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COUNTRY AND INTERCOUNTRY PROGRAMMING AND PROJECTS

Consideration and approval of country programmes

THIRD COUNTRY PROGRAMME FOR INDONESIA

Note by the Administrator

Programme period

Illustrative IPF 1982-1986 at 55 per cent

1985-1989

\$58.3 million

I. NATURE OF THE PROGRAMMING EXERCISE

1. As a first step in the formulation of the third country programme, an assessment of the performance of the second country programme was conducted between January and May 1984 by the Government, the United Nations Development Programme and the executing agencies concerned, highlighting achievements and shortcomings.

2. The Resident Representative then addressed a preliminary note to the Government at the end of May 1984 indicating the possible orientation that the new country programme could take. This note was reviewed and revised by the National Planning Agency (BAPPENAS) to reflect, in its final form, the Government's position on the new country programme. The note was then distributed to government ministries and to the delegations attending the

*The notes by the Administrator concerning the previous country programmes for Indonesia were issued under the document symbols DP/GC/INS/R.1/RECOMMENDATION/REV.1, and DP/GC/INS/R.2/RECOMMENDATION.

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formal sectoral consultation meeting in July 1984, namely, BAPPENAS, the Co-ordinating Committee for International Technical Co-operation, the central and technical ministries concerned, United Nations specialized agencies and UNDP. During the meeting, major development activities to be pursued were identified within the financial framework for 1985-1989. Comments on the country programme document from the United Nations agencies and bilateral aid programmes were discussed with BAPPENAS in November 1984. The final country programme document was officially submitted by the Chairman of BAPPENAS to UNDP in December 1984.

3. The third country programme starts in January 1985 and extends until December 1989. The time-frame corresponds virtually to that of the fourth national development plan (REPELITA IV), which commenced in April 1984 and will terminate in March 1989.

4. The implementation of the third country programme will entail continued close co-ordination with multilateral and bilateral aid programmes 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 family of organizations represented in Jakarta on 24 February 1984, efforts are being made to ensure a co-ordinated approach to the programming of all United Nations resources in Indonesia. A close rapport between the new country programme inputs and those of the UNDP regional projects for Asia and the Pacific in general and those for the Association of South-East Asian Nations (ASEAN) in particular will be ensured as appropriate. The third country programme is closely linked to REPELITA IV, and BAPPENAS maintains that it should be used as a frame of reference for multilateral assistance to Indonesia.

II. RELATIONSHIP OF THE COUNTRY PROGRAMME TO THE OBJECTIVES OF THE NATIONAL DEVELOPMENT PLAN (REPELITA IV)

Given the pressure of a growing-population and serious impediments to the country's economic growth, policy and decision-makers in Indonesia are faced with considerable challenges during the period of the fourth national development plan such as the need for (a) a marked limitation in overall resources; (b) the requirement for selectivity and continued caution in the management of its investment programme; (c) the urgent need for 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, the 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.

Above all, the Government of Indonesia recognized that the main obstacle to the pursuit of balanced economic and social development was the shortage of qualified manpower at managerial, operational and technical levels. This country programme is therefore oriented towards human resources and manpower development. The focus of the country programme is directly on key sectoral areas of concentration in the national plan such as agriculture, fisheries and forestry, small- and medium-size industries, regional, rural and urban development, trade and export promotion, social services and technology advancement. UNDP will also be associated with other priority areas such as environment control and conservation, enhancement of the role of women and technical co-operation among developing countries.

III. CONTENT OF THE COUNTRY PROGRAMME

The main focus of the third country programme, as mentioned above, is on 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. Much of the resources under the third country programme will be committed to the task of training through a combination of approaches emphasizing an in-country or regional base.

Support for small entrepreneurs in rural, semi-urban and urban areas both in the agricultural and industrial sectors is designed to improve living conditions of the less privileged part of the population. When the assistance is not linked directly to beneficiaries, it is provided through improved government delivery systems and better quality of service by the agencies concerned.

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

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

Considerations related to pre-investment and investment generation apply to about one third of all projects. UNDP funds are considered as seed money not only by promoting human resources development but also by contributing to the rapid economic growth and diversification of the industrial base.

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, increasing use of high quality national personnel has been made. This has allowed the stretching of scarce financial resources and added a new dimension in the project design and concept. The equipment component will remain below the level of 20 per cent of total project budgets in the third country programme.

13. An important dimension of the third country programme is the attention given to regional, urban and spatial development, including an orientation to provide the islands outside Java with investment programmes, social services and transmigration support.

14. Government priorities reflected in the third country programme extend over seven areas of concentration. The development of trade and export promotion appears for the first time as a separate element. This sector has assumed a key role for the economy in balancing trade and to permit essential imports to continue without aggravating the existing debt situation. Other areas, consistent with the past practice, are tailored to meet essential technical assistance needs as spelled out in REPELITA IV.

15. 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.

16. The third country programme straddles the third and fourth IPF cycles. As the available resources under the third IPF cycle (1982-1986) were reduced, the UNDP Resident Representative proposed in late September 1981 a unique joint programme funding (JPF) mechanism which was accepted by the Government of Indonesia. An agreement was signed in October 1982 entailing \$20 million of Government programme cost-sharing for the third cycle, thus increasing the funding base to \$86 million for 1982-1986. Despite its economic austerity programme, the Government has decided to extend this arrangement until 1986 since it has allowed stable planning and improved delivery performance qualitatively and quantitatively. Therefore, a total of \$87.42 million including \$27.5 million of JPF and multi-bi funding sources, will be available for the implementation of the third country programme. An amount of \$21.5 million is earmarked for ongoing projects, \$63.7 million is targeted for newly identified activities (70 per cent) and \$5.8 million is allocated to priority objectives. These figures do not include project cost-sharing which will further raise the funding basis of the country programme.