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COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

Consideration and approval of country programmes

THIRD COUNTRY PROGRAMME FOR INDONESIA

UNDP assistance requested by the Government of the  
Republic of Indonesia for the period 1985-1989

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## Introduction

### A. Synopsis of the current economic situation

1. The situation Indonesia faces now is unlike that at the start of the previous country programme. An unstable international economic climate has had an impact on the country's economic growth. This has led Indonesia to move swiftly at the macro-economic management level against the deterioration of the terms of trade in 1982 and in early 1983 by adopting a package of strong and effective policy measures. The devaluation of the rupiah, the rephasing of major public investment projects, the reduction of subsidies and the austerity of the national budget, coupled with potent financial, fiscal and administrative reforms, have had effective results.

2. Given the pressure of a growing population, Indonesia must meet considerable challenges during the period of the fourth national development plan (REPELITA IV) 1984-1989, such as the need for: (a) a marked limitation in overall resources; (b) selectivity and continued caution in the management of its investment programme; (c) employment opportunities commensurate with the sizeable increase in the work force of approximately 1.9 million per annum; (d) an increased export drive; (e) balance in development between regions, urban and rural sectors and within society at large; (f) an increase in the involvement of the private sector in national development; (g) maintenance and reasonable expansion of economic and social infrastructure; and (h) continued checking of inflationary pressures.

3. The Government of Indonesia recognizes above all that the main obstacle to the pursuit of balanced economic and social development is the shortage of qualified manpower at managerial, operational and technical levels. This country programme is therefore oriented towards human resources and manpower development.

### B. Country programming

4. The third country programme is closely linked to REPELITA IV and should be used as a frame of reference for multilateral assistance to Indonesia, since the co-operation planned and received through the country programme process has proved to be very valuable. The National Development Planning Agency (BAPPENAS), in collaboration with the Co-ordinating Committee for International Technical Co-operation (CCITC), the Ministry of Foreign Affairs, the Ministry of Finance and, where the technical aspects of co-operation are concerned, the respective sectoral ministries and related technical agencies, have consulted closely with the United Nations Development Programme (UNDP) in the course of programme preparation. Assistance in the preparation of component parts of the programme has also been received through UNDP from the United Nations system as a whole and through comments from bilateral aid sources. With these preliminary steps completed, BAPPENAS set about formulating the present document.

### C. Country programming methodology

5. As a first step in the formulation of the third country programme, UNDP assessed the performance of the second country programme between January and May 1984 by drawing on the experience of United Nations agencies and the views of the Government. The detailed assessment was summarized, highlighting achievements and shortcomings related both to the technical results and to the process elements such as project design, personnel performance, the composition of inputs, counterpart support, project anchorage, project appraisal, funding, the relevance of training, cross-sectoral dimensions and impact.

6. The Resident Representative then issued a preliminary note to the Government at the end of May 1984 indicating the possible orientations that the new country programme could take, the nature of assistance to be provided and steps to be taken for timely and effective implementation. The note also covered the following sections: policy issues and key areas and functions of development, programme direction and major tenets of programme strategy, a summary of the assessment of the second country programme, areas of concentration for the third country programme, complementarity of UNDP-sponsored activities with that of other external aid sources, criteria for project selection, project design and modalities of execution and finally, IPF and joint programme funding (JPF) resources.

7. The preliminary note was reviewed by BAPPENAS and revised to reflect the Government's position on the orientation of the third country programme. The note was also circulated in draft to all United Nations agencies represented in Jakarta for their comments. It was distributed to Government ministries, the central and technical ministries concerned, United Nations specialized agencies, UNDP and to delegations attending the sectoral consultations organized by BAPPENAS with CCITC from 26 to 28 July 1984. During these consultations project selection took place within the financial framework for 1985-1989. The draft third country programme document was circulated to the United Nations specialized agencies and organizations and to bilateral aid programmes for perusal and comments. The comments received were discussed with BAPPENAS in November 1984. The final country programme document was completed and officially submitted by BAPPENAS to UNDP in December 1984.

### D. Duration and time frame

8. The third country programme starts in January 1985 and extends until December 1989. A major programme review is planned for mid 1987 to assess results and discuss adjustments for the second half of the country programme if required, in line with the process of continuous country programming. The time-frame corresponds to REPELITA IV which commenced in April 1984 and will terminate in March 1989. Similar timetables have been introduced for other major United Nations funding agencies (United Nations Children's Fund, United Nations Fund for Population Activities) with long-term programming cycles.

#### E. Anticipated resources

9. The third country programme straddles the third and fourth IPF cycles. The third IPF cycle (1982-1986) is characterized by a carry-over from the second cycle of unspent funds and a reduction to 55 per cent of the illustrative IPF of \$106 million to an actual sum available from UNDP for programming amounting to only \$65.9 million. This reduced expenditure authority and the fluctuations incurred in annual budgetary allocations owing to reduced voluntary contributions to the programme led the UNDP Resident Representative to propose in late September 1981 an unprecedented joint programme funding (JPF) mechanism which was accepted by the Government of Indonesia. An agreement was signed in October 1982 entailing the amount of \$20 million of Government programme cost sharing for the third cycle, thus increasing the amount base to \$85.9 million for 1982-1986. Despite its economic austerity programme the Government has decided to maintain this arrangement since it has allowed stable planning and improved delivery performance. The Government has therefore agreed to provide an additional \$12 million for the period of 1987-1989, as reflected in the annex to the present document.

10. The Government recognizes that a gap exists between total needs and resources available from the IPF and the extended JPF (1985-1989). It has accordingly agreed that the programme should accept commitments at a level of \$4.49 million higher than the joint resources available to it. The Government intends to fill this gap from bilateral or multilateral resources. These commitments have accordingly been entered into and a margin for adequate programming of \$4.49 million has been constituted, to be made available through third-party cost sharing as envisaged by the Government.

11. In view of the limitation of funds available from UNDP and the requests for new projects which considerably exceed such funds, the Government has decided to programme the entire allocation for carefully chosen technical co-operation activities. Due consideration will be given to continuous programming as part of the process of country programme annual reviews. Annual phasing of expenditures will be determined in the process of implementing the country programme and adjusted according to the state of preparedness and urgency of projects. The cost sharing element of projects will be shown separately in project documents.

#### F. Co-ordination of multilateral aid

12. The implementation of the third country programme will entail continued close co-ordination with multilateral and bilateral donors with a view to optimizing its usefulness within the framework of REPELITA IV. In line with the guidelines conveyed by BAPPENAS to the United Nations agencies represented in Jakarta on 24 February 1984, efforts have been started to ensure a co-ordinated approach to the programming of all United Nations resources in Indonesia. A close rapport between the inputs of the country programme and the UNDP regional projects for Asia and the Association of South-East Asian Nations (ASEAN) will be worked out as appropriate.

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13. The process of formulating new projects in the third country programme will offer a full opportunity for co-ordination through direct consultations and through meetings of the UNDP project appraisal panel in which BAPPENAS, CCITC, the sectoral ministries, the concerned United Nations agencies and bilateral aid programmes actively participate. Care will continue to be taken to co-ordinate UNDP programming and implementation activities with the World Bank, the Asian Development Bank, International Fund for Agricultural Development, the Islamic Development Bank, the Nordic Development Bank and other sources of development finance. Such co-ordination would optimize: (a) the pre-investment character of UNDP inputs; (b) the promotion of investment and investment support as required by the strategy of REPELITA IV at this crucial juncture of the country's development history; and (c) such functions, if the development funds, banks and agencies agree, as are required to accelerate execution of technical co-operation segments of investment project lending for and in association with the Government of Indonesia.

14. UNDP will also continue to support co-ordination of all external inputs during REPELITA IV, especially those of the United Nations system, with the Intergovernmental Group on Indonesia (IGGI). A documentation and data bank for technical co-operation will be established within BAPPENAS in order to underpin operationally the process of co-ordination, avoidance of duplication and ensuring complementarity in which the country programme should play a central role.

#### National Development Objectives and Programmes to be Supported by UNDP

##### A. Present development context

15. The fourth national development plan placed emphasis on the mobilization of human, physical and financial resources required to further national development in a steady and balanced manner during REPELITA V so as to allow actual economic take-off during REPELITA IV. This approach will uphold the fundamental tenets of State policy - the trilogy of social equity, sustainable growth and national stability. The acceleration and expansion of human resources and manpower development is deemed vital for the achievement of these fundamental objectives.

16. The deterioration of the international economy which began in 1980 has affected Indonesia through a dramatic fall of demand and prices both for primary agricultural export commodities and for the dominant revenue earner, oil and liquified natural gas. Facing severe constraints in foreign exchange and budgetary resources, the Government launched a series of far-reaching measures in 1983 designed to achieve a rapid correction in the balance of payments and to lay the basis for long-term structural adjustments. These decisions included a 28 per cent devaluation, a major rephasing of the public sector investment programme, a substantial financial reform, a comprehensive improvement of the tax system and the establishment of a review of Government regulations that hamper the growth of the private sector.

17. Success in short-term economic management and adjustment combined with increased oil output is expected to lead to a recovery in the growth of the gross domestic product (GDP) in 1984 to around 5 per cent, as compared with zero growth in 1982. The balance of payments for 1983-1984 showed considerable improvements with the current account deficit being reduced by \$2.6 billion to \$4.2 billion.

18. In order to maintain long-term growth prospects and to become more resilient to economic problems arising from oil and liquified natural gas price fluctuations, Indonesia has embarked on a determined drive of non-oil product development with a high component of local value added for export as well as a concentration on the potentially gigantic internal consumer market. REPELITA IV sets the path for economic restructuring by anticipating a sustained growth of the industrial sector at 9.5 per cent annually during the plan period as against the GDP growth rate of 5 per cent.

19. The most urgent development issue confronting the country is the need to create employment. During the 1980s, the labour force is projected to grow at an annual rate of 2.7 per cent, as compared with 2.2 per cent during the previous decade. In REPELITA IV almost 10 million new job seekers will enter the labour market. It will be a very difficult challenge to absorb such an increase in productive employment, particularly if viewed against the projected 5 per cent growth rate of the economy. This problem is expected to lead to a dramatic increase in unemployment, including among educated urban youth. The Indonesia labour market in the traditional agricultural and service sectors is not considered elastic enough to cope with the bulk of the future supply at least in the short to medium term. There is a serious risk of declining returns to labour in both rural areas and in the urban informal sector, which would reduce past progress in alleviating poverty.

B. Significant features of the third country programme including relationship with regional activities

20. The third country programme is mainly geared towards the development of human resources, the country's most significant prospective asset. The growth potential of Indonesia will be directly related to the speed with which the rural and urban population can be educated and trained for gainful employment. Twenty-seven percent of the funds available under the country programme will be committed to this sector, in full agreement with the priorities of REPELITA IV.

21. The third country programme points to support for the small entrepreneurs in rural, semi-urban and urban areas in the sectors of agriculture and industry. When the assistance is not linked directly to beneficiaries, it is provided through improvements of the government delivery systems and better quality of service agencies.

22. Another feature of UNDP support is the strengthening of managerial and planning capabilities and assisting in policy formulation.

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23. The principles of self-reliance, equity and betterment of social conditions have inspired the preparation of the third country programme which carries greater attention to the need to maintain a cohesive social fabric, in line with the Government's principles, by allaying the severe pressure of population growth and employment needs.

24. Aspects of pre-investment and investment generation will constitute an important element of about one third of all projects. UNDP funds, which are considered as seed money, will have a generating effect on human resources development and also contribute to the rapid economic growth and diversification of the industrial base.

25. Appropriate steps are being taken in the implementation of individual projects to make use of such modalities as government execution and national expertise. In the past three years, 1982-1985, experience in the use of high-quality national inputs has been encouraging. This has allowed the stretching of increasingly scarce financial resources. The equipment component will remain below 20 per cent of total project budgets in the third country programme.

26. Another signal dimension of the third country programme is the attention given to regional, urban and spatial development, including the provision to islands outside Java with investment programmes, social services and transmigration support.

27. Government priorities reflected in the third country programme extend over seven areas of concentration. The development of trade and export promotion appear for the first time as a separate element. This sector has assumed an important role for the economy in balancing trade and currency accounts and permitting essential imports to continue without further deepening the debt situation. Other areas are consistent with emphasis placed in earlier development plans and in the first and second country programmes. Yet these areas are tailored to essential technical assistance needs in critical fields, as spelled out in REPELITA IV.

28. Through ASEAN and the Economic and Social Commission for Asia and the Pacific (ESCAP), Indonesia is trying to maximize the benefit of participation in regional programmes. Indonesia hopes that all global, interregional and regional projects will reinforce respective sectoral in-country activities sponsored by the Government, UNDP and other sources of external aid. It is worthy to note that Indonesia is actively taking part in the regional programme by hosting several regional projects. The largest participation is in the sector of agriculture, fisheries and forestry where Indonesia hosts the headquarters of the project, Technical co-operation among developing countries for the research and development of food legumes and coarse grains in the tropics and sub-tropics of Asia. Two other projects, Improved coconut production and assistance to the pepper community in phytophthora foot-rot disease control, are also hosted by Indonesia. Indonesia is participating in more than 10 regional projects in the broad agriculture sector covering network arrangements, workshops/seminars and training. In the communication

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sector, the Government of Indonesia is hosting the project, Civil Aviation training centre, Curug, and the project, Flight calibration. This intercountry sectoral co-operation is further supported by Indonesia's participation in about ten projects covering, inter-alia, maritime training, pollution control and training in meteorology. Other sectors benefiting from the regional programme are mining and energy (in which Indonesia is acting as host of the project, Regional Mineral Resources Development, Centre), trade, health, education, post and telecommunications, science and technology and industry. Indonesia is also host to the regional project, Industrial Applications of Isotopes and Radiation Technology.

29. In the preparation of the third country programme, certain recommendations of the Government Council decision 84/4 concerning measures to be taken to meet the changing technical co-operation requirements of the developing countries have been taken fully into account and implemented where appropriate. These include assessment of technical co-operation requirements, continuous programming, the importance of pre-investment and investment activities, global themes and priorities expressed in various intergovernmental resolutions and short- and long-term needs for skilled manpower.

30. The third country programme clearly addresses major development themes covered by United Nations global conferences and governing bodies such as the promotion of the role of women in development, the improvement of the environment, the International Drinking Water Supply and Sanitation Decade, the needs of the poorest segments of the population, primary health care and rehabilitation of the disabled. A considerable proportion of the programmed projects will concentrate on the above topics. These themes are directly supportive of the focus of the whole third country programme on human resources development.

31. The third country programme reflects above all the firm desire of the Government to see the development assistance received from UNDP maintained, at the least, at a level consistent with recognized minimum needs. The Government of Indonesia, through the innovative mechanism of joint programme funding has ensured that fluctuations of the resource base of the programme will be stabilized to allow for a healthy concentration on qualitative and quantitative programme performance.

32. The third country programme continues the basic system of project classification by areas of concentration used in earlier country programmes submitted by the Government of Indonesia. Thus assistance related to the agriculture sector is also to be found in the human resources/manpower development and rural infrastructure and business development classifications just as industry-related activities might be found under the science and technology heading. This section therefore should be read with a cross-sectoral perspective in mind.

C. Human resources, manpower development and training

33. Human resources development is the cornerstone for accelerated national progress. In the past decade significant gains have been made in expanding access to education and improving the skills of the labour force. With the exception of some remote areas, the Government's objective of universal enrolment in primary education has almost been attained. Over 25 million children now have access to primary schools. The rate of expansion in secondary education has been quite impressive. Some 38 per cent of the relevant age group now attend junior secondary schools and 23 per cent attend secondary schools. At the tertiary level the total enrolment is still modest however. In order to balance quality and quantity of education as a key target, the financial allocation for the sector in REPELITA IV, as compared with REPELITA III, has been growing faster than any other sector. A number of crucial questions concerning policy and investment strategy in education and training need to be addressed in the coming years and will require a substantial amount of technical assistance. The choice of an appropriate rate of expansion of secondary, vocational and tertiary teaching capacities and school enrolment, the quality of education in both public and private schools, the apparent contradiction between the observed high unemployment among school-leavers in urban areas, the drop-out rate and the overall shortage of skilled manpower in the economy, are all pressing issues which are being faced by decision makers at present. Formal linkages with prospective employers and career counselling at schools will increase the chances of placement of graduates in employment.

34. REPELITA IV lends very high priority to all aspects of human resources and manpower development, with a particular focus on education and training. The multisectoral nature of this effort is reflected in the number of projects included in the third country programme. These were selected with specific, practical objectives in view of respect of skill development, employment creation, health promotion, income generation and the further development of infrastructure for national development.

35. The strategy contained in REPELITA IV will be followed in the third country programme with an emphasis on building up the national capacity to enhance human resources, accelerating the transfer of technology and increasing self-reliance. The following projects reflect this approach and the close linkage between the third and fourth national plans.

36. Education is supported by a nucleus of projects whose main goal is to improve the quality of secondary education by using innovative approaches and to upgrade management, teaching capacities and skills. The project, Secondary education - project implementation, will improve the quality of general secondary education by strengthening the administrative structures within the respective Directorate General of the Ministry of Education and by providing managerial support and training to the supply and distribution unit of the Directorate for Science Equipment. Technical and vocational teacher training

will develop and upgrade the technical teacher curriculum, establish teacher/training workshops and laboratories in three national teacher training institutes of Jakarta, Surabaya and Ujung Pandang, and provide training in-country and abroad to meet the needs of teachers for secondary technical schools in the country. The project, Development of educational planning and management in the provinces, will develop organizational and technical capabilities and improve planning and management skills, information gathering and analysis on a decentralized basis through training of senior and middle-level staff. At the Centre for Policy Research and Development a project will strengthen management capabilities in the Ministry of Education and Culture through training and consultancy services in such fields as policy research and analysis, evaluation and implementation. A project for skill training in secondary schools, Madrasah Aliyah, will also be funded, in recognition of the need for a practical orientation of basic education.

37. Areas of policy intervention and incentives that can support a needed labour-intensive pattern of growth are in the sectors of agriculture, industry and public infrastructure. An increase of cropping intensities on irrigated areas as well as the diversification of crops and higher yields in rainfed areas will help to sustain labour demand on Java. The expansion of the tree-crop output in the Outer Islands, together with transmigration, may help to absorb a significant part of the increase in the rural labour force if systematically pursued. Livestock raising and post-harvest handling/processing of agricultural goods offer employment and additional income opportunities. Industrial policies which encourage productive efficiency and foreign exchange savings will support employment creation. Export-oriented industries and certain categories of import-substitution industries are labour intensive. Therefore, trade policy and economic evaluation of large-scale, capital-intensive investments in both the public and the private sectors should facilitate the appropriate investment choices. Finally, there is considerable scope for increasing the domestic content of public expenditures and thus their immediate national employment impact. Shifting expenditures to rural infrastructure, social and urban services and appropriate labour-intensive choices within existing programmes will further set favourable pre-conditions for expanding local job and income opportunities.

38. Training of adequate numbers of skilled manpower to meet the development requirements of the economy is being carried out through a number of projects. The Model Skills Development Centre in Surabaya will introduce and develop appropriate industrial and craft courses based on training needs, supply analysis and occupational standards, which will then be transformed into relevant curricula and suitable training aids, and will serve as a model for testing all training programmes in the country. A similar project is vocational training. Other training institutions will receive technical assistance under such projects as hotel management training which will focus on upgrading and expanding the operational capabilities of the Hotel and Tourism Training Centre at Nusa Dua, Bali, with a view to developing it into a comprehensive training centre for hotel, catering and tourism operations at management, supervisory and skills levels; the Port Training Centre at Palembang will be assisted in the development of training programmes and curricula; the Telecommunications Training Centre in Bandung will continue to

receive assistance through a project for radio frequency monitoring and training which will assist the Directorate General of Post and Telecommunication in developing a fully documented course in radio monitoring at Bandung Perumtel Telecommunication Training Centre. The course will place emphasis on the development of human resources through the training of personnel, organization and management development, development of the hardware system by upgrading the computer facility, printing and video facility, as well as training aids production and maintenance capacity creation. Assistance for decentralization of training to the regions will be provided through the project Strengthening the Telecommunications Training Centre. Similarly, the decentralization of training to the regions will be facilitated in the field of civil aviation, through the ongoing projects, Decentralization of civil aviation training and Civil Aviation Administration, as well as a new project for the underserved, remote eastern regions of Indonesia. Additional assistance will be rendered in the field of air communications with a project for strengthening national airport management, training and operation.

39. In a different field, related to the promotion of a more equitable distribution of development benefits, a project will be implemented to strengthen the national training programme for smallholder plantation crops development. The project will aim to increase their productivity through training in technical skills and management techniques by way of in-service training centres throughout the country.

40. An integrated approach involving the simultaneous implementation of three projects for employment generation, manpower planning and more equitable distribution of income is being pursued. This approach relates to the Government's broad employment strategy and specific policy actions and programmes. UNDP has been providing support for development of an employment and income distribution strategy and has attempted to increase the capacity of the Ministry of Manpower both at the national and regional levels. It will continue therefore to assist this field with a Phase II project entitled "Implementation of an Employment Creation Strategy", as well as projects for wage policy administration and productivity measurement. Further development of national and regional institutional capacities in planning is dependent upon effective information on manpower. This aim is supported through a project establishing an Indonesia Manpower Management Information System for which a phase II is also planned. The improvement of working conditions and the protection of manpower continue to be supported with measures to improve and protect working conditions and environment and mine safety inspection. Support to establishment of a Youth Extension Service will also contribute to the reduction of the pressing problem of unemployment among the younger generation.

41. Institution-building through training is also being carried out under such projects as the two-phased development of local consultancy services, which aims to develop an effective and active authority to monitor and control standards of professional practice and help to promote the use of consultancy

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services by establishing a strong professional association and introducing procedures for registration and a code of ethics for consulting firms and formulating programmes of promotion. The project, Assistance to environmental study centres (phases II and III) is helping to create models for the implementation of environmental management and research at the provincial level based on the working relationships between the pilot project centres at Medan and Ujung Pandang universities and the provincial governments, to provide graduate degree education and non-degree training and to strengthen the existing capabilities in environmental studies at Bogor Agricultural University, the University of Indonesia and Gajah Mada University in close co-operation with the Ministry of Environment and Population. The projects, Assistance in establishing a faculty of nursing and maritime training will create or improve respective institutions. The total allocation to this area of concentration amounts to \$23,057,000.

#### D. Agriculture, irrigation, livestock, fisheries and forestry

42. While its income generating importance has declined over the past years, 66 per cent of rural and 10 per cent of urban households still depend on agriculture as the main source of their income. With the exception of tea and palm oil, the production of all subsistence and cash crops is dominated by small farmers. There are about 16 million smallholder families cultivating an average farm size of one hectare. About 36 per cent of all farmers own less than a quarter of a hectare of land and another 27 per cent own between a quarter and a half hectare. Rice, the most important staple food crop, accounts for 62 per cent of the total harvested food crops area or 9.1 million hectares. About 95 per cent of all rice production comes from irrigated land. Because of the Government's irrigation development and other self-sufficiency-cum-intensification programmes, rice production has risen over a 14 span with a phenomenal average annual increase of 7 per cent to a projected total harvest in 1984 of well over 25 million tons.

43. Secondary food crops (known locally as palawija), because of their rotational relationship with paddy, include maize, soyabeans, ground nuts, cassava, mungbeans, sweet potatoes and sorghum. These crops showed the comparatively low combined annual production growth rate of 1.6 per cent during the 1970s. They also cover more than six million hectares or about 37 per cent of the total area under agricultural cultivation and contribute more than 21 million tons to the entire national food supply. REPELITA IV accords high priority to promoting palawija crops in order to generate better revenues for generally poorer farmers. The objective of equity, however, is not the only consideration behind the drive for the development of secondary crops. These crops are adaptable to a greater variety of soil climatic and topographical conditions. Aside from direct human consumption, palawija crops can also be processed into cash earning commodities and their by-products provide essential ingredients for livestock feed. Thus, secondary crops are increasingly important for achieving food self-sufficiency, a major objective of REPELITA IV, but also for allowing efficient land use and crop diversification.

44. In addition to traditional problems, such as raising productivity, the agricultural sector is now faced with an increasing need to sustain exports as well as improve the nutrition and general welfare of the population. To meet new as well as long-standing needs, the fourth national development plan and therefore the third country programme place emphasis not only on the development of secondary crops but also on export commodities and on increasing agricultural productivity in selected regions. New livestock, forestry and fisheries projects have been included in the country programme to support income and employment generation and to increase food production and nutrition standards.

45. An ongoing project which has established a valuable model for mixed farming systems replicable in rain-fed and transmigration areas will have a follow-up phase entitled "Agro-ecological farming systems development", which will advise the Government on agricultural activities which should be developed in various regions. Low-income farmers will continue to receive support through ongoing projects for assistance to small farmers, tenants and share-croppers through agricultural extension, training, research and field action and in training for smallholders and plantation staff which will be continued with a follow-up project. Two other ongoing projects in this subsector support monitoring and evaluation of agriculture projects and systems analysis. These activities will assist in strengthening the development programmes of the Ministry of Agriculture through the establishment of a financial, physical and result-oriented monitoring and evaluation system, in training staff of the planning bureau and in setting up an efficient storage and retrieval system for the monitoring process. Furthermore, a detailed supply and demand analysis of a national model character for agricultural planning purposes will be developed and reinforced by an elaborate training programme in systems analysis. Further development of tree-crops and diversification into additional secondary crops will be supported by new projects on strengthening seed control and certification and testing programme for secondary crops, which will establish seed production centres in selected regions; applied research and development for integrated coconut pest management which will focus on plant protection and entomology, and will undertake germ plasm collection to identify specific characteristics for genetic stocks; and applied research and rehabilitation of citrus fruit trees which will undertake research on diseases and production of improved plant materials. Assistance and training is also being given for Investment planning for water resources development and integrated cotton pest control. The project, Agriculture product standardization will be assisted for the promotion of trade in the agricultural sector.

46. Projects on bee-keeping for rural development and feed resources development for cattle are planned to be implemented during the third country programme. Two ongoing projects include sea farming and fisheries extension. New projects in the third country programme cover shrimp culture development to develop brackish-water prawn production and fresh-water fish development in East Kalimantan which will undertake research activities, demonstration and trials in pond culture. There is an ongoing project for Watershed Management and a project for Assistance for Forestry Development and Planning which will strengthen the recently established Ministry of Forestry's capacity in planning and project preparation. The total allocation to this area of concentration amounts to \$12,447,000.

E. Medium, small-scale and downstream industries

47. Industrial development continues to be a most important element in the Government's programme for achieving a more balanced economic structure. REPELITA IV assigns a linchpin role to industry in generating employment enhancing exports, furthering value-added production, saving foreign exchange, supporting regional development, and developing natural and human resources and energy.

48. A phased development for the manufacture of industrial machinery to meet multi-sectoral domestic needs in agriculture, forestry, fisheries, transport, communications, construction, etc. is given special focus. Further impetus is being provided to the development of industrial growth centres through a programme of industrial estates for medium-scale industries in various regions. Centres and units for small industry services are planned in stages at regional and district levels with emphasis on extension and information services.

49. Labour-intensive medium- and small-scale industry development opens considerable avenues for employment regional development, satisfaction of basic needs, import substitution and export promotion. Relevant to the industrial sector is the need to upgrade productivity especially in public enterprises, foster private initiative and investment, improve quality and standards, enhance the use of locally available raw materials and strengthen access to domestic as well as foreign markets. A key to the attainment of these goals during REPELITA IV will be the synchronized build-up of entrepreneurial, managerial and technical aptitudes and skills. The third country programme addresses these issues.

50. An integrated project for the development of engineering industries will provide assistance in developing design, engineering and research and development capabilities for selected branches. Another project will be undertaken for the development and utilization of locally-made farm tools and post harvest equipment. Through the Aluminium Downstream Industry project, a master plan will be prepared for the manufacture of aluminium products. A study on marine-based industries will assist in promoting medium-scale industries in the region and enhance the participation of the private sector. Further support will be provided to the ongoing assistance with the identification, preparation and implementation of industrial projects in selected regions (phase II). The project provides an opportunity for systematic analysis of investment proposals and implementation of feasible ideas through advisory services and intensive and continuous follow-up with all potential partners in any particular area of investment. The assistance provided to date in the development of small industries has registered success in developing capabilities in the research and development institutes for leather, food processing and ceramics, for technical extension and training services as well as in establishing pilot model industrial services centres and common service facilities. A follow-up project on assistance to the development of small-scale industry will provide the needed catalytic input for this purpose. Another ongoing project on the development of building

materials for low-cost housing is already supporting the growth and modernization of an important branch of small-scale rural industry. Other studies on and support to downstream industries of nitric acid, sucro-based chemical industries and development of packaging centres are expected to provide valuable support to the Government's industrialization efforts. A project on manpower development for the implementation of national drug policies is providing advisory services and training to the pharmaceutical industry for expansion of the production of essential drugs which are needed to increase the level of health care for the general population. Finally, support will be given to the establishment of a packaging research development centre. The total allocation to this area of concentration amounts to \$11,625,000.

#### F. Regional, urban and rural development

51. Despite an uneven distribution of resources among the main regions of the country, one of the most notable aspects of Indonesia's economic performance in the 1970s was that the main regions experienced rapid growth. Two important processes were at work which enabled the benefits to be more evenly spread, namely, transmigration and rural-urban migration on the one hand and redistribution of income through the government budget on the other. In viewing the spatial development policy of Indonesia, it is important to recognize that rural-urban differences in per capita consumption within regions appear to be greater than those among regions. The overall rapid economic development of the recent past has been accompanied by significant progress in reducing poverty. Between 1970 and 1980, the proportion of the population living below the poverty line declined from 57 to 40 per cent, a remarkable achievement. This positive development has been strongest outside Java and in urban areas. Exemplifying Government policy in this regard, the poorest provinces as well as some of the transmigration areas received much higher levels of budget support than the provincial average. In addition, spending on the social services in general has increased at an annual rate of 21 per cent in real terms since 1974/1975. A corollary of this emphasis on the poorest provinces in the State budget and related programmes is the need for technical co-operation support to regional development designed to reduce regional imbalances within and among regions.

52. Between 1971 and 1984 the urban population rose by approximately 4 per cent annum as compared with 2.6 per cent during the 1960s. This resulted in an increase in the urban segments from 15 to 22 per cent of the total population. The Government has been concerned that the pattern of urbanization has been too much in favour of the growth of large cities. It is aware that future developments should lead to a balanced approach which would appreciate economies of locating industries near centres of demand and strategic port facilities. During REPELITA IV expenditures for urban services are expected to more than double in real terms on the basis of current proposals.



53. In support of the Government's policies to facilitate more equitable and balanced development at a more even rate throughout the country, UNDP will continue to support the orderly growth of provincial areas and remote parts of the country, including transmigration areas, and a core of projects for urban development. To bring about rapid, tangible improvements in the socio-economic development of the isolated eastern areas of Indonesia, a project for regional planning, preparation and implementation of investment-oriented projects (phase II) will prepare and implement investment projects for funding by Government and external sources. In addition to the assistance provided under this project, which will include training, the province of Irian Jaya will continue to receive support directed at the promotion of entrepreneurial small-scale and grass-roots income-generating activities through technical services support to the Irian Jaya Joint Development Foundation (IJJDF).

54. In the field of housing the Government is pursuing an active investment programme in urban areas by means of its Kampung Improvement Projects. Official plans call for an acceleration of improved water supply and sanitation programmes to supply 60 per cent of the rural population and 75 per cent of the urban population with clean water by 1990. The functioning of the rural and small-town programmes will need delegation of authority for design and implementation to the local level and a steady increase of budgetary allocations.

55. Three projects are included in the country programme which will also assist in various aspects of urban development. A project for programme management assistance will prepare detailed management procedures, train staff and support the design and installation of a computer system so that the Department of Public Works (Cipta Karya) will have an increased capacity to manage its integrated urban development programme. Detailed urban development programmes will be prepared in various provinces under the project, Province-based integrated urban development implementation. A project for institutionalizing strategic planning and analysis will further refine procedures and software for the information systems started under the national urban development strategy project.

56. The rapid growth of Indonesia's capital has necessitated long-term comprehensive planning which is being optimized by the formulation of an economic and socio-cultural development strategy for the city of Jakarta. This project will draw up long-term operational guidelines through the year 2005 and also prepare medium-term development programmes for the present REPELITA IV plan as the first stage in the implementation of the overall plan. UNDP will continue to assist in research and development of low-cost sanitation systems with a phase II project, Sanitation investment support, which will concentrate on large-scale application of previously devised low-cost sanitation systems.

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57. UNDP will sustain support for institution building linked to the improvements of the socio-economic conditions of transmigration with support to training for transmigration programmes. A new project will be undertaken for further strengthening of the planning and co-ordination of all transmigration activities. In addition, a project for a small ruminants improvement programme focused on transmigration areas will assist in increasing meat production for consumption and sale by transmigrant families through better management and breeding as well as the development of a distribution system. A project for the enhancement of the role of women in transmigration and fishing villages will foster the integration of economically disadvantaged rural women in the resettlement areas and fishing villages into the development process in their communities while contributing to the improvement of family welfare. The total allocation for this area of concentration amounts to \$14,999,000.

#### G. Rural infrastructure and business development

58. Continued attention is being given in REPELITA IV and consequently in the third country programme to the development of rural areas. Within this framework, UNDP has emphasized assistance to remote and under-served regions. The development of a rural water supply infrastructure has been given high priority in the present country programme in continuation of ongoing UNDP support. Assistance to the field of co-operatives is also sustained. More resources are being directed to furthering the development of the economic status of rural women.

59. The programme includes ongoing projects for rural water supply in the eastern islands (NNT) and manpower development for rural water supply. Two new projects will be implemented: Rural water supply and sanitation in Sumatra, and a phase II for rural water supply pre-investment planning.

60. A project for co-operative development/extension at the grass-roots level will assist the Government in organizing grass-roots level groups to enable them to become co-operative members; it will also assist in improving the primary level co-operatives' capability to provide services to their members, an activity currently covered by an ongoing project to develop and improve rural co-operatives. A new project for the enhancement of the productive role of rural women will follow a first-phase project which focused on integrated rural development through the development of cottage industries operated by women. The emphasis of the project will be on more advanced training for women in management skills and the development of self-reliant business groups in order to increase income and better living conditions for rural communities.

61. In order to meet the REPELITA IV growth targets for investment, substantive inputs in the form of capital, technology and know-how will be required to bring together prospective investors from developed countries and partners in Indonesia. The strengthening of information on business opportunities and procedures will also be supported. A project entitled

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"Training of overseas investment promotion personnel" will assist in fulfilling these objectives through an already established network of investment promotion offices abroad. The total allocation for this area of concentration amounts to \$6,816,000.

#### H. Science and technology

62. Assistance in this sector will focus on three areas: a) development of appropriate technologies for the increase of agricultural productivity; (b) research and development in support of industrialization; and (c) cross-sectoral assistance to Indonesia institutions engaging in scientific and technical research. Ongoing projects include training in scientific and technological information which is assisting the development of a national network of information services mainly through staff training at the National Scientific Documentation Centre.

63. Projects in support of agricultural development will deal with the application of isotopes and radiation for increased agricultural production, real-time data collecting system on operational hydrology in Cipta Karya and an ongoing activity for agro-meteorology. Projects which will assist the country's research and development institutions include a marine pollution monitoring programme for Indonesian coastal waters, and science and technology policy and planning. Promotion of the industrial sector will be supported by two projects, namely, establishment and implementation of Indonesia industrial standards and research and development of leather and applied industries, both of which are attached to the Department of Industry. The total allocation for this area of concentration amounts to \$4,856,000.

#### I. Social services, trade and export promotion, technical co-operation among developing countries, and multi-sectoral projects

64. Standards of health and nutrition have improved considerably since 1970. The establishment and staffing of 13,636 district and sub-district level health centres (PUSKESMAS), the provision of some 135,000 hospital beds, maternal and child health programmes, improved education generally, sensible agricultural pricing policies, rapid expansion of food production and improved distribution and storage of staple rice have jointly contributed to these improvements. The decline of the infant mortality rate over the last 10 years from 140 per 1,000 live births in 1969 to about 90 at present is remarkable and the population growth rate has, as a result, only slightly decreased during the same period despite the big success of family planning programmes. Special attention will need to be given in the future to programmes for the development of health manpower, particularly paramedics, endemic and epidemic disease control, drug production and distribution, immunization campaigns, diarrhoeal disease control and maintenance, and improvement of existing health care facilities, especially at the village level. The national health strategy fully supports the objectives of health for all by the year 2000 as well as the goals of the International Drinking Water Supply and Sanitation Decade. Government programmes regarding nutrition are successful and will need to concentrate on issues such as protein, trace element and vitamin A deficiencies which stem from poor nutrition, lack of education and low income levels.

65. Indonesia's national development plans have increasingly emphasized assistance to priority areas of social needs with attention to disadvantaged groups and to those segments of the population who are particularly vulnerable to adverse economic and social conditions. With bilateral assistance often focused on other areas of development assistance, UNDP has taken the lead in this field with a number of projects promoting the welfare of the weaker segments of society.

66. UNDP assistance includes projects dealing with the disabled, narcotic addicts and natural disaster victims. These projects cover development of supporting resources for community rehabilitation of the disabled, reduction of demand for addictive drugs in Indonesia under utilization of community resources, and strengthening of disaster preparedness and management. Improving the country's capacities in the field of health will be supported by UNDP with the ongoing activity on primary health care in Irian Jaya as well as several new projects including Strengthening of the centre for education and training at the Ministry of Health through the provision of local and foreign training, nursing higher education system development, and a small project entitled "Functional Analysis of Provincial Health Services" which will carry out a study on provincial health services and problems. Support will also be given for the improvement of vital registration through building capacity in the collection and processing of data.

67. In terms of export development and prospects, the Government is attempting to diversify its export base, away from the domination of oil and liquified natural gas commodities which stood at 74 per cent of estimated export earnings in 1983-1984. The present performance of non-oil exports demonstrates the potential for expansion given favourable external conditions and domestic policies. Key non-oil exports come from the timber industry, the agricultural and plantation sector, as well as mineral, metals and manufactured goods sales. Upon the phasing out of log exports, a focus has been placed on the production of sawnwood, plywood and veneers. In order to benefit fully from this adjustment, wood industries must concentrate on attaining higher quality standards of production as soon as possible. The ban on trawling has also brought about a reorientation of the fishery sector's activities linked to exports.

68. Traditional agricultural products such as rubber, coffee, sugar, tea, cocoa, copra and palm oil continue to have considerable importance as exports despite the fact that international quotas, price fluctuations and quality standards expose the Indonesian commodities to heavy competition. In natural rubber, Indonesia's largest non-oil export earner after plywood, the country ranks as the world's second largest producer after Malaysia and has a good chance of increasing its share in the future world market.

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69. Continuing support to trade promotion will be provided under the project "Integrated Export Development" which is reaching out to medium- and small-scale exporters and for which a second phase is also projected. In addition to another ongoing project for the promotion of trade with the Middle East, new projects will assist in specific aspects of domestic and foreign trade promotion. One such project, Rules of origin for implementation, will promote the export of non-traditional manufactured goods by increasing the professional capability to handle certificates of origin. The project "Training in Metrology" will provide assistance in calibration and operation of measuring instruments, and a project for the improvement of the quality of agricultural export commodities by the development of an efficient marketing system will also be implemented.

70. The important technical co-operation among developing countries programme sponsored jointly by Indonesia and UNDP will be continued. A phase II of this project is also programmed. Assistance to the central planning bodies of Government for the co-ordination and implementation of external assistance will be provided under the following three projects: (a) Documentation and data centre for technical co-operation, (b) Programme Support, and c) a follow-up to the project, Environment sector review, undertaken during the previous country programme. The total allocation to this area of concentration amounts to \$11,112,000.

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Annex

FINANCIAL SUMMARY  
 (US dollars)

A. Resources

(a) IPF resources

|  |                                |
|--|--------------------------------|
| (i) Illustrative IPF for 1982-1986 at 55%        | 58 300 000                     |
| (ii) Balance from previous IPF cycle (1977-1981) | <u>7 607 000</u>               |
| Subtotal   | <u>65 907 000</u>              |
| (iii) Less IPF expenditures (1982-1984)          | (41 923 000)                   |
| (iv) Add provisional IPF for 1987-1989           | <u>35 980 000<sup>a/</sup></u> |
| Total IPF resources                              | <u>59 964 000</u>              |

(b) Other resources

|  |                          |
|--|--------------------------|
| (i) Total JPF/Programme cost sharing (1982-1989) | 32 000 000 <sup>b/</sup> |
| (ii) Less Expenditures (1982-1984)               | (9 030 000)              |
| (iii) Third party cost-sharing (multi-bi)        | <u>4 490 000</u>         |
| Total cost sharing resources                     | <u>27 460 000</u>        |
| Total resources available for programming        | <u>87 424 000</u>        |

B. Use of resources

(a) Programme

|   |                   |
|---|-------------------|
| (i) Ongoing projects  | 21 516 271        |
| (ii) New projects and new phases of ongoing projects included in the country programme  | 63 670 280        |
| (iii) Earmarked for specific objectives and activities for which projects are to be worked out at a later stated (continuous programming) | <u>2 237 449</u>  |
| Total   | <u>87 424 000</u> |

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C. Distribution of programme, by sector

| <u>ACC classification/sector</u>                   | <u>Ongoing projects</u> | <u>New projects</u> | <u>Sectoral earmarking</u> | <u>Total</u>      |
|--|-------------------------|---------------------|----------------------------|-------------------|
| 02 General development issues, policy and planning | 2 216 333               | 10 859 350          | 300 000                    | 13 375 683        |
| 03 Natural resources                               | 460 559                 | 380 000             | -                          | 840 559           |
| 04 Agriculture, forestry and fisheries             | 4 935 748               | 10 602 130          | 300 000                    | 15 837 878        |
| 05 Industry  | 4 431 412               | 11 163 000          | 300 000                    | 15 894 412        |
| 06 Transport and communication                     | 1 578 951               | 4 776 900           | 100 000                    | 6 455 851         |
| 07 International trade and development finance     | 1 998 069               | 1 500 000           | 150 000                    | 3 648 069         |
| 08 Population                                      | -                       | 180 000             | -                          | 180 000           |
| 09 Human settlements                               | 833 313                 | 4 050 000           | 150 000                    | 5 033 313         |
| 10 Health  | 2 102 745               | 3 967 400           | 100 000                    | 6 170 145         |
| 11 Education                                       | 92 619                  | 7 658 500           | 200 000                    | 7 951 119         |
| 12 Employment                                      | 927 766                 | 4 891 000           | 250 000                    | 6 068 766         |
| 13 Humanitarian aid and relief                     | 14 600                  | 325 000             | -                          | 399 600           |
| 14 Social conditions and equity                    | 954 580                 | 1 285 000           | 237 499                    | 2 306 080         |
| 16 Science and technology                          | 969 576                 | 2 032 000           | 150 000                    | 3 301 576         |
| <b>Total</b>                                       | <b>21 516 271</b>       | <b>63 670 280</b>   | <b>2 237 449</b>           | <b>87 424 000</b> |

a/ Including \$1 million for front-end loading of programming for the four programming cycle.

b/ It should be noted that, for annual programming purposes, a 15 per cent programming flexibility is authorized by the Administrator to reach annual expenditure targets. Total approved budgets for the whole programme period cannot, however exceed at any time the total resources available.