

Working Group 3

Public Administration

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Abbreviations

BPS	The Central Bureau of Statistic	Kelurahan	Village in Urban Area
Bappeda	Regional Development Planning Agency	Kepara Desa	The Village Head in Rural Area
Bappenas	The National Development Planning Agency	Kotamadya	Municipality
Camat	The Head of Sub-District	LKMD	The Village Community Resilience Institution
DIY	Yogyakarta Special Province	Lurah	The Village Head in Urban Area
DKI	Special Region of Jakarta	P3DT	The Village Infrastructure Project
Desa	Village in Rural Area	PKK	The Family Welfare Movement
Dusun	Sub-Village	POKMAS	Community Group to Receive the IDT Loan
IDT	The Presidential Instruction Program For Less-Developed Village	Posyandu	The Integrated Health Service Activity
KIP	Kampung Improvement Program	REPELITA	The Five-Year Development Plan
KUD	The Village Cooperative Unit	RT	Neighborhood
Kadupaten	District	RW	Federal Neighborhood
Kecamatan	Sub-District		

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Public Administration

1. Introduction

1-1 Background

Thirty years ago, Indonesia was one of the poorest countries in the world. GDP per capita was only US\$70 in 1968, and 70 million people, 60% of total population were classed below the official poverty line.¹ Under the New Order regime, though, Indonesia has achieved high economic growth. GDP growth rate has averaged 6.6% per year² during the First Long Term Development Plan (1969/70 to 1993/94), and by 1992 GDP per capita had reached US\$670.³ Nevertheless, although the percentage of “poor” people in the total population has decreased from 40.1% in 1976 to 13.6% in 1993,⁴ and all social indicators have improved,⁵ there were still 25.9 million people living below poverty line in 1993.⁶ More than 50% of them live in Java.⁷ In fact, there is considerable regional variation in this, the world’s largest archipelago. At the same time, there were also considerable disparities between urban and rural area, for instance in the per capita GDP. While per capita GDP in Java is high, poverty is especially concentrated in rural Java.

1-2 Poverty in Indonesia

Despite a sustained reduction in poverty incidence for three decades, the issue remains a priority for the Indonesian government. Below we discuss poverty in Indonesia in terms of government policy approaches.

Of Indonesia’s 65,554 villages, 22,094 or about 33.7 % are categorized as “less-developed.” Of these less developed villages, about 20,951 or 94.8% were rural.⁸ Clearly, poverty is heavily concentrated in rural areas. The Indonesian government has noted that poverty bears a relation to the less-developed villages. A government study found that the low level of resources in one village, the lack of infrastructure and other facilities have limited villagers’ economic and social activities.

While a large proportion of the poor live in rural areas, the incidence of poverty has declined moreslowly in urban than in rural areas. This is mainly due to the continuous immigration of poor rural people to urban areas. As there is a large disparity in per capita income between rural and urban areas, many poor people migrate to urban areas in search of better employment opportunities. A further factor in the move to urban areas is the scarce administrative control on internal migration.

At this stage, it will be useful to clarify the Indonesian government’s definition of and method of calculating poverty. Since 1976, the *Biro Pusat Statistik* (BPS: Central Bureau of Statistics) has calculated official poverty line since 1976 based on *Survai Sosial Ekonomi Nasional* (SUSENAS: National

¹ JICA [13] p.12, Table 1-2.

² *Ibid.*, p.12, Tables 1-2.

³ *Ibid.*, p.12, Tables 1-2.

⁴ Tjiptoherijanto [14].

⁵ JICA [13] p.12, Tables 1-2.

⁶ Tjiptoherijanto [14].

⁷ Sumodiningrat [12].

⁸ *ibid.*, p.27.

Socioeconomic Survey). The calculation is based on two elements – minimum daily calorie intake, and non-food basic needs. The minimum 2,100 calorie intake per capita per day is calculated to current prices. The cost of non-food needs, such as housing, clothing, fuel and durable goods is then added. Thus, the official poverty line is based upon expenditure on consumption and is calculated from the SUSENAS surveys. Separate poverty lines are calculated for urban and rural areas. For example, in 1990, the poverty level was calculated as Rp.20,164 per capita/month in urban areas and Rp.13,295 per capita/month in rural areas.⁹ In other words, people in rural areas with income less than Rp.500 per day are categorized as poor.¹⁰

Although the official poverty line is based on the SUSENAS surveys, there is some doubt as to the reliability of their data. The survey data seems insufficient as a basis on which to calculate poverty since it is based on sample households in the entire population,¹¹ and the prices used in the surveys do not reflect the wide disparity among regions and between rich and poor.

In Indonesia poverty is generally viewed as originating from low income and unemployment, the start of a vicious cycle of poverty. The government considers that its role in alleviating poverty is to support access to credit for people trapped in this sort of vicious cycle, to expand their opportunities to increase their income.

During the 25-year implementation of PJP I (the First Long Term Development Plan 1969/70 to 1993/94), Indonesia achieved industrialization and high economic growth. However, there is still a problem of inequity among regions, between urban and rural areas and between rich and poor. The Indonesian government recognizes that promoting equity in development is one of the major challenges for PJP II (the Second Long-term Development Plan 1994/95 to 2018/19) and REPELITAVI (the Sixth Five Year Development Plan 1994/1995 to 1998/1999). Poverty alleviation is an important part of the equity issue. The government aims to eradicate poverty by the end of the Second Long Term Development Plan.¹²

1-3 Purpose of The Research

WG3, the public administration group, investigated the major characteristics of Indonesia's public administration system and its services. We looked in particular at poverty alleviation policy, first, because it is a priority for the Indonesian government, and second, because the topic allowed us to see the public administration structure and its vertical coordination system. We analyzed the public administration's performance in policy-making and implementation concerning the poverty reduction strategy. In Indonesia, there are a few poverty alleviation programs currently being implemented. *Inpres Desa Tertinggal* (IDT: Presidential Instruction on Poverty Alleviation) is one of them. The IDT program was launched in REPELITA VI. We focused on the IDT program implementation in order to investigate the system of coordination between central and local government. We also examined the accessibility of government services and whether they meet people's needs. These two points will provide a better understanding of public administration in Indonesia.

1-4 Methodology

Our report is based on interviews at government offices and with members of the government's target group for poverty alleviation policy. We also use statistics and documents collected while in Indonesia.

⁹ Tjptoherijanto [14] p.341, Table 1.

¹⁰ World Bank [18] Annex I - III.

¹¹ *Ibid.*, Annex I - III.

¹² Republic of Indonesia [15].

Jakarta

During our research in Jakarta, we visited a number of government agencies -- *Badan Perencanaan Pembangunan Nasional* (BAPPENAS: National Development Planning Agency), Ministry of Home Affairs and *Badan Perencanaan Pembangunan Daerah* (BAPPEDA: Regional Development Planning Agency). As BAPPENAS is the core agency promoting the IDT program we approached them for an interview to discuss their role in the program. During the interview, our questions to officials focused on two major areas: 1) BAPPENAS roles at each stage of the IDT program, from planning to evaluation, and 2) the officials' opinions on poverty, as their own awareness is a key to understanding the poverty alleviation policy. We also compared BAPPENAS's understanding of poverty with what we saw and heard in our fieldwork.

In Jakarta we also researched urban poverty because there is a strong connection between poverty in urban and rural areas. Migration from rural areas is a key factor in urban poverty. Since there is a big gap in income and employment between urban and rural areas, rapid migration has occurred. We visited BAPPEDA DKI to investigate recent migration from rural areas and relevant policy issues. We also made field visits to some *kampung* areas to observe the situation and to interview residents.

Yogyakarta

In Yogyakarta we visited two IDT villages, Kalirejo Village (*desa*) in Kulon Progo Regency (*kabupaten*) and Margo Agung Village in Sleman Regency. We also visited local government offices (sub-district or village level, as appropriate) before we entered the villages. Since our purpose was to find out about Indonesia's public administration system, it was important to understand the local government's role in implementation of the IDT program and its coordination with the central government. Subsequently, we interviewed IDT loan recipients and tried to evaluate the program's impact and the accessibility of government services.

2. Poverty Alleviation Policy

2-1 Overview

The Indonesian government has implemented a number of poverty alleviation policies. The most important of them in recent years is the IDT program. This program has three main components: direct loans to poor families, supporting funds for the village governments, and P3DT to IDT villages. There are also other similar programs, such as InGub (Governor Instruction) and Kep.Gub (Governor Decree) implemented by the government of DKI Jakarta. The purpose of these two programs is to increase the living standard of villagers not covered by the IDT program.

2-2 The IDT Program

The IDT program was launched in 1994 at the onset of REPELITA VI (the Sixth Five Year Development Plan). It aims to reduce the incidence of poverty in less-developed villages and strengthen the development planning mechanism at the village and subdistrict levels in order to stimulate the improvement of poor people's socioeconomic condition.¹³ As noted above, the program has three main pillars: the direct loan, the supporting fund, and village infrastructure (P3DT). Each of these are discussed in turn below.

¹³The National Development Planning Agency and the Ministry of Home Affairs [17] p.5.

- 1) The direct loan scheme has been implemented in the following way. Central government grants Rp.20,000,000 to each village, regardless of the size of its population. Rp.20 million (about ¥1 million in August 1997) is distributed to community groups called POKMAS, made up of 15 to 30 poor families each. Each family then takes a loan to start or increase their business. The interest rate is 5 to 6%, and the repayment period is usually 10 months or so. This loan scheme aims at overcoming poverty by stimulating family income generation through small businesses. The program has targeted all the less-developed villages -- 20,633 villages in 1994/1995, 22,094 in 1995/1996, and 22,054 in 1996/1997.¹⁴ All the villages have received the direct loans for the past 3 years, but only some of them have been included in the Supporting Fund and P3DT scheme. Around 68.5% of these villages are rural and almost 30% of them are on Java.¹⁵
- 2) The Supporting Fund aims to support the implementation of the loan delivery. The fund amount is Rp.600,000 a year per village. It is distributed to the village office and spent to implement the IDT loan program, for instance, in selecting poor families, establishing POKMAS, and monitoring villagers' activities.
- 3) P3DT provides necessary basic infrastructure to poor villages. The Indonesian Government considers it essential for less-developed villages to secure transport capacity and easy access to markets. P3DT is mainly being implemented in the eastern region of Indonesia where there are many less-developed villages. A total of 1,635 villages were targeted in 1995/1996, 1,812 in 1996/1997, and 1,585 in 1997/1998.¹⁶

Less-developed village to participate in the IDT program are identified using the 1993 village census. The central government prepared 36 criteria, of which 25 were used to identify poor urban villages and 27 to identify poor rural villages in 1994/1995.¹⁷ The government subsequently reviewed these criteria and established 17 for urban and 18 for rural villages in 1995/1996.¹⁸ The government also decided to stop implementing the IDT program in villages with less than 50 families because the loan amount per family depends on the size of the village's population.

Our working group focused on the first main pillar of the IDT program. The institution implementing the IDT program is built on pre-existing organizations. At the national level, a coordinating team was set up, made up of representatives of Bappenas, the Ministry of Home Affairs, and the Ministry of Finance. Bappenas functions as the coordinator at the planning stage and Ministry of Home Affairs at the implementation stage. The national team coordinates planning, and monitors, supervises, and evaluates implementation.

Each tier of local government has its own responsibilities. At the provincial level, the governor of the first level is responsible for the implementation of the IDT program. At the regency/municipality level, the responsibility is in the hands of the regent /mayor /*camat*. At the subdistrict level, the *camat* is responsible for 1) persuading villagers to implement the program; 2) monitoring implementation, and 3) reporting results to higher levels of the government. At the village level, the village head, assisted by LKMD, identifies poor households and helps set up POKMAS, which report on their activities to LKMD.

¹⁴Bappenas [2].

¹⁵*Ibid.*

¹⁶Bappenas [5] p.16.

¹⁷BPS [7] p.26.

¹⁸*Ibid.*, p.31.

2-3 Central Government Implementing IDT

Our working group visited the office of Bappenas in Jakarta for three days. Below, our interview findings concerning the IDT program are divided into three parts: planning stage, implementation stage, and monitoring and evaluation.

First is the planning stage. The staff of Bappenas consider that villages become “less-developed” mainly because they are geographically isolated and also lack social infrastructure (particularly for education). Bappenas considers that the IDT program can improve these conditions. The staff mentioned six goals to be achieved by implementing the program, as follows: (1) expand markets, (2) improve health status, (3) increase job opportunities in dry season, (4) develop community institutions, (5) develop villagers’ planning ability, (6) promote capital accumulation. The IDT program is planned mainly by Bappenas, with support from the Ministry of Home Affairs and the Ministry of Finance. The staff regarded themselves as “coordination agency.”

The second is the implementation stage. Bappenas cooperates with the Ministry of Home Affairs in implementing the program as the same as the planning stage. Three kinds of facilitators are provided to villages: (1) village government officials or teachers, (2) officials dispatched from various departments, (3) special facilitators. Basically each villager who borrows the IDT loan can decide on what activity to spend the money. However, they sometimes face business problems. For example, in some cases the price of goats in the market falls because all the villagers use the loan to buy goats and sell them to the market at once. Another problem is that local governments often intervene to persuade villagers on what activity to spend the loan. Bappenas staff said that LKMD in fact gives villagers a proposal on how to use the loans, and villagers are able to change the proposal as appropriate.

Finally let us consider the monitoring and evaluation stage. There are two monitoring systems in the IDT program. The first is the “bureaucracy” line. This is the reporting system from community groups to the head of the village (twice a month), from the village head to the subdistrict head (monthly), from the subdistrict head to regency /mayor /*camat* (monthly), from the regency /mayor /*camat* to the governor (quarterly), and from the governor to the national team (half yearly/yearly), in that order. The second system is the “consultant” line. P3DT representatives in villages submit reports on the implementation of the IDT loan to central P3DT office and to Bappenas. Villagers and others also can write to the Vice President’s suggestion box. Bappenas feels that the IDT program has been successful. They commented to us that 91% of villagers have been satisfied with the IDT program.

2-4 Comments

It seems that the Indonesian Government has put substantial effort into implementing the IDT program

The IDT loan is funded directly to villages. The government has annually improved its standards in identifying the IDT villages. The measures can be expected to have great effects in alleviating poverty in rural areas. There are, however, some points left to improve. First, it is not clear to people which ministry or institution has overall responsibility for the IDT program. Secondly, local governments have little power to participate in the planning of the program. In this sense, it seems difficult for policy to reflect the real situation in the villages. Lastly, the government should review distribution of the loan fund. Presently, Rp.20 million is funded to each village where there are more than 50 households. The government should sort and treat these villages according to population size.

3. Poverty Alleviation in Urban Areas

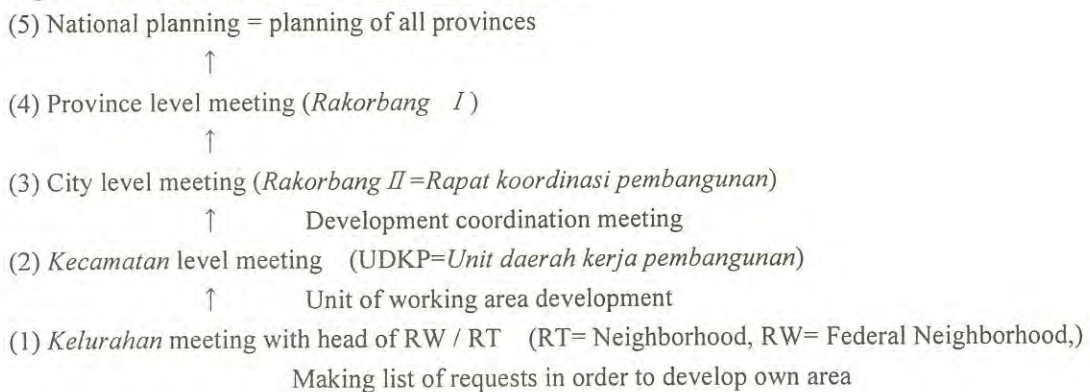
This chapter looks at poverty alleviation in urban areas. Unfortunately, we were not able to locate slum areas in Jakarta, so we only visited kampungs. This chapter is based on our interviews in Bappeda DKI and our visits to areas like Tanjung Priok-Cilincing, Petamburan and Jatinegara in Jakarta. We discuss in turn the role of local government, the role of KIP, and finally findings of our interviews in kampungs.

3-1 The Role of Local Government

BAPPEDA (Regional Development Planning Agency) DKI

Bappeda DKI is responsible for regional development planning in Jakarta. There is an official bottom-up planning system in operation throughout Indonesia. Figure 3.1 describes the roles of each level in this 5-tier system.

Figure 3.1 Nationwide bottom-up planning system



Through these activities, DKI provides an official mechanism for bottom-up communication from village development plan meetings (MUSBANG) to provincial-level development coordination meetings (*Rakorbang I*). In addition to this official line of communication, to improve development efforts in the city, the present governor of Jakarta Soerjadi Soedirdja has initiated his own communication activities, *Kunjungan Kerja Jumat* (KKJ) and *Silaturahmi Minggu Pagi* (SMP).

KKJ stands for Friday Visiting Activity and SMP for Sunday Morning Visiting. In these programs, the governor, with some staff from public works, education, health and other departments, has meetings with kampung residents.

In these meetings, the governor and his staff listen to residents' requests regarding development in their area. People in the neighborhood can make suggestions to the government through these meetings. Through the KKJ and SMP, the government can understand in more detail the needs of each locality, and this information enhances government efforts to improve local infrastructure. During the present term of the governor, KKJ have been held more than 85 times, and SMP more than 130 times.

Bappeda DKI has adopted a policy of relocating residents and would-be residents of central Jakarta to a satellite town called Botabek (made up of Bogor, Tangerang and Bekasi). But a new problem has arisen from the policy, namely lack of a transportation system to connect satellite areas to central Jakarta. In response, the government plans to improve the public transportation system, SAUMAJA (*Sistim Angkutan Umum Masyarakat Jakarta*; Republic Transportation System of the Jakarta Society). The planned transportation system between

satellite areas and central Jakarta includes trains, buses, and subways.

The Jakarta government is also implementing several programs targeting the city's poor. One of these is the IDT program. As explained above, IDT is a national program; the role of the Jakarta government is limited to implementation. In addition though, the Jakarta government also runs its own IDT-type program for the poor. Currently, this program is working in 25 communities. However, according to Bappeda DKI staff, this program is facing some problems. In particular, due to lack of education and experience, the poor participants find it difficult to run productive discussions.

3-2 The Role of Kampung Improvement Program (KIP)

In this section, we will consider the role of the well-known KIP (Kampung Improvement Program), because of its success in facilitating better living conditions for urban dwellers.

As Funo Shuji notes, "The word *kampung* does not mean slum area but rather 'village.' The word *kampung* normally has a nuance of rural area or countryside. However in the administrative structure, *kampung* and village are on the same level. In this context, usually people use the word *kampung* only to identify a village in an urban area and not in a rural area."¹⁹ (Author's translation.)

The government covers expenditure on the Kampung Improvement Programs, by providing subsidies for planning and implementation. The central government was closely involved in the establishment of project organization at the local level, the selection of the district, and fund distribution for project components.²⁰

3-2-1 Purpose of the program

The following are components of KIP.

1. Upgrading and improving roads, with associated drains;
2. Upgrading and improving foot-paths;
3. Rehabilitation and creation of *kampung* wide drainage;
4. Provision of garbage bins and rubbish collection vehicles;
5. Provision of drinking water through public taps;
6. Construction of public washing and toilet facilities (MCK) for clusters of *kampung*;
7. Construction of neighborhood health clinics (PUSKESMAS);
8. Construction of primary school buildings.²¹

KIP aimed to improve living conditions in *kampung* areas. Its approach was novel in that rather than large-scale systematic development by the government of local infrastructure, it gave a major role to local residents in small-scale improvements which serve multiple purposes. For example, a KIP community aims to prevent small-scale floods by installing *kampung*-wide drainage. In order for *kampung* residents to achieve the goals they had established, the government gives them materials like cement, and the residents carry out KIP improvements by themselves. Since the 1970s, instead of clearance-type approaches, integrated approaches like KIP have been adopted to improve *kampung* living conditions.

During the first stage, KIP was operated by local government. From 1974 the program obtained financial support from the World Bank, and was pulled up to national level. While obtaining financial support from the World Bank, KIP drew attention from all over the world. It was said to be the most successful program in

¹⁹布野 [22] p.3.

²⁰Kramoy [1] p.22.

²¹*ibid.*, p.22.

improving urban living conditions.²² Since the Second Five Year Development Plan, the Kampung Improvement Program was made part of the national housing program. By the improvement of the kampung it was hoped that community members would be stimulated to improve and raise the quality of their own dwellings. Thus, KIP is also an attempt to temporarily solve the problem of housing for the lowest income group in urban areas.²³

3-2-2 Five Major Characteristics of KIP²⁴

The following five points characterize KIP.

1. The program method does not drastically alter the life styles of residents.
2. The program can cover a very large area.
3. The program takes a comprehensive, integrated approach. The target is not only physical infrastructure, but also education, medical, and vocational guidance.
4. The program is based upon community mutual assistance, and aims to make full use of community resources.
5. The program operates on the condition that inhabitants of the KIP area participate voluntarily in the program.

3-2-3 Operational Scheme

KIP is operated by local government under the so-called KIP Unit, and guided by the Ministry of Home Affairs. The KIP Unit has many roles -- planning, guidance, supervision, and representing kampung. Recently, KIP set up the target of improving residents' quality of life.²⁵

Besides the effective management, one further reason behind KIP's success is related to the country's indigenous culture. Indonesian society has a clear community organization system and traditional customs of community activity to improve living conditions. KIP seems an effective way to improve living conditions in urban kampung. The government and international organizations which have provided financial aid for the KIP program should continue and expand their support.

3-3 Interviews with Kampung Residents

3-3-1 Urbanization

According to one Bappeda DKI official, most people in Jakarta are migrants from rural areas. About 40% of the population in Jakarta were born outside of the city. People migrate from rural to urban areas like Jakarta to look for jobs. As the main city of Indonesia, most people think that it will be very easy to get a job in Jakarta.

Another reason is the lack of good job opportunities in rural areas. Even though there are assets in terms of agricultural land, the rural economy cannot absorb all the local manpower. Many people in rural areas have a strong desire to move to Jakarta. Not only people with limited education and skills, but also highly educated and skilled rural dwellers want to move to Jakarta. Especially for people with limited education and skills, the only job opportunities are in the informal sector, working as *bajai* drivers, salesmen /women, street vendors, and so on. People with high educational backgrounds and marketable skills have work opportunities in formal as well as informal sectors. However, they soon see that getting a job in the formal sector it is not so easy,

²²布野 [22] p.212.

²³Kramoy [1] p.23.

²⁴布野 [22] p.212.

because they need connections or good relations with influential people. Therefore, if they can not get any job in the formal sector, highly educated people too work in the informal sector.

Previously, there were many slum areas in Jakarta, and they have become a haven for some criminals. People coming from rural areas with limited job skills and limited money preferred to stay in the slum area. But nowadays, local government has controlled all of the kampung areas, by removing some residents to the outskirts of Jakarta, like Tangerang and Bekasi, or by sending them to participate in the transmigration program.

3-3-2 Water Supply and Waste Water Treatment

In Jakarta, the water supply system can be categorized into 3 systems: Local Drinking Water Corporation (PDAM), electric pumps, and hand pumps.

Perusahaan Daerah Air Minum (PDAM: Local Drinking Water Corporation)

This is a public company, which supplies water to families in Jakarta. The director of PDAM Jaya Rama Boedi said, "PDAM currently supplies up to 50% of the water to Jakarta's population of more than nine million." Within five years PDAM expects to reduce water leakage from the current 54% to 35%.²⁶ Currently some families encounter problems with their water supply because the water pressure is very low. This situation worsens during the dry season when they have difficulty in getting water at all.

Electric Pump

This is an alternative water supply for some families in Jakarta. Nowadays many families in the city have some kind of an electric pump, although they are quite costly. These families are no longer dependent on PDAM for water, because they can get water anytime from their own electric pump.

Hand Pump

Many people say that hand pumps are very old fashioned. However, many families in Jakarta, especially in kampung areas, still depend on hand pumps for water supply. Hand pumps are relatively inexpensive.

During our visit in Jakarta, we found some hand pumps being used in the public toilets and in some kampungs, like in Kelurahan Petamburan and Kelurahan Jatinegara. More affluent households in the kampungs used electric pumps instead of relying on PDAM.

Drainage ditches are maintained throughout Jakarta, including kampung areas. According to our interview in Tanjung Priok-Cilincing (a suburb of Jakarta), these ditches are maintained by various people, such as the local community (through *gotong royong*, mutual help community activities for maintaining or constructing public facilities), KIP and real estate enterprises. But most areas of Jakarta do not have a sewage system, and waste water flows directly into the river. In Jatinegara, for instance, residents use the river for their daily life. This is a serious problem.

The government should supply adequate water throughout the year, and expand the coverage of the sewage system. For the poor, government should provide more public toilets and hand pumps in the kampung areas. To coordinate policy for these purposes, public organizations (agencies of central government and local government) should cooperate.

3-3-3 Garbage Collection

In Jakarta, the garbage collection system is usually coordinated by each community. In Cilincing and

²⁵金子 [19] p.51.

²⁶The Jakarta Post 27/08/1997 p.8.

Kemayoran areas, the garbage collection system consists of collecting community garbage, digging a big hole for a tip, and burning the garbage on site. There is an official garbage collection service in Jakarta, but it is insufficient in some areas, and infrequent. In order to solve this problem, some communities have tried using scavengers to collect their garbage. We also found that some people living near rivers, as in *Kelurahan* Petamburan or Jatinegara, throw their garbage directly into the river.

3-3-4 Community Activities

In the urban area, we found regular women's activities like Posyandu (Integrated Health Service) and PKK (Family Welfare Movement). The activity in Posyandu which is organized once a month for each community, focuses on mother and children's health condition and provides information about family planning. Nurses check the health status of children under 5 years old, and monitor their growth. After each health check, all of the children who attend receive some milk, beans, or other nutritious foods. Women get information about contraception, like injection, the pill, etc. As a result, awareness and knowledge of family planning seems to be spreading; about 75% of women living in this area use contraceptives.

3-3-5 Comment

During our research in Jakarta, we were not able to visit a slum area or areas receiving IDT loans. Actually there are 11 such villages in Jakarta.²⁷ But in ordinary kampungs there are many people just above the poverty line facing difficult conditions in terms of income, housing, and sanitation.

Living conditions in urban areas are influenced by the flow of migration from rural to urban areas. Rapid population growth brings about shortage of public social services like housing, sanitation system, and job opportunities. So it is very important to promote industry in rural areas in order to decrease the flow of migration to urban areas and thus address urban problems.

There are several government measures to promote industry in rural areas, create job opportunities and to decrease regional gaps. Public administration should implement more policies to achieve these purposes. These policies to decrease the regional gaps are indirect ways to solve the problem of poverty in urban areas. There is no effective way of eradicating poverty in urban areas without balancing development between urban and rural areas. Government should have a strategy of development that maintains regional balance. It should continue policies to alleviate urban poverty, for instance by strengthening the regulation of immigration to urban areas, and expanding support for community activities like Posyandu, PKK, and KIP. The local government and all agencies of central government must cooperate more closely to provide a better public service infrastructure.

4. Poverty Situation in Rural Areas

4-1 Overview

4-1-1 Poverty in D.I.Yogyakarta (DIY)

D.I.Yogyakarta is 46% barren land. It is dry and very susceptible to drought, especially in the Regencies (*Kabupaten*) of Gunung Kidul and Kulon Progo. This geographical feature poses a problem in improving the standard of living in the area.

According to local government data, in 1993 there were 485,035 persons in DIY (15% of the total population) or 124,161 households living below poverty line. In order to alleviate poverty in D.I.Y, the

²⁷BPS [8].

government has made various efforts to facilitate even distribution of development. The main challenge in alleviating poverty is to create and support economic activities and job opportunities.

4-1-2 Local Government Structure for The IDT Program

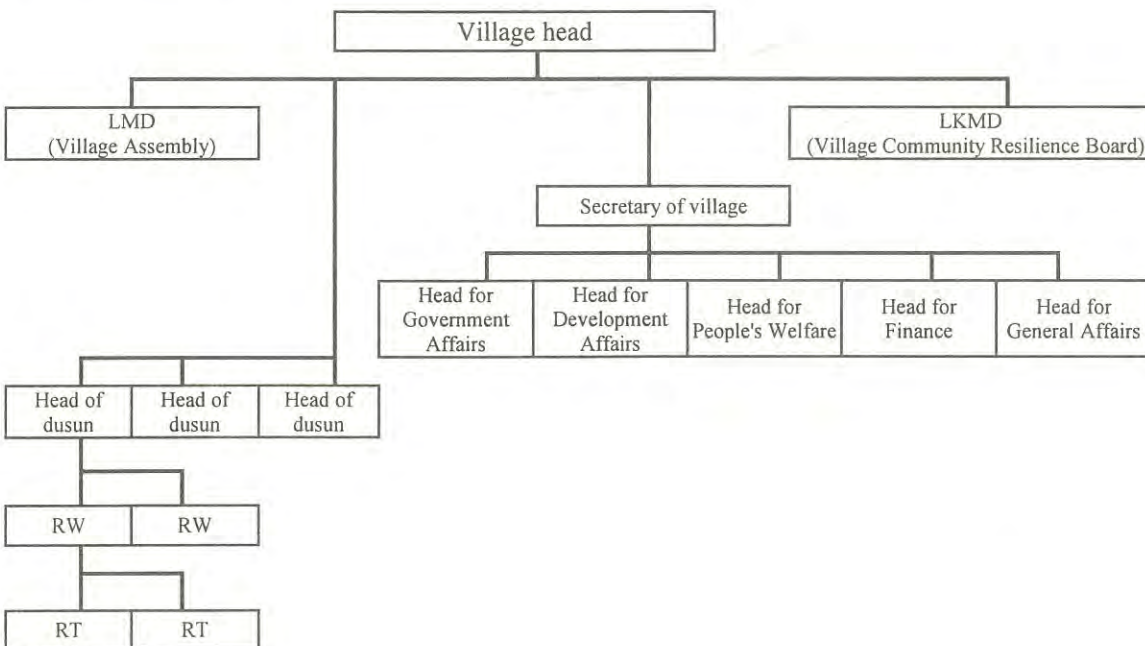
One major poverty alleviation program in DIY is the IDT program discussed above. The steps in implementation are as follows:²⁸

- a) Form groups (POKMAS) of poor families in each hamlet (*dusun*);
- b) Develop mutual cooperation among the members;
- c) Promote the smooth and effective implementation of the program;

To become a member of the group, the individual should belong to the category agreed upon by the villagers as facilitated by LKMD. Since the IDT loan fund is limited, the village head and the LKMD choose the group which will be able to avail the fund. The group which receives the loan fund then has a free hand in using it. In this way, the program encourages poor people’s empowerment.

However, often poor people lack the knowledge and skills necessary to start a profitable new business, and therefore facilitators are needed. Facilitators are recruited from among sub-district and village levels fieldworkers from various departments and social organizations, for example, the Department of Home Affairs, the Department of Social Affairs, the Department of Industry, the Department of Agriculture, the National Family Planning Association, as well as doctors, teachers and so on. Other facilitators such as the village head and his staff are also important in the new endeavor. The facilitators are responsible for setting up and operating the groups. They assist in the improvement of the local economy and the improvement of economic and entrepreneurial capabilities of the members.

4-1-3 Structure of Village Level Government



²⁸Document [10] p.16.

4-2 Condition in Rural Areas

4-2-1 Case Study of Kalirejo Village (*desa*)

(1) Overview²⁹

Kalirejo is one of the villages in Kokap Sub-district (*kecamatan*), Regency (*kabupaten*) of Kulon Progo.

With a total land area of 1,295 ha, this village is located about 3 km from the sub-district office of Kokap, and about 15km from the regency capital of Kulon Progo. Kalirejo village is bordered by Hargomulyo village in the south, the Regency of Purworejo in the west, and Hargorejo village in the east. The village consists of 24 RW (*Rukun Warga*: Community Association Area) and 79 RT (*Rukun Tetangga*: Neighborhood Association Area). The heads of RW/RT have various respected occupations like teachers, public officials and retired army officers.

The total population of this village is 5,586 (2,568 men and 3,018 women). With 1,168 households, the average number of people in each family is 5 members. Among them 979 households are categorized as "poor."

Population growth depends on birth rate, mortality rate, and the number of immigrants and outmigrants. In 1996, there were 74 births (male 52 / female 22), 47 deaths (male 25 / female 22), 6 immigrants (male 4 / female 2), and 7 outmigrants (male 5 / female 2).

Precipitation in the village is 2,600mm/year. During the dry season, residents have difficulty in getting water in the higher areas of the village. Almost the entire village is arid land used as dry fields and yards. The remainder of the land is used for housing, roads, cemetery, etc..

Electricity supply reached the village in 1996, but still 5 of the 9 hamlets do not have power supply. Communication facilities in each household are not developed. Only 32 families own TV sets, most of which are black and white. Only 25 families have radio. Those families who do not have their own TV set watch the public television or go to watch at a neighbor's house.

In 1985 the main roads in this village were widened, and in 1986 they were extended to all hamlets through community work (*gotong royong*). By 1990, the main roads in every hamlet were paved with asphalt by community work. After the roads and transportation system were improved, villagers were able to go to the local market in Kokap sub-district to buy rice and other materials at lower prices. However, their economic condition has not changed much.

In the village there are 4 public and 3 private primary schools and one public junior high school. There are also two *Pondok Pesantren*, *Madrasah* (Islamic educational institutions).

There are some community activities in this village like PKK (*Penbinaan Kesejahteraan Keluarga*: Family Welfare Movement) and Posyandu (*Pos Petayanan Terpadu*: integrated health service activity). Almost all women attend the PKK meeting and Posyandu. In PKK meetings, they are introduced to new information about women and their family. As mentioned above, Posyandu helps women control health their own and their children's health.

The main occupation in the village is farming (90% of the labor force). People cannot plant rice because of the lack of water and irrigation, and therefore usual crops are cacao, coconut and cassava. About 271ha of land are used for cacao and coconut trees. Clove, coffee, vanilla and pepper are also cultivated.

(2) The IDT Program in Kalirejo Village

Kalirejo Village has been categorized as a "less-developed village" since 1994, and in 1997 it had 27 POKMAS including 979 poor families. Of them over 600 households have received IDT loans -- 251

²⁹Document [11] p.19.

households in 1994/95, 226 household in 1995/96, and 142 household in 1996/97. The number of poor families has decreased. Most probably the figures do not include the number of households which have received revolving loans.

The amount of the IDT loan depends on the capability and activity of every family, and the money must be returned in 10 months with 5% interest. POKMAS members have used the IDT loan for buying chickens, goats, *emping* (snack) ingredients, and grocery shop merchandise for resale.

In Kalijero, the village government head of development is responsible for the IDT program. The role of village head is to monitor fund distribution and the revolving fund system. Based on monitoring of each POKMAS, the village head makes a report to be submitted to the sub-district office.

Table 1 below summarizes the results of our interviews with four IDT loan recipients in Kalijero. Some IDT families we visited (Mr. A and Mr. B) used the loans to start new business activities. Mr. A's family used the loan to buy chickens, but later all of the chickens became ill and died. To pay back the IDT loan, they had to sell their coconut sugar. But with their unstable income, the household head had to think about how to pay back without any increase in income. His brothers chose another way to alleviate poverty – transmigration. Both went to Sumatra, where they can earn more than in this village. Nevertheless, our interviewee did not want to follow them.

Table 1 Four IDT loan recipients in Kalijero

	Income sources	Educational background	Income	IDT loan (Rp.1,000)	Purpose
Mr. A	farm labor coconut sugar	Primary school	Rp.3,500/day (but someday only)	'95:100 '97:100	10 chickens 1 goat
Mr. B	coconut sugar construction laborer	Senior high school		'96:100 '97:100	chickens
Mr. C	grocery shop construction laborer coconut sugar	Primary school		'95 '96.2 '96.5	grocery shop activity
Mr. D	factory owner laborer coconut sugar	Primary school	Rp.80,000/ month	'95:90 '96:90	factory materials adding his own money

Another family we interviewed (Mr. B) also bought some chickens. After a month the chickens began to produce many eggs, which they could sell to their neighbors. Before getting the IDT, the household head's main source of income was coconut sugar. After getting the IDT loan, he was able to increase his income by selling eggs and also by selling some chickens. In order to pay the IDT loan, he saves Rp.500/day.

Some other families we visited used the IDT loan only to support their main source of income. One grocery shop owner (Mr. C) has 40 coconut trees and earns Rp.1,700/day (the poverty line is Rp.500/day). An owner of wood factory (Mr. D) borrowed Rp.1.2 million from BRI and also borrowed machines from the Ministry of Industry and Trade. It would seem he has already got enough support from the government. But both of them are still members of POKMAS. After these two families finish repaying their debts to POKMAS, they are still eligible for new loans to increase their income.

There are also other lending institutions in the village. Besides the IDT, some people borrow money from KUD (village unit cooperative) and BRI with the mortgage of land. Almost all villagers belong to *sinpang pinjam* (saving and lending) associations as a cooperative lending system.

The government plans to invite unemployed students to serve as advisers in rural villages. A veterinarian

from the sub-district comes occasionally to give immunizations, attend the farmer's meetings and give advice during emergencies.

4-2-2 Case Study of Margo Agung Village (desa)

(1) Overview

Margo Agung village is in Seygan Sub-district, Regency of Sleman, located about 1km from the Sub-district office of Seygan and 7km from Regency capital of Sleman. This village consists of 12 hamlets, 35 RW and 85 RT. The population of Margo Agung is 8749 people (4264 men and 4485 women), comprising 2096 house holds.

Margo Agung Village was categorized as a "less-developed village" according to the IDT program criteria in 1993. The village has 656 poor families and 22 POKMAS community groups. The organizational structure of this village is almost the same as for Kalirejo (see Section 4-1-3).

According to the head of Margo Agung Village, who has held the post for 21 years, the village's development over that time can be classified into 3 periods. During the first period (1976~1986), the issue was primary education. During the second period (1987~1990) the main focus was improvement of physical infrastructure. In the third period (1990~) equity in development is the main challenge.

Electricity first reached seven of the village's twelve hamlets in 1981. The other hamlets were connected to electricity supply as recently as 1988. In 1981, there were only 3km of paved roads in the village, now increased to 21km. The village government plans to expand roads by 1,420m and build one bridge in 1997/1998 by using Rp.120 million in funds from P3DT. As for transportation system, villagers can reach Yogyakarta by a one-hour bus ride. Buses run every hour.

In addition to rainfall, the irrigation system depends on two rivers and one spring.

The village's education infrastructure consists of seven elementary schools (six public and one private), one junior high school (public), and three senior high schools (one public and two private). However, in the last six years the total number of students in this village has decreased, so two elementary schools will be closed next year.

Most of the people in Margo Agung village work as farmers, and other main occupations include public officials, employees, and carpenters. In this village, 2963 people - 2,116 farmers and 847 farm laborers - work in the agricultural sector. The total area of Margo Agung Village is 518ha, and the total area under rice cultivation is about 29.24ha. According to the village head, farmers produce rice in the rainy season, and they can harvest rice twice a year if they want to do. But in the dry season they produce *palawija* plant like corn, tobacco, peanuts, melon, watermelon and red pepper as the second crop, which are more profitable than rice.

As for livestock, villagers have chickens, ducks, cows and other animals. The most common livestock is chicken, and there are 22,795 local chickens and 10,100 broilers in this village.

(2) IDT Program implementation in Margo Agung village

As budget for the IDT loan, the 22 POKMAS of Margo Agung Village have received a total of Rp.60 million for the three years up to 1997/1998, and they allocate the funds by hamlet (*dusun*). Each POKMAS consists of 14 to 60 households, with an average of about 30 households. Trading (*bakul*) is one of the most popular POKMAS member activities in Margo Agung Village. Other common activities are home industries like making *tahu* (soybean curd) and *emping* (snacks), livestock, agriculture and bamboo crafts.

As of July 1997, among the total 648 poor families, 99 poor families had not received any IDT loan, while other members had taken IDT loans more than once. Interest is 1% per month, and the loans must be repaid within five to six months.

There are 3 levels of advisers for the IDT program in Margo Agung:

1. Sub-district level -- the head of the village community development section in the Ministry of Home Affairs
2. Village level -- the head of development and government affairs
3. Hamlet level -- the head of the hamlet (*kepala dusun*)

We visited 2 hamlets (Dusun Watukarung, Dusun Beteng) in Margo Agung Village, and interviewed seven POKMAS families. One of the POKMAS in Dusun Watukarung won a POKMAS award in 1996, and received prize funds.

All POKMAS members whom we visited in Margo Agung Village had some permanent business activities, like running a small grocery shop and making bamboo crafts, such as *besek* (bamboo baskets), *lincak* (bamboo chairs) and *gedek* (bamboo walls). They use the IDT loan as additional capital for these activities.

Mr. G raises 40 chickens for cock fighting (*ayam bangkok*) and 1,000 broilers. Before he started to raise chickens, he worked in a batik factory since graduation from agricultural school. He started to raise chickens in 1993.

Table 2 Seven IDT loan recipients in Margo Agung Village

Name of respondent	Educational background	Income sources	The IDT loan (Rp.1,000)	the purpose for using the IDT loan
Mr. E (Dusun Watukarung)	Junior high school	*the owner of <i>warung</i> (grocery shop)	'94 100 '95 100	to expand his grocery shop
Mr. F	Elementary school	*keeping a cow, farming labor (husband) *rice trading (wife)	'94 150 '95 150	additional capital for rice trading
Mr. G	Vocational school for agriculture	*raising about 1000 chickens	'94 150 '95 150 '96 150	additional capital for buying young chickens
Mr. H (Dusun Pedukuhan Beteng)	No schooling	*Making <i>gedek</i> (:bamboo wall)	'94 100 '95 200 '96 300	additional capital for buying bamboo
Mr. I	Elementary school	*making <i>emping</i> (:fried-cracker, wife) and coconut sugar (husband)	'96 50	additional capital for materials (<i>emping</i>)
Ms. J	No schooling	*making <i>besek and tunbu</i> (:bamboo basket, wife)	10,15,20 1 year × 3 times = 45 (total)	additional capital For buying bamboo
Ms. K	No schooling	*making and peddling <i>Tahu</i>	'94 50 '95 70 '96 100	additional capital for buying materials

Mr. H makes *gedek* to order, using approximately six bamboo poles per day. He buys materials (bamboo) from the owners in the village and has to compete with other producers to obtain them. He explained that for him the IDT loan has been useful as it allows him to buy and stock bamboo and thus stabilize his daily work. He mentioned that he has already borrowed the IDT loan three times because he was able to return the money regularly.

Compared with other members, Mr. I and Ms. J have borrowed only a small amount of money. They said that it is enough for them because they do not want to put in longer working hours to increase production. However, their loans are too small to increase their income substantially.

4-3 Problems and Solutions

Through our research, we found two main problems in the IDT program implementation process. The first problem concerns allocation and marketing, after participants receive the IDT loan. In this case, we have to investigate whether the IDT loan can be an effective means to alleviate poverty, in other words, whether poor families can increase their income and improve their self-reliance.

Although in both villages we visited the IDT funds seemed to benefit poor families to some extent, there are some problems with effectiveness and equity in the implementation process. For example, there are two groups even in one POKMAS, members are divided between a comparatively rich group and a poor group. Members of the former group included the owner of a furniture factory, a poultry farmer, and other such businesspeople. They take far larger loans than the latter group, and they use them for expanding their businesses. From the perspective of rural development as a whole, investment in these comparatively rich people is important. However, if the aim of the program is to increase equity in development, there seems to be a problem here. One of the rather poor member's chickens, bought with IDT funds, died from disease. Even if the amount of the loan is small, the risk is relatively big for poor people.

To avoid such risk, and also to make the best use of the good points of the IDT program, savings are very important. However, some of the POKMAS members have already joined other cooperatives for saving and lending (*sinpang pinjam*), and most of them already have an *arisan* system at various levels, so it is difficult to force them to save more money compulsory in the IDT program.

Marketing problems due to overproduction are not so serious in the two villages now, because the amount of funds is small and each member's activities are diversified. But in the future, it will be necessary to think about marketing strategies not only for the IDT program. The village head of Margo Agung explained that although they have enough agricultural products, materials and manufacturing technology, these resources are meaningless if they cannot sell their products.

One concrete solution is to provide not only guidance but also to set up a demonstration farm where POKMAS members can imitate and apply some ideas, technology, and marketing skills. It is also important that each POKMAS member can participate in training in order to build motivation, and to make use of their experiences and ideas.

The second type of problem was that in some cases IDT funds are not properly revolved among POKMAS members. Even though most POKMAS members have already taken IDT loans more than once, there are still some poor families which have not borrowed at all. This problem was seen in both villages. However, in Kalirejo Village the data on the number of POKMAS members is not complete enough for us to discuss the situation in detail. In Margo Agung Village we found about 15% of POKMAS members have not yet received loans. According to our interviews, there are two reasons for the problem.

First, some Moslem families (in both villages more than 90% of villagers are Moslem) do not want to get into debt. Therefore they join POKMAS, but they do not want to borrow any money. Second, POKMAS members who do not have permanent economic activities cannot borrow the IDT funds in Margo Agung Village. Permanent economic activities represent a kind of guarantee or collateral for returning the loan.

This is not formal requirement, but the people responsible for the IDT program in the village think that if people cannot return the loans this will mean the failure of the program in their village. For poor families, this is a big obstacle to accessing IDT loans.

IDT program implementation guidance stipulates that local government must assist people who do not have any permanent economic activities in finding new undertakings and jobs. Even if there is an income gap between the rich group and the poor group in POKMAS or a gap arises as a consequence of the loan program, it is unfair for poor families to be excluded from any opportunities. More efforts should be made to support

POKMAS members with no permanent economic activities. This would also address the first problem discussed above. Another proposal concerns monitoring. Evaluation criteria should not stress repayment but rather whether the funds revolve and reach poor people's hands.

5. Conclusion

Poverty is a long-standing problem in Indonesia, and the Indonesian government has implemented many programs to alleviate the situation. The total number of poor people in Indonesia has decreased from 54.2 million in 1976 (40.1% of the total population) to 25.9 million in 1993 (13.6%). However, comparing the decrease in the number of poor people in urban and rural areas, there has been only a 12% reduction from 1973 to 1993 in urban areas compared with a 61% decrease in rural areas. Thus, poverty alleviation programs seem to have worked more effectively in rural than in urban areas.

Poverty alleviation programs have become the strategic focus for reducing economic and social disparities in Indonesian society. Poverty alleviation programs in Jakarta are not limited to the IDT program, but also include InGub (Governor Instruction) and KepGub (Governor Decree) programs. These programs are similar to the IDT program, which provided Rp. 20 million for each village per year. The only difference between them is the source of budget. For the IDT program, the budget comes from the national government, whereas for InGub and KepGub the budget comes from local government (APBD).

According to the Ministry of Home Affairs, there were 11 villages (*Kelurahan*) in DKI Jakarta that participating in the IDT loan program. These villages are categorized as "less-developed villages." As of March 1997, of the total 8,680 households which have acquired IDT loans in DKI Jakarta, 3,396 households have availed the IDT loan for a second time. At this time, there were 25 villages (*Kelurahan*) which had availed the funds from the InGub program and another 25 villages from the KepGub program. Only families classified in the Pre-prosperous and the First-prosperous levels of the government's five-level scale are eligible to participate in the InGub and KepGub programs.

The city of Jakarta has become a paradise for rural people, both those with education and work skills and those without. Rural people have a strong desire to settle in Jakarta even though they sometimes have to stay in a kampung or slum area. Because most of them have limited education and skills, their only employment options are low-paid informal work such as bajaj driver, street vendor, or even scavenger.

There is an indication that migration from rural to urban Jakarta has increased. Though the government of Jakarta has made some efforts to prevent the increasing influx of people from rural areas, the rate of population growth in Jakarta is still very high.

Migrants in Jakarta are divided into three categories: "permanent migrants", "temporary migrants" and "commuter migrants". The temporary migrants are the biggest headache for the government because they are quite difficult to control or monitor. Moreover, they have the tendency to bring not only their immediate family but also their relatives with them to the urban center, hoping that they can find jobs.

The government of Jakarta has adopted the following three measures to accelerate the improvement of kampungs and slum areas:

1. **Development Coordination Meeting**, where the aspirations of slum areas residents are noted by the head of village and reported through the bureaucracy line to the governor of DKI Jakarta.
2. **KKJ (Kunjungan Kerja Jumat or Friday Work Visit)**. This activity is relatively formal as it is conducted during office hours. The governor visits workplaces accompanied by officials from all sectors involved in the development programs (Public Works, Health, Housing, and so on). The Head of *Camat* and *Lurah* also accompany the governor during this visit.

3. **SMP (Silaturahmi Minggu Pagi** or Sunday Morning Visit). This visit by the governor is not during office hours, so it is more informal. Further, he is accompanied only by certain staff, like the head of *Camat* and *Lurah*.

Both of these programs (KKJ and SMP) were initiated by the present governor of Jakarta (period 1992-1997), Mr. Soerjadi Soedirdja. The KKJ program has been carried out 85 times and the SMP program 130 times.

The implementation of IDT Program in Kalirejo village and Margo Agung village still needs some evaluation. Even though the total amount of capital in each POKMAS has been increased, the goals of the IDT Program in both villages have not necessarily been attained. Many criteria can be used for evaluating the implementation of IDT Program.

In identifying group members, the village heads do not use the standard criteria which have already been decided. There are people who actually need the IDT loan, but in reality cannot join the POKMAS, and there are a few families which are POKMAS members even though they already have good incomes. In Kalirejo village we met a POKMAS member who had already gotten support from the Ministry of Industry and Trade for his business activity as well as Rp.1.2 million credit from BRI Bank. They can no longer be categorized as a poor family.

The role of the associate officials has not been entirely effective, either in Kalirejo village or in Margo Agung village. Firstly, these associate officials did not give any alternatives or any methods to prevent the failure of POKMAS member activities. Moreover, it seems that their role in POKMAS is only a formality. They measure the success of the POKMAS member activities only by the repayment level of IDT loans, and they are not interested in how the POKMAS members pay back the loan.

One extremely positive finding was that POKMAS members did not get any specific instruction or pressure from government officials or the associate officials in determining their activities. The POKMAS members who are targets of the IDT program have not been coerced or pressured. We found a few POKMAS members who do not want to take IDT loans for religious reasons, even though they are indigents and thus qualify for the loans. We also encountered a POKMAS member who had failed with his activity because of his lack of skill, but who still used the second IDT loan for the same activity.

According to Kalirejo village secretary, among the total 979 poor households in this village, about 619 households (63%) have received IDT loans. The rest of the poor families will get IDT loans gradually next year, according to the revolving fund system. Therefore, the head of village will have to monitor the IDT program in order to alleviate poverty in Kalirejo.

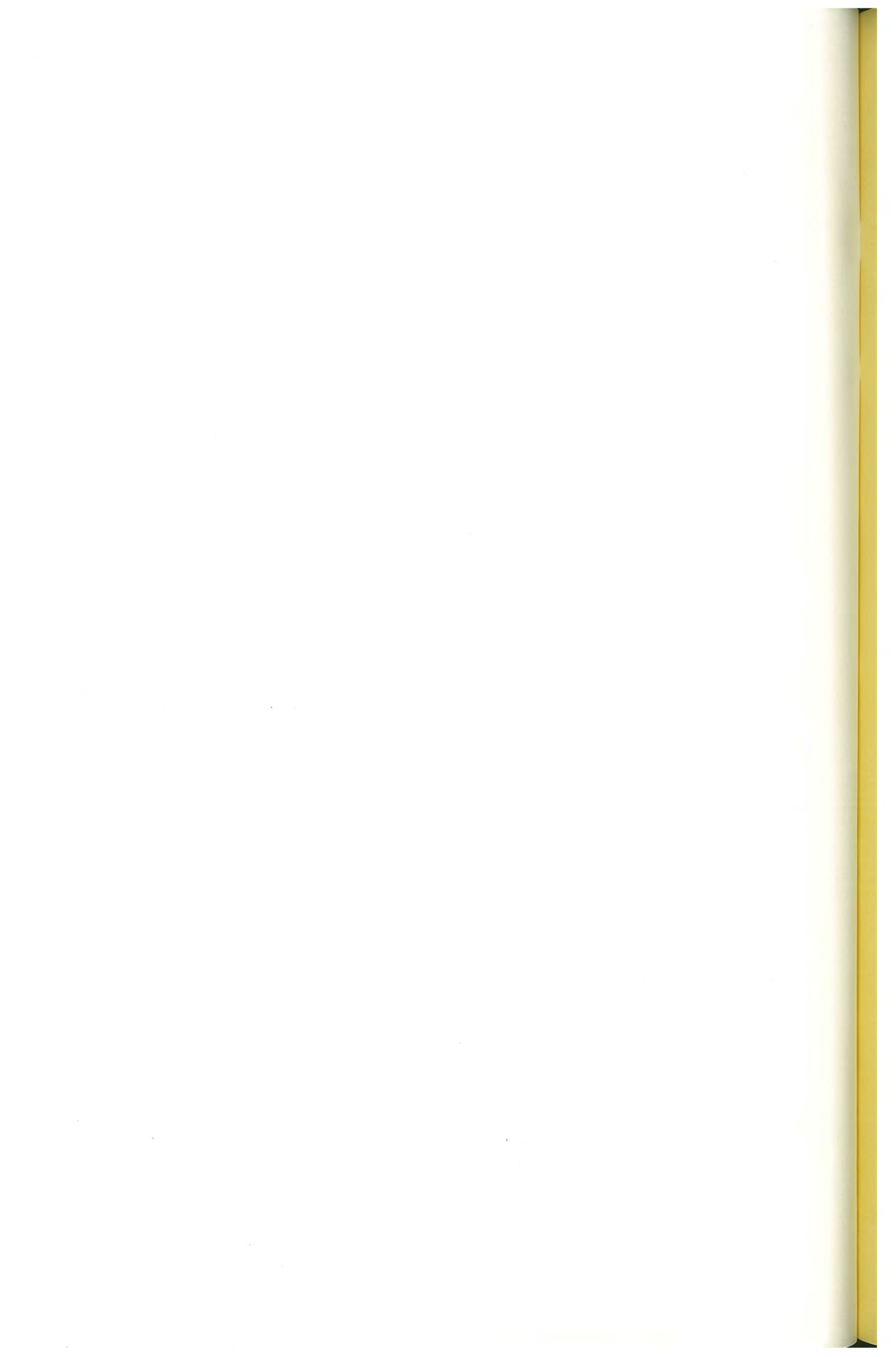
In Margo Agung village, the IDT program has been carried out for three years. There were 6,689 poor households in this village, all of which have received IDT loans. However, there are 99 households that still have not received the IDT loan because their POKMAS stipulates that they cannot get the loans if they do not have permanent business activities. In the last three years, there is no indication that these families were given guidance or advice from the associate officials or the head of POKMAS on how to begin a permanent business activity. Thus it seems that these 99 households will not get any opportunity to take IDT loans in order to improve their economic condition.

Transmigration is another way to accelerate poverty alleviation in Indonesia. Transmigrants do not always succeed in their new area, but at least they can have their own house with 2has of land to cultivate. However, even though some of his relatives had joined the transmigration in 1992 to Sumatra and improved their income, one POKMAS member we met was not interested in joining the transmigration program. The reason he gave was that his family was born in this village (Kalirejo), so he prefers to stay in this village until he dies. He and his family show the "sedentary" nature of Javanese society and culture, where many prefer to stay in their home village until they die, even if they have to live in poor conditions.

In conclusion, in order to improve the incomes of poor people in Indonesia, the government should realize that the most important point in the IDT Program is not the rate of repayment but the progress of poor members' activities.

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-Urban Planning, Land Acquisition and Property Rights

INTRODUCTION

Working Group 4's, entitled Law and Development, carried out research in Indonesia for the 1997 Overseas Field Work (OFW '97) in the area of urban planning policy, land regulations and their impacts on land acquisition. Of great interest to us were the impacts that various laws and regulations had on the actual process of land acquisition and additionally in regards to the human factor.

Before going to Indonesia research was pursued through the reading of various related materials on Indonesia and specifically land law. In Indonesia land is said to be increasingly scarce however population, urbanization and economic growth are expanding rapidly. Influences from Dutch Law, Customary Law, Islamic Law, created a peculiar 'pluralistic' legal system and therefore made it extremely difficult to create a unified, clear and workable legal and land system.

Indonesia's legal pluralism causes many problems in the area of urban and land regulation. Some of the problems will be discussed in this report. However, the pluralism itself does not explain many other problems caused by urbanization and its consequences. Thousands of Indonesian families are living in poor housing conditions, and the ones who live in good conditions sometimes face other problems such as having their land "acquired" without their full consensus, or without the proper compensation.

In order to carry out our research, we scheduled many meetings at governmental and non-governmental offices. We also visited sites related to the topic, like some Governmental and Private projects in the area of Housing, villages and slum areas. Concerning the legal aspect of our research, a general understanding of the Indonesian Constitutional System was necessary. For this purpose, places like the Supreme Court; District Courts; National Law Development Agency; Indonesian Bar Association; LBH Jakarta (an NGO); National Human Rights Commission; etc., were visited by WG4.

In regards to land, places like the National Development Agency (BAPPENAS); Ministry of Housing; Ministry of Home Affairs; sites where Land Consolidation is being implemented by the Government; The Institute for Policy Research and Advocacy (an NGO); and many other offices. The objective of this report is not to bring to discussion only negative factors related to land regulation, land acquisition and its impacts on Indonesian development. It is also our intention to present some important steps taken by Indonesia's Government towards the solution of many issues related to that area.

We hope this report can be useful as a research guide for future studies in this area, and more optimistically, as a guide in the process of formulating and implementing social welfare policies in Indonesia.

In order to discuss problems in terms of urban and land policies in Indonesia, it becomes necessary, first of all, to present some general information about the country, its population growth, and related aspects.

As a general introduction, we may say that Indonesia is the world's largest archipelago, with more than 17,000 islands constituting the country. Its population ranks as the fourth largest one in the world, with nearly 200 million inhabitants, and grew at a remarkable speed of 5.4% a year (during the 1980's) and so far in this decade with a percentage varying between 2 to 3% a year, depending on the region.

In Jakarta the population growth from 1971 to 1996 is presented in Table 1.

Table 1. Population Growth in Jakarta

YEAR	POPULATION	PERCENTAGE OF GROWTH/ PERIOD OF TIME
1971	4,579,303	<i>(information not available)</i>
1980	6,503,449	42,01% / 9 years
1990	8,259,266	26,99% / 10 years
1995	9,112,652	10,33% / 5 years
1996	9,341,423	2,51% / 1 year

Sources: <http://www.bps.go.id/statbysector/population/ptable.html>
<http://www.bps.go.id/profile/dki.html>

A fast economic growth, associated with rapid growth in the population, resulted in a strong population migration from rural to urban areas. This led to a sudden increase in urbanization, which created many problems that still have yet to be solved in Indonesia.

During the 1980's the urban population in Indonesia climbed from 33 million (22% of the total population during the decade) to 55 million (31% of the total population).¹

Arie Djoekardi, in his paper titled "Urban Land Use Planning Policy in Indonesia", asserts that "with almost a third of its population living in cities and towns, Indonesia is becoming an urban society".² He also asserts that "whereas food self-sufficiency, natural resource mobilization and other rural issues dominated the policy agendas of the 1970's, in the 1990's, the portent of urban population increased by 3.5 million/year and large urban regions doubled in population every 15 years, has underscored the need to rapidly increase urban planning capacities across the archipelago".³ According to REPELITA VI, it is projected that, by the year 2000, Indonesia's urban population will increase from 65 to 82 million.⁴ This great growth in urbanization, according to some statistical predictions, will take place in Indonesia mainly during the next 25 years.⁵

This urbanization process means basically two different things:

1. Success in economic terms (which will not be discussed here); and
2. The necessity of implementing well-oriented urban policies that can answer properly to the high speed of urbanization and those related impacts. If there is no such a policy, this may lead to many social problems. For example, according to information obtained from our interview at BAPPENAS, around 40 million people live in slum areas in Indonesia. This represents 20% of the total population.

Therefore, since this rapid urbanization and population growth are expected to create many problems for the government, the need for fast, well-oriented and effective urban policies becomes urgently evident in order to secure the populace of Indonesia a high level of social welfare for the future.

Regarding the importance of these policies, Djoekardi asserts: "To cope with the future scenario, Indonesia has to undertake urban policy measures to enable the nation to keep pace with the demands that will be placed

¹ DJOEKARDI, Arie D. "URBAN LAND USE PLANNING POLICY IN INDONESIA", Internet, <http://www.ksdn.or.kr/consumption/djeokard.txt>, p.1.

² Ibid., p.1.

³ Ibid., p. 1.

⁴ According to information obtained from the interview at National Development Agency of Indonesia, BAPPENAS, in Jakarta, by the year 2000, around 52% of the total population will be living in urban areas.

⁵ DJOEKARDI, Arie D. , op. Cit., p. 3.

on urban settlements. In this context, policies concerning urban land use planning play a significant role in directing the utilization of urban space in order to avoid inefficient uses of urban space (...).⁶

Complementing those policies, another basic and preliminary necessity, necessary even in order to offering a better orientation and legitimization to any policy, is their legal basis. However, in a country where the existing legal system is a mixture of traditional customary law (*Adat*), Islamic law (known as *Syariah*), old Dutch laws (from the colonial period), and modern legislation enacted since independence, it becomes very difficult to carry out these tasks.

Other important and related problems will be discussed in the following chapters.

This report is divided into: the introduction, five chapters, a conclusion and Appendix I and II. Each of the members wrote a specific part, according to their interest in each topic. Following this, the introduction was written by Christine Sakamoto (DICOS/M1) and Rodrigo Pires de Campos (DICOS/M1). Chapter 1 was written by Nakamura Nobuko (DICOS/M1). Chapter 2 was written by Christine Sakamoto. Chapter 3 by Rodrigo Pires de Campos. Chapter 4 by Kinoshita Kyoko (DICOS/M1). Chapter 5 by Ando Yukari (DICOS/M1). Conclusion by Christine Sakamoto. Appendix I and II by Rodrigo Pires de Campos and Mr. Harris Munandar (DICOS/D1).

CHAPTER 1 Indonesia's Constitutional System

1.1 Introduction

In this chapter we will briefly introduce some preliminary information on Indonesia's Constitutional System, including those regulations concerning the division of power, with special emphasis on the Judiciary System, as well some considerations on the categorization of law and basic contract rules in Indonesia. This introduction to those topics is essential for the understanding of the relation between law and development, and the report as a whole.

For this purpose, it is sub-divided into 4 parts, as follows:

1.2 Constitutional System

According to the 1945 Constitution, the sovereignty of the State is vested in the people and exercised by a body named the People's Consultative Assembly (MPR). Therefore, the MPR holds the highest authority of the State, while the President, who is appointed by the MPR, must execute the policy of the State according to the broad lines determined by MPR.⁷

The Constitution provides for establishing five branches of the State: the President, the House of People's Representatives (DPR), the Financial Supervisory Council, the Supreme Court, and the Supreme Advisory Council⁸:

1.2.1. The MPR

The MPR consists of 1,000 members: 500 members from the House of Representatives, and delegates from the regional territories and other groups (another 500 members).

It exerts the highest authority of the State, such as: 1) determining the Constitution; 2) amending the

⁶ DJOEKARDI, Arie D., op. Cit., p.1.

⁷ BADRULZAMAN, M.D., "The Legal System of Indonesia", in Kenneth R. Redden (ed.), *Modern Legal System Encyclopedia*, pp.12-13.

⁸ *Ibid.*, p.13.

Constitution; 3) determining the broad line of the policy of the State; and 4) electing the President and the Vice President every five years. The Assembly shall meet at least once in every five years in order to choose the next President, and Vice President, and determine what policies should be adopted for the next five years.⁹

1.2.2. The President

The President is appointed by the MPR. The President is subordinate and responsible to the MPR and obliged to execute their decisions. In conducting the administration of the State, the President is assisted by the Cabinet, composed of Ministers. The Constitution stipulates that the President shall be a native-born Indonesian.

The President and the Vice President shall hold office for a five-years term, and are eligible for re-election.¹⁰

The President has such rights as: 1) to create Statutes with the consent of the House; 2) to determine the Government Regulation necessary to elaborate the Statutes; 3) to hold the supreme authority over the army, navy and air force; and to 4) declare war, make peace, make treaties with the consent of the House of Representatives among other attributions.¹¹

1.2.3. The DPR

The Constitution prescribes that the House of Representatives is the legislative body of Government, and that it exercises its power in cooperation with the President. The President must obtain the agreement from the House in order to make laws and fix the estimates of revenues and expenditures of the State. The House can control the actions of the President because the members of the House are concurrently members of MPR, however this rarely happens.¹²

According to the Constitution, the House has the right to regulate financial matters, judicial power, conditions regarding citizenship, and the division of Indonesia concerning the regional government. The House shall meet at least once a year. The House consists of 500 members: 425 elected and 75 appointed by the President.¹³

1.3 The Judiciary

1.3.1 Judiciary and Judicial Organs

Articles 24 and 25 of the 1945 Constitution stipulate that the Judiciary is an independent power, which means it is supposedly 'free' from the influence of the Government. In this connection the status of judges must be guaranteed by law.¹⁴ According to the Basic Judiciary Act (Law No.14/1970), the Supreme Court stands at the apex of an independent complex of State Organs, which consists of all the courts of justice throughout the country.

There are four branches or spheres of the Judiciary in Indonesia:

⁹ Ibid., p.13.

¹⁰ Ibid., p.14.

¹¹ Ibid., p.14.

¹² Ibid., p.14.

¹³ Ibid., p.14.

¹⁴ "Introduction into Indonesian Judicial System", Judicial Research, Development and Training Center; Supreme Court of Indonesia, p.1.

1. General Court of Justice;
2. Islamic (Religious) Courts of Justice;
3. Military Courts of Justice;
4. Administrative Courts of Justice.¹⁵

All the branches of the judiciary consist of preliminary and appellate courts. Judicial and technical aspects of all the courts throughout the country are under supervision of the Supreme Court. Among those five spheres of the judicature, just two of them are relevant to the objectives of this report: 1) The Supreme Court, 2) The General Courts which are sub-divided into High Courts and District Courts.

1.3.2. The Supreme Court

The Supreme Court is the highest court in the nation and its five general functions are as follows:

1) legal functions, 2) having the power to create laws, 3) carrying out administrative 4) supervisory and 5) advisory functions.¹⁶

Under these functions, the Supreme Court undertakes the following activities:

1. settling civil and criminal cases;
2. considering appeals from a civil arbitrator;
3. making the final decision in jurisdictional disputes;
4. exercising judicial review on court verdicts;
5. exercising judicial review on acts by the administration;
6. supervise legal processes throughout the country and exert control over the activities of judges, public notaries and attorneys;
7. providing information, considering and giving advise on matters of law to other State Organs or administrative agencies, among other activities.¹⁷

1.3.3. General Courts of Justice

The High Court

A High Court is located in every capital city of a province (27 in total). Its territorial jurisdiction coincides with that of the province at a first level of regional government. It is an appellate court that handles appeals filed after District Court judgments are handed down, as well as decides jurisdictional disputes between the District Courts. Trials are conducted by a panel of at least three judges and assisted by a substitute legislator of the court. The High Court is also vested with several judicial functions such as the administrative function, and advisory function, among others.¹⁸

The District Court

There is a District Court in every “kabupaten” or “kotamadya”, the second level of regional government standing below the province (279 in total currently). Its territorial jurisdiction coincides with that of a kabupaten. It is primarily a court of general jurisdiction, handling all kinds of civil and criminal cases.

¹⁵ Ibid., p.2.

¹⁶ Ibid., p.3.

¹⁷ Ibid., pp.3-4.

¹⁸ Ibid., p.5.

Cases are tried either by a single judge or a panel of three judges depending on the nature and importance of the case.¹⁹

Administrative Courts

Administrative Courts are regulated by Law No.5/1986, and are subject to different regulations. The duty of these courts is to examine, decide and settle administrative disputes. An administrative dispute is understood to a dispute in the field of public administration between an individual or a private corporation and/ or a central or regional administrative body or organ that caused the issuance of an Administrative Act based on valid law regulations. There are several types of administrative courts such as the Taxation Review Board and Land Reform Courts, among others.²⁰

1.4 The Judicial Process (Civil Procedure)

Since we have presented some information on judicial organs, in this section we will examine civil procedures.

1.4.1. Institutes

A civil claim is instituted by a letter of request, which must be sent to the Head Judge of the local State Court in the province in which the defendant resides. When the domicile of the defendant is unknown, proceedings may take place in the plaintiff's domicile. When the claim concerns immovable goods, the request is submitted to the Head of the State Court where immovable goods' jurisdictions are situated.²¹

1.4.2. Opening a Session of Court

After a request has been registered with the Secretary of the Head of the State Court, a day and time is set for the session to be held. If the plaintiff is absent at the first session, the claim may be cancelled. If the defendant has not appeared at all, the court will declare the defendant to be in default. In the case both parties are present at the first session, the Head of State Court tries to concile the disputing parties. If conciliation is reached, a statement is made and it is regarded as a legal decision of the court.²²

1.4.3 Court Procedures

In civil procedures, both parties are in turn given the opportunity to present a conclusive (a written document containing their arguments on the dispute). After producing a conclusive, the court can order the evidence proceedings to take place, in which witness' testimony, expert's reports, documents and confession should be produced. After the evidence has been submitted, each of the parties has the opportunity to present another conclusive. In case the documents submitted contain sufficient evidence, and the court has the opinion that the investigation is finished, the court is able to render its final judgment.²³

¹⁹ Ibid., p.5.

²⁰ Ibid., p.13.

²¹ BADRALZAMAN, M.D., op. Cit., p.54.

²² Ibid., p.54.

²³ Ibid., p.54.

1.4.4. Appeals Process

A judgment from the State Court may be taken to the High Court for appeal within 14 days after the State Court renders its decision. The High Court may then retry the case and in so doing may correct or reverse the judgment of the State Court, or confirm it. The decision of the High Court may be taken for review to the Supreme Court within a certain time after notification of the High Court judgment to the parties.²⁴

CHAPTER 2 Land System

2.1 Introduction

Indonesia has modernized its economic and political systems rapidly in the last few decades under the New Order and President Suharto's control, however there is dispute over how the government has achieved its successes. Human Rights Abuses and corruption are major issues that have yet to be seriously dealt with at state or local levels. During Group 4's research gathering in Indonesia, many government officials stated that they lack the numbers of people necessary to implement the policies put forth by various governmental institutions. However, more than the lack of people or skilled individuals necessary to carry out government policy and reform it is arguable that the effects of corruption and the lack of a socio-legally educated populace are negative factors affecting development.

Heavy financial burdens upon the central Indonesian government forced the realization that local government autonomy is a must in development and hastened the recent government de-centralization. However, de-centralization alone will not turn around the various problems facing the central government nor the regional and local governments, if nothing else it does the exact opposite in many cases. The forcing of local governments to take over responsibilities that were originally the central government's has caused much confusion. One result is the many hastily set-up local government agencies with people who have little or no understanding of how to run a government or how to develop urban (and/or rural) and land policies.

In addition, the state has powerful controls over land acquisition, use and the right to use land in a manner it deems fit which further complicate urban development and land matters. It is our intent to: 1) analyze historical factors affecting Indonesian legal and land history; 2) examine and outline land laws, regulations and policies in regards to development; and 3) suggest implications that have negative effects on development, land use, and peoples' land rights. We will argue that the current Indonesian government's developmental policies often negatively effect the people and the country's future and suggest how Indonesia should confront these issues.

2.2 Brief History of Indonesia's Land System: Legal Pluralism

In order to better understand the current difficulties in land matters in Indonesia it is necessary to go back and look at historical factors which shaped land practices.

2.2.1. Indonesian History and its influences on Land

Indonesia was colonized by the Dutch for over 350 years, during which time three different land systems which can be termed colonial land policy, were used for the three different racial groups of people that inhabited Indonesia. The first being the native peoples unwritten Adat, or customary, law which applied only to them²⁵. The second being "Western" or Dutch law prescribed specifically to support their position and

²⁴ Ibid., pp.54-55.

²⁵ The customary law has several characteristics, as follows: 1) no distinction between movable and immovable goods; 2) no

guarantee them rights and exploitation of Indonesian land. This legal land system was back by Royal Dutch Decree²⁶. The third and last system applied to “Orientals” (generally Chinese) residing in Indonesia who in turn had their own rights to land²⁷ in which enabled them to run grand private farming estates.

Three separate racial, religious and legal group systems, needless to say these separate systems created a certain amount of confusion and most importantly a pluralistic legal system which to some extent exists today. Legal pluralism is a negative factor because, instead of one clear, unbiased legal system created and workable for all, there existed separate complicated and biased legal systems. When it comes to law, a system based on clarity, equality and lack of bias, for anyone particular group of society, is the ideal form. This did not exist in Indonesia for the odd 350 years it was colonized by the Dutch.

During the years of 1942 to 1945 when Indonesia was occupied by the Japanese Imperial Army, in its said fight to free its Asian ‘brothers’ from the clutches of colonial power, the Indonesians were encouraged to draft their own constitution speeding up their progress towards the road to independence. During which time the founders of the constitution were said to have turned to basic Adat principles in creating the constitution and would again when writing the Basic Agrarian Law of 1960 (hereafter BAL). By doing this Adat took on a new written form. Soon after the Japanese surrender in August 1945 Indonesia declared its new constitution and hence its independence. However, a free Indonesia, much less minor matters such as Land Law, had to wait until the Dutch recognized Indonesian independence; due to this many years of debate, dispute and fighting ensued. Finally, UN and U.S. condemnation forced Holland to recognize Indonesian independence and only under great pressure did Holland, however unwillingly, begin to give up its hold on Indonesia.

Under a nationalist patriot, President Sukarno, Indonesia struggled against the Dutch, Japanese Imperial Army and again against the Dutch to gain independence. President Sukarno became Indonesia’s first president in 1945. Due to Communist links in his party and national economic chaos, President Sukarno was overthrown in a coup in 1965. A leading military officer, Mr. Suharto, replaced President Sukarno for the two years after the coup. Then in 1967 Mr. Suharto became President of Indonesia and with his Golkar party has remained in power for the last 32 years. Under President Sukarno the Indonesian Constitution was re-written in a completely different form on three separate occasions. Under pressure from Holland, Indonesia even created a Constitution for the Federal States of Indonesia as Holland hoped to retain a foothold of power in Indonesia. Under President Suharto and his New Order the original 1945 Constitution was brought back into use. The reigns under these two men were not particularly democratic in the Western sense and both leaders often resorted to less than legal or ethical methods in putting through their agendas.

2.2.2. Role of the State

In 1960 the BAL was created so as to eliminate previous inequalities and to streamline all land laws as well

distinction between real and personal rights; 3) no distinction between public and private law; 4) no distinction between civil and criminal cases; and 5) no consensual nature in contract.

²⁶ The situation of law under the Dutch domination in Indonesia was as follows: 1) the Europeans were subject to the Civil Code and Commercial Code, the same Code in force in Netherlands; 2) Natives were subject to their Customary Law (Adat Law); 3) Oriental foreigners who were Chinese were subject to the Civil and Commercial Code, except for some specific areas, for example, the civil registration, formalities prior to marriage and postponements of marriage, etc. 4) Oriental foreigners who were not Chinese were subject to the Civil and Commercial Code, except in the family and inheritance law. In this case, they were still subject to their own Customary Laws.

²⁷ SUMARDJONO, Maria S.W. “Real Property Ownership, Security Right, and Securitisation in Indonesia: An Overview”, paper, 1997, p.1.

as to eliminate colonial legislation that violated the spirit of the 1945 Constitution.²⁸ While those previous colonial laws which were found to violate the constitution were invalidated, no permanent system was established to extensively review old colonial legislation left over by the Dutch.²⁹ This has created confusion as to what laws are truly usable or constitutional. A permanent legal review board set up to review the many vast Indonesian laws would greatly improve matters.

When drafting the BAL of 1960, the government greatly based it on Adat laws to create a 'uniform' land system, in doing so Adat was transformed from being a customary, unwritten law to a written one. In addition to Adat laws, new rights and regulations were created. The next section will look at some of these aspects. As the BAL of 1960 is quite extensive in nature, only certain aspects deemed vital to this research will be touched upon.

2.3 Related Laws and Regulations

2.3.1. Article 33 of the 1945 Constitution

As mentioned previously the history of Indonesian land law is rather complicated as it was extensively pluralistic (e.g. dualistic in nature). In 1960 the BAL was adopted by Act 5 of 1960 by the MPR (the Upper House, the highest body of power above the President) with the intention to 'de-pluralize' land law and create a clear, uniform system for all land and people. As stated in Article 2 of Act. 5 of 1960 enacting the BAL and based upon the provision in Article 33 paragraph 3 of the 1945 Constitution, the state has the right to control, but not to own, the land, water, and air space and any natural resources found therein. It is important to note that this right to control is considered to be the highest and most powerful declaration of the right to use land in the constitution in regards to state powers.

The right to own versus the right to control are two separate powers. Generally the right to own land is considered the most powerful of all land rights however, this right can be overridden by state powers. Therefore, the government has the greatest power to control land. As it is the government, not the people, that generally creates laws and regulations. This causes many difficulties in that the government has the tendency to look out for its interests and put aside the rights of the people. Political and ethical problems further arise as it is the MPR and the DPR (the Lower House) who enact laws. These bodies are not truly representative of the people of Indonesia and therefore pass laws benefiting the state, such as the law giving the state right to control land.

2.3.2. Basic Agrarian Law of 1960

State Powers:

specifically stated in Article 2, No. 2 of the Basic Agrarian Law, the state has the authority to:

- 1) regulate and implement the appropriation, utilization, reservation and cultivation of the land, water and air space;
- 2) determine and regulate the legal relations between persons concerning the earth, water and air space;

²⁸ Even at present, the great theme in terms of law reform has been the task of law unification. Since the efforts to achieve the codification has faced many difficulties, the Government has decided to take steps through creating basic law in the specific areas. The Basic Agrarian Law of 1960 (BAL) is one of the examples that draws some progress towards unification. Yet even unification has been achieved, prior to division has much influenced the shape of unification.

²⁹ According to 1945 Constitution, Clause II of the Transitional Provision, all pre-World War II Dutch colonial regulations in force at the time of independence continue to be valid with the restriction that they are valid only to the extent they are not contrary to the 1945 Constitution.

3) determine and regulate the land relations between persons and legal acts concerning the land, water and airspace.

Land Rights

The Basic Agrarian Law stipulates 3 classes of rights: rights in land, rights in water and rights in air. As Group 4 is focusing on land rights this section will deal only with rights in that area. In Sudargo Gautana's "Agrarian Law" he lists Article 4 and 16 of the BAL as defining the rights of land as follows:

- 1) the right of ownership ("hak milik")
- 2) the right of exploitation/ cultivation ("hak guna usaha")
- 3) the right to build ("hak guna bangunan")
- 4) the right of use ("hak pakai")
- 5) the right of lease for building ("hak sewa untuk bangunan")
- 6) the right to clear land ("hak membuka tanah")
- 7) the right to collect forest products ("hak memungut hasil hutan")
- 8) the right of lease in farmland ("hak sewa tanah pertanian");
- 9) the right of pawn ("hak gadai");
- 10) the right of sharecropping ("hak usaha bagi hasil");
- 11) the right of lodging ("hak menumpang")³⁰

Among the above listed land rights the first four are particularly of interest to this study and so shall be briefly defined here. Those four being the right to own, the right to exploit, the right to build, and the right to use.

The right to own (Hak Milik) is considered to be the strongest and as such is the "best tie" a landowner can have. This right can only be held by an Indonesian citizen. This right has no limitation, may be inherited, transferred or sold per the desire of the owner. However, it is stipulated that the owner must register any changes of land ownership with the proper governmental authority. In general, corporations are not allowed the right to own land.

The right to exploit (Hak Guna Usaha) this land right applies specifically to state land and its provision extends between 25 to 35 years with the option to apply for an extension of another 25 years. Indonesian citizens, domestic Indonesian corporations or joint-venture corporations have the right to exploit land.

The right to build (Hak Guna Bangunan) is the right to build and own a building on another person's land for up to 30 years with the option to renew the agreement for up to another 20 years. Indonesian citizens and corporations established under Indonesian law and domesticated in Indonesia may have the right to build. Article 37 states that the right to build originates through (1) a government decision in regard to state land, and (2) official agreement between the owner of the land and the individual/ organization desiring the right to build. Any changes in use of the right to build must be registered with the government.

The right of use (Hak Pakai) is the right to use and/or gather produce from state land or land owned by private individuals per official agreement. This right may last up to 25 years with the option to extend for up to 20 more years. Indonesian citizens, foreigners residing in Indonesia, corporations established under Indonesian law and domesticated in Indonesia as well as foreign corporations having a representative in Indonesia have the right of use.³¹

³⁰ GAUTAMA, Sudargo and HORNICK, Robert N., "An Introduction to Indonesian Law: Unity in Diversity." Alumni, Bandung, 1978, pp.65-94.

³¹ SUMARDJONO, Maria S.W., "Real Property Ownership, Security Right, and Securitisation in Indonesia: An Overview", 1997, pp.2-8.

In general, the above four land rights are fairly clear and unbiased. If followed to the letter of the law, these rights guarantee a large range of communities, corporations and people security. However, the general populace is not well informed or educated as to various legal, land or human rights. What is the use of rights if people aren't aware of them due to lack of education in this field and to the lack of information being dispersed to the populace. This is an issue that the government has yet to fully deal with.

2.3.3. Role of *Adat* Law in the 1960 Basic Agrarian Law

Adat Law, in its original form, was unwritten yet understood by the native populace. People were aware as to what land belonged to whom and what rights applied. However, due to the entrance of the Dutch laws and the land system in Indonesia became a pluralistic muddle of affairs, (as explained in A Brief History) but *Adat* still managed to maintain its traditional, unwritten form until the BAL of 1960. With the creation of the BAL of 1960 *Adat* was altered to fit modern needs and expanded to cover new areas.

Article 5 (of the Basic Agrarian Law) declares that the 1960 Agrarian Law is the “new” law for all Indonesia however, this is not a complete transfer of traditional *Adat* law as it was known. As Article 5 and 58 state, *Adat* law cannot contradict the BAL. In addition, Article 5 contains a separate list of additional principles with which *Adat* law must not contradict: 1) the national interest; 2) Indonesian socialism; 3) legislation other than the BAL; and 4) basic principles derived from religious law.

These principles represent potential restraints on the extent of *Adat* law. Sudargo Gautauna points out that, “villages have the “right of disposal” in community land (*hak ulayat*) and though this is recognized in the Agrarian Law, Article 3, it is severely limited by the principles stated above in 1 – 4. Thus, a village may not act contrary to national interest in its “right of disposal” and cannot prevent the state from doing so. As long as the state does not act, a village is free to dispose of its community land in any manner consistent with the principles in Article 5. Yet the government is always free, on behalf of the national interest, to intervene and dispose of a village’s community land contrary to the will of a village.” In such instances, clashes occur between *Adat* community land use and state use. Adding to the confusion, the state may simply override recognized, legislated holding rights. It could be said that this power held by the state over *Adat* law or other laws is yet another pluralistic legal principle.

2.4 Land System: Land Mapping, Titling and Registration

In the first half of this chapter we analyzed legal matters in regards to the land system, we now turn to the effects of those regulations and how they are being implemented. The Indonesian government is struggling to keep up with the nations rapid development and faces many difficulties balancing urban development and peoples (land) rights. Without the concerted cooperation and combined efforts of government, business and the people themselves development cannot occur evenly or smoothly.

2.4.1. Land Consolidation

As the government works to consolidate land by measuring and re-parceling land in order to improve land mapping, registration and to prepare land for development, the public is expected to play their part and be willing to give up their land for the benefit of the ‘greater good.’ Unfortunately, the state and local governments lack the necessary skilled people to widely distribute information regarding land and land policy thus, creating more confusion among people when they are suddenly requested to cooperate in the new land distribution schemes.

However, this transfer and re-parceling of land is not only necessary for the sake of development, but also for the sake of the common people, in that governmental land consolidation should further secure rights to land

by clearly mapping and titling land and parceling that land off that is necessary for developmental purposes. Currently only 40% of land in Jakarta is registered whereas around 20% of land at the national level is registered. This creates many problems particularly when various enterprises or government ventures desire to acquire land, making it very difficult to clearly and correctly identify the rightful owner of the land. Another major problem is the limited nature of the national budget, which is often unable to finance various projects.

BPN, the National Land Agency, is in charge of Land Consolidation in Indonesia and defines the general concept of Land Consolidation as being: “a land policy or rearranging land use as well as arranging land supply for infrastructure and public facilities development in the framework of increasing environmental quality and natural resources conservation by involving active participation of the landowners and society”. Its activities are defined as:

- 1) “covering the re-planning/ rearranging of shape, size, position, title, use and the right of land parcels to become orderly and arranged and to be complete with infrastructure, and those public facilities that are necessary through the direct participation of the land owner(s).
- 2) land consolidation is...conducted as...one activity by the Directorate of Land Tenure Arrangement of the National Land Agency. Its goals being:
 - 1) acquiring land for infrastructure, public facilities and construction, and operational costs which are the responsibilities of the land owners.
 - 2) that all landowners are participants and should contribute their land for the purpose of development; to be used for infrastructure, public facilities and the cost of executing land consolidation.
 - 3) reorganizing a land parcel’s shape, size and position through land consolidation can be done by moving the position of land held, combining, splitting, exchanging and abolishing of land.
 - 4) granting land right and land title to participants as a secure legal land right”.

Thus the overall stated purpose of land consolidation is to use land to its fullest extent and to arrange land as orderly as possible. It is believed that landowners will benefit from the increased land value derived from it being well mapped and thus more easily sold. The law evenly distributes land, accelerates the development process and improves the use and productivity of land.³²

Up to present and according to statistics from 1993, Land Consolidation has reached 102 locations in 25 provinces. The urban consolidated land comprises of 6,233 hectares of 38,210 parcels which involves 31,738 land owners.³³

Land consolidation must be derived from the Master Plan/ Regional Spatial Planning (RTRW) with a priority scale of: 1) slum areas; 2) settlement area which are expected to grow and develop rapidly; 3) areas that begin to grow and are expected to become settlement areas; 4) areas expected to become new settlement areas; 5) areas in which there is little construction or structures (urban fringe area) and that is expected to develop as settlement areas; and 6) urban fringe area with connecting roads to the highway in urban areas.³⁴

2.4.2. Application Procedures in Acquiring Land Rights

As previously mentioned, a very small portion of Indonesian land is properly registered and naturally leads

³² “Land Consolidation in Indonesia,” National Land Agency, Republic of Indonesia, (Publisher and other information unknown), pp.2-6.

³³ *Ibid.*, p.2.

³⁴ *Ibid.*, p.3.

to many legal and social problems. The rights of ownership, use, building and exploitation are the four most important land rights in regards to our research. Thus it is necessary to look at how and to whom such rights are certified because without proper certification, proper recognition of rights is difficult, if not impossible to achieve. One example of this problem to be discussed later, is “Girik” a certified receipt, issued from the government, showing that the holder of the receipt has paid tax on the land on which they live or ‘own’.

The three categories in which people may apply for land certification are defined as: 1) those desiring to certify land parcel by parcel; 2) the case in which land is applied for collectively and receiving government assistance; and 3) for the financially poor receiving government assistance.³⁵ Approval of land rights for the previously mentioned “Girik” tax receipt certification is only given to those individuals who have official certification dating back to and before 1960. The BAL states that holders of Girik must formerly register their land by and around 1961. During interviews with people living on Girik land we learned that presently many such holders still have not registered their land, and when they attempt to do so they get caught up in a vicious cycle in which they are more often than not, turned away by registration officials. Most likely people are turned away because they 1) lack the proper paperwork, 2) the necessary ‘fee’ to a public official and/or 3) the state plans to use the land in question for its own purposes, therefore fail to obtain a true and binding certificate of land registration.

These individuals face additional difficulties due to the inability to register land. Though these people routinely pay land tax, they have no true ownership rights. We were told numerous times by various government officials that Girik is not official. Therefore, holders of it are not recognized as being the proper owner of the land, and thereby have no legal claim to the land (which is very difficult to identify in many cases and often such disputed land is ‘owned’ or claimed by the government). Neither are holders entitled to full compensation in the sale of land. However, according to the government, holders of Girik, Land-list, and land tilling among others may apply for registration with the government. This of course does not guarantee that they will be given certification.

In trying to register land, according to government officials from the National Land Agency, it is necessary to trace the history of the land to find the proper owner. This is often a daunting and complicated task. The National Land Agency is responsible for investigating into the history of ownership for a parcel of land in which ownership of land has been requested. In Jakarta and other urban areas where Adat land no longer exists it is somewhat easier to trace ownership of land versus rural areas where traditional laws of the area play an important factor. Once the land in question has been checked it is assigned to categories. The National Land Agency uses the following method: open land is put on a “C list, or “D list,” or listed as Girik depending on the ethnic group. Once 4 out of 5 categories are properly checked then the land in question with the name of the ‘proper’ owner, and a description of the land are published in national and local newspapers twice over a period of two months. If no counter claim is made, the land is considered acceptable for registration by the person(s) applying.³⁶

2.4.3. Land Acquisition: Presidential Decree No.55 of 1993

This law was created to eliminate former laws which did not deal with land acquisition regarding the public interest. This law is important in that it includes new regulations regarding: “1) the formulation of a committee which carries out investigations into land matters for the public, 2) creating the need for public consensus in

³⁵ IMRAN, Aidasari. “Land System in Indonesia”, National Land Agency, Republic of Indonesia, 1997, p.9.

³⁶ Statements obtained during an interview with officials from the National Land Agency in Jakarta, August, 1997, Nagoya University, OFW Research, Law and Development Group 4.

deciding land matters and 3) clarifying rules regarding compensation for landowners whose land is taken for public use.”³⁷

In Article 6 of Law No. 55, the Committee for Land Acquisition is defined as follows:

- 1) “land acquisition for public interest is implemented with the assistance of the committee of land acquisition which is formed by the governor or head of a province;
- 2) the committee is established in each district or municipality;
- 3) land acquisition related to the land located in two or more districts is implemented by the assistance of the committee at the provincial level which is presided or formed by the related governor, and in which members of the committee should be the representatives of related institutions at first and second level districts.”

This committee has various tasks that it must carry out in the public interest. Some of those being: research into the use of land, to estimate the value of land, the dissemination of information to the public, to conduct meetings to gain public consensus and to carry these activities according to proper legal methods³⁸. The committee’s most important role can be considered the dissemination of information to the public, gaining consensus on land matters and deciding the compensation to a landholder. As this committee is still fairly new, we have yet to see how effective it is.

2.5 Problems

Many difficulties regarding land, its use, ownership and legal status were supposed to have been solved by the Agrarian Law of 1960 and should have taken effect by now. Many regulations, agencies, and laws have been created to solve land issues, but successful implementation is blocked in many areas. Some of those being the lack of skilled people within the government to carry out the necessary work, the lack of funds, and at times an overzealous military too willing to ‘assist’ government backed projects or particular private projects. Often such projects (which if are of Indonesian origin) are more often than not financially supported by government banks.

In addition, the emergence of “land brokers” has come to play a large and debilitating role as they swindle poor, uneducated, and unsuspecting people out of their land and money. The government has stated it has a difficult time catching these people. An even larger reason for problems regarding land is the general lack of knowledge and understanding on the part of average Indonesians as to their land rights and the proper holding or certification of said rights. It is vital that education in regards to rights, land and human, among others, be addressed in order to start to elevate difficulties now and for the future.

With only a small percentage of land registered, in a nation that is ranked the fourth largest in the world, and one that is developing at a dizzyingly rapid pace one must feel sympathy for the local governments who now must be responsible for registering land while lacking the necessary funds and training to do so. At the same time the people of Indonesia suffer due to governmental inefficiencies and lack of information. Local governments who feel pinched economically now will likely feel that much more so down the road.

These problems are in great part due to the central government who only too recently started relinquishing power to local governments due to lack of money in the government coffers. In visiting many government agencies it was exceedingly clear that local government officials are indeed overwhelmed by the lack of direction. Far too many agencies were established in such a rush that many functions are often duplicated. In

³⁷ Presidential Decree No. 55 of 1993, unofficial translation, Article 6.

³⁸ Ibid.

addition, many of the new agencies lack the necessary knowledge to run a government, cities, or how to deal with development much less have know-how to create necessary policies and how best to utilize budgets.

CHAPTER 3 Urbanization, Land Policies and related Organizations

3.1 Introduction

The aim of this chapter is to make easier to comprehend the present situation of Indonesia's urbanization and related land problems. For this purpose we will present and discuss subjects related to the present policies for urban planning, and some matters related to the Government's structure, decentralization policies and community participation.

All of these matters will be discussed from a legal and/or political point of view. Among these issues we will look at: urban and land policies, as well those related problems resulting from Indonesia's peculiar legal and political systems.

In this sense, this chapter is divided into the following parts:

- 1) *Indonesia's Five Year Development Plan*: here some of the most important urban and land use policies included in the Sixth Five-year Development Plan, called REPELITA VI ³⁹, will be introduced to clarify future perspectives for the areas of Urban and Land policies;
- 2) *Government Structure and Community Participation*: here the relations between governmental institutions, the decentralization policy adopted by the Central Government in recent years, and some final considerations on community participation in the planning and implementation of Government's policies will be presented.

Needless to say, all the analysis presented in this chapter aims at making a first and basic approach of Indonesia's situation in the area of urban planning and land regulation related problems.

3.2 Indonesia's Medium-term Plan: Urban & Land Policies

As presented in this report's General Outlines, REPELITA as the National Medium-term Plan (planned for 5 years), must be in accordance to the National Long-term Plan (planned for 25 years). At present, Indonesia is in its sixth medium-term plan, REPELITA VI, covering the period from the fiscal year of 1995/96 to the fiscal year 2000/01.

Before introducing the most relevant policies in REPELITA VI, we will list below some of the main difficulties faced by the Central Government in urban and land planning in Indonesia at present:

- 1) "Inefficiencies and distortions in the urban land market which have led to low-density development in the older areas of many cities, and thus encouraged urban sprawl;
- 2) Growth on the periphery of these cities at a rapid rate (nearly 18%/year around Jakarta), in areas that are least well-served by urban infrastructure and often at the expense of prime agricultural land and ecologically sensitive areas;

³⁹ The Indonesian General Pattern of Long-term Development, which covers a period of 25 to 30 years, forms the basic foundation for the formulation of the General Pattern of Medium-Term Development, i.e., the General Pattern of Five-year Development, called REPELITA. At present, Indonesia is under the Sixth Five-year Development Plan, called REPELITA VI.

- 3) Private sector development of urban land for industrial, commercial and residential purposes in an uncoordinated fashion, with municipal governments then expected to provide supportive infrastructure and other urban services;
- 4) By lagging behind, the costs of infrastructure are higher, since it is then necessary to disrupt already built-up areas to improve roads, lay water mainstream and construct drainage system⁴⁰

Even though the main priority of REPELITA VI is not focused on urban planning the Central Government recognizes the importance of increasing urban planning capacities across the country. In this sense, REPELITA VI raises concerns “about poorer areas where basic investments are needed. In bringing to discussion each one of these issues, REPELITA VI has recognized that attention must also be given to the interaction between cities and their surrounding rural areas that urban policy takes place in a national spatial context”.⁴¹

For housing and human settlement development, REPELITA VI establishes that its policies must be oriented towards the needs of the people for shelter, both in terms of quantity and quality, within a healthy environment. The construction of housing and human settlements must take into account spatial planning and interrelationships, as well as the integrity of the surrounding social environment.⁴²

The REPELITA VI’s objectives for housing and human settlement development are:

- 1) better planning and distribution of housing and human settlement infrastructure, with affordable quality and basic services, particularly for low income people;
- 2) more efficient and effective management of housing and human settlement development, which is sustainable and supportive of the environment; improved community participation, including cooperatives, and the private sector, in implementing and funding the development of housing and human settlement;
- 3) improve business and employment opportunities in industries which support housing and human settlement development; and
- 4) creation of a proper housing and human settlement environment, which is clean, healthy, secure, and provided with all necessary facilities.⁴³

In physical terms, the target for housing and human settlement development includes:

- 1) the supply of approximately 500 thousand houses, which consist of very simple core settlements and houses;
- 2) improvement of 21,250 hectares of slum areas in 125 cities and renovation of an additional 750 hectares; and
- 3) renovation of housing and settlement in approximately 20 thousand backward villages.⁴⁴

Another aim is the development of clean water infrastructure with an improved clean water production capacity of approximately 30 thousand liters per second in urban areas. This will serve more than 22 million people, and the expansion of clean water services in the rural areas for more than 16.5 million people in 22 thousand villages.

⁴⁰ DJOEKARDI, Arie D., op. Cit., pp.2-3.

⁴¹ Ibid., p.4.

⁴² INTERNET, <http://www.indonesianet.com/indotoda/chapter4.htm>, p.3.

⁴³ INTERNET, <http://www.indonesianet.com/indotoda/chapter4.htm>, p.4.

⁴⁴ INTERNET, <http://www.indonesianet.com/indotoda/chapter4.htm>, p.5.

The policy adopted for achieving these objectives includes:

- 1) development of affordable housing and human settlement for the community at large;
- 2) development of housing and settlements which are responsive to the environment and are sustainable;
- 3) efforts for improving the participation of the community and the private sector in the supply of housing and settlements;
- 4) the development of an improved system of funding for housing and settlements, particularly to assist low-income people; and
- 5) efforts for strengthening the management of housing and human settlement development in an integrated way.⁴⁵

In implementing the development of affordable housing and human settlements, REPELITA VI offers a special attention to the medium and low-income group, establishing that the development of simple house together with environmental facilities should be encouraged. Furthermore, improvement in programs for renovations, relocations and resettlement of slum dwellers is supposed to include measures to ensure continuity of employment for the original settlers.

For the purpose of this report it becomes enough to present these guidelines established by REPELITA VI, adding just the information that the institution accountable to the implementation of all those policies is the National Development Planning Agency of Indonesia, BAPPENAS, one of the institutions visited by WG4.⁴⁶

3.3 Government's Structure and Community Participation

In terms of urban policies, although those policies established by Repelita VI for housing and human settlement planning seem to be very reasonable considering its accordance with the present situation and basic needs in terms of policies, in practice some problems come up quite frequently. Examples of these problems were listed in chapter 2. Among those problems: an overly strong bureaucracy, lack of community participation, and the problem of "land brokers" seem to be some of the most serious problems at present.

In the next section we will present information on the Government's structure and its recent decentralization process.

3.3.1. Government's Structure

According to information obtained from several governmental institutions visited by WG4 in Indonesia, two of the main problems regarding the relation between governmental institutions are: 1) the *overly* strong bureaucracy, and 2) the not very well-defined role of each institution. Their main cause is the fact that since the New Order was established, in 1965-67, all governmental institutions have been strictly dependent on the Central Government. Although these problems are related, we will present them separately.

1) Role of Institutions regarding Housing and Land Matters

Firstly, regarding the characteristic of a not well-defined role, this situation can be clearly seen in some cases. For example, in the sectors of housing and land matters. Since these two sectors are considered as 'multi-dimensional', because they include many other areas like environment and agriculture, it is normal if some

⁴⁵ INTERNET, <http://www.indonesianet.com/indotoda/chapter4.htm>, p.6.

⁴⁶ For a list of institutions visited by WG4 in Indonesia, please refer to the Appendix II.

'overlapping' exist among those related institutions. This is the case of some institutions involved in controlling housing and land matters in Indonesia: The National Land Agency (BPN), The National Development Planning Agency of Indonesia (BAPPENAS), Ministry of Agrarian Affairs, Ministry for Population and Environment, Ministry of Home Affairs, Ministry of Housing Affairs, Ministry of Public Works (particularly its Integrated Urban Infrastructure Development Program - IUIDP)⁴⁷.

The National Land Agency (BPN) has the attribution of supporting the President in managing and developing land administration in line with the Basic Agrarian Law/1960, as well as other regulations which cover land use management, land holding, land ownership, land measurement and land registration.⁴⁸ Its functions are: 1) formulating policy and planning on land tenure, land use and land ownership arrangement; 2) conducting land surveying, mapping and registration in an effort of providing such rights on land; 3) implementing land rights management in order to hold administrative order on land matters; 4) implementing research and development on land aspect. In short, at national level, it is the strongest institution for land affairs.

Regarding development related to land, the National Development Planning Agency of Indonesia (BAPPENAS) is in charge of planning urban development, regional spatial development and national spatial development.

The Ministry of Agrarian Affairs is accountable to formulate land policy and coordinate all land-related matters.

The Ministry of Population and Environment undertakes the aspect related to spatial use management (of living environment), such as housing and living environment (human settlement), industrial and business environment, national and regional environment (pollution control).

The Ministry of Home Affairs undertakes all internal aspects such as implementation of national and regional development in terms of physical, social and political development.

The Ministry of Housing Affairs, at present, regulates the development of all housing matters (low, medium and high-income houses).

The Ministry of Public Works is accountable to build and maintain infrastructure of housing, sewerage, sanitation, drainage and road network. A good example of 'overlapping' can be seen in the case of its Integrated Urban Infrastructure Development Program (IUIDP), which was established as a vehicle of attaining development as a means of achieving more efficient provision of basic urban infrastructure. Considering the IUIDP, its attribution falls under the domain of the Ministry of Public Works. But the duty of controlling some of the public works are, at the same time, within the jurisdiction of the Ministry of Housing Affairs. Therefore, this is an area where the task of both ministries and one especial program of the first Ministry overlaps.

The conclusion is that by observing the role of each institution in the development program related to housing and land, we presumably assume that the role, task and function of each institution intertwine with others. Furthermore, in implementing such a complicated development process, sometimes even government institutions face many overlapping problems. Thus, in order to reach a better result in the development process, the word "inter-agency coordination" is of prime importance, and a first good idea would be to establish a coordination team consisting of inter-ministerial members which would control this relation among ministries.

⁴⁷ Obviously, we are not considering here those regional, local, municipal and village level institutions, which means the problem is even more serious.

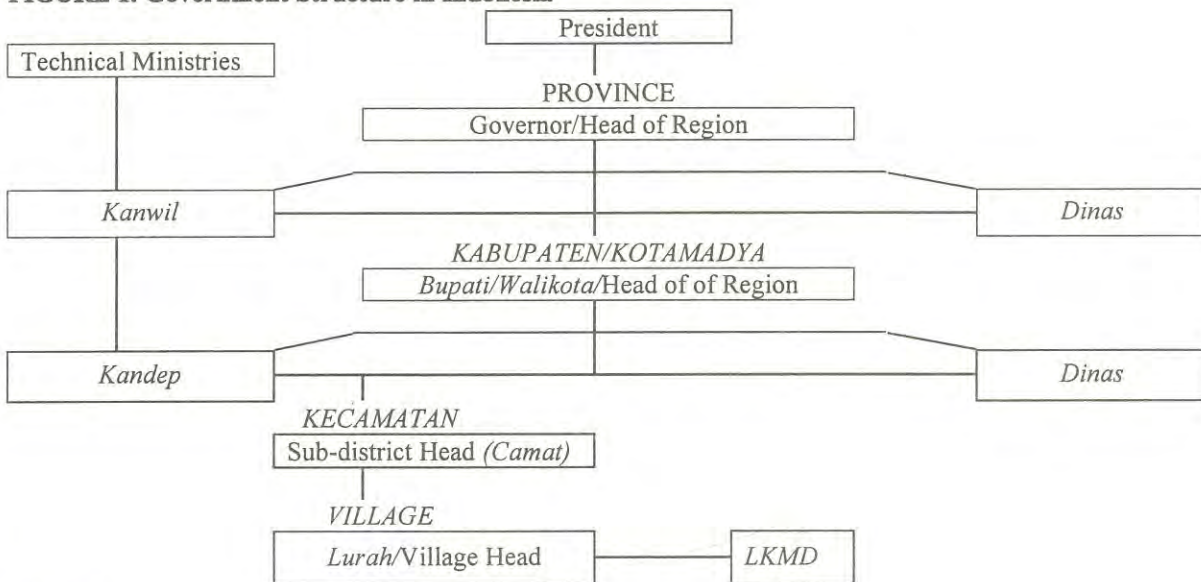
⁴⁸ The existence, task and function of BPN is regulated by the Presidential Decree No. 26, Year 1988.

2) Bureaucracy

The overly strong bureaucracy is visualized when problems such as the duplication of efforts in different levels of government, delays in the decision making process, lack of or delay in the implementation of necessary policies and/or projects for the society, and lack of experience faced by lower levels of the Government in conducting policies, and many others, become quite common.⁴⁹

Despite the strict control imposed by the Central Government, the population and urban growth speed, as presented in the General Feature, makes the Central Government unable of controlling every government level and, therefore, brings the necessity of a decentralization process. Thus, increasingly difficulties faced by the Central Government in coordinating, administrating and the financing of lower government levels⁵⁰, indicates that the gradual transfer of autonomy to local levels will take place very soon. (see Figure 1: Government Structure in Indonesia⁵¹)

FIGURE 1. Government Structure in Indonesia



NOTES:

Dinas = local government service department, responsible to the provincial governor, and with indirect links to the relevant central government department

Kandep = *kantor departemen* (kabupaten level office of a central government ministry)

Kanwil = *kantor wilayah* (provincial level office of a central government ministry)

LKMD = village planning board

However, since the strict control imposed by the Central Government led to the inexperience in conducting policies at its lower levels, maybe not only a decentralization policy, but also a process of redefinition in the role of regional, district and local levels of government must be implemented as soon as possible. This will make them better learn how to work more effectively in areas controlled, so far, by the Central Government. Obviously, it also depends on how and to which extent the Central Government intends to implement its

⁴⁹ This incapacity refers to the lower levels of government.

⁵⁰ Under the Central Government there are regional, provincial, district, local and village levels.

⁵¹ In the case of DI Yogyakarta, for example, one more level must be included, that is the Sultanate level, a historically traditional power hereditarily transferred.

decentralization policy. This decentralization process has already started in Indonesia and according to Ranis and Stewart, the situation still offers us the possibility of finding “relatively little ‘real’ decentralization (devolution)”.⁵² This observation was made in 1994, and few changes have occurred since then. However, a description of the present situation of decentralization in Indonesia becomes necessary, being covered in the next section.

3.3.2. Decentralization

Decentralization, deregulation and de-bureaucratization policies have become common phrases for Indonesia’s Central Government in recent years. As explained above, these policies stem from the fact that the central government, after 30 years of strict control, cannot continue to control everything in a country with as high level of population growth as Indonesia has been experiencing.

Therefore, such a decentralization policy makes much more sense if we look at the present situation of Indonesia. Moreover, the decentralization should be implemented as fast as possible, since it may lead to an improvement in the quality of policies, especially in social areas, making them more responsive to local needs.

This local focus is very important not only in Indonesia, but in every country where communities express their needs in different ways, as local civil servants respond to different incentives, the government’s institutional reforms are better implemented in different patterns.

An important legal step towards decentralization is that the Spatial Use Management Act (Law Number 4 of 1992), which will be present in the next chapter, “(...) broadly authorizes major reform of local, provincial and national spatial planning and management practices”.⁵³

However, it becomes quite difficult to comprehend the scope of decentralization policies in Indonesia without considering a very important historical and political fact: “(...) the memory of strong secessionist efforts in 1957/58 is still embedded in the government’s consciousness and has set limits to the extent of decentralization it permits”.⁵⁴ This mind-set is an important factor because it shows, even nowadays, its great influence on Government’s policies towards decentralization and public participation. Another difficulty in the implementation of decentralization in Indonesia is that almost every government level is headed by people from the military, or nominated by the central government.

As seen in chapter 1, Indonesia is divided into 27 provinces. Each of these provinces is headed by a governor, appointed and usually drawn from the military. These provinces are divided into administrative districts, with a district head at the top. The next level is the sub-district, usually headed by central government nominees. Each sub-district is consisted of a range of 20 to 40 villages also headed by central government nominees.⁵⁵

Needless to say, the lower levels of government become completely dependent on the central government based on such a pattern of choosing personnel to occupy key positions. Even considering these difficulties, it seems that the Central Government accepts the importance of decentralization policies. Once again this acceptance can be seen in legislation enacted in 1974: “The 1974 Basic Law No. 5 (...) introduced a new constitutional structure with the stated aim to ‘establish real and responsible local autonomy’”⁵⁶

⁵² GUSTAV, R. & STEWART, F. , op. Cit., p.41.

⁵³ DJOEKARDI, Arie D. , op. Cit., p.9.

⁵⁴ RANIS, G. & STEWART, F. “Decentralization in Indonesia”, Bulletin of Indonesian Economic Studies, Vol. 30, No. 3, December 1994, pp. 41.

⁵⁵ Ibid., p.43.

⁵⁶ Ibid., p.45.

In terms of deregulation, on January 26th, 1996, the Central Government launched a PRESS RELEASE on the subject. In this press release, President Suharto established the deregulation policy for 1996, basically aiming at increasing “national competitiveness in response to economic globalization, to sustain economic growth, and to improve equity while maintaining economic stability”⁵⁷

However, in a country where political changes usually occur very slowly and always under the watchful eye of the government, it is stated: “The implementation of deregulation policy in 1996 (...) will not be in the form of a package. Rather, the policy will be announced in stages, with the approval of the President”.⁵⁸ Furthermore, the first stage of this 1996’s deregulation policies, covers just the following sectors: Finance, Trade and Industry, once again emphasizing Indonesia’s priority towards a ‘sound economic development’.

Additional information included in the press release suggests that, the subsequent stages of the deregulation will be broadened to include, among others, Land Use and Agriculture sectors. This does not mean much in a country where written policies and/or legislation usually do not assure their effective implementations. In any course, it must be understood as a first and very decisive step.

3.3.3. Community Participation

A special section has been dedicated to community participation in this report due to WG4’s impressions gained during our month spent in Indonesia: it seems that there is not much opportunity for people to participate and to present their opinions in regards to government’s policies.

In regards this matter, two opposite opinions will be discussed. One from the Government, and the other from various NGOs working in Indonesia, in order to best represent both sides. One of them represents the ideal situation. That is the situation in which the government recognizes, at least in theory, the importance of the participation of the people in land use planning: “As one of the basic resources for the national development, land should be put to the optimum use for the utmost prosperity of the people.”⁵⁹

We heard the opposite opinion during one of WG4’s interviews in Indonesia: “People are just human resources in a country where economic development is the government’s priority.” Although the Government, on the one side, has progressively recognized the importance of people’s participation on urban and land use policies, on the other side this recognition does not mean real implementation.

One example of this recognition is regulated by the “Act of the Republic of Indonesia No. 4, Year 1992, Concerning Housing and Living Environment”, enacted in 1992, as a new Spatial Use Management Act, discussed in the next chapter.

In Article 29 there is a regulation for Community Participation which is stated as follows:

- 1) All citizens have the same rights and opportunities to participate in housing and settlement development.
- 2) Community participation as intended in Verse (1) can be carried out by individuals or by cooperation”

This regulation is, as we can observe, still very broad and limited.

A more specific regulation should be enacted in order to explicitly facilitate participatory decision making, so that individuals, families, communal groups and enterprises, with the right to participate, have a ‘real’

⁵⁷ PRESS RELEASE, (Publisher and other information unknown), p.1.

⁵⁸ Ibid., p.10.

⁵⁹ WIRJODARSONO, J.S. “The Workshop on Land Policy and Management in Urban Areas and its Implementation: Legislation and Regulation”, paper, p.1.

opportunity of influencing on land management decisions, which affect their own well-being.⁶⁰

However, even though this Article 29 can be considered still very limited, it must be accepted the fact that it represents an important step towards the opening of the Government's 'strong gates' for public opinion in the process of formulating and implementing policies in priority areas.

Moreover, the availability of information about the Government's policies seems to be one effective way for promoting more people participation: "The effectiveness of urban land use planning needs to be improved. The policy for improving the planning is undertaken through the following means: the integration of land use planning with economic, social and fiscal planning and with environmental management planning; improvement of its technical quality; making plans readily accessible; dissemination of land management plans promptly to all individuals, households, communities, and private-sector entities who have a right to be informed about governmental land management intentions; and the assignment of clear responsibility for urban land use planning with primarily national, provincial, or local impacts to the appropriate level of government."⁶¹

When this condition and many others are satisfied, community participation in Indonesia will finally be understood not only as a legitimate contribution for the Government's policies, but also as a fundamental step towards its effectiveness, implying in more social welfare, real economic development and democracy.

CHAPTER 4 Land and Housing: Present Situation

4.1 Introduction

As seen in chapter 3, there are many problems related to urban growth in Indonesia at present, especially in Jakarta. One of the direct negative impacts is an acute shortage of land for housing development and the associated limited capability of the government to provide adequate housing units for urban residents. Moreover, as seen in Indonesia's daily newspapers, land disputes related to land acquisition are high and are taken seriously by NGOs dealing with human rights.

In order to cope with land and housing problems in Indonesia, various policy measures have been implemented by the Government, but little improvement has been achieved so far.

Some reasons as to why land and housing condition have not been solved yet is due to two main factors: 1) rapid growth of urbanization; and 2) excessive investments in development by private sectors, without a proper regulation or strong Government's schemes to avoid these problems.

4.2 Land and Housing Policy

Several attempts have been made by the Government and private sector in order to cope with the pressing problems concerning land and housing in urban area. Next, we list some of those policies carried out by the Government in its attempt to minimize these problems:

- 1) Land Consolidation (already explained in chapter 2);
- 2) Strategies for low-cost housing by the government;
- 3) Strategy for housing problems by the local government;
- 4) Strategy for private sector in low-cost housing.

Even though those policies were implemented by the Government, its rapid and excessive development, associated with high levels of population growth (especially in urban areas), made the situation impossible to be

⁶⁰ DJOEKARDI, Arie D., op. Cit., p.9.

⁶¹ DJOEKARDI, Arie D., op. Cit., p.10.

handled well.

4.2.1. Government Low-Cost Housing Policy

Low-cost housing is defined as small scale and reasonable housing supplied by the private sector or Perumnas, following the standard provided by the Ministry of Public Works. Low-cost housing was largely focused on in REPELITA II and recently efforts have been stepped up to tackle this with the establishment of Perumnas (Perusahaan Umum Perumahan Nasional: National Housing Development Corporation) of 1974, which aims to provide Low-Cost Housing (low cost homes for low income families) along with other programs for housing development, such as the KIP (Kampung Improvement Program).

In REPELITA II, from 1979, the issue of urban housing development was emphasized in order to work towards social fairness and to expand the ability to obtain housing. In REPELITA IV, from 1984, housing supply for lower income classes was emphasized. In the period of REPELITA V, from 1989, the total number of low cost housing was expected to reach 450,000 houses (120,000 houses by Perumnas and 330,000 houses were expected to be built by the Private sector). The actual total number reached was 339,700 houses (120,000 by Perumnas and 271,760 by the private sector) built during that period.

The development of housing and human settlement in the period of REPELITA VI, from 1994, is aimed at spreading the basic infrastructures and means of healthy and low-cost housing and human settlements; rendering efficient and effective management of sustained development of housing and human settlement; raising the participation of the people, cooperatives, the business circle in the implementation of housing and human settlement. The target number of housing reached is 500,000 units of houses consisting of Very Simple Houses (RSS) and Simple Houses (RS); and the improvement of slum areas covering 750 hectares.⁶²

4.2.2. Local Government Housing Policy

It is expected that local government will supply housing to fit the needs of a particular region. In order to achieve its policy it is permitted to establish BUMD (province owned companies) which aim at the management of land. PD. Pembangunan Sarana Jaya was founded, in accordance with the regional Act. No. 2 of 1982, as a local government owned company to solve difficult problems concerning housing supply in DKI Jakarta. More than its function in housing development Sarana Jaya has a greater function in urban development activities such as strategic aerial management, land clearing and development in accordance with city planning. In Land Banking functions, Sarana Jaya's primary duties are as follows:

- 1) Implementation of land acquisition in areas appointed and approved by the local government of Jakarta, proceeding with land clearing to develop in accordance with city planning.
- 2) Releasing areas of cleared land to third parties to develop in accordance with set plans for further development.

Since 1982 Sarana Jaya has been involved in providing houses for DKI Jakarta Government employees through purchase and mortgage factors. Moreover, Sarana Jaya has been building rental houses (low income household) in locations throughout Jakarta with funds drawn from the local government budget since 1984. Sarana Jaya makes an effort to support low income class by renting houses as cheaply as possible with capital taken in part from income earned from rents, construction and management of upper income households. At present the company has built more than 2,000 units rental houses for low income households.⁶³

⁶² Indonesia Handbook, 1997, p.148-149.

⁶³ Sarana Jaya Profile, 1990-1994.

4.2.3. Joint Cooperation with Private Sector

Housing developers in the private sector have been contributing to housing supply, however, those companies tend to neglect low-cost housing because they are costly and do not offer large sales or rent benefits. Since the private sector is unwilling to provide low-cost housing, the government issued "Joint decision by three major Ministers (the Minister of Home Affairs, the Minister of Public Works and the Minister of Housing) concerning the guideline for balanced housing supply" in order to promote balanced housing supply, which varies from the housing for upper income households and lower income households. According to the guideline, the required ratio for upper, middle and lower housing must be 1:3:6 for each unit of development. This guideline improved the system for developers (including public sector companies such as Perumnas) who want to develop land for housing, more than a certain scale, need permission from the Development Plan Office (BAPPEDA) at the local government all level. In order to do so, they must submit blue prints which show plans for development project, especially for lower and middle cost housing projects.

4.3 Legal framework

In 1992 two laws, Act No. 4 Year 1992, concerning Housing and Living Environment (Human Settlement) and Act No.24 Year 1992, concerning Spatial Use Management, were enacted. These laws aim to better develop legal framework for land, housing problems, and development.

4.3.1. Act No. 4 Year 1992

Promulgated in Jakarta on March 10th, 1992, this law broadly authorizes major reform of local, provincial and national spatial planning and management practices.⁶⁴ Its main focus is on the spatial variations of development aiming at efficiently addressing many future problems in Indonesia's urban development.

Basically, the main points in the Act are:

- 1) A general definition of the concepts of housing, living environment, settlement amalgamation, neighborhood infrastructure, neighborhood facilities, public facilities, ready to build areas, and the consolidation of settlement land, among others. These concepts are believed to offer a better perspective for the implementation of specific policies by the Government;
- 2) The right of each citizen to occupy, enjoy or possess adequate housing in a clean and healthy environment;
- 3) Proof of owing land is certified by the land title: therefore, it emphasizes the necessity of approval or permission by the landowner for any changes to his land and only if mutual agreement between the Government and the landowners, or between the businessmen and the landowners have been reached.
- 4) Community participation: this Act, despite all the contradictions existing at present, may be considered as an essential step toward more democratic participation in the process of formulating local, regional or national policies in the area of housing.⁶⁵

4.3.2. Act No. 24 Year 1992

Promulgated in Jakarta on October 13th, 1992, the basic idea of this Act is to improve many of the deficiencies within old legislation regulating the use of space. Some of these legislation were: Article 5 Paragraph 1, Article 20 Paragraph 1, Article 33 Paragraph 3 of the 1945 Constitution; Act No. 5 of 1960,

⁶⁴ Ibid., p.9.

⁶⁵ Act No. 4, 1992.

concerning the Basic Provisions Regarding the Agrarian Principles; Act No. 5 of 1974 concerning the Basic Provisions for the Government in the Regions; Act No. 4 of 1982 Regarding the Basic Provisions for the Management of the Living Environment; Act No. 20 of 1982 regarding the Basic Provisions on the Security and Defense of the State. All of those mentioned regulations which had to be changed as they were not in accordance with the present level of urban and rural development in Indonesia anymore.

So, the main changes proposed in the Act No. 24 Year 1992 were:

- 1) Environment: greater concern in regards to negative impacts of spatial use planning on the environment.
- 2) Agriculture: cultivated areas should not suffer due to the new perspectives for the orderly use of space.
- 3) Compensation: fair compensation to people should be offered for any loss suffered from the implementation of spatial use planning.
- 4) Community Participation: although importance of community participation is recognized in spatial use management, the act also stipulates that the “(...)form and procedures of community participation shall be established by Governmental Regulation.”⁶⁶

4.3.3. KASIBA (Kawasan Siap Bangun: Ready to Build Area) and LISIBA (Lingkungan Siap Bangun: Ready to Build Neighborhood)

According to procedures established by Act No. 4, Article 1, KASIBA (ready to build area) are defined as a track of land physically prepared for development of large scale housing and human settlement. The area can consist of one or more ready to use parts. The implementation of the development is carried out in stages with prior provision of primary and secondary networks of neighborhood infrastructure and with neighborhood infrastructure and with neighborhood spatial plans having been passed into law determined by Pemerintah Daerah Tingkat II (Level II Local Government) and satisfying the requirements of standard services for neighborhood infrastructure and facilities.

The KASIBA system aims at regulating urban and land development without proper use rights by the private land developers and prohibits land development out of KASIBA area. It should be recognized that the organization which aims to land development is not permitted to develop in any case before being recognized as ready to build area. This system, so far, has not yet been put into practice.

In order to implement an area for human settlements as intended in Article 18, Local Government must allocate one or more parts of the settlement area, in line with the requirements for urban and non-urban spatial plans, as ready to build areas. The requirements should include at the minimum: 1) a detailed spatial plan; 2) data on size, boundaries and ownership of the land; and 3) primary and secondary infrastructure and network.

The management of a ready to build area as intended in Verse 1 is to be carried out by a State Owned Public Enterprise and/or other institution established by the Government entrusted with this task. Housing development carried out by housing developers can occur only in ready to build areas of or independently developed ready to build neighborhoods.⁶⁷

LISIBA (ready to build neighborhood) is defined as part of a ready to built area or is an independent portion of land prepared and provided with neighborhood infrastructure and facilities that meet the standard requirements of residential neighborhood or human settlement.⁶⁸

⁶⁶ Act No. 24, 1992.

⁶⁷ Act No. 4, 1992.

⁶⁸ Act No. 4, 1992.

4.4 Case Study: New Town Projects

WG 4 visited 3 sites:

1. Kemayoran (coordinated by LBH Jakarta);
2. Bumi Cengkareng Indah (Coordinated by a JICA expert);
3. BSD (Coordinated by a JICA expert), and had opportunity to see what is occurring in those areas and to learn detailed information about each project.

4.4.1. Kemayoran Case

This project was launched in 1990 to implement large scale (410 ha) construction of flats. There were more than 6,200 households and 60 percent of them have already moved to the walk-up flats the government prepared nearby and has been providing financial compensation. The amount of compensation for land acquisition those people in this area received is much lower than that of the current land market price, according to people who still live in Kemayoran. Presently, the market price is between 1 and 2 million Rupiahs, but they received only 75,000 Rps/ha for compensation.

People still residing in Kemayoran have been protesting the unfair amount of compensation. Some of them returned from the flats the government provided because they lack the money necessary to pay the rent (1,000 Rp/day). They claimed that more than 50 years have passed since they first moved to Kemayoran in 1955 and according to customary law they legally have right to the land. According to customary law, if land is occupied more than 20 consecutive years, the people residing on the land in question have ownership of it. These people have the "Girik" (discussed in chapter 2) which requires people to pay the land tax for the land being occupied but, does not give them the land title. They vehemently claimed that they went to the government office 13 times to apply for land certification to get the land title, but were turned down and additionally did not get a thorough explanation or information as to the reason why their application was rejected. According to LBH Jakarta, a Human Rights NGO in Jakarta, they are representing the people in Kemayoran and are bringing this case to the court in the near future.

4.4.2. Bumi Cengkareng Indah (see Map below)

The rental apartment complex of Perum Perumnas in Bumi Cengkareng Indah, West Jakarta, is a designated area where is "New Town" project initiated by the government. This apartment complex has been provided with facilities, infrastructure and other sufficient utilities. According to a person who received us there: "By providing these various facility and infrastructure, this rental apartment is suitably built and priced reasonably". The rental fee differs depending on floor space and is priced from Rp.69.000 to Rp.94.000, excluding electricity, water and gas fees.



4.4.3. BSD

This large scale “New Town” development was initiated by private developers. BSD (Bumi Serpong Damai) is the largest NT project in Indonesia containing 6,000 ha. located thirteen kilometers west of Jakarta.

Close to 12,000 homes have already been built and its projected completion 2015. At that times the city will have 140,000 homes for a population of 600,000 people. This project aims at controlling the excessive concentration in DKI and to carry out decentralization in each regional level. BSD is categorized as housing-subjective New Town followed by industrial function. The town is divided into 3 areas: residential, industrial and commercial. BSD is planned and constructed by the private sector and will gradually be handed over to the local government in the future.



4.5 Conclusion

As seen above, the government of Indonesia has undertaken several policies for land and housing, and has tried to improve the conditions and solve the various problems. However despite implementing such policies, the land and housing present situation is not acceptable in its current situation. As described above, we visited some areas and saw what is happening in urban areas in terms of land and housing. We have learnt that, contrary to Government information, there were many problems and disputes regarding land and housing in urban area.

One important observation we made is that the government often tends to side with the business sector (who is economically powerful) in order to achieve rapid economical growth and development. On the other hand, the people are facing difficulties in living and sometimes have their rights violated because of policies implemented by the Government. Although the government insists that they are making efforts to solve serious housing problems by providing low cost housing and a loan system for low-income people, in reality does not seem to be so simple.

That is, the government is trying to catch up with the growing number of people who come to urban areas from rural areas, looking for better life by providing low cost housing for those people. While the number of investments and large-scale development by private sector is salient and the government is unable to handle the matters resulted from the rapid development. At present there are many conflicts and we feel the government should act quickly to clear matters up.

CHAPTER 5 Human Rights and Land Disputes

5.1 Introduction

International society has evaluated that the current human rights situation in Indonesia has improved.⁶⁹

Indonesia is a member of the United Nations, but this does not necessarily mean that it is bound by the Universal Declaration of Human Rights. Basically the 1945 Constitution has no chapter concerning human rights itself. However, its chapter 10, concerning citizenship, states that all citizens have an equal position in Law and Government (Article 27, Section 1)⁷⁰, and that every citizen has the right to work and to earn a living (Article 27, Section 2). They also have freedom of association and assembly, and of free speech (Article 28). But almost all rights provided in Article 28 are under the restriction of the law.⁷¹

Due to the rapid development and urbanization in Indonesia, most of the cases which were handled by human rights organizations are related to land and labor. According to the National Commission on Human Rights Report, land cases in 1996 increased by 94% in 1995. Why are land cases ranked so high in the ratio of human rights disputes? Because land is a basic human need. People need land to grow crops, to live on and to play on. Many Indonesian land rights problems are complicated for ordinary people, as common everyday workers do not have legal knowledge or skills.

5.2 Organizations for Human Rights Protection

Many human rights organizations such as the National Commission on Human Rights and NGOs are working to protect human rights such as monitoring human rights violation, giving advice and holding public seminars which train people in basic information on human rights.

5.2.1. The National Commission on Human Rights

The National Commission on Human Rights was established by the Presidential Decree No.50 on June 7th 1993. Among the ASEAN countries, it was the second national human rights commission to be established after Philippines. Human Rights violations in Indonesia have also impacted other countries. Since 1993 the National Commission on Human Rights has worked toward two main objectives: 1) to help develop an atmosphere which encourages the implementation of human rights in accordance with the state philosophy of Pancasila, the 1945 Constitution the United Nations Charter and the Universal Declaration of Human Rights to ensure a harmonious relationship among members of the world community; and 2) to enhance the promotion and protection of human rights in order to help achieve national development goals.

The National Commission on Human Rights received 3,892 letters in 1996, which included 1,927 complaints about human rights abuses; others are not specifically related human rights violations. Of the 1,927 cases handled 1,406 have been settled, while another 121 are still awaiting further clarification from the parties involved. The activities carried out in 1996 were mainly land cases which, in 1995, totaled 168 but which, in 1996, rose to 327, increasing by 94%. The second major case work load are labor cases which, in 1995, totaled 112, but rose to 160 in 1996, increasing by 42%, followed by - in second place - human rights violations, and, further, by labor problems (See Table 2: Types of cases settled in 1996, 1995 and 1994 and Distribution of Violation of Human Rights).

⁶⁹ CHING, Frank, "Indonesia: A Rights Update", Far Eastern Economic Review, October 27th, 1994, p.48.

⁷⁰ Constituion of the Republic of Indonesia, August 18th 1945.

⁷¹ YASUDA, Nobuyuki, "Asean Law", Nihon Hyoronsya, 1996, Tokyo, p.74.

Table 2: Types of cases settled in 1996, 1995 and 1994 and Distribution of Violation of Human Rights

Activity	Year	1994	1995	1996
Letters received by the Commission Secretariat		2,300	3,321	3,892
Complaints		1,796	1,816	1,927
Answered/Handled		845	1,221	1,527
Land cases		101	168	327
Housing cases		26	44	79

Source: The Indonesian National Commission on Human Rights Annual Report 1996

The National Commission on Human Rights is working in order to solve human rights violations, the Commission submitted recommendations and proposals to the related agencies so that solutions to problems may always be settled according to the applicable law. The legislation which established the Commission specifies that the Commission is to extend recommendation to a particular agency if this agency is involved an allegation of human rights violation (Article 5 of the Presidential Decree No.50 Year 1993).

In no way is the Commission to impose its will on other government agencies. The Commission is to at all times maintain a consultative and partner-based relationship with these entities in solving cases of human rights violations. However, where the Commission finds that a recommendation would be ineffective, it can directly involve itself by acting as a mediator or arbiter to solve a dispute.

5.2.2. Legal Aid Institute of Jakarta (LBH)

The Legal Aid Institute of Jakarta (LBH) was established in 1971 to provide legal representation to low-income Indonesians who were being prosecuted in criminal and political cases and had no access to attorneys.

Since then, the Institute has expanded its mission to advocate for legal reform and to raise awareness among Indonesians regarding their legal rights. The mission of the Legal Aid Institute of Jakarta is: 1) to promote the rule of law, truth, and Justice for all people, regardless of religious background, ethnicity, culture, political conviction or socioeconomic status; 2) LBH targets the following four topic areas priorities for litigation: a) Political /Criminal Cases; b) Land Disputes; c) Labor Conflicts Conflicts; and d) Environmental Issues

5.2.3. Indonesian Bar Association (IKADIN)

The Indonesian Bar Association was established on 10 November, 1985. IKADIN's main goal is equality of people's rights and the law. IKADIN works to protect human rights and to pursue social justice.

5.3 Land Disputes and Human Rights

Indonesia has many land problems, the largest of which is not shortage of land rather land disputes are one of the largest problems in terms of human rights. Indonesia is blessed with various wonders of nature- rich soil, vegetation, and animal life. However, all land is under state control.⁷² As such, the state provides the right of use for citizens. Due to this, all citizens run the risk of losing their land to the state at anytime as all land belongs to the State. If and when the state needs land for 'public interest' land users or owners must relinquish their land 'voluntarily'. This action is called *Pembebasan Tanah*. According to regulation No.11 of 1972 based on the Land Acquisition Law No.20 of 1961, it is natural to return it. Presidential Decree No.55 of 1993 is important, when we think of human rights.⁷³

⁷² The Presidential Decree No.50/1993.

⁷³ See Chapter 2, 2.4.3.

5.3.1. Land disputes

Land disputes are a big problem, LBH reported Land Disputes as follows:

According to Indonesian traditional law, land often belongs to the community who stewards the area. Many Indonesians have no written documents that provide a legal claim to their land, since such documents have previously been unnecessary. At most, a family who has purchased their home may have a receipt from the seller. However as land prices have increased with the influx of economic development, the government has passed a law to require a special certificate to prove ownership. This certification process is both cumbersome and expensive making it impossible for many families to acquire an official certificate.

The state can acquire land for the public purposes. In that case, the residents often are not able to receive proper compensation. In accordance with economic growth, private companies are interested in land acquisition in order to build shopping malls, golf courses or for trade purposes but they are not interested in the common peoples' rights.

5.3.2. Some Cases

Next, we will present some illustrative cases concerning land acquisition.

5.3.2.1 Kemayoran Case

The story is as follows, we visited one of those areas described above. The people in Kemayoran have living in that area since 1955. About 6,200 families were living in the area called Kel Keban Kosong. The families in this area hope to receive better compensations, because they were only paid 75,000 Rupiah per square meter in compensation, whereas as the market value was currently listed at 2 million Rupiah.

When asked, " Why did they not apply for the land title?" they responded that they had already tried on 13 different occasions, but their application was not only sent on a 'wild goose chase,' but they felt they were being put off by the government purposely. 99% of people have no land title in these areas. However they have to pay land taxes, because of Girik. The National Commission on Human Rights and other NGOs are supporting them, but they have not yet reached a solution.

Illegally occupied land is called Tanah Garapan . It used to be farm land based on Adat (customary law). There are many cases among vendors and purchasers who have no land title. In urban areas the situation is serious in which land is occupied by squatters. A proper land title is all important. It does not matter whether they had other right called fundamental rights such as to live as human beings.⁷⁴ Almost everyday the newspapers announce land disputes and it is very common to hear of evacuation.

5.3.2.2. Gunung Karang Case

The case of Gunung Karang was reported to the National Commission on Human Rights in October 6, 1995.

The letter from Mr. Hasan Makusudi, who represented the owners of adat (customary) land in Gunung Karang, in the kecamatan (a subdistrict) of Ciomas in the kabupaten (Level II Region or district) of Serang. The letter explained, that land measuring approximately 2,000 hectares owned by the people of the area was about to be bought by PT Pondok Kalimaya Putih. The company only paid 5% of the agreed upon land price of 1,000 Rupiah per square meter. After the local people received the 5% as a down payment, 171 bundles of land data and ownership documents were surrendered to PT Pondok Kalimah Putih. Even 2 years later, the purchase and acquisition of the land had not yet been finalized and the local people were uneasy, fearing they had been

⁷⁴ Kompas Newspaper in 4th July 1997 and 2nd August 1997.

Jakarta Post Newspaper in 5th August 1997.

cheated. Responding to the complaint from the landowners in the Gunung Karang area, the National Commission on Human Rights in letter No.1436/SES/VI96, dated June 19, 1996, forwarded the complaint to the Bupati (the head of the kabupaten or district) of Serang to obtain his assistance in resolving this matter. The Bupati of Serang responded to The National Commission on Human Rights in letter No.593/1936/Astapra dated July 15,1996, with the following explanation: The Gunung Karang land case was settled by PT Pondok Kalimaya Putih and the local landowners who were represented by the heads of the villages of Sukarena, Citamatan, Cemplang, Sukabarus, Cisitu, and Ujung Tebu in the kecamatan of Ciomas of the kabupaten of Serang. The settlement included, among other items the surrendered documents/land certificates to the villagers by PT Pondok Kalimaya Putih; a stated agreement already received by the villagers; and a statement by the various village heads acknowledging the settlement of the land problem of Gunung Karang.⁷⁵

5.3.2.3. Kaildares Case

More than 150 families protested the appropriation of their land in west Jakarta by the state-owned oil company, called Pertamina. This land is located west of Jakarta in an area called Kalideres. Pertamina claimed the plot is part of a 20.5 hectare site it bought, reportedly from a developer in 1991.

“In fact the 1.3-hectare plot of land belongs to the residents. They never sold their property to any developers. If Pertamina wanted to buy the land, the company should buy it directly from them , at the price of 1 million rupiah (US\$ 392) per square meter ,” said their lawyer. Part of Pertamina's land had been sold by the oil company and was developed into a housing complex, shops and school buildings. They lost their land ownership certificates in an incident in which they wanted to sell the family's land to PT Sirinco Jaya Marmer Industry in 1979. However, Sirinco changed its mind after learning that the documents had been obtained illegally. Since then the residents have never had the certificates. “Their ownership could be proved if they were allowed to do research at the National Land Agency”, their lawyer claimed. The residents said to they knew that the land was not theirs, but asked to be given enough time to make preparations to move.

5.4 Conclusion

At the World Conference on Human Rights in Vienna 1993, a western diplomat reported that the “Indonesian human rights situation has improved.”⁷⁶ However, in 1994 after the banning of three influential publications⁷⁷ the situation has taken a turn for the worst.

Within the grounds of the National Commission on Human Rights, a large number of people who had been evacuated from their homes have been staying there for 50 day as they had no other place to go. So, they came seeking one of their fundamental rights, to live as human beings. They have appealed to public opinion and the fence around the National Commission on Human Rights is stuffed with their opinions and call for recognition of their land and hence human rights.

⁷⁵ The National Commission on Human Rights Annual Report 1996.

⁷⁶ CHING, Frank, op. Cit., p.48.

⁷⁷ The popular newsmagazines, Tempo, Detik and Editor were banned by the government on June 21st,1994.

CONCLUSION

In the rush to modernize a country around 4.000 kilometers across that has a wide variety of ethnic and historical peoples, the central and local governments seem to be at a loss to plan and successfully implement policies in the registration of land. Properly educating people as to their land rights is another issue yet to be successfully dealt with. As the government has supreme control of the land, often a heavy hand is used in acquiring land desired for development leaving people with unregistered, or even registered, land in a precarious situation. Which create many difficulties and cause confrontations which hurt average Indonesians far too often. In order for development to go more smoothly greater cooperation needs to take place among the people, private enterprise and the government.

The people, particularly adults, need to be well educated as to their rights, the proper registration and use of land, and to be given current information as to rules regarding land and plans for development. The people themselves have a responsibility towards development and must learn to seek out information on their own and to desire to participate in development for it to benefit themselves. When people participate in these processes it only serves to strengthen, enrich, and empower them and the country. At the same time there must be more determined continued efforts on part of the government to improve their attitude and position towards average peoples as well as to train larger numbers of people to deal with the various problems facing Indonesia now and for the future.

APPENDIX I

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APPENDIX II

In the Appendix II we will present the places visited by WG4 in Japan, for the domestic research, and in Indonesia, for the overseas research.

II.1. Domestic Research:

United Nations Center for Regional Development – UNCRD
District Court of Nagoya
Human Rights Protection Branch, Nagoya Regional Bureau, Ministry of Justice

II.2. Overseas Research:

Institutions visited in Jakarta:

National Development Planning Agency of Indonesia (BAPPENAS)
Regional Development Planning Agency of Jakarta (BAPPEDA)
Supreme Court
Ministry of Housing
Ministry of Home Affairs
National Law Development Agency
National Human Rights Commission
LBH Jakarta (NGO)
Indonesian Legal Aid Foundation (YLBHI)
Village
Slum Areas
Japan International Cooperation Agency – JICA
The Institute for Policy Research and Advocacy (ELSAM - NGO)
Indonesian Legal Aid Foundation (NGO)
Land Consolidation Areas (Governmental Projects to improve housing conditions in certain regions)
Areas of investment in housing by the private sector (BSD)

Institutions visited in Yogyakarta:

Gajah Mada University
Regional Development Planning Agency of Yogyakarta (BAPPEDA)
District Court of Yogyakarta
Indonesian Bar Association (IKADIN)
LBH Yogyakarta (NGO)
Yogyakarta Urban Development Project – YUDP
Village

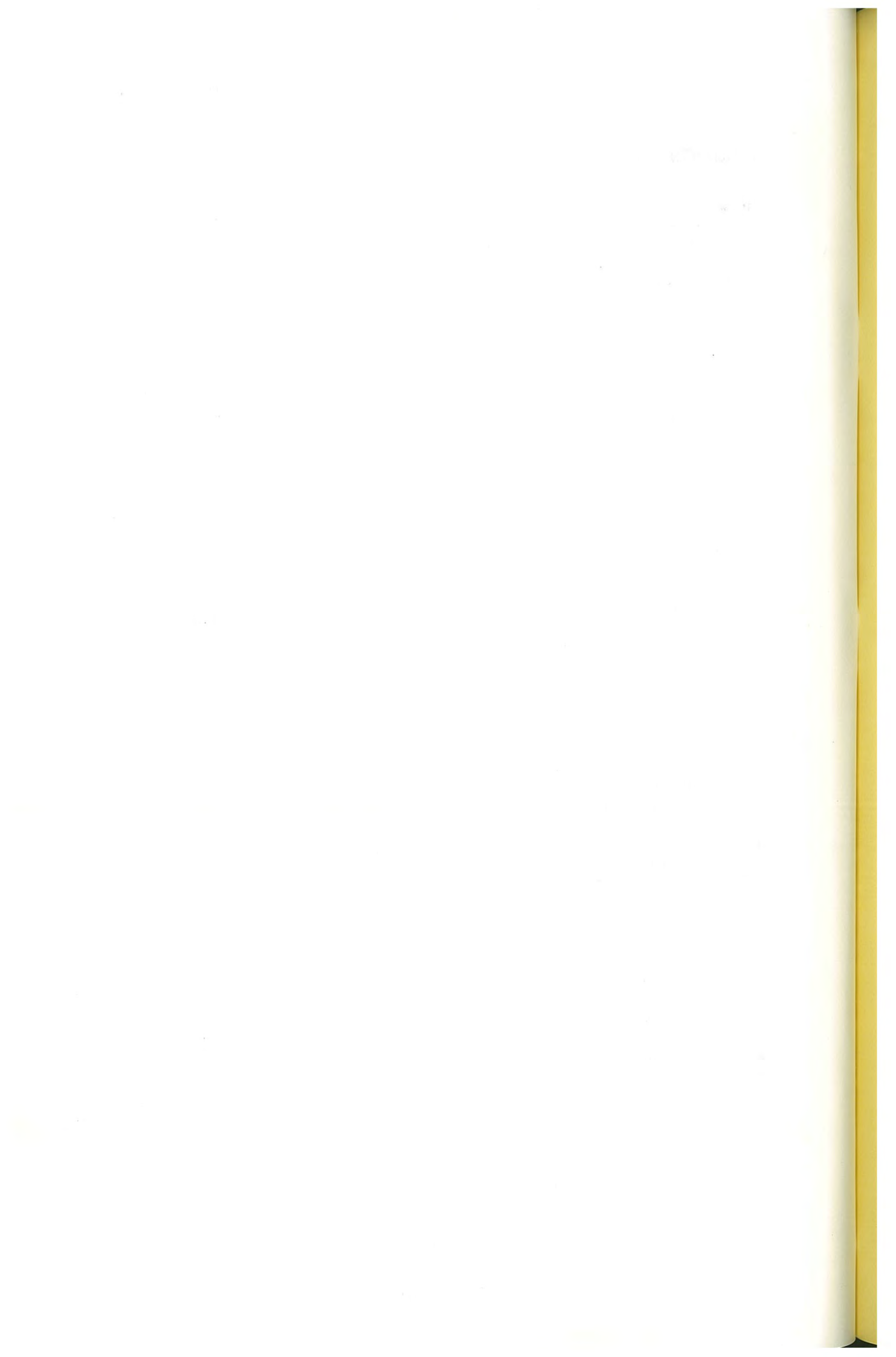
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Economic Development

Chapter 1 INTRODUCTION

1.1. The Framework of This Report

Indonesia, a country characterized by diversity in culture, religion, ethnicity and language, has achieved a remarkable transformation of its economic structure from a primary sector based one to a modern industry and services based one. Over past three decades (1969-1996), her GDP has grown 6.8 percent per annum on average, inflation was less than 10 percent and the people on the absolute poverty was reduced from 60 percent of the population to less than 14 percent. All economic sectors, including industry, agriculture, and services, have made significant progress. The industrial sector grew at an average of 12 percent per year. Agricultural sector also made significant progress, as reflected in the achievement of self-sufficiency in rice in 1984.

The greater integration into the global economy will present some difficult and tough challenges for Indonesia. Policy makers in Indonesia need to change their policies from the direct intervention to market-friendly policies, and to do more and more with a new discipline in adopting and maintaining sound economic policies to support their competitiveness. At the same time, they have to sustain their development process to meet people's needs.

During the activities of Overseas Field Work, we had opportunities to investigate into the truth of development process in Indonesia and to examine the views of policy makers in anticipating the future of economic development in Indonesia. We also did field work in Yogyakarta to learn the way the local government is handling economic development, how the businessmen are carrying out their economic activities, and how the local people are adjusting to the rapid growing economy.

On the basis of this comparative study, we write this report consisting of five chapters. Chapter 1 provides the general information about economic development in Indonesia, particularly in the Province of Yogyakarta Special Region. Chapter 2 reviews the agricultural development policy. This chapter also describes issues on financial, infrastructure and institutional aspects related to the agricultural development in Yogyakarta. Chapter 3 focuses on the explanation and analysis of manufacturing and trade development with special emphasis on the financial, basic infrastructure, human resource development of small and cottage industry in Yogyakarta. Chapter 4 explains development of the service sector. In particular, the tourism industry is one of the most important sector which support economic development in Yogyakarta. Finally, Chapter 5 gives a conclusion.

1.2. The Basic Data and Figure of Yogyakarta

Yogyakarta is one of the provinces having a status of Special Authorized Territory and is regarded as one of the main tourist destinations with its richness in terms of culture, historical sites, beautiful scenery as well as a center of handicraft production. It is also a center of education. The Province of Yogyakarta Special Region with the total area of 3,185.8 kilometers square consist of four districts: Sleman (32.50 km. sq.), Bantul (506.82 km. sq.), Kulon Progo (586.27 km. sq.), Gunung Kidul (1,485.36 km. sq.), and one municipality, Yogyakarta Municipality (32.50 km. sq.). The population of Yogyakarta in 1995 was estimated to be 3,154,265 persons

distributed among 4 districts and a municipality, and the population density is 990.10 per km. sq. Most of the people are concentrated in the Yogyakarta Municipality.

In general, the living standard of people in Yogyakarta is higher than people in other provinces. In 1995, the life expectancy at birth for female was 70.0 and for male was 66.0 while the national level of life expectancy for female was 65.3 and for male was 61.5. Looking at the distribution of households by expenditure class, 276,500 households or 34.8 percent of the total household in Yogyakarta can be categorized as a lower class with expenditure less than Rp. 40,000 per month. In addition, 422,612 households or 53.3 percent are included in the middle class with expenditure of Rp. 40,000 - Rp. 149,000 per month, and the rest 94,392 households or 11.9 percent belong to the higher class.

Table 1.1. The Distribution of Household In Yogyakarta By Expenditure Class In 1995 (Rupiah per household per month)

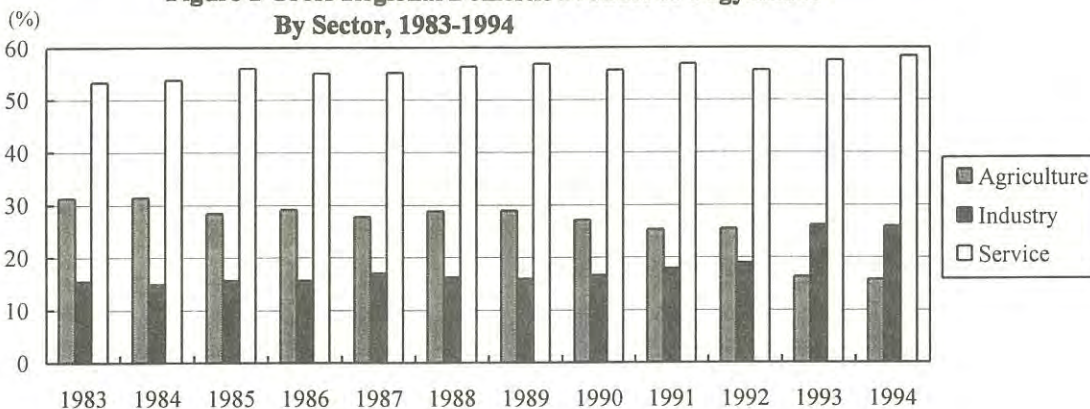
Expenditure	Less than 20,000	20,000 - 39,999	40,000 - 79,999	80,000 - 149,000	More than 150,000	Total
FOOD						
Households	159,879	417,23	162,90	49,521	3,960	793,50
Percentage	20.15	52.58	20.53	6.24	0.50	100.00
NON FOOD						
Households	413,476	178,02	98,205	72,777	31,021	793,50
Percentage	52.11	22.44	12.38	9.17	3.91	100.00
TOTAL						
Households	21,991	254,50	312,84	109,77	94,392	793,50
Percentage	2.77	32.07	39.43	13.83	11.90	100.00

Source: Statistic Office of Yogyakarta Special Region, Yogyakarta In Figures 1995.

Economic activities of people mostly based on agricultural sector followed by service sector and industrial sector. In 1980, the number of people working in the agricultural sector was 52.60%, industrial sector 29.02% and service sector 17.58%. The proportion had changed in 1990: 50.68% of people working in agriculture, 31.94% in service and 15.77% in industry.

In term of production activities, the gross regional domestic product (GRDP) of Yogyakarta was gradually increasing from Rp. 763.4 billion in 1983 to Rp. 1,085.2 billion in 1990 (at 1983 constant price) and to Rp.

Figure 1 Gross Regional Domestic Product of Yogyakarta By Sector, 1983-1994



4,741.8 billion in 1995 (at 1993 constant price). In 1983, the highest contribution was made from the service sector (53.31%), followed by the agricultural sector (31.23%) and the industrial sector (15.46%). In 1995, the share of the agricultural sector became small (15.76%) in comparison to the industrial sector (25.88%) and the

service sector (58.36%). Based on the current price, the gross regional domestic product per capita in 1987 was Rp. 454.1 thousand and Rp. 1,925.9 thousand in 1995. It annually increased by 19.79% on average.

To promote the economic growth, investment fund comes from the government budget; either from central government (State Budget) or from local government (Provincial Government Budget and District/Municipality Government Budget). In 1993, the local government revenue was mostly from grants and subsidies (70%) of the central government, and the rest was from their own revenue. In 1995, the percentage of grants and subsidies decreased and local revenue increased. The proportion of grants and subsidies from the central government is still more than 60%.

Table 1.2. The Summary of Yogyakarta Government Budget 1993/94-1995/96
(Rp. Million)

	1993/94	1994/95	1995/96
I. REVENUE	204,096.5	219,515.7	244,922.5
A. Local Government Revenue	38,241.8	50,390.7	59,432.9
1. Last year balance/surplus	7,023.1	7,037.0	10,974.5
2. Actual Local Revenue	27,985.6	39,081.2	46,691.2
3. Taxes and Others	3,233.1	4,272.5	1,767.2
B. Grants and Subsidies	142,747.8	146,375.3	159,620.3
C. Cashier and Computation	23,106.9	22,749.7	25,869.3
II. EXPENDITURE	200,012.3	207,232.1	235,570.6
A. Routine Expenditure	139,966.3	148,884.3	169,757.3
1. Government Personnel	133,757.0	139,684.5	157,029.2
2. Loan Payment	565.6	7.8	143.5
3. Subsidies	4,928.8	6,645.1	10,831.4
4. Others	714.9	2,546.9	1,753.2
B. Development Expenditure	36,925.2	34,727.2	39,938.1
1. General	10,355.1	8,280.8	9,627.9
2. Economic	16,407.3	14,041.1	16,171.2
3. Social	6,754.3	7,223.5	11,447.9
4. Grants	3,408.5	5,181.8	2,691.1
C. Cashier and Computation	23,120.8	23,620.6	25,875.2

Source: Statistic Office Yogyakarta Special Region, Yogyakarta In Figures 1995.

Development investment also comes from private sectors. In the previous years, the number and percentage of private investment was higher than the government investment. In 1989, the private investment was Rp. 427.05 billion or 78.21% of the total investment, and the government investment was Rp. 118.99 billion or 21.79% of the total investment. In 1993/94, the proportion of private investment decreased to Rp. 805.59 billion or 70.14% of the total investment and the government investment increased to Rp. 343.02 billion or 29.86%. Even though Yogyakarta is known as the main tourist destination and its economic activities are promising, the level of investment either from domestic or foreign sources is still modest.

Table 1.3. Domestic and Foreign Investment In Yogyakarta 1989/90 – 1995/96

Year	Plan (Rp. billion)		Actual (Rp. billion)		Achievement (%)	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
1989/90	124094	0	386336	0	311.33	-
1990/91	524948	42805	389473	957	74.19	2.24
1991/92	310498	2000	502196	4660	161.74	233.00
1992/93	92477	108163	638435	16472	690.37	15.23
1993/94	235173	1131	1265913	17516	538.29	1,548.72
1994/95	400350	250	984599	52068	245.93	20,827.20
1995/96	39236	79727	1492596	44574	3,804.15	55.91

Source: Yogyakarta Coordinating Investment Board, Investment Opportunities In Yogyakarta 1996-1997.

The challenge of economic development in Yogyakarta in the future is how to promote private investment to support economic activities in the agriculture, industrial and service sector with the ultimate goal to increase the living standard of people and sustain economic progress in the region.

Chapter 2 AGRICULTURAL DEVELOPMENT

2.1. Overview

The role of agriculture in Indonesia GDP is still large. However the share is declining year by year and the annual growth rate of agriculture sector has gradually fallen, too. The features of agriculture are mainly focused on rice production and government intervenes to control food production and distribution. To feed the continuously growing population and absorb the labor-force that cannot be employed by industrial sector, undoubtedly the sustainable agricultural development is necessary. Taking the increment of national rice consumption and contribution of rice production to the national welfare into consideration, it can be said that rice production in Indonesia is very important.

Other features of Indonesian agriculture are based on traditional labor-intensive technology, limited arable land especially in Java, expansion of plantation in the estate farms, and gap between Java and outer Java. The achievement of agricultural development in Java is significant while other areas out of Java cannot get out of the stagnant circumstances yet in spite of many efforts to make better condition for increasing agricultural production. Of course, there are many factors which makes these areas differ from Java. There are quite different in the area and condition of arable land, productivity of land and labor, degree of diversification and intensification, basic agricultural infrastructure, adaptability to mechanization and accessibility to the urban market.

Agriculture in Java is characterized by land shortage, labor surplus, and relatively well equipped of agricultural infrastructure. The labor and land intensive production, intensively use of agricultural input like fertilizer and chemical pesticide lead high productivity of rice and other agricultural product. Moreover, there are several big markets, easy transportation from rural area to urban area, and more promising surplus from agricultural activities. But there still remains problem in the conversion of cultivated land to housing and factory use, and declining the number of labor force in paddy field.

On the contrary, in outer Java area, there is more new land available than Java. The problem is that the land is not suitable for paddy and other crop production. It needs not only a huge capital but also numerous labor forces and institutional efforts to improve land quality. Agricultural labor force is relatively scarce in the broad arable lands, and in many villages farmers still produce their food by the traditional way of slash-and-burn. This then causes degradation of the land, lower land productivity and in consequence poverty and under-nourishment

are attributed to them. In this sense, the agricultural modernization including mechanization, building irrigation network, providing agricultural inputs and introducing rational field management are indispensable in these areas. But because of lacking in capital, technique and human resource, its realization is difficult.

The relationships between those factors are very complicated. It is quite difficult to find the main factor to solve the problems. Then, as described below, the main challenge for policy makers is to emphasize the correct policy in order to make the Java's agriculture further develop, and reduce the disparities between developed and less-developed areas.

According to the State Guideline and Sixth Year Development Plan (Repelita VI, 1994/95–1998/99), the objectives of agricultural development in Indonesia are to increase the quantity, quality and diversity of agricultural products; and improve efficiency on the post-harvest processing in order to increase the living standard of farmers and rural people. In addition, agricultural development is also to promote agroindustry. During Repelita VI, the target of agricultural development is set up as follows: the average growth rate to be 3.4 percent per year, the share of agriculture in GDP is 17.6 percent, employment opportunities in agriculture to grow by 1 percent per year on average to absorb 1.9 million additional workers, and employment in agriculture to reach 38.4 million people.

The main purpose of agricultural development in Yogyakarta is to promote employment creation, increase income of farmers and fishermen and improve their living standard, and promote agribusiness and agroindustry. The target of agricultural development in Repelita VI is following: increasing the production of paddy by 0.73%, maize by 4.78%, soybeans by 6.56%, peanuts by 7.60%, cassava by 4.79%, sweet potatoes by 0.86%, vegetables by 6.58% fruits by 37.67%, coconut by 7.38%, coffee by 17.86%, clove by 14.44%, and tobacco by 74.20%. Other targets on livestock is increasing the number of cow by 0.64% per year, milk cow by 1.01%, buffalo by 0.06%, goat by 0.48%, domestic hens by 1.22%, layer by 2.62% and broiler by 10%. In fishery, the production of marine fisheries will be increased by 3.6% per year and inland fisheries by 4.9% per year. From 1994 to 1998, employment opportunity in agricultural is projected to increase by 0.49%.

There are many policies to achieve the targets. First, they try to increase the quantity and quality of agricultural products to sustain the self-sufficiency on rice. Second, they will establish the agricultural institution to support the farmers and fishermen. Third, they adopt policies to increase productivity of farmers and fishermen, and also to create more employment opportunities in the rural areas.

Development of water resources is closely related to agricultural development in Yogyakarta. In the last year of Repelita VI, they will develop dams and irrigation networks to provide 62.05 meter cubic per second to cover 56,400 hectare of paddy land. Policies for achieving these targets include: improving efficiency and productivity in water utilization; extending irrigation networks; improving water utilization through development of fair and efficient allocation systems; controlling damage to the environment; strengthening water resource institutions; and supporting regional water resource development.

2.2. The Basic Data and Figure of Agricultural Sector

Agricultural development is mainly constrained by the climate and type and condition of land. There are six types of land suitable for agriculture in Yogyakarta. First, *alluvial* which exists in the banks of Opak and Progo rivers covering 7,119 ha (2.23% of the total land). Second, *regusol* covers the are of 87,310 ha (27.14% of the total land) in major parts of Sleman and Bantul District and some part in Kulon Progo District. Third, *lithosol* exists in the area of Batur Agung and Pajangan (Bantul District), and of Nanggulan, Sentolo and Pengasih (Kulon Progor District) which covers the are of 114,478 ha (35.93% of the total land). Fourth, *grumosol* exists in Sedayu, Pajangan, Kasihan, Pondok and Sanden (Bantul District), Wonosari Plain (Gunung Kidul District), Lendah, Sentolo, Pengasih, Panjatan, and Galur (Kulon Progor District) covering 33,310 ha (10.45% of the total

land). Fifth, *renzina* mostly exists in the Wonosari plain along the Oyo river of 5,553 ha (1.74% of the total land). Sixth, *mediteranean* exists in the Wonosari high plain covering 32,797 ha (10.19% of the total land).

There are five subsectors of agricultural development in Yogyakarta: food crops, non-food crops, livestock, forestry and fishery. Their contribution to the gross regional domestic product of agricultural sector is different. The highest contribution comes from food crops followed by livestock, non-food crops, fishery, and forestry. In 1991, the share of food crops was 78.31%, livestock 14.73%, non-food crops 6.20%, fishery 0.78%, and forestry 0.04%. In 1995, the share of food crops was still dominant (78.76%) while contribution of other subsector like non-food crops changed to be 4.46%, livestock 15.67%, forestry 0.09% and fishery 1.02%.

Table 2.1. Contribution of Agricultural Sector To GRDP of Yogyakarta By Subsector, 1991-1995 (at 1993 constant price)

Subsector	1991	1992	1993	1994	1995
1. Food Crops					
a. Rp. million	515,175	563,402	552,614	558,149	588,827
b. Percentage	78.31	79.57	77.83	77.86	78.76
2. Non Food Crops					
a. Rp. million	40,796	43,057	38,282	38,722	33,328
b. Percentage	6.20	6.08	5.40	5.40	4.46
3. Livestock					
a. Rp. million	96,915	95,818	111,373	112,525	117,053
b. Percentage	14.73	13.53	15.70	15.70	15.67
4. Forestry					
a. Rp. million	331	317	451	672	688
b. Percentage	0.04	0.04	0.07	0.09	0.09
5. Fishery					
a. Rp. million	4,683	5,494	6,656	6,821	7,630
b. Percentage	0.72	0.78	0.94	0.95	1.02
Total Agriculture					
a. Rp. million	657,901	708,088	709,377	716,889	747,626
b. Percentage	100.00	100.00	100.00	100.00	100.00

Source: Statistic Office of Yogyakarta Special Region, Yogyakarta In Figures 1995.

Looking at the food crops subsector, there are six main crops with different value and cost of production per hectare. The value of production per hectare for paddy and sweet potatoes is the highest compared to other crops. The value of production per hectare for maize is the lowest among the food crops. In one hectare of harvesting area, the farmers can get the surplus (value of production minus cost of production) of Rp. 1.8 million from sweet potatoes and Rp. 1.5 million from paddy. On the other hand, the farmers can only get Rp. 0.95 million from peanuts and Rp. 0.5 million from maize.

For the farmers, the actual surplus of production is not as high as mentioned. The reason is that most of the farmers merely occupy less than 1 hectare. A half of total number of farmers in Yogyakarta is cultivating 0.25 hectare. Due to the hard situations engaging in agriculture, the young generation of farmers will probably choose other businesses with higher income and migrate to other cities. The percentage of population living from agricultural sector decreased from 78.9% in 1980 to 55.6% in 1990. It implies that the number of labor force in agricultural sector decreased. Then, it will become a problem for the future of agricultural development in Yogyakarta.

Table 2.2. Value and Cost of Production Per Hectare of Food Crops In Yogyakarta, 1995 (Rupiah)

	Paddy	Maize	Cassava	Sweet Potatoes	Peanust	Soybeans
Value of Production	2,010,412	622,596	1,444,208	2,089,706	1,213,700	1,133,943
1. Main Product	1,990,827	549,356	1,398,866	2,089,706	1,145,941	1,102,525
2. By Product	19,585	73,240	45,342	0	67,759	31,418
Cost of Production	534,390	86,948	149,602	243,529	265,437	176,547
1. Seed	37,390	15,593	30,308	11,765	123,558	58,398
2. Fertilizer	110,438	37,618	23,027	2,941	27,092	41,373
3. Pesticide	5,041	40	0	0	0	3,323
4. Services	66,842	15,292	43,210	100,000	23,403	19,616
5. Wages/Salaries	306,116	13,920	45,448	120,588	87,100	45,931
6. Other Cost	8,763	4,485	7,609	8,235	4,284	7,906
Surplus	1,476,022	535,648	1,294,606	1,846,177	948,263	957,396

Source: Statistical Office Yogyakarta Special Region, Cost Structure Of Agricultural Household In Yogyakarta, 1995.

Other big problem facing agricultural development in Yogyakarta is the land conversion from paddy land to other use. During five years (1989-1991), 5.43% of paddy land or 1.08% per year was converted to non-agricultural use. In addition, dryland was also reduced 1.8% or 2,233 hectare per year. Another problem is the limited of water supplies concentrated in few areas. In the drought season, people in particular farmers living Gunung Kidul District and some part of Kulon Progo District always suffer from water supply.

2.3. Special Issues

2.3.1. Maintaining Self- Sufficiency of Rice

(1) Background

In 1967, BIMAS (New Mass Guidance Program) was initiated to promote the use of HYV (High Yield Varieties) of rice from IRRI (International Rice Research Institute), and the new varieties were accepted especially in Java. The result of this program was very good and succeeded to eliminate rice import. But a severe drought attacked Java in 1972 caused great damage to the main harvest. Then, the BULOG (The National Food Logistic Agency) could not procure rice as much as needed to maintain the buffer-stock. In 1973, therefore, rice imports rose substantially (125.4% increase compared to the previous year). Rice price almost doubled in those two years, and buffer-stock was at a very low level reflecting weakness in the implementation of the rice policy. At the same time, shortage of rice in the world market prevented Indonesia to purchase enough rice. Some countries reduced rice exports to Indonesia to protect their domestic consumers. Consequently, Indonesia realized that the rice policy means not only increasing product but also maintaining self-sufficiency.

Table 2.3. Rice Production, Domestic Procurement, Distribution and Stock of BULOG 1980-1991(1000 ton)

Year	Production	Domestic Procurement	Distribution	Stock change
1980	20,163.295	1,585.481	2,663.013	783.182
1981	22,286.440	2,014.268	2,003.399	1,666.749
1982	22,836.990	2,044.661	2,750.920	2,216.659
1983	24,005.864	968.374	2,244.369	2,666.538
1984	25,932.783	2,504.770	1,723.763	1,587.778
1985	26,542.403	2,030.479	2,023.755	2,754.018
1986	27,014.193	1,509.326	1,949.991	2,724.684
1987	27,253.173	1,358.652	1,904.431	2,128.271
1988	28,229.796	1,334.445	2,132.849	1,516.207
1989	29,071.628	2,575.264	1,691.851	746.111
1990	28,683.153	1,270.456	1,819.403	1,882.616
1991	28,653.153	1,430.339	2,044.117	1,384.269

Source: Market and Price Analysis Bureau, BULOG.

(2) The Measures of Implementation and Problems

As mentioned above, there are regional disparities in degree of rice self-sufficiency. Therefore, the policy instrument is different from one region to other region. The first measure is to raise the marginal productivity of land. This is applied in the Java area where labor supply is adequate and arable land is limited. The second one is to expand the land area and improve basic environment of rice production. This is applied in the area where labor is scarce and potentially arable land is broad. And the third is the common measure which is used in rice pricing policy, and effective and consistent distribution network in all area. BULOG is to handle these tasks.

In Java, to make the best use of paddy field, a semi-annual cropping is ordinarily adopted. Ministry of Agriculture recommends the way of planting that is called "Zero-Tillage". This means that farmers plant rice in succession without intervals in the same land. This method needs more fertilizer and pesticide, intensive use irrigation, and raising farmers' ability in the field management. It is expected that "Zero-Tillage" can increase harvesting times, rice production, and productivity per capita. However, this method also causes land degradation and in the future decreases land productivity. The dilemma of land protection and improvement of land productivity is the next challenge for policy makers.

In outer Java islands, to increase cultivated land, the forest area is converted into crop production, and the swamps are reclaimed for paddy fields. In the central Kalimantan, the swamp land reclamation is promoted with gradual improvement of drainage infrastructure and adapted techniques of soil and water management. In addition to time and costs, projects like in Kalimantan need more labor force. Therefore, Indonesian government often encourages people in Java to transmigrate to these outer Java lands. However, as basic production environment has not been improved, the transmigration has not succeeded to supply labor force. Rice production in those areas has not reached in the required level yet.

Rice price plays important roles in the whole area. Given the significant share of rice in the representative consumption basket, the management of rice prices is a very important issue to increase rice production. BULOG maintains stability of rice prices both at rural (farm) and urban market by intervening markets. Setting floor price and ceiling price based on a rice price subsidy through Bank Indonesia and buffer stock and farmers' benefit, BULOG will buy surplus stock in the rural market at the floor price and store in BULOG or DOLOG (branch at provincial level) warehouse. BULOG then will sell the stocked rice when the wholesale price approaches to the ceiling price. For the purpose of generating farmers income and reducing income gap between rural (outer Java) and urban (Java) area, BULOG would set the floor price as high as possible. But high floor price means reducing marketing margin and expanding government subsidies. This would results in

reducing the incentives for private traders and the undesirable high storage and administrative cost for Government. In this case, BULOG officer said that the high floor price approach should be carefully implemented by taking inflation rate and income distribution (urban and rural area) in consideration.

Moreover, there are some other problems regarding to the rice policy. According to the interview with Ministry of Agriculture and BULOG officers, they mentioned following issues. First, there are difficulties in the promotion of mechanization and insufficient irrigation due to the limitation of water resource supply. Second, there are many problems to rehabilitate and maintain irrigation network and other agricultural infrastructure. Third, there is conflict in maintaining crop production and preventing land and water pollution. Fourth, other problems are low price-elasticity of rice demand and moderate growth of fertilizers and pesticide's price. Fifth, there is a technical difficulty in preserving rice in government warehouses especially in wet season. Sixth, there is no clear policy to deregulate rice distribution in the future through BULOG, DOLOG, and KUD network.

2.3.2. The Promotion of Agribusiness

(1) Background

As a part of agricultural policy, diversification means to increase the kinds of product, improve the way of production, and establish the rational labor division in the production, processing, and sale management. Agency of Agribusiness in MOA (Ministry of Agriculture) and BAPPENAS (National Development Planning Agency) emphasize the diversification through agribusiness or agroindustry.

(2) The Definition of Agribusiness

Agribusiness is generally defined as a complex system made up from a number of components which work together in a dynamic process to produce food for consumers: farming, input supply, processing and marketing, and those activities is supported by Research and Development (R&D), agricultural education and training of new technology, financial and transportation service. Those economic activities often range from rural areas to foreign countries.

To promote agribusiness development, there is an educational scheme to encourage farmers to participate in the agribusiness activity. This educational scheme involves mastering and proficiently applying efficient technology, capability of making modifications and technological and managerial engineering, and utilizing and developing natural and human resources within the frame of agribusiness. In short, its purpose is to raise the agribusiness performers of middle class. This scheme is conducted by SPP (Sekolah Pertanian Pembangunan or Agricultural Development School) or APP (Akademi Penyuluhan Pertanian or Agricultural Extensions Academy).

At SPP, student are taught an intensive knowledge and skill concerning the cultivation techniques of various commodities, processing final product, marketing, entrepreneurship, cooperatives and credit affairs in the whole agricultural sector: horticulture, estate crop, animal husbandry, and fish processing technology. Moreover they are additionally taught the specific skill related to mastering technology, marketing, and management. Through this program, every student can understand the way in collecting market information, analyzing business, and marketing of products, and finding out the future business plan for themselves. At APP, the students can get higher education equivalent to a college or a graduate school. They study the subjects concerning with scientific and technological development. Additional activities in PKL (Field-Work) help students to identify problems in the area, formulate and apply technology which matches the real condition.

(3) The Partnership between Farmer and Big Company

Farmers have usually limited knowledge about modern technology, but agribusiness will give them opportunities to access to new techniques. They can produce more products with higher value-added being supported by capital goods from domestic or foreign companies. In addition, farmers can utilize their production factors, create more employment in the off-farm activities, avoid income fluctuation caused by single rice production and generate their income. Regarding the Indonesia's specific situation that individual farmers cannot afford to optimize their limited resources (land and labor), the promotion of agribusiness can help to make the best use of those resources, reduce the gap between urban and rural area, and fulfill domestic needs for processed food.

(4) Challenges to be solved

The agribusiness development is expected to change the sluggish existing production system, and diminish the potential risk of the monoculture of rice production. Of course, there are problems to be solved. The low quality and low competitiveness of agricultural product hinders foreign investments. These problems exist because of low technology level and lack of opportunities to access to agribusiness. Although the entrepreneurship is essential to promote agribusiness, some traditional attitude would sometimes prevent this in rural area. Taking this into account, the Agency of Agribusiness mentions the following challenges to be solved. First, they try to develop mutually interrelated sub-systems in each agribusiness locality. Second, they will promote a democratic decision making and management. Third, they have to keep sustainability in the utilization and conversion of natural resources and environment.

2.3.3. Agricultural Finance: A Case Study of P4K

(1) Background

To start a new business, farmers need a working capital either from their own savings or by borrowing from someone. In the small number, they can borrow from their neighbors. But, with high interest rate, it is impossible for the people who are below the poverty line to borrow enough money for business. In order to help the small "poor" farmers and fishermen, Indonesian Government promotes a small credit scheme known as P4K (Income Generating Project for Marginal Farmers and Land-less). This section tries to analyze the impacts and the prospects of P4K.

(2) The Objective of P4K

In line with the development strategy to eradicate the poverty problems, this project aims to promote employment creation in the rural areas, increase income of small poor farmers, improve the standard of living of rural people, and promote development with more equity by initiating a range of income-generating activities. This project includes not only financial support but also human resource development. In addition, this project is also to develop the organizational capabilities in order to improve their access to credit and extension services through small farmer groups, and initiate activities related to the improvement of living standard.

(3) The Target Group of P4K

During the period from 1979 to 1986, Agriculture Education and Training Agency of Ministry of Agriculture implemented Income Generating Project (IGP). The present one is the second phase of the IGP known as P4K. Its target is to help 1.5 million people 30,000 Small Farmers Groups (SFGs) over seven years. The main target groups of P4K are farmers and fishermen whose family income is below the poverty line which is equivalent to 320 kgs rice per year. The method to reach the people is a target group approach with a

household or family as the smallest unit. This is the core of P4K strategy. The target groups have to implement a project following basic principles. Basically, a target group consists of 8-16 members who are working together. Groups are formed from, by and for members of the group. Naturally, group members must know each other, trust each other and have common objectives that will be the basis for effective and harmonious cooperation. Furthermore, it is important for them to choose a leader among themselves and to make decisions for their own development.

(4) The Management of P4K

The management of P4K consists of 15 activities in which can be categorized into four steps. First, the identification step consists of identifying a location and potential resources, participants and survey of household members. Second, the preparation step is to encourage and guide lower income families to form self-help groups, and help the group to work together with other groups. Third, the implementation step is to do a small pilot survey, help a group in planning business, and give a various guidance in business implementation, in saving and credit application, in saving and credit repayment, in bookkeeping and financial administration, in marketing, and in capital accumulation and reinvestment. Fourth, the expansion step is to help the group to work together with other organizations. In the identification and preparation steps, the field-workers trained to work with poor people are helping to form a self-help group and to make a plan for the business.

(5) The Credit Scheme of P4K

After a group has accomplished the specified procedure, Bank Rakyat Indonesia (BRI), one of the seven national banks working specially for agricultural and rural credit, starts to give credit to the group. BRI gets the fund for credits from International Fund for Agricultural Development (IFAD) and Liquidity Credit from Central Bank of Indonesia. The former contributes to 80 percent of P4K's fund. There is no restriction to do a business by individual or by group. But, each member of the P4K group must repay interests. For BRI, the collateral of giving credit is based on the confidence and predictability of business plan of each group, and on the careful monitoring by P4K field-workers during the term of loan and in the end of repayment. Typically, loans are given four times at maximum. But, several alternatives are open to the groups formed under P4K and their members once P4K/BRI four cycles of credit has been used. For example, they can access to BRI's general rural credit scheme, KUPEDES. It is fully handled at BRI's sub-district based units or sub-branches, rather than its district-based branches which are much further from the people. In case of difficulties in repayment, the field-workers and the bankers help to find the problems and solve them. For example, BRI account office decides to extend repayment period or supply additional loans. Basically, intervention is minimal. Therefore, the groups will be forced to be more responsible in managing their loans.

Table 2.4. Credit Scheme of P4K

A. Credit Eligibility	Saving in BRI Kupedes Account 1. Credit I: Rp. 50,000 per SFG 2. Credit II: 10% of group business loan Capital required 3. Credit III: 20% of group business loan 4. Credit IV: capital required
B. Credit Limits	Loans is given up to the maximum of four times 1. Credit I: Rp. 1000,000 per member 2. Credit II: Rp. 200,000 per member 3. Credit III: Rp. 250,000 per member 4. Credit IV: Rp. 300,000 per member
C. Interest Rate	1% per month flat rate or 22.5% per year
D. Period of Credit	12 months, 15 months and 18 months

Source: Ministry of Agriculture, *Indonesia's Poverty Eradication Methodology*, September 1996.

(6) The Result of P4K

Number of SFGs is increasing very fast in particular since 1994. It's 47,948 March 1997. The reason of this growth is a rapid increase of women's group. In line with the increasing number of SFGs, the disbursement of BRI credit has also expanded to Rp. 104,924 million in March 1997 to support group business in agricultural sector (65%) and non-agricultural sector (35%). However, the arrears tend to rise gradually even though the rate is still at low level. It increased from 0.18% of March 1991, to 1.80% in March 1995, and to 2.87% in March 1997. According to the P4K Monthly Report of April 1997, the number of SFGs in Yogyakarta is 4,055 with credit disbursement of Rp. 13,512 million. Compared to national level, the arrears rate is lower (1.99%). The number of groups which received credit twice outnumbers that of groups which received credit once. This trend is different from the national one. This may imply that new credit in Yogyakarta is small. It is also possible to think that the borrowers in Yogyakarta can manage loan very well or they are not really poor people.

(7) The Impact of P4K

The impact of P4K can be divided into three: income, skill and institutional effects. On the income effect, the income of households in target group increased by 41% to 54%. After the first loans households could increase their income by 33%, and 46% after the third loan. These income gains are likely to increase with the time. Moreover, there are further direct income gains from the reinvestment. On the skill effect, the target groups can learn bookkeeping, management, and new techniques from training provided by this project. This skill effect will be useful for the target groups to improve their living standard based on self-help principle. P4K has also an institutional effect. Some well-managed groups form inter-group associations and put a portion of their profit into what might be called a "bag bank". They lend cash from the bag bank usually for a couple of weeks to other groups, while the money is being accumulated to prepare for repayment to the commercial banks. This cooperation keeps the money working and increases the groups' income.

(8) The Prospect of P4K

As stated above, the rate of return is very high. Why is it working well? The main reason is that P4K uses a group responsibility system instead of collateral. The group is solid because the group members are similar in quality and in their business. Thus, the ratio of arrears is low. The second reason is that P4K's lending is not only once. It is possible that SFGs borrow several times, if they can repay within the given term. Borrowers always think that to repay is better than to default. The third reason is a monitoring system by MOA and BRI.

This is not excessive but appropriate. Finally, maybe, the role of training program is great. Group members can develop their capability through the P4K training. They can understand the aim and work of project. However, there are some points that require consideration. First, at present, most of source fund of credit is coming from IFAD. In the future, this source may decrease according to a reduction of fund in the organization. It means that the scale of P4K will reduce probably. Therefore, a financial supporting system in the country must be created. Second, there are many poor people who are not covered under the P4K's framework. For example, in Yogyakarta, participation of women groups is still few. It is important to carefully identify real target groups and form SFGs. Third, interest rate of some other credit schemes for poor people are lower than that of P4K. However, the arrears are higher than P4K's. MOA and BRI should pay attention to this to protect a harmful effect on P4K's return. Finally, the main role of P4K is to support people living under the poverty line doing their business and developing their management skill. At the time they can increase their income and become eligible to borrow from the commercial banks, there will be no longer a need of this project. Therefore, in the future, it is necessary to continue P4K with a more flexible principle in coping with the changing condition.

2.3.4. Infrastructure: Irrigation Development to Support the Agricultural Sector

(1) Background

In Yogyakarta, there are three rivers, Opak, Oyo and Progo as water sources, in addition to the underground water. Concerning irrigation network, the Ministry of Public Works is handling the task of setting up the challenges. In DIY, there are three institutions which control the regional irrigation system: the regional office called KANWIL, the operation institution called DINAS, and the farmer association called P3A.

To increase the productivity of paddy production, the government has been applying various policies. From 1969 to 1993, they developed new irrigation systems and did the rehabilitation of irrigation network. The results are as following: the number of dams 1,243, and the primary irrigation network 256,070 km., secondary network 473,385 km. and tertiary network 1,189,116 km.

(2) Challenges

There are three challenges in providing water supply for agriculture. The first challenge is how to improve and increase the irrigation network into the isolated area. The second is how to improve the water allocation system to a higher standard. The third is how to refine the institution which maintain the water allocation.

The government has been searching the way to increase water supply for people. But at same time, they also face three constraints such as the environment degradation, water pollution, and geographical situation. They are making efforts to ensure that three rivers can supply water even during the dry season. At present, there are four priorities as following: to maintain irrigation network, rehabilitate irrigation network, provide a new water resource and increase the role of community maintaining irrigation network.

(3) Development Plan

In the Sixth Five Year Development Plan of Yogyakarta, the local government are going to construct two dams, control the rivers (90 km), protect erosion(9 km), and manage 1,083 small dams, 149,296 primary and 6,376 secondary irrigation networks. To achieve these targets, they will implement three main programs. The first program is to develop ways to maintain water resources, especially at the Sermo Dam in Kulon Progo Regency and Banyuripan Dam in Gunung Kidul Regency. The second one is the water resource management of rivers, lakes and others. The third one is to improve the management of irrigation network, especially by encouraging 500 farmers water associations (P3A). To support these main programs, there are also supporting

programs like the development of irrigation institution through training activities, empowering cooperative, and reforestation.

2.4. Concluding Remarks

People who are working in the agricultural sector are still large. It means that the role of agricultural sector in Indonesian is still significant in absorbing the labor forces even its share in the domestic product and its rate of growth is gradually decreasing. In line with the efforts to maintain the food self-sufficiency, to promote diversified agricultural production, and to increase the living standard of farmers, there are several challenges to be overcome. First, the government of Indonesia has to gradually reduce the regional disparities in agricultural production and productivity. Second, in order to provide more agricultural surplus, and to create more jobs opportunities, the promotion of agribusiness must be put in the priority list. Third, economic linkage between agricultural sector and other economic sectors should also be taken into consideration.

In addition, there are also non-economic challenges to be solved. First, the legal restriction is needed to protect agriculture from the excess of rapid industrialization. For example, a strong prohibition of the land conversion of productive farm into other use will reduce the speed of land conversion. Second, to implement the agricultural development program properly, the government should improve the project management and point out the clear responsibility of each government institutions. Third, therefore, the government has to strengthen the close cooperation between Ministry of Agriculture and other line ministries for example with Ministry of Public Work which has the responsibility in building and maintaining irrigation network.

Chapter 3 INDUSTRIAL DEVELOPMENT

3.1. Overview

Industrial sector in Indonesia is growing very fast and gradually becoming the main vehicle for stimulating economic development and improving technological capabilities. According to the Indonesian State Guideline and The Sixth Five Year Development Plan, industrial development is promoted in order to strengthen the national economy by creating forward and backward linkages between sectors, and expanding employment and business opportunities, while preserving the environment. Additional objectives are to improve industrial competitiveness and the ability to produce high quality products capable of penetrating international markets; to promote the growth of small and medium size industries, including rural industries; and to broaden the regional distribution of industry, particularly in the eastern part of Indonesia.

In spite of the fact that the national industrial policy of Indonesia has as one of major objectives to develop broad-spectrum industries oriented towards the international market, the special region of Yogyakarta is mainly dotted by a series of small scale and cottage industries. These industry ranges from batik, silverware, leather crafts, wooden handicrafts to ceramic ware. A visit to the Regional Development Planning Agency (BAPPEDA) reveals that one of the challenges of the provincial government has been how to improve on the efficiency and viability of these small scale industries (SSI) in order to attract more foreign capital in addition to making them more self-reliant, vibrant and sustainable. This challenge becomes more glaring especially as the national economy is relying on the market-mechanism with the private sector in the lead. Competition from foreign countries is almost inevitable. This has made the Provincial Government to put in place programs of support for these small-scale industries. They include the following: first, giving and assisting these industries with technical expertise; second, giving special training on skills and products to meet international standards; third, providing good investment atmosphere to encourage would be investors and investors already doing

business in the area; fourth, providing basic infrastructure, and fifth, loan scheme and matching grant schemes to SSIs.

3.2. The Basic Data and Figure of Industrial Sector

Looking at the table 3.1, it is no gain saying the fact that, in this region, the majority of establishments can be classified as cottage and small scale industries - SSI. The number of workers absorbed by these industries totaled 140,677 in 1994, as against those of medium and large-scale industries, which was a pantry 31,639. Labor productivity in cottage and small-scale industries is growing, which means that there must have been an improvement in labor skills and production techniques. As the table shows, the number of workers employed has not increased substantially but their productivity has improved considerably during the past few years. On the other hand, the medium and large-scale industries employ a few workers but have a great production output. This is because these industries are more capital intensive.

These cottage and small-scale industries have absorbed a very great portion of the surplus labor because they mainly adopt labor intensive method of production. In this way, they have contributed in creating job opportunities and have reduced to some extent the income inequality and thus contributed positively in enhancing the overall economic development of the region. Even though, they may vary in size, scope and operational techniques, in general terms, they share the attribute of marketing most of their products domestically.

Table 3.1. The Summary of Industrial Statistics of Yogyakarta 1991-1994

	1991	1992	1993	1994
1. Cottage Industry				
a. Number of Industry	71,618	72,456	73,304	73,676
b. Number of Worker	125,675	126,073	127,549	116,432
c. Production (Rp. Million)	134,616	161,760	197,104	240,467
d. Labor Productivity (Rp.000)	1,071	1,283	1,545	2,065
e. Growth of Labor Productivity (%)		19.79	20.42	33.66
2. Small Industry	1991	1992	1993	1994
a. Number of Industry	3,392	3,411	3,431	3,397
b. Number of Worker	25,629	25,228	24,828	24,245
c. Production (Rp. Million)	54,117	85,218	116,259	131,432
d. Productivity (Rp.000)	2,114	3,375	4,683	5,421
e. Growth of Labor Productivity (%)		59.65	38.76	15.76
3. Medium and Large	1979	1984	1989	1994
a. Number of Industry	155	187	179	263
b. Number of Worker	13,802	14,683	20,520	31,639
c. Production (Rp. million)	43,955	87,035	249,255	632,415
d. Productivity (Rp.000)	3,185	5,928	12,147	19,988
e. Growth of Labor Productivity (%)		13.23	15.43	10.47

Source: Statistic Office of Yogyakarta Special Region, Yogyakarta In Figures 1995.

The local government, been already aware of the challenges of globalization, has already established some guidelines to support the SSIs. Efforts have been made, especially through the creation of the Research and Development Office in order to support technically the SSIs. Nevertheless, the following still need to be done effectively by the local government in order to push the trade. First, give more incentive to SSIs to participate in International Fairs and Expositions. These incentives should range not only from institutional support but also to financial assistance. Second, the Local Government has to be the main channel between the SSIs and higher levels of government in trying to overcome small constraints and especially, trying to ensure a larger range of benefits to the SSIs that sometimes are impeded by legal regulations, such as the drawback incentives. Third,

enable an active participation of the private community in formulating proposals to higher level of governments. Fourth, support the SSIs in market researches, especially in foreign countries, in knowing the taste and demands of consumers. Fifth, in social aspects, provide the whole society an awareness of the role of trade in regional economic growth.

3.3. Special Issues

3.3.1. Human Resource Development in Manufacturing Sector

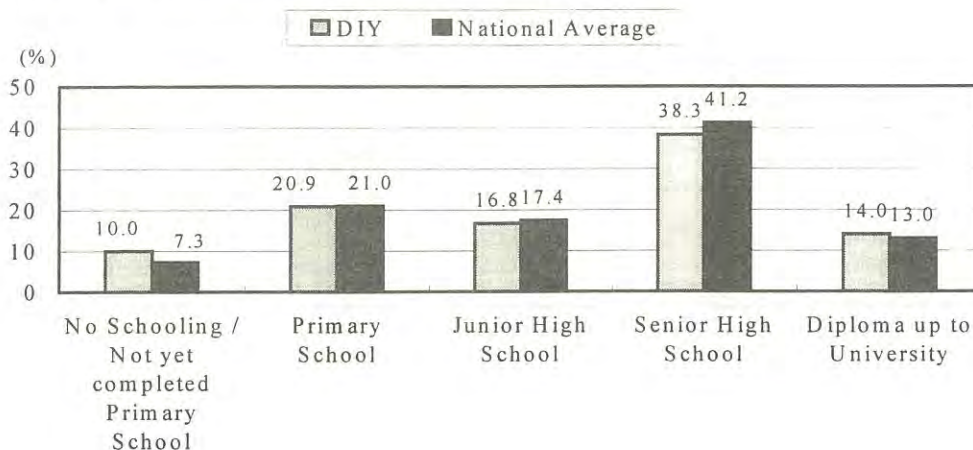
This section will try to introduce the situation of human resource development in manufacturing industry based on both the analysis of macro statistical data and the results of interview survey, and to discuss what is required in human resource development planning toward high economic achievement in this sector.

(1) The Profile of Human Resource in DIY

a. Educational Attainment of the Workers in DIY

Figure 2 indicates the percentages of the employees by educational attainment. The percentage of the laborers with no schooling and not yet completed primary school in DIY represents 10.0 percent while the national average indicates only 7.3 percent. Additionally, the percentage of the employees in DIY with senior high school level (38.3%) is lower than that of the national average (41.2%). Though the difference between that of DIY and national averages is not large, it can be said that the educational level of employees in DIY is not yet beyond the national standard. What is stressed is that DIY is an educational city in Indonesia, and there are indeed lots of educational institutions or facilities. Nevertheless, the educational level of workers is not necessarily high compared to the Indonesian average. This fact indicates a possibility that many of the personnel who are educated and trained within the high educational institutions in DIY are not employed by the local enterprises.

Figure 2. Educational Attainment of Workers in Yogyakarta



Another feature of employment issue is that job seekers who are categorized as unemployment labor force, include considerable number of high educated labor force. Table 3.2. shows that job seekers with senior high school level (70.6%) and university graduates level (14.9%) amount to more than 85 percent of the total job

seekers. It also might indicate that most of the industry in DIY are occupied by traditional small-scale industries and hence they cannot absorb these labor forces which will require to pay them with higher wages.

Table 3.2. The Number of Job Seekers in Yogyakarta

Highest Educational Attainment	Male		Female		Total	
	Number	(%)	Number	(%)	Number	(%)
Not yet completed primary school	0	-	0	-	-	-
Primary school level	2,290	4.22	2,002	4.80	4,292.0	4.47
Junior high school level	5,974	11.01	3,749	8.99	9,723.0	10.13
Senior high school level	39,144	72.11	28,825	69.10	67,969.0	70.80
University/Academy	6,873	12.66	7,138	17.11	14,011.0	14.60
Total	54,281	100.00	41,714	100.00	95,995.0	100.00

Source: Statistic Office of Yogyakarta Special Region, Yogyakarta In figures 1995

b. Wages Profile in DIY

In the manufacturing sector, the standard of workers' wages is considerably low. As shown in Table 3.3, weekly average wage of production workers in the manufacturing sector under supervisor level in Central Java and DIY in December 1995 is the lowest in Indonesia at Rp. 27,900 while national average being Rp. 39,300. It means that the average worker's wage in DIY is approximately 70% of that in total Indonesia. Compared to Jakarta with the highest worker's wage in Indonesia, there is a large difference. These figures also might suggest two kinds of phenomena in the labor market; one is the existence of surplus labor in DIY and the other is a very fast urbanization which accompanies the high labor mobility. However, note that these phenomena are interrelated. It means, concretely, that the surplus labor force especially with high educational attainment in DIY could move to the industrialized provinces such as Jakarta or Bandung, seeking for a better labor condition.

Table 3.3. Weekly Average Wage of Production Workers Under Supervisor Level in Manufacturing Sector by Region (December)

Region	Wage (Rp. 000)
DKI Jakarta	46.9
Central Java and Yogyakarta	27.9
Indonesia	39.3

Source: Central Bureau of Statistics, Statistical Yearbook of Indonesia 1995.

(2) Implementation of Human Resource Management (HRM)

During the field work, the interview survey was carried out at the 4 manufacturing enterprises (A temppe company, B handicraft company, C batik company and D leather company) in DIY. The main HRM practice can be summarized as follows.

Table 3.4. The Implementation of Human Resource Management In Yogyakarta

	A: Tempe Company	B: Handicraft Company	C: Batik Company	D: Leather Company
Main Activity	Food Processing	Ceramic Production	Batik Production	Leather processing
Established	1961	1990	-	1986
Number of Employee	27	8	45	700
Worker Requirement	1. Elementary School 2. Junior High School	1. Skilled Worker	1. Skilled worker for Production line 2. Senior High School for art shop section	1. Elementary School 2. Junior High School
Wages (weekly)	Rp. 3,500 - Rp. 7,000	Rp. 3,750 - Rp. 5,000	Rp. 1,000 per day	-
Remuneration System	-	New year and Moslem Holiday Bonus Additional Bonus for Perfect Attendance	-	New year and Moslem Holiday Bonus
Main Criteria of Evaluation System	1. Output per worker 2. Job burdens	1. Skill 2. Job Experience	1. Skill 2. Job Experience	-
Management Training	Total Quality Control	Nothing	Total Quality Control	-
Workers Training	On the job training (skill)	On the job training (skill)	Skill training in the Inhouse Training Center	-

a. Recruitment

Generally, the production workers are recruited depending not on their educational background but on the degree of their skill, while clerks and management staff are adopted according to their educational attainment. The tendency is that unskilled labors move from company to company while skilled labors are relatively stable. According to the chairman of DIY local office, low skilled workers especially in handicraft industries try to move to the enterprises with higher skill to enhance their handicraft skill levels. It means that the workers improve their skills on the process of their job turnover.

However, the problem, according to the entrepreneur in C batik company, is that batik industry have the difficulty in the employment of younger generation regardless of relatively high salary. This suggests that the traditional small scale industries such as batik are no longer attractive to young generation.

b. Promotion and Wage System

Regarding promotion and wage increase, the degree of worker's skill and experience is emphasized as the main criteria of worker's evaluation. Actually, entrepreneurs in B handicraft company and C batik company evaluated their employees according to their skill levels and experiences. It can be observed that many of the traditional small scale manufacturing industries such as batik and handicraft put an emphasis on skill attainment and experience not only in recruitment of workers but also with evaluation within the work organization.

The remuneration system increases the workers motivation and productivity in some enterprises. The B handicraft company gives additional monetary reward for the 6 days perfect attendance in addition to the new year and Muslim holiday bonus. In this way, workers attitudes toward job are also taken into consideration.

c. Training

The government, chamber of commerce, cooperative and so forth supports the training of managers for improvement of their management skills. Marketing, finance, and foreign language are the main training courses. In practice, A tempe company and C batik company applied total quality control (TQC). In this respect, it can be observed that managers placed an importance on management education and improvement of the

quality of products. However, the constraint, according to the manager of C batik company, is that total quality control system can not fully function because of the low educational standard of workers.

In terms of training for employees, the systematic training can not be found in this field-work. Managers especially in small-scale industry trained worker's skill in the face to face way on the process of job. In this way, it can be said that employee's education system of small-scale industry in DIY is still primitive.

(3) Summary

It was found from the analysis of statistics that there are two characteristics of human resource situation in DIY; lower standard of educational attainment of laborers and lowest level of wages compared to the national standard. Probably, the human resource with high educational attainment does not enter in the DIY's local industry and the phenomenon of the surplus in labor force could be emerging in DIY.

With regard to the practices of human resource management, the following points could be observed. First, skill of the employees is highly evaluated in the small scale manufacturing industry in DIY. Second, especially the traditional industry has difficulty in the recruitment of young generation. Third, management skills such as TQC are introduced to the small-scale industries. However, they cannot fully function nor operate. Fourth, a comprehensive system is not yet formed in the area of managing human resource in DIY.

3.3.2. Financial Support for Small Scale Industry

(1) Background

Through the interviews of small scale industries in DIY, and the assessments of the working conditions, equipment acquisition and productivity level, it was observed that one central problem of the small-scale industries (SSI) is the inadequacy of capital to expand and meet production targets. Besides, capital is also needed for acquisition of raw material and equipment. A clear example of this problem was observed at the leather factory where the buck of the raw materials (hides and skins) had to be imported from other countries even as far as Brazil in South America and Nigeria and Ethiopia in Africa. The batik industry also experience this financial dilemma and hence most batik entrepreneurs had to come together to form credit cooperatives in order to pull resources together to maximize production. This way they could source for raw materials collectively. Such arrangements would have been impossible individually because of financial impediments.

The role of capital in the operation of the SSI's is further more important since their products are competing with foreign products which are mass produced and therefore cheaper in the international markets. In an era of globalization capital is needed to undertake market research and to acquire modern technology that can enhance the quality of their products. The Provincial Government of DIY is aware of this poor financial capabilities of these industries and has instituted a well-designed program of providing credit facilities to these SSI's. Various policies have been formulated in this respect to promote, encourage rural credit institutions such as banks, cooperatives and other agencies.

(2) The Credit Scheme for Small Scale Industry

The most popular rural formal financial institution responsible for providing credit to these SSI is the Bank Rakyat Indonesia (BRI) or Indonesia's People's Bank. It is a state-owned rural bank. Its operation covers the whole country. It is one of the most important sources of credit for the small-scale entrepreneurs and cooperative societies in Yogyakarta. In practice, however, the SSI hardly got access to the credits provided by this Bank because of some built-in bottlenecks. For instance, the Bank operates according to certain requirements, namely, capital, collateral, character, capacity and condition of the economy. These five factors are evaluated through paper work, certificates, documents that should be signed by borrower, lurah (head of the

village) and other rural officials. Due to the fact that the exercise is time consuming, prospective borrowers often shy away from such loans and fall back on the financial institutions like pawnshops, local money lenders with their usual high interest rates but faster and less cumbersome procedures.

Apart from the credit facilities provided by the BRI, other sources of credit exist at the village level. One of those is the Badan Kredit Kecamatan (BKK). It provides loans of about Rp. 5,000 mostly to middlemen and small peddlers. In recent time the provincial government lend support to this by providing it with a capital of Rp. 1 million. Usually the interest ranges from 10-20 percent for a period of three months.

Added to the above is another source of loan provided by an agency called Bank Desa or Bank Minggon which extends loans to small merchants. Usually such banks had capital around Rp. 50,000. For this loan the maximum given out is about Rp. 10,000. The interest rate vary from village to village and at some villages it is up to 30 percent and the borrowers were usually required to make regular saving deposits.

The cooperatives are also major sources of credits. They give loans only to their members. From the interview conducted with BRI in Yogyakarta it is plausible to say that majority of BRI credit scheme at the regional level is mainly for agricultural production needs with little emphasis on small-scale activities. The small-scale industries had to rely mostly on BKK, Badan Kredit Desa, and the cooperatives for their credit needs.

**Table 3.5. The Number of Bank Offices In Yogyakarta
(As of March 1997)**

Group of Banks	Number of Office
1. State Banks	34
2. Regional Government Banks	7
3. Private National Banks	249
4. Foreign Banks	0
5. Rural Credit Banks	
(1) New Bank Perkreditan Rakyat	54
(2) Petty Traders/Village Banks	10
(3) Bank Kredit Desa/Village banks	137
(4) Lembaga Dana Kredit Perdesaan	9

Source: Bank of Indonesia, Indonesian Financial Statistics, July 1997.

The various credit institutions, be it informal or formal, face the similar constraint of poor loan repayment. Once loans taken are not properly invested, repayment becomes difficult. And if loans are not repaid by due date, further disbursement of loans becomes impossible.

In spite of the obvious drawbacks of the BRI in each credit scheme to the SSI, it has succeeded in establishing banking services at Kecamatan (sub-district) level and even at village level. This development, to the extent that it tries to monetize the rural economy, represents a major achievement. Banking and saving habits are imbibed by the rural dwellers.

Table 3.6. Outstanding Small-Scale Industry Credits In Indonesia By Group of Banks 1991-1995 (Rp. Billions)

Group of Banks	1991	1992	1993	1994	1995
1. State Banks	1,044	1,513	968	1,127	865
2. Regional Government Banks	78	63	110	136	112
3. Private National Banks	1,092	751	1,680	1,822	2,224
4. Foreign Banks	2	0	1	4	1
5. Total	2,216	2,327	2,759	3,089	3,202

Source: Bank of Indonesia, Indonesian Financial Statistics, July 1997.

(3) Policy Recommendations

First, to meet one of the national industrial objectives of Indonesia which is to promote the growth of small and medium industries, the government must reduce to the barest minimum if it can not eliminate completely all obstacles on the way of getting loans and credits by SSI. Second, besides an enlightenment campaign in the various types of credit facilities made available by government should be pursued vigorously because most small-scale entrepreneurs are not even aware of the credit schemes available for them to take advantage of. Third, in order to correct the trend of business failure which is often cited as a principal factor for poor repayment of loan, a monitoring unit should be established and where already existing should be reinvigorated to liaise ceaselessly between the credit institutions and the SSI. This is to ensure that the SSI's channel all borrowed funds to proper use. In addition to this proper accounting techniques should be made a criteria for receiving of loan. This is to minimize wastage of funds on unproductive ventures which in turns leads to incessant cases of business failure.

3.3.3. Trade Promotion

In Yogyakarta Special Region–DIY, trade is basically driven to the domestic market. The innumerable small-scale industries set on the region dedicate themselves basically to the production of high labor intensive goods such as batik, silver crafts, leather goods, ceramic and others. Their target markets are the DIY which itself is a famous tourist attraction spot, and the commercial centers in Jakarta and Bali.

In terms of foreign trade activities, DIY's engagement is still very low. Although the trade surplus has been increasing in the last few years, DIY's exports are still very small if compared to the overall exports of Indonesia (see Table 3.7). DIY's manufactured goods have already gained some important markets in developed countries, having as their main markets the United States, Japan, Korea, The Netherlands, Australia, among others. Although the exports show that these products have promising markets in other countries, the composition of these numbers is most related to the exports of the medium and large industries of DIY¹. In reality, the participation of small-scale industries in the total of DIY's exports is still very low², and in some sectors such as ceramic, exports are realized just to fulfill the demand of sporadic orders made by foreign buyers. In relation to imports, DIY purchases, mainly from developed countries, machinery and equipment, essential chemicals to be used in the production processes and the big volume of cotton for batik making. But

¹ The statistical methodology used to compute these numbers aggregates the exports realized by all companies, not permitting us to know the exact figure for small-scale industries exports.

² This conclusion was drawn from the various interviews conducted with small-scale and factories.

all these imports are usually supported by incentives such as drawback schemes and only larger companies can get it.

It was observed that DIY is a special region owning a comparative advantage as it provides a variety of manufactured goods that requires specific skills. But in the course of the globalization process and the initiatives by the Indonesian Government itself in liberalizing its trade³, it will be necessary to give a greater support to the SSIs to adapt to the current changes, both in domestic trade policies as well as in the local Asian market. For the SSIs, the globalization process can bring an enlargement of markets. On the other hand, it can be also a threat as similar products can come into Indonesian markets from neighboring countries. However, with the cut of tariffs, much input can be obtained in foreign markets with more competitive prices. Therefore, an awareness of all segments of DIY must be raised up in a participatory basis, with each party carrying out its role in promoting the improvement of trade in DIY and specially contributing to overcome its constraints.

**Table 3.7. Share of Yogyakarta Export and Import
In Indonesia Trade Balance 1985-1995
(Percentage)**

Year	Export	Import
1985	0.11	0.04
1986	0.16	0.05
1987	0.18	0.06
1988	0.21	0.07
1989	0.25	0.06
1990	0.22	0.04
1991	0.22	0.04
1992	0.23	0.04
1993	0.18	0.02
1994	0.22	0.01

Source: Calculation based on Appendix 9 and 10.

3.3.4. Industrial Cooperatives: Case Studies of Batik and Silvercraft Cooperatives

It has been noticed that the cooperatives' role to the SSIs is very important since the affiliation provides innumerable benefits to the members such as provision of raw materials, finance of production, business opportunities, share of profits, etc.. This attracts many SSIs that cannot carry out independently these business. The improvement of skills and techniques, diffusion of technologies, training and management are noticed to be of concerns of the administrators of the Batik and Silver Cooperatives. In relation to foreign trade, the medium and large-scale factories that are independent most of the times don't rely on the Cooperatives' initiatives. Therefore, in order to promote the exports of goods of the SSIs, the Cooperatives should put efforts on: first, improving the quality of products by trying to meet the requirement of foreign markets; second, promoting the standardization of the products; third, promoting partnership with larger factories that are involved in the same production process; fourth, push the government to give support in promoting the products abroad; fifth, create a "Trade Mark" and promote it, so the products can be recognized as "good product" in others markets and to facilitate their commercialization.

³ The trade liberalization is also a reflection of the commitments established in the ASEAN and APEC.

3.3.5. Chamber of Commerce

The Chamber of Commerce of Yogyakarta is an important party in the process of liberalization of trade and deregulation. The Chamber of Commerce is an important channel in that it helps in pointing out many constraints, rules and bureaucracy that are impediments to a better trade performance. Apart from representing the private sector and promoting the region's endowments and potentialities, domestically and abroad, the Chamber of Commerce also provides courses, workshops and training. And in partnership with a Germany institution- the ZDT-TA, a "Business Information Center-BIC" was established to provide information on business opportunities, international markets, partnership, etc. Many activities that are held in the Chamber of Commerce and especially by the BIC are for sure of great importance to the affiliates of the Chamber. But, although concerns about the constraints of SSIs in improving their productivity and competitiveness and to face the challenges of globalization was shown, it was noticed that the Chamber of Commerce of DIY dedicate most of its "institutional facilities" to defend the interests of the medium and large scale industries that constitute the majority of its affiliates. If the Chamber really wants to support those potential SSIs it has to be an active representative and taking their main constraints into consideration and try to solve them through the same institutional channel.

3.3.6. Basic Infrastructure: Electricity Development to Support Industrial Sector

(1) Background

In general, infrastructure plays a vital role in promoting new industry and attracting investment. The high and unpredictable cost of such traditionally "non tradable" inputs such as power, water, transportation, and market channels increases additional expenses for not only small scale industries but also middle and large scale industries.

There are many targets for infrastructure development set up by the Yogyakarta government. The first target is to support and maintain the existing industry. It is natural in the environment of this rapid economic growth at industrial sector there. The second target is to extend the economic base for existing industries and make the base for new industries. In DIY, the inequality of per capita income between Yogyakarta municipality and other four regencies incurs the extensive high migration from regencies to municipality, and the distortion of land use. Therefore, the establishment of infrastructure in the rural areas in the context of the second target is very important. In this section, we discuss about DIY's basic infrastructure, in particular, electricity.

(2) Electricity Supply System

In Indonesia, the public electric company called PLN is responsible for electricity supply system. PLN concerns with generation, transmission, and distribution of electricity. In Java Island, there are four regional distribution center and two generation and transmission centers. Each of the distribution centers has several distribution-branch offices including DIY branch office which belong to the Central Java distribution center. In case of Yogyakarta, there is no problem with electricity supply. The DIY branch office manages the system and makes the plans of electrification.

(3) Government Policy and the Past Achievement

The latest Five Years Development Plan in DIY shows the electric supply policy as follows: During the period 1969 to 1994, constructed electricity network was 2,851,585 km in medium voltage, and 4,138,633 km in low voltage. In addition, electricity has been distributed to 373 villages, and to 337,844 households. Now one of the government challenges is to distribute electricity to all villages in order to support economic activities especially in the industrial sector. From 1993/94 to 1997/8, the Yogyakarta government placed priority on

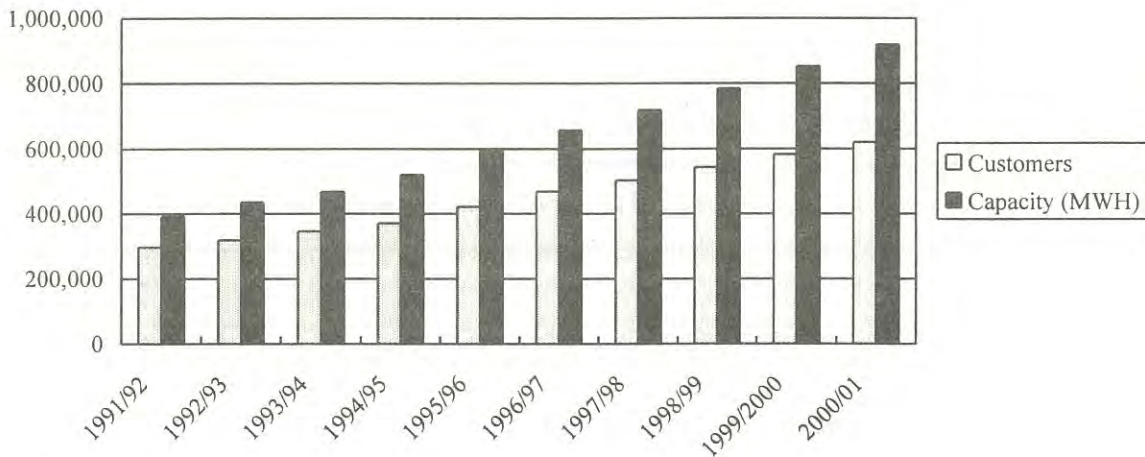
distribution of electricity to rural area in order to support the economic activities in rural and urban area. Another priority was to develop another source of electricity such as coal, bio-gas and solar because this area depend mainly on hydro power.

Table 3.8. The Number of Customers and Electricity Sold in Yogyakarta

	Number of Customers	Number of Electricity (MWH)
1991/92	297,726	391,272
1992/93	319,394	436,128
1993/94	346,829	468,372
1994	371,318	519,945
1995	421,760	594,105
1996	468,913	656,537
1997	503,186	718,400
1998	543,895	783,900
1999	582,320	851,800
2000	619,778	920,000

Note: 1991/92-1993/94 was actual statistics. 1994-2000 is the projection
 Source: Electricity Company (PLN) Office of Yogyakarta

Figure 3 The Number of Customers and Capacity of Electricity, 1991-2000



(4) The Impacts of Electricity Distribution

According to the interviews to various factories and cooperatives during OFW, two major positive impacts of the distribution of electricity were found. The first impact is to the promotion of the use of machinery. Usually, this will increase productivity. We found such impact in some factories. For example, in silverware factories they use the silver-melting machinery in the initial process of production. Before introducing this machinery they melted silver in traditional way. As a result of the promotion of machinery, they succeeded in saving the time and increasing their productivity. Another example is the Batik industry, which needs a lot of water. The source of water comes from underground, then they use the electricity pump to get water from wells. The second impact is that electricity allows for longer time operation due to the availability of light at night.

Actually a cake factory enjoyed the merit when it is necessary to increase the production eventually and work until late at night.

(5) Problem, Constraint and Solution

As mentioned above, electricity distribution has positive impacts on the people as well as on industry. But, there are also many problems. The first problem is how to stabilize the voltage of electricity distribution. Gunung Kidul regency is facing this problem. The long distance transmission from sub-distribution station reduces the voltage of electricity. Therefore, in this regency, especially the eastern part, the voltage is relatively low. This problem is related to the stable supply. Because of instability, this regency is not attractive to the promotion of industries, much less those industries that need much electricity. To solve this problem, PLN is going to build the sub-distribution station in this regency in 1998.

The second problem is the extent of electrification in each village. According to PLN, the electrification rate is almost 100% because the numbers of villages that are not electrified are only 3 out of about 438 villages in DIY. But even though a small portion of a village is electrified, the whole village is often regarded as having 100% electrification. However, in case of calculating the number of customers and households, it reveals that no more than 64% are actually electrified. Therefore, the electrification level should be changed from each village to more detailed units so that the whole regency would be attractive to investors. PLN also emphasized that efforts will be made to solve this problem. One of the main constraints is the lack of financial support. It will be necessary to allow more participation of some private companies such as BOT (Built-Operate-Transfer) or BOO (Build-Operate-Own). Actually in Indonesia some private companies are engaged in the electricity business, but there are no such activities in DIY. In addition, DIY doesn't have installed capacity of power so much. Therefore, the solution depends on PLN and state policy.

As mentioned above, infrastructure target aims to expand and maintain the existing industries while establishing ones. In addition, the expansion of electricity network to rural area is in progress, and the growth of consumption is actually on the increase. So a present direction about the development of electricity will be useful for the development of economic activities in DIY, especially for industrial sector. The constraints are the dependence on state in terms of decision making and budget. In the latest development plan, government points out that there is a budget constraint. But in the promotion of industry, we always need enough fixed capital. Due to the important role of industrial sector in absorbing surplus labor, we expect the positive expansion of electricity network will benefit DIY.

3.4. Concluding Remarks

As mentioned in the first part of this section, DIY Special Region is endowed with many natural resources and a variety of manufactured goods that require specific and even traditional skills. All these potentialities give DIY opportunity to overcome one of the main problems of Indonesian society: poverty alleviation and better income distribution level. As the numerous SSIs are the main source of income for the local people, effective policies must bring improvement of production process, technical and technological innovations, management skills, financial support, and basic infrastructure like electricity. However, it should be clearly explained to the SSI holders that the advantages of trade are not only restricted to an expansion of market. Engagement in foreign trade also brings accessibility to cheaper inputs. And the most important thing is the awareness of the need to improve the quality of the products in order to guarantee their position in the domestic market against the competition of similar products from neighboring countries. The SSI will have many potentialities to increase their participation in foreign trade and its has to be seen as an alternative business opportunity.

Since the government has as one of its priority the promotion of the growth of small and medium industries, all inhibitions on the ways of securing credits should be removed. In addition to this a good atmosphere should be created to attract private investors. This can best be done by providing the right infrastructure not only in term of physical infrastructure, but also in human resources. A well-developed human skill is an essential ingredient for the growth of this sector especially in this era of globalization.

Chapter 4 TOURISM DEVELOPMENT

4.1. Overview

Though tourism is always considered as a service industry, its economic activities are not only limited within the service sector but also cover and integrate with many other economic sectors. For example, upon arriving at international airport, a tourist will take bus, taxi, or other transportation to go to his or her place of stay. Dine at restaurants, shop at mall, buy souvenirs, visit special tourist spots, enjoy various kinds of entertainment, and etc. are basic routines when visiting a new place. Therefore aside from travel agencies, amusements and attractions, hotels, and restaurants the impact of tourist industry is also on transportation companies, small and medium scale enterprises, like the makers of handicraft, batik, leather, and tempe.

The government of Indonesia believes that tourism has an important role in the national growth. Based on the State Guideline 1993 (GBHN 1993) and Sixth Five Year Development Plan (Repelita VI), the tourism sector would be developed to increase foreign exchange earnings, expand the employment opportunities, promote regional development, heighten the people's prosperity, and reinforce national identity. In addition, tourism development is also to strengthen international friendship through interaction of cultures, pay closer attention to preserving the quality of the environment, and also promote the development and marketing of Indonesian products.

As a matter of fact, the outcomes on Indonesian tourism development in past years were attractive. At the beginning of Pelita I (1969) the number of foreign tourists was only 86,100 persons but increased to 270,303 persons at the end of Pelita I (1973), at an average increasing rate of 33.59% per year. In 1990, the year when "Visit Indonesia Year" program launched, the number of foreign visitors reached more than 2.5 million people. And in the last year, 1996, the total number of foreign tourists to this country was around 4.2 million persons, an average increasing rate of 13% per year since 1990. With an average growth rate of 14.8% per annum during the decade from 1984 to 1994, Indonesian tourism was able to exceed the growth rate of world tourism which had only an average 5% per year during the same decade. In terms of revenue received, Indonesian tourism has shown growth from year to year as the role of tourist industry in national development is increasingly important. In 1996, surpassing the timber industry, with US\$5.13 billion of revenue, the tourist industry rose to third position in the rank order of foreign exchange earning only after oil/gas products and textiles. The Ministry of Tourism, Post and Telecommunication has set the target that by the end of Repelita VII (2005) the tourism industry will generate between US\$15-16 million, which will then exceed textiles revenue and become second position in foreign exchange earnings.

Table 4.1. Foreign Tourist Visit to Indonesia

Year	Pelita	Number of visit (person)	Growth per Pelita (%)
1969	I	86,100	
1973		270,303	213.94
1974	II	313,452	
1978		468,614	49.50
1979	III	501,430	
1983		640,715	27.78
1984	IV	700,910	
1988		1,301,049	85.62
1989	V	1,625,965	
1993		3,403,138	109.30
1994	VI	4,006,312	17.72
1995		4,324,229	7.94
1996		5,034,472	16.42
1998		6.5 million	<- Target

Source: Compiled from BPS, *Statistics during 50 Years Indonesian Independence*, Jakarta.

Table 4.2. Tourism Revenue 1995-1996

Month	1996 (Mil. US\$)	1995 (Mil. US\$)
January	354.94	344.67
February	373.50	327.63
March	431.13	318.78
April	421.09	331.94
May	410.91	317.87
June	441.79	346.84
July	462.83	382.59
August	466.37	406.18
September	419.32	373.35
October	426.16	373.43
November	435.74	372.56
December	489.97	439.56
Total	5,133.75	4,335.40
Target for end of Pelita VI: US\$ 8.9 bil.		

Source: Compiled from DGT, *Tourism In Indonesia 1996*, Jakarta.

4.2. The Basic Data and Figure of Tourism Sector in Yogyakarta

4.2.1 Income generation

As mentioned earlier, tourism activities cover and integrate with other business sectors, therefore to derive the tourism revenue can be best done only through estimation. Basically, items or sectors included to calculate tourism revenue at DIY is shown in Table 4.3. Of course the table would not be considered as a complete one because other major sources such as lodging and transportation were not included. The year 1996 had shown favored in Yogyakarta's tourism industry. Its income was close to Rp33 billion, a 65% increased in revenue from 1995. Based on the analysis on income by sectors, we can tell that most sectors, except sectors on taxes on entertainment and on others, had generated more money compare with the 1995's figures. One unusual one is the development tax sector, more than tripled from previous year. Development tax is the revenue tax collected by the provincial government from the tourism related businesses, like travel agencies and hotels. By the end of Repelita VI (1998/1999), the tourism industry in DIY is expected to grow at an annual rate of between 11% to 13% in income generation.

Table 4.3. Estimated Incomes From Tourism By Sectors of DIY, 1994 - 1996 (Rp. Million)

	1994	1995	1996
Tourists sites	2,843	3,431	5,757
Museum	600	613	1,112
Attractions / souvenir	468	491	743
Entertainment / food	6,926	6,512	4,637
Development tax	2,820	6,368	19,142
Taxes on entertainment	2,900	2,512	1,338
Others	50	55	46
TOTAL	16,607	19,982	32,775

Source: Compiled from Dinas Pariwisata DIY, *Statistik Pariwisata Tahun 1996*, DIY.

4.2.2. Number of visitors

Since there is no main gate, like an international airport, to keep track the entrants to the region, the best estimation we can make to the number of tourists visited Yogyakarta is from the registration of local hotels. Looking at Table 4.4, we know that in 1996 there were more than 1.2 million of tourists visited Yogyakarta, about 6% increase from year 1995. The government of DIY believes that by the end of Repelita VI (1998/1999), they are able to attract more tourists both from abroad and domestic, at an average growing rate of between 9% to 14% per year.

4.2.3. Origin of visitors

Most visitors to the Yogyakarta Special Region are from other parts of Indonesia. It was 901,575 people last year, and was about 72% of the total number of tourists. This number has increased from 1995's figure by about 7.6%. International targets of Indonesian tourism are gradually shifting from Euro-American origin to Asian origin. Tourists from Taiwan outnumbered tourists from other countries. About 60 thousand Taiwanese visited Yogyakarta area last year. Holland was the second but with around 40 thousand. One reason contributing to the increasing number of Asian tourists is the "economic miracles" performed by many East Asian countries namely Taiwan, Hong Kong, Singapore, Malaysia, Thailand, and etc. People from above mentioned countries has increased their economic income and are able to look for some luxury activities, like overseas travel.

Table 4.4. Number of Tourists Staying At Hotels

Year		HOTEL			TOTAL (For.+Dom.)
		Non-star	Star	Sub-total	
1994	Foreign	85,236	237,958	323,194	963,995
	Domestic	476,269	164,532	640,801	
1995	Foreign	99,893	244,372	344,265	1,181,530
	Domestic	648,448	188,817	837,265	
1996	Foreign	101,619	249,923	351,542	1,253,117
	Domestic	692,005	209,570	901,575	

Source: Compiled from Dinas Pariwisata DIY, *Statistik Pariwisata Tahun 1996*, DIY.

Table 4.5. Visitors by Country of Origin (1996)

Country	# of Visitors
Taiwan	59,947
Dutch	39,161
Japan	35,810
France	29,865
German	24,211
USA	15,336
Hong Kong	12,275
Australia	12,060

4.2.4. Length of Stay

Length of stay of tourists affects their consumption in the local market. Needless to say, the longer the tourists stay, the more they spend. Referring to Table 4.6, we can see that foreign visitors staying at star hotels have shortened their length of stay while foreign visitors staying at non-star hotels have extended their length of stay at Yogyakarta. However, the situation of domestic tourists is slightly reversed. The local government is trying to increase the tourists' length of stay at DIY to longer than 2 nights.

Table 4.6. Average Length of Stay of Tourists Visiting Yogyakarta

Hotel	1994		1995		1996	
	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic
Non-star	2.3	1.4	2.3	1.5	2.4	1.3
Star	1.7	1.7	1.7	1.8	1.6	1.9
Average	2.0	1.5	2.0	1.6	2.0	1.6

Source: Compiled from Dinas Pariwisata DIY, *Statistik Pariwisata Tahun 1996*, DIY.

4.2.5. Transportation

There are three transportation systems supporting tourism development in Yogyakarta: air, land and local transportation. An international airport is still not available at the Yogyakarta area. However, according to the local officials, a new international airport at Surakarta (Solo, about 60km away from Yogyakarta city about 40 minutes driving on a toll road) is expected to be opened in the near future. In the mean while, officials are in the process of discussing the possible direct flight between Yogyakarta and Singapore. Daily domestic air services are available to and from Jakarta, Bali, Bandung, Surabaya and Banjarmasin operated by Garuda Indonesia, Merpati Nusantara, Mandala Airline, Sempati Air, and Bourag Airline.

Train services are only available throughout Java and in a part of Sumatra. Several trains run between Jakarta and Surabaya and transit in Yogyakarta. There are many trains to Yogyakarta from Jakarta, Bandung, Surabaya as regular and daily services. Bus and ferry services are available and the best known are those serving the Yogyakarta-Bali-Mataram route, and Yogyakarta-Jakarta-Medan route, both traveling night and day.

There are many transportation tools available at the Special Region for the tourists to explore the town. Modern equipment like the taxi, bus and chartered bus, traditional unique transportation like the "becak" (an Indonesian rickshaw), and horse carts, also the motorcycles and bicycles rental is available. In most cases, because of the reasonable costs and unfamiliarity with the local bus system, taxi would be the best choice for foreign tourists travelling around the city. Except the city bus and sometimes the taxi, tourists usually have to negotiate the price with the drivers in most transportation tools used.

4.2.6. Hotel

According to the official statistics, in 1996 there were 27 star hotels with a total number of 2,621 rooms, about 6% increase from 1995. Number of tourists, both domestic and foreign, stayed at star hotels in 1996 was 459,493, a 6% increase from the year 1995. Between 1995 and 1996, the number of domestic tourists staying overnight at Yogyakarta has significantly increased, about 11% more, while numbers of tourists from abroad has been stagnant, only 2% increase.

There are 371 non-star hotels with 5,689 rooms at the Special Region in year 1996. Though the total number of non-star hotel rooms did not increase much from 1995 to 1996, less than one percent, the number of tourists staying at non-star hotels has increased from 748,341 people to 793,624 people, about 6% increase. Many non-star hotels at Yogyakarta area are well constructed and equipped, therefore there is a possible trend of more tourists, especially of domestic, preferring staying at more economic non-star hotels.

Table 4.7. Number of Star and Non-star Hotels at Yogyakarta

	1994		1995		1996	
	Units	Rooms	Units	Rooms	Units	Rooms
Non-star hotel	338	4,993	355	5,682	371	5,689
Star hotel	22	2,299	26	2,468	27	2,621
Total	360	7,292	381	8,150	398	8,310

Source: Compiled from Dinas Pariwisata DIY, *Statistik Pariwisata Tahun 1996*, DIY.

4.2.7. Restaurants

According to the data from the Directorate General of Tourism (DGT), in 1996 at Yogyakarta, there are about 222 non-classified restaurants with around 12,192 seating capacities, and 5 Silver Tray and 19 Bronze Tray classified restaurants. The classification of restaurants was set by the DGT in order to keep high quality of local restaurants. Moving restaurants and street-side restaurants are very common in Yogyakarta. These

restaurants are primitively equipped, selling traditional Javanese foods at very low prices but sanitation standard is in question.

In order to improve the quality of non-classified restaurants, a workshop was held by the DGT in East Java. The officials also took the site surveys in 1996, to collect data on the growth rate as well as to identify problems facing the industry. Results of the surveys indicate that service, hygiene, and sanitation in those non-classified restaurants still needs a lot of attention.

4.2.8. Travel Companies and Tour Guides

The number of travel companies in Yogyakarta area has been constantly increased since year 1994. The number of tour guides who obtained official licenses was 425 in 1996. Because of the promising outcome of tourist industry in Yogyakarta, it is believed that numbers of both travel companies and tour guides will continue to increase in the future. Especially tour guides for domestic tourists due to the growing number. However, there is still a lack of tour guides who can speak Mandarin, Japanese, Spanish and Arabic for tourists from abroad.

Table 4.8. Number of Travel Companies

	1994	1995	1996
Travel Bureau	39	50	61
Branch Travel Bureau	32	35	37
Travel Agent	6	7	7
TOTAL	77	92	105

Source: Compiled from Dinas Pariwisata DIY,
Statistik Pariwisata Tahun 1996, DIY.

4.2.9. Pricing

Yogyakarta has its own unique treasures in culture and nature. However due to the daily increasing international competitions with other Southeast Asian countries, like Malaysia, and Thailand, and national competitions with other famous Indonesian tourist spots, like Bali and Sumatra, it is critical to control the pricing aspect of the promotional and marketing activities. It is believed that price-setting will become a very influential factor on the market demand. In other words, only products, whether in service or in commodity, with competitive and reasonable prices will benefit the development of tourism in Yogyakarta.

4.3. Special Issues

4.3.1. Policies for Tourism Promotion in Yogyakarta

Tourism development is equivalent to the growing number of tourists. Though there are world-famous tourism spots in Yogyakarta, it is not better known than Bali. It is necessary to give many people some knowledge about Yogyakarta as tourism spot by marketing activity. For local travelling agencies and related tourism companies, it would be difficult to carry out the promotion activities by themselves. Therefore there are many programs carried out by different levels of government agencies, like the Ministry of Tourism, Post and Telecommunication, the Regional Office of the Ministry, the Provincial Government and the Tourism Office of the Special Region, for the promotion of tourism industry at Yogyakarta.

On the national level, tourism promotion activities are widely varied either for domestic or for international by the DGT of the Ministry of Tourism, Post and Communication. First, DGT is to take a part in the overseas travel fair and exhibitions involving the private sector more widely and foreign mass media. Second, they are inviting foreign journalists who are interested in Indonesia to write articles and broadcast the program on

television about the places. By these activities, many people can know better about Indonesia. Third, DGT tries to boost international convention events in Indonesia by adopting MICE (Meeting, Incentive Travel, Convention and Exhibition). In 1996, 995 international meetings were held in Indonesia attended by 163,572 participants consisting of 65,653 foreign participants and 97,919 locals.

To support the tourism promotion activities, DGT is producing and distributing many publications, booklets and posters about marine tourism, religious tourism, cultural and historic tourism, domestic tourism, and a calendar of tourism event to all the Regional Offices and other related organizations and agencies.

On regional level, Yogyakarta Tourism Office is also taking many policies. Basically, they ways and the tools of promotion are the same as national government promotion. However, there are specific policies different from the Central Government policy. First, the regional tourism office is joining with the tourism offices in the country (P3Y) and International Organization (ITPO). Second, they are establishing the Tourist Information Center and Service (TIC and TIS) in many places. Third, tourism office collaborates with Kyoto as a twin city. Furthermore, they involve the prevalence art and traditional ceremony such as Sekaten, Traditional Festival, Development Exhibition and Tourism Festival. This festival is held every year to attract more tourists.

In case of tourism promotion, it is essential to show the appealing characteristic of the place. In particular, Yogyakarta should give more attention on the specific events different compare to Bali. Moreover, in doing tourism promotion activities, local government office should consider a tourist season of different countries. By taking this point into account, the efficiency of the marketing must be increased. In such cases, the cooperation with foreign travel agents should be considered in particular to promote group tour.

4.3.2. Human Resource Development (HRD) in the Tourism Sector

Service industry, for example the tourism, has some unique characteristics that differentiate them from producers of physical goods. First, their product is intangible, and second, there is no standardization. Since service is a people-to-people business, the employees will be a carrier of product as well as a part of the product. Then how well the employees are equipped will be a critical point for the success of the service business. In the long-run, if HRD is not taken into consideration in management, the business will gradually lose its competitive advantage due to the inadequate performance of the employees.

The national government's efforts toward the development of human resource in the tourism industry can be found at first in the formulation of "The Vision for Tourism, Post, and Telecommunication Human Resources 2005". It aims "to have professional officials, who are capable of competing at the national and international levels, self-reliant, business minded, and nationally oriented". Second, the implementation of the "Skill Qualification Standards" that had been produced by the Working Group on Human Resource Development, the members of which consisted of representatives from government agencies, tourism associations, educational institutions and individuals. And third, to accelerate the manpower supply through greater encouragement of private sector involvement in holding education and training courses. A variety of training courses were offered by the Ministry in hoping to improve the quality of working force, for examples, courses on traditional dances, tour guide, graphic design of promotional materials, nature and environment conservation, hotel, restaurant and catering management, tourism planning and management, foreign languages, and etc. These courses are open to private sectors as well as to regional tourism officials.

In terms of human resource development in the local tourism industry, the tourism office of the Special Region does offer a variety of training and consulting programs not only to local businesses like the restaurants, hotels, travel agencies, transportation companies, and etc., but also to the related government officials. Examples of training courses offered to the private sectors are like planning and management of activities, foreign languages especially in English, Japanese, Chinese and Korean, manners of communication with

tourists, creativity of new ideas, and others. For government officials in tourism office, courses like management and planning, quality control and motivation, personal discipline improvement, and etc. were offered.

Government can be an initiative toward the development of human resource of private sectors by offering many necessary training courses or seminars. After all, it is up to the private sectors whether they are willing to put an emphasis on the development of their quality of working force. Although the exact participation rate of Yogyakarta business sectors attending the government provided courses can not be found, but for sure it did not reach to the satisfaction level.

4.3.3. Case Study: “Advance” Tour Company

“Advance” Tour (note: name was modified) was founded in 1970’ s with only 8 persons; but after 20 years of operation, it is now becoming the Yogyakarta’ s leading travel agent and recognized by many airway companies, both domestic and international, as the best local travel agent. By 1996, the company hired more than 30 staff, selling an average of 3,000 tickets and 50 tour package, with a total Rp. 500 million income per month. The company is boasting for its leading place for domestic and international air ticketing in Yogyakarta area through the usage of the most advanced technology. Examples of current projects are the implementation of Total Quality Services, and Customer Retention Program, by publishing periodical media to keep their customers updated with current information.

The company managers are proud of their high quality working force. Many of the company employees had attended the 3 years academic programs majoring in foreign languages, and some others got their diplomas from tourism schools. Obtaining academic diploma does not guaranty the employment, all candidates will have to pass all levels of test like interview, written test, practical test and training test. And the most important of all, according to the managers, the qualified candidate must also possess the willingness to learn and to receive on-going training programs. There are periodical in house or the on-the-job training programs. And the lesson is usually carried out by two methods, by group discussion and field tour study. In the group discussion, colleagues share each other’ s experiences and simulate or analyze some case studies. Tour study is important for the office employees to understand the real situations that their customers are facing. So the employees will know better of their customers’ feeling since they have been in the same environment. For employees who are interested in becoming a tour guide, then such tour study can be a good practice for them.

In “Advance” Tour, monetary works a good stimulator for motivation. Aside from the minimum wage (Government set standard is Rp. 106,500 per month), supporting wage and bonus are also available for employees. Supporting wage is base on individual’ s responsibility, skills, loyalty, like the commitment and work period in the company, and attendance. And the bonus is based on company’ s turnover and profit gaining. The company also offers life insurance, health or medical coverage to its staff. Proportion for wages, supporting wages, bonuses, insurance, and training programs for employees is between 40% to 60% of company’ s revenue. An average salary of “Advance” Tour staff is about Rp. 500,000 per month.

As mentioned earlier, since service workers are the product carriers as well as the product itself, emphasizing on the development of company’ s working force shall not be neglected. However, if only taking human resource development as a belief but fail to realize or relate to the direct output, the revenue, then the cost-benefit figure will be negative.

4.4. Concluding Remarks

It is relatively easy to attract a tourist to a place because of novelty. However, to draw the tourist back again is depending on how the “place” had satisfied his needs. In his book, *Marketing in Travel and Tourism*, Middleton (1988) points out that a “place” does not just mean the location of a tourist attraction or facility, but the location of all the points of sale which can give consumers access to the range of tourism products on offer. Points of sale refer to all contributing factors to the attractiveness of a tourist attraction. For example, the macro- and micro-perspective planning, promotion efforts, and financial supports of the central and local governments, the marketing strategies applied by local businesses, quality of the services and products, safety concern of the environment, and etc. Because the development of Yogyakarta tourism was not started until 1980’ s, there are still rooms for improvement. Promotion of the city must be emphasized more at both international and national levels. The Regional Office of Tourism must also ensure the high standard, sanitation, safety and quality of hotels, restaurants, and public facilities. The local government will have to encourage local private sectors by means like deregulation, tax-incentives, training courses, and etc. Transportation network within the Yogyakarta area may not be a current problem while the connection with other cities and countries must be made more accessible. The lack of adequate and competent human resource will be the major issue if Yogyakarta city wishes to continue a sound tourism development. Examples of human resource that will help the growth of tourism industry would be like planners with foresight vision, administrators with high efficiency, business owners with entrepreneur spirits, vendors with foreign language ability and proper ways of communicating, and willingness of residents to support the development of local tourism.

Chapter 5 CONCLUSION

Having had information about development process in Indonesia and learning from their experience especially in Yogyakarta, we can finally make conclusions.

First, entering the globalization era, a nation's economic activities will be more integrated with the global economy. The scope of economic activities will no longer be limited within certain boundaries, but will become broader. It creates important new opportunities for Indonesia with wider markets for trade, larger private capital inflows, and improved access to technology. The new opportunities are accompanied by tough new challenges of economic management. In the globalization process, the more developed economic groups and regions will have the biggest opportunity in exploiting the momentum of globalization. Meanwhile, the less-developed economic groups and regions will have to adjust and work harder in order to survive and increase their competitiveness. It is essential for empowering and leveling playing fields of people in the country. Therefore, the Indonesian Government should continuously change their macro economic policies to adjust to the global market by giving more attention on the adjustment process.

Second, the important thing in the adjustment process is how to improve the capacity building of people through the employment creation, income generation, saving mobilization, capital accumulation and technological promotion within the country. The early step in accelerating this process is to create more income surplus from economic activities. This process is merely based on the acceleration of economic structure transformation consisting of changes from traditional to modern economy, from agricultural to industrial and services, and from subsistence to market economy. Therefore, agricultural development and industrial development in Indonesia must be oriented into the surplus creation.

On the basis of field study in Yogyakarta, several important conditions should be put into serious consideration to promote the smooth economic transformation and stimulate the sustainable economic growth of the region.

The first is improving the access of production assets to develop local economic activities. Regarding to this matter, the agricultural development through agribusiness should be encouraged more. For this, private investors should be encouraged in many activities such as production, processing, packaging, and marketing. It is very important to support and empower the capacity of the people in economy process.

The second is strengthening small-scale industry in regions. One strategic step to assist the small-scale industry is by increasing accessibility to productive assets, particularly access to financial resources. For the small-scale industry, the availability of financial resources is an important means for the accumulation of capital, so that production will increase and create a surplus of income. The common problem faced in providing financial resources is the limited interaction between the financial institutions/banks which provide credit facilities and the small-scale industrialists who urgently require credits. Therefore, various financial resources should be introduced for helping the small-scale industry. Human resource development is also important to increase skills and ability of the small-scale businessmen to manage the credits in an optimal manner, and also to enhance the productivity and efficiency of the employees. In addition, the local government should actively promote cooperation between the small-scale industrialist and the big private investors under the mutual partnership. This system will benefit to both small-scale industry and private investors. The strong and solid small-scale industry hopefully will support the Yogyakarta economy as a whole.

The third, in order to stimulate further local economy activities and to obtain a faster income for capital as well as to create vast job opportunities, putting a special attention to tourism development is important. It will require more responsibility of the local governments particularly at the second level of governance (district and regency) to work together with private investors in strengthening their capacity for tourism promotion and to enable them in contributing to the regional development.

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APPENDIX 1
SOCIAL AND DEMOGRAPHIC INDICATOR

Population By Region/Province (000)			
Region/Province	1980	1990	1995
1. Sumatera	27995	36472	40831
2. Java	91217	107527	114733
- DKI Jakarta	6481	8228	9112
- West Java	27450	35382	39207
- Central Java	25367	28516	29653
- DI Yogyakarta	2750	2913	2917
- East Java	29169	32488	33844
3. Kalimantan	6717	9096	10470
4. Nusa Tenggara, Bali, East Timor	8486	10162	10959
5. Sulawesi	10401	12510	13732
6. Maluku and Irian Jaya	2515	3483	4030
INDONESIA	147331	179250	194755

Population Density Per Kilometresquare			
Region/Province	1980	1990	1995
1. Sumatera	59	77	86
2. Java	690	814	868
- DKI Jakarta	11023	13999	15445
- West Java	593	764	847
- Central Java	742	834	867
- DI Yogyakarta	868	919	920
- East Java	609	678	706
3. Kalimantan	12	17	19
4. Nusa Tenggara Bali, East Timor	96	111	124
5. Sulawesi	55	66	73
6. Maluku and Irian Jaya	5	7	8
INDONESIA	77	93	101

Life Expectancy at Birth Female, 1980, 1990, 1995			
Region/Province	1980	1990	1995
1. Sumatera	54.4	62.4	66.0
2. Java	56.7	64.1	67.3
- DKI Jakarta	59.2	68.2	71.6
- West Java	49.1	57.4	62.6
- Central Java	55.7	62.9	66.1
- DI Yogyakarta	63.6	68.5	70.0
- East Java	56.0	63.3	66.4
3. Kalimantan	53.4	61.5	65.3
4. Nusa Tenggara Bali, East Timor	49.2	58.1	63.6
5. Sulawesi	53.0	60.6	64.5
6. Maluku and Irian Jaya	52.8	56.6	63.8
INDONESIA	53.7	61.5	65.3

Life Expectancy at Birth Male, 1980, 1990, 1995			
Region/Province	1980	1990	1995
1. Sumatera	51.2	59.4	62.2
2. Java	53.4	60.5	63.5
- DKI Jakarta	55.8	64.6	67.6
- West Java	46.2	54.2	58.9
- Central Java	52.5	59.4	62.3
- DI Yogyakarta	59.9	64.7	66.0
- East Java	52.7	59.7	62.6
3. Kalimantan	50.3	58.0	61.5
4. Nusa Tenggara Bali, East Timor	46.2	54.8	60.1
5. Sulawesi	50.0	57.2	60.8
6. Maluku and Irian Jaya	49.7	56.6	60.1
INDONESIA	50.6	58.1	61.5

Infant Mortality Rate Per 1000 Live Births 1980, 1990, 1995			
Region/Province	1980	1990	1995
1. Sumatera	106	68	52
2. Java	95	60	47
- DKI Jakarta	82	40	30
- West Java	134	90	66
- Central Java	99	65	52
- DI Yogyakarta	62	42	36
- East Java	97	64	50
3. Kalimantan	111	72	55
4. Nusa Tenggara Bali, East Timor	136	90	63
5. Sulawesi	113	76	59
6. Maluku and Irian Jaya	114	78	62
INDONESIA	109	71	55

Percentage of Population Over 10 Years Old By Highest Educational Attainment, 1994			
Region/Province	Primary	Junior	Senior and >
1. Sumatera	72.22	13.92	13.86
2. Java	68.03	13.37	18.60
- DKI Jakarta	44.82	20.51	34.67
- West Java	76.02	10.55	13.43
- Central Java	79.04	10.72	10.24
- DI Yogyakarta	61.89	14.59	23.52
- East Java	78.37	10.48	11.15
3. Kalimantan	73.25	13.05	13.71
4. Nusa Tenggara Bali, East Timor	80.28	8.63	11.10
5. Sulawesi	71.22	13.60	15.18
6. Maluku and Irian Jaya	73.08	13.20	13.73
INDONESIA	74.02	12.16	13.82

Source: Central Bureau of Statistic, Statistical Yearbook of Indonesia 1995.

APPENDIX 2
Gross Regional Domestic Production and Expenditures

GROSS DOMESTIC REGIONAL BRUTO OF YOGYAKARTA SPECIAL REGION BY INDUSTRIAL ORIGIN (AT CONSTANT PRICE 1983) (Rp. billion)										
	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Agriculture	238.4	254	232.9	257.9	255.3	281	299.5	293.7	288.4	310.4
2. Mining and Quarrying	3.9	4.1	5.5	5.2	5.4	5.5	6.1	7.1	6.3	6.7
3. Manufacturing	66.4	66	69.6	77.8	92.8	95.5	102.3	112.5	133.4	153.6
4. Electricity, Gas and Water Supply	5.2	6.1	6.8	7.5	9.5	11.3	12.8	14.6	15.9	16.7
5. Construction	42.5	44.6	46.7	47.9	48.8	45.8	44.5	46	48.4	54.0
6. Trade, Restaurant and Hotel	140.9	150.1	160.4	169.4	177.2	186.7	199.6	221.3	236.2	254.5
7. Transportation and Communication	56.1	61.3	63.5	66.4	68.2	70.2	77.8	84.4	96.9	105.5
8. Banking and Other Financial	17.5	18.1	19.2	20.3	20.6	28.2	30.6	31.5	31.7	25.0
9. Ownership of Dwelling	48.8	52.1	53.6	55.8	57.9	59.9	61.5	64.6	66.1	67.9
10. Public Administration and Defense	106.1	110.6	116.3	126.9	133.6	137.8	144.7	148.8	152.9	156.0
11. Services	37.6	42.8	46.9	50.1	51.9	54.7	58.2	60.7	65.3	70.3
TOTAL	763.4	809.8	821.4	885.2	921.2	976.6	1037.6	1085.2	1141.5	1,220.6

SHARE OF GROSS DOMESTIC REGIONAL BRUTO BY INDUSTRIAL ORIGIN (%)										
	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Agriculture	31.2	31.4	28.4	29.1	27.7	28.8	28.9	27.1	25.3	25.4
2. Mining and Quarrying	0.5	0.5	0.7	0.6	0.6	0.6	0.6	0.7	0.6	0.5
3. Manufacturing	8.7	8.2	8.5	8.8	10.1	9.8	9.9	10.4	11.7	12.6
4. Electricity, Gas and Water Supply	0.7	0.8	0.8	0.8	1.0	1.2	1.2	1.3	1.4	1.4
5. Construction	5.6	5.5	5.7	5.4	5.3	4.7	4.3	4.2	4.2	4.4
6. Trade, Restaurant and Hotel	18.5	18.5	19.5	19.1	19.2	19.1	19.2	20.4	20.7	20.9
7. Transportation and Communication	7.3	7.6	7.7	7.5	7.4	7.2	7.5	7.8	8.5	8.6
8. Banking and Other Financial	2.3	2.2	2.3	2.3	2.2	2.9	2.9	2.9	2.8	2.0
9. Ownership of Dwelling	6.4	6.4	6.5	6.3	6.3	6.1	5.9	6.0	5.8	5.6
10. Public Administration and Defense	13.9	13.7	14.2	14.3	14.5	14.1	13.9	13.7	13.4	12.8
11. Services	4.9	5.3	5.7	5.7	5.6	5.6	5.6	5.6	5.7	5.8
TOTAL	100	100	100	100	100	100	100	100	100	100

GROSS REGIONAL DOMESTIC PRODUCT OF YOGYAKARTA SPECIAL REGION BY EXPENDITURE (Rp. billion)										
	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
1. Private Consumption	539.6	562.0	573.1	581.6	585.6	587.4	595.7	607.8	621.3	628.7
2. Private Non Profit Institution Consumption	16.4	22.4	22.1	22.6	22.7	28.1	33.7	37.4	40.1	32.9
3. Government Consumption	129.5	141.4	170.7	197.2	170.9	175.7	191.4	209.8	236.3	247.4
4. Gross Domestic Fixed Capital Formation	142.2	147.2	175.1	181.3	180.5	183.0	205.5	211.2	241.9	262.5
5. Change in Stock	95.9	96.8	27.6	105.7	228.0	294.5	315.1	37.5	35.4	9.2
6. Export of Goods and Services	93.1	95.3	121.2	82.0	44.1	23.1	30.1	389.1	403.0	481.7
7. Less Import of Goods and Services	253.4	255.3	268.4	285.2	310.7	315.3	333.8	407.7	436.6	441.9
G R D P	763.3	809.8	821.4	885.2	921.1	976.5	1,037.7	1,085.1	1,141.4	1,220.5

Source: Central Bureau of Statistic Indonesia, Gross Regional Domestic Product, series of publication.

APPENDIX 3
THE AREA, PRODUCTION AND PRODUCTIVITY OF FOOD CROPS
IN YOGYAKARTA, 1991 - 1995

	1991	1992	1993	1994	1995
Wetland Paddy					
Area (hectare)	98,943	97,788	99,611	97,640	97,464
Production (000 kg)	584,357	586,337	593,635	605,697	574,882
Productivity (00 kg/ha)	59.06	59.96	59.60	62.03	58.98
Dryland Paddy					
Area (hectare)	38,371	39,492	36,922	38,491	37,872
Production (000 kg)	135,335	143,948	107,178	127,635	126,045
Productivity (00 kg/ha)	35.27	36.45	29.03	33.16	33.28
Maize					
Area (hectare)	59,113	86,383	38,490	63,142	68,893
Production (000 kg)	134,896	217,167	86,751	177,188	187,671
Productivity (00 kg/ha)	22.82	25.14	22.54	28.06	27.24
Cassava					
Area (hectare)	60,028	57,256	59,145	59,758	58,447
Production (000 kg)	642,300	839,373	865,979	595,805	893,371
Productivity (00 kg/ha)	107.00	146.60	146.42	99.70	152.85
Sweet Potatoes					
Area (hectare)	952	1,123	932	805	938
Production (000 kg)	11,619	12,649	15,001	9,956	14,448
Productivity (00 kg/ha)	122.05	112.64	160.95	123.68	154.03
Peanuts					
Area (hectare)	42,680	51,644	3,617	46,222	43,345
Production (000 kg)	30,474	49,320	28,140	39,483	35,248
Productivity (00 kg/ha)	7.14	9.55	77.80	8.54	8.13
Soybeans					
Area (hectare)	52,219	66,687	47,356	54,686	60,229
Production (000 kg)	46,997	91,961	53,743	64,640	69,803
Productivity (00 kg/ha)	9.00	13.79	11.35	11.82	11.59
Green Peanuts					
Area (hectare)	546	854	668	1,998	646
Production (000 kg)	208	361	268	785	235
Productivity (00 kg/ha)	3.81	4.23	4.01	3.93	3.64

Source: Statistic Office of Yogyakarta special region, Yogyakarta in Figures 1995.

APPENDIX 4
THE NUMBER OF COOPERATIVE (KUD), MEMBER AND SAVING
IN YOGYAKARTA, 1991 - 1995

	1991	1992	1993	1994	1995
1. Number of KUD	61	62	62	62	63
2. Member	248,316	252,579	296,349	304,891	310,987
3. Saving (Rp. 000)	1,655,021.0	2,064,378.8	2,561,861.6	3,615,595.2	3,730,430.6

Source: Statistic Office of Yogyakarta special region, Yogyakarta in Figures 1995.

APPENDIX 5
THE SUMMARY OF MEDIUM AND LARGE INDUSTRY STATISTIC
IN YOGYAKARTA, 1992 - 1995

	1992	1993	1994	1995
1. Number of Industry	215	215	263	290
2. Number of Worker	28,793	30,435	31,643	33,034
a. Paid Worker	28,512	30,143	31,356	32,718
(i) Production	23,647	24,788	26,188	26,979
(ii) Other	4,865	5,355	5,168	5,739
b. Unpaid Worker	281	292	287	316
3. Value of Gross Output (Rp. million)	469,148.2	522,607.5	632,404.8	765,919.1
4. Cost of Production (RP. million)	278,348.7	315,501.4	342,864.3	440,193.2
a. Input Cost	262,497.5	289,877.1	320,836.9	404,487.4
(i) Raw Materials	219,553.6	248,352.1	273,966.2	351,998.6
(ii) Fuel, electricity, and gas	22,660.8	19,220.0	26,372.5	31,498.7
(iii) Other materials	20,283.1	22,305.0	20,498.2	20,990.1
b. Service Cost	15,851.2	25,624.3	22,027.4	35,705.8
(i) Operation	1,956.3	2,881.7	4,356.0	6,345.7
(ii) Rent of building and machine	1,052.2	1,236.5	706.3	807.8
(iii) Other services	12,842.7	21,506.1	16,965.1	28,552.3
5. Value Added (at market price)	190,799.5	207,106.1	289,540.5	325,725.9
6. Indirect Taxes	14,247.2	19,496.6	17,485.5	28,431.5
7. Value Added (at factor cost)	176,552.3	187,609.5	272,055.0	297,294.4

Source: Statistic Office of Yogyakarta Special Region, Yogyakarta in Figures 1995.

APPENDIX 6
NUMBER OF COTTAGE, SMALL, MEDIUM AND LARGE INDUSTRY
IN YOGYAKARTA, 1991 - 1994

	1991	1992	1993	1994
1. Cottage Industry	71,618	72,456	73,304	73,676
(%)	95.21	95.19	95.22	95.27
2. Small Industry	3,392	3,411	3,431	3,397
(%)	4.51	4.48	4.46	4.39
3. Medium and Large Industry	215	247	248	263
(%)	0.29	0.32	0.32	0.34
Total	75,225	76,114	76,983	77,336
(%)	100.00	100.00	100.00	100.00

Source: Statistic Office of Yogyakarta Special Region, Yogyakarta in Figures 1995.

Note: Cottage Industry is defined as an industry with no more than 5 workers.

Small Industry is defined as an industry with 5 - 19 workers.

Medium Industry is defined as an industry with 20 - 99 workers.

Large Industry is defined as an industry with more than 100 workers.

APPENDIX 7
THE SUMMARY OF SMALL AND COTTAGE INDUSTRY STATISTIC
IN YOGYAKARTA, 1992 - 1995

	1992	1993	1994	1995
1. Number of Industry				
a. Small Industry	3,392	3,411	3,431	3,399
b. Cottage Industry	71,618	72,456	73,304	73,676
2. Number of Worker				
a. Small Industry	25,629	25,228	24,828	24,245
b. Cottage Industry	125,675	126,073	127,549	116,432
3. Value of Production (Rp. million)				
a. Small Industry	54,177	85,218	116,259	131,432
b. Cottage Industry	134,616	161,760	197,104	240,467
4. Productivity of Worker (Rp. 000)				
a. Small Industry	2,114	3,378	4,683	5,421
b. Cottage Industry	1,071	1,283	1,545	2,065
5. Cost of Production Per Month		140.2		
a. Primary Input (Rp. 000)		133.0		
(i) Raw Materials		111.8		
(ii) Fuel, electricity, and gas		11.1		
(iii) Wages and Salaries		10.1		
b. Service Cost (Rp. 000)		7.2		
(i) Transportation		2.8		
(ii) Rent of building and machine		0.2		
(iii) Manintenance		3.5		
(iv) Inderect Taxes		0.7		

Source: Central Bureau of Statistic, Household/Cottage Industry Statistics 1993.

APPENDIX 8
EXPORT VALUE BY COMMODITY IN YOGYAKARTA
1992 - 1995 (US\$ 000)

	1992	1993	1994	1995
1. Textile	13,485.62	0.00	12,458.59	9,833.17
2. Ready Made Leather	11,395.43	11,239.97	10,651.40	11,897.18
3. Leather Gloves	8,906.00	8,151.94	8,982.86	9,610.62
4. Leather Crafts	5,258.79	6,296.76	4,491.57	0.00
5. Wood Crafts	3,000.37	0.00	1,061.79	1,313.82
6. Bamboo Crafts	123.63	73.56	82.54	534.64
7. Silver Crafts	954.83	585.06	891.55	103.75
8. Rottan Crafts	739.51	25.63	9.89	25.67
9. Foods	8.54	0.00	18.74	3.64
10. Cigar/Tobacco	35.92	40.77	30.94	121.19
11. Others	9,474.75	1,104.48	514.88	0.00
TOTAL	53,383.39	27,518.17	39,194.75	33,443.68

Source: Statistic Office of Yogyakarta Special Region, Yogyakarta in Figures 1995.

APPENDIX 9
Trade Balance In Indonesia
1985-1995
(US\$ Millions)

Year	Exports	Imports	Balance
1985	5,868.9	8,983.5	-3,114.6
1986	6,528.4	9,632.0	-3,103.6
1987	8,579.6	11,302.4	-2,722.8
1988	11,536.9	12,339.5	-802.6
1989	13,480.1	15,164.4	-1,684.3
1990	14,604.2	19,916.6	-5,312.4
1991	18,247.5	23,558.5	-5,311.0
1992	23,296.1	25,164.6	-1,868.5
1993	27,077.2	26,157.2	920.0
1994	30,359.8	29,616.1	743.7
1995	34,953.6	37,717.9	-2,764.3

Source: Central Bureau of Statistics, Statistical Yearbook of Indonesia 1995.

Noted: Excluding petroleum and gas

APPENDIX 10
Trade Balance In Yogyakarta
1985-1995
(US\$ 000)

Year	Exports	Imports	Balance
1985	6,553.8	3,690.0	2,863.8
1986	10,298.7	4,829.4	5,469.3
1987	15,066.1	6,539.8	8,526.3
1988	24,619.4	8,332.0	16,287.4
1989	33,351.4	9,260.4	24,091.0
1990	32,117.0	7,431.6	24,685.4
1991	39,383.6	9,690.0	29,693.6
1992	53,383.4	10,424.7	42,958.7
1993	48,366.1	4,954.8	43,411.3
1994	68,035.6	3,319.6	64,716.0

Source: Regional Trade Office of Yogyakarta (Kantor Wilayah Perdagangan Provinsi DI Yogyakarta)

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