 1981. As presented in Table 8, total approvals of KIK rose by 93% to reach Rp 366 billion at the end of March, 1981, and the number of customers by 58% to reach 125 thousand. This remarkable growth is the outcome of better efforts and cooperation among institutions involved in extending credits to economically weak groups.

As mentioned in the last year's report, under the development of small entrepreneurs project (PPPK), the World Bank had given a loan of \$ 40 million. In addition, cooperation was established with the European Economic Community (EEC) which provided an aid of \$ 3.2 million to finance consultant services and research on development of economically weak groups in three cities, i.e. Denpasar, Banjarmasin and Ujung Pandang. Furthermore, by the end of the reporting year, arrangements were made to commence implementation of the second stage of the World Bank loan of \$ 100 million.

Other investment credits during the reporting year rose by Rp 139 billion or 6%. The increase was caused by the expansion of credits to PT Krakatau Steel.

Besides credits in the form of KIK, other credit schemes for economically weak groups, such as KMKP, Mini credits and Inpres market credit registered an impres-

TABLE 5 — INVESTMENT CREDITS OUTSTANDING ¹⁾
(billions of rupiah)

Type of credit	March 31					June 30,	Sept.30,	Dec.31,	March 31,
	1976	1977	1978 ²⁾	1979	1980	1980	1980	1980	1981
Investment credit under Bank Indonesia scheme ³⁾	196	263	287	343	463	474	514	555	608
KIK	25	40	53	68	118	142	176	210	249
Others ⁴⁾	1,036	1,252	1,292	2,096	2,344	2,340	2,480	2,502	2,483
Total	1,257	1,555	1,632	2,507	2,925	2,956	3,098	3,267	3,340

1) Excludes foreign exchange component of project aid credit

2) Since March 31, 1978, excludes interest in arrears

3) Based on the Announcement of the Board of Directors of Bank Indonesia No. Peng.I/DIR/1969, March 7, 1969

4) Mainly credits to PN Pertamina and PT Krakatau Steel

sive growth. Similar to KIK, the volume of KMKP in the reporting year increased rapidly, by 112% compared with 95% and 43% in 1979/80 and 1978/79 respectively. Consequently, the amount of KMKP reached Rp 384 billion at the end of March, 1981. Meanwhile, the value of credit approvals rose by 88% to reach Rp 656 billion, and number of borrowers by 44% to 953 thousand at the end of the reporting year. The rapid increase was closely related to the improved cooperation among institutions engaged in extension of credits to economically weak groups.

Mini credits extended by Bank Rakyat Indonesia (BRI) and introduced in 1974/75 were financed by APBN. The credits increased remarkably by 105% to reach Rp 41 billion at the end of the reporting year.

Under the new program of Midi credit which was introduced in July 1980, Bank

Indonesia earmarked Rp 15 billion during the reporting year. Out of this amount the banks extended credits of Rp 8 billion.

Meanwhile, the credits to local governments for financing development and renovation of market places, the scheme relating to which was introduced in 1976/77 had been steadily rising. At the end of the reporting year these credits amounted to Rp 48 billion or a rise of Rp 13 billion over the previous year.

In efforts to assist the petty traders in market places and the low and middle income groups, the Government introduced "Kredit Candak Kulak" (KCK) in 1976/77 and KPR in 1978/79.

Implemented only by village cooperative unit (KUD), the volume of credits under KCK increased during the year by Rp 25 billion to reach Rp 62 billion at the end

of March, 1981, whereas repayments amounted to Rp 57 billion. The resources for this scheme were enlarged by Rp 2 billion during the year to Rp 8 billion. Meanwhile, the number of KUD's participating in the distribution of KCK credits increased by 804 KUD's to reach 3,000 units in the reporting year.

KPR scheme, introduced in 1978, was implemented by BTN the funds of which were obtained from the APBN and banking system. In the reporting year, the vol-

ume of credits increased by Rp 80 billion or by 267% to reach Rp 110 billion at the end of the reporting year. Out of this, Rp 89 billion was financed by banks' resources. Needless to say, this growth is a reflection of the Government efforts to expand the low cost housing program. As PT Papan Sejahtera was established only in May 1980 the credit extended by this company for housing of middle income groups amounted to a sum of only Rp 220 million.

**TABLE 6 – BANK CREDITS IN RUPIAH AND FOREIGN EXCHANGE
BY ECONOMIC SECTORS ¹⁾**
(billions of rupiah)

Particulars	March 31					June 30,	Sep.30,	Dec.31,	March 31,
	1976	1977	1978 ²⁾	1979 ³⁾	1980	1980	1980	1980	1981
Bank credits	<u>2,989</u>	<u>3,717</u>	<u>3,945</u>	<u>5,490</u>	<u>6,327</u>	<u>6,816</u>	<u>7,348</u>	<u>7,880</u>	<u>8,170</u>
– Agriculture ⁴⁾	260	286	297	365	412	483	489	526	589
– Mining ⁵⁾	807	1,100	1,044	1,752	1,801	1,804	1,750	1,866	1,819
– Manufacturing ⁶⁾	780	1,070	1,178	1,671	2,120	2,231	2,452	2,563	2,736
– Trade	791	812	919	1,115	1,252	1,510	1,804	1,977	2,027
– Service rendering industry	200	271	331	403	416	413	445	482	507
– Others	151	178	176	184	326	375	408	466	492
Credits in rupiah	<u>2,005</u>	<u>2,524</u>	<u>2,830</u>	<u>5,103</u>	<u>5,915</u>	<u>6,401</u>	<u>6,923</u>	<u>7,478</u>	<u>7,811</u>
– Agriculture	252	274	297	364	411	482	489	526	589
– Mining	100	209	187	1,752	1,801	1,804	1,750	1,866	1,819
– Manufacturing	550	807	933	1,312	1,722	1,831	2,043	2,176	2,388
– Trade	767	794	908	1,095	1,247	1,505	1,798	1,971	2,020
– Service rendering industry	190	264	329	398	411	406	437	475	505
– Others	146	176	176	182	323	373	406	464	490
Credits in foreign exchange	<u>984</u>	<u>1,193</u>	<u>1,115</u>	<u>387</u>	<u>412</u>	<u>415</u>	<u>425</u>	<u>402</u>	<u>359</u>
– Agriculture	8	12	—	1	1	1	—	—	—
– Mining	707	891	857	—	—	—	—	—	—
– Manufacturing	230	263	245	359	398	400	409	387	348
– Trade	24	18	11	20	5	5	6	6	7
– Service rendering industry	10	7	2	5	5	7	8	7	2
– Others	5	2	—	2	3	2	2	2	2

¹⁾ Excludes interbank credits, credit to Government, credit to non-residents, special liquidity credit and foreign exchange component of project aid

²⁾ Since March 31, 1978, excludes interest in arrears

³⁾ Includes increases from valuation adjustments due to the exchange rate revision on November 15, 1978, amounting Rp 497 billion for mining, Rp 124 billion for manufacturing, Rp 2 billion for trade, Rp 1 billion for services and Rp 1 billion for other sectors

⁴⁾ Processing of agricultural products is classified under manufacturing, following International Standard Industrial Classification (ISIC) 1968

⁵⁾ Includes credits to Pertamina for financing its debt services. Since March 1979 credits in foreign exchange to Pertamina has been converted to credits in rupiah

⁶⁾ Includes credits to PT Krakatau Steel

**TABLE 7 – BANK CREDITS IN RUPIAH AND FOREIGN EXCHANGE
BY MATURITY AND ECONOMIC SECTORS ¹⁾**
(billions of rupiah)

Specification	March 31					June 30,	Sep.30,	Dec.31,	March 31,
	1976	1977	1978 ²⁾	1979	1980	1980	1980	1980	1981
Short-term credits	<u>1,732</u>	<u>2,162</u>	<u>2,313</u>	<u>2,983</u>	<u>3,402</u>	<u>3,860</u>	<u>4,249</u>	<u>4,613</u>	<u>4,830</u>
— Agriculture	213	232	236	293	310	357	345	353	400
— Mining	78	268	253	217	178	198	164	167	168
— Manufacturing	409	571	598	1,022	1,348	1,421	1,561	1,613	1,724
— Trade	755	772	873	1,062	1,183	1,428	1,707	1,883	1,920
— Service rendering industry	137	146	186	215	67	91	73	142	141
— Others	140	173	167	174	316	365	399	455	477
Investment credits	<u>1,257</u>	<u>1,555</u>	<u>1,632</u>	<u>2,507</u>	<u>2,925</u>	<u>2,956</u>	<u>3,098</u>	<u>3,267</u>	<u>3,340</u>
— Agriculture	47	54	61	72	102	126	144	173	189
— Mining	729	832	791	1,535	1,623	1,606	1,586	1,699	1,651
— Manufacturing	371	499	580	649	772	811	891	950	1,012
— Trade	36	40	46	53	69	82	96	94	107
— Service rendering industry	63	125	145	188	349	322	372	340	366
— Others	11	5	9	10	10	9	9	11	15
Total	<u>2,989</u>	<u>3,717</u>	<u>3,945</u>	<u>5,490</u>	<u>6,327</u>	<u>6,816</u>	<u>7,347</u>	<u>7,880</u>	<u>8,170</u>

¹⁾ Excludes foreign exchange component of project aid credit

²⁾ Since March 31, 1978, excludes interest in arrears

**TABLE 8 — INVESTMENT CREDITS BASED ON BANK INDONESIA REGULATION
BY ECONOMIC SECTORS AND SOURCE OF FUNDS ¹⁾**
(billions of rupiah)

Particulars	March 31					June 30,	Sep.30,	Dec.31,	March 31,
	1976	1977	1978	1979	1980	1980	1980	1980	1981
Credits outstanding	<u>196</u>	<u>263</u>	<u>287</u>	<u>343</u>	<u>463</u>	<u>474</u>	<u>514</u>	<u>555</u>	<u>608</u>
1. By Economic Sector									
— Agriculture	29	41	57	70	78	82	84	92	99
— Mining	5	4	3	2	2	1	1	1	10
— Manufacturing	82	97	109	118	158	163	167	176	195
— Service rendering industry	70	111	106	144	207	213	239	258	276
— Others	10	10	12	9	18	15	23	28	28
2. By source of funds									
— Bank Indonesia	105	127	155	196	211	216	234	245	267
— State banks	87	133	131	146	251	257	279	309	340
— Government budget ²⁾	4	3	1	1	1	1	1	1	1
Approved by banks	<u>269</u>	<u>343</u>	<u>362</u>	<u>448</u>	<u>662</u>	<u>756</u>	<u>817</u>	<u>880</u>	<u>922</u>
1. By economic Sector									
— Agriculture	36	48	70	86	114	141	152	152	168
— Mining	5	5	5	11	6	6	6	5	10
— Manufacturing	109	137	143	153	212	222	235	265	275
— Service rendering industry	104	137	127	185	306	365	391	418	426
— Others	15	16	18	13	24	22	33	40	43
2. By source of funds									
— Bank Indonesia	179	230	245	306	393	450	486	535	566
— State banks	85	108	114	140	267	304	329	343	354
— Government budget ²⁾	5	5	3	2	2	2	2	2	2

¹⁾ Based on the Announcement of the Board of Directors of Bank Indonesia No. Peng.1/DIR/1969, March 7, 1969
Excludes Small Investment Credits (KIK) and foreign exchange component of project aid
Includes rupiah cost of project aid

²⁾ Since 1971, rupiah financing for investment credits is no longer provided by the Government Budget

TABLE 9 – SMALL INVESTMENT CREDITS (KIK), PERMANENT WORKING CAPITAL CREDITS (KMKP), MINI CREDITS AND MIDI CREDITS
(billions of rupiah and thousands of customers)

Particulars	March 31					June 30,	Sep.30,	Dec.31,	March 31,
	1976	1977	1978	1979	1980	1980	1980	1980	1981
1. Small investment credits									
— Number of applications approved (customers)	20	31	42	57	79	88	101	115	125
— Value of applications approved	34	55	79	113	190	224	267	314	366
— Credit outstanding	25	40	53	68	118	142	176	210	249
2. Permanent working capital credits									
— Number of applications approved (customers)	83	183	336	438	665	782	847	890	953
— Value of applications approved	41	75	125	188	349	415	494	569	656
— Credit outstanding	27	46	65	93	181	229	278	321	384
Total 1 + 2									
— Number of applications approved (customers)	103	214	378	495	744	870	948	1,005	1,078
— Value of applications approved	75	130	204	301	539	639	761	883	1,022
— Credit outstanding	52	86	118	161	299	371	454	531	633
3. Mini credits	<u>5</u>	<u>8</u>	<u>11</u>	<u>16</u>	<u>20</u>	<u>23</u>	<u>26</u>	<u>33</u>	<u>41</u>
— Investment	1	1	2	3	3	3	3	4	4
— Exploitation	4	7	9	13	17	20	23	29	37
4. Midi credits	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2</u>	<u>8</u>
— Investment	—	—	—	—	—	—	—	—	1
— Exploitation	—	—	—	—	—	—	—	2	7

III. MOBILIZATION OF FUNDS

In continuation of efforts to encourage mobilization of resources, the Government had been implementing programs for institutional development and promotion of savings consciousness. In the reporting year, the programs for institutional development involved enlargement of the types of financial instruments, increasing the number of executing agencies, strengthening of the institutions and procedures of money and capital markets, and improving the administration of the Tabanas program. Efforts to encourage savings habit especially among youths, students and scouts or PERATA P3 program were intensified.

Effective April, 1980 the Government began to enforce the earlier provision for collection of taxes on interest, dividend and royalty (PDBR), income tax (PPd), corporation tax (PPs) and property tax (PKk) on interest income from foreign exchange time deposits, non-residents rupiah time deposits and residents' rupiah time deposit with maturity of less than 1 month.¹⁾ These measures became necessary for encouraging rupiah time deposits by residents. Further, the capital white-washing facility while continuing to be valid for residents' rupiah time deposits with maturity of 1 month or more, was no longer valid for other types of deposits. However, the residents' demand deposits were exempted from PBDR, but the deposits owned by non-residents were levied PBDR tax at the rate of 10% of the interest earned²⁾. In order to encourage trading in stocks, new regulations re-

lating to trading of securities listed on the exchange bourse were introduced. Further, commercial banks were directed to accept stocks listed on the exchange bourse as collateral for a credit.

A. Savings

1. Time deposits

Time deposits which amounted Rp 1,430 billion at the end of 1980/81, comprised Inpres 1968 time deposits, other rupiah time deposits and foreign exchange deposits (Table 10). Compared with the position at the end of March 1980, the deposits registered an increase of 31% which was nearly twice the rate of 1 7% during 1979/80. The increase was mainly due to other time deposits which rose by 132%, as Inpres time deposits grew only by 4% and there being virtually no change in foreign exchange time deposits. Even though the share of Inpres time deposits was still predominant, it declined further to 53% in 1980/ 81 from 76% in 1978/79 to 67% in 1979/80. This decrease was mainly due to more attractive interest rate on other rupiah deposits.

a. Inpres time deposits³⁾

Inpres time deposits in the reporting year rose by 4% and reached the level of Rp 754 billion (Table 12). Even though the increase was modest, it was still higher than that of 3% in the previous year. This low rate of growth was mainly on account of less attractive interest rate offered on these deposits compared to other deposits. This affected mainly the growth of short-term

1) Letter of the Minister of Finance No. S-927/MK.04/1979, November 26, 1979

2) Letter of the Minister of Finance No. 5-291/MK.04/1980, April 7, 1980

3) Time deposits which were introduced through inpres No. 28, 1968 offered various tax facilities as also the facility of white-washing capital, besides its repayments were guaranteed by the Government

Inpres time deposits as the interest rates on Inpres time deposits with longer maturities were still compatible with rates on other deposits. As a result, the deposits of 24 month maturity had shown an increase of 13%, whereas there were sharp declines in deposits of 6- month (by 67%) and 3-month maturity (by 57%). Whereas time deposits of 12-month maturity remained unchanged.

In 1980/81, the interest subsidy paid by the Government for time deposits of 24-month maturity remained 4.5% on deposits bearing 15% interest, and 1.5% for those bearing 12% interest (Table 11). During 1980/81 subsidy paid out by the Government to banks was lower at Rp 12 billion than that of Rp 18 billion in the preceding year.

b. Other time deposits

Rupiah time deposits other than Inpres deposits are accepted by national private banks, foreign banks, and local development banks. In the reporting year these deposits increased by 132%, almost twice the percentage increase in the preceding year, and reached Rp 551 billion at the end of March, 1981. This development was affected by the increase in the rate of interest offered by the banks in line with changes in interest rates in the international market. The changes in interest rates on deposits other than Inpres deposits are presented in Table 13.

In the case of foreign exchange deposits, the position was almost unchanged, and at the end of the reporting year these amounted to Rp 125 billion. This situation was partly affected by the policy of the Government not to grant tax exemption on time deposits in foreign exchange, and interest rate offered being less attractive as

compared with the rates on rupiah deposits.

2. Savings deposits

Savings deposits, which consisted mainly of Tabanas, Taska and savings for Haj pilgrimage expenses (ONH), played an increasingly important role in the mobilization of funds from the society. Because of the continued efforts of the Government, these deposits registered a remarkable growth as compared with time deposits. In the reporting year, efforts to expand savings deposits were implemented mainly by improving the administration of Tabanas and Taska. This, together with an increase in the number of national private banks assigned to accept such deposits, helped in their volume growth. In the case of ONH, the number of prospective pilgrims participating in the program also showed a significant increase.

a. Tabanas and Taska

During the reporting year the amount of Tabanas increased by 35% as compared with 19% in the preceding year, and at the end of March 1981, the amount reached Rp 321 billion (Table 14) The number of depositors also increased by 9% to 9,022 thousand. This growth, as mentioned above, followed from the measures taken during the year relating to improvement in administration and allowing larger number of banks/offices to accept such deposits as well as continued promotion efforts. At the end of the reporting year the number of executing banks in Tabanas and Taska programs was 29 including 8 local development banks and 15 national private banks. Two among the latter category were appointed in the reporting year.

Tabanas deposits under PERATA P3 pro-

gram, which was adopted in 1974 to develop savings habit among youths, students and scouts showed a remarkable growth of 80% during 1980/81 compared with 20% in the preceding year. The number of depositors increased by 13% compared with just 2% in 1979/80, and at the end of the reporting year the number reached 969 thousand with deposits totalling Rp 1,194 million.

Like the preceding years, the number of depositors and the amount of Employees' Tabanas increased significantly, that is, by 6% and 40%, respectively compared with 3% and 26% in the preceding year. At the end of 1980/81 these deposits reached Rp 13 billion with 898 thousand depositors.

The amount of Taska in the reporting year also increased but at somewhat lower rate of 13% than that of Tabanas, the amount reaching Rp 133 million with 5,698 depositors at the end of 1980/81. The slow growth reflected the less attractive nature of the Taska scheme.

b. Haj pilgrimage expenses (ONH) savings deposits

As known, ONH savings are temporary deposits made by the prospective pilgrims. The funds are deposited with the banks in advance of the departure time for Haj. The ONH cost in the reporting year rose to an amount of Rp 1,577 thousand per person⁴⁾ or increased by 6%. The amount of ONH deposits during the reporting year was Rp 111 billion with 70,293 prospective pilgrims which recorded growth of 90% and 80%, respectively over the preceding year. The banks designated to receive ONH deposits

were Bank Negara Indonesia 1946, Bank Rakyat Indonesia, and for the Irian Jaya province, Bank Ekspor Impor Indonesia.

B. Money market

1. Interbank funds

In the reporting year the interbank money market in Jakarta indicated some improvement from the gloomy situation in 1979/80 but this occurred in the second semester of 1980/81. The average volume of transactions per month worked out to Rp 139 billion during 1980/81 reflecting a growth of 2% in contrast to a decline of 5% in the preceding year. As in the previous years, the transactions in Jakarta's money market were mainly conducted between state banks as lenders and private banks, especially foreign banks, as borrowers.

The volume of transactions and the weighted average interest rates in the Jakarta's money market in the last few years are shown below.

Period	Volume of transaction (in billion of Rp)	Weighted average of interest rates (in per cent per annum)
1978		
January – March	326	5.96
April – June	386	6.56
July – September	384	7.21
October – December	426	9.42
1979		
January – March	527	12.79
April – June	358	13.21
July – September	413	12.97
October–December	497	13.96
1980		
January – March	367	14.73
April – June	207	13.67
July – September	265	10.52
October–December	525	12.55
1981		
January	253	15.41
February	211	16.18
March	207	16.36
January – March	671	15.98

⁴⁾ Presidential Decree No. 24,1980, March 24,1980

Besides the interbank money market, there were also call money transactions between banks and non-bank financial institutions, and among non-bank financial institutions.

2. Certificates of deposits (CDs)

The certificate of deposits of commercial banks, introduced in 1971, reached Rp 82 billion in 1980/81 reflecting a growth of 74% in 1980/81 compared with 57% in the preceding year (Table 15). This expansion arose from the demand for funds by banks in meeting the credit needs. The substantial expansion was due to state banks, the outstanding CDs of which doubled to Rp 56 billion at the end of March, 1981. The outstanding CDs issued by foreign banks increased by 37% reaching Rp 26 billion at the end of March 1981, as compared with 36% in the preceding year. As a result, the share of CDs issued by state banks rose from 60% to 68% at the end of the reporting year. The average interest rates on CDs in the past two years are presented in Table 16.

3. Non-bank financial institutions (NBFI) papers.

Mobilization of funds by non-bank financial institutions is done, among other things, by issuing money market papers, especially promissory notes. As mobilization of resources was the main activity for the investment finance companies, they relied heavily on money market papers. On the contrary, the issuance of such papers for development finance companies was regarded as an additional source of funds.

Total short-term commercial papers issued by both investment and development

financial companies increased by 60% to Rp 264 billion at end March 1981. This substantial growth caused, inter alia, by the investment of local development banks in the form of NBFI promissory notes, could be attributed to the rediscount facility provided by Bank Indonesia to these banks.

C. Capital Market

To encourage mobilization of funds through the capital market, the Government issued decrees on the establishment of the trustee⁵⁾ and guarantor⁶⁾. These institutions were intended to assist issuance and trading of stocks securities of medium-and long-term maturities. The main functions of trustee were to facilitate the issuance of bonds and protect the rights of bond holders. The functions of guarantor stipulated in the decrees were guaranteeing the repayment of bonds and payment of interest thereon.

To be eligible for appointment as a trustee, banks or NBFI, or body, or other institutions established under the Indonesian law should have total paid up capital of at least Rp 100 million, net worth of at least Rp 1 billion, and experts having adequate experience relevant to business. These institutions were allowed to have stocks of the issuer up to not more than 10% of total share capital. In the case of guarantor, besides the requirement of the establishment under the Indonesian law, the banks or NBFI's should have paid-up capital of not less than Rp 300 million and their net worth of at least Rp 1 billion. The maximum amount of a guarantee which could be granted by NBFI's was limited to

5) Minister of Finance Decree No. 458/KMK.011/1980, August 7, 1980

6) Minister of Finance Decree No. 459/KMK.011/1980, August 7, 1980

twice their net worth. In case the guarantor was unable to guarantee the whole value of the bonds, the guarantee could be jointly conducted by several banks and NBFIs.

With a view to encouraging trading of stocks through the capital market, the Government at the end of December 1980 had reconfirmed that stocks issued by companies under the Indonesian Law and be listed in Jakarta stock exchange bourse could be accepted as an additional guarantee for short-term credits by commercial banks. However, these credits could not be used for the purpose of selling or buying stocks. The Government also decided that the stocks could be traded in the stock exchange bourse continuously. By this regulation, each kind of stock could be traded for several times during a day, and even at different rates.⁷⁾

In January 1981, the Government issued a regulation providing relief to the purchasers of bonds issued and offered before March 31, 1984 through the stock exchange. This relief implied no fiscal investigation on the sources of funds invested in the bonds for tax purposes either at the time of transaction or for the preceding period. In addition, the interest and bonus on the bonds were exempted from taxes on PPd, PPs, PKk, and a lower tax rate on PBDR i.e. 5% was made applicable.⁸⁾

Increased activities of the capital market were reflected in the larger number of companies desiring to sell their stocks in the capital market. Out of 16 companies

that applied for licences to the Minister of Finance for trading their shares, two (one pharmaceutical company and one tire company) were approved in the reporting year. The number of shares traded by these two companies were 6,430 thousand with a value of Rp 8.5 billion. This brings the number of such companies to six by the end of March 1981. Funds mobilized through the capital market by these companies reached Rp 37 billion by March 1981. During the reporting year, the share prices listed on the stock market continued to rise. The number of shares traded in the secondary market increased to five-fold, from 441 thousand to 2,080 thousand.

During 1980/81, PT Danareksa sold 176 thousand and repurchased 57 thousand of share certificates. Thus, net sales of certificates were 119 thousand with a value of Rp 2 billion. Up to the end of the reporting year, certificates of shares issued by PT Danareksa amounted to 573 thousand of which 406 thousand were outstandings.

For wider distribution of profits of companies, the Government decided to build a fund to be managed by PT Danareksa⁹⁾ for investment in shares. In this connection, PT Danareksa would set aside their assets in the form of cash, stocks of companies listed on stock exchange market, bonds, and money market papers. As a first step, the fund was established to the amount of Rp 15 billion. This fund would be administrated separately from other funds of PT Danareksa. Based on the amount in the fund, PT Danareksa would issue "PT Danareksa certificates of funds

7) Minister of Finance Decree No. 161/KMK.011/1981, March 25, 1981

8) Minister of Finance Decree No. 58/KMK.04/1981, January 27, 1981

9) Minister of Finance Decree No. 150/KMK.01/1ss March 19, 1981

general unit series A" with a nominal value of Rp 10,000.00 per certificate which were to be traded outside the stock exchange. As in the case of share certificates, the trading of the Rp 10,000.00 certificates was limited to a

maximum of hundred certificates for each investor, and for special agencies such as cooperatives, pension funds and social insurance, the maximum amount was to be determined by the Minister of Finance.

TABLE 10 — TIME DEPOSITS
(billions of rupiah)

End of period	In local currency		In foreign currency ²⁾	Total
	inpres	Others ¹⁾		
1972 : Desember	146	23	17	186
1973 : December	148	45	21	214
1974 : December	238	64	27	329
1975 : December	386	77	35	498
1976 : December	612	102	55	769
1977 : March	631	118	52	801
June	644	132	46	822
September	667	129	48	844
December	692	148	44	884
1978 : March	687	160	52	899
June	708	174	51	933
September	721	184	52	957
December	707	160	78	945
1979 : March	707	140	82	929
June	708	154	94	956
September	712	174	129	1,015
December	716	211	148	1,075
1980 : March	725	238	126	1,089
June	726	331	121	1,178
September	751	367	150	1,268
December	734	369	129	1,232
1981 : January	734	493	120	1,347
February	749	541	112	1,402
March	754	551	125	1,430

1) Private banks and local development banks

2) Through September 1978 based on exchange rate of Rp 415.00 per U.S. dollar, thenceforth Rp 625.00 per U.S. dollar

TABLE 11 — INPRES TIME DEPOSIT RATES
(annual percentage rates)

Maturity	Since April 9, 1974	Since December 28, 1974	Since January 13, 1977	Since January 1, 1978
Less than 3 months ¹⁾	6	6	3	—
3 months ¹⁾	9	9	6	—
6 months	12	12	9	6
12 months	18	15	12	9
18 months ²⁾	24	21	—	—
24 months	30	24	18	15/12 ³⁾

¹⁾ Since January 1, 1978, determined by individual banks

²⁾ Since January 13, 1977, the 18-month time deposits were eliminated

³⁾ 15% p.a. on amounts up to Rp 2.5 million and 12% p.a. on any excess over Rp 2.5 million

TABLE 12 -- INPRES TIME DEPOSITS ¹⁾
(billions of rupiah)

End of period	24 months	18 months	12 months	6 months	3 months	Less than 3 months	Total
1972 : December			107	29	9	1	146
1973 : December			129	14	4	1	148
1974 : December	180	8	37	8	4	1	238
1975 : December	336	10	27	9	4	---	386
1976 : December	518	4	48	25	14	3	612
1977 : March	543	4	49	24	9	2	631
June	555	3	42	31	12	1	644
September	578	2	34	43	9	1	667
December	605	2	33	41	10	1	692
1978 : March	616	1	35	34	1	---	687
June	622	---	39	45	2	---	708
September	624	---	39	56	2	---	721
November 15	620	---	40	58	3	---	721
December	609	---	42	52	4	---	707
1979 : March	608	---	36	58	5	---	707
June	617	---	30	55	6	---	708
September	615	---	29	65	3	---	712
December	607	---	30	75	4	---	716
1980 : March	611	---	32	75	7	---	725
June	617	---	34	72	3	---	726
September	646	---	36	65	4	---	751
December	656	---	34	39	5	---	734
1981 : January	671	---	35	23	5	---	734
February	685	---	34	25	5	---	749
March	692	---	34	25	3	---	754

¹⁾ According to Presidential Decree No. 28/1968

**TABLE 13 — MAXIMUM INTEREST RATES ON TIME DEPOSITS
WITH PRIVATE BANKS**
(annual percentage rates)

Maturity	1979/80		1980/81	
	Rupiah	Foreign currency	Rupiah	Foreign currency
1. National private banks				
Less than 3 months	15.0	10.0	18.25	10.0
3 months up to 6 months	16.0	12.0	21.6	11.85
6 months up to 12 months	18.0	11.0	24.0	11.25
Above 12 months	19.0	—	28.8	—
2. Foreign banks				
Less than 3 months	15.0	15.0	15.75	14.75
3 months up to 6 months	15.25	15.75	15.25	13.75
6 months up to 12 months	15.25	13.50	14.75	13.0
Above 12 months	14.75	13.0	—	16.0

TABLE 14 – TABANAS AND TASKA SAVINGS DEPOSITS
(millions of rupiah)

End of period	Tabanas		Taska		Total	
	Number of depositors ¹⁾	Out-standing	Number of depositors ¹⁾	Out-standing	Number of depositors ¹⁾	Out-standing
1972 : December	2,388,778	25,574	17,870	99	2,406,648	25,673
1973 : December	2,862,264	32,486	11,794	84	2,874,058	32,570
1974 : December	3,450,463	43,942	8,742	74	3,459,205	44,016
1975 : December	4,108,173	70,048	9,380	115	4,117,553	70,163
1976 : December	5,429,981	109,147	10,836	158	5,440,817	109,305
1977 : March	6,566,385	123,118	10,402	188	6,576,787	123,306
June	6,695,269	135,643	9,060	159	6,704,329	135,802
September	6,871,073	143,473	8,727	151	6,879,800	143,624
December	6,864,401	153,591	8,735	138	6,873,136	153,729
1978 : March	6,960,491	169,274	7,911	123	6,968,402	169,397
June	7,230,267	181,005	7,499	124	7,237,766	181,129
September	7,307,178	188,596	6,600	126	7,313,778	188,722
November 15	7,429,086	195,826	6,863	127	7,435,949	195,953
December	7,458,963	191,462	6,873	120	7,465,836	191,582
1979 : March	7,600,382	199,954	6,296	117	7,606,678	200,071
June	7,693,490	202,792	5,939	122	7,699,429	202,914
September	7,835,935	196,656	5,545	125	7,841,480	196,781
December	7,896,389	212,560	5,880	112	8,002,269	212,672
1980 : March	8,296,854	237,357	5,544	118	8,302,398	237,475
June	8,459,918	247,396	5,453	125	8,465,371	247,521
September	8,692,972	267,019	5,358	131	8,698,330	267,150
December	8,828,909	292,731	5,428	122	8,834,337	291,853
1981 : January	8,881,143	302,690	5,512	118	8,886,655	302,808
February	8,951,767	312,447	5,347	125	8,957,114	312,572
March	9,021,750	321,382	5,698	133	9,027,448	321,515

¹⁾ In units of depositors

TABLE 15 – CERTIFICATES OF DEPOSIT ¹⁾
(billions of rupiah)

End of period	State banks	Foreign banks	Total
1972 : December	5	4	9
1973 : December	24	8	32
1974 : December	65	8	73
1975 : December	71	11	82
1976 : December	25	19	44
1977 : March	15	32	47
June	15	33	48
September	20	20	40
December	23	31	54
1978 : March	14	44	58
June	13	48	61
September	11	49	60
November 15	11	48	59
December	14	33	47
1979 : March	16	14	30
June	19	15	34
September	16	19	35
December	14	19	33
1980 : March	28	19	47
June	35	33	68
September	32	33	65
December	52	27	79
1981 : January	56	27	83
February	60	26	86
March	56	26	82

¹⁾ Certificates of deposits outstanding represent the amount outstanding at the end of a period plus the amount sold and less the amount redeemed during the following period those transactions took place

TABLE 16 – INTEREST RATES ON CERTIFICATES OF DEPOSIT
(annual percentage rates)

Maturity	1 9 8 0				March 1981
	March	June	September	December	
1 week	2.50–10.00	2.50–13.50	2.50– 9.50	2.50–11.00	2.50–12.50
2 weeks	9.75–11.00	10.00–14.00	7.00–10.00	6.00–11.50	9.00–13.00
1 month	3.00–11.50	3.00–15.00	3.00–12.00	3.00–13.00	3.00–15.50
2 months	3.00– 7.50	3.00– 7.50	3.00– 7.50	3.00– 7.50	4.00– 7.50
3 months	4.00–12.50	4.00–15.25	4.00–11.50	4.00–13.75	4.00–15.50
4 months	4.50	4.50	4.50	4.50	4.50
5 months	5.00	5.00	5.00	5.00	5.00
6 months	6.00–14.00	6.00–15.25	6.00–12.50	6.00–14.25	6.00–14.75
9 months	7.00	7.00	7.00	7.00	7.00
12 months	8.00–13.50	8.00–14.75	8.00–12.25	8.00–12.50	8.00–14.75

IV. BANKING AND OTHER FINANCIAL INSTITUTIONS

A. Banking

1. Policy on banking supervision

Policy on banking supervision was designed mainly to develop a sound and effective banking system able to support the national development efforts. In accordance with the growing demand for banking services in the society, the Government in the reporting year implemented several measures intended primarily for promotion of local development banks.

Measures with regard to local development banks, among others, comprised provision of technical assistance and training of personnel. As mentioned in the last year's report, a survey was conducted covering 20 local development banks classified as "sound" and "fairly sound" to assess the potential demand for banking services of the region served by these banks, and the type of technical assistance and training needed. In 1980/81, 11 out of 20 banks surveyed were granted technical assistance. This assistance was for a period of two years with a provision for further extension up to two years.

In order to strengthen the capital base of local development banks, the Government provided funds of Rp 4.5 billion in 1980/81 as soft loan from its budgetary resources to the provincial administrations for their participation in the local development banks. This capital participation was to be limited to those banks with paid-up capital of less than Rp 500 million. The amount of additional capital to the respective banks was subject to the approval of the Finance Department and the Home Affairs Departments.¹⁾

As mentioned in last year's report, state banks started preparing their operational manual. Until the end of the reporting year, only a few banks had completed their operational manual. In this context, the Government required that each bank should complete its operational manual as soon as possible and implement it at the latest by the end of Repelita III.

The policy to encourage merger among private national banks remained unchanged during the reporting year. However, the Government extended the time limit for tax relief offered to such merging banks, provided their request was made before June 30, 1981, and the merger was executed before December 31, 1981.²⁾

To cope with the growing volume of transactions and to bring about uniformity in the administration and reporting system, several banks had started using computers. With a view to expanding the efficiency and effectiveness of computer utilization, Bank Indonesia required banks to report their consideration, objectives for the use of computers as well as consultants. Besides, state banks were also obliged to obtain an approval from the coordinator of state administration automation body (Bakotan).³⁾

In an effort to execute Keppres 14A, state commercial banks, state development banks, local development banks as well as authorised national private commercial banks were allowed to issue bank guarantees for the execution of contracts and the

1) Minister of Home Affairs Letter No. 584/4097/PUOD, October 3, 1980

2) Minister of Finance Decree No.133/KMK.04/1981, March 16, 1981

3) Bank Indonesia Circular Letter No. SE 13/8/UPPB, December 8, 1980

purchase of goods financed by APBN⁴⁾. This facility was intended to expand the banking services to companies executing such contracts.

2. Banking development

The number of commercial banks, comprising state and national private banks, foreign banks and joint venture banks, was 91 at the end of March, 1981. Because of merger of two banks in the reporting year the number of national private commercial banks was reduced from 76 to 75, while the number of state commercial banks at 5 and foreign owned banks (including joint venture bank) at 11 remained unchanged (Table 20). The number of offices of commercial banks rose from 994 to 1,015 as a result of the establishment of 10 branches and 10 sub-branches and the change of one cash office to a branch office. In addition, a licence to PT Overseas Express Bank to conduct foreign exchange transactions was granted⁵⁾ in 1980/81, thereby the number of foreign exchange banks increased to 26, of which 10 were private foreign exchange banks.

The number of development banks including 1 state development bank (Bapindo) remained 28. Of these, 26 were local development banks and 1 private development bank. The number of offices increased from 162 to 178 offices, as a result of the establishment of offices by 8 local development banks and the promotion of 8 Bapindo representative offices to branch offices.

In the reporting year the number of savings banks remained unchanged at 3, consisting of 1 state savings bank and 2 private savings banks. The number of their offices also remained unchanged at 10, of which 8 belonged to state savings banks and 2 to private savings banks.

The number of village banks, paddy banks, petty traders banks, employees banks and other rural banks, remained unchanged at 5,833. During 1980/81 the number of petty traders banks increased by 2, and the licences of 1 village and 1 paddy banks were revoked.

In the reporting year, 2 more representative offices of foreign banks were established raising their number to 51. This increased number was expected to facilitate growing volume of foreign exchange transactions.

The moderate expansion in activities of deposit money banks, comprising commercial banks and development banks, was reflected in the growth of their total assets, funds and loans extended. In the reporting year, total assets rose by 35% to reach Rp 10,410 billion at the end of March, 1981. The growth in funds and loans extended were more or less maintained at the same tempo, the funds rising by 37% to Rp 7,097 billion and loans extended by 32% to Rp 5,733 billion during the year. The share of state banks, national private banks and local development banks in total assets rose, whereas that of foreign banks declined. As regards funds, the share of state banks and local development banks increased, with no change in share of national private banks and a decline in the share of foreign banks. The share of state banks and foreign banks in the volume of

4) Minister of Finance Decree No. 271/KMK.011/1980, May 7, 1980 and No. 334/KMK.011/1980 May 23, 1980

5) Decision of Board of Directors of Bank Indonesia No. 13/42/Kep/Dir/UD, October 21, 1980

**TABLE 17 – THE SHARE OF GROUP OF BANKS IN TOTAL ASSETS,
FUNDS AND LOANS OUTSTANDING**
(in percentage)

Group of banks	Assets		Funds		Loans	
	March 1980	March 1981	March 1980	March 1981	March 1980	March 1981
State banks	79.0	79.8	76.6	77.8	80.1	78.9
National private banks	8.9	9.4	9.6	9.6	9.9	10.7
Local development banks	3.5	3.9	4.3	4.6	2.1	2.8
Foreign banks	8.6	6.9	9.5	8.0	7.9	7.6

loans extended declined, whereas that of private national banks and local development banks showed an increase (Table 17).

During the reporting year, the amount of total assets owned by commercial banks and development banks remained 25% of current liabilities. The current assets of state banks increased slightly to 23%, whereas there were small declines for other banks. The liquidity of local development banks in percentage terms remained the highest. This high liquidity was closely related to the fact that funds were mostly owned by local governments which could draw on these resources at any time, and in relatively large amounts.

For more detailed information on banking activities, see Table 21 and Table 22.

B. Other financial institutions

1. Non-bank financial institutions

In order to expand non-bank financial activities and at the same time develop money and capital markets, efforts to develop these institutions were continued. In

the reporting year, the Government granted opportunities to these institutions to act either as trustee or guarantor in the issue of bonds. Additionally, the Government permitted the establishment of a non-bank financial institution under the name of PT Papan Sejahtera for financing ownership of housing to meet the housing needs of middle income groups.

PT Papan Sejahtera is a joint venture between banks and non-bank financial institutions in Indonesia with foreign partners. The authorized capital of the company was Rp 15 billion, of which Rp 5 billion was paid-up. The ratio of shares between Indonesian institutions and their foreign partners was 70 to 30. With the establishment of PT Papan Sejahtera, the number of non-bank financial institution rose to 13, consisting of 9 investment, 3 development and 1 housing financial companies.

To encourage non-bank financial institutions to invest funds in the form of securities issued by companies, Bank Indonesia since April, 1978 had been providing rediscount facilities. The rediscount facility was valid for 6 months and could be

prolonged by another 6 months. Further, in the preceding year the discount rate for securities issued by indigenous enterprises was made lower than those by other enterprises. Similarly the discount rate for securities with two or more endorsements was made lower than those with only one endorsement. The rediscount facility of Bank Indonesia to these institutions was limited to 20% of their current liabilities', position at December 31, 1979. With these measures, non-bank financial institutions registered remarkable progress during the reporting year.

The assets of these institutions rose by 57% to Rp 461 billion during 1980/81. Funds other than their own capital reflected growth of 59% to reach Rp 408 billion at the end of the reporting year. Their investment also increased, by 60% to reach Rp 437 billion at the end of March, 1981. The investments of nonbank financial institutions of the investment type was Rp 365 billion, almost all were in the form of commercial papers. The investments of non-bank financial institutions of the develop-

ment type amounted to Rp 65 billion, mainly were in the form of medium and longterm credits. Investments of the housing financial institution were temporarily in the form of short-term commercial papers. The total amount of investments in the form of commercial papers amounted to Rp 390 billion. Most of the investments of non-bank financial institutions were held in the form of promissory notes, and the remaining in the form of short-term commercial papers issued by enterprises other than their own.

For more detailed information on non-bank financial institutions activities, see Table 23 and Table 24.

2. Pawnshops

In order to meet the need of the low income groups for cash, the pawnshop service provided credit facilities with a maximum maturity of 6 months. This credit was granted with a maximum of Rp 50,000.00 at a interest rates higher than those charged by banks. At the end of 1980

TABLE 18 — DEVELOPMENT OF PAWNSHOP ACTIVITIES
(billions of rupiah)

Particulars	1974	1975	1976	1977	1978	1979	1980
Number of offices ¹⁾	440	441	441	441	446	448	450
Total loans extended	23	31	38	46	59	90	110
Redemption	21	29	35	44	56	83	103
Loans outstanding	7	8	11	13	16	23	30

¹⁾ In units

Source : Pawnshop Service

there were 450 pawnshop offices in Indonesia. The total amount of credit extended in 1980 and its repayment were Rp 110 billion and Rp 10 billion, respectively, recording increases of 22% and 24% during 1980/81 as compared with 53% and 48% in the preceding year. The credit outstanding at the end of 1980 was Rp 30 billion which registered an increase of 30% as compared with 44% in the preceding year.

3. Insurance companies

The business of insurance companies in Indonesia covers life insurance, indemnity insurance, and reinsurance. To carry out Keppres 14A, the Government adopted a policy allowing an insurance company i.e. Perum Asuransi Kerugian Jasa Raharja (indemnity insurance) to issue guarantee for completion of project within the period stipulated in the contract. For this purpose, the insurance company was allowed to issue surety bonds.⁶⁾ Effective June 1980, the Government exempted PBDR from payment of interest on deposits owned by life insurance and social insurance companies registered in Indonesia, as long as the deposits were held in rupiah with maturities of one month or more.⁷⁾

Judged by either their funds or investment, the activities of life insurance, social, indemnity and reinsurance companies registered a remarkable progress. During 1979 the amount of insurance pre-

mium collected increased by 45% to reach Rp 268 billion (Table 19). This was symptomatic of the growth of insurance services. The investment of such companies increased by 38% to reach Rp 223 billion, held in the form of time deposits with banks and short-term commercial papers.

Category-wise, the funds mobilized by life insurance companies at the end of 1979 were Rp 66 billion, a growth of 47% over the earlier year. Their investments also rose by 41% to reach Rp 41 billion at the end of 1979.

Funds mobilized by social insurance companies amounted to Rp 116 billion with a growth of 45%. Their investment, increased by 35% to reach Rp 127 billion. The aim of these companies was to assist mainly the employees and the retirees.

The activities of indemnity insurance companies also grew, with funds recording an increase of 43% and investments of 41 % during the year 1979. The amount of funds and investments of such companies stood at Rp 86 billion and Rp 55 billion, respectively, at the end of 1979.

PT Askrindo, as one of the institutions in indemnity insurance business, insured small scale investment credits (KIK) and permanent working capital credits (KM KP) as also other working capital credits to medium and small scale business securing credits from banks. During 1980 the premium collected was Rp 10.5 billion comprising premium of Rp 3.5 billion on account of KIK, of Rp 6 billion on account of KM KP, and of Rp 1 billion on account of other working capital credits. The amount insured was Rp 402 billion which consisted of insurance for KIK amounting to Rp 112 billion with 14,552 customers, insurance for KM KP amounting to Rp 206 billion with 196,646 customers, and in-

6) Surety bond is one of the guarantees requested by the owner of the project to the contractor in order to guarantee that the project will be completed in due time. Surety bonds are generally issued by insurance companies.

7) Minister of Finance Decree No.S.511/MK.011/1980, June 7, 1980 and Tax Directorate General Circular Letter No. SE 37/PJ.222/1980, September 13, 1980

**TABLE 19 – ACQUISITION OF FUNDS AND INVESTMENTS
BY INSURANCE COMPANIES**
(billions of rupiah)

Type of insurance	Funds ^r		Investment ^r	
	1978	1979	1978	1979
Life insurance	45	66	29	41
Social insurance	80	116	94	127
Others ¹⁾	60	86	39	55
Total	185	268	162	223

¹⁾ Includes PT Askrindo

Source : Department of Finance

insurance for other working capital credits amounting to Rp 84 billion with 14,070 customers.

Besides the aforementioned institutions, a special institution, namely institute for insurance of creditcooperatives (Lembaga Jaminan Kredit Koperasi or abbreviate LJKK) insured the repayments of credits extended by banks to cooperatives, mainly

village cooperative units (KUDs). During the reporting year the amount of credits insured was Rp 31.7 billion for 3,836 cooperatives, and at the end of March, 1981 the insured credits amounted to Rp 57 billion for 46,068 cooperatives. In addition, insured bank loans to cooperatives during 1980/81 amounted to Rp 111 billion, and the amount insured till the end of March 1981 aggregated to Rp 502 billion.

**TABLE 20 — NUMBER OF BANKS AND THEIR OFFICES
IN INDONESIA**

Particulars	March 31, 1980	1980/81		March 31, 1981
	Number of banks/offices	Established	Licenses revoked	Number of banks/offices
Commercial banks				
State banks				
— Number of banks	5	—	—	5
— Number of offices	689	12	—	701
National private banks				
— Number of banks	76 ^r	—	1	75
— Number of offices	285	18	9	294
Foreign banks/joint ventures				
— Number of banks	11	—	—	11
— Number of offices	20	—	—	20
Development banks				
State development banks				
— Number of banks	1	—	—	1
— Number of offices	11	8	—	19
Local development banks				
— Number of banks	26	—	—	26
— Number of offices	150	8	—	158
Private development banks				
— Number of banks	1	—	—	1
— Number of offices	1	—	—	1
Savings banks				
State savings banks				
— Number of banks	1	—	—	1
— Number of offices	8	—	—	8
Private savings banks				
— Number of banks	2	—	—	2
— Number of offices	2	—	—	2
Number of commercial banks, Development banks and savings banks				
— Number of banks	123 ^r	—	1	122
— Number of offices	1,166	46	9	1,203
Rural banks ¹⁾				
— Village banks	3,537	—	1	3,536
— Paddy banks	2,143	—	1	2,142
— Petty traders' banks	152	2	—	154
— Employees banks	1	—	—	1
Total number of banks	5,956	2	3	5,955
Total number of offices	6,999	48	11	7,036

¹⁾ Number of banks equal their offices

TABLE 21 — CONSOLIDATED BALANCE SHEET OF DEPOSIT MONEY BANKS 1)
MARCH 1980 — MARCH 1981
(billions of rupiah)

Items	March 1980					March 1981				
	State banks	National private banks	Local dev. banks	Foreign banks	Total	State banks	National private banks	Local dev. banks	Foreign banks	Total
ASSETS										
— Cash in hand	97	28	34	6	165	138	47	51	5	241
— Bank Indonesia	589	80	89	67	825	928	99	122	59	1,208
— Securities	—	1	—	—	1	—	1	2	—	3
— Domestic drafts	39	10	25	13	87	51	15	39	16	121
— Loans outstanding	3,159	409	93	283	3,944	4,222	606	160	386	5,374
— Foreign exchange assets										
— Loans	328	23	—	61	412	303	8	—	48	359
— Others	1,641	76	—	211	1,928	2,283	133	—	177	2,593
— Participations	12	2	—	—	14	17	2	1	—	20
— Premises, furniture and fixtures	57	38	7	8	110	73	46	10	11	140
— Other assets	151	21	18	12	202	290	26	17	18	351
AKTIVA = PASIVA	6,073	688	266	661	7,688	8,305	983	402	720	10,410
LIABILITIES										
— Paid-up capital	52	77	15	16	160	52	90	23	17	182
— Reserves/profit and loss account	224	27	14	12	277	345	40	24	16	425
— Borrowings	227	11	1	—	239	248	13	3	2	266
— Demand deposits	1,754	238	186	161	2,339	2,791	341	285	169	3,586
— Time and savings deposits	1,004	144	16	104	1,268	1,255	268	23	164	1,710
— Drafts payable	64	12	17	8	101	83	18	9	8	118
— Guarantee deposits	58	7	2	1	68	130	12	2	2	146
— Foreign exchange liabilities										
— Demand deposits	539	10	—	119	668	730	8	—	147	885
— Time and savings deposits	321	35	—	96	452	275	11	—	68	354
— Borrowings	2	38	—	4	44	8	12	—	12	32
— Others	172	2	—	95	269	292	43	—	82	417
— Bank Indonesia	1,356	53	8	1	1,418	1,713	78	26	—	1,817
— Other liabilities	300	34	7	44	385	383	49	7	33	472

1) Consists of commercials banks and development banks

TABLE 22 – MONTHLY AVERAGE RUPIAH LIQUIDITY POSITION OF DEPOSIT MONEY BANKS ¹⁾
DURING 1979/80 AND 1980/81
(billions of rupiah)

Items	1979/80 ^r				1980/81					
	State banks	National private banks	Local dev. banks	Foreign banks	Total	State banks	National private banks	Local dev. banks	Foreign banks	Total
Reserves	462	80	112	42	696	710	117	181	45	1,053
Current liabilities	2,086	256	183	212	2,737	3,133	393	313	291	4,130
Reserves as percentage of current liabilities	22	31	61	20	25	23	30	58	15	25
Minimum reserve requirement	313	38	28	32	411	470	59	47	44	620
Excess/deficiency	149	42	84	10	285	240	58	134	1	433
Required reserves with Bank Indonesia	104	13	9	11	137	157	20	16	14	207
Reserves with Bank Indonesia	381	53	84	37	555	606	82	138	39	865
Excess reserves with Bank Indonesia	277	40	75	26	418	449	62	122	25	658
Excess/deficiency as percentage of current liabilities	13	16	41	12	15	14	16	39	9	16

¹⁾ Consists of commercials banks and development banks

**TABLE 23 – INVESTMENT AND SOURCES OF FUNDS OF
NON-BANK FINANCIAL INSTITUTIONS**
(billions of rupiah)

Items	March 31, 1980			March 31, 1981		
	Develop- ment type	Invest- ment type	Total	Develop- ment type ¹⁾	Invest- ment type	Total
Investment of funds						
— Call money	—	1	1	—	1	1
— Marketable securities	19	224	243	29	361	390
— Loans extended	25	—	25	36	—	36
— Equity participation	3	1	4	5	3	8
— Others	1	—	1	2	—	2
Total	48	226	274	72	365	437
Sources of funds						
— Call money	—	7	7	—	13	13
— Securities issued	9	156	165	11	253	264
— Loans received	26	48	74	40	80	120
— Subordinated loans	2	9	11	2	9	11
— Capital	15	12	27	22	18	40
Total	52	232	284	75	373	448

¹⁾ Includes non-banks financial institutions for financing of house ownership

**TABLE 24 – CONSOLIDATED BALANCE SHEET OF NON-BANK
FINANCIAL INSTITUTIONS**
(billions of rupiah)

Items	March 31, 1980			March 31, 1981		
	Develop- ment type	Invest- ment type	Total	Develop- ment type ¹⁾	Invest- ment type	Total
Current assets						
Cash and banks	1	4	5	1	2	3
Call money	—	1	1	—	1	1
Securities						
— Marketable shares and bonds	—	—	—	—	—	—
— Others	19	211	230	29	341	370
Loans and advances	3	—	3	—	—	—
Other current assets	3	7	10	5	13	18
Other assets						
Securities						
— Non-marketable shares and bonds	4	1	5	5	1	6
— Others	—	13	13	—	20	20
Loans and advances	22	—	22	36	—	36
Equity participation	—	1	1	—	2	2
Fixed assets	1	1	2	1	2	3
Others	1	1	2	1	1	2
ASSETS = LIABILITIES	<u>54</u>	<u>240</u>	<u>294</u>	<u>78</u>	<u>383</u>	<u>461</u>
Current liabilities						
Call money	—	7	7	—	13	13
Securities issued	8	156	164	11	252	263
Loans received	2	47	49	—	79	79
Other current liabilities	1	7	8	1	8	9
Other liabilities						
Securities issued	1	—	1	—	1	1
Loans received	24	1	25	40	1	41
Others	1	—	1	2	1	3
Capital and subordinated loans						
Paid-in capital	13	5	18	18	8	26
Reserves	1	2	3	2	2	4
Retained earnings	1	6	7	2	8	10
Subordinated loans	2	9	11	2	9	11

¹⁾ Includes non-bank financial institutions for financing house ownership

V. GOVERNMENT FINANCE

A. General

The planning and implementation of the Government Budget of Revenues and Expenditures (APBN) for the fiscal year 1980/81 continued to focus on a dynamic balanced budget policy. By considering the stability of economy, the policy was directed especially to achieve equitable distribution of development and its yields. The policy was designed to provide funds, as large as possible for development purposes and spend them efficiently. On the revenue side, the policy was directed to collect funds domestically, and create a balanced distribution of tax burden and income, to push development efforts, and to achieve full utilization of economic potentials. On the expenditure side, the policy emphasized the equitable distribution of development and its benefits through greater public participation in the development process. In this context, the Government through Keppres 14A of 1980 modified the policy laid down in the previous Decree¹⁾ by providing more liberal treatment to small business in implementing the Government projects. In addition, the procedures of filling out the project report forms (Daftar Isian Proyek or DIP), and supervision of projects were simplified to ensure faster execution of development projects. The new procedure envisaged the supervision of projects only through the post audit.

The budget of 1980/81 was balanced at Rp 10,557 billion at which level it was higher by Rp 2,479 billion or by 31% than the preceding year. In the implementation,

the actual revenues and expenditures, each amounting to Rp 11.7 trillion, were both higher by 11% than budgeted or greater by 45% than the actual figures of the 1979/80 budget. With the inflation rate of 16% in 1980/81, revenues and expenditures both rose by 29% in real terms. The remarkable increase in revenues was caused mainly by higher receipts from corporate tax on oil as a result of an increase in international oil prices, followed by increases in withholding tax, import duties and excises. On the expenditures side, the increase in development expenditures was far larger than routine expenditures. The rapid increase in development expenditures, was especially reflected in religion and manpower development, housing and human settlement, education and national culture. The increase in routine expenditures was contributed mainly by petroleum subsidies, food import subsidies, subsidies to regions as also personnel expenditures.

The Government's efforts to increase the relative share of development expenditures from domestic sources were reflected in rise of Government savings derived from rise of Government savings derived from its domestic receipts minus routine expenditures, from 66% in 1979/80 to 75% in 1980/81. Government savings during 1980/81 amounted to Rp 4,427 billion, higher by 68% than the savings of Rp 2,635 billion in 1979/80.

The budget for 1981/82 was also balanced at Rp 13,900 billion which amount was higher by 19% than actuals during the preceding year. Domestic revenues were expected to reach Rp 12,274 billion or 88% of total revenues, while routine expenditures would amount to Rp 7,501 billion or 54% of total expenditures. Government savings would, therefore, amount to

1) Presidential Decree No. 14, March 31, 1979

Rp 4,773 billion or 75% of the budgeted development expenditures. In conjunction with development expenditures of Rp 6,399 billion, it means that the foreign aid would amount to Rp 1,626 billion.

B. Government revenues

The Government tax policy continued to be directed primarily towards creating a better climate for business activities and raising the Government revenues. Measures taken during the year related to adjustment in the oil export base price, restructuring of several tariffs on taxes such as income tax, withholding tax, excises, import duties, sales tax on import and tax on export.

Domestic revenues consisting of direct taxes, indirect taxes and non-tax receipts in 1980/81 amounted to Rp 10,227 billion, an increase of 53% over the preceding year. Direct taxes, which together accounted for 81% of domestic revenues, increased by 61% to Rp 8,230 billion. This was mainly due to the spurt in receipts from corporate tax on oil. Such receipts, at Rp 7,020 billion comprising 85% of total direct tax receipts, grew by 65%. The receipts of Rp 1,210 billion from non-oil direct taxes, comprising income tax, corporation tax, withholding tax, Ipeda and other direct taxes also advanced by 39% as compared with the rate of increase of 27% in 1979/80.

For ensuring a more equitable distribution of the tax burden, during the reporting year the Government increased the limit of the non-taxable income of an individual (income on which no tax was imposed) from Rp 200 thousand to Rp 240 thousand per annum. Hence, the annual

level of non-taxable income for a tax payer with a spouse and 3 children went up from Rp 582 thousand to Rp 840 thousand. In addition, the lowest marginal rate of tax was reduced from 10% to 5%. The highest marginal tax rate of 50% was applicable to the annual income of more than Rp 18 million. Consequently, income tax receipts in the reporting year increased only modestly, by 11% to Rp 164 billion, as compared with the growth of 21 % in the preceding year.

Since 1979 the Government had been allowing a lower rate of corporation tax to companies using assistance of public accountants in an effort to encourage companies to conduct their administration in an orderly and open manner. Companies which started to use the services of public accountants for the 1979 accounting year were exempted from payment of taxes found to be deficient as revealed by the accountant's report. During the year, the Government allowed 90% exemption from payment of the residual tax obligations to the companies using public accountant's services for the year 1980, and 50% exemption for 1981.²⁾ In spite of exemptions, revenues from corporation tax increased by 51% to Rp 448 billion during 1980/81 as compared with the lower rate of 31% in the preceding year. This reflected the increasing tempo of business activities as well as result of the intensive tax collection drive.

Also, revenues from the withholding tax which represented prepayment of corporation tax rose in 1980/81 by 49% to Rp 433 billion, compared with the growth of 25% in the year before. This expansion was

2) Minister of Finance Decree No. 31/KMK.04/81, January 15, 1981

attributed to the increase in the rates of withholding tax on exports of coffee and logs. This upward adjustment was designed to bring the total payment of withholding tax closer to the actual amount of corporation tax due at the end of the year.

Revenues from the *lpeda* in 1980/81 increased by 23% to Rp 87 billion. This increase was attributable to the moderate rise in revenues from urban, forest and mining lands as also from the improvement in the system and collection of *lpeda* village tax by relating it to type, class and area of land.

Revenues from other direct taxes which consisted mainly of tax on interest, dividend and royalties (PBDR) and property tax rose by 26% to Rp 78 billion in 1980/81. This increase was primarily caused by a better system on the collection of PBDR on various licences, patents and brands.

The revenues from indirect taxes during 1980/81 amounted to Rp 1,681 billion, or 22% higher than the year before. This was mainly due to a rise in import duties because of a jump in non-oil imports as also to a significant increase in excise rates.

The decline in the revenues from sales tax recorded last year was reversed during the reporting year when these rose by 39% to Rp 266 billion. This increase was closely related to the growth in value of domestically traded commodities, despite the lowering of tax rate on certain commodities.

With a view to providing impetus to the growth of domestic industries, the Government reduced tariffs on import duties and import sales tax on several raw materials and subsidiary inputs, but continued to

maintain tariffs of import duties on luxury and consumptive commodities, the domestic production of which was considered to be adequate. During 1980/81, the revenues from import duties increased by 41% to Rp 448 billion and those from import sales tax by 42% to Rp 195 billion as compared with a growth of 7% in the former and 9% in the latter in the preceding year.

In 1980/81, revenues from excises rose by 34% to Rp 438 billion. This increase was closely related to the success of Government efforts to drive out from the market the cigarettes on which no excise duty was paid and those carrying counterfeit excise mark. In addition, increases in the basic prices of distilled alcohol and sugar contributed to the revenue growth.

After a significant increase (of 134%) in the preceding year, revenues from export tax declined by 22% and amounted to only Rp 305 billion in the reporting year. This was mainly due to the export restrictions imposed on certain commodities such as logs, coffee and garments. The Government also reduced rates of additional export tax (PET) on certain exportable commodities such as coffee, copra and palm-oil consequent to the decline in international prices of these commodities.

Non-tax receipts in the reporting year rose by 68% to Rp 316 billion. These receipts were mainly derived from the profits of state enterprises and banks.

Development revenues, consisting of program aid and project aid, in 1980/81 amounted to Rp 1,494 billion or rose by just 8% over the preceding year. This increase was far smaller compared with the 53% rise in domestic receipts, and as a

result the share of development revenues in the total development funds declined from 34% in 1979/80 to 25% in the reporting year.

The statistics of Government revenues are given in Table 26.

C. Government expenditures

Government expenditures which had continually been increasing over the years, rose by 45% to Rp 11,716 billion in 1980/81 (Table 27). This amount was distributed roughly in equal proportions between routine and development expenditures, the former at Rp 5,800 billion and the latter at Rp 5,916 billion. Routine expenditures increased by 43% mostly as a result of increase in personnel expenditures, subsidies to local governments and other routine expenditures. Development expenditures rose by 47% due to large outlays on economic services, regional, business and environmental activities, and education and national culture.

Personnel expenditures, comprising more than one- third of routine expenditures, increased by 42% to Rp 2,023 billion in the reporting year. This was especially due to the increase in salary allowed to civil servants, armed forces and step up in the pension. The increase was between 40% and 60% of the basic salary of civil and armed forces servants and 35% of the basic pension for the pensioner.

Material expenditures in 1980/81 rose by 18% to Rp 671 billion, and as much as 95% of this was incurred on domestic purchases. The educational development contribution (SPP) for high schools and universities included in the material expenditures also contributed to its growth .

Expenditures on subsidies to autonomous regions reached Rp 976 billion, or rose by 46% compared with 28% in the previous year. This increase was related to the higher salary of regional civil servants, and growing number of teachers in Inpres primary schools as well as nurses, health officers, physicians in public health centers. The compensation fund extended to regions, following the abolition of SPP in primary schools, was also included in this item.

The increase in oil prices and some food items in the international market resulted in a substantial increase in oil and food subsidies, which made up the bulk of the other routine expenditures category. Subsidies on oil and food increased by 91% and 126%, and reached Rp 1,022 billion and Rp 282 billion, respectively. In total, other routine expenditures increased by 87% to Rp 1,345 billion.

The major part (47% or Rp 2,768 billion) of development expenditures was incurred on the economic services (Table 28). Of this, agriculture and irrigation accounted for 34%, communication and tourism 28%, mining and energy 18%. Development expenditures on agriculture and irrigation was oriented towards improving the production of farm food crops, livestock, fishery, estates and forestry. Development expenditures on communication and tourism contributed to the expansion of airport facilities, partly to the improvement of road and transportation. Development expenditures on mining, and energy, among others, was allocated to the extension of electricity distribution networks, and expanding the use of natural resources. Although the share in economic services was insignificant, the expenditures

on trade and cooperatives recorded a very high growth (of 232%) mainly reflecting the policy of the Government to encourage cooperative movements.

Development expenditures on regional, business and life environment activities increased by 10% to Rp 1,019 billion during the reporting year. Expenditures on development assistance to villages increased by 65% to Rp 51 billion, especially due to the rise in rate of allocation from Rp 450 thousand to Rp 750 thousand per village. Besides, assistance to regencies rose by 37% to Rp 119 billion, owing to increases in per capita at location from Rp 550.00 to Rp 700.00 and in the minimum allocation from Rp 65 million to Rp 100 million for each regency. The minimum assistance to a province was also increased, from Rp 2.5 billion to Rp 5 billion, and this aggregated to Rp 173 billion or a rise of 60% over the preceding year. Regional development expenditures through the land tax (Ipeda) proceeds in the year under report increased by 23% to Rp 87 billion.

Development expenditures on education rose by 58% to Rp 663 billion. These expenditures were partly for construction of elementary school buildings, in preparation for compulsory education at primary level, and partly for other purposes such as recruiting additional teachers and purchasing books. Expenditures for the construction of elementary school buildings included the amount for completion of

10,000 buildings of Inpres schools, erection of 4,000 new buildings, addition of 20,000 classrooms and renovation of 20,000 school buildings. In order to promote elementary education, the Government installed 43,600 teachers and head-masters. This implied expenditures for supply of basic textbooks and construction of houses for head-masters and teachers in the isolated regions.

In the year under report, expenditures on health and social welfare, women activities, population and family planning increased by 54% to Rp 218 billion. Nearly 67% of this was spent for health, 18% for population and family planning. In order to provide widespread public health services, the Government tried to provide health infrastructure, and this among other things included the establishment of 200 health centers (Puskesmas) in subdistricts, 1,000 supplementary health centers in villages, and 250 mobile health center units.

Expenditures for religion and manpower, housing and resettlement rose substantially, by 97% and 63%, respectively. Expenditures on religion and manpower reached Rp 357 billion with large amounts being absorbed by manpower in which transmigration programs were included. These programs also reflected the spectacular growth which was in line with the Government policy to accelerate implementation of transmigration projects in the Third Five Year Development Plan (Repelita III).

TABLE 25 — GOVERNMENT REVENUES AND EXPENDITURES
(billions of rupiah)

Particulars	1976/77	1977/78	1978/79	1979/80	1980/81		1981/82 Budget
					Budget	Actuals	
I. Revenues	3,690	4,309	5,301	8,078	10,557	11,721	13,900
1. Domestic	2,906	3,536	4,266	6,697	9,055	10,227	12,274
2. Development	784	773	1,035	1,381	1,502	1,494	1,626
II. Expenditures	3,684	4,306	5,299	8,076	10,557	11,716	13,900
1. Routine	1,630	2,149	2,744	4,062	5,529	5,800	7,501
2. Development	2,054	2,157	2,555	4,014	5,028	5,916	6,399
III. Public savings (I.1 — II.1)	1,276	1,387	1,522	2,635	3,526	4,427	4,773
IV. Total development funds (I.2 + III)	2,060	2,160	2,557	4,016	5,028	5,921	6,399
V. Surplus (+) / deficit (—) (IV — II.2)	+6	+3	+2	+2	0	+5	0

Source : Department of Finance

TABLE 26 – GOVERNMENT REVENUES
(billions of rupiah)

Particulars	1976/77	1977/78	1978/79	1979/80	1980/81		1981/82 Budget
					Budget	Actuals	
I. Domestic revenues	<u>2,906</u>	<u>3,536</u>	<u>4,266</u>	<u>6,697</u>	<u>9,055</u>	<u>10,227</u>	<u>12,274</u>
1. Direct taxes	2,047	2,511	2,996	5,129	7,430	8,230	10,038
— Income tax	84	104	122	148	174	164	207
— Corporation tax	127	170	226	297	356	448	558
— Corporate tax on oil	1,620	1,949	2,309	4,260	6,430	7,020	8,575
— Withholding tax (MPO)	149	202	233	291	324	433	513
— Land tax (Ipeda)	42	52	63	71	79	87	88
— Others	25	34	43	62	66	78	97
2. Indirect taxes	741	881	1,078	1,380	1,453	1,681	2,017
— Sales tax	162	203	221	192	252	266	294
— Sales tax on imports	102	115	126	137	146	195	222
— Excises	131	182	253	326	351	438	553
— Import duties	257	287	295	317	344	448	539
— Export tax	62	81	166	389	339	305	381
— Net profit from oil	16	—	—	—	—	—	—
— Others	11	13	17	19	21	29	28
3. Non-tax receipts	118	144	192	188	172	316	219
II. Development receipts	<u>784</u>	<u>773</u>	<u>1,035</u>	<u>1,381</u>	<u>1,502</u>	<u>1,494</u>	<u>1,626</u>
1. Program aid	10	35	48	65	65	64	65
2. Project aid	774	738	987	1,316	1,437	1,430	1,561
Total	3,690	4,309	5,301	8,078	10,557	11,721	13,900

Source : Department of Finance

TABLE 27 – GOVERNMENT EXPENDITURES
(billions of rupiah)

Items	1976/77	1977/78	1978/79	1979/80	1980/81		1981/82 Budget
					Budget	Actuals	
I. Routine expenditures	1,630	2,149	2,744	4,062	5,529	5,800	7,501
1. Personnel expenditures	637	893	1,002	1,420	2,055	2,023	2,412
— Rice allowances	115	126	133	180	268	252	289
— Salaries and pensions	425	673	760	1,054	1,503	1,483	1,742
— Food allowances	46	48	51	110	195	193	249
— Other domestic personnel expenditures	37	31	34	47	53	61	81
— Overseas personnel expenditures	14	15	24	29	36	34	51
2. Material expenditures	340	377	419	569	684	671	994
— Domestic	321	359	398	540	652	638	950
— External	19	18	21	29	32	33	44
3. Subsidies to local governments	313	479	522	670	986	976	1,209
— Irian Jaya	20	22	22	25	36	34	42
— Other	293	457	500	645	950	942	1,167
4. Amortizations and interest payments	189	228	535	684	770	785	964
— Domestic debts	24	7	9	36	25	31	30
— Foreign debts	165	221	526	648	745	754	934
5. Others	151	172	266	719	1,034	1,345	1,922
II. Development expenditures	2,054	2,157	2,555	4,014	5,028	5,916	6,399
1. Departments/Institutions including national defence and security	590	745	851	1,480	2,133	2,533	2,800
2. Regional development	285	366	431	549	802	807	1,127
— Subsidies to villages	20	23	24	31	51	51	70
— Subsidies to kabupatens	62	69	71	87	119	119	163
— Irian Jaya	5	6	6	—	—	—	—
— East Timor	—	4	4	7	6	6	7
— Subsidies to provinces	62	75	87	101	167	167	215
— Rural development — Ipeda	42	53	63	71	79	87	88
— Development of primary schools	57	85	112	156	251	250	374
— "Inpres Pasar" 1)	—	1	1	12	5	3	6
— Public health centers	21	26	27	30	50	50	79
— "Inpres penghijauan and reboisasi" 2)	16	24	36	41	48	48	70
— "Infrastructure Inpres" 3)	—	—	—	13	26	26	55
3. Other development expenditures	405	308	286	669	656	1,146	911
— Subsidies on fertilizer	107	32	83	125	213	284	314
— Government capital participation	218	167	128	253	210	476	360
— Others	80	109	75	291	233	386	237
4. Project aid	774	738	987	1,316	1,437	1,430	1,561
Total	3,684	4,306	5,299	8,076	10,557	11,716	13,900

1) Subsidies for reconstruction and development of shopping centers

2) Subsidies for regreening and reforeststation

3) Subsidies for development

Source : Department of Finance

TABLE 28 — DEVELOPMENT EXPENDITURES BY SECTOR
(billions of rupiah)

Sector	1976/77	1977/78	1978/79	1979/80	1980/81		1981/82 Budget
					Budget	Actuals	
Government	54	67	65	143	218	221	257
— State apparatus	47	56	54	112	165	168	190
— Law	7	11	11	31	53	53	67
National defence and security	60	56	159	330	387	479	482
Education and culture	161	249	293	419	663	663	887
— Education, youth, culture and Belief in the Almighty God	136	211	251	361	575	575	787
— Science, technology and research	25	38	42	58	88	88	100
Health, social welfare, role of women, population and family planning	48	71	79	142	196	218	259
Housing and human settlement	30	89	56	117	141	191	156
Religion and manpower	32	68	103	181	331	357	482
— Religion	5	7	8	19	32	32	46
— Manpower and transmigration	27	61	95	162	299	325	436
Economy	1,254	1,117	1,363	1,760	2,284	2,768	2,874
— Agriculture and irrigation	356	380	450	508	739	929	941
— Industry	172	125	157	356	275	415	330
— Mining and energy	242	238	319	377	484	507	684
— Transmigration and tourism	429	355	413	466	708	780	810
— Information, press and social communication	46	11	11	22	33	34	45
— Trade and cooperatives	9	8	13	31	45	103	64
Regional, business enterprises and environment	415	440	437	922	808	1,019	1,002
— Regional, rural and urban development	190	250	275	336	482	482	612
— Development of business enterprises	225	190	162	466	179	389	201
— National resources and environment	—	—	—	120	147	148	189
Total	2,054	2,157	2,555	4,014	5,028	5,916	6,399

Source : Department of Finance

**TABLE 29 — DEVELOPMENT EXPENDITURES BY SECTOR
EXCLUDING PROJECT AID**
(billions of rupiah)

Sector	1976/77	1977/78	1978/79	1979/80	1980/81		1981/82 Budget
					Budget	Actuals	
Government	54	67	61	122	201	204	255
— State apparatus	47	56	50	91	148	151	188
— Law	7	11	11	31	53	53	67
National defence and security	60	56	108	176	250	342	338
Education and culture	156	217	250	369	603	603	840
— Education, youth, culture and Belief in the Almighty God	131	182	216	318	525	525	744
— Science, technology and research	25	35	34	51	78	78	96
Health, social welfare, role of women, population and family planning	42	56	57	108	160	182	218
Housing and human settlement	27	61	38	89	109	158	134
Religion and manpower	31	58	91	158	301	327	444
— Religion	5	7	8	19	32	32	46
— Manpower and transmigration	26	51	83	139	269	295	398
Economy	504	495	567	827	1,235	1,727	1,672
— Agriculture and irrigation	249	234	315	353	516	706	711
— Industry	52	36	4	49	84	224	120
— Mining and energy	60	68	66	120	180	207	233
— Transportation and tourism	125	142	163	274	396	472	512
— Information, press and social communication	10	8	7	11	27	28	43
— Trade and cooperatives	9	7	12	20	32	90	53
Regional, business enterprises and environment	407	409	396	849	732	943	937
— Regional, rural and urban development	188	242	267	318	458	458	588
— Development of business enterprises	217	167	129	432	143	353	173
— National resources and environment	—	—	—	9	131	132	176
Total	1,280	1,419	1,568	2,698	3,591	4,486	4,838

Source : Department of Finance

TABLE 30 – PROJECT AID DEVELOPMENT EXPENDITURES BY SECTOR
(billions of rupiah)

Sector	1976/77	1977/78	1978/79	1979/80	1980/81		1981/82 Budget
					Budget	Actuals	
Government	---	---	4	21	17	17	2
– State apparatus	---	---	4	21	17	17	2
– Law	---	---	---	---	---	---	---
National defence and security	---	---	51	154	137	137	144
Education and culture	5	32	43	50	60	60	47
– Education, youth, culture and Belief in the Almighty God	5	29	35	43	50	50	43
– Science, technology and research	---	3	8	7	10	10	4
Health, social welfare, role of women, population and family planning	6	15	22	34	36	36	41
Housing and human settlement	3	28	18	28	32	33	22
Religion and manpower	1	10	12	23	30	30	38
– Religion	---	---	---	---	---	---	---
– Manpower and transmigration	1	10	12	23	30	30	38
Economy	749	622	796	933	1,049	1,041	1,202
– Agriculture and irrigation	107	146	135	155	223	223	230
– Industry	120	89	153	307	191	191	210
– Mining and energy	182	170	253	257	304	300	451
– Transportation and tourism	304	213	250	192	312	308	298
– Information, press and social communication	36	3	4	11	6	6	2
– Trade and cooperatives	---	1	1	11	13	13	11
Regional, business enterprises and environment	10	31	41	73	76	76	65
– Regional, rural and urban development	2	8	8	18	24	24	24
– Development of business enterprises	8	23	33	34	36	36	28
– National resources and environment	---	---	---	21	16	16	13
Total	774	738	987	1,316	1,437	1,430	1,561

Source : Department of Finance

VI. INTERNATIONAL ECONOMIC AND MONETARY DEVELOPMENTS

A. World economic conditions

1. Industrial countries

The economic condition of the industrial countries in 1980 was characterized by a decreasing real economic growth and an increasing rate of unemployment and inflation. Additionally, there was a tendency towards increasing protectionist measures, which consequently hampered the growth of international trade.

As shown in Table 31, the real GNP growth in the OECD countries as a whole declined from 3.3% in 1979 to 1.0% in 1980. All of the major OECD countries experienced a declining economic growth compared with the previous year. The United Kingdom recorded the sharpest recession as reflected in a negative growth of 2.1%, while Japan continued to achieve a rate of growth above 5%, which was the highest among the major industrial countries.

Meanwhile, the rate of unemployment in the OECD countries rose from 5.1% in 1979 to 6.5% in 1980. The highest rate of

TABLE 31 — GROSS NATIONAL PRODUCT, CONSUMER PRICE INDEX AND RATE OF UNEMPLOYMENT IN DEVELOPED COUNTRIES
(in percentage)

Particulars	Gross National Product			Consumer Price Index			Rate of unemployment		
	1978	1979	1980	1978	1979	1980	1978	1979	1980
— OECD	4.0	3.3	1.0	7.9	9.8	12.1	5.2	5.1	6.5
— European OECD	3.0	3.3	1.2	9.4	10.6	13.7	—	—	—
— Seven major countries :									
— Canada	3.4	2.7	0.1	9.0	9.1	10.1	8.4	7.5	7.5
— France	3.6 ¹⁾	3.2 ¹⁾	1.6 ¹⁾	9.1	10.6	13.5	5.2	5.9	6.3
— Germany, Federal Republic of	3.6	4.5	1.8	2.7	4.1	5.5	4.3	3.8	3.8
— Italy	2.6	5.0	4.0	12.4	15.7	21.1	7.2	7.7	7.6
— Japan	6.0	5.9	5.4	3.8	3.6	8.0	2.2	2.1	2.1
— United Kingdom	3.8	1.8	-2.1	8.3	13.4	18.0	5.7	5.4	6.9
— United States of America	4.8	3.2	-0.2	7.8	11.2	13.5	6.0	5.8	7.1

¹⁾ Gross Domestic Product

Sources : — World Economic Outlook — Statistical Tables and Supplementary Materials, Document of IMF ID/81/7
— World Economic Outlook, December 1980, OECD

unemployment (7.6%) was still experienced by Italy and the lowest by Japan.

The inflation rate in the OECD countries as a whole increased from 9.8% in 1979 to 12.1% in 1980. The Federal Republic of Germany recorded a rate of inflation (5.5%) higher than the previous year, though this rate was still the lowest among the OECD countries. On the other hand, Italy still experienced the highest rate of inflation i.e. 21.1 %.

The economic growth rate of the *United States*, in terms of real GNP, declined again from 3.2% in 1979 to —0.2% in 1980. This situation was mostly caused by the high level of interest rate and the erosion of consumer spending as a result of tight financial policy and the increase in social security taxes. Caused by the economic slow down, which was mostly felt in the construction sector and automobile industries, the rate of unemployment advanced to 7.1% compared with 5.8% in the preceding year. The inflationary situation also deteriorated with the consumer prices rising from 11.2% in 1979 to 13.5% in 1980, reflecting the increase of production costs due to higher energy prices. In the international trade sector, the decline of the United States dollar exchange rate in the years prior to 1980 improved the competitiveness of exports of that country. This improvement helped in the reduction of trade deficit from \$ 29.4 billion in the preceding year to \$ 27.4 billion in 1980, and increased the surplus in the current account from \$ 2.8 billion in 1979 to \$ 4.6 billion in 1980.

Real GNP in *Japan* increased by 5.4% in 1980 compared with 5.9% in 1979.

With such an increase Japan succeeded in maintaining the 2.1% unemployment rate experienced in the preceding year. The main factors, which bolstered the economy of Japan compared with the other OECD countries, were the buoyant exports and a high rate of growth in private capital investments. However, the consumer prices accelerated by 8% in 1980 compared with 3.6% in 1979. The rise of imported goods prices, especially that of oil, caused an increase in the import value, although there was a decline in the volume of imports. As a result, the trade balance in 1980 experienced a surplus amounting to \$ 2.0 billion, which was not much different from that in the preceding year, despite the substantial increase of exports. On the other hand, the services account recorded a substantial deficit which led to an increase in the current account deficit from \$ 7.9 billion in 1979 to \$ 9.5 billion in 1980.

After experiencing an increasing growth from 3.6% in 1978 to 4.5% in 1979, the economic growth of the *Federal Republic of Germany* slowed down to a record of 1.8% in 1980, which was mainly attributable to the slackening of export that could not be absorbed by the domestic demand. The deterioration of exports as mentioned above was closely related to the world economic recession in general and the sharp competition from commodities of other countries, especially Japan. The domestic demand was restrained by the implementation of a tight monetary policy which was aimed to combat the inflationary pressure and to maintain the exchange rate of the Deutsche mark. Notwithstanding, the consumer price rose by 5.5% in 1980, compared with 4.1% in 1979. However, these developments did not worsen

the unemployment situation, as reflected in the rate of unemployment which remained 3.8% as in the previous year. The surplus of the balance of trade decreased from \$ 17.8 billion in 1979 to \$ 11.1 billion in 1980, caused by the sharp decline in exports which was not offsetted by the reduction of imports. Besides, the increase of payments for services caused a deficit in the current account which amounted to \$ 7.7 billion in 1980, compared with a surplus of \$ 0.7 billion in the previous year.

The *United Kingdom* experienced the worst recession among the OECD countries, as reflected in the fall of the real GNP by 2.1% in 1980 compared with an increase of 1.8% in 1979. The increasing inflationary pressures from year to year, as a result of the price increases of energy and imported goods, weakened the competitiveness of the industrial goods. This development resulted in the slow down of the domestic economic activities induced mainly by the decline in the production of industrial goods. Notwithstanding, the Government still continued to maintain tight monetary policy; the inflation rate increased from 13.4% in 1979 to 18% in 1980. The rate of unemployment worsened from 5.4% in 1979 to 6.9% in 1980.

In the field of foreign trade, the rise of the oil price increased the export earnings of the United Kingdom from oil.

The increase in export earnings, combined with the decline of imports, improved the position of its balance of trade from a deficit of \$ 7.4 billion in 1979 to a surplus of \$ 2.7 billion. With a services account continuing to show a substantial surplus, the current account in 1980 experienced a surplus of \$ 10.4 billion, compared with only \$ 0.7 billion in the previous year.

The weakening of the demand for its exports, the high price level of international energy, and the policy of financial control led to a weakening of the domestic economic activities in *France*, particularly the industrial sector. The real GDP growth rate decreased from 3.2% in 1979 to 1.6% in 1980, while the rate of unemployment went up to 6.3% from 5.9% in the preceding year. On the other hand, despite the relatively tight financial policy, the inflation rate continued to increase from 10.6% in 1979 to 13.5% in 1980, mainly as a result of the energy price rise. The high level of energy price also enlarged the deficit of the trade balance from \$ 1.4 billion in 1979 to \$ 11.9 billion in 1980. Although the surplus on services account increased in 1980, the current account recorded a deficit of \$ 5.9 billion compared with a surplus of \$ 2.9 billion in 1979.

The economic growth of the developed countries in 1981 was expected to slow down further with the rate of unemployment threatening to increase further. On the other hand, by continuing a tight financial policy, the rate of inflation was expected to be mitigated. In the field of the international trade, the tendency of protectionist measures in developed countries would continue to hamper the development of international trade. Notwithstanding, the current account position of the countries concerned was expected to improve, mainly resulting from the low probability of oil price being increased until the end of 1981.

2. Developing countries

The economic deterioration in developed countries and the increase of energy prices had a negative impact on the developing countries. Demand for their non-oil

**TABLE 32 – GROSS NATIONAL PRODUCT AND CONSUMER PRICE INDEX
IN DEVELOPING COUNTRIES**

Group of countries	Gross National Product			Consumer Price Index		
	1978	1979	1980	1978	1979	1980
– Oil exporting countries	1.9	2.2	–2.9	10.2	10.8	13.6
– Non-oil developing countries	6.5	5.1	4.3	19.3	24.1	33.1

Source : World Economic Outlook – Document of IMF ID/81/7

exports in the major developed countries, especially for primary goods decreased. The increase of energy price had a substantial influence on the balance of payments and the price level in the respective countries but its impact on the production was relatively small.

Although oil price increased, the real economic growth of oil exporting countries (OPEC) as a whole experienced a decrease from 2.2% in 1979 to - 2.9% in 1980. The main factor in the deterioration was turmoil in the Middle East and the policy stance taken by several countries to restrain the oil production. On the other hand, the oil price rise increased the surplus of their current account from \$ 69.2 billion in 1979 to \$ 112.0 billion in 1980. The substantial surplus led to a high rate of monetary expansion which pushed the inflation rate from 10.8% in 1979 to 13.6% in 1980.

The economic growth in the non-oil developing countries also deteriorated. However, these countries as a whole succeeded in their efforts to maintain a growth rate of 4.3%, much higher than the rate reached by the oil exporting countries. This

growth rate was supported by the increase in agriculture production in some countries associated with the favorable weather conditions. The more expansive financial policy as well as the price increases of oil and other imported goods resulted in a relatively high and continuing upward rates of inflation. The consumer price index in these countries as a whole increased by 33.1 % in 1980 compared with 24.1 % in 1979. As a result of the deterioration of the terms of trade experienced by non-oil developing countries, the current account deficit widened from \$ 57.6 billion in 1979 to \$ 80.1 billion in 1980 (Table 32).

The prospect of economic growth as a whole in 1981 is still uncertain. It depends mostly on the solution of the Middle East conflict, particularly in Iraq and Iran, and on how far the oil exporting countries succeeded in their attempts to adjust their development strategy to the world economic situation. Most countries of this group are still trying to develop the non-oil sector of their economy. The inflation rate in 1981 as a whole is estimated to remain the same as in 1980. With the possibility that the price of oil is expected to be more stable till

the end of 1981, and taking into account the agreement which had been reached among several OPEC countries to reduce their oil production in overcoming the oil glut in the world market, the current account surplus of the oil exporting countries is projected to be smaller than in the preceding year.

The non-oil developing countries are estimated to experience a higher economic growth than in 1980 provided their attempts to increase agriculture production are not hampered by unfavorable weather conditions. The inflation rate is expected to decline due to anti inflationary measures adopted by most of these countries. On the other hand, the current account deficits in 1981 are expected to be higher than in 1980, mainly from the deterioration in their exports. This situation could be worsened, if the tendencies of the industrial countries continued to adopt the protectionist measures.

B. International monetary developments

The development of the international monetary situation in 1980 was influenced by enlargement of imbalances in their payments and measures taken by some developed countries to overcome these imbalances as well as to combat inflation. The United States tight monetary policy, resulting in the high interest rate, strengthened the US dollar exchange rate, especially against the currencies of the European Monetary System (EMS) member countries. The strengthening of the US dollar and the rapid rise of interest rate in the international market led to the fall of the gold price,

after experiencing a continuous increase since 1979 up to January 1 1980.

International liquidity continued to increase in 1980, especially in the form of foreign exchange held by some industrial and oil exporting countries. The large build-up of foreign exchange originated mainly from the oil export revenues and the active central bank intervention in the foreign exchange markets in their attempts to moderate the appreciation of their currencies. On the other hand, the non-oil developing countries continuously experienced liquidity difficulties due to the high cost of energy imports.

As in the previous year, various measures were taken by the International Monetary Fund (IMF) to overcome liquidity difficulties especially faced by the non-oil developing countries. The Seventh General Review of Quotas which became effective during the reporting year increased the quota by 50% to SDR 60 billion, and thereby enabling the Fund to increase financial assistance to member countries. Furthermore, to assist the poorest developing countries for borrowings under the Supplementary Financing Facility, the Fund instituted a Subsidy Account for payment of interest.

In 1980, the Fund included the World Bank and the International Development Association (IDA) as other holders of SDR which meant that both institutions were henceforth allowed to own and use SDRs in their transactions. In addition, the SDR valuation which was previously based on a basket con-

sisting of 16 currencies, was revised to a basket of five currencies, namely the United States dollar, the Deutsch mark, the French franc, the Japanese yen and the English pound sterling, which were currencies of the countries having the largest exports during the period of 1975 -- 1979.

C. Cooperation and economic development of ASEAN countries

In 1980, the member countries of the Association of South East Asian Nations (ASEAN) continued to step up their economic cooperation especially in the fields of trade, industry, finance and banking. Besides, the ASEAN as a group also had economic cooperation with some industrial countries i.e. Japan, the United States, the European Economic Community member countries and Australia.

In the trade sector, an agreement was reached to enlarge the number of commodities under the ASEAN Preferential Trading Arrangements (PTA) from 2,827 to 4,325 items, which was further increased by 1,500 items to 5,825 items. The PTA comprised a reduction of import tax for commodities traded among ASEAN member countries.

The signing of both the principal agreement concerning the ASEAN industrial project and the supplementary agreements for urea project in Indonesia and Malaysia, as well as the fixing of the selling price of the product of the soda ash project in Thailand, implied progress achieved in the field of industry under the ASEAN cooperation. The construction of the ASEAN urea project in Indonesia began in 1980 and is expected to be completed by 1984. An additional loan of \$ 90 million on concessional terms was obtained from

Japan in order to cover additional project cost, caused by price increases which brought the total loan to the amount of \$ 310 million or 77% of the whole estimated project cost. Meanwhile, Japan also agreed to provide a \$ 238 million consociational loan for the ASEAN urea project in Malaysia. Concerning the ASEAN project in the Philippines, which was initially planned as an integrated pulp and paper project, was then proposed to be replaced with a copper plant project.

ASEAN cooperation in the field of finance and banking has been continually enhanced through efforts coordinated by the ASEAN Committee on Finance and Banking (COFAB). As a follow up, at the meeting in Bangkok in January 1981, the ASEAN Banking Committee approved a renewed guidance for the issuance of ASEAN bankers' acceptance as one of the instruments to promote trade among member countries. Furthermore, the ASEAN Committee also agreed to establish an ASEAN Finance Cooperation in June 1981, which will have a head office in Singapore with an initial paid-up capital amounting to \$ 50 million (equivalent to Sin \$ 100 million) to be equally subscribed among member countries.

Despite the unfavorable international economic development, the economic growth in the ASEAN countries continued to expand in 1980. The highest growth rate (10.2%) was experienced by Singapore and the lowest (4.7%) by the Philippines. Indonesia and Singapore achieved a better rate of economic growth compared with the previous year, while economic growth of Malaysia, the Philippines and Thailand slackened slightly. The inflation rate in Malaysia, Singapore and Thailand rose mainly due to the price increase of imported goods, particularly oil. Inflation rate in

Indonesia and the Philippines was reduced although it still continued to be high. As a result of the decline in the foreign demand, the growth rate of the export value of ASEAN countries except Indonesia, went down in 1980. The increase in the Indonesian export value was attributable mainly to the rise of oil price.

In *Singapore*, the growth of real gross domestic product accelerated to 10.2% in 1980 as against 9.3% in 1979. The increasing economic activities took place especially in the manufacturing, transport and communication services, and construction which was stimulated among others by the relatively high level of export growth and the prevalence of a significant domestic demand. Similar to the previous year, exports rose by 34% in 1980. Imports also rose by 34% compared with 29.4% in 1979. Parallel to the increase in the economic activities, the rate of unemployment was reduced from 3.3% in 1979 to only 3% in 1980. On the other hand, inflation rate in 1980 went up to 8.5% compared with 4% in 1979 as a result of the oil price increase.

In 1980, the economy of *Malaysia* continued to show a relatively high economic growth i.e. 8% compared with 8.5% in 1979. The slow down of the growth rate was mainly influenced by the deceleration of exports, although there was an increase in the domestic demand. Exports in 1980 increased by 16.2%, which were lower than in 1979 (41.7%), while imports in 1980 increased by 36.5% compared to 25.4% in 1979. Although the economic growth rate was slightly lower than the previous year, the rate of unemployment was reduced from 5.6% in 1979 to 5.3% in 1980. On the other hand, as a result of the rise in the import prices, especially those of raw materials and oil, the infla-

tion rate reached 6.7% in 1980 against only 3.6% in 1979.

In the *Philippines*, the growth rate of real gross national product slowed down from 6% in 1979 to 4.7% in 1980, among others, as a result of the increase in the oil price and the slackening of growth in the agricultural sector due to unfavorable weather conditions. The rate of price increase was reduced from 18.8% in 1979 to 17.8% in 1980 although it was still high. Exports rose by 22.5% although lower than the preceding year (34.3%). Imports also rose significantly by 27.2%.

Growth of real gross domestic product in *Thailand* slowed down to 6% in 1980 from 7% in 1979. A relatively high production growth was achieved mainly in the agricultural sector, while a decreasing rate of growth was experienced in the industrial, construction, mining and services sectors. The price increase of oil had an negative influence on the domestic price developments which resulted in the rate of inflation of 19.7% in 1980 compared with only 9.9% in 1979. The growth rates of exports and imports each decelerated to 24% in 1980 from 30% and 39% respectively, in 1979.

D. Relations between Indonesia and international financial institutions

1. International Monetary Fund (IMF or Fund).

In the reporting year, the Seventh General Review of Quotas was completed, raising the basic resources of the Fund by 50% to SDR 60 billion. In this connection, Indonesia's quota was increased from SDR 480 million to SDR 720 million, of which 25% was paid in SDRs and 75% in rupiahs. Transactions

with the Fund, in the reporting year, included the Fund's use of rupiahs in transaction with other member countries under the Fund's Operational Budget, receipt of an SDR allocation, and receipt of SDRs for US dollar under the Designation Plans.

During the reporting year, Indonesia was included four times in the Operational Budget for a total amount of SDR 54 million. This means that Indonesia made US dollar available to the Fund equivalent to SDR 54 million, out of which SDR 23.6 million was lent to Zambia, Cyprus, Zaire, Haiti and Ivory Coast. As a result of these transactions, Indonesia's position in the IMF in the form of Reserve Position in the Fund (RPF) increased by the same amount. Till the end of the reporting year, Indonesia was included 18 times in the Operational Budget for a total cumulative amount of SDR 172.3 million, out of which SDR 56.6 million was used by other Fund's member countries.

In January 1981, SDR allocation amounting to SDR 4 billion was effected which was the third and the final instalment under the second SDR allocation of SDR 12 billion. Out of this amount, Indonesia received SDR 49 million, which raised the total cumulative allocation to SDR 239 million at end of the reporting year. Under the SDR Designation Plans, Indonesia committed four times in 1980/81 to make US dollars available to a total amount of SDR 51.6 million. Out of this amount, US dollar equivalent to SDR 36.9 million was exchanged for SDRs. As a result,

Indonesia's SDR holdings at the Fund increased by the same amount. The receipt of the SDR allocation, receipt of SDRs for US dollars under Designation Plans and

other SDR transactions, resulted in Indonesia's SDR holdings to rise from SDR 186.1 million at the end of the previous reporting year to SDR 211.6 million at the end of 1980/81.

2. World Bank Group

In the reporting year, the *World Bank (International Bank for Reconstruction and Development or IBRD)* approved new loans to Indonesia amounting to \$ 728 million. These loans were for eight projects in the field of small-holders agriculture, population, education and swamp reclamation. Thus, total loans approved at the end of 1980/81 reached the amount of \$ 3,419 million for 54 projects.

The aforementioned IBRD loans were subject to a repayment period of 7 to 30 years including 3 to 10 years grace period, an interest rate between 7% and 9.6% per annum for the disbursed portion of the loan, and a commitment charge of 0.75% per annum for the undisbursed portion.

In January 1981, the General Capital Increase of IBRD was approved, raising the capital of the Bank from \$ 34 billion to \$ 67.15 billion. This General Capital Increase will become effective on October 1, 1981. Indonesia's subscription will be raised by \$ 363.9 million to \$ 752.7 million. A portion of the increase (known as a paid-in portion), will be paid during the period from September 30, 1981 to July 1, 1986 in the form of convertible currencies (\$ 2.7 million) and in rupiahs (equivalent to \$ 24.6 million).

In the reporting year, *International Development Association (IDA)* approved credit for agricultural research, amounting

to \$ 30 million. The total cumulative credits approved at the end of 1980/81 amounted to \$ 931.8 million for 47 projects especially in the field of agriculture, industry, communication, electricity and urban development. The IDA credits are not subject to any interest except a service charge of 0.75% per annum. Under the IDA Sixth Replenishment, approved for the amount of \$ 12 billion, Indonesia had to pay in rupiah the equivalent of \$ 241.6 thousand, to be effected in three equal annual installments. The replenishment would become effective, when "a formal notification " had been extended by the IDA's member countries for a total of 80% of the replenishment amount, which was expected to be fulfilled not later than September 30, 1981.

At the end of 1980/81, *International Finance Corporation (IFC)* provided financial assistance for 12 private companies, consisting of equity investment and loan investment of \$ 14.7 million and \$ 64 million, respectively. Other institutions receiving financial assistance from IFC, also participated in the equity investments in those companies. Equity investment of institutions other than IFC amounted to \$ 53.8 million at the end of 1980/81. During the reporting year, IFC provided financial assistance in the form of loans and equity to three private companies in Indonesia to the amount of \$ 29.1 million and \$ 7.1 million, respectively. The financial assistance in the form of loan bore an interest of 11 % to 12% per annum.

Following IFC's capital increase from \$110 million to \$ 650 million, Indonesia's subscription was increased by \$ 6.1 million to \$ 7.4 million, payable in five in-

stallments. The fourth installment amounting to \$ 1.2 million was paid during the reporting year.

3. Asian Development Bank (ADB)

In 1980/81 ADB approved new loans to Indonesia amounting to \$ 284.6 million for the financing of irrigation, technical schools, road improvements, electricity, water supply and industry. The said loans originated from the Ordinary Resources. Till the end of the reporting year, ADB approved a total cumulative credit to the amount of \$ 1,231.3 million, consisting of \$ 1,069 million from the Ordinary Resources and \$ 162.3 million from the Special Fund Resources. Loans from Ordinary Resources were subject to a repayment period of 10 to 30 years including 2 to 8 years grace period and an interest between 8.1 % and 9% per annum. Loans originating from the Special Resources had a repayment period of 40 years including 10 years grace period, and were not subject to any interest except a service charge of 1% per annum. It may be added that, for the period 1980-1982, ADB considered Indonesia not eligible for loans originating from the Special Fund Resources, unless a sharp economic deterioration occurred.

Under the ADB's General Capital Increase from \$ 5.3 billion to \$ 7.2 billion, Indonesia's subscription was increased from \$ 200 million to \$ 470 million. Of this increase, 10% had to be paid in the form of a paid-in portion, consisting of 40% in foreign exchange and 60% in rupiahs. In the reporting year, Indonesia had effected the payment of the last installment, which raised the total subscription paid so far by Indonesia to \$ 91 million.

4. Islamic Development Bank (IDB)

In the reporting year, IDB increased its subscribed capital from I D 790 million)) to ID 2 billion. Subscription paid by Indonesia amounted to I D 25 million. In the In reporting year, IDB approved financial assistance to Indonesia in the form of equity to the amount of \$ 9 million for Cement Andalas project. Until the end of the reporting year, IDB had approved financial assistance of \$ 19 million for 2 projects.

1) ID stands for Islamic Dinar ; ID.1.00=SDR 1.00

5. Inter Governmental Group on Indonesia (IGGI)

During the 23rd IGGI meeting, held in Amsterdam on May 7-8, 1980, an agreement was reached to provide financial assistance of \$ 2 billion for the year 1980/81, which will consist of assistance from donor countries and multilateral financial institutions. Till the end of March 1981, total IGGI loan agreements signed amounted to \$ 17.7 billion, of which \$ 9.8 billion was disbursed.

VII. INDONESIA'S BALANCE OF PAYMENTS

A. Balance of payment policy

Balance of payments policy, as an integral part of the Indonesian economic policy for promoting development in accordance with The Third Plan (Repelita III), covered export promotion and export diversification, foreign exchange saving through import substitution, maintenance of the stability of the rupiah exchange rate, and proper utilization of foreign resources. In pursuance of this policy, the Government during the reporting year took a series of measures aimed at stimulating production and employment through strengthening the competitiveness of Indonesian exports in world markets and domestic production for substituting imports.

The measures, as far as exports are concerned, consisted of granting fiscal incentives, simplification of export procedures, improvement in quality control and standardization, market expansion and intensified international economic cooperation. On the import side, a number of measures were taken to ease the flows of commodities for production as well as public consumption. These measures included the reduction of duties on imports of raw and auxiliary materials required for domestic production, extension of the list of commodities eligible for imports under usance letter of credit, and delegation to foreign exchange banks the authority to determine the amount of import deposit for certain commodities. With respect to capital flows, the Government continued to offer a number of fiscal and other incentives to create a climate conducive to foreign investment.

1. Export measures

In order to stimulate production and strengthen the competitiveness of Indonesia's industrial exports, the Government extended the list of goods eligible for the export certificate facilities from 60 to 384 items.¹⁾ To encourage exports of coconut oil and copra, the export tax rate was once reduced from 10% to 5%, a

nd again from 5% to 0%.²⁾

During the reporting year, measures were taken to improve the export procedures regarding the Letter of Origin with a view to increasing industrial exports to countries having preferential arrangements for exports from developing countries.³⁾ The measures related to standardization of form of Letter of Origin and simplifying of the procedures in completing it.⁴⁾ In respect of Letter of Origin for coffee exports to member countries of the International Coffee Organization (ICO), the validity period was extended from 6 to 9 months.⁵⁾ After the agreement was reached between the ICO member countries regarding the reinforcement of the quota on coffee exports, Indonesia's exports to ICO member countries since November 1, 1980 were required to be labelled with "coffee stamp" and the

1) Minister of Finance Decrees; of which the latest is Decree No. 707/KMK. 05/1980, December 1980

2) Minister of Finance Decrees :
No. 249/KMK.011/1980, April 22, 1980
No. 294/KMK.011/1980, May 19, 1980

3) Minister of Trade and Cooperatives Decree No.147/ /Kp/IV/80, April 16, 1980

4) Director General of Foreign Trade Decree No. 06/ DAGLU/Kp/IV/80, April 16, 1980

5) Director General of Foreign Trade Decree No.416/ DAGLU/Kp/XI/80, November 6, 1980

“ICO” sign on the export package while in case of exports to non-member countries the package was to be stamped with the mark “non- members”.⁶⁾

To expedite the exports of textile products the Director General of Foreign Trade had delegated the authority to issue export permits to Heads of Regional Trade Offices.⁷⁾ With regard to exports of textiles and garments to Europe, a few member countries of the European Economic Community (EEC) in 1980 imposed import restrictions on Indonesia’s exports. The United Kingdom, however, after further negotiations agreed to postpone this restriction for exports up to two million pieces till 1981. In addition, an agreement was concluded with Benelux countries on the limitation of Indonesia’s textile exports to the extent of 700 thousand pieces, while exports quotas to France, Italy and Ireland continued to remain under negotiations. In order to meet the demand for raw materials for domestic timber processing industry and to obtain favorable prices in the world markets, exports of logs were restricted. Under the Joint Decree issued in this connection, the HPH (forest exploitation right) holders were only allowed to export logs up to the amount determined by the Ministers of Trade and Cooperatives, Agriculture, and Industry.⁸⁾ Within this policy frame, exports of logs since December 24, 1980 were not to exceed 50% of logs earmarked for the domestic processing

industry.⁹⁾ The exports of logs could be effected only if the exporters had obtained SPREK-B form (letter of permit to export logs), which is issued after the exporters proved that a certain amount of logs had been made available to the domestic processing industry.¹⁰⁾ It may be noted that exports of logs could be undertaken only by registered log exporters.¹¹⁾

To improve the quality of Indonesia’s natural rubber, companies producing the Standard Indonesian Rubber (SIR) were to provide a quality control laboratory.¹²⁾ It should be noted that the control over the SIR quality was delegated from the Balai Penelitian Perkebunan in Bogor and Medan (plantation research center) of the Department of Agriculture to the Balai Pengawasan Mutu (quality control center) of the Department of Trade and Cooperatives.¹³⁾

During the reporting year, steps were taken to expand Indonesia’s exports especially to the ASEAN countries and the United States markets. An agreement was reached in which the items that could be exported under the ASEAN Preferential Trade Arrangements were increased from 2,398 to 4,659.¹⁴⁾ A trade Director

6) Director General of Foreign Trade Instruction No. 19/DAGLU/NS/XI/80, November 6, 1980

7) Director General of Foreign Trade Decree No 08/DAGLU/Kp/IV/80, April 17, 1980

8) Joint Decree of the Ministers of Agriculture, Trade and Cooperatives, and Industry, May 8, 1980 No. 317/Kpts/um/5/1980 No. 196/Kpb/V/1980 No. 182/M/SK/5/1980

9) Director General of Foreign Trade Instruction No. 568/DAGLU/KWT/XII/80, December 20, 1980

10) Director General of Foreign Trade Decree No.10/DAGLU/Kp/80, May 13, 1980

11) Minister of Trade and cooperatives Decree No. 198/Kp/V/80, May 8, 1980

12) Minister of Trade and Cooperatives Decree No. 39/Kp/I/81, January 30, 1981

13) Joint Decree of the Ministers of Trade and Cooperatives, and Agriculture, January 29, 1981. No. 38A/Kpb/I/1981 81/Kpts/Um/I/1981.

14) Director General of Foreign Trade Instructions: No 13/DAGLU/INS/VII/80, July 19, 1980 No. 02/DAGLU/INS/I/81, January 23, 1981

General of Foreign Trade center was set up in Los Angeles to promote Indonesia's exports to the United States.¹⁵⁾ Efforts were intensified to secure preferential treatment for Indonesia's exports to the United States in the form of extending the list of items under General Preferential System (GPS).

An agreement on Economic Cooperation was signed on October 31, 1980 between the Governments of Indonesia and Singapore for development of the Batam Island as an industrial center. The Agreement covered cooperation in the field of industry, banking, communication, taxation, immigration, trade and services for ensuring the smooth flow of goods.¹⁶⁾

The detailed rules and regulations for implementing the Agreement by the concerned authorities of the two countries were to be finalized later. It may be noted that the industrial center in Batam Island covers the Batam Island, the Janda Berias Group of isles and the isles of Tanjung Sau, Ngenang and Kasem.

2. Import measures

The preceding years' import policy of strengthening industrial development and ensuring ease in the flows of essential commodities continued to be implemented during the reporting year. The policy was reinforced by a number of fiscal and procedural measures to increase the availability of imported inputs and capital goods needed for industrial development.

These measures were taken in the form of extending the list of imports of raw materials and auxiliary goods eligible for

reduction in import duties and import sales tax.¹⁷⁾ In addition, imports of a number of capital goods items such as piston engines of specified sizes and telecommunication items were exempted from import duties and import tax.¹⁸⁾ To protect domestic production, the Government imposed heavier duties and sales tax on imports of iron pipes and maize.¹⁹⁾

To ensure the availability of raw materials and auxiliary goods, the Government expanded the list of imports of these commodities from 323 to 492 under the usance letter of credit.²⁰⁾ The regulation on the compulsory import deposit was annulled for imports under sight Letter of Credit (L/C) for a number of raw materials and auxiliary goods, spare parts and capital goods. This implied that the foreign exchange banks would determine the amount of compulsory import deposit for import of these goods.²¹⁾ Furthermore, importers were also made eligible for credits from foreign exchange banks to cover the compulsory import deposit in addition to the existing credit facility for financing the L/C balance in respect of import of these commodities. ²²⁾

15) Minister of Trade and Cooperatives Decree No. 331/Kp/VIII/80, August 9, 1980

16) Presidential Decree No. 64/1980, November 21, 1980

17) Minister of Finance Decrees of which the latest is Decree No. 1 64/KMK.OS/1981, March 26, 1981

18) Minister of Finance Decrees :
No. 85/KMK.05/1981, February 12, 1981
No. 134/KMK.05/1981, March 16, 1981
No. 151/KMK.05/1981, March 19, 1981

19) Minister of Finance Decrees:
No. 201/KMK.05/1980, April 1, 1980
No. 252/KMK.05/1980, April 24, 1980

20) Minister of Trade and Cooperatives Decrees :
No. 207/Kp/V/80, May 16, 1980
No. 486/Kp/XII/80, December 29, 1980

21) Board of Directors of Bank Indonesia Decree No. 13/8/Kep/Dir/ULN, May 23, 1980

22) Board of Directors of Bank Indonesia Decree No. 1 3/21/ Kep/Dir/UPK, July 10, 1980

To meet the domestic demand, the Government effected changes in its import policy for cement and sarongs. In certain areas outside Jawa (Java Island), imports of cement up to 100,000 metric tons were exempted from duties and sales tax. This measure was intended to stabilize the cement price which fluctuated widely during the middle of the reporting year.²³⁾ The Government revoked the ban, in operation since 1971, on import of sarongs in an effort to stimulate efficiency of the domestic industry and to protect consumers.²⁴⁾ To protect domestic producers, however, the Government imposed a specific tariff on imports of cotton made sarongs.²⁵⁾

With a view to promoting trade among ASEAN countries, Indonesia had extended the list from 566 to 1,166 commodities eligible for imports under the ASEAN Preferential Trade Arrangement. In addition, it was mutually agreed that in case of certain commodities, the import value of which was not to exceed \$ 50 thousand, the import duty would be reduced by 20%.²⁶⁾

With the objective of smoothening the flows of internationally traded commodities and ensuring greater accuracy in imposing duty on commodities imported, the customs tariff of Indonesia was modified. The system of Customs Cooperation

Council Nomenclature 1978 (CCCN) was adopted to replace the Brussels Tariff Nomenclature (BTN). Under this newly adopted system, the 7 digit commodity codes replaced the existing 6-digit codes. The new system was adopted by Indonesia with effect from January 1, 1981.²⁷⁾

3. Policy on capital movements

To accelerate the realization of economic development goals, the Government continued to encourage capital investment both in the public and private sectors. The policy stance of foreign private investment had the objective of providing more favorable investment climate conducive to the growth of sectors in which the domestic capital was not able to undertake projects independently.

As in the previous years, the policy in the oil sector continued to be directed at intensifying exploitation of existing oil wells, and encouraging exploration and exploitation of the new ones. A feature of the oil sector is that larger portion of capital and technology used in exploration and exploitation activities are drawn from foreign sources. Furthermore, ever increasing domestic demand for fuels necessitated the expansion of oil refineries in Cilacap and Balikpapan, and erection of a hydrocracker project in Dumai.

With respect to liquefied natural gas (LNG). Indonesia had not been able to penetrate so far the United States market due to legal problems in that country. The efforts of marketing LNG to Japan were not only maintained but intensified. A preliminary survey was conducted to ex-

23) Minister of Trade and Cooperatives Decree No.716/KM.1/1980, October 30, 1980.

24) Minister of Trade and Cooperatives Decree No. 317/Kp/VII/80, July 29, 1980

25) Minister of Finance Decree No. 448/KMK.05/80, July 31, 1980

26) Director General of Foreign Trade Instruction No. 13/DAGLU/INS/VII/80, July 19, 1980
Minister of Finance Decree No. 131/KMK.01/1981, March 14, 1981

27) Minister of Finance Decree No.710/KMK.05/1980, December 31, 1980.

tend exports to Taiwan and South Korea. The LNG projects in Badak and Arun were expanded with Japanese financing.

Policy for the non-oil and non-LNG sectors continued to be directed towards promoting industrial growth, creating employment opportunities, increasing foreign exchange earnings, and developing potential regions. In addition to the existing facilities an investment incentives, the policy changes during the year provided relief in the form of reduction in the rates of corporation tax (PPs), tax on interest, dividend and royalty (PBDR), and tax on the accrued dividend not extending beyond ten years. This facility was confined to investment projects generating employment opportunities, or earning large foreign exchange, or promoting regional development.²⁸⁾

Being one of the most important in Indonesia's economic development and requiring large capital, the aluminum ore smelting project undertaken by PT Indonesia Asahan Aluminum (PT Inalum) was granted tax relief in addition to the existing investment incentives. The tax relief was in the form of reduction on PPs, and PBDR.²⁹⁾

With a view to promoting tourism in several tourist resorts, relief in import duties and import sales tax on equipment and materials for new projects, and for projects relating to expansion or renovation of hotels under foreign and domestic capital investment acts (PMA and PMDN) were provided.³⁰⁾ In order to meet the demand for office buildings of international standard, the Government

granted tax facilities to PMA and PMDN projects dealing with construction and office leasing business. The facilities covered "capital write-off", exemption of stamp duty on callable capital, compensation on losses, accelerated depreciation, exemption from tax on dividend, and reduction in import duties and import sales tax on required building materials.³¹⁾

B. Balance of payments developments

1. Main features

Indonesia's balance of payments in 1980/81, despite the gloomy picture of the world economy, registered a surplus of \$ 2,736 million as compared with a surplus of \$1,690 million in the preceding year (Table 33). Consequently, official reserves rose to \$7,342 million by the end of March 31, 1981. In addition, the commercial banks recorded an increase of \$1,079 million in their net foreign assets. If this were to be included, the overall surplus during the reporting year would work out to \$ 3,815 million as compared with \$3,493 million in the preceding year.

The current account, which in 1979/80 scored the first surplus during the last two decades, registered another surplus of \$ 2,175 million during the reporting year. This surplus, slightly lower than that of the earlier year, was due mainly to the growth in export earnings of oil (41%) and LNG (57%), despite the set-back by 10% in the export earnings from non-oil and non-LNG. The drop in the non-oil

28) Government Regulation No. 2 of 1981, February 7, 1981

29) Government Regulation No 28 of 1980, August 25, 1980

30) Minister of Finance Decree No.493/KMK.0111980, September 8, 1980

31) Minister of Finance Decree No. 492/KMK.01/1980, September 8, 1980.

and non-LNG earnings was largely due to the decline in exports of some major commodities such as timber (25%), rubber (2%), coffee (18%), palm oil (31 %) and shrimps (22%). In sharp contrast, the exports of these commodities registered large increases during the preceding year. Moreover, commodities like fertilizer and cement which emerged as exportable for Indonesia in recent years, registered a sharp drop during the reporting year because of Government efforts to divert them to domestic market. In fact, exports of fertilizer were down by 44% and cement by 62% during the reporting year.

Total imports, which registered a 16% increase in 1979/80, went up by 35% during the reporting year. This was due to a 55% rise in the imports by oil companies, 44% rise in imports on account of LNG projects and 31% rise in imports of non-oil and non-LNG commodities. A welcome feature was the reduction in the value of rice imports by 47% from \$ 744 million to \$ 393 million. In terms of quantity the imports dropped by 54% from 2.6 million to 1.2 million tons. Category wise, capital goods imports still held the lead over raw materials and auxiliary goods, and consumer goods.

2. Current account

In the reporting year, the current account registered a surplus of \$ 2,175 million compared with \$ 2,198 million in the preceding year. This resulted from a surplus of \$ 8,582 million on trade account and a deficit of \$ 6,407 million in the services account.

a. Balance of trade

As in the past years, the balance of trade continued to posit a surplus which during the reporting year was higher than the surplus of \$ 7,713 million in 1979/80.

Better performance of the trade account emanated from a larger increase in exports (by \$ 4,288 million) than the rise of imports (by \$ 3,419 million).

The following table shows the balance of trade during the last five years (in million of \$).

	Exports (f.o.b)	Imports (f.o.b)	Surplus (+)/ Deficit (-)
1976/77	9,213	7,177	+ 2,036
1977/78	10,860	7,866	+ 2,994
1978/79	11,353	8,443	+ 2,910
1979/80 ^r	17,495	9,782	+ 7,713
1980/81*	21,783	13,201	+ 8,582

a 1. Exports

The substantial increase in exports was contributed by the oil and LNG whereas exports of non-oil and non-LNG commodities declined, resulting in the lower growth rate of 25% during 1980/81 than that of 54% in the preceding year.

By country of destination, Japan remained the biggest buyer of Indonesian goods; its share even increased from 47% to 49%. The United States ranked second with an unchanged share of around 20%. Despite a 14% increase in exports to the ASEAN countries, their share declined slightly, from 14% to 12%. It may be added that Japan and the United States, ranking first and second for total exports, maintained similar positions in Indonesia's exports of oil and LNG as also of non-oil and non- LNG.

i. Oil and LNG exports

Indonesia's oil and LNG exports reached \$ 16,199 million or increased by 43%, compared with 54% in the preceding year. This substantial rise was primarily attributable to oil price increases, on May 20, 1980 and January 1, 1981. The weighted average of the oil price

went up by 43.9% from \$ 22.58 in the previous year to \$ 32.49 per barrel. The LNG price also increased significantly as its movement is linked to oil prices.

The oil exports jumped in value, by 41% reaching \$ 14,088 million, despite a 1.8% decline in volume to 434 million barrels. Crude oil exports were down by 2.8% to 380 million barrels, whereas exports of oil products increased by 5% to 54 million barrels. The decline in the volume of crude oil exports was closely related to the rising refinery input to meet the domestic demand for fuel consumption.

Taking into account payments made by the oil companies for imports and services, the net earnings from oil amounted to \$ 9,345 million or up over the year by 48%. Of total oil exports, 60% went to Japan, 27% to the United States, and the remainder to other countries, such as Trinidad and Tobago, Australia, the Philippines, and Singapore.

In the reporting year, LNG exports rose by 57% to \$ 2,111 million, attributable to the rise in volume as well as price. The volume rose by 14% to 424 million MMBTU,³²⁾ and the LNG price from \$ 4.05 to \$ 5.47 per MMBTU (c.i.f). After allowing payments for imports and services associated with LNG production, net earnings from LNG exports increased by 88% to \$ 1,256 million from \$ 667 million in the preceding year. Japan continued to be the sole buyer of Indonesia's LNG.

ii. Non-oil and non-LNG exports

Unlike the past few years when the non-oil and non-LNG exports steadily rose, these exports during the reporting

year declined by 10% to \$ 5,584 million. In addition to the unfavorable prices of certain export commodities, this decline was closely related to the Government policy of placing more emphasis on meeting the demand for domestic industries and preservation of natural resources. Among the major export commodities, timber, rubber, coffee, palm oil and shrimps, which during the past five years averaged 72% of total non-oil and non LNG exports, declined during 1980/81 in volume as well as value. However, exports of tin and tea continued to increase.

In contrast to the rapid increases during the previous year, exports of manufactures and handicrafts registered sharp declines in the reporting year. The export value of textiles (mostly garments) and handicrafts decreased by 16% primarily due to quota imposition by several EEC countries. Exports of urea fertilizer and cement, despite their increased production, went down sharply by 44% and 62%, respectively. These declines were closely related to the Government policy of stressing priority to meeting the increased domestic demand.

By country of destination, Japan still held the lead. The share of Japan in Indonesia's total non-oil and non-LNG exports remained 29%. The United States which was next only to Japan registered a decline in its share from 16% to 12%. However, the share of ASEAN countries increased from 17% to 20%.

Export performance of major commodities in the non-oil and non-LNG category is described in the ensuing paragraphs.

Timber

The contribution of timber as a foreign exchange earner declined from 34% to

32) MMBTU = Million BTU (British Thermal Unit)

28%, though it continued to rank first among the non-oil and non-LNG items. The value of timber exports declined by 25% to \$ 1,583 million during the year under report. This decline was due to a drop in the volume of export (29%), which was closely related to the Government policy of restricting log exports. This policy was intended to meet the demand of domestic timber processing industry. In addition, this measure was meant to obtain favorable prices as the world prices of timber tended to decline during the latter half of the reporting year. However, the long run objective of the policy was of exporting processed timber and thereby creating employment opportunities through the timber processing industry.

Japan still held the lead as the major customer with its share practically remaining the same at 53% of total timber exports from Indonesia. South Korea, which was second in the previous year was replaced by Taiwan (15%). During the reporting year, South Korea slipped to third position (11 %) followed by Singapore (7%).

Timber exports during the past five years are as follows.

	Value (millions of \$)	Volume (thousands of tons)
1976/77	577	892
1977/78	609	873
1978/79	781	928
1979/80 ^f	1,101	1,015
1980/81*	1,077	954

Rubber

The export value of rubber in 1980/81 declined nominally by 2% to \$ 1,077 million. This decline was due to a 6% decrease in its export volume despite a 4% increase in its unit price. The export volume experienced a decline in the

wake of increased rubber production because of the rise in domestic demand from rubber-ware industries. It may be noted that exports of rubber primarily consisted of Standard Indonesian Rubber 20 (SIR-20) accounting as much as 48% of total rubber exports. This was followed by Ribbed Smoked Sheet I (RSS I), with a share of 12% and then by SIR-50 (10%) and Remilled 30 (8%).

By country of destination, the biggest customer of Indonesia's rubber was Singapore (39%) followed by the United States (32%). Other consumers of Indonesia's rubber were, inter alia, the Soviet Union (7%), Japan (4%) and the Federal Republic of Germany (3%).

Rubber exports during the past five years, are as follows.

	Value (millions of \$)	Volume (thousands of tons)
1976/77	577	892
1977/78	609	873
1978/79	781	928
1979/80 ^f	1,101	1,015
1980/81*	1,077	954

Coffee

In 1980/81 coffee exports amounted to \$ 588 million in value and 232 thousand tons in volume. Compared with the previous year, its value as well as its volume registered a decline, value by 18% and volume by 3% due mainly to the weakening of world coffee prices following the recovery of the Brazilian coffee production. The quota arrangements for coffee were reinforced effective October 1, 1980. Indonesia as a member of the ICO, obtained a share of 192 thousand tons or 5.8% of total annual quota and which was subsequently reduced to 185 thousand tons. This reduction was closely related to the price of coffee in the world

market which went down below the ICO check price. The deterioration in the coffee price continued to threaten Indonesia's quota being further reduced to the minimum of 162 thousand tons fixed for the country. It may be noted that for more than five years prior to the above reinforcement of quota the volume of Indonesia's coffee exports nearly doubled.

Since exports of coffee to ICO member countries were restricted, efforts to expand the market to non-member countries were intensified. During the past five years Indonesia's coffee exports to the ICO members averaged 94% of its total export value. As percentage of total, exports to ICO member countries during the reporting year were 30% to the United States, 11% to the Netherlands, 10% each to Italy and Japan, and 6% to the Federal Republic of Germany. Singapore among the non-ICO members accounted for the remaining share of 6% of Indonesia's coffee exports.

The value and volume of coffee exports during the previous five years are as follows.

	Value (millions of \$)	Volume (thousands of tons)
1976/77	330	143
1977/78	626	179
1978/79	509	232
1979/80 ^f	715	238
1980/81*	588	232

Tin

The export value of tin reached \$ 455 million, a 17% increase compared with 20% in the preceding year. The increase was due mainly to an 11% rise in volume exports. The world price of tin tended to decline as the United States indicated to release 35,000 metric tons from its stock. Of this, 370 metric tons

was released during the period July 1980 through March 1981. Notwithstanding this development, the International Tin Council did not change the tin price with the result that floor and ceiling prices remained at M\$ 1,650 and M\$ 2,145 per picol, respectively.³³⁾

The Netherlands, Singapore and Japan were the principal importers, accounting for 43%, 31% and 22%, respectively, of Indonesia's tin exports.

The following table shows tin export during the past five years.

	Value (millions of \$)	Volume (thousands of tons)
1976/77	181	27
1977/78	253	25
1978/79	324	26
1979/80 ^f	388	27
1980/81*	455	30

Palm oil

The export value of palm oil went down to \$ 178 million, a 31% decline in contrast to a 16% rise in the preceding year. The fall of both the unit price realized and volume by 20% and 15%, respectively, contributed to the reversal of movement in exports. The decline in volume was primarily caused by the increasing consumption of palm oil to meet the domestic demand for cooking oil despite a 4% increase in the production of palm oil. The drop in the world prices was attributed to the excessive supply of soybean, which is a close substitute for palm oil.

The major importing country was the Netherlands which accounted for 33% as compared with 20% in the preceding year of Indonesia's palm oil exports. The United Kingdom came second (17%)

³³⁾1 picol= 60.5 kilograms

followed by Kenya (12%), the Federal Republic of Germany (11%) and Iraq (5%)

	Value (millions of \$)	Volume (thousands of tons)
1976/77	147	415
1977/78	202	438
1978/79	222	415
1979/80 ^r	257	440
1980/81*	178	376

Shrimp

The export value of shrimps went down to \$ 170 million, a drop of 22%. This decline was due to a deterioration in both the unit price realized and volume which fell by 13% and 14%, respectively. The decreased volume of shrimp export was closely related to the Government measures prohibiting trawling operations, in addition to the weakening of the shrimps prices in the world market.

Shrimps were mainly exported to Japan (87%), while the remainder went to the United States, Hongkong and Singapore.

The value and volume of shrimp exports during the past five years are set forth below.

	Value (millions of \$)	Volume (thousands of tons)
1976/77	132	42
1977/78	154	45
1978/79	187	48
1979/80 ^r	217	49
1980/81*	170	42

Tea

The export value of tea went up by 7% reaching \$ 97 million in the reporting year. This increase was closely related to a 12% rise in export volume despite a slight decline in prices.

The major countries of destination of Indonesia's tea exports were the United States (18%), Singapore (14%), Pakistan

(13%), Egypt (12%) and Iraq (10%).

The following table sets forth the value and volume of tea exports.

	Value (millions of \$)	Volume (thousands of tons)
1976/77	64	64
1977/78	120	60
1978/79	98	65
1979/80 ^r	91	69
1980/81*	97	77

a.2. Imports

During the reporting year total imports, including imports by oil and LNG companies, rose by 35% reaching \$ 13,201 million. Imports by oil and LNG companies swelled by 55% to \$ 2,682 million. This sharp increase was mainly attributable to the rise in the value of fuels and crude oil (Arabian Light Crude Oil) imports. Other imports went up by 31% to \$ 10,519 million. This significant rise was due to the increased domestic production activity.

Viewed from the source of financing (Table 36), a large portion of imports other than those by the oil and LNG companies, comprised imports financed by general foreign exchange (72%). Imports financed by foreign aid were 22%. The balance represented imports financed by direct investment and other capital inflows which amounted to only \$ 318 million and \$ 343 million, respectively.

Imports finance by general foreign exchange amounted to \$ 7,587 million or up by 40%. This was a big jump since such imports during the preceding year rose by 22%. This substantial rise primarily stemmed from the increases in imports of raw materials and auxiliary goods as well as capital goods, such as metal wares, machinery and transportation equipments.

The major part of imports financed by foreign aid constituted project aid imports. During the reporting year the increase of 10% in project aid imports at \$ 2,153 million was lower than that of 15% in the previous year.

Imports effected through foreign capital investment rose by 46% to \$ 661 million consisting, as mentioned above, of \$ 318 million of direct investment and \$ 343 million of other capital inflows. In contrast to a 10% decline in imports of direct investments, imports financed by other capital inflows rose by 240% due to a substantial increase in imports for projects relating to PN Pertamina and PT Garuda Indonesian Airways.

As is known, the Government pays special attention to the imports of certain essential commodities such as rice, sugar and wheat in order to secure adequate domestic supply of these commodities. Imports under this category, generally known as Government program imports (Program Imports), a large portion of which was financed from general foreign exchange, increased by 7% to \$ 1,301 million during the reporting year. A major portion of this increase was accounted for by sugar imports which rose by 308% followed by fertilizer which increased by 266%. The growth in sugar imports resulted from the increases in both volume and price. The volume of sugar imports rose by 39% to 536 thousand tons and its average price by 194% resulting in the value of imports reaching \$ 482 million during 1980/81. With regard to fertilizer imports, its volume rose by 145% to 443 thousand tons while its value increased by 266% to \$ 111 million. The increased sugar and fertilizer imports were intended to meet the growing domestic demand. Wheat imports, despite a 2% decline in its volume,

rose by 6% to \$ 292 million. The imports of rice which were substantial in the preceding years declined sharply by 47% to \$ 393 million during 1980/81. This was mainly due to the drop in volume which shrank by 53% to 1,213 thousand tons following the surge in domestic production.

As last year, imports of capital goods continued to maintain lead over imports of raw materials and auxiliary goods, and consumer goods. The share of capital goods in total imports (excluding imports made by oil and LNG companies) rose to 47% from 37% in the preceding year. The share of raw materials and auxiliary goods remained at around 34%, whereas that of consumer goods declined to 19% from 29%. The jump in the share of capital goods imports followed from relaxations in import duties, import sales tax and import deposits. The decrease in imports of consumer goods was mainly caused by the drop in rice imports.

The composition of imports by categories in the past five are as follows (in percentage).

	Capital goods	Raw materials & auxiliaries	Consumer goods
1976/77	40.2	30.9	28.9
1977/78	36.2	31.7	32.1
1978/79	35.6	39.6	24.8
1979/80 ^r	37.0	33.7	29.3
1980/81*	46.9	33.6	19.5

By country of origin, the Asian countries, primarily Japan and Singapore accounted for a 65% share in Indonesia's total imports. The shares of European and American countries were 15% and 14%, respectively. Among the industrial countries, Japan held the lead (30%), followed by the United States (13%) and the Federal Republic of Germany (6%). The share of imports from ASEAN countries rose from

11% to 14%, of which Singapore ranked first followed by Thailand, the Philippines and Malaysia.

b. Services account

The services account showed a deficit of \$ 6,407 million which was 16% higher than the deficit in the previous year. This was mainly due to the increase from \$ 2,764 million to \$ 3,132 million in profit remittances in the oil and LNG sector. Net payments on other services increased from \$ 2,751 million to \$ 3,275 million.

3. Capital movements

a. Capital, excluding foreign exchange reserves

The capital movement in the non-monetary sector indicated a surplus of \$ 1,513 million compared with \$ 465 million in the preceding year. This was due to the sharp reduction in the deficit of the private sector, from \$ 1,315 million to \$ 361 million. Fall in oil and LNG export credits³⁴⁾ and debt service payments contributed to the reduced deficit. The surplus in the official capital increased from \$ 1,780 million to \$ 1,874 million, mainly from the reduced amortization payments.

The official capital inflows (including grants) amounted to \$ 2,529 million during the reporting year, a shade higher than those in the preceding year.

³⁴⁾ Oil and LNG export credit originates with time lag between the date of the realization of its export and payments received by the Government. For exports of oil, the time lag is between one and three months, while for LNG exports, the time lag averages to one month.

Amortization payments of \$ 615 million were lower than those of \$ 692 million in 1979/80. The proceeds of the Government bond denominated in Swiss franc issued during the reporting year by the Government of Indonesia amounted to the equivalent of \$ 46 million. This amount was included in the official capital inflow during 1980/81. In the earlier years, the Government of Indonesia had issued bonds abroad as follows: denominated in Japanese yen (\$ 50 million), Deutsche mark (\$ 50 million), Netherland guilder (\$ 37 million), and Kuwaiti dinar (\$ 25 million). Total bonds issued so far including the one issued during 1980/81 aggregated to \$ 208 million.

Indonesia received during the reporting year an equivalent of \$ 62 million representing the final installment under the second allocation of SDRs by the IMF.

b. Foreign exchange reserves.

Net international reserves of the monetary authority increased by \$ 2,736 million to \$ 7,342 million or equivalent to about seven months imports. In addition, foreign exchange holdings of commercial banks increased over the year by \$ 1,079 million to \$ 3,425 million at end of March 1981.

4. External debts

External debts outstanding at the end of March 1981 stood at \$ 14,875 million, consisting of government debts (\$ 13,073 million) and those of state enterprises (\$ 1,802 million).

The breakdown of external debts outstanding is set forth in the following table.

	(millions of \$)
I. Government debts	13,073
1. Old debts ³⁵⁾	1,857
2. New debts ³⁵⁾	11,216
a. IGGI ³⁶⁾	8,045
— ODA ³⁷⁾	(6,302)
— Non-ODA	(1,743)
b. Non-IGGI	3,171
— ODA	(805)
— Non-ODA	(2,366)
II. Debts of the state enterprises	1,802
TOTAL :	14,875

Of the outstanding external debts, the largest part, amounting to \$ 6,302 million, were soft term borrowings (ODA terms) obtained from the IGGI member countries. Out of this ODA debts, \$ 4,456 million originated from bilateral borrowings and \$ 1,846 million from multilateral borrowings (IBRD, IDA and ADB), borrowings from IGGI members on semi-concessional terms (non-ODA) mostly represented export credit facilities. Borrowings on ODA terms from non-IGGI member countries amounting \$ 805 million were obtained from the Middle East countries and Japan³⁸⁾ (the Overseas Economic Cooperation Fund or OECF). The non-IGGI and non-ODA debts primarily originated from syndicated loans and bonds on commercial terms.

³⁵⁾ Old debts are those obtained prior to July 1966, while new debts, from IGGI and non-IGGI are those obtained on July 1, 1966 and after.

³⁶⁾ IGGI borrowings are those obtained under commitment in the IGGI meeting, while foreign aids obtained outside the IGGI meeting are classified under non-IGGI borrowings despite originating from an IGGI member country.

³⁷⁾ Official Development Assistance is a soft term loan.

It may be added that debts of state enterprises, originating from commercial borrowings made by PN Pertamina and PT Garuda Indonesian Airways, amounted to \$ 1,802 million.

5. Balance of payments prospects for 1981/82

Based on the performance during 1980/81 and taking into consideration the domestic as well as international economic prospects, it is anticipated that the surplus in the balance of payments during 1981/82 is likely to be substantially smaller than that in 1980/81. This premise is based on the anticipated deficit in the current account which might not be offsetted by the expected surplus in the capital account.

Net receipts from oil and LNG exports are not expected to be materially different from those in the preceding year as oil and LNG prices are likely to remain unchanged.

The value of non-oil and non-LNG exports is expected to be significantly lower than that during 1980/81 consequent to the downward slide in prices of Indonesia's major export commodities. In addition, imports are expected to maintain the upward momentum largely because of expanding domestic economic activities and inflation abroad. The surplus in the capital account is not likely to offset the anticipated deficit in the current account as a major portion of the capital inflows is derived from borrowings from IGGI-member countries, and which amount is not expected to be significantly larger than that in 1980/81.

TABLE 33 — INDONESIA'S BALANCE OF PAYMENTS ¹⁾
(millions of \$)

Accounts	1976/77	1977/78	1978/79	1979/80 ^r	1980/81 [*]
A. Goods and services	— 802	— 690	— 1,155	2,198	2,175
1. Merchandise goods, exports f.o.b.	9,213	10,860	11,353	17,495	21,783
imports f.o.b.	— 7,177	— 7,866	— 8,443	— 9,782	— 13,201
2. Freight and insurance on imports	— 938	— 1,031	— 982	— 1,170	— 1,539
3. Other transportation	— 304	— 235	— 319	— 332	— 359
4. Travel	— 100	— 96	— 120	— 169	— 252
5. Investment income	— 1,249	— 1,826	— 1,925	— 2,764	— 3,132
5.1. Oil and LNG sector	(— 531)	(— 961)	(— 910)	(— 1,595)	(— 1,943)
5.2. Direct investment and others	(— 718)	(— 865)	(— 1,015)	(— 1,169)	(— 1,189)
6. Government, not included elsewhere	— 40	— 44	— 40	— 92	— 106
7. Other services	— 207	— 452	— 679	— 988	— 1,019
Balance of goods and services (1 through 7)	— 802	— 690	— 1,155	2,198	2,175
Balance of goods (1)	2,036	2,994	2,910	7,713	8,582
Balance of services (2 through 7)	— 2,838	— 3,684	— 4,065	— 5,515	— 6,407
B. Grants	74	12	18	31	40
8. Private	—	—	—	—	—
9. Government	74	12	18	31	40
C. Special Drawing Rights (SDRs)	—	—	64	65	62
D. Total (A + B + C)	— 728	— 678	— 1,073	2,294	2,277
E. Capital movements	620	858	1,135	— 1,225	— 1,223
E.1. Other than reserves	1,621	1,509	1,843	465	1,513
10. Direct investment and other long-term capital movement	1,887	1,535	1,648	1,397	1,932
10.1. Direct investment	287	285	271	217	140
10.2. Bonds	—	—	100	62	46
a. Government	—	—	100	62	46
b. Private	—	—	—	—	—
10.3. Other long-term capital movement	1,600	1,250	1,277	1,118	1,746
a. Government	1,583	1,333	1,351	1,718	1,828
b. Private	— 17	— 83	— 74	— 600	— 82
11. Short-term capital movement	— 266	— 26	195	— 932	— 419
11.1. Government	—	—	—	—	—
11.2. Private	— 266	— 26	195	— 932	— 419
E.2. Reserves	— 1,001	— 651	— 708	— 1,690	— 2,736
12. Monetary gold	— 3	— 3	— 36	— 343	— 789
13. Special Drawing Rights	— 7	— 13	— 120	— 91	— 97
14. Reserves position in the fund	—	— 82	— 6	— 16	— 26
15. Foreign exchange	— 1,022	— 389	— 546	— 1,172	— 1,820
16. Others	31	— 164	—	— 68	— 4
F. Errors and omissions (between D and E)	108	— 180	— 62	— 1,069	— 1,054

¹⁾ — The presentation basically follows the IMF 1977 Balance of Payments Manual
— Positive is credit and negative is debit

TABLE 34 — VALUE OF EXPORTS
(f.o.b. in millions of \$)

Items	1976/77	1977/78	1978/79	1979/80 ^r	1980/81 [*]
A. Oil ¹⁾	6,350	7,191	6,858	9,979	14,088
B. LNG	—	162	516	1,345	2,111
C. Non-oil and non-LNG	2,863	3,507	3,979	6,171	5,584
Timber	885	947	1,132	2,123	1,583
Rubber	577	609	781	1,101	1,077
Coffee	330	626	509	715	588
Palm oil	147	202	222	257	178
Animal and produce	146	179	214	255	224
— Shrimps	(132)	(154)	(187)	(217)	(170)
— Others	(14)	(25)	(27)	(38)	(54)
Tea	64	120	98	91	97
Foodstuffs	62	61	93	139	135
— Tapioca	(10)	(13)	(28)	(60)	(36)
— Others	(52)	(48)	(65)	(79)	(99)
Pepper	55	62	66	46	51
Tobacco	41	59	58	60	69
Copra cakes	36	33	34	52	46
Hides	23	19	30	49	29
Rattan	13	20	40	92	73
Textile and handicrafts	12	17	26	151	127
Electrical appliance	33	26	40	70	81
Urea fertilizer	—	46	36	41	23
Cement	—	—	5	29	11
Mining products	320	363	437	609	773
— Tin	(181)	(253)	(324)	(388)	(455)
— Copper	(95)	(74)	(64)	(95)	(115)
— Others	(44)	(36)	(49) ^r	(126)	(203)
Miscellaneous	119	118	158 ^r	291	419
Total (A + B + C)	9,213	10,860	11,353	17,495	21,783

¹⁾ Crude oil and oil products

TABLE 35 – VOLUME OF EXPORTS

Items	1976/77	1977/78	1978/79	1979/80	1980/81 *
A. Oil					
(millions of barrels) ¹⁾	495	533	503	442	434
B. LNG					
(millions of MMBTU) ²⁾	—	71	216	373	424
C. Non-oil and non-LNG					
(thousands of tons)					
Timber	15,770	15,747	16,093	15,992	11,280
Rubber	892	873	928	1,015	954
Coffee	143	179	232	238	232
Palm oil	415	438	415	440	376
Animal and produce	82	77	84	98	110
— Shrimps	(42)	(45)	(48)	(49)	(42)
— Others	(40)	(32)	(36)	(49)	(68)
Tea	64	60	65	69	77
Foodstuffs	967	875	1,312	1,388	1,264
— Tapioca	(133)	(184)	(435)	(545)	(334)
— Others	(834)	(691)	(877)	(843)	(930)
Pepper	33	31	39	24	32
Tobacco	21	27	27	25	30
Copra Cakes	375	301	323	354	390
Hides	8	5	7	8	5
Rattan	62	82	79	113	73
Textile and handicrafts	8	6	13	29	24
Electrical appliance	—	—	1	1	1
Urea fertilizer	—	361	275	247	151
Cement	—	—	112	647	295
Mining products	2,538	2,260	2,275	3,074	3,291
— Tin	(27)	(25)	(26)	(27)	(30)
— Copper	(230)	(188)	(169)	(187)	(177)
— Others	(2,281)	(2,047)	(2,080) ^r	(2,860)	(3,084)
Miscellaneous	170	301	453 ^r	2,190	3,007

¹⁾ Crude oil and oil products

²⁾ MMBTU = Million BTU (British Thermal Unit)

TABLE 36 — VALUE OF IMPORTS
(f.o.b in millions of \$)

Items	1976/77	1977/78	1978/79	1979/80 ¹	1980/81 [*]
A. Imports by oil and non-LNG enterprises	1,757	1,490	1,711	1,732	2,682
B. Imports by non-oil and non-LNG enterprises	5,420	6,376	6,732	8,050	10,519
General foreign exchange imports	2,530	3,916	4,425	5,391	7,587
Foreign aid imports	1,556	1,828	1,797	2,205	2,271
— Aid foreign exchange	(2)	(—)	(—)	(—)	(—)
— Food aid	(50)	(38)	(16)	(88)	(54)
— PL 480					
(Rice, bulgur, wheat grains)	(95)	(119)	(78)	(151)	(64)
— Project aid	(1,409)	(1,671)	(1,703)	(1,966)	(2,153)
Imports under foreign capital inflow	760	547	510	454	661
— Direct investment	(290)	(364)	(318)	(353)	(318)
— Other foreign capital inflow	(470)	(183)	(192)	(101)	(343)
Imports under Merchant's L/C	574	85	—	—	—
Total (A + B)	7,177	7,866	8,443	9,782	13,201

¹) Initial payments are included into general foreign exchange imports

TABLE 37 — OIL EXPORTS BY COUNTRY OF DESTINATION¹⁾
(millions of barrels and \$)

Country	1976/77		1977/78		1978/79		1979/80		1980/81	
	Barrel	\$	Barrel	\$	Barrel	\$	Barrel	\$	Barrel	\$
1. The United States of America										
— Crude oil	182	2,344	174	2,370	170	2,345	115	2,569	112	3,637
— Oil products	2	31	6	83	6	76	15	355	5	153
Total	184	2,375	180	2,453	176	2,421	130	2,924	117	3,790
— % Share	37.2	37.4	33.8	34.1	35.0	35.3	29.3	29.3	26.9	26.9
2. Japan										
— Crude oil	199	2,559	231	3,116	200	2,632	225	5,050	216	7,080
— Oil products	31	374	35	450	26	344	29	698	46	1,429
Total	230	2,933	266	3,566	226	2,976	254	5,748	262	8,509
— % Share	46.4	46.2	49.9	49.6	45.0	43.4	57.6	57.6	60.4	60.4
3. Other countries										
— Crude oil	77	989	79	1,065	92	1,335	51	1,148	52	1,689
— Oil products	4	53	8	107	9	126	7	159	3	100
Total	81	1,042	87	1,172	101	1,491	58	1,307	55	1,789
— % Share	16.4	16.4	16.3	16.3	20.0	21.9	13.1	13.1	12.7	12.7
Total (1 + 2 + 3)										
— Crude oil	458	5,892	484	6,551	462	6,312	391	8,767	380	12,406
— Oil products	37	458	49	640	41	546	51	1,212	54	1,682
Total	495	6,350	533	7,191	503	6,858	442	9,979	434	14,088
— % Share	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1) Based on f.o.b. value

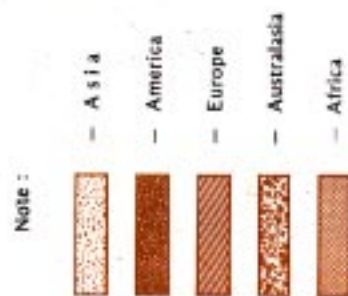
TABLE 38 — EXPORT PRICES OF SELECTED INDONESIAN CRUDE OIL
(\$ per barrel)

Selected Crude Oil	1973 April	1977 Jan.	1978 March	1979					1980			1981 Jan.		
				Jan.	April	May	June	July	Nov.	Dec.	Jan.		Feb.	May
Minas	3.73	13.55	13.55	13.90	15.65	16.15	18.25	21.12	23.50	25.50	27.50	29.50	31.50	35.00
Arjuna	3.73	13.70	13.70	14.40	16.45	17.20	19.70	21.56	23.50	26.00	28.95	30.95	32.95	36.45
Cinta	3.73	13.15	13.15	13.50	15.20	15.70	17.75	21.01	23.50	25.00	26.60	28.60	31.00	34.50
Attaka	3.73	14.10	14.10	14.95	17.00	18.00	21.00	23.50	23.50	27.90	30.25	32.25	34.25	37.75
Handil	---	13.30	13.30	13.95	15.70	16.30	18.30	21.16	23.50	25.60	27.55	29.55	31.55	35.30
Walio	5.00 ¹⁾	13.00	13.00	13.65	15.25	16.00	17.95	20.86	23.50	25.30	27.20	29.20	31.20	35.00
Bekapai	---	14.10	14.10	14.95	17.00	18.00	21.00	23.50	23.50	27.90	30.25	32.25	34.25	37.75
Badak	---	14.10	14.10	14.95	17.00	18.00	21.00	23.50	23.50	27.90	30.25	32.25	34.25	37.75
NCS	3.73	14.10	14.40	15.25	17.35	18.35	21.50	23.50	23.50	27.90	30.75	32.75	34.75	38.25
Jatibarang	---	12.80	12.80	13.15	14.80	15.30	17.35	20.66	23.50	25.00	26.60	28.60	30.60	34.10
Salawati	---	---	---	13.80	15.55	16.15	18.15	21.02	23.50	25.40	27.40	29.40	31.40	34.90
Klamono	---	---	---	12.10	13.60	14.10	16.20	19.36	23.50	24.00	25.45	27.45	29.45	32.95
Kondensat	---	---	---	14.80	16.80	17.80	21.00	23.50	23.50	27.90	30.75	32.75	34.75	37.75

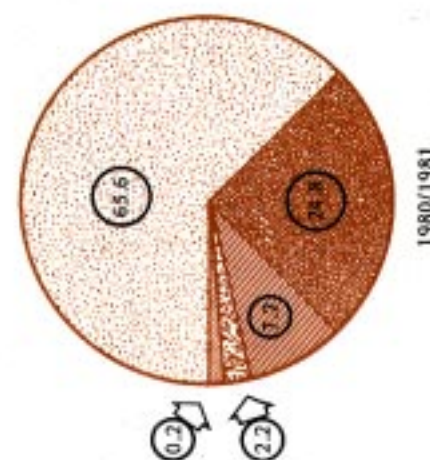
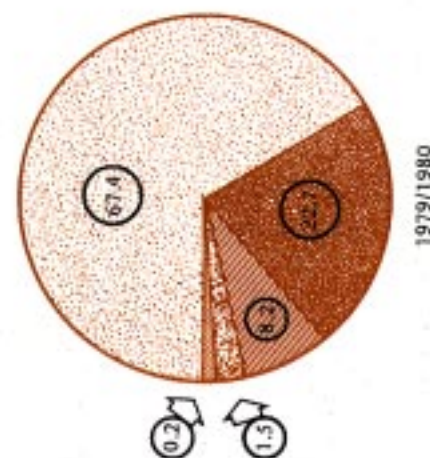
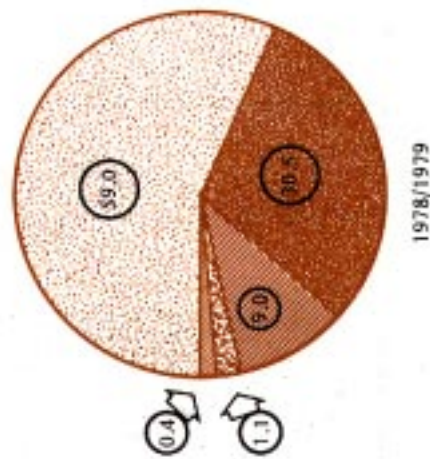
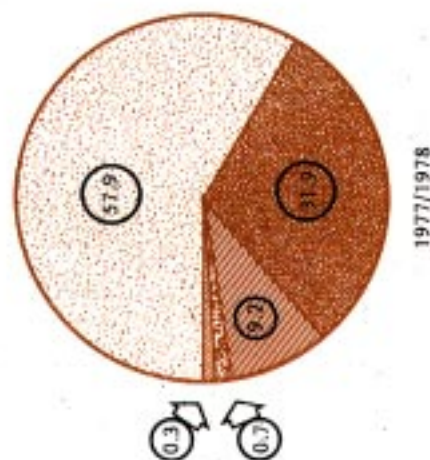
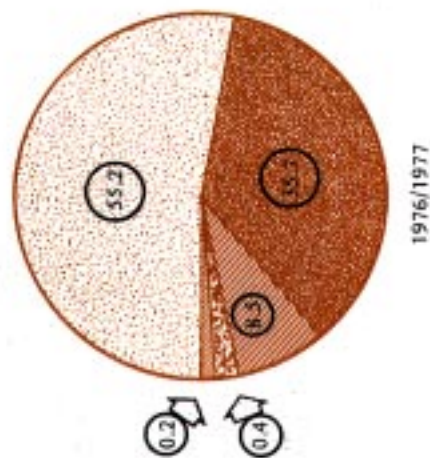
1) Effective since July 1973

Source : Department of Mining and Energy

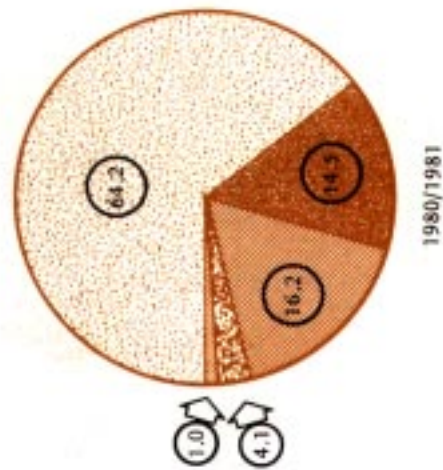
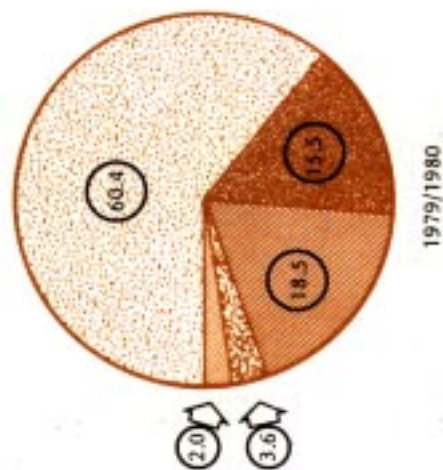
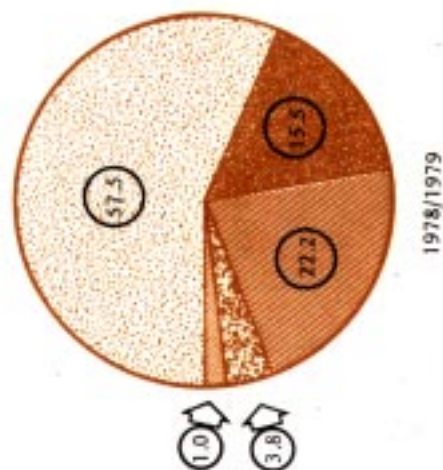
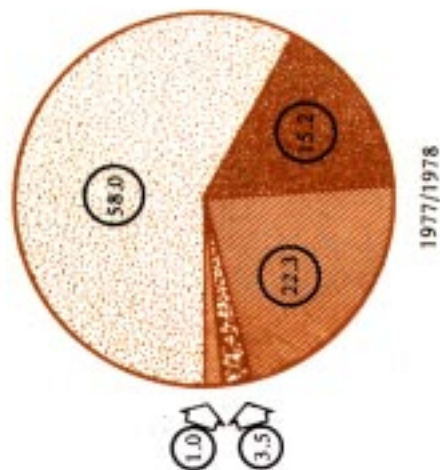
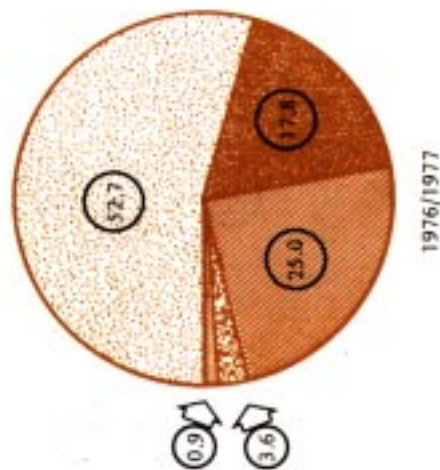
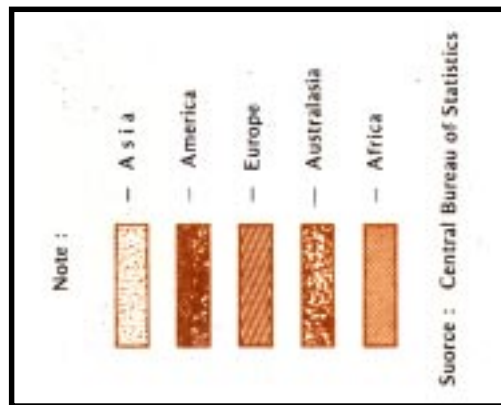
EXPORTS BY COUNTRY OF DESTINATION



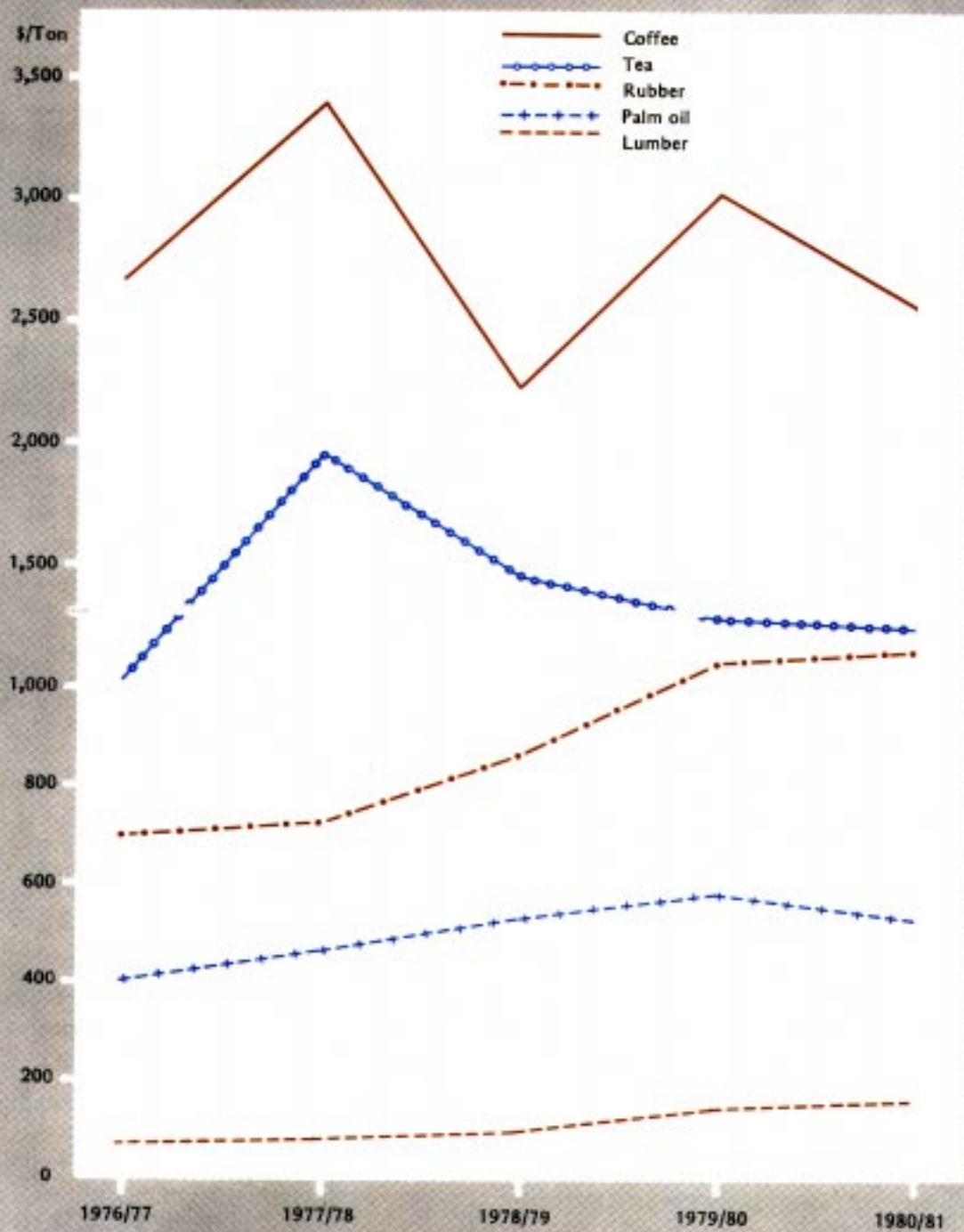
Source : Central Bureau of Statistics



IMPORTS BY COUNTRY OF ORIGIN

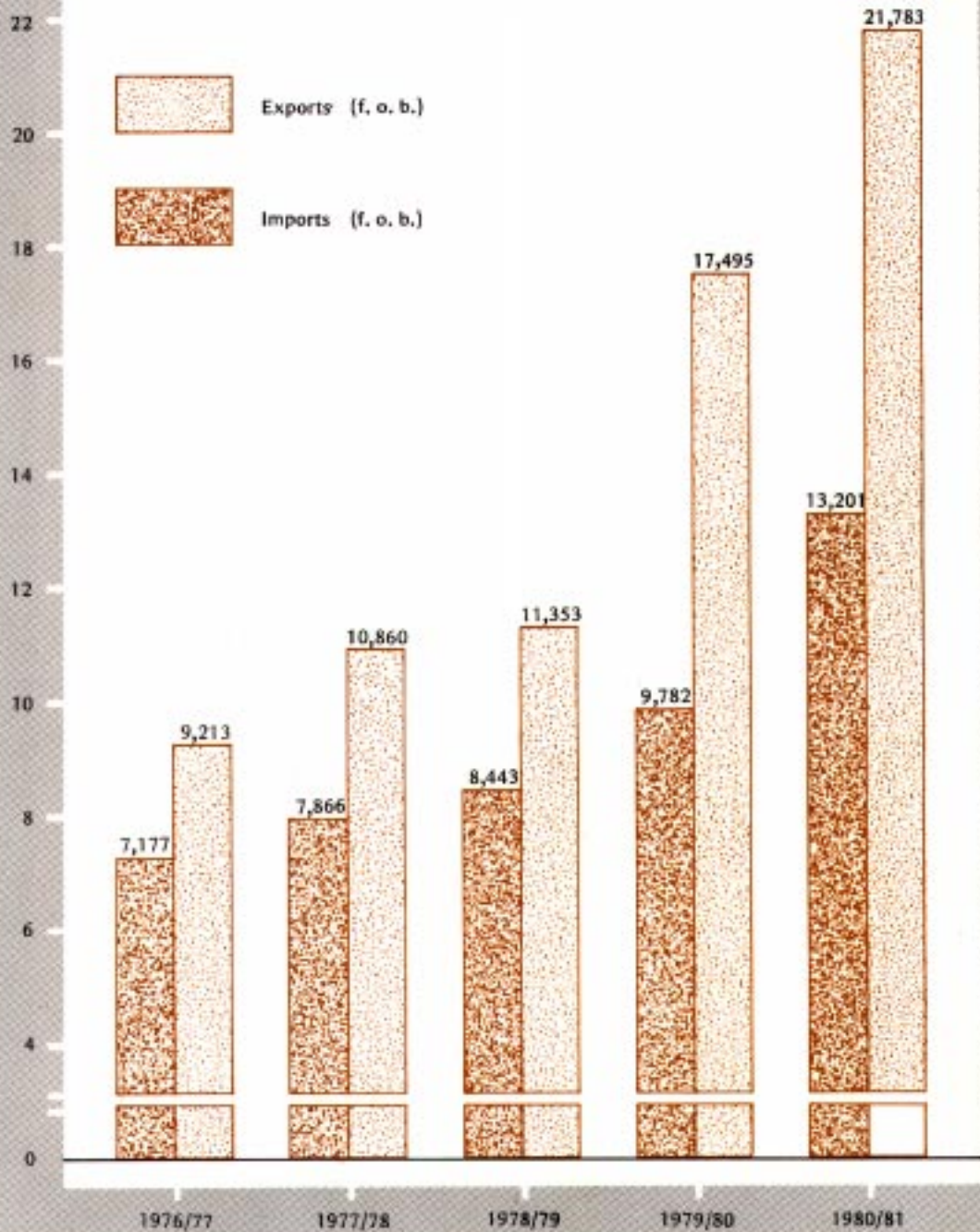


UNIT PRICES OF SELECTED EXPORT COMMODITIES



FOREIGN TRADE

Billions of \$



VIII. PRODUCTION, INFRASTRUCTURE AND PRICES

A. National product

The national development efforts pursued by the Government aimed at raising standard of living of the people, and laying the foundation of a stronger base for future development. During the Third Five Year Development Plan (Repelita III or the Third Plan) the development efforts were oriented to the achievement of equitable distribution of development and its gains, high rate of economic growth and national stability. In accordance with these policies, the target of economic growth in the Third Plan was set at an annual rate of 6.5%. Besides these long run goals, the development policies were aimed at the restructuring of the Indonesian economy in a manner as would make non- agricultural particularly, manufacturing sector as more important.

Measured by Gross Domestic Product (GDP), Indonesia achieved an encouraging growth rate of 9.6% in 1980 compared with only 5.3% in the preceding year. Taking into account the annual population growth rate of 2.3%¹⁾, real per capita GDP during 1980 increased approximately by 7.1%.²⁾

The increase in the rate of economic growth in 1980 was due mainly to the increase in the gross value added in manufacturing and agricultural sectors.

Value added in manufacturing sector registered a growth of 21.1%, compared with 10.1% in the preceding year, mainly induced by textiles, cement, fertilizer and cigarettes. The increase in the output of these products was closely related to the improved business conditions which led the firms to produce at higher capacity.

The gross value added in agricultural sector increased by 5.5% as compared with 4.0% in 1979, due mainly to the increase in rice production which went up by 13.3% to 20.2 million tons. This increase was closely related to the continuous efforts of the Government to boost implementation of rice production programs, in addition to favorable weather conditions in 1980.

As in the two preceding years, value added in the mining sector in 1980 registered a decrease, namely 1.1%. This was attributable to lower production of crude oil (- 0.6%), nickel ore (- 1.0%), iron sand (- 6.5%) and copper (- 1.4%), which could not be offsetted by increases in the output of other mining products, such as natural gas, tin, bauxite and coal.

The gross value added in the other sectors aggregatively rose by 11.9% in 1980, compared with 6.5% in 1979. The increases were mainly registered in wholesale and retail trade (10.5%), public administration and defence (20.7%), construction (11.5%), and transport and communication (10.0%).

These developments resulted in a rise of manufacturing sector share in real GDP. The share of manufacturing sector rose to 14.3% of real GDP in 1980 from 13.0% in 1979 and 8.4% at the beginning of the First Plan, whereas that of agricultural sector decreased to 31.4% in 1980 from 32.6% in 1979 and 46.8% at the begin-

1) Based on the results of the 1971 and 1980 census, the number of population between those years grew by an annual average of 2.32%

2) At constant 1973 market prices.

TABLE 39 – GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN
(billions of rupiah)

Sector	1976	1977	1978 ^r	1979	1980 [*]
I. At constant 1973 market prices					
— Agriculture, forestry and fishery	2,944	2,981	3,135	3,260	3,439
— Farm food crops	(1,756)	(1,734)	(1,836)	(1,909)	(2,094)
— Others	(1,188)	(1,247)	(1,299)	(1,351)	(1,345)
— Mining and quarrying	952	1,070	1,049	1,047	1,035
— Manufacturing	930	1,058	1,176	1,295	1,569
— Electricity, gas and water supply	46	49	57	69	78
— Construction	384	464	529	563	628
— Wholesale and retail trade	1,351	1,438	1,530	1,620	1,790
— Transport and communication	343	428	490	541	595
— Banking and other financial intermediaries	117	151	165	180	205
— Ownership of dwelling	209	252	287	306	332
— Public administration and defence	596	690	768	805	972
— Services	284	290	297	304	311
Gross Domestic Product	8,156	8,871	9,483	9,990	10,954
II. At Current market prices					
— Agriculture, forestry and fishery	4,812	5,906	6,706	8,984	11,252
— Farm food crops	(3,044)	(3,660)	(3,991)	(4,892)	(6,365)
— Others	(1,768)	(2,246)	(2,715)	(4,092)	(4,887)
— Mining and quarrying	2,930	3,600	4,358	6,980	11,673
— Manufacturing	1,453	1,817	2,185	2,614	3,845
— Electricity, gas and water supply	98	106	118	149	225
— Construction	813	1,023	1,242	1,790	2,524
— Wholesale and retail trade	2,552	2,959	3,450	4,602	6,167
— Transport and communication	663	821	979	1,300	1,706
— Banking and other financial intermediaries	206	236	396	655	1,047
— Ownership of dwelling	319	542	671	914	1,185
— Public administration and defence	1,074	1,394	1,685	2,200	3,145
— Services	547	607	668	835	996
Gross Domestic Product	15,467	19,011	22,458	31,023	43,765

Source : Central Bureau of Statistics

**TABLE 40 – PERCENTAGE DISTRIBUTION OF GROSS DOMESTIC PRODUCT
BY INDUSTRIAL CLASSIFICATION**

Sector	1976	1977	1978 ^r	1979	1980 [*]
I. At constant 1973 market prices					
– Agriculture, forestry and fishery	36.1	33.6	33.1	32.6	31.4
– Farm food crops	(21.5)	(19.5)	(19.4)	(19.1)	(19.1)
– Others	(14.6)	(14.1)	(13.7)	(13.5)	(12.3)
– Mining and quarrying	11.7	12.1	11.1	10.5	9.5
– Manufacturing	11.4	11.9	12.4	13.0	14.3
– Electricity, gas and water supply	0.6	0.6	0.6	0.7	0.7
– Construction	4.7	5.2	5.6	5.6	5.7
– Wholesale and retail trade	16.6	16.2	16.1	16.2	16.4
– Transport and communication	4.2	4.8	5.2	5.4	5.4
– Banking and other financial intermediaries	1.4	1.7	1.7	1.8	1.9
– Ownership of dwelling	2.5	2.8	3.0	3.1	3.0
– Public administration and defence	7.3	7.8	8.1	8.1	8.9
– Services	3.5	3.3	3.1	3.0	2.8
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0
II. At current market prices					
– Agriculture, forestry and fishery	31.1	31.1	29.9	29.0	25.7
– Farm food crops	(19.7)	(19.3)	(17.8)	(15.8)	(14.5)
– Others	(11.4)	(11.8)	(12.1)	(13.2)	(11.2)
– Mining and quarrying	18.9	18.9	19.4	22.5	26.7
– Manufacturing	9.4	9.5	9.7	8.4	8.8
– Electricity, gas and water supply	0.6	0.6	0.5	0.5	0.5
– Construction	5.3	5.4	5.5	5.8	5.7
– Wholesale and retail trade	16.5	15.6	15.4	14.8	14.1
– Transport and communication	4.3	4.3	4.4	4.2	3.9
– Banking and other financial intermediaries	1.3	1.2	1.7	2.1	2.4
– Ownership of dwelling	2.1	2.9	3.0	2.9	2.7
– Public administration and defence	7.0	7.3	7.5	7.1	7.2
– Services	3.5	3.2	3.0	2.7	2.3
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0

Source : Central Bureau of Statistics

TABLE 41 — EXPENDITURES ON GROSS DOMESTIC PRODUCT
(billions of rupiah)

Particulars	1976	1977	1978 ^r	1979	1980 [*]
I. At constant 1973 market prices					
— Private consumption ¹⁾	6,031	6,433	6,967	7,581	8,289
— Government consumption	897	1,044	1,156	1,345	1,669
— Gross domestic capital formation	1,749	2,028	2,333	2,436	2,869
— Export of goods and non-factor services	1,425	1,744	1,776	1,759	1,685
Less :					
Import of goods and non-factor services	1,946	2,378	2,749	3,131	3,558
— Gross domestic product	8,156	8,871	9,483	9,990	10,954
— Net factor income from abroad	—366	—423	—514	—632	—797
— Gross National Product	7,790	8,448	8,969	9,358	10,157
Less :					
Net indirect taxes	399	431	461	485	532
Less :					
Depreciation	531	576	616	650	712
— National Income	6,860	7,441	7,892	8,223	8,913
II. At current market prices					
— Private consumption ¹⁾	10,464	12,459	14,899	18,505	25,045
— Government consumption	1,590	2,077	2,659	3,733	5,565
— Gross domestic capital formation	3,205	3,826	4,671	6,704	9,485
— Export of goods and non-factor services	3,430	4,466	4,788	9,461	13,353
Less :					
Import of goods and non-factor services	3,222	3,817	4,559	7,380	9,683
— Gross domestic product	15,467	19,011	22,458	31,023	43,765
— Net factor income from abroad	—432	—679	—852	—1,489	—2,169
— Gross National Product	15,035	18,332	21,606	29,534	41,596
Less :					
Net indirect taxes	691	845	1,029	1,305	1,607
Less :					
Depreciation	1,006	1,236	1,460	2,017	2,845
— National Income	13,338	16,251	19,117	26,212	37,144

¹⁾ Residual

Source : Central Bureau of Statistics

**TABLE 42 – PERCENTAGE DISTRIBUTION OF EXPENDITURE
ON GROSS DOMESTIC PRODUCT**

Particulars	1976	1977	1978 ^r	1979	1980 [*]
I. At constant 1973 market prices					
– Private consumption ¹⁾	74.0	72.5	73.5	75.8	75.7
– Government consumption	11.0	11.8	12.2	13.5	15.2
– Gross domestic capital formation	21.4	22.9	24.6	24.4	26.2
– Export of goods and non-factor services	17.5	19.6	18.7	17.6	15.4
Less :					
Import of goods and non-factor services	23.9	26.8	29.0	31.3	32.5
– Gross Domestic Product	100.0	100.0	100.0	100.0	100.0
– Net factor income from abroad	–4.5	–4.8	–5.4	–6.3	–7.3
– Gross National Product	95.5	95.2	94.6	93.7	92.7
Less :					
Net indirect taxes	4.9	4.8	4.9	4.9	4.9
Less :					
Depreciation	6.5	6.5	6.5	6.5	6.5
– National income	84.1	83.9	83.2	82.3	81.3
II. At current market prices					
– Private consumption ¹⁾	67.6	65.5	66.3	59.7	57.2
– Government consumption	10.3	10.9	11.9	12.0	12.7
– Gross domestic capital formation	20.7	20.1	20.8	21.6	21.7
– Export of goods and non-factor services	22.2	23.5	21.3	30.5	30.5
Less :					
Import of goods and non-factor services	20.8	20.0	20.3	23.8	22.1
– Gross Domestic Product	100.0	100.0	100.0	100.0	100.0
– Net factor income from abroad	–2.8	–3.6	–3.8	–4.8	–5.0
– Gross National Product	97.2	96.4	96.2	95.2	95.0
Less :					
Net indirect taxes	4.5	4.4	4.6	4.2	3.7
Less :					
Depreciation	6.5	6.5	6.5	6.5	6.5
– National income	86.2	85.5	85.1	84.5	84.8

¹⁾ Residual

Source : Central Bureau of Statistics

ning of the First Plan (Table 40).

In line with the stepping-up of development activities and favorable conditions for investments, total gross domestic fixed investments in 1980 increased by 17.8% compared with 4.4% in the preceding year. This represented an increase in the share in real GDP from 24.4% in 1979 to 26.2% in 1980.

At current market prices, GDP in 1980 amounted to Rp 43,765 billion. With mid-year population estimate of 146.0 million, per capita GDP worked out to Rp 299,760.00 or \$ 479.62.³⁾ This amount was 37.9% higher than the per capita of Rp 217,399.00 or \$ 347.843) in 1979.

Gross National Product (GNP) at current market prices totalled Rp 41,596 billion or \$ 66.55 billion³⁾ in 1980. This amount was lower than that of GDP, because foreign capital investments in Indonesia exceeded Indonesia's investments abroad.

B. Capital investment

The capital investment was designed to stimulate economic growth to achieve equitable distribution of development and its gains, to enlarge foreign exchange earnings and to expand employment opportunities. Accordingly, the Government provided guidance and directives, and ensured favorable business conditions to encourage development of domestic and foreign ventures. The domestic ventures included small businesses, commonly known as economically weak groups, and cooperatives.

Since 1977, the Government has been issuing investment priority lists (DSP) which served as guidelines for domestic (PMDN) and foreign capital investment (PMA). In the reporting year DSP was issued on February 15, 1980. The said DSP provided guidelines for investors with regard to privileged facilities available to them in the form of either tax holiday or investment allowance. It also reflected the Government policy which laid emphasis on spreading of investment projects to regions outside Jawa (Java Island), labor absorption, processing of raw materials into finished products, production for exports and participation of economically weak groups and cooperatives. In the modified DSP of November 1980, a few items capable of being undertaken by domestic capital were excluded from the list. Also, some new items, the development of which was considered necessary and requiring participation of foreign capital investments were added to the list.

With regard to domestic capital investment, the Government took measures to support the development of small business. In this connection new large investments were not to compete against the existing small businesses and traditional ventures which were reserved only for economically weak groups. In addition, measures were also taken to increase the role of small ventures and cooperatives in various fields of capital investments. In this connection it was stipulated that in every new domestic investment of more than Rp 625 million at least 10% of the initial capital was to be reserved for participation by the economically weak groups, and in projects with an investment value of Rp 625 million and less the participation by the economically weak groups be at 10% to 20% of the initial capital.

³⁾ US\$ 1.00 = Rp 625.00

In regard to foreign capital investment, the Government stipulated that enterprises under the PMA scheme should implement indonesianization program with respect to their labor. In this context the Government activated the implementation of education and training program for Indonesian labor by PMA enterprises, and limited the employment of foreigners only to those positions which could not be carried out by Indonesians. In addition, to promote greater participation of Indonesian entrepreneurs, PMA enterprises were required to gradually transfer the equity capital to Indonesian partners, so that within 10 years after commercial production the majority of equity capital is held by Indonesians. Towards this purpose, the Government provided exemption from tax on interest, dividend and royalty, corporation tax or income tax on dividends on shares acquired from foreigners.⁴⁾

Other measures taken by the Government included the diversification in origin of technology so that it does not depend on a single country. In this connection every investment application was assessed not only in terms of its field of activity, but also in terms of the country from where the technology came. Similarly, the dependency on a single country in the supply of raw materials, spareparts and others was also sought to be reduced.

1. Domestic capital investment

In 1980 the Government approved 171 domestic investment projects valued at Rp 1,505 billion, compared with 247 projects at Rp 688 billion in the preceding year.

The large increase in the planned capital investment (119%) occurred mainly in agriculture, fishery and animal husbandry (253%), forestry (385 %), textiles industry (243%) and chemical industry (103%).

Since the enactment of the Domestic Investment Law in 1968, domestic investment projects approved by the Government totalled 3,498 with intended capital of Rp 5,547 billion up to end 1 980. Out of this, Rp 3,596 billion (65%) were for 2,526 projects in the manufacturing sector. Other sectors involving large amounts were agriculture, forestry and fishery with an aggregate investment of Rp 1,232 billion (22%) covering 613 projects. However, forestry projects in this group amounted to Rp 787 billion covering 440 projects (Table 43).

In terms of geographical distribution of the projects, Jakarta was the area in which most of the domestic investment projects were located, namely 795 projects (23%). Other regions with a fairly large number of domestic investment projects were West Jawa with 771 projects (22%), East Jawa with 419 projects (20%), Central Jawa with 293 projects (8%), and North Sumatra with 205 projects (6%).

In terms of geographical distribution of the value of intended capital investment, West Jawa absorbed most of the total amount, namely Rp 1,388 billion (40%). Other regions in that order were Jakarta with Rp 821 billion (23%), East Jawa with Rp 517 billion (16%), East Kalimantan with Rp 465 billion (13%) and North Sumatra with Rp 326 billion (9%).

2. Foreign capital investments

In 1980 the Government approved foreign capital investment (PMA) with a total

4) Minister of Finance Decree No 450a/KMK.04/1980, August 1, 1980,

**TABLE 43 — APPROVED DOMESTIC INVESTMENT PROJECTS
BY SECTOR, 1968 — 1980 ¹⁾**
(billions of rupiah)

Sector	1968—1975	1976	1977	1978	1979	1980	Total	
							Investment plan	Number of projects
Agriculture, forestry and fishery	269	47	144	159	118	525	1,232	613
— Agriculture, fishery and husbandry	(90)	(42)	(50)	(100)	(36)	(127)	(445)	(173)
— Forestry	(179)	(5)	(64)	(59)	(82)	(398)	(787)	(440)
Mining	50	—	—	18	33	37	138	22
Manufacturing	1,125	175	401	531	502	862	3,596	2,526
— Textiles	(406)	(42)	(75)	(168)	(42)	(144)	(877)	(555)
— Chemicals	(179)	(— 2)	(99)	(103)	(142)	(288)	(809)	(464)
— Electrical appliances	(24)	(—)	(—)	(—)	(—)	(—)	(24)	(64)
— Others	(516)	(135)	(227)	(260)	(318)	(430)	(1,886)	(1,443)
Construction	14	— 1	—	3	2	2	20	8
Hotel and tourism	80	7	4	12	12	1	116	122
Housing and offices	92	41	35	15	4	24	211	56
Other services	112	7	20	24	17	54	234	151
Total	1,742	276	574	762	688	1,505	5,547	3,498

¹⁾ Includes cancellations of projects formerly under the foreign capital investment law

Source : Investment Coordinating Board

**TABLE 44 – APPROVED FOREIGN INVESTMENT PROJECTS
BY SECTOR, 1967–1980 ¹⁾**
(millions of \$)

Sector	1967–1975	1976	1977	1978	1979	1980	Total	
							Investment plan	Number of projects
Agriculture, forestry and fishery	<u>362.3</u>	<u>55.6</u>	<u>67.2</u>	<u>75.5</u>	<u>109.0</u>	<u>173.8</u>	<u>843.4</u>	<u>156</u>
– Agriculture	86.3	9.5	26.6	3.1	25.9	57.5	208.9	59
– Forestry	222.9	38.5	34.7	39.0	42.8	113.7	491.6	72
– Fishery	53.1	7.6	5.9	33.4	40.3	2.6	142.9	25
Mining	<u>1,046.5</u>	<u>10.8</u>	<u>200.5</u>	<u>44.9</u>	<u>150.0</u>	<u>3.0</u>	<u>1,455.7</u>	<u>12</u>
– Metal	895.5	10.8	200.0	28.8	150.0	—	1,285.1	6
– Others	151.0	—	0.5	16.1	—	3.0	170.6	6
Manufacturing Industry	<u>3,061.1</u>	<u>357.3</u>	<u>360.2</u>	<u>287.6</u>	<u>1,480.1</u>	<u>635.9</u>	<u>6,182.2</u>	<u>468</u>
– Food	137.5	75.1	8.4	7.4	67.2	15.7	311.3	53
– Textiles and leather	897.6	34.0	72.2	115.0	93.8	79.8	1,292.4	71
– Wood and wood products	37.8	5.5	—	1.0	6.0	11.2	61.5	13
– Paper and paper products	33.5	66.9	9.7	0.4	5.5	2.4	118.4	14
– Chemicals and rubber	304.4	30.8	79.3	25.4	373.7	203.1	1,016.7	129
– Non-metallic minerals	332.3	71.4	98.4	19.7	31.8	224.5	778.1	32
– Basic metals	1,105.1	11.9	18.3	10.0	854.9	0.2	2,000.4	22
– Metals products	207.3	61.5	73.9	101.8	47.2	98.3	590.0	127
– Others	5.6	0.2	—	6.9	—	0.7	13.4	7
Construction	<u>62.7</u>	<u>1.8</u>	<u>3.9</u>	<u>5.4</u>	<u>0.5</u>	<u>10.9</u>	<u>85.2</u>	<u>63</u>
Trade and hotels	<u>154.7</u>	<u>13.1</u>	<u>7.0</u>	<u>9.7</u>	<u>3.0</u>	<u>38.6</u>	<u>226.1</u>	<u>15</u>
– Trade	10.9	0.8	—	—	—	—	11.7	3
– Hotels	143.8	12.3	7.0	9.7	3.0	38.6	214.4	12
Transportation and communication	<u>51.4</u>	<u>4.2</u>	<u>5.0</u>	<u>36.5</u>	<u>—</u>	<u>32.5</u>	<u>129.6</u>	<u>21</u>
– Transportation	41.9	4.2	—	—	—	32.5	78.6	20
– Communication	9.5	—	5.0	36.5	—	—	51.0	1
Services	<u>199.8</u>	<u>27.2</u>	<u>—</u>	<u>24.7</u>	<u>45.8</u>	<u>11.1</u>	<u>308.6</u>	<u>48</u>
– Trade services	185.1	27.2	—	22.7	—	11.1	291.9	37
– Personal services	14.7	—	—	2.0	45.8	—	16.7	11
Total	4,938.5	470.0	643.8	484.3	1,788.4	905.8	9,230.8	783

¹⁾ After taking into account the cancellations and shifting of projects from foreign to domestic investment

**TABLE 45 — APPROVED FOREIGN INVESTMENT PROJECTS
BY ORIGIN, 1967–1980 ¹⁾**
(millions of \$)

Country of Origin	1967-1975	1976	1977	1978	1979	1980	Total	
							Investment plan	Number of projects
Europe	<u>465.8</u>	<u>52.0</u>	<u>55.3</u>	<u>60.3</u>	<u>96.0</u>	<u>264.5</u>	<u>993.9</u>	<u>162</u>
— United Kingdom	41.6	11.3	9.0	8.5	45.3	4.8	120.5	41
— The Netherlands	143.6	16.1	6.9	34.7	2.9	161.6	365.8	42
— France	15.9	7.2	0.1	7.4	—	0.4	31.0	10
— Germany, Fed. Rep. of	172.5	12.2	9.9	1.4	5.7	23.8	225.5	25
— Belgium	35.7	5.2	4.0	0.8	8.0	54.9	108.6	17
— Others	56.5	—	25.4	7.5	34.1	19.0	142.5	27
America	<u>222.5</u>	<u>14.5</u>	<u>39.9</u>	<u>65.9</u>	<u>61.8</u>	<u>64.6</u>	<u>469.2</u>	<u>86</u>
— United States of America	204.9	14.5	34.4	58.4	61.8	63.3	437.3	78
— Canada	3.8	—	2.4	4.5	—	—	10.7	3
— Others	13.8	—	3.1	3.0	—	1.3	21.2	5
Asia	<u>2,741.0</u>	<u>359.3</u>	<u>265.5</u>	<u>255.7</u>	<u>1,105.2</u>	<u>226.6</u>	<u>4,953.3</u>	<u>418</u>
— Japan	2,072.8	93.8	84.3	187.0	950.8	73.1	3,461.8	201
— Hongkong	466.0	185.9	133.3	67.2	116.6	92.1	1,061.1	124
— Thailand	3.4	0.8	—	0.2	—	1.8	6.2	4
— Singapore	54.0	7.7	32.1	1.3	6.3	33.2	134.6	33
— The Philippines	26.6	0.8	3.9	—	2.9	6.2	40.4	9
— Malaysia	19.7	1.0	—	—	4.8	—	25.5	15
— Others	98.5	69.3	11.9	—	23.8	20.2	223.7	32
Africa	<u>11.4</u>	<u>—</u>	<u>—</u>	<u>4.6</u>	<u>—</u>	<u>4.3</u>	<u>20.3</u>	<u>2</u>
— Liberia	11.4	—	—	4.6	—	4.3	20.3	2
Australia	<u>237.4</u>	<u>11.0</u>	<u>3.5</u>	<u>2.0</u>	<u>8.5</u>	<u>1.8</u>	<u>264.2</u>	<u>37</u>
Group of countries	<u>1,260.4</u>	<u>33.2</u>	<u>279.6</u>	<u>95.8</u>	<u>516.9</u>	<u>334.0</u>	<u>2,529.9</u>	<u>78</u>
Total	4,938.5	470.0	643.8	484.3	1,788.4	905.8	9,230.8	783

¹⁾ After taking into account the cancellations and shifting of projects from foreign to domestic investment

**TABLE 46 — IMPLEMENTATION OF FOREIGN INVESTMENT
BY SECTOR, 1967–1980 ¹⁾**
(millions of \$)

Sector	1967–1975	1976	1977	1978	1979	1980	Total	
							Investment plan	Number of projects
Agriculture, forestry and fishery	<u>329.1</u>	<u>39.2</u>	<u>37.4</u>	<u>38.6</u>	<u>34.0</u>	<u>48.6</u>	<u>526.9</u>	<u>132</u>
— Agriculture	32.2	8.0	12.5	10.1	4.3	14.5	81.6	51
— Forestry	237.6	22.7	22.1	15.0	19.2	26.2	342.8	68
— Fishery	59.3	8.5	2.8	13.5	10.5	7.9	102.5	13
Mining	<u>256.8</u>	<u>42.4</u>	<u>20.1</u>	<u>57.3</u>	<u>47.5</u>	<u>49.4</u>	<u>473.5</u>	<u>9</u>
Manufacturing industry	<u>1,425.4</u>	<u>301.2</u>	<u>186.2</u>	<u>267.0</u>	<u>192.0</u>	<u>235.4</u>	<u>2,607.2</u>	<u>391</u>
— Food	125.6	10.8	11.9	14.9	7.1	7.4	177.7	45
— Textiles and leather	625.1	91.8	27.9	31.4	41.7	78.7	896.6	59
— Wood and wood products	16.1	4.6	1.4	0.4	0.1	3.3	25.9	7
— Paper and paper products	14.6	3.3	9.6	11.8	1.4	6.1	46.8	11
— Chemicals and rubber	192.2	45.7	28.0	71.7	44.8	32.0	414.4	117
— Non-metallic minerals	139.5	71.3	42.9	9.0	3.2	30.0	295.9	24
— Basic metal	81.1	30.7	27.8	37.8	47.5	23.9	248.8	19
— Metal products	221.0	42.4	35.4	89.9	36.0	52.0	476.7	102
— Others	10.2	0.6	1.3	0.1	10.2	2.0	24.4	7
Construction	<u>30.0</u>	<u>4.5</u>	<u>3.0</u>	<u>1.4</u>	<u>12.0</u>	<u>0.8</u>	<u>51.7</u>	<u>51</u>
Trade & hotels	<u>62.2</u>	<u>17.6</u>	<u>6.2</u>	<u>17.2</u>	<u>4.3</u>	<u>0.4</u>	<u>107.9</u>	<u>13</u>
— Trade	9.9	0.2	—	0.7	—	—	10.8	3
— Hotels	52.3	17.4	6.2	16.5	4.3	0.4	97.1	10
Transportation and communication	<u>11.9</u>	<u>4.4</u>	<u>2.0</u>	<u>4.7</u>	<u>21.9</u>	<u>4.8</u>	<u>49.7</u>	<u>18</u>
— Transportation	5.5	4.2	1.8	1.3	0.1	2.1	15.0	17
— Communication	6.4	0.2	0.2	3.4	21.8	2.7	34.7	1
Services	<u>64.2</u>	<u>12.3</u>	<u>3.8</u>	<u>14.0</u>	<u>6.9</u>	<u>7.2</u>	<u>108.4</u>	<u>31</u>
— Trade services	55.4	12.3	3.5	5.1	6.9	7.2	90.4	24
— Personal services	8.8	—	0.3	8.9	—	—	18.0	7
Others	<u>105.6</u>	<u>3.9</u>	<u>0.1</u>	<u>5.0</u>	<u>—</u>	<u>—</u>	<u>114.6</u>	<u>—</u>
Total	<u>2,285.2</u>	<u>425.5</u>	<u>258.8</u>	<u>405.2</u>	<u>318.6</u>	<u>346.6</u>	<u>4,039.9</u>	<u>645</u>

¹⁾ After taking into account the cancellations and shifting of projects from foreign to domestic investment

amount of \$ 905.8 million, thus raising foreign capital investment approvals to \$ 9,230.8 million for 783 projects up to end 1980 (Table 44).

The amount of foreign capital investment approvals during 1980 was lower by 49% than the preceding year. The year 1979 was an unusual one, in the sense that a few large projects caused the amount of approvals to rise substantially; Asahan project involving \$ 842.5 million, the expansion of the Soroako nickel project involving \$ 150 million and the ASEAN fertilizer project (new) valued at \$ 313 million.

By field of activity, the manufacturing industry accounted for \$ 6,182.2 million or 67% of the total 468 projects. Out of this, \$ 2,000.4 million was invested in 22 basic metal industry units, \$ 1,292.4 million in 71 textile and leather industry units, and \$ 1,016.7 million in 129 rubber and chemical industry units. Other fields of activity with fairly large amounts of intended capital investments were mining, with \$ 1,455.7 million (12 projects), and agriculture, forestry and fishery, with a total amount of \$ 843.4 million for 156 projects.

By country of origin, most of the intended foreign capital investments approved through 1980 were from Japan, namely \$ 3,461.8 million (38%) for 201 projects (Table 45). Other countries with a fairly large amount of capital investments were Hongkong, namely \$ 1,061.1 million (11%) for 124 projects, the United States with \$ 437.3 million (5%) for 78 projects and the Netherlands with \$ 365.8 million (4%) for 42 projects.

In terms of geographical distribution of the value of investment, West Jawa ranked first with 21.2% of total intended capital investment, followed by North Sumatra (20.7%), Jakarta (15.7%), East Jawa (4 6%) and Aceh (3.5%). In terms of regional distribution of the projects, 35.8% were in Jakarta, 20.2% in West Jawa, 9.7% in East Jawa and 5.6% in North Sumatra, while the remainder (28.7%) were spread over other regions.

The amount of foreign capital investments implemented up to the end of 1980 totalled to \$ 4,039.9 million (645 projects), compared with \$ 3,693.3 million (639 projects) up to the end of 1979. Of the total implemented foreign capital investments up to the end of 1980, \$ 2,607.2 million were in the manufacturing industry, \$ 526.9 million in agriculture, forestry and fishery, and \$ 473.5 million in mining.

C. Agriculture

The role of agricultural sector for sustaining economic growth and providing employment opportunities, and an earner of foreign exchange (next to oil and LNG) has long been recognized in the Indonesian development plans. As in the First and Second Plans, the agricultural policy continued to be accorded a high priority in the Third Plan.

The development of agricultural sector continued to be oriented towards increasing the farmer's incomes and agricultural production, both for domestic consumption and exports, while at the same time conserving natural resources and environment. In order to achieve these objectives, various programs involving intensification, extensification, diversification and rehabili-

TABLE 47 — AGRICULTURAL PRODUCTION
(thousand tons)

Product	1976	1977	1978	1979	1980 *
1. Foodstuffs					
-- Rice	15,845	15,876	17,525	17,872	20,246
-- Corn	2,572	3,143	4,029	3,606	4,012
-- Cassava	12,191	12,488	12,902	13,751	13,532
-- Sweet potatoes	2,381	2,460	2,083	2,194	2,193
-- Peanuts	341	409	446	424	475
-- Soybeans	522	523	617	680	642
-- Smallgreen peas	70	84	100	103	144
2. Plantation crops					
-- Rubber	856	838	884	898	923
-- Smallholder	(610)	(584)	(612)	(616)	(623)
-- Estate	(246)	(254)	(272)	(282)	(300)
-- Copra	1,532	1,518	1,575	1,582	1,593
-- Palm oil	431	483	532	642	670
-- Palm kernels	83	93	94	108	113
-- Granulated sugar	1,054	1,086	1,031	1,103	1,067
-- Tea	73	76	91	125	102
-- Smallholder	(13)	(14)	(17)	(17)	(18)
-- Estate	(60)	(62)	(74)	(108)	(84)
-- Coffee	194	197	223	228	234
-- Smallholder	(178)	(181)	(206)	(209)	(213)
-- Estate	(16)	(16)	(17)	(19)	(21)
-- Tobacco	89	84	81	87	88
-- Smallholder	(78)	(72)	(68)	(73)	(73)
-- Estate	(11)	(12)	(13)	(14)	(15)
-- Pepper	37	43	46	47	47
-- Nutmeg	14	15	17	17	19
-- Cloves	20	39	21	35	36
3. Forestry					
-- Timber ¹⁾	21,427	22,939	31,094	26,427	21,740
4. Fishery					
-- Sea	1,082	1,158	1,227	1,318	1,401
-- Inland	401	414	420	430	439
5. Livestock					
-- Meat	449	468	475	486	506
-- Eggs	116	131	151	164	173
-- Milk ²⁾	58	61	62	72	78

1) Thousand cubic meters

2) Million liters

Source : — Supplement to the President's Report to Parliament, August 15, 1981

— Department of Agriculture

tation as also relating to the improvement of agricultural marketing were continued. Measures taken during the reporting year included, inter alia, the extension of special intensification scheme (Insus), the prohibition of the use of trawler in sea fishery, and the adjustment of the floor purchase price for rice and secondary foodcrops.

As a result, the output of the agricultural sector in 1980 showed an encouraging development, particularly in respect of rice, corn, ground-nuts and small green peas (Table 47). To some extent this was aided by the prevalence of favorable weather conditions.

1. Foodcrops

The Government policy with respect to foodcrops during the Third Plan focussed on self-sufficiency. Accordingly, efforts were made not only to increase production of rice but also other foodcrops, particularly corn, cassava and sweet potatoes. The programs covered intensification, extensification and diversification of foodcrops, in areas already cultivated, as also in the newly reclaimed areas.

The intensification programs carried out through Bimas and Inmas since the First Plan were on an individual basis. Since the beginning of the Third Plan, special intensification scheme (Insus), which is a variant of Bimas and Inmas programs in the sense that Insus is implemented through groups of farmers instead of the individual farmers under Bimas and Inmas, has been in operation. In the earlier years of the Third Plan the emphasis was on the implementation of Insus program relating to rice. But during 1980 implementation of Insus was extended to production of secondary crops,

particularly corn. In order to support this program, the role of institutions in charge of providing services to the farmers was extended by increasing the number of institutions and personnel, as well as the quality of services provided. During 1980/81, the BRI village units increased from 3,341 units to 3,455 units, village unit co-operatives (KUD) from 4,532 units to 4,715 units, farm input stalls from 11,270 units to 12,139 units, and field agricultural advisers (PPL) from 11,228 to 12,517.

Under the extensification program carried out particularly in areas outside Jawa, priority was given to the cultivation of dry lands which could be converted later into irrigated paddy fields. In addition, the program covered development of tidal irrigation projects in coastal and swampy areas. These programs were synchronized with the transmigration and resettlement programs. During the reporting year, a total of 30.9 thousand ha of new paddy fields and 21.9 thousand ha of new tidal irrigated land were covered by the extensification programs.

Concurrent with the intensification and extensifications programs, efforts to diversify the varieties of foodcrops were continued through the expansion of secondary crops and horticulture. In addition to achieving self-sufficiency in the Indonesian diet, this expansion was also directed at creating employment opportunities, increasing producer's income, and at the eradication of pests and plant diseases. These programs were carried out through the supply and distribution of high yielding seeds and better marketing arrangements.

The overall impact was increase in the

harvested area of foodcrops from 14.6 million ha in 1979 to 15.0 million ha in 1980 with 9.0 million ha being under rice and 6 0 million ha under secondary crops. Of the total, the harvested area for rice under the Bimas and Inmas programs increased over the year from 5.0 million ha to 5.6 million ha in 1980 which included 1.1 million ha harvested under special intensification program (Insus).

a. Rice

Rice production in 1980 rose by 13% to 20,246 thousand tons. This increase was the highest ever reached thus far, and resulted primarily from the expansion of cultivated area, coupled with the implementation of intensification programs which to some extent were supported by favorable weather conditions. The harvested area under rice rose from 8,803 thousand ha to 9,018 thousand ha in 1980, while the average production yield rose from 2.03 tons to 2.25 tons per ha.

The statistics of production, harvested area and average yield are shown below.

Year	Output (thousand tons)	Harvested area (thousand ha)	Average yield (tons/ha)
1976	15,845	8,368	1.89
1977	15,876	8,359	1.90
1978	17,525	8,929	1.96
1979	17,872	8,803	2.03
1980*	20,246	9,018	2.25

Source : Supplement to the President's report to Parliament, August 15, 1981

In line with the programs directed to increase rice production, efforts were continued towards the improvement of post-harvest operations involving storage, transportation, processing and packaging. The number of rice

mills were increased, apart from the program of ordering and rearrangement of rice mills so as to provide even distribution of processing facilities being continued and expected to be completed by the end of 1981.

The relevant statistics are given below.

Year	Number of rice mills (thousand units)	Capacity of production (million tons ¹⁾)
1976	31.7	14.2
1977	36.5	15.9
1978	38.4	16.1
1979	51.4	14.7

¹⁾ in term of rice

Source: - Department of Agriculture

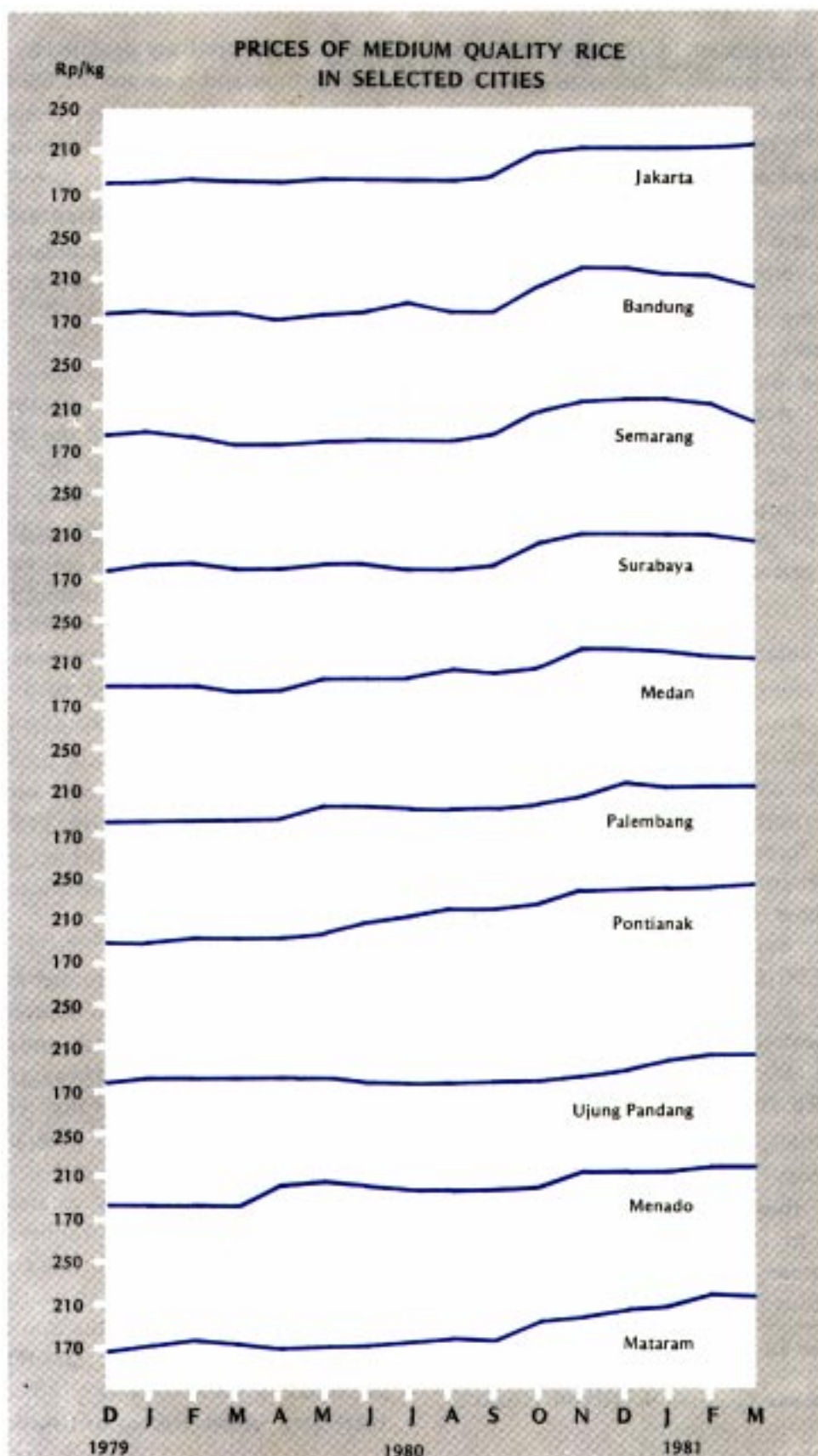
During the reporting year domestic procurement of rice rose significantly, from 431 thousand tons to 1,635 thousand tons. The high level of procurement was attributable in part to the granting of a Rp 3.00 premium for every kg of unhusked rice sold to Dolog or Bulog by farmers participating in the special intensification program (Insus) and partly to the increase in the domestic floor purchase price for unhusked and milled rice.

Despite the significant rise in rice production, it still could not meet the demand largely because of an increase in population, and partly substitution of inferior food crops by rice consumption following growth of income. Hence imports became inevitable. During the reporting year, 1.2 million tons of rice was imported which was less than half of 2.6 ;million tons imported in the preceding year.

TABLE 48 — PRICES OF MEDIUM QUALITY RICE IN SELECTED CITIES
(average price in Rp/kg)

Period	Jakarta	Bandung	Semarang	Surabaya	Medan	Palembang	Pontianak	Ujung Pandang	Menado	Mataram
1975 December	125.83	127.68	122.18	124.88	133.47	122.38	135.00	107.50	126.60	97.50
1976 December	123.31	125.00	124.00	128.90	135.20	139.04	140.00	122.50	140.00	126.00
1977 December	133.54	134.11	132.14	132.53	144.50	147.23	142.50	126.75	145.00	125.80
1978 December	140.32	141.60	139.89	139.39	161.17	152.94	157.91	125.00	150.00	120.00
1979 March	152.10	146.92	148.93	148.22	150.00	164.96	166.11	140.00	160.00	142.41
June	178.64	171.06	171.06	164.56	169.08	180.01	181.00	148.60	175.00	158.00
September	183.60	175.00	178.72	165.20	184.60	186.36	199.20	165.00	185.20	170.00
December	183.18	180.00	186.46	178.88	190.45	183.04	190.00	181.25	185.00	170.00
1980 January	183.41	182.26	189.95	184.66	190.00	183.41	190.00	185.00	185.00	176.00
February	186.61	180.66	184.65	186.20	189.64	185.09	194.80	185.00	185.00	178.60
March	184.02	180.49	175.79	181.77	185.31	185.05	195.00	185.00	185.00	176.73
April	182.17	172.98	175.43	180.00	186.00	186.00	195.00	185.00	203.40	170.20
May	185.34	177.71	179.91	184.23	197.10	198.08	199.42	185.00	207.11	172.00
June	184.46	179.77	180.92	185.00	198.81	197.71	209.58	180.62	204.37	173.33
July	184.14	186.68	180.34	179.83	198.81	195.00	215.07	180.00	200.00	177.59
August	183.82	180.01	179.95	178.00	205.51	195.00	224.56	180.00	200.00	180.00
September	186.60	181.39	185.86	182.15	202.69	196.16	223.89	180.00	200.00	178.85
October	208.22	203.02	208.46	204.11	206.31	200.00	226.67	182.03	201.66	197.40
November	212.03	221.03	216.59	212.10	223.64	207.20	239.65	185.00	215.00	200.00
December	213.42	221.36	217.78	212.90	225.00	219.61	240.16	190.77	215.00	208.65
1981 January	213.94	216.42	218.49	212.68	222.53	215.00	240.41	200.00	217.50	210.00
February	214.74	215.37	215.71	212.84	218.15	215.00	241.57	206.25	220.00	215.83
March	215.42	206.73	199.52	206.51	216.58	215.00	243.55	206.15	220.00	215.38

Source : Bulog



In order to maintain the national stock of rice, the Government built rice storage units. During the reporting year, 34 rice storage units were built and by the end of the reporting year such units totalled 369 with an aggregate storage capacity of 1,187 thousand tons.

Under the program of giving remunerative price to the farmers, the Government announced in October 1980 the new floor purchase prices of unhusked and milled rice, effective February 1, 1981⁵⁾. The floor purchase prices for unhusked and milled rice through KUDs were raised from Rp 105.00 to Rp 128.00 per kg and from Rp 175.00 to Rp 195.00 per kg, respectively.

During 1980/81, the rice prices in selected cities tended to rise. For example, the average price of medium quality milled rice in Jakarta, which was Rp 184.02 per kg in March 1980, rose to Rp 215.42 per kg in March 1981. This upward movement may partly be the result of the increases in the floor purchase prices fixed by the Government.

b. Secondary crops

As mentioned earlier, efforts to increase production of secondary crops were implemented through the intensification and extensification programs, and through the provision of incentives in the form of the floor purchase prices of certain secondary crops. Effective November 1, 1980, the floor purchase prices were raised for corn from Rp 67.00 to Rp 95.00 per kg, ground-

nuts from Rp 300.00 to Rp 390.00 per kg, soybeans from Rp 210.00 to Rp 240.00 per kg, and small-green peas from Rp 260.00 to Rp 290.00 per kg⁶⁾.

In 1980, output of important secondary crops increased, corn by 11% to 4,012 thousand tons, groundnuts by 12% to 475 thousand tons, and small- green peas by 40% to 144 thousand tons. Output of cassava and soybeans on the contrary declined by 2% to 13,522 thousand tons and by 6% to 642 thousand tons, respectively, due to the shrinking of both the area harvested and the average yield.

Trend of output, harvested area and average yield per ha of secondary crops during the last five years are shown in Table 49.

2. Plantation crops

The policy with regard to the agricultural estates emphasized the development and enhancement of the role of smallholders. The policy stance follows from the fact that nearly 85% of the area under plantation crops was cultivated by the small estate holders. Further, plantation crops were important in Indonesia's economy as export of those commodities during 1980/81 amounted to \$ 2,106 million or 38% of the export earnings (exclusive of oil and LNG).

Output of plantation crops generally increased, year by year. In 1980, the increase in production of rubber, coffee, tobacco and palm oil was significant.

a. Rubber

The plan on increasing rubber production was excused through rejuvenation by using high yielding seeds and better culti-

5) Presidential Instruction No. 15/1980, October 20, 1980

6) Presidential Instruction No. 14/1980, October 20, 1980.

**TABLE 49 – OUTPUT, HARVESTED AREA AND AVERAGE YIELD
OF SECONDARY CROPS**

Particulars	1976	1977	1978	1979	1980 *
Output (thousand tons)					
— Corn	2,572	3,143	4,029	3,606	4,012
— Cassava	12,191	12,488	12,902	13,751	13,532
— Sweet potatoes	2,381	2,460	2,083	2,194	2,193
— Peanuts	341	409	446	424	475
— Soybeans	522	523	617	680	642
— Small green peas	70	84	100	103	144
Harvested area (thousand ha)					
— Corn	2,095	2,567	3,205	2,594	2,771
— Cassava	1,353	1,364	1,383	1,439	1,414
— Sweet potatoes	301	326	301	287	287
— Peanuts	414	507	506	473	507
— Soybeans	646	646	733	784	726
— Small green peas	146	174	193	194	256
Average yield (quintal/ha)					
— Corn	12.3	12.2	13.3	13.9	14.5
— Cassava	90.1	91.6	93.0	96.0	96.0
— Sweet potatoes	79.1	75.5	69.0	76.0	77.0
— Peanuts	8.2	8.1	8.8	9.0	9.4
— Soybeans	8.1	8.1	8.4	8.7	8.9
— Small green peas	4.7	4.9	5.2	5.3	5.6

Source : — Supplement to the President's Report to Parliament, August 15, 1981
— Department of Agriculture

vation techniques. However, the supply and distribution of high yielding seeds in this rejuvenation program had not achieved the desired goal since the locations of small holders' estates were widely scattered and the rubber plants covered a huge acreage. In this context, it may be mentioned, that nearly 68% of Indonesia's rubber production originated from small holders, covering approximately 1.8 million ha or 80% of the total area under rubber cultivation. addition to the scattered location, the smallholder's rubber trees were generally over-aged.

Notwithstanding, rubber production rose by 3% to 923 thousand tons in 1980 compared with an increase of 2% in the preceding year. Much of the growth took place on large scale estates the output of which increased by 6% to 300 thousand tons where as that of smallholders' increased by only 1% to 623 thousand tons.

The following table shows the production of rubber during the last five years.

Year	Smallholders rubber	Estate rubber	Total
1976	610	246	856
1977	584	254	838
1978	612	272	884
1979	616	282	898
1980*	623	300	923

Source: Supplement to the President's report to Parliament, August 15, 1981

In order to strengthen the competitiveness of Indonesia's natural rubber in the world market and to increase foreign exchange earning from its exports, efforts continued to be made to improve the quality, particularly through the processing of smallholder's rubber into crumb rubber.

In 1980, crumb rubber production rose approximately by 7% to 611 thousand tons, which accounted for 66% of Indonesia's total rubber production.

TABLE 50 – WORLD PRODUCTION AND CONSUMPTION OF RUBBER
(in thousand tons)

Year	Production			Consumption		
	Natural	Synthetic	Total	Natural	Synthetic	Total
1976	3,585	8,030	11,615	3,505	7,915	11,420
1977	3,625	8,465	12,090	3,715	8,420	12,135
1978	3,755	8,850	12,605	3,725	8,755	12,480
1979	3,860	9,290	13,150	3,870	9,050	12,920
1980 *	3,815	8,625	12,440	3,790	8,635	12,425

Source : International Rubber Study Group (IRSG), Rubber Statistical Bulletin vol. 35 no. 9, June 1981

The trend in crumb rubber production during the past few years is shown in the following table.

Year	Crumb rubber (in thousand tons)	Share of crumb rubber in total output
1976	423	49.4
1977	485	57.9
1978	445	50.3
1979	572	64.1
1980*	611	66.1

Source : — Department of Trade and Cooperatives
— Department of Industry

It may be mentioned that most of the rubber produced was exported. Though volume of rubber exported during 1980/81 declined by 6% to 954 thousand tons, it still constituted one of the largest foreign exchange earners next only to oil, LNG, and timber.

The decrease in the volume of rubber export in 1980/81 resulted from the declining world demand. The world rubber consumption in 1980 of both natural and synthetic rubber was 12,425 thousand tons, and this was lower by 4% than that in the preceding year. The world rubber production also declined by 5% to 12,440 thousand tons. The decrease in the consumption and production of synthetic rubber was larger than that of natural rubber, which was closely related to the increasing cost of producing synthetic rubber consequent to the rising oil price. Accordingly, the share of natural rubber in the world rubber production rose from 29% to 31% and that of consumption from 30% to also 31 %.

The trend in the world production and consumption of rubber during the past five years is shown in Table 50.

b. Copra

Copra production which originated mostly from smallholders catered to the domestic demand. As can be seen from the Table, copra production had been growing rather slowly, though domestic consumption continued to move up. In the early seventies copra was one of the exported commodities, but because of the rise in domestic consumption, small imports of copra became inevitable in 1977 and 1978. While imports have virtually ceased, the Government stepped up its efforts during 1980/81 through the rejuvenation and introduction of high yielding hybrid species programs to increase production not only for meeting the domestic demand but also for creating export surplus.

The trend in copra production during the past five years is as follows.

Year	Output (thousand tons)
1976	1,532
1977	1,518
1978	1,575
1979	1,582
1980*	1,593

Source: Supplement to the President's report to Parliament, August 15, 1981

c. Palm oil

In 1980, palm oil production increased by 4% to 670 thousand tons. Almost all of palm oil output was produced by large scale agricultural estates, which in general have a good management.

The trend of palm oil production during the past five years is as follows (in thousand tons).

Year	Production
1976	431
1977	483
1978	532
1979	642
1980*	670

Source: Supplement to the President's report to Parliament, August 15, 1981

Prior to 1978, almost all of palm oil production was exported and its role as a foreign exchange earner was significant. Due to the increasing domestic demand for cooking oil which could not be fulfilled by the domestic copra production, the Government, in late 1978, stipulated that palm oil producers should set aside a portion of their production for the domestic cooking oil industry. As a consequence of this policy, as also unfavorable world market prices, the volume and value of palm oil exported during the reporting year decreased by 15% to 376 thousand tons and by 31% to \$ 178 million, respectively.

d. Granulated sugar

Output of granulated sugar, mostly produced by state-owned agricultural estates, declined by 3% to 1,067 thousand tons in 1980.

The trend of granulated sugar production in the past few years is as follows (in thousand tons).

Year	Production
1976	1,054
1977	1,054
1978	1,031
1979	1,103
1980*	1,067

Source : Supplement to the President's report to Parliament, August 15, 1981

As a consequence of the declining granulated sugar production and rising do-

mestic consumption, imports of 536 thousand tons in 1980 were inevitable, the quantity of which was larger by 39% than that in the preceding year.

The sugar-cane intensification program (TRI) implemented since 1975/76 was intensified during 1980/81. Under this program sugar-cane cultivation, previously carried out by sugar factories on land rented from farmers, was then carried out by the farmers themselves on their own lands with guidance and credit facilities being provided by the Government. In the reporting year, the area of sugar-cane cultivation under the TRI program reached 99 thousand ha or 8% higher than that in the preceding year.

e. Coffee

Coffee output, mostly produced by smallholders, increased by 3% to 234 thousand tons in 1980. Said increase was mainly due to the improvement in cultivating techniques, rejuvenation and expansion of the cultivated area.

Coffee production during the last five years is as follows (in thousand tons).

Year	Smallholders coffee	Estate coffee	Total
1976	178	16	194
1977	181	16	197
1978	206	17	223
1979	209	19	228
1980*	213	21	234

Source: Supplement to the President's report to Parliament, August 15, 1981

Most of the coffee produced was destined for exports, and during the last three years it was an important foreign exchange earner next only to oil, LNG, timber and rubber.

As a consequence of the decreasing price of coffee in the world market since mid 1980,

the members of the International Coffee Organization (ICO) agreed in their meeting to reinforce the export quota system effective October 1, 1980. It may be mentioned that the quota system had been lying frozen since 1975. As an ICO member, Indonesia's quota was set at 192 thousand tons for the period October 1980 to September 1981.

Coffee exports in the reporting year decreased by 3% to 232 thousand tons and in value by 18% to \$ 588 million. In view of the inadequate quota fixed, Indonesia endeavoured to step up its coffee exports to non-ICO member countries, particularly to the Middle East, Eastern Europe and some Asian countries.

f. Tea

Tea output, comprising black tea produced by estates and green tea produced by smallholders, decreased by 18% to 102 thousand tons in 1980. The decline was closely related to the renovation program implemented by the state-owned tea estates. The production of tea by estates which included state-owned estates was 84 thousand tons in 1980, which quantity was lower by 22% than that in the preceding year.

Tea production during the past five years is shown in the following figures (in thousand tons).

Year	Smallholder's tea	Estate tea	Total
1976	13	60	73
1977	14	62	76
1978	17	74	91
1979	17	108	125
1980	18	84	102

Source: Supplement to the President's report to Parliament, August 15, 1981

In spite of the decreasing tea production, the volume and value of tea exports

in 1980/81 increased by 12% to 77 thousand tons and 7% to \$ 97 million, respectively.

g. Tobacco

Tobacco production, originated largely from smallholders, continued to be provided with Government assistance on the cultivation techniques and processing of tobacco, quality control and credits under the mass permanent working capital credit (KMKP) scheme. As a result, tobacco production in 1980 increased by 1 % to 88 thousand tons.

The following figures show the production of tobacco during the past five years (in thousand tons).

Year	Smallholder's tobacco	Estate tobacco	Total
1976	78	11	89
1977	72	12	84
1978	68	13	81
1979	73	14	87
1980*	73	15	88

Source :Supplement to the President's report to Parliament, August 15, 1981

In the mentioned that in the reporting year the volume and value of tobacco exports increased by 29% to 31 thousand tons and by 15% to \$ 69 million, respectively. The major countries of destination were the Federal Republic of Germany, the United States, and Spain.

h. Spices

Spices consisting of pepper, nutmeg and cloves were largely cultivated by smallholders. In 1980, the production of nutmeg and cloves increased, whereas that of pepper did not show any change.

The production of pepper, nutmeg and cloves during the past five years is shown as follows (in thousand tons).

Year	Pepper	Nutmeg	Cloves
1976	37	14	20
1977	43	15	39
1978	46	17	21
1979	47	17	25
1980*	47	19	36

Source: Supplement to the President's report to Parliament, August 15, 1981

Production of *pepper*, consisting of black pepper and white pepper, in 1980 amounted to 47 thousand tons which was unchanged from the preceding year level. Its export, however, increased both in volume as well as in value, namely by 33% to 32 thousand tons and by 11 % to \$ 51 million, respectively. In this context, it may be mentioned that the average price of black pepper as also of white pepper in the world market (New York) decreased by approximately 11% from that in the preceding year due to increased production in major pepper producing countries.

Nutmeg production in 1980 increased by 12% to 19 thousand tons, while its exports decreased both in volume and value, by 6% and 7%, respectively.

The production of *cloves* in 1980 increased by 3% to 36 thousand tons. This increase was closely related to the expansion of area under this crop. In spite of the production increase, imports of cloves were still necessary because of rising domestic demand. Clove imports were 10 thousand tons worth \$ 61 million during 1980 as compared with 11 thousand tons worth \$ 68 million in the preceding year.

3. Forestry

Output of timber, the most important forestry product, decreased by 1 8% to 21.7 million m³ in 1980. The decrease was closely related to the government policy to restraint exports of logs and to boost exports of pro-

cessed timber with a view to encouraging domestic timber processing industry and expanding employment opportunities. In this context, the Government, inter alia, stipulated that holders of the forestry exploitation right (MPH) should earmark a portion of their log output for the domestic timber processing industry.⁷⁾

The timber production during the last five years is as follows (in thousand m³).

Year	Production
1976	21,427
1977	22,939
1978	31,094
1979	26,427
1980*	21,740

Source : Supplement to the President's report to Parliament, August 15, 1981

In the reporting year, the value of timber exports decreased by 25% to \$ 1,583 million. The decrease was due to a 29% drop in export volume following the Government measures to restraint exports of logs.

In addition to timber, other forest products exported by Indonesia were rattan, resin and copal.

Exports of these products during the last few years are shown in the following table.

	Volume (in thousand tons)				Value (in \$ million)			
	1977	1978	1979	1980*	1977	1978	1979	1980*
Rattan	79.9	72.8	111.6	82.8	18.2	28.6	82.6	80.0
Resin	4.7	4.8	7.4	6.3	0.6	0.4	1.4	2.0
Copal	5.2	1.8	2.1	1.5	0.8	0.3	0.8	0.7

7) Joint decree of the Ministers of Agriculture Trade and cooperatives, and Minister of Industry No. 317/Kpts/UM/5/1980
No. 196/Kpb/V/1980
No.182/M/SK/S/1980, May 8.1980

During the reporting year various measures were taken to conserve forestry resources and its natural environments. The Government, inter alia, intensified control on forestry exploitation and indiscriminate cutting of trees, and enforced measures for reforestations and greening. Measures to intensify control on forestry exploitation were taken so that holders of HPH should really implement and comply all the requirements and obligations stipulated in the Forestry Agreement. It may be mentioned that by the end of the reporting year there were 510 enterprises having forestry exploitation rights extending over an area of 50.4 million ha. Under the rejuvenation programs, they were required to pay deposit of \$ 4.00 for every m3 of logs cut-down towards reforestation and greening fund.⁸⁾

Area brought under reforestation and greening during the last five years is indicated below (in thousand ha).

Year	Reforestation	Greening
1976	179.5	302.7
1977	204.1	632.7
1978	213.5	599.1
1979	177.5	480.1
1980*	122.7	426.9

Source : Supplement to the President's report to Parliament, August 15, 1981

4. Fishery

Efforts to increase fishery production continued to be implemented through intensification, extensification, and diversification programs. Due to the fact that fishery activities were mainly carried out by traditional fishermen, the intensification program was designed to increase the pro-

ductivity of traditional fishermen by motorizing fishing boats and modernizing their equipments. In addition, fresh water fishery continued to be expanded through increased extension services, distribution of fish and seedling, and provision of infrastructural facilities. The banking sector continued to provide credit facilities to the fishermen and fish farmers. Besides traditional fishermen, large enterprises, both domestic and foreign were engaged in fishing using modern techniques and equipments. In order to protect traditional fishermen as also conserve fishery resources, the Government prohibited the use of trawlers in the sea around Jawa Bali beginning October 1, 1980 and around Sumatra beginning January 1, 1981.

In 1980, fishery production rose by 5% to 1,840 thousand tons. This increase emanated from the sea fishery consequent to the intensive use of boats and motorboats coupled with efficient fishing equipments by the traditional fishermen. Fishery production during the last few years is as follows (thousand tons).

Year	Sea fishery	Inland fishery	Total
1976	1,082	401	1,483
1977	1,158	414	1,572
1978	1,227	420	1,647
1979	1,318	430	1,748
1980*	1,401	439	1,840

Source : Supplement to the President's report to Parliament, August 15, 1981

Among the fishery products, shrimps were the most important export commodity. In the reporting year, both the volume and the value of shrimp exports dropped by 14% to 42 thousand tons and by 22% to \$ 170 million, respectively.

8) Presidential Decree No.35 of 1980, June 14, 1980.

TABLE 51 – LIVESTOCK
(thousand heads)

Breed	1976	1977	1978	1979	1980 *
Cows	6,237	6,217	6,330	6,362	6,435
Buffaloes	2,284	2,292	2,312	2,432	2,506
Goats	6,904	7,232	8,051	7,659	7,906
Sheep	3,604	3,804	3,611	4,071	4,197
Horses	631	659	615	596	616
Pigs	2,947	2,979	2,902	3,183	3,296
Ducks	15,182	16,032	17,541	18,089	19,810
Cultivated chickens	4,878	5,807	6,071	7,007	7,638
Non-cultivated chickens	97,504	101,686	108,916	114,350	120,067

Source : Supplement to the president's Report to Parliament, August 15, 1981

5. Livestock

In 1980 output of meat, eggs, and milk increased by 4%, 5% and 8% respectively.

The output of these livestock products during last few years is as follows (in thousand tons).

	1976	1977	1978	1979	1980*
Meat	488.7	467.7	474.6	486.5	505.9
Eggs ¹⁾	115.6	131.4	151.0	164.1	172.6
Milk ¹⁾	58.0	60.7	62.3	72.0	78.0

1) million litres

Source : Supplement to the President's report to Parliament, August 15, 1981

The increase in livestock population resulted from the intensification and extensification efforts implemented, through the Panca Usaha Ternak (PUT) program for cattle and the Bimas Ayam for poultry.⁹⁾

The livestock population during the past five years is shown in Table 51.

D. Mining

Mining sector plays an important role in the Indonesian economy both as foreign exchange earner and a source of revenue for the Government. During the reporting year, approximately 78% of export earnings and 69% of the Government domestic revenue originated from this sector.

Due to its importance, the exploitation of mining resources are basically reserved for state enterprises. However, since mining ventures require special know-how, high technology and large amount of capital, which are not adequately available domestically, foreign companies are allowed to participate in the exploitation of this sector. In this connection the Government has,

9) Panca usaha Ternak is a program of "five elements to boost cattle breeding", covering better breeds, improvement of stalls, control of diseases, better feeding and qualified personnel for cattle breeding

inter alia, encouraged investment in the mining of non-oil mineral products under contract of work scheme, usually known as the Third Generation Contract of Work.¹⁰⁾ In the oil sector, exploration activities relating to new oil wells as well as utilization of old ones were continued. These activities were reflected in the number of new wells drilled and increasing participation by the foreign companies during the reporting year. The policy with regard to natural gas, was mainly aimed at increasing its production through construction of additional processing facilities.

During the reporting year, the output of mining sector generally decreased though there were large variations from one product to another. Output of nickel ore, copper concentrate and iron sand decreased, whereas that of coal, tin, bauxite, gold and silver, and ferro nickel and nickel matte rose after registering declines in the years earlier to 1980/81.

1. Crude oil

Crude oil is mined in Indonesia by the state company Pertamina and foreign oil companies operating under the contracts of work and production sharing schemes. In the reporting year, 11 production sharing contracts were signed with the existing as well as new foreign oil companies. This raised the total number of foreign contractors operating in crude oil mining to 44, compared with 42 in the preceding year.

After experiencing declines during the preceding two years, crude oil production during 1980/81 rose by 1% to 581 million

barrels or 1.59 million barrels per day. The production increase was mainly attributable to the tempo of exploration activities intensified since 1978. The exploratory drillings implemented in the reporting year were 193 as compared with 169 in 1979 and 154 in 1978.

Crude oil production during the last five years is as follows (in million barrels).

Year	Production	Average production per day
1976/77	568.3	1.56
1977/78	616.0	1.69
1978/79	589.2	1.61
1979/80	577.2	1.58
1980/81*	581.1	1.59

Source : Supplement to the President's report to Parliament, August 15, 1981

The volume of crude oil exports in 1980/81 amounted to 380 million barrels, or 3% lower than in the preceding year. It may be noted that the export volume did not include exports of refined petroleum products, which reached 54 million barrels in the reporting year, compared with 51 million barrels in the preceding year.

Meanwhile, the domestic need for fuels had been continually increasing, and in the reporting year it rose by 12% reaching 145 million barrels. Since the output of domestic refinery could not suffice domestic demand, 13 million barrels of refined petroleum products had to be imported during the year under report.

To reduce dependency on fuels originating from import, the Government continued to increase the production capacity of domestic refineries. In the year under report the Government signed a contract for the construction of a hydrocracker plant in Dumai to process low sulphur waxy resi-

¹⁰⁾ Government Regulation No. 21 of 1976, August 23, 1976

due (LSWR) into various refined products such as kerosene and diesel oil, and was expected to be completed by the end of 1983. In addition, the Government also planned to expand the production capacity of the existing refineries in Cilacap and Balikpapan.

Due to the increasing production cost of refined petroleum products, particularly crude oil, in 1980/81 the Government raised the domestic fuel prices by an average of 50%. The new domestic selling prices became Rp 220.00 per liter for Super gasoline, Rp 150.00 for Premium, Av-gas and Avtur, Rp 52.50 for Solar, Rp 45.00 for diesel and fuel oil, and Rp 37.50 for kerosene¹¹⁾. However, as these prices were still lower than the cost of production, the Government in the reporting year paid subsidy on fuels of Rp 1,022 billion as compared with Rp 535 billion in the preceding year.

2. Natural gas

The natural gas as a source of energy, and earner of foreign exchange and Government revenues has come to occupy a significantly important position in recent years. The output¹²⁾ and use¹³⁾ of natural gas in 1980 increased each by 5% to 1,046 million MSCF¹⁴⁾ and 811 million MSCF, respectively. A major use of natural gas was for the production of LNG, which was entirely exported. In addi-

tion, natural gas was also used as fuels in certain domestic industries such as cement, steel and fertilizer plants.

In 1980/81 export volume of LNG reached 424 mill ion MM BTU's¹⁵⁾ with a total value of \$ 2,111 million which worked out to 9.7% of the total value of exports. It may be noted that an agreement was signed in the reporting year, to export additional LNG to Japan of 3.2 million ton (equivalent to 165 million MMBTU) annually for a period of 20 years. In accordance with this agreement, the liquefaction plant in Badak, East Kalimantan will be expanded with 2 additional LNG trains, expected to be completed in early 1983.

The output and use of natural gas during the last five years are shown below (in millions of MSCF).

Year	Output	U s e
1976	312.4	88.1
1977	542.8	282.7
1978	820.1	296.6
1979	998.5	771.8
1980*	1,045.7	810.8

Source : Ministry of Mines and Energy

3. Tin

Most of Indonesia's tin production was mined by the state-owned company, PT Tambang Timah, on and off-shore of the islands of Bangka, Belitung and Singkep. In addition, there are several foreign companies engaged in tin mining under the contract of work scheme, namely PT Koba Tin (Koba), PT Broken Hill Proprietary Indonesia (BHPI) and PT Riau Tin Mining (Ritin).

11) Presidential Decree No.30 of 1980, April 30,1980
 12) The output of natural gas consists of associated gas and non-associated gas.
 13) The use of natural gas is the total volume of natural gas actually used for several purposes. Part of the natural gas output (especially associated gas), not or not yet used, was flared locally to prevent pollution and fires.
 14) MsCF = Thousand Standard Cubic Feet

15) MMBTU = Million British Thermal Unit (BTU)

As mentioned in the 1979/80 report, in order to intensify tin mining activities, PT Tambang Timah added 2 dredgers to its fleet, one in 1978/79 and the other in 1979/80, raising the number of its dredgers to 41. In addition, the construction of the fourth permanent furnace in Mentok, on the island of Bangka with an annual smelting capacity of 6 thousand tons of tin metal, was completed in 1980/81. Including this plant, the annual tin smelting capacity rose from 33 thousand tons to 39 thousand tons of tin metal.

Consequently tin output during the last few years continued to grow. During 1980/81 tin output rose by 11% to 34 thousand tons (in concentrate). In line with the production increase, tin exports¹⁶⁾ also rose by 11% to 30 thousand tons and its export value by 17% to \$ 455 million.

Output of tin during the last five years is shown below (in thousand tons of tin concentrate).

Year	PT Timah	Other companies	Total
1976/77	22.1	1.2	23.3
1977/78	23.8	2.5	26.3
1978/79	23.9	3.5	27.4
1979/80	25.4	4.9 ^r	30.3 ^r
1980/81*	27.1	6.5	33.6

Source : Ministry of Mine and Energy

4. Nickel

Nickel was mined by PT Aneka Tambang in Pomalaa (South-East Sulawesi) and in Gebe Island (Halmahera), and by PT Inco in Soroako (South Sulawesi). Nickel ore mined by PT Aneka Tambang was exported in the form of ore and the remaining was also exported after being processed into ferro nickel. Nickel ore mined by PT Inco was entirely processed into nickel matte and were mostly destined for exports.

Nickel ore output of PT Aneka Tambang in the reporting year declined by 24% to 1,340 thousand tons, mainly due to the rehabilitation of its processing unit. Despite this, nickel ore exports rose by 4% to 1,238 thousand tons due to the improved prices in the international market. With regard to ferro nickel, its output rose by 13% and its exports by 25%.

Output and exports of nickel ore and ferro-nickel during the last few years are as follows.

Year	Nickel ore		Ferro Nickel	
	Production	Exports	Production	Exports
	(thousand of tons)		(tons)	
1976/77	1,177.4	924.5	4,344	4,041
1977/78	1,316.7	830.0	4,821	4,869
1978/79	1,178.0	887.6	4,404	5,112
1979/80	1,771.5	1,192.4 ^r	4,000	3,552
1980/81*	1,339.3	1,238.7	4,506	4,434

1) Equivalent to nickel metal

Source : Supplement to the President's report to Parliament, August 15, 1981

Output of nickel matte by PT Inco in 1980/81 rose significantly by 44% to 17,827 tons. Said increase was mainly due to the completion of the construction of an additional processing facility and the renovation of furnaces so that all three electric furnaces operated at full capacity. In line with the production increase, exports of nickel matte in 1980/81 also rose significantly by 84% to 19,896 tons.

Trend in output and exports of nickel matte during the last four years is shown in the following figures (in tons).

Year	Output ¹⁾	Exports ²⁾
1977/78 ²⁾	2,077	—
1978/79	5,705	7,420
1979/80	12,381	10,789
1980/81*	17,827	19,896

1) Equivalent to nickel metal

2) Calendar year figures

Source : Supplement to the President's report to Parliament, August 15, 1981

5. Bauxite

Output of bauxite mined by PT Aneka Tambang in the island of Bintan, rose by 9% to 1,270 thousand tons in 1980/81. Since domestic industry was not yet able to process bauxite into alumina, the entire output was destined for exports.

In the reporting year bauxite exports reached 1,164 thousand tons with a total value of \$ 14 million. Thus far bauxite was solely exported to Japan under a long-term contract.

Production of bauxite during the last five years is shown below (in thousand of tons).

Year	Production
1976/77	1,048.5
1977/78	1,221.8
1978/79	964.9
1979/80	1,160.7
1980/81*	1,269.9

Source : Supplement to the President's report to Parliament, August 15, 1981

6. Coal

In order to diversify energy sources and to conserve oil, the use of coal is being encouraged. Coal produced by PN Tambang Batubara was mainly used for domestic consumption in the form of fuels for cement industry and as auxiliary material for smelting ferro nickel and tin. In addition, coal was planned to be used as fuel for steam generated power plants proposed to be built in Suralaya (West Jawa).

Coal output in 1980/81 rose by 23% to 329 thousand tons. Exports of coal rose by 80% to 108 thousand tons with a value of \$ 3 million in 1980.

Output of coal during the last five years is as follows (in thousand of tons).

Year	Production
1976/77	183.3
1977/78	248.5
1978/79	256.0
1979/80	267.3
1980/81*	329.3

Source : Supplement to the President's Report to Parliament, August 15, 1981

7. Copper

Output of copper concentrate declined by 5% to 180 thousand tons in 1980/81. The decrease was mainly due to the depletion of copper ore reserves in the old mining area, while the new mining area have not commenced production. It may be noted that PT Freeport Indonesia Inc., the only copper producing company in Indonesia was engaged in underground mining in the eastern part of Ertzberg (Irian Jaya).

Production of copper concentrate during the last five years is as follows (in thousand of dry metric- ton).

Year	Production
1976/77	212.2
1977/78	186.8
1978/79	184.9
1979/80	188.5
1980/81*	179.5

Source : Supplement to the Presiden's Report to Parliament, August 15, 1981

In volume, exports of copper concentrate, decreased by 5% to 177 thousand tons in 1980. With the improvement in price of copper concentrate in the international market, the export value increased by 21% to \$ 115 million.

8. Iron sand

Exports of iron-sand concentrate which went entirely to Japan, virtually stopped since 1978. Since then its output had been used domestically as raw material in the cement industry. In the year under report, output of iron-sand concentrate declined by 28% to 57 thousand tons, compared with a decrease of 35% in the preceding year.

Output and domestic sales of iron sand concentrate during the last five years are as follows (in thousand tons).

Year	Production	Domestic sales
1976/77	299.7	13.0
1977/78	317.2	28.0
1978/79	120.2	45.8
1979/80	78.5	63.5
1980/81*	56.5	67.6

Source : Supplement to the President's Report to Parliament, August 15, 1981

In order to increase the domestic use of iron sand, a feasibility study on the process of iron sand into pellet iron had been conducted in the area south of Yogyakarta.

9. Gold and silver

Gold and silver were mined by PT Aneka Tambang in the area of Cikotok and Cirotan, West Jawa. After experiencing a decline during the last few years, gold and silver output in the year under report rose by 18% to 234 kg and by 31% to 2,374 kg, respectively. The increase was mainly due to the higher gold and silver content of the ores mined during the reporting year.

Output of gold and silver during the last few years are as follows (in kilograms).

Year	Gold	Silver
1976/77	349.2	3,138
1977/78	252.3	2,788
1978/79	220.3	2,216
1979/80	197.4	1,806
1980/81*	233.9	2,374

Source : Supplement to the President's Report to Parliament, August 15, 1981

E. Manufacturing industry.

The main elements of the industrial policy during the Third Plan period was the development of industries supporting the agricultural sector, and of industries processing raw material into finished and semi-finished products. The goal of the policy was to achieve self-sufficiency in the fulfillment of domestic demand for consumer and industrial goods, and to boost exports of manufactured products. In addition, industrial development was also aimed at the growth of small-scale and labor intensive medium-scale industries so as to expand employment and business opportunities.

In order to push the development activities and spread it evenly, efforts were made to disperse industrial location to regions outside Jawa. Besides the emphasis on development of infrastructure to achieve dispersal of industrial units, the Government took several measures to improve the business conditions. During the reporting year, the rates of import duty and import sales tax on imports of various raw materials and auxiliary materials used by domestic industries were reduced. Also the number of products eligible for import under usance L/C were increased. Further, exemption from payment of import guarantee deposits were allowed on certain products. The credit policy was modified so as to ensure larger

TABLE 52 – SELECTED INDUSTRIAL PRODUCTION

Products	Unit	1976/77	1977/78	1978/79	1979/80	1980/81 *
Textile industry						
– Textile	million meters	1,247.0	1,332.5	1,576.0	1,910.0	2,027.3
– Weaving yarn	thousand bales	622.9	678.3	837.3	950.0	1,060.0
Chemical industry						
– Urea fertilizers	thousand tons	406.0	990.0	1,437.2	1,827.0	1,985.1
– Non urea fertilizers ¹⁾	thousand tons	105.2	93.3	141.0	270.0	649.0
– Cement	thousand tons	1,979.3	2,878.6	3,629.0	4,705.1	5,851.8
– Automobile tyres	thousand units	1,883.3	2,339.1	2,540.4	2,898.4	3,320.0
– Motorcycle tyres	thousand units	1,520.0	2,429.4	1,658.2	2,070.5	2,319.7
– Paper	thousand tons	54.4	83.5	155.2	214.2	232.0
– Salt	thousand tons	560.0	786.0	261.8 ²⁾	703.0	525.0
Metal industry						
– Reinforcing steel bar	thousand tons	296.3	240.0	300.0	500.0	640.5
– Steel wire	thousand tons	84.6	98.0	100.0	108.0	143.1
– Galvanized iron sheet	thousand tons	156.0	185.0	185.0	250.0	294.2
– Steel pipe	thousand tons	107.0	120.0	118.3	129.5	153.6
– Steel ingot	thousand tons	—	—	80.0	122.4	397.1
– Wire rod	thousand tons	—	—	—	89.5	160.2
– Sponge iron	thousand tons	—	—	—	99.5	281.8
Machinery and factory equipment industry ³⁾						
– Diesel engines	thousand units	24.0	25.3	30.4	25.0	34.1
– Hand tractors	units	30	44	280	550	877
– Sprayers	thousand units	20.0	15.3	36.5	78.0	134.2
– Sewing machines	thousand units	400.0	484.0	600.0	477.6	525.4
– Hullers	units	1,000	830	2,200	2,500	1,868
Vehicle industry ³⁾						
– Automobiles	thousand units	75.3	83.9	108.7	102.6	170.1
– Motorcycle	thousand units	267.6	271.8	330.5	221.6	410.0
– Aeroplanes	units	3	7	16	16 ^r	12
– Helicopters	units	13	6	16 ^r	16 ^r	12
– Steel vessels	thousand BRT	18.5	13.2	11.5	24.0	17.5
Electrical appliance industry ³⁾						
– Electric/telecommunication cords	thousand tons	9.0	12.5	15.7	227.4	233.7
– Black and white television sets	thousand units	210.0	460.0	687.6	574.0	631.4
– Color television sets	thousand units	2.8	22.0	45.6	85.8	98.7
– Radio sets	thousand units	1,100.0	1,000.0	1,536.0	1,018.8	1,110.5
– Radio cassette recorders	thousand units	325.0	547.6	488.0	560.5	616.6
– Refrigerators	thousand units	50.0	65.0	90.0	99.6	134.5
– Dry batteries	million units	420.0	442.0	420.0	462.0	526.7
– Storage batteries	thousand units	480.0	575.0	690.0	1,747.2	3,319.7
– Light bulbs / TL bulbs	million units	26.0	24.0	30.4	29.9	33.8
Other industries						
– Coconut oil	thousand tons	276.2	276.3	319.1	452.0	610.0
– Cooking oil	thousand tons	32.6	31.3	37.8	266.2	278.9
– Laundry soap	thousand tons	175.5	194.9	218.5	202.9	213.0
– Detergents	thousand tons	33.4	38.5	44.2	46.5	54.4
– Clove cigarettes	million pieces	37,900.1	40,900.0	43,500.0	41,500.0	50,500.0
– White cigarettes	million pieces	22,637.0	23,100.0	25,700.0	28,600.0	33,400.0
– Tooth paste	million tubes	103.6	104.4	108.5	113.9	123.0
– Matches	million boxes	772.0	506.1	539.8	553.0	586.2

1) Until 1978/79 consisting of ZA only, since 1979/80 consisting of ZA, TSP and NPK

2) Excluding small scale industry

3) Mostly assembling industry

Source : — Supplement to the President's Report to Parliament, August 15, 1981
— Department of Industry

flow of credits to the economically weak groups.¹⁷⁾

This was reflected in the volume of credit which to the economically weak groups increased by 29% to Rp 2,736 billion during 1980/81. In order to expand the marketing of industrial output, the Government decided to place priority in the purchases of the locally made goods, particularly, those produced by economically weak groups.¹⁷⁾

Meanwhile, to assure the supply of raw materials needed by domestic industries, the Government restrained exports of certain commodities, like logs, during the reporting year.

The industrial output as a whole was more than satisfactory during the reporting year. Considerable increases were achieved in the production of textiles, fertilizer, cement, reinforced steel, motor vehicles, cooking oil and cigarettes.

1. Textiles

Textile production in the year under report increased by 6% to 2,027 million meters, while cotton yarn by 12% to 1,060 thousand bales. These increases reflected, inter alia, the rising demand for domestically produced textiles.

Textiles and cotton yarn output during the last five years is as follows.

Year	Textiles (million meters)	Cotton yarn (thousand of bales)
1976/77	1,247.0	622.9
1977/78	1,332.5	678.3
1978/79	1,576.0	837.3
1979/80	1,910.0	950.0
1980/81*	2,027.3	1,060.0

Source : Supplement to the President's Report to Parliament, August 15, 1981

¹⁷⁾ Presidential Decree No. 14A of 1980

The momentum in textiles exports achieved during the last few years, particularly since November, 1978, was halted during 1980/81 because of quota restrictions imposed by some EEC member countries on textile exports from Indonesia. Consequently exports of textiles and garments declined from 29 thousand tons to 25 thousand tons, and in value from \$ 151 million to \$ 127 million.

2. Fertilizer

As mentioned in the previous year's report, PT Petro Kimia fertilizer plant in Gresik was expanded, and hence capable of producing TSP, DAP and NPK fertilizer in addition to urea and ammonium sulphate fertilizer¹⁸⁾. Further, other fertilizer plants were also able to operate at a higher capacity. As a result, the production of urea fertilizer increased by 9% to 1,985 thousand tons in 1980/81, and of non-urea fertilizer by 140% to 649 thousand tons. The nonurea fertilizer included TSP fertilizer, the production of which began in July 1979.

Production of fertilizer during the last five years is as follows (in thousand tons).

Year	Production	
	Urea	Non-urea
1976/77	406.0	105.2
1977/78	990.0	93.3
1978/79	1,437.2	141.0
1979/80	1,827.0	270.0
1980/81*	1,985.0	649.0

Source : -- Supplement to the President's Report to Parliament, August 15, 1981
 -- Ministry of industry

During the reporting year, the construction of the urea-fertilizer plants in East Kalimantan and Aceh was continued, and

¹⁸⁾ NPK = Nitrogen, Phosphor, Kalium
 TSP = Triple Super Phosphate
 DAP = Di Ammonium Phosphate

production was expected to commence in 1982 for the former, and in 1983 for the latter.

It may be mentioned that due to the increased production, Indonesia since 1978 continued to remain self-sufficient in urea-fertilizer. In fact, a modest part of its output was exported to ASEAN member countries, and India, Pakistan and Bangladesh though the volume of export contracted from 247r thousand tons during the preceding year to 151 thousand tons during the reporting year. There was also a spurt in the domestic use of fertilizer due mainly to the increased implementation of Bimas, Inmas and Insus programs, and the expansion of cultivated area. Due to the extensive use of fertilizer, the Government took various measures to increase the supply of fertilizers, particularly urea and TSP fertilizers, at each regency level, to the quantity adequate for 21/2 to 4 months need. This necessitated imports, largely non-urea fertilizers, during 1980.

3. Cement

In the reporting year, the construction works of a new portland cement plant in Baturaja, South Sumatra, with a capacity of 500 thousand tons, and the expansion of another one in Cibinong, West Jawa, with an additional capacity of 1 million tons, were completed. This raised the capacity of all the existing portland cement plants to 8,550 thousand tons at the end of the reporting year. In addition, the construction of the first white cement plant in Cibinong with a capacity of 200 thousand tons was also completed. Meanwhile, the Tonasa II plant in South Sulawesi and Indarung II plant in West Sumatra, the construction of which were completed during

the preceding year, came into operation during the year under report. Consequently cement production during the year under report increased by 24% to 5,852 thousand tons.

The following figures set forth cement production in the last five years.

Year	Production
1976/77	1,979.3
1977/78	2,878.6
1978/79	3,629.0
1979/80	4,705.1
1980/81*	5,851.8

Source : Supplement to the President's Report to Parliament, August 15, 1981

Due to the increased production, since 1978 Indonesia had been exporting small quantities of portland cement. During the reporting year exports amounted to 294 thousand as compared with 647 thousand tons in the preceding year. The reduced volume of exports reflected the increasing use of cement in the domestic construction activity. Because of the rise in domestic demand due to the large number of development projects, the Government temporarily stopped exports of cement effective October 1980. However, white cement continued to be imported.

Further, in order to ensure adequate supply of cement in the domestic market, including remote areas, a new marketing system for cement was stipulated in October 1980¹⁹⁾. Under this new scheme, the production, supply and distribution of cement were under the control! of the Government. In this regard, it was stipulated

19) Joint Decree of the Director General of Basic Chemical Industry, Ministry of industry, and Director General of Domestic Trade, Ministry of Trade, October 17, 1980 No. 030/KPTS/Dj.KD/X80 274/Kp/DAG RI /X/80

that the distribution of cement was based on the annual contract between producers and distributors appointed by the Ministry of Trade and Cooperatives. Besides, cement factories were also required to maintain adequate supplies of cement in inter-island and other ports.

Motor vehicle tires

To meet the increasing domestic demand for automobile tires, in 1979 the Government approved the expansion of some existing plants. These expansions were completed in the reporting year, resulting in a 38% increase in the annual production capacity of automobile tires to 4,335 thousand pieces and an 11% increase in the production capacity of motorcycle tires to 2,433 thousands pieces.

In accordance with the increased capacity, output of tires during the year under report increased by 15% to 3,320 thousand pieces for automobiles and by 12% to 2,320 thousand pieces for motorcycles.

The following statistics shows tire production during the indicated period.

Year	Motor vehicle tires	
	Automobile	Motorcycle
1976/77	1,883.3	1,520.0
1977/78	2,339.1	2,429.4
1978/79	2,540.4	1,658.2
1979/80	2,898.4	2,070.5
1980/81*	3,320.0	2,319.7

Source : Supplement to the President's Report to Parliament, August 15, 1981

5. Paper

In the reporting year, the production capacity of the 29 existing paper mills increased to 345 thousand tons, compared with 324 thousand tons in the preceding year. Meanwhile, work on the expansion of the Leces III paper mill in East Jawa, pro-

ducing writing and printing papers, started during the reporting year. This expansionary phase of the project was expected to be completed in 1983. In addition, the Government planned to construct new paper mills producing craft paper in Cilacap, newsprint in East Jawa (Leces IV) and pulp in Takengon (Aceh), Sesayap (East Kalimantan) and Padalarang (West Jawa). Paper production in the year under report increased from 214 thousand tons to 232 thousand tons.

The production capacity and output of paper during the last five years are as follows (in thousand tons)

Year	Production capacity	Production
1976/77	77.6	54.4
1977/78	127.8	83.5
1978/79	291.2	155.2
1979/80	324.1	214.2
1980/81*	344.6	232.0

Source : Supplement to the President's Report to Parliament, August 15, 1981

In order to meet the demand for certain types of paper, mostly print and craft-papers which were not produced domestically, imports were still necessary.

In 1980, such imports amounted to 272 thousand tons worth \$ 150 million as compared with 250 thousand tons worth \$ 128 million in the preceding year.

6. Salt

Production of salt is very much affected by weather conditions. During the reporting year salt output declined by 25% to 525 thousand tons mainly due to the excessive rainfall in the producing areas. Salt production during the last five years is as follows (in thousand tons).

Year	Smallholder	PN Garam	Total
1976/77	350	210	560
1977/78	494	292	786
1978/79	187	75	262
1979/80	703
1980/81*	525

Source : -- Supplement to the President's Report to Parliament, August 15, 1981
-- Ministry of Industry

Since 1977, PN Garam had been assigned as the holder of the national stock of salt²⁰⁾ so as to maintain the price at an appropriate level and ensure its stability. For this purpose PN Garam was authorized to purchase salt produced by smallholders, either directly or through village unit co-operatives (KUD) at a floor purchase price fixed by the Government, and maintain an adequate national stock. During the year under report, the floor purchase prices of salt from smallholders were revised upward from Rp 10.00 to Rp 15.00 per kg for grade I, from Rp 7.00 to Rp 12.00 per kg for grade II, and from Rp 4.00 to Rp 9.00 per kg for grade III.²¹⁾

7. Metal

Production of basic metals and metal products during the reporting year showed a spurt. Production of sponge iron, produced by PT Krakatau Steel since 1979, rose substantially by 183% to 282 thousand tons. It may be noted that sponge iron replaced scrap iron as raw material in the production of steel iron, since the supply of scrap iron became more scarce. Significant increases were also recorded in the production of steel billet and wire-rod, i.e. by 224% to 397 thousand tons and by 79%

to 160 thousand ton, respectively. The output of reinforced steel rose by 28% to 640 thousand tons.

As was the case with basic metals, output of metal products showed a significant increase. Production of steelpipe increased by 19% to 154 thousand tons, while that of steel-wire rose by 33% to 143 thousand tons. The production of zinc-plates rose by 18% to 294 thousand tons.

It may be noted that in the year under report part of sponge iron produced was exported to Japan, Korea, Republic of China, Singapore and India, with an export volume of 93 thousand tons or \$ 10 million, in terms of value. Export of reinforced steel, which reached 92 thousand tons with an export value of \$ 25 million in 1979, decreased to 20 thousand tons with an export value of only \$ 7 million in 1980. This decrease was mainly attributable to the increasing domestic consumption of reinforced steel for various development projects.

8. Machinery, factory equipment and electronic appliances

As was the case with metal industry, production of machinery, factory equipment and electrical appliances during the reporting year was encouraging. The output which increased significantly were diesel engines (36%), hand-tractors (60%), insecticide hand-sprayers (72%) and sewingmachines (10%).

With regard to electrical appliances, considerable increase took place in the production of storage batteries (90%) and refrigerators (35%). Production of electronic appliances, such as television sets, radio receivers, cassette re-

20) Minister of Trade Decree No. 270/Kp/IX/77, September 28, 1977

21) Director General of Domestic Trade, Ministry of Trade and Cooperatives Decision No. 117/DAGRI/KP/IV/80, April 30, 1980

corders and light bulbs also showed an encouraging growth.

9. Vehicles

Automobile production during the year under report increased remarkably, from 103 thousand to 170 thousand units. This was due to the rise in production of general purpose vehicles (such as Jeep) and simple commercial vehicles (such as Pick-up). A remarkable increase also occurred in production of motorcycles, from 222 thousand to 410 thousand units.

Meanwhile, production of vessels during the year under report increased from 77 to 92 units, although in terms of weight there was a decline from 24 thousand BRT to 18 thousand BRT²²⁾. In order to encourage ship-building industry, the Government in the reporting year reduced import duty and import sales tax on imports of machineries, equipments and parts for the construction, repair and maintenance of vessels.²³⁾

In the reporting year, the number of aircrafts assembled by PT Nurtanio decreased from 16 to 12 units of CASSA212, and from 16 to 10 units of BO-105 helicopter. On the other hand, two Puma helicopters, a newly produced type of aircraft, were assembled during the reporting year. It may be added that to encourage the domestic aircraft industry, the Government exempted all the products of the above mentioned company from sales tax.²⁴⁾

22) BRT stands for Brutto-Registertonne (German) - register ton

23) Minister of Finance Decree No. 509/KM K.05/1980, September 19, 1980

24) Minister of Finance Decree No. 570/KMK.04/1980, October 24, 1980

F. Electric power and gas

The Government continued to make efforts to increase the supply of electric power because of it being a critical infrastructure input in the production activities of the economy. The capacity of electric generating power stations was increased and its distribution networks was extended so as to reach rural areas. Since the last quarter of 1979, the Government had offered cooperation to the private sector and cooperatives on undertaking the production and distribution of electricity in areas not yet covered by the state-owned electric company (PLN)²⁵⁾

In 1980, the electric power generating capacity of PLN increased by 6.8% to 5,703 MW.

The electric power generating capacity of PLN during the last five years is shown in the following figures (in MW).

Year	Electric generator				Total
	Diesel generated	Steam generated	Hydro generated	Gas generated	
1976	316	250	321	333	1,220
1977	447	250	322	838	1,857
1978	519	450	350	881	2,200
1979	534	750	474	772	2,530
1980*	522	756	529	896	2,703

Source : State Electricity Company

The output of electric power of PLN increased significantly by 20.8% to 7,067 million KWH in 1980. The production of electric power generated by enterprises other than PLN increased by 2% to 815 million KWH. Total output of electric power distributed through PLN, either generated by PLN itself or generated by other enterprises, increased by 18% to 7,882 million KWH.

25) Government Regulation No. 36 of 1979, December 17, 1979.

Electric power output during the last five years is as follows (in million KWH).

Year	Generated by PLN	Production	Total
		Generated outside of PLN ¹⁾	
1976	3,363	678	4,041
1977	3,792	756	4,548
1978	4,721	728	5,449
1979	5,850	802	6,652
1980*	7,067	815	7,882

1) Only those distributed to the community through PLN
Source : State Electricity Company

As in the preceding year, output and sales of gas by Perusahaan Gas Negara (state-owned gas company) during 1980 declined by 4.5% to 71.8 million m³ and by 6.3% to 62.6 million m³, respectively. These declines were mainly attributable to the rehabilitation of production projects and gas pipelines network underway in several cities.

Output and sales of gas by the state owned gas company during the last five years are shown in the following figures (in million cubic meters).

Year	Production	Sales		
		Households	Enterprises	Total
1976	75.3	16.0	45.6	61.6
1977	78.6	16.5	49.2	65.7
1978	80.0	18.0	50.3	68.3
1979	75.2	17.8	48.9	66.8
1980*	71.8	18.2	44.4	62.6

Source : State Gas Corporation

G. Communication

Various efforts were made by the Government to improve the transportation and communication system by focussing on the development of infrastructural facilities, extension of transportation networks, and raising frequency of transportation services.

Effective May 1, 1980 the Government revised upward the domestic sales prices of petroleum fuels resulting an increase in the cost of providing communication ser-

vices. Consequently in order to sustain the working of enterprises providing communication services, beginning May 1980 the Government also allowed upward adjustment, on a selective basis, in the rates charged by these enterprises. It may be added, some rates were not increased, some others were even lowered.

During 1980 transportation services both for passengers and freight expanded, except freight transportation services by pioneer sailings. In terms of passengers transported, the growth registered was 42% in international air transportation, 25% in pioneer sailings, and 8% in railways. With respect to freight transportation, the growth recorded in international air transportation was 96%, in international sea transportation 26% in inter-island sea transportation 23% and in domestic air transportation 16%. Output of postal and giro services also expanded by an average of 31%, and that of telecommunication services by 9%.

1. Land transportation

As in the previous year, the Government continued to improve the infrastructure of land transportation through reconditioning and repairing existing transportation facilities as well as providing greater efficiency in the transportation services.

With regard to *road*, during the reporting year, 1,582 km were reconditioned and 98 km were constructed. In addition 2,027 m of bridges were reconditioned, and 857 m of new bridges were constructed.

Meanwhile, the number of land transportation vehicles showed an encouraging increase in 1980. The number of buses rose by 17% to 177 thousand and passenger cars also by 17% to 1,483 thousand

units. The number of trucks and motor-cycles rose each by 17% to 926 thousand and 5,464 thousand units, respectively.

The number of land transportation vehicles during the last five years is as follows (in thousand units).

Year	Buses	Trucks/Cargo Vehicles	Passenger cars	Motor cycles
1976	39.4	220.7	419.2	1,407.3
1977	46.6	268.1	471.1	1,714.5
1978	57.8	328.0	531.2	1,940.0
1979	151.4	791.2	1,267.2	4,669.7
1980*	177.1	925.8	1,482.8	5,463.5

Source : Supplement to the President's Report to Parliament, August 15, 1981

Railway transportation, being a low cost means of transportation, was expanded through the improvement of connected services and augmentation in the frequencies of train schedules. Consequently, the number of passengers transported by railways during 1980 reached 40.7 million, or higher by 8% than those transported in the preceding year.

Growth of passengers and cargo handled by railways during the last five years is shown below.

Year	Passenger transportation		Cargo transportation	
	Passenger (thousands)	Passenger-Km (millions)	Cargo (thousand tons)	Ton-Km (millions)
1976	20,060	3,371	3,322	701
1977	20,960	3,082	3,998	814
1978	29,200	4,751	4,200	1,022
1979	37,709	5,981	4,241	1,016
1980*	40,740	6,229	4,300	980

Source : Supplement to the President's Report to Parliament, August 15, 1981

Water transportation services comprising rivers, lakes and ferry transportation functioned essentially as connecting links with the services provided by road vehicles and railways.

Growth of such services during the last few years is as follows.

Year	Passenger transported (in thousand)	Cargo transported (in thousand tons)
1976	10,009	2,862
1977	12,351	2,522
1978	13,586	2,648
1979	14,501	2,416
1980*	15,592	3,095

Source : Ministry of Communication

2. Sea transportation

The Government policy with regard to sea transportation was mainly focussed on the improvement of load capacity of the national merchant fleet, pioneer sailings, and the ocean going fleet. With regard to sea transportation, efforts were made to establish an integrated system in which the existing three types of fleet could be mutually supporting. In addition, efforts were also made to increase the capability of ports through expansion of quays and improvement of other port facilities. During the reporting year, plans were in advanced stages for upgrading the ports of Tanjung Priok (Jakarta), Tanjung Perak (Surabaya), Belawan (Medan) and Palembang, so as to enable them handle containers fleet.

With regard to the *national merchant fleet*, the number of vessels operating in the reporting year increased by 39 to 374 units, while its capacity increased by 38 thousand to 379 thousand DWT. In accordance with these increases, the cargo handled by the national merchant fleet increased by 23% to 4,380 thousand tons in 1980/81.

The number of vessels, capacity and cargo handled during the last few years are as follows.

Year	Number of vessels	Capacity (thousand DWT)	Cargo transportation (thousand DWT)
1976/77	50	450	5,462
1977/78	54	491	5,891
1978/79	52	513	5,635
1979/80	50	513	5,820
1980/81*	58	668	7,353

Source : Supplement to the President's report to Parliament, August 15, 1981

Pioneer sailings is essentially for facilitating transportation among isolated and less developed regions. In the reporting year, the number of vessels operated by the pioneer sailings increased from 28 to 31 units, while its capacity rose from 12.9 thousand to 17.6 thousand DWT. In the meantime, passengers transported by pioneer sailings grew from 132 thousand to 165 thousand, and cargo handled from 66.5 thousand to 90.0 thousand tons.

The number of vessels, capacity and services provided by the pioneer sailings during the last few years are shown below.

Year	Number of vessels	Capacity (in thousand DWT)	Transportation	
			Passengers (in thousands)	Cargo (in thousand tons)
1976/77	19	11.5	38.9	47.0
1977/78	20	12.9	76.3	62.9
1978/79	21	11.2	104.0	50.1
1979/80	28	12.9	132.0	66.5
1980/81*	31	17.6	165.0	90.0

Source : Supplement to the President's Report to Parliament, August 15, 1981

The development of the *ocean going fleet* during the year under report was encouraging. The number of vessels in operation increased from 50 to 58 and their capacity from 513 thousand to 668 thou-

sand DWT. An increase was also recorded in the cargo handled by the ocean going fleet, by 26% to 7,353 thousand tons.

The following figures show the number of vessels and their services during the last few years.

Year	Number of vessels	Capacity (thousand DWT)	Cargo transportation (thousand DWT)
1976/77	50	450	5,462
1977/78	54	491	5,891
1978/79	52	513	5,635
1979/80	50	513	5,820
1980/81*	58	668	7,353

Source : Supplement to the President's report to Parliament, August 15, 1981

3. Air transportation

As in the previous years, the Government during the reporting year enlarged the capacity of the air transportation freed, added a number of flight schedules, and increased the capacity of infrastructural facilities. In addition, efforts were also made to improve the capability and skill of air transportation personnel through training and education programs.

In 1980, PT Garuda Indonesian Airways (GIA) increased its fleet by 6 widebodied aircrafts, consisting of 2 DC-10 and 4 Boeing-747 aircrafts. Including this addition, at the end of 1980 the number of aircrafts operated by GIA became 69 aircrafts.

In addition to GIA, 5 other national airlines provided regular air transportation services. The number of aircrafts operated by those airlines totalled 100 in 1980 as compared with 97 aircrafts in the preceding year.

The number of aircrafts operated by

regular airlines during the last few years is shown below.

Year	Type of airplanes			Total
	Piston engined	Turboprop	Turbojet	
1976	20	39	46	105
1977	8	50	56	114
1978	8	53	58	119
1979	8	89	63	160
1980*	8	92	69	169

Source : Supplement to the President's report to Parliament, August 15, 1981

It may be mentioned, that the growth in terms of the number of aircrafts operated and loading capacity was supported by the policy of enlarging various facilities at airports. Out of the existing 34 airports at the end of 1980, 2 were able to handle landing by Boeing-747 aircrafts, 5 by DC-10, 6 by DC-8 and 13 by DC-9.

Volume of air transportation services provided during 1980 was impressive in the sense that passengers carried by the international air transport increased by 42% and cargo by 96%. With respect to domestic air transport, passenger and cargo carried during the reporting year increased by 6% and 16%. respectively.

The volume of air transportation services provided by regular airlines during the last few years is shown below.

Year	Passengers carried (in thousands)		Cargo carried (in thousand tons)	
	Domestic flights	International flights	Domestic flights	International flights
1976	2,783	170	28.8	3.3
1977	3,373	245	32.9	3.9
1978	3,980	270	35.8	4.3
1979	4,193	343	38.5	5.7
1980*	4,449	487	44.5	11.2

Source : Supplement to the President's report to Parliament, August 15, 1981

4. Postal and giro service

The state owned enterprise Perum Pos den Giro, entrusted with providing postal and giro services continued to extend its area of operation and improve the quality of its services to the public, the goal being to reach sub-district level (local government above village level) in its area of operation and in particular cover transmigration and new settlement areas.

By the end of 1980, the number of sub-districts served by postal services reached 2,961, or 90% of the total number of the existing sub-districts, compared with 2,797 or 85% of the total subdistricts in the preceding year. Out of the total in 1980, 1,244 were served by post offices, 157 were served by mobile postal units and 1,225 were served by rural postal agencies. It may be noted that out of the existing 233 transmigration areas, 59% have been covered by postal services.

The number of post offices during the last five years is as follows.

	Number of post offices				
	1976	1977	1978	1979	1980*
Main post offices	178	185	193	195	198
Subsidiary post offices	155	169	180	197	208
Auxiliary post offices	890	923	978	1,023	1,041

Source : Ministry of Communication

In addition to its main function, Perum Pos den Giro also assisted Bank Tabungan Negara (the State Savings Bank) in promoting public savings. Total savings mobilized through the postal and giro offices increased remarkably, by 68% to Rp 32 billion at the end of 1980.

The volume of postal and giro services provided during the last few years is as follows

Postal and giro services					
Type of services	1976	1977	1978	1979	1980*
Postal letters (millions)	201	237	252	141	276
Postal arcels (thousands)	763	1,000	881	1,141	1,172
Postal drafts (billion Rp)	99	121	139	175	246
Postal giro and cheques (billion Rp)	471	661	840	1,113	1,559
Savings (billion Rp)	7	11	16	19	32

Source : Ministry of Communications

5. Telecommunication

As mentioned in previous annual reports, the Government had constructed several major infra structural facilities, including the domestic satellite communication system (SKSD) "Palapa", and the Jawa-Bali, Trans- Sumatra, and eastern Indonesia microwave transmission systems. In 1980, the construction of another communication system was completed, namely a submarine cable communication system (SKKL) connecting Jakarta and Singapore.

With the availability of these facilities the Government was able to meet the growing demand of the public for telecommunication services. The capacity of telephone exchanges, which more than doubled during the last four years, reached approximately 600 thousand line units by the end of 1980. Telephone exchange automatization program made impressive progress. By the end of 1980, the capacity

of automatic telephone exchanges accounted for 88% of the total existing capacity, compared with 61 % at the end of 1976.

The number and capacity of telephone exchanges during the last few years are shown below.

Meanwhile, the long-distance direct connection network (SLJJ), which covered only 12 cities in 1976, continued to expand; by the end of 1980 it covered 83 cities. It may be noted that as From 1980, overseas telephone calls, which were carried out previously through operators were now transmitted directly through the international direct connection facility (SLI). This facility enabled direct dialling of overseas telephone calls to Singapore, the Federal Republic of Germany, Australia, New Guinea, Japan, New Zealand, the United States and the Republic of China.

During the reporting year agreements were concluded on the usage of the Palapa communication services with some ASEAN member countries, namely the Philippines, Malaysia and Thailand. Agreements were also concluded on the construction of a sub-marine cable communication system with ASEAN member countries. The Indonesia-Singapore sub-marine cable communication system had been in operation since August 1980, while that of IndonesiaMalaysia was expected to be in operation in 1981.

Year	Automatic		Manual		Total	
	Telephone exchanges	Capacity (line units)	Telephone exchanges	Capacity (line units)	Telephone exchanges	Capacity (line units)
1976	52	160,600	507	103,886	559	264,486
1977	54	218,320	506	107,293	560	325,613
1978	69	374,600	493	102,030	562	476,630
1979	101	460,100	468	87,772	569	547,872
1980*	137	524,860	447	79,142	584	599,002

Source : Ministry of Communications

6. Tourism

In order to develop tourism in Indonesia, efforts continued to be made by the Government for improving tourist attractions and to expand its volume. Towards this end, campaigns were intensified during the reporting year at the Indonesia's tourist promotion centers in San Francisco, Frankfurt, Tokyo and Singapore, and through international exhibitions at other places. It is worthy to note that in 1980, the areas of the Borobudur and Prambanan temples were declared as tourist resorts.²⁶⁾ In addition, measures were also taken to increase the role of the provincial governments in the development of tourism in their respective regions ²⁷⁾.

The number of foreign tourists visiting Indonesia during the past few years continued to increase. In 1980, it amounted to 561.2 thousand, or a 12% increase over the preceding year. By country of origin Australia held the lead in the share of foreign tourists visiting Indonesia (15%), followed by Japan and Singapore (11% each), the United States and Malaysia (9% each).

The number of foreign tourists visiting Indonesia during the last few years is as follows :

Year	Total (in thousands)
1976	401.2
1977	433.4
1978	468.6
1979	501.4
1980*	561.2

Source : Ministry of Communications

²⁶⁾ Government Regulation No.7/1980, March 3, 1980

²⁷⁾ Government Regulation No.24/1979, August 13, 1979

The availability of accommodation, which played an important role in the development of tourism, increased in the reporting year. During the reporting year, the total number of hotel rooms available was 71,421, compared with 64,160 by the end of 1979. Out of this 46,662 rooms were in Jawa and Bali, 5,012 rooms were in North Sumatra.

H. Prices

Price developments, as measured by the Consumer Price Index (CPI) of 17 cities in Indonesia, showed an increase of 15.9% in 1980/81, compared with 19.1% in the preceding year (Table 53). The lower rate of price increase was reflected in the indices of all groups. The price indices of food-stuffs, housing, clothing and miscellaneous components which rose, respectively by 18.7%, 19.6%, 25.9% and 16.1% during 1979/80, advanced by 17.8%, 16.0%, 10.4% and 15.0%, respectively, during 1980/81.

In spite of the Government measures to raise the domestic sales prices of petroleum fuels and sugar, and the floor purchase prices for rice and secondary crops, the price increase during 1980/81, were still below that of the previous year. This achievement was mainly due to the success of the Government policies in the monetary and fiscal sectors, and in the more efficient operation of the system relating to supply and distribution of the basic needs.

The highest rate of price increases in 1980/81 was recorded in May 1980, namely 3.8%, which was closely related to the Government measure to raise the domestic sale prices of petroleum fuels by an average of 50%. These price increases became effective from May 1, 1980. It may be noted, that the price adjustment with respect to petroleum fuels was made in order to reduce the

amount of the Government subsidy. The increased prices of petroleum fuels resulted a marginal rise in charges for public services using petroleum fuels either as raw or as auxiliary materials in their production process, such as transportation and electricity services. These developments were mainly reflected in the price indices of housing and miscellaneous groups which rose by only 5.0% and 5.3%, respectively, in May 1980.

November 1980, was another month of high increase in prices, the price index during this month rose by 2.2%. This increase resulted mainly from the increase of 4.0% in the price index of the food- stuff component, due to the Government measures announced in October 1980 raising the floor purchase price of rice²⁸⁾, maize, soybeans, groundnuts and small green peas.²⁹⁾ The revised floor purchase prices for crops other than rice were to become effective from November 1980 and that for rice from February 1981. The adjustments in the floor purchase prices for rice and secondary crops were made in order to stimulate further production of these crops and the income of farmers.

In contrast to the movement of CPI, the domestic prices of the main export commodities, such as rubber and coffee, showed a downward slide in 1980/81. The average price of RSS I rubber in Jakarta, which was Rp 742.85/kg in 1979/80, declined to Rp 733.88/kg in 1980/81. A similar movement was also recorded by Robusta coffee, the price of which declined by 18.2% to Rp 1,039.34/ kg. The decrease in prices of these commodities followed from the movement in their international prices. In addition to

the adverse movement in international markets, the decline in coffee price was affected by the increased domestic supply and the reduced level of the quota on exports fixed by the International Coffee Organization (ICO).

Although the world tea prices in 1980/ 81 decreased as a result of the increasing world production, the domestic tea prices increased. The average price of BOP tea in Jakarta, which was Rp675.00/ kg in 1979/ 80, increased by 3.4% to Rp 697.92/kg in 1980/81. The said increase resulted, inter alia, from the increased domestic demand mainly from firms producing ready-to-drink (bottled) tea.

The price development of the main export commodities in the domestic and in the world markets are shown in Table 54 and Table 55.

I. Man power

The main problem faced in the field of manpower was the inadequacy of the existing employment opportunities to absorb labor force, which, in line with the increasing number of population, continued to increase. The incremental employment opportunities resulted from the development activities implemented thus far, had not been adequate to cope with the increasing labor force. Based on the results of the 1980 census, total population in 1980 was 147.5 million, and the average annual rate of population growth during the period 1971 through 1980 was 2.32%. In line with said population growth, labor force in 1980 was estimated to reach 57.3 million, or approximately 39% of total population.

As a mean of achieving the target of equitable distribution of development and its gains, efforts to overcome the shortage of employment opportunities have gained high prior-

28) Presidential Decree No. 15 of 1980, October 20, 1980

29) Presidential Decree No. 14 of 1980, October 20, 1980

TABLE 53 — CONSUMER PRICE INDEX FOR INDONESIA
(COMPOSITE OF 17 CITIES)
(April 1977 — March 1978 = 100)

Period	Foodstuffs	Housing	Clothing	Miscellaneous	General index	Change in the general index (%)	
						Annual/ quarterly ¹⁾	Monthly
1979							
March	120.45	120.87	134.65	119.14	121.77		
1979/80						+19.13	
June	130.69	133.40	144.61	127.89	132.27	+ 8.39	
September	138.92	137.42	159.11	135.31	139.78	+ 5.58	
December	141.14	140.86	168.19	137.73	143.07	+ 2.33	
March	144.82	146.70	173.82	139.58	147.14	+ 2.83	
1980/81						+15.85	
April	144.93	149.93	174.06	142.49	148.67		+ 1.04
May	149.33	157.40	176.40	150.06	154.31		+ 3.79
June	151.32	161.11	178.85	151.27	156.61	+ 6.32	+ 1.49
July	152.64	162.11	180.75	154.49	158.33		+ 1.10
August	155.94	162.01	184.88	155.07	160.21		+ 1.19
September	155.13	164.23	185.48	156.17	160.78	+ 2.65	+ 0.36
October	159.15	165.62	188.44	157.99	163.49		+ 1.69
November	165.57	167.73	190.29	158.66	167.12		+ 2.22
December	165.67	168.74	190.80	159.09	167.55	+ 4.17	+ 0.26
January	169.12	169.57	191.82	160.81	169.75		+ 1.31
February	171.01	170.35	192.37	161.48	170.94		+ 0.70
March	172.60	171.83	192.82	161.88	172.14	+ 2.71	+ 0.70

¹⁾ Annual/quarterly change of the CPI is calculated on a cumulative basis as a summation of the monthly percentage changes

Source : Central Bureau of Statistics

**TABLE 54 – PRICES OF SELECTED EXPORT COMMODITIES
IN THE DOMESTIC MARKET (JAKARTA)**
(rupiah/kg)

Period	Rubber RSS I	Coffee Robusta	Tea BOP
1979/80			
April	677.08	1,269.0	700.00
May	714.22	1,315.00	700.00
June	752.89	1,450.00	675.00
July	721.39	1,300.00	675.00
August	710.90	1,162.50	675.00
September	695.44	1,275.00	675.00
October	707.82	1,340.00	675.00
November	714.05	1,331.25	675.00
December	725.91	1,275.00	675.00
January	814.14	1,185.00	650.00
February	902.42	1,119.00	650.00
March	777.94	1,225.00	675.00
1980/81			
April	760.98	1,265.00	675.00
May	708.93	1,312.00	700.00
June	718.38	1,206.25	700.00
July	707.34	1,037.50	700.00
August	723.00	981.25	700.00
September	754.17	931.25	700.00
October	748.06	925.00	700.00
November	762.67	937.50	700.00
December	751.48	912.00	700.00
January	744.95	925.00	700.00
February	736.40	1,000.00	700.00
March	690.21	968.75	700.00

Source : Central Bureau of Statistics

**TABLE 55 — PRICES OF SELECTED EXPORT COMMODITIES
IN THE WORLD MARKET**

Period	Rubber RSS I New York (US\$ cent/lb)	Coffee Robusta Singapore (Sin. \$/picul)	Tea BOP London (pence/kg)
1979/80			
April	61.75	330.00	75
May	66.50	325.00	74
June	66.88	450.00	70
July	66.75	425.00	60
August	63.12	420.00	63
September	65.00	435.00	62
October	63.25	425.00	...
November	66.00	415.00	...
December	67.12	415.00	...
January	76.75	395.00	62
February	77.50	395.00	61
March	73.25	395.00	64
1980/81			
April	68.50	410.00	60
May	64.00	411.40	65
June	67.25	399.30	72
July	65.88	399.30	70
August	69.50	291.91	70
September	70.12	258.64	58
October	68.75	252.59	54
November	70.25	240.19	62
December	68.50	246.54	54
January	67.00	258.64	54
February	65.00	249.56	67
March	60.00	231.41	64

ity. In this connection, measures were taken by the Government to enhance the development activities, particularly the construction of labor - intensive projects such as infrastructures and regional development projects. In addition, all Government monetary and fiscal policies were always aimed at the expansion of employment opportunities. In the monetary sector, these policies were reflected in the priority granted to labor intensive activities in the provision of bank credits, particularly to the economically weak group. With regard to fiscal policy, measures were taken to provide more incentives to investors employing a large amount of labor force.

J. Transmigration

The number of people transmigrated during the reporting year recorded a substantial 240% increase over the preceding year, reaching a total of 66,917 families or 278,263 people. Said increase was mainly attributable to the improvement in the preparation of the transmigration settlement areas.

Other measures taken by the Government during the reporting year in order to further improve the preparation and implementation of transmigration program included, inter alia, cooperative agreements with state and private agricultural estates as well as with universities and

scientific institutions. In this connection, it can be mentioned that an agreement was concluded with a state agricultural estate, PN Perkebunan XVI on the channeling of ex-labor of the Cot Girek sugar mill, in Aceh, as transmigrants. A similar agreement was concluded with PN Perkebunan VI, on the expansion of smallholder estates under the Nucleus Estates and Smallholders (NES) scheme, in the provinces of Jambi and East Kalimantan. Cooperative agreements with private agricultural estate were reached with respect to the use of transmigrants as labors in sugar mill in transmigration area in Lampung as well as the extension of secondary crops cultivation in the island of Bangka. Cooperations with universities and scientific institutions were arranged with respect to the collection of data on social, economic and cultural matters, which will be used in formulating as well as in implementing transmigration policies.

The number of families and people transmigrated during the last few years are as follows.

Year	Total number	
	Families	People
1976/77	16,251	73,056
1977/78	13,138	59,602
1978/79	14,180	62,250
1979/80	14,683	81,488
1980/81*	66,917	278,263

Source : Ministry of Manpower and Transmigration

APPENDICES

APPENDIX A

BANK INDONESIA CONDENSED BALANCE SHEET as per March 31, 1981 (billions of rupiah)

ASSETS		LIABILITIES
FOREIGN EXCHANGE ASSETS		CURRENCY IN CIRCULATION
a. Gold and foreign exchange 1)	4,623	FOREIGN EXCHANGE LIABILITIES
b. Other foreign Assets	<u>130</u>	a. Foreign liabilities 1)
	4,753	b. Others
CLAIMS ON GOVERNMENT		
a. Advances to government	249	DEPOSITS AND OTHER LIABILITIES
b. Transactions/payment on account of Membership in international Financial institutions		a. Government
— In gold	7	b. Aid counterpart funds
— In rupiahs	<u>221</u>	c. International financial institutions
	228	d. Third parties
c. DICS promissory notes	<u>11</u>	— Banks
	488	— Others
LOANS		
a. Financial institutions 2)	1,865	CAPITAL AND RESERVES
b. Others	<u>2,432</u>	OTHER LIABILITIES
PREMISES, FURNITURE AND FIXTURES	4,297	
OTHER ASSETS	46	
	311	
Total	<u>9,895</u>	Total
		<u>9,895</u>

1) Regarded as a component of international reserves

2) Bank and non-Bank

BANK INDONESIA
PROFIT AND LOSS ACCOUNT
as per March 31, 1981
(billions of rupiah)

EXPENDITURES		REVENUES	
EXPENSES		Interest	498
— Personnel, material, operational	48	Commission	—
— Currency issue	29	Miscellaneous	10
— Research and development	17		
— Depreciation	155		
— Miscellaneous	<u>93</u>		
	342		
PROFIT			
— Profit after tax	166		
TOTAL	<u>508</u>		<u>508</u>

APPENDIX B

MANAGEMENT OF BANK INDONESIA

As per March 31, 1981

Komisaris Pemerintah : A.J. Witono S.

BOARD OF MANAGING D I R E C T O R S

Gubernur	:	Rachmat Saleh
Direktur	:	Arifin Mohamad Siregar
Direktur	:	Durmawel Ahmad
Direktur	:	J.E. ismael
Direktur	:	M. Djoko Soedomo
Direktur	:	Kamardy Arief
Direktur	:	Teuku Mohamad Zahirsjah
Direktur	:	Marjanto Danoesapoetro

GENERAL MANAGERS

Biro Direksi	: Ny. Roestati Sumarlan
Urusan Administrasi dan Organisasi	: Bambang Susilo
Urusan Anggaran	: Soetomo
Urusan Devisa	: F.H. Rarung
Urusan Ekonomi dan Statistik	: Sujitno Siswowedagdo
Urusan Hukum dan Perundang-undangan	: T.M. Sjakur Machmud
Urusan Luar Negeri	: N.A.L. Mailangkay
Urusan Materiil	: A. Nelwan
Urusan Pasar Uang dan Modal	: Mahfud Jakile
Urusan Pemberian Kredit	: Sidharta S.P. Soerjadi
Urusan Pengawasan dan Pembinaan	
Bank-Bank	: Binhadi
U rusan Pengawasan Intern	: Lulu Prawira Subrata
Urusan Pengedaran Uang	: R. Soejoto
Urusan Perencanaan dan Pengawasan	
Kredit	: R. Martono
Urusan Personalia	: Sukiyato

REPRESENTATIVES

Kuala Lumpur dan Singapura	: Sutadi
London	: R. Paryono
New York	: H. Hutagalung
Tokyo	: Eddy Suwardi

BRANCH MANAGERS

Ambon	: Azwahin
Banda Aceh	: Aibar Durin
Bandung	: Masri Saleh
Banjarmasin	: Tom Hartono
Bengkulu	: P.R.O. Sihombing
Cirebon	: Abdullah Ali
Denpasar	: Sugiono
Jambi	: Mohd. Kurdi
Jayapura	: A.A. Ngurah Alit Mahaw
Jember	: Kamaruddin
Kediri	: Purtomo
Kendari	: Buchari Thany
Kupang	: Husein Bratasuwignya
Malang	: R.P. Djokojoewono
Mataram	: Mohamad Zain Sidin
Medan	: R. Rachmad
Menado	: Ph. K. Intama
Padang	: R. Suyatno
Palembang	: A. Sulaiman Gandabrata
Palu	: R. Saptadi Baroto
Pekanbaru	: R. Soetrisno
Pontianak	: Muchtar Abdullah
Samarinda	: Sofyan Lumad
Semarang	: Sofyan Lumad
Solo	: Sahrudin Siata
Surabaya	: Achmad Effendie
Telukbetung	: Abdul Kadir Hadi
Ujung Pandang	: Ahmad Sirod
Yogyakarta	: Suparman Wijaya

CASH OFFICE MANAGERS

Balikpapan	: Suparman Wijaya
Lhokseumawe	: Soelasma
Pematang Siantar	: Purwoko
Purwokerto	: Ruslan Ahmadi
Sibolga	: Jatno Soesilarto
Tasikmalaya	: H. Afnan
Tegal	: Djoko Sutrisno
Ternate	: Srie Slamet

**TABLE I – CEILING ON BANK LOANS AND OTHER ASSETS
OF COMMERCIAL BANKS**
(billions of rupiah)

Type of bank	March 31					
	1976	1977	1978	1979 ¹⁾	1980 ²⁾	1981
1. State banks						
Fixed ceiling						
Base figure ³⁾	1,219	1,539	1,773	2,014	2,428	3,010
Ceiling	418	417	342	441	507	889
Actual	320	320	241	409	583	1,043
Ratio (%)						
– Ceiling / base figure	34.3	27.1	19.3	21.9	20.9	29.5
– Actual / base figure	26.3	20.8	13.6	20.3	24.0	34.6
– Actual / ceiling	76.6	76.7	70.5	92.7	115.0	117.3
Special ceiling ⁴⁾						
Base figure ³⁾	—	228	318	394	559	703
Ceiling	—	—	10	10	107	146
Actual	—	90	76	73	144	131
Ratio (%)						
– Ceiling / base figure	—	—	3.1	2.5	19.1	20.8
– Actual / base figure	—	39.5	23.9	18.5	28.1	18.6
– Actual / ceiling	—	—	760.0	730.0	134.6	86.7
Total state banks						
Base figure ³⁾	1,219	1,767	2,091	2,408	2,987	3,713
Ceiling	418	417	352	451	614	1,035
Actual	320	410	317	482	727	1,174
Ratio (%)						
– Ceiling / base figure	34.3	23.6	16.8	18.7	20.6	27.9
– Actual / base figure	26.3	23.2	15.2	20.0	24.3	31.6
– Actual / ceiling	76.6	98.3	90.1	106.9	118.4	113.4
2. National private banks						
Base figure ³⁾	135	185	247	344	474	679
Ceiling	67	69	95	129	163	325
Actual	50	62	97	127	165	301
Ratio (%)						
– Ceiling / base figure	49.6	37.3	38.5	37.5	34.4	47.9
– Actual / base figure	37.0	33.5	39.3	36.9	34.8	44.3
– Actual / ceiling	74.6	89.9	102.1	98.5	101.2	92.6
3. Foreign banks						
Base figure ³⁾	155	161	185	210	294	406
Ceiling	20	22	25	52	51	111
Actual	6	25	25	51	57	104
Ratio (%)						
– Ceiling / base figure	12.9	13.7	13.5	24.8	17.4	30.7
– Actual / base figure	3.9	15.5	13.5	24.3	19.4	25.6
– Actual / ceiling	30.0	113.6	100.0	98.1	111.8	937
4. Commercial banks						
Base figure ³⁾	1,509	2,113	2,523	2,962	3,755	4,284
Ceiling	505	508	472	632	828	1,374
Actual	376	497	439	660	949	1,279
Ratio (%)						
– Ceiling / base figure	33.5	24.0	18.7	21.3	22.1	32.1
– Actual / base figure	24.9	23.5	17.4	22.3	25.3	36.9
– Actual / ceiling	74.5	97.8	93.0	104.4	114.6	114.9

1) Excludes increase caused by foreign exchange revaluation on November 16, 1978, i.e.

- State banks Rp 98 billion
- National private banks Rp 1 billion
- Foreign banks Rp 33 billion

2) Includes increase caused by foreign exchange revaluation on November 16, 1978

3) Amount of bank loans and other assets at end of preceding financial year.

Due to adjustments, the base figure at the beginning of a financial year does not necessarily equal the base figure plus the actual amount implemented in the preceding year

4) Special credit ceilings for end of March 1976 were included in the credit ceiling of state banks, and for end of March 1977 it was included in the credit ceiling of Bank Indonesia

TABLE II – CEILING ON BANK LOANS OF COMMERCIAL BANKS
(billions of rupiah)

Type of bank	March 31					
	1976	1977	1978	1979 ¹⁾	1980 ²⁾	1981
1. State banks						
Fixed ceiling						
Base figure ³⁾	1,119	1,438	1,637	1,839	2,236	2,705
Ceiling	372	401	293	411	485	828
Actual	310	271	210	403	469	954
Ratio (%)						
– Ceiling / base figure	33.2	27.9	17.9	22.3	21.7	30.6
– Actual / base figure	27.7	18.8	12.8	21.9	21.0	35.3
– Actual / ceiling	83.3	67.6	71.7	98.1	96.7	115.2
Special ceiling ⁴⁾						
Base figure ³⁾	---	228	318	394	559	703
Ceiling	---	---	10	10	107	146
Actual	---	90	76	73	144	131
Ratio (%)						
– Ceiling / base figure	---	---	3.1	2.5	19.1	20.8
– Actual / base figure	---	39.5	23.9	18.5	25.8	18.6
– Actual / ceiling	---	---	760.0	730.0	134.6	89.7
Total state banks						
Base figure ³⁾	1,119	1,666	1,955	2,233	2,795	3,408
Ceiling	372	401	303	421	592	974
Actual	318	361	286	476	613	1,085
Ratio (%)						
– Ceiling / base figure	33.2	24.1	15.5	18.9	21.2	28.6
– Actual / base figure	27.7	21.7	14.6	24.3	21.9	31.8
– Actual / ceiling	83.3	90.0	94.4	113.1	103.5	111.4
2. National private banks						
Base figure ³⁾	99	150	209	285	396	531
Ceiling	67	63	94	129	163	294
Actual	40	57	68	98	135	242
Ratio (%)						
– Ceiling / base figure	67.7	42.0	45.0	45.3	41.2	55.4
– Actual / base figure	40.4	38.0	32.5	34.4	34.1	45.6
– Actual / ceiling	57.7	90.5	72.3	76.0	82.8	82.3
3. Foreign banks						
Base figure ³⁾	130	135	160	207	296	344
Ceiling	19	22	30	54	52	106
Actual	8	22	51	58	48	92
Ratio (%)						
– Ceiling / base figure	14.6	16.3	18.8	26.1	17.6	27.3
– Actual / base figure	6.2	16.3	31.9	28.0	16.2	26.7
– Actual / ceiling	42.1	100.0	170.0	107.4	92.3	86.8
4. Commercial banks						
Base figure ³⁾	1,348	1,951	2,324	2,725	3,487	4,284
Ceiling	458	486	427	604	807	1,374
Actual	358	440	405	632	796	1,419
Ratio (%)						
– Ceiling / base figure	34.0	24.9	18.4	22.2	23.1	32.1
– Actual / base figure	26.6	25.6	17.4	23.2	22.8	33.1
– Actual / ceiling	78.2	90.5	94.8	104.6	98.6	103.3

1) Excludes increase caused by foreign exchange revaluation on November 16, 1978, i.e.:

State banks Rp 2 billion

National private banks Rp 2 billion

Foreign banks Rp 32 billion

2) Includes increase caused by foreign exchange revaluation on November 16, 1978

3) Amount of bank loans and other assets at end of preceding financial year.

Due to adjustment, the base figure at the beginning of a financial year does not necessarily equal the base figure plus the actual amount implemented in the preceding year.

4) Special credit ceilings for end of March 1976 were included in the credit ceiling of State banks, and for end of March 1977 it was included in the credit ceiling of Bank Indonesia

TABLE III -- STATE BANK LENDING RATES AND REDISCOUNT RATES AND PERCENTAGE OF
REFINANCING FACILITIES PROVIDED BY BANK INDONESIA

(in percentage)

	Bank lending rates (Annual)		Rediscount rates (Annual)		Percentage of loan refinancable by Bank Indonesia	
	Effective Jan. 1, 1978	Before Jan. 1, 1978	Effective Jan. 1, 1978	Before Jan. 1, 1978	Effective Jan. 1, 1978	Before Jan. 1, 1978
Short-term credits						
<i>Category I</i>						
1. Supply and distribution of rice, paddy and corn by BUUDs/KUDs	9	9	3	3	100	100
<i>Category II</i>						
2. Bimas and Inmas credits for rice and secondary crops	12	12	3	3	100	100
3. Collection and distribution of smallholders salt by BUUDs/KUDs and PN Garam and working capital credit for PN Garam	12	12	4	6	75	80
4. Operation of wheat flour mills	12	12	4	6	75	70
5. Export and production of export goods	12	12	4	5	75	70
6. Production, import and distribution of fertilizer and insecticides for use by smallholders	12	12	4	6	75	85-80
7. Aid financed imports and distribution of non-food commodities	12	12-18	4	6-10	75	100-50
8. Collection and distribution of agricultural produce, animal husbandry and fishery by BUUDs/KUDs and cooperatives	12	15	4	10	75	70
9. Smallholders agriculture and handicraft	12	15-18	4	10	75	50-70
10. Smallholders animal husbandry, poultry farming and fishery	12	15-18	4	10	75	50-70
<i>Category III</i>						
11. Manufacturing and service rendering industries						
a. Rice mills/hullers	13.5	15	6	10	70	70
b. Sugar mills	13.5	15	6	10	70	70
c. Coconut oil and palm oil	13.5	18	6	10	70	50
d. Textile	13.5	15	6	10	70	70
e. Agricultural equipment	13.5	18	6	10	70	50
f. Paper	13.5	18	6	10	70	50
g. Cement	13.5	18	6	10	70	50
h. Public transportation	13.5	15	6	10	70	70
i. Printing and publishing	13.5	18	6	10	70	50
j. Tourism	13.5	24	6	—	70	—
12. Other production activities	13.5	18	6	10	70	50
13. Import and distribution of supervised goods	13.5	18	6	10	70	50
14. Sugar stock	13.5	18	6	10	70	75
15. Domestic trade	13.5	18	6	10	70	50
16. Contractors of DIP, Inpres and local government financed projects and contractors of low-cost housing projects	13.5	21	6	10	70	20
<i>Category IV</i>						
17. Other contractors	15	21	6	10	60	20
<i>Category V</i>						
18. Imports and distribution of other import goods	18	24	6	—	40	—
<i>Category VI</i>						
19. Others, n.i.e.	21	24	6	—	25	—
Investment Credits						
<i>Category I</i>						
20. Imports and distribution of other import goods	10.5	12	3	4	80	80
<i>Category II</i>	12	12	4	4	75	75
<i>Category III</i>	13.5	15	4	6	70	70
<i>Category IV</i>	13.5	15	4	6	65	65
Small Investment Credits (KIK)	10.5	12	3	4	80	80
Permanent Working Capital Credits (KMKP)	12	15	4	8	75	70

TABLE IV — INVESTMENT CREDITS BASED ON BANK INDONESIA REGULATION ¹⁾
(billions of rupiah)

Specification	March 31					June 30,	Sep. 30,	Dec. 31,	March 31,
	1976	1977	1978	1979	1980	1980	1980	1980	1981
Credit outstanding	<u>168</u>	<u>222</u>	<u>225</u>	<u>271</u>	<u>362</u>	<u>373</u>	<u>410</u>	<u>445</u>	<u>497</u>
1. By economic sectors									
— Agriculture	16	19	21	28	29	34	35	42	50
— Mining	5	4	3	2	2	1	1	1	10
— Manufacturing	68	79	84	89	111	115	120	125	145
— Service rendering industry	70	111	106	144	203	209	232	249	264
— Others	9	9	11	8	17	14	22	28	28
2. By sources of funds									
— Bank Indonesia	81	93	105	138	130	135	151	157	178
— State banks	83	126	119	132	231	237	258	287	318
— Government budget ²⁾	4	3	1	1	1	1	1	1	1
Approved by banks (credit-line)	<u>225</u>	<u>291</u>	<u>285</u>	<u>363</u>	<u>517</u>	<u>606</u>	<u>669</u>	<u>738</u>	<u>781</u>
1. By economic sectors									
— Agriculture	18	21	28	34	49	70	82	88	106
— Mining	5	5	5	11	6	6	6	5	10
— Manufacturing	84	114	109	122	151	161	174	205	215
— Service rendering industry	104	137	127	185	288	348	375	401	408
— Others	14	14	16	11	23	21	32	39	42
2. By sources of funds									
— Bank Indonesia	138	184	183	238	277	330	368	421	453
— State banks	82	102	99	123	238	274	299	315	326
— Government budget ²⁾	5	5	3	2	2	2	2	2	2

¹⁾ Based on announcement of the Board of Directors of Bank Indonesia No. Peng. 1/DIR/1969, March 7, 1969
Excludes foreign exchange component and rupiah financing of project aid. See Table V and VI

²⁾ Since 1971 the Government budget no longer provides rupiah financing for investment credits

**TABLE V – LOCAL CURRENCY (RUPIAH) FINANCING
OF PROJECT AID INVESTMENTS BY ECONOMIC SECTOR**
(billions of rupiah)

Particulars	March 31					June	Sept.	Dec.	March
	1976	1977	1978	1979	1980	30, 1980	30, 1980	31, 1980	31, 1981
Outstanding amounts	<u>28</u>	<u>41</u>	<u>62</u>	<u>72</u>	<u>101</u>	<u>101</u>	<u>104</u>	<u>110</u>	<u>111</u>
1. By economic sectors									
— Agriculture	13	22	36	42	49	48	49	50	49
— Mining	—	—	—	—	—	—	—	—	—
— Manufacturing	14	18	25	29	47	48	47	51	50
— Service rendering industry	—	—	—	—	4	4	7	9	12
— Others	1	1	1	1	1	1	1	—	—
2. By sources of funds									
— Bank Indonesia	24	34	50	57	81	81	83	88	89
— State banks	4	7	12	15	20	20	21	22	22
Approved by banks (credit line)	<u>44</u>	<u>52</u>	<u>77</u>	<u>85</u>	<u>145</u>	<u>150</u>	<u>148</u>	<u>142</u>	<u>141</u>
1. By economic sectors									
— Agriculture	18	27	41	52	65	71	70	64	62
— Mining	—	—	—	—	—	—	—	—	—
— Manufacturing	25	23	34	31	61	61	61	60	60
— Service rendering industry	—	—	—	—	18	17	16	17	18
— Others	1	2	2	2	1	1	1	1	1
2. By sources of funds									
— Bank Indonesia	41	46	62	68	116	120	118	114	113
— State banks	3	6	15	17	29	30	30	28	28

**TABLE VI — RUPIAH COUNTERVALUE OF PROJECT AID
BY ECONOMIC SECTOR**
(billions of rupiah)

Particulars	March 31					June	Sept.	Dec.	March
	1976	1977	1978	1979	1980	30, 1980	30, 1980	31, 1980	31, 1981
Outstanding amounts	<u>101</u>	<u>132</u>	<u>198</u>	<u>249</u>	<u>464</u>	<u>480</u>	<u>508</u>	<u>548</u>	<u>548</u>
— Agriculture	29	29	31	37	36	40	39	53	67
— Mining	11	11	10	7	5	5	5	6	6
— Manufacturing	43	72	139	183	329	324	355	353	335
— Service rendering industry	11	9	11	11	82	98	109	136	140
— Others	7	11	7	11	12	13	—	—	—
Approved by banks (credit line)	<u>161</u>	<u>260</u>	<u>445</u>	<u>541</u>	<u>866</u>	<u>1,028</u>	<u>1,033</u>	<u>1,273</u>	<u>1,455</u>
— Agriculture	49	54	58	69	71	97	97	95	106
— Mining	13	13	14	12	10	10	10	11	15
— Manufacturing	51	143	290	299	408	407	410	508	517
— Service rendering industry	31	32	51	122	336	472	471	593	751
— Others	17	18	32	39	41	42	45	66	66

TABLE VII – PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING REPELITA I, 1969/70–1973/74
(billions of rupiah)

Particulars	1969/70		1970/71		1971/72		1972/73		1973/74		Total	
	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals
Domestic revenues	228	244	276	344	324	428	374	590	428	968	1,630	2,574
Routine expenditures	204	217	243	288	281	349	319	438	357	713	1,404	2,005
Government savings	24	27	33	56	43	79	55	152	71	255	226	569
Foreign aid	99	91	120	120	180	136	209	158	225	203	833	709
— Project aid	(36)	(25)	(45)	(41)	(95)	(45)	(124)	(62)	(140)	(114)	(440)	(288)
— Program aid	(63)	(66)	(75)	(79)	(85)	(91)	(85)	(95)	(85)	(89)	(393)	(421)
Development funds	123	118	153	176	223	215	264	310	296	458	1,059	1,278
Development expenditures	123	118	153	169	223	196	264	298	296	451	1,059	1,233
— Rupiah	(87)	(93)	(108)	(128)	(128)	(151)	(140)	(236)	(156)	(337)	(619)	(945)
— Project aid	(36)	(25)	(45)	(41)	(95)	(45)	(124)	(62)	(140)	(114)	(440)	(288)
Surplus (+) / Deficit (–)	—	—	—	+7	—	+19	—	+12	—	+7	—	+45

Source : Department of Finance

TABLE VIII – PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING REPELITA II, 1974/75–1978/79
(billions of rupiah)

Particulars	1974/75		1975/76		1976/77		1977/78		1978/79		Total	
	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals	Repe- lita	Actuals
Domestic revenues	1,363	1,754	2,074	2,242	2,277	2,906	2,608	3,535	3,089	4,266	11,411	14,703
Routine expenditures	961	1,016	1,294	1,333	1,428	1,630	1,630	2,149	1,905	2,744	7,218	8,871
Government savings	402	738	780	909	849	1,276	978	1,386	1,184	1,522	4,193	5,832
Foreign aid	214	232	192	492	208	784	218	773	224	1,036	1,056	3,316
– Project aid	(—)	(196)	(—)	(472)	(—)	(774)	(—)	(737)	(—)	(988)	(—)	(3,166)
– Program aid	(—)	(36)	(—)	(20)	(—)	(10)	(—)	(36)	(—)	(48)	(—)	(150)
Development funds	616	970	972	1,401	1,057	2,060	1,196	2,159	1,408	2,558	5,249	9,148
Development expenditures	616	962	972	1,398	1,057	2,054	1,196	2,156	1,408	2,556	5,249	9,126
– Rupiah	(—)	(766)	(—)	(926)	(—)	(1,280)	(—)	(1,419)	(—)	(1,568)	(—)	(5,960)
– Project aid	(—)	(196)	(—)	(472)	(—)	(774)	(—)	(737)	(—)	(988)	(—)	(3,166)
Surplus (+) / Deficit (—)	—	+8	—	+3	—	+6	—	+3	—	+2	—	+22

Source : Department of Finance

**TABLE IX – PLANNED AND ACTUAL GOVERNMENT REVENUES AND EXPENDITURES
DURING THE FIRST TWO YEARS OF REPELITA III, 1979/80 – 1981/82**
(billions of rupiah)

Particulars	1979/80		1980/81		1981/82	
	Repelita	Actuals	Repelita	Actuals	Repelita	Budget
Domestic revenues	5,440	6,697	6,090	10,227	6,804	12,274
Routine expenditures	3,446	4,062	3,845	5,800	4,294	7,501
Government savings	1,994	2,635	2,245	4,427	2,510	4,773
Foreign aid	1,494	1,381	1,647	1,494	1,840	1,626
— Project aid	(1,429)	(1,316)	(—)	(1,430)	(—)	(1,561)
— Program aid	(65)	(65)	(—)	(64)	(—)	(65)
Development funds	3,488	4,016	3,892	5,921	4,350	6,399
Development expenditures	3,488	4,014	3,892	5,916	4,350	6,399
— Rupiah	(2,059)	(2,698)	(—)	(4,486)	(—)	(4,838)
— Project aid	(1,429)	(1,316)	(—)	(1,430)	(—)	(1,561)
Surplus (+) / deficit (—)	—	+2	—	+5	—	—

Source : Department of Finance

TABLE X — DEVELOPMENT EXPENDITURES BY SECTOR
(billions of rupiah)

Sector ¹⁾	1976/77	1977/78	1978/79	1979/80	1980/81		1981/82 Budget
					Budget	Actuals	
Agriculture and irrigation	356	380	450	508	739	929	942
Industry	172	125	157	356	275	415	330
Mining and energy	242	238	319	377	484	507	684
Transportation and tourism	429	355	413	466	708	780	810
Trade and cooperatives	9	8	13	31	45	103	64
Manpower and transmigration	27	60	95	162	299	325	436
Regional, rural and urban development	190	250	275	336	482	482	613
Religion	5	7	8	19	32	32	46
Education, youth, culture and belief in the Almighty God	136	211	251	361	575	575	787
Health, sosial welfare, role of woman, population and family planning	48	71	79	142	197	218	258
Housing and human settlement	30	90	56	117	141	191	156
Law	7	11	11	31	53	53	67
National defence and security	60	56	159	330	387	479	481
Information, press, sosial communication	46	11	11	22	33	34	46
Science, technology and research	25	38	42	58	87	88	100
State aparatus	47	56	54	112	165	168	190
Development of business enterprises	225	190	162	466	179	389	201
National resouces and environment	—	—	—	120	147	148	188
Total	2,054	2,157	2,555	4,014	5,028	5,916	6,399

¹⁾ Based on the sectoral breakdown of the Third Plan, while the figures for the fiscal year 1976/77 through 1976/77 through 1978/79 were adjusted accordingly

Source : Department of Finance

TABLE XI — DEVELOPMENT EXPENDITURES BY SECTOR
EXCLUDING PROJECT AID
(billions of rupiah)

Sector ¹⁾	1976/77	1977/78	1978/79	1979/80	1980/81		1981/82 Budget
					Budget	Actuals	
— Agriculture and irrigation	249	234	315	353	516	706	711
— Industry	52	36	4	49	84	224	120
— Mining and energy	60	68	66	120	180	207	233
— Transportation and tourism	125	142	163	274	396	472	512
— Trade and cooperatives	9	7	12	20	32	90	53
— Manpower and transmigration	26	51	83	139	269	295	398
— Regional, rural and urban development	188	242	267	318	458	458	589
— Religion	5	7	8	19	32	32	46
— Education, youth, culture and belief in the Almighty God	131	182	216	318	525	525	744
— Health, social welfare, role of woman, population and family planning	42	56	57	108	160	182	217
— Housing and human settlement	27	61	38	89	109	158	134
— Law	7	11	11	31	53	53	67
— National defence and security	60	56	108	176	250	342	337
— Information, press and social communication	10	8	7	11	27	28	44
— Science, technology and research	25	35	34	51	78	78	96
— State apparatus	47	56	50	91	148	151	188
— Development of business enterprises	217	167	129	432	143	353	173
— National resources and environment	—	—	—	99	131	132	176
Total	1,280	1,419	1,568	2,698	3,591	4,486	4,838

¹⁾ Based on the sectoral breakdown of the Third Plan, while the figures for the fiscal year 1976/77 through 1978/79 were adjusted accordingly.

Source : Department of Finance

**TABLE XII — PROJECT AID DEVELOPMENT EXPENDITURES
BY SECTOR**
(billions of rupiah)

Sector ¹⁾	1976/77	1977/78	1978/79	1979/80	1980/81		1981/82 Budget
					Budget	Actuals	
Agriculture and irrigation	107	146	135	155	223	223	231
Industry	120	89	153	307	191	191	210
Mining and energy	182	170	253	257	304	300	451
Transportation and tourism	304	213	250	192	312	308	298
Trade and cooperatives	—	1	1	11	13	13	11
Manpower and transmigration	1	10	12	23	30	30	38
Regional, rural and urban development	2	8	8	18	24	24	24
Religion	—	—	—	—	—	—	—
Education, youth, culture and belief in the Almighty God	5	29	35	43	50	50	43
Health, social welfare, role of woman, population and family planning	6	15	22	34	36	36	41
Housing and human settlement	3	28	18	28	32	33	22
Law	—	—	—	—	—	—	—
National defence and security	—	—	51	154	137	137	144
Information, press and social communication	36	3	4	11	6	6	2
Science, technology and research	—	3	8	7	10	10	4
State apparatus	—	—	4	21	17	17	2
Development of business enterprises	8	23	33	34	36	36	28
National resources and environment	—	—	—	21	16	16	12
Total	774	738	987	1,316	1,437	1,430	1,561

¹⁾ Based on the sectoral breakdown of the Third Plan, while the figures for the fiscal years 1976/77 through 1978/79 were adjusted accordingly

Source : Department of Finance

TABLE XIII – INDONESIA'S BALANCE OF PAYMENTS
(millions of \$)

	1976/77	1977/78	1978/79	1979/80 ^r	1980/81 [*]
A. Current account	<u>- 802</u>	<u>- 690</u>	<u>-1,155</u>	<u>2,198</u>	<u>2,175</u>
1. Oil (net)	3,710	4,352	3,785	6,308	9,345
1.1. Export, f.o.b.	(6,350)	(7,191)	(6,858)	(9,979)	(14,088)
1.2. Import, c & f	(-1,948)	(-1,639)	(-1,830)	(-1,829)	(-2,814)
1.3. Export,	(- 692)	(-1,200)	(-1,243)	(-1,842)	(-1,929)
2. LNG Import,	---	93	225	667	1,256
2.1. Export, f.o.b.	(---)	(162)	(516)	(1,345)	(2,111)
2.2. Import, c & f	(---)	(- 17)	(- 52)	(- 95)	(- 136)
2.3. Services	(---)	(- 52)	(- 239)	(- 583)	(- 719)
3. Non-oil/LNG (net)	-4,512	-5,135	-5,165	-4,777	-8,426
3.1. Ekspor, f.o.b.	(2,863)	(3,507)	(3,979)	(6,171)	(5,584)
3.2. Impor, c & f	(-6,167)	(-7,241)	(-7,543)	(-9,028)	(-11,790)
3.3. Services	(-1,208)	(-1,401)	(-1,601)	(-1,920)	(-2,220)
B. Special Drawing Rights (SDRs)	<u>---</u>	<u>---</u>	<u>64</u>	<u>65</u>	<u>62</u>
C. Official transfer & capital	<u>1,823</u>	<u>2,106</u>	<u>2,101</u>	<u>2,503</u>	<u>2,529</u>
1. IGGI ¹⁾	1,588	1,544	1,567	2,050	2,351
1.1. Program aid	147	157	94	239	118
1.2. Project aid	1,441	1,387	1,473	1,811	2,233
a. ODA ²⁾	(513)	(661)	(814)	(919)	(1,144)
b. Non-ODA	(928)	(726)	(659)	(892)	(1,089)
2. Non-IGGI	235	562	534	453	178
2.1. ODA	(34)	(87)	(183)	(163)	(130)
2.1. Non-ODA	(201)	(475)	(351)	(290)	(48)
D. Official debt repayments (principal)	<u>- 166</u>	<u>- 761</u>	<u>- 632</u>	<u>- 692</u>	<u>- 615</u>
1. Debts before July 1966	-- 65	-- 70	-- 87	-- 87	-- 85
2. Debts since July 1966	-- 101	-- 691	-- 545	-- 605	-- 530
E. Miscellaneous capital (net)	<u>38</u>	<u>176</u>	<u>392</u>	<u>-1,315</u>	<u>- 361</u>
1. Direct investments	287	285	271	217	140
2. Trade credits	-- 32	-- 50	---	---	---
3. Others	-- 217	-- 59	121	-1,532	-- 501
F. Total (A through E)	<u>893</u>	<u>831</u>	<u>770</u>	<u>2,759</u>	<u>3,790</u>
G. Net errors and omissions between F & H	<u>108</u>	<u>- 180</u>	<u>- 62</u>	<u>-1,069</u>	<u>-1,054</u>
H. Monetary movement	<u>-1,001</u>	<u>- 651</u>	<u>- 708</u>	<u>-1,690</u>	<u>-2,736</u>

1) Inter Governmental Group on Indonesia

2) Official Development Assistance

TABLE XIV – EXPORTS BY COUNTRY OF ORIGIN
(millions of \$)

Country	1976/77	1977/78	1978/79	1979/80	1980/81 *
Europe					
Belgium and Luxemburg	16	24	16	20	27
Denmark	31	49	40	42	38
France	36	60	56	99	105
Germany, Federal Republic of	209	248	236	361	364
Italy	81	110	150	215	237
Netherlands	272	387	360	374	441
Norway	5	5	3	5	5
Sweden	3	6	3	4	9
United Kingdom	54	88	55	114	135
Others	88	57	114	180	282
Total	795	1,034	1,063	1,414	1,643
Share	8.5%	9.2%	9.0%	8.2%	7.2%
America					
Canada	18	25	31	22	32
United States of America	2,728	2,967	2,904	3,431	4,461
Others	596	602	668	453	1,178
Total	3,342	3,594	3,603	3,906	5,671
Share	35.7%	31.9%	30.5%	22.7%	24.8%
Africa					
	20	31	46	25	56
Share	0.2%	0.3%	0.4%	0.2%	0.2%
Asia					
Hongkong	26	32	51	116	163
India	9	34	20	29	44
Iraq	16	50	53	33	34
Japan	3,854	4,597	4,737	8,159	11,282
Malaysia	17	20	29	69	123
Pakistan	35	54	32	24	30
Philippines	128	154	167	196	233
Singapore	729	1,083	1,323	2,171	2,425
Thailand	1	7	26	33	38
Others	362	489	521	754	612
Total	5,177	6,520	6,959	11,584	14,984
Share	55.2%	57.9%	59.0%	67.4%	65.6%
Australasia					
Australia	30	74	112	209	367
New Zealand	3	2	19	57	137
Total	33	76	131	266	504
Share	0.4%	0.7%	1.1%	1.5%	2.2%
Others	4	5	4	4	---
Share	---	---	---	---	---
Grand Total	9,371	11,260	11,806	17,199	22,858

Source : Central Bureau of Statistics.

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

	1976/77	1977/78	1978/79	1979/80	1980/81 *
Europe					
Belgium and Luxemburg	87	46	34	64	64
Czechoslovakia	3	16	5	6	8
France	231	182	164	149	278
Germany, Democratic Rep. of	519	490	591	514	708
Germany, Federal Rep. of	3	2	3	9	4
Italy	67	50	56	76	76
Netherlands	257	183	136	122	130
Spain	3	13	12	39	17
Sweden	25	20	34	37	58
Switzerland	39	50	53	70	69
United Kingdom and Rep. of Ireland	202	231	208	203	339
Others	67	100	186	161	174
Total	1,503	1,383	1,482	1,450	1,925
Share	25.0%	22.3%	22.2%	18.5%	16.2%
America					
Canada	66	58	92	65	100
United States of America	980	780	885	1,070	1,520
Others	26	105	56	79	102
Total	1,072	943	1,033	1,214	1,722
Share	17.8%	15.2%	15.5%	15.5%	14.5%
Afrika	54	63	69	159	124
Share	0.9%	1.0%	1.0%	2.0%	1.0%
Asia					
Burma	85	80	51	57	47
China	97	155	113	155	232
Hongkong	68	62	141	103	141
India	104	62	140	99	55
Japan	1,568	1,729	2,007	2,421	3,652
Malaysia	19	21	24	33	38
Pakistan	24	20	41	25	14
Philippines	15	23	85	39	179
Singapore	613	480	463	541	1,059
Thailand	203	319	97	227	295
Others	370	644	676	1,025	1,902
Total	3,166	3,595	3,838	4,725	7,614
Share	52.7%	58.0%	57.5%	60.4%	64.2%
Australasia					
Australia	196	189	221	235	397
New Zealand and Oceania	22	30	36	46	85
Total	218	219	257	281	482
Share	3.6%	3.5%	3.8%	3.6%	4.1%
Grand total	6,013	6,203	6,679	7,829	11,867

Source : Central Bureau of Statistics

TABLE XIV – EXPORTS BY COUNTRY OF ORIGIN
(millions of \$)

Country	1976/77	1977/78	1978/79	1979/80	1980/81 *
Europe					
Belgium and Luxemburg	16	24	16	20	27
Denmark	31	49	40	42	38
France	36	60	56	99	105
Germany, Federal Republic of	209	248	236	361	364
Italy	81	110	150	215	237
Netherlands	272	387	360	374	441
Norway	5	5	3	5	5
Sweden	3	6	3	4	9
United Kingdom	54	88	55	114	135
Others	88	57	114	180	282
Total	795	1,034	1,063	1,414	1,643
Share	8.5%	9.2%	9.0%	8.2%	7.2%
America					
Canada	18	25	31	22	32
United States of America	2,728	2,967	2,904	3,431	4,461
Others	596	602	668	453	1,178
Total	3,342	3,594	3,603	3,906	5,671
Share	35.7%	31.9%	30.5%	22.7%	24.8%
Africa					
	20	31	46	25	56
Share	0.2%	0.3%	0.4%	0.2%	0.2%
Asia					
Hongkong	26	32	51	116	163
India	9	34	20	29	44
Iraq	16	50	53	33	34
Japan	3,854	4,597	4,737	8,159	11,282
Malaysia	17	20	29	69	123
Pakistan	35	54	32	24	30
Philippines	128	154	167	196	233
Singapore	729	1,083	1,323	2,171	2,425
Thailand	1	7	26	33	38
Others	362	489	521	754	612
Total	5,177	6,520	6,959	11,584	14,984
Share	55.2%	57.9%	59.0%	67.4%	65.6%
Australasia					
Australia	30	74	112	209	367
New Zealand	3	2	19	57	137
Total	33	76	131	266	504
Share	0.4%	0.7%	1.1%	1.5%	2.2%
Others	4	5	4	4	---
Share	---	---	---	---	---
Grand Total	9,371	11,260	11,806	17,199	22,858

Source : Central Bureau of Statistics.

TABLE XV -- IMPORTS BY COUNTRY OF ORIGIN
(millions of \$)

	1976/77	1977/78	1978/79	1979/80	1980/81 *
Europe					
Belgium and Luxemburg	87	46	34	64	64
Czechoslovakia	3	16	5	6	8
France	231	182	164	149	278
Germany, Democratic Rep. of	519	490	591	514	708
Germany, Federal Rep. of	3	2	3	9	4
Italy	67	50	56	76	76
Netherlands	257	183	136	122	130
Spain	3	13	12	39	17
Sweden	25	20	34	37	58
Switzerland	39	50	53	70	69
United Kingdom and Rep.of Ireland	202	231	208	203	339
Others	67	100	186	161	174
Total	1,503	1,383	1,482	1,450	1,925
Share	25.0%	22.3%	22.2%	18.5%	16.2%
America					
Canada	66	58	92	65	100
United States of America	980	780	885	1,070	1,520
Others	26	105	56	79	102
Total	1,072	943	1,033	1,214	1,722
Share	17.8%	15.2%	15.5%	15.5%	14.5%
Afrika	54	63	69	159	124
Share	0.9%	1.0%	1.0%	2.0%	1.0%
Asia					
Burma	85	80	51	57	47
China	97	155	113	155	232
Hongkong	68	62	141	103	141
India	104	62	140	99	55
Japan	1,568	1,729	2,007	2,421	3,652
Malaysia	19	21	24	33	38
Pakistan	24	20	41	25	14
Philippines	15	23	85	39	179
Singapore	613	480	463	541	1,059
Thailand	203	319	97	227	295
Others	370	644	676	1,025	1,902
Total	3,166	3,595	3,838	4,725	7,614
Share	52.7%	58.0%	57.5%	60.4%	64.2%
Australasia					
Australia	196	189	221	235	397
New Zealand and Oceania	22	30	36	46	85
Total	218	219	257	281	482
Share	3.6%	3.5%	3.8%	3.6%	4.1%
Grand total	6,013	6,203	6,679	7,829	11,867

Source : Central Bureau of Statistics

TABLE XVI – LONG-TERM BORROWINGS ¹⁾
(millions of \$)

Country/Institution	1976/77	1977/78	1978/79	1979/80 [†]	1980/81 [*]
Country					
Abu Dhabi	—	—	1	2	8
Australia	—	—	12	6	—
Belgium	110	24	33	7	43
Canada	15	189	19	16	16
Denmark	—	57	—	—	—
France	189	258	95	133	138
Germany, Federal Rep. of	174	151	235	678	639
India	—	2	10	—	—
Iran	39	49	111	—	—
Japan	171	299	373	355	404
Korea	—	46	—	49	2
Kuwait	—	—	3	5	6
Netherlands	138	115	48	67	85
New Zealand	1	—	—	—	—
Norway	—	102	—	—	—
Saudi Arabia	7	25	31	61	—
Sweden	—	—	48	7	—
Switzerland	—	—	—	30	7
United Kingdom	118	54	102	23	—
United States of America	440	239	271	262	253
U.S.S.R.	—	—	—	2	—
Yugoslavia	3	100	11	64	—
Institution					
ADB	30	33	104	124	58
CCC — USDA ²⁾	29	—	—	—	—
IDA — IBRD	210	301	476	314	509
Syndicate bank	75	50	—	175	275
Others					
Bond	—	—	100	62	46
Hire-purchase	—	—	—	30	—
Total	1,749	2,094	2,083	2,472	2,489

1) Represent disbursements

2) Commodity Credit Corporation of the United States Department of Agriculture

TABLE XVII – GRANTS ¹⁾
(millions of \$)

Country/Institutions	1976/77	1977/78	1978/79	1979/80	1980/81 [*]
Country					
Australia	60	3	10	18	25
Belgium	---	1	---	---	---
Canada	10	---	---	---	---
France	---	1	2	2	---
Italy	3	1	2	2	---
Japan	---	5	4	9	---
Netherlands	1	---	---	---	---
United Kingdom	---	---	---	---	14
Institution					
MEE	---	1	---	---	1
Total	74	12	18	31	40

¹⁾ Excluding grant from Sweden, Sw.Frc. 2.5 million (\$ 0.6 million) on March 3, 1978 and from United Kingdom £ 35.5 million (\$ 70.9 million) on July 11, 1979.

GLOSSARY

Designation plan is the assignment given to an I M F member country to exchange a specified amount of convertible currencies in its possession with SDRs held by other member countries. Such an assignment is determined mainly on the basis of the balance of payments prospects and international reserves position of the respective member country.

Domestic liquidity (M 2) comprises currency and demand deposits (M 1), and quasy money (time and savings deposits and foreign currency deposits of the domestic private sector).

Export Credit Facility is a package of credit extended by a Government and financial institution(s) to promote exports of the creditor country, the terms of which are softer than those of commercial credits. The portion of credits provided by the financial institutions is guaranteed by the Government or by a government insurance agency of the creditor country.

Gold Restitution is a scheme for the restitution of gold subscription of IMF member countries at the official price of SDR 35 per ounce of fine gold. The amount of gold restituted to each member country is determined *pari pasu* with its share in quota to the aggregate quota at end of August 31, 1975.

Guarantor is a bank or a non-bank financial institution which guarantees the amortization of bonds and the payment of interest.

IGGI (Inter-Governmental Group on Indonesia) is a group of aid donors of Indonesia. This group was founded in 1967 and meets regularly to asses

Indonesia's needs for credits. Aid donors include Australia, Austria, Belgium, Indonesia, Italia, the Federal Republic of Germany, the Netherlands, the United Kingdom, the United States, Asian Development Bank (ADB) and World Bank (IBRD and IDA).

Kredit Candak Kulak (KCK) is a small credit eligible for petty traders. KCK is a soft-term credit with simple procedures, extended to assist the financing of merchandise. Loanable funds for these credits are entirely appropriated by the State Budget. The distribution of this type of credit is entrusted to KUD, under the supervision of the Directorate General of Cooperatives.

Kredit Investasi Kecil (KIK) is small investment credit (medium or long term) extended on special terms and conditions with simple procedures. This credit is especially designed to assist indigenous small-scale entrepreneurs/enterprises for the financing of their investments.

Kredit Mini is small credit extended to small entrepreneurs, mainly the village community, on a soft-term basis and simple procedures. Funds for this credit are provided by the State Budget and channeled through Bank Rakyat Indonesia except for the Irian Jaya Province, which is entrusted to Bank Ekspor Impor Indonesia.

Kredit Modal Kerja Permanen (KMKP) or permanent working capital credit, is a credit on special terms and conditions, and simple procedures especially designed to assist indigenous small-scale entrepreneurs/enterprises for the financing of working capital needs.

Kredit Pemilikan Rumah (KPR) or house ownership credit, is a soft-term credit available to employees (government and non-government) with an income not exceeding that of a government employee of category IV, for financing low-cost housing extended through State-owned Savings Bank (BTN).

Koperasi Unit Desa (KUD) is village unit cooperative entrusted with distributing farm inputs, marketing farm products and channeling credits to farmers.

Liquid assets comprises cash on hand, demand deposits and clearing guarantee deposits with Bank Indonesia.

Liquidity credit is the refinancing facility of Bank Indonesia to finance banks' loans to borrowers or to assist banks in overcoming liquidity problems.

Net assets of banks is the sum of banks' credits extended plus several other assets, having a similar monetary effect to those of bank credits extended, minus several items of liabilities.

Official Development Assistance (ODA) is an assistance in the form of aid or loan on concessionary terms, i.e. a grant elements of 25% or more.

Operational Budget is the amount in local currencies of member countries which may be used by the Fund, subject to certain limitations, to finance credits to other member countries. The eligibility of a member country to be included in the Operational Budget is favorable balance of payments prospects and strong foreign exchange reserve.

Program imports is a term used for imports of raw material and consumer goods under the Government program.

Panca Usaha Tani, Bimas and Insus are terms used in agricultural program in Indonesia. Panca Usaha Tani is the "five elements of agricultural intensification program" comprising application of fertilizers, control of pests and diseases, planting of high yielding seeds, better farming methods and better irrigation.

Bimbingan Masal (Bimas) is a program to increase agricultural production by implementing Panca Usaha Tani.

Intensifikasi Khusus (Insus) is especial intensification program, a variant of Bimas, applied to groups of farmers. The groups are formed on the basis of location, type and nature of land. This program is intended to encourage mutual cooperation among farmers in the implementation of the Panca Usaha Tani scheme.

Reconstitution is an obligation of the Fund's participants of the SDR scheme to maintain a minimum average daily balance of SDRs equivalent to 15% of their net cumulative allocations over successive periods of five years terminating at the end of each calendar quarter. Participants had to "reconstitute" their holdings, if necessary, to maintain this average balance.

Reserve Position in the Fund (RPF) is the amount in international reserves of a member country held with the Fund, generated by the amount of quota of the concerned member country being larger than that of its local currency held in the Fund.