

# **EASTERN INDONESIA'S DEVELOPMENT IN THE SECOND LONG-TERM DEVELOPMENT PLAN (PJP II) AND REPELITA VI\***

By **Budhy Tjahjati S. Soegijoko**

## **Introduction**

The comments that follow provide a brief sketch of the policies and strategy adopted for the development of Eastern Indonesia, in the context of Indonesia's overall development program for the second twenty-five year plan (PJP II) which began this financial year, 1994/95, and extends through 2018/19.

In the time available the coverage cannot be comprehensive and it is not possible to describe in depth the individual components of the strategy and the program within it. The focus is on the major opportunities and challenges associated with the development of the Eastern Region, priorities for both governmental and private sector participation in development, and priorities for external assistance.

The comments are grouped under four broad headings:

- The context for Eastern Indonesia's Development --The National Strategy and Program for PJP II.
- The Strategy for Eastern Indonesia
- Priorities for External Assistance
- Possible Next Steps

## **The Context For Eastern Indonesia's Development--The National Strategy and Program For PJP II**

### **The GBHN 1993 For PJP II and Repelita VI**

The 1993 State Policy Guidelines (GBHN 1993) stipulate that, in accordance with the general aim of the Second Long-Term Plan (PJP II, 1994/95 - 2018/19), the general objective of Repelita VI is increased self-reliance through the increased participation, efficiency and productivity of the people, in parallel with increases in their standard of living, intelligence and overall well-being.

These guidelines also stipulate that the priorities for Repelita VI are the development of the principal economic sectors and an enhancement of the quality of human resources<sup>1</sup>.

### **Basic Objectives and Conditions Necessary For Their Achievement**

The objective for development in Repelita VI and conditions necessary for their achievement are based on these general guidelines.

*1Abridged from: Bappenas, National Development Planning Agency, Republic of Indonesia. Repelita VI: Indonesia's Sixth Five-Year Development Plan (1994/95-1998/99). A Summary. Jakarta: Perum Percetakan Negara RI, 1994.*

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## **Objectives**

Greater Equity, A Reduction of Regional Disparities and the Elimination of Poverty  
Human Resource Development  
Cultural Enhancement  
Participatory Development  
Necessary Conditions  
Sustained Economic Growth and Diversification  
Stability  
Security

## **Development Themes**

Several "themes" are being emphasized for PJP II and Repelita VI, based on the guidelines provided by the GBHN and the national development objectives. They are important for the development of Eastern Indonesia and the Nation's other regions and are as follows:

### **- The Role Of The Government As A Facilitator**

The emphasis in PJP II is on the role of government as a facilitator of private and community development, rather than a principal developer or a restrictive regulator of private activity. This is intended to encourage a fuller mobilization of private and community resources and provide more scope for the exercise of private and community initiatives. It also recognizes the reality that approximately 70% of fixed capital investment already is financed by the private sector and this share is expected to increase. It will require a dynamic and interactive pattern of public sector planning, implementation and monitoring, with government striking a balance between guiding development and responding to private sector and community priorities and initiatives.

### **- An Increased Role For The Private Sector in The Provision of Public Services**

This is intended to result in a fuller response to the effective demand for services and a more efficient delivery of services. It is intended also to reduce government's share in the financing of public services.

### **- The Integration of Urban and Rural Development**

Urban development and rural development are not competitive with one another. If both are managed well, they can be complemen-

tary and mutually supportive. Rural areas, in which almost 70% of the population still live and work, are markets for urban output. They provide inputs for urban production and consumption. Cities, in turn, are sources of goods and services for rural production. They are sources of innovations which can increase rural productivity. They are sources of employment for rural migrants as population grows and as agricultural productivity increases. By providing productive employment for surplus rural labor they have a major role to play in the alleviation of rural poverty. Between 75% and 80% of all new employment to be created in Repelita VI will be in urban areas.

The governmental planning and management of urban and rural development is to be coordinated to reflect these interdependencies.

### **- Decentralization**

While decentralization has been adopted as a theme for the sixth five-year plan, the decisions to be made on what to decentralize, how to decentralize and when to decentralize are by no means simple.

In seeking to make these decisions wisely, the Government is keeping in mind the basic objectives of PJP II and Repelita VI. While some forms of decentralization are desirable, others may not be because they are likely to result in less, rather than more efficiency, because they may reduce rather than increase equity, or because they may threaten stability.

There are six key elements in the strategy for decentralization and the strengthening of local government during the second twenty-five year plan. One of these is the legal and regulatory framework, which is to be modified to assign fuller responsibility to local government. It also is to be simplified and modernized to eliminate obsolete laws and regulations, remove ambiguities and inconsistencies, and reduce the transaction costs of development. A second is the distribution of financial resources among the levels of government. Gradually, and commensurate with the development of local government financial management capacity, provision is being made for greater local government participation in the financing of local government functions. Third, there will be a series of innovations in organizational arrangements --providing for urban and other local

government functions for which there is no provision presently, adjusting to the special needs of multi-jurisdictional metropolitan areas, and streamlining organizational arrangements to increase the efficiency of government. Fourth, high priority will be given to management and staff development. This will require a variety of measures, including a clarification of the importance of functional, as well as structural positions, training, more adequate salaries and benefits, a matching of rewards with performance, the establishment of attractive career opportunities (at the local level, in particular), and sound personnel management. Fifth, the quality and relevance of technical assistance to local government will be improved and local governments will be given greater responsibility for the design and management of local technical assistance programs. Sixth, the quality, completeness and timeliness of the information needed for local government management will be improved --partly through improved data bases and information management at the local level, partly through improving the information to be made available to local governments from other sources. To help to establish the research and other capabilities needed for this it is proposed to establish an Urban and Regional Development Institute (URDI) with functions which include research and policy analysis, policy debate in which government, the private sector and communities can participate, the provision of technical information services, the provision of technical assistance to local governments, and training for local management.

The timing of decentralization is critical. If transfers of responsibilities and resources are continually delayed on the grounds that "local governments are not ready" it will be very difficult for those local governments ever to become ready. On the other hand, if the transfers are truly premature resources are likely to be wasted or diverted and the changes may undermine, rather than strengthen, local government. Ways must be found to overcome the circular relationship between central unwillingness to transfer responsibilities and local unreadiness to accept them.

The private sector can make a special contribution to breaking this circle. By contracting with local governments for the man-

agement of public services, linked with contracts for the training of local management and staff. Through partnerships with local government in activities which can be more cost-effective than local government acting alone (for example, in some aspects of land development). And through Build-Operate and-Transfer (BOT) or Build-Own-Operate (BOO) concessions for the delivery of public services which the private sector can provide more efficiently than can the public sector.

### **Governmental Instruments For Development**

In establishing a realistic strategy and programs for Eastern Indonesia and the Nation's other regions care has been taken to define carefully the instruments available to government for guiding development. It is these instruments that establish the potential for governmental action and define realistic limits for governmental intervention. They also help to identify the specific governmental agencies that should be responsible for individual aspects of the development program. The following are among the key instruments available.

*Governmental Planning* --at the national, provincial and local levels

*Economic Management Instruments* --including management of the money supply and interest rates at the national level, tariffs and quota systems, export and import regulations, marketing regulations, regulations affecting the pricing of goods and services, taxes, and governmental spending for facilities and services or in transfer payments to the private sector, communities and individuals. Most of these may have a direct effect on the development potential of individual regions and the cities and towns within them.

*The Legal and Regulatory Framework* --designed, in principle, to protect the public interest, protect individual rights, resolve conflicts expeditiously and facilitate development.

*The Provision of Social Development Services* --such as police and fire protection, safety services, and defense.

*The Ownership and Management of Land and Other Natural Resources*

### *The Provision of Physical Infrastructure and Infrastructure Services*

### *Intervention in, and Support for, the Housing Sector as an Instrument for Regional Development*

*The Governmental Institutional Apparatus* --including the organizations, management, staff and procedures used for governance

*The Preparation and Dissemination of Information* --which needs to be done effectively at each level of government, through a complex set of interrelated data bases and specialized information management systems. One of the factors inhibiting Eastern Indonesia's development is a lack of reliable information on its natural resource base, on specific investment opportunities, on socio-economic, physical and environmental conditions (especially below the provincial level), and on institutional capacities in the region.

## **The Overall Regional Development Strategy**

### ***The Linking of Macro-economic, Sectoral and Spatial Strategy***

In PJP II, for the first time, an effort has been made to link the macro-economic development strategy, sectoral strategies, and the spatial strategy explicitly. The macro-economic strategy establishes the resources expected to be available for development. It, in turn, is affected by the potential for development inherent in sectoral strategies. Sectoral priorities are among the factors determining spatial development priorities. The spatial structure of development, in turn, affects efficiency, equity, environmental quality and other dimensions of development and thereby affects the potential for sectoral and macro-economic growth.

### ***The Regional Economic Strategy***

The regional economic strategy is designed to strike a reasonable balance between sustained economic growth, with increased efficiency, and a reduction in provincial disparities.

In arriving at this strategy two major options were considered --one continuing with an allocation of governmental similar to recent allo-

cations (Scenario R1) and the other, which was finally chosen, giving greater priority to investment in less-developed regions (Scenario R2).

The adopted strategy promotes continuing diversification in the economy, with increasing shares for non-migas and non-agricultural sectors. Geographically, it promotes growth off Jawa, to the extent that this is consistent with the real economic potential of each province for development in specific sectors. At the same time, advantage will be taken of the productivity of Jawa itself.

In its attack on poverty the strategy is two pronged --dealing with rural poverty directly in the poorest villages (*desa tertinggal*); and using urban economic growth, urban employment and the generation of urban jobs for rural migrants, to attack both urban and rural poverty.

### ***The National Spatial Strategy (Strategi Nasional Pengembangan Pola Tata Ruang)***

A national spatial strategy is being prepared under the guidance of the Coordinating Body for the Spatial Arrangement of the National Territory (Badan Koordinasi Tata Ruang Nasional --BKTRN). The basic purposes of the SNPPTTR are:

- i. To provide a vision of a spatial structure for development at the national level that is consistent with the objectives of PJP II. The spatial structure of development at the national level, which is the concern of the SNPPTTR, as well as at the local level, can have a direct and positive impact on equity, poverty, environmental quality, cultural change, opportunities for participation in development decisions, the efficiency with which resources are used, the sustainability of growth, security and stability.
- ii. To establish geographic priorities for investment and for other governmental, private and community development activities. The SNPPTTR is intended to provide a basis for planning and coordinating governmental investment and land use. It is intended also to encourage the private sector and communities to make decisions on locations for their investments and land use are consistent with the objectives of PJP II.
- iii. To provide a framework for monitoring progress in the evolution of the spatial structure sought in PJP II --and taking corrective ac-

tion when actual and expected development differ significantly.

The SNPPTTR is intended to be an integral part of the Regional Policy and Strategy for PJP II. (It is to be spatial interpretation of this policy and strategy). its implementation will be a part of a Regional Policy Action Plan for Repelita VI which is now in preparation. It will be consistent with the regional economic development strategy (R2) and interpret that strategy spatially. It will also be the result of a consensus among governmental agencies, the private sector and communities. It is to be kept up to date and responsive to changes between expected and actual development.

The components of the SNPPTTR identified in the most recent draft (December 1994) include:

- a. An identification of the areas whose environments and resources are to be protected
- b. An identification of the areas to be developed and used --together with an identification of the major kinds of activities to be encouraged in those areas
- c. The system of cities, towns and other settlements whose development is to be encouraged
- d. Major infrastructure systems:
  - land, sea and air transport facilities
  - electric power generation sites and distribution networks
  - telecommunication networks
  - water source development sites and major water transport and irrigation systems
- e. The analysis and rationale underlying the spatial structure proposed --including the criteria used for defining individual regions and classifying settlements, and the criteria use for suggesting priorities for development

Consistent with the principle of focusing resources strategically and integrating rural and urban development, approximately 120 regions have been identified as strategic for the second long-term plan. Each region consists of a system of cities and townships and their rural (in some case coastal) hinterlands in which there are various combinations of manufacturing, service, agricultural, fishing, forestry, mining or other activities.

The criteria used to define regions as "strategic" include their economic potential, the severity of the social problems found in them, their natural resource endowments, their importance for environmental management, their historic and/or cultural importance, and in some cases their importance for national security or stability.

### ***Urban Development***

As noted in Minister Ginanjar's keynote address to the Indonesian Association of Planners in their Congress of 1 December 1994, Indonesia is undergoing a major demographic and economic transformation. Urbanization is linked intimately with economic growth and diversification, and with social change. Total population at the end of the second twenty-five year plan (PJP II -- 1994/95 - 2018/19), which has just begun, will be between 253 million and 263 million, assuming success in the effort to reduce the population growth rate from 1.7% in 1992 to just under 0.9% by 2018/19. Within this, the urban population will be between 152 million and 158 million, or about 60% of the total. Indonesia has one of the highest urban growth rates in the World.

The geographic distribution of urban population will be relatively widespread. The percentage of total population which is in urban areas will have increased sharply in all of the major provinces, reflecting continuing economic growth and higher incomes, coupled with economic diversification and modernization. If urbanization is relatively rapid, as it is likely to be, 7 provinces will have more than 60% of their population urban, at least 10 will have more than 50% urban and only one or two will be below 40% urban. This contrasts with a situation in 1990 in which only one was over 50% urban (DKI Jakarta, the capital, which comprises of five municipalities and has provincial status), and 10 provinces were less than 20% urban.

By the end of PJP II, there are likely to be about 25 urban centers with populations of 1 million or more, with about 11 (44%) of these off Jawa. Four centers are likely to have populations of over 5 million. One of them, Jabotabek, the capital region, is likely to have an urban population of 30-35 million; it already has 15 mil-

lion urban inhabitants. This is in contrast to the situation at the end of PJP I, in which only 11 urban centers had populations of 1 million or more and eight of these (72%) were on Jawa.

These demographic changes are occurring in conjunction with major economic changes. Per capita GDP is likely to have increased almost fourfold by the end of PJP II (from about US\$ 670 in 1989/90 constant prices at the end of Repelita V to about US\$ 2,600 in the year 2018/19). These changes will have profound implications for lifestyles and for demands for public services in both urban and rural areas.

The Nation's cities and towns will make an increasing contribution to its economic and social development. Over 60% of non-migas GDP already originates in urban areas. Almost all manufacturing is located in cities. So are the most modern retailing outlets. The most sophisticated business services. The most advanced health and education services. And the activities through which innovations are taking place in technology, the sciences and the arts.

### **Rural Development**

The principal program components for village development in locations that are economically viable will include: i) improved infrastructure, including transport and communication services to increase the accessibility of desa to their rural hinterlands and to urban centers in their regions; ii) secure land tenure (ownership or leasehold); iii) improved technical assistance and extension services to increase rural productivity; iv) improved access to credit; v) improved health and education services; vi) improved access to information on markets for rural output, on job opportunities, and on public services available to desa households; and vii) improved information on individual and communal rights and responsibilities, and access legal services for the protection of those rights.

In locations that are not basically viable programs will be designed to increase the mobility of farmers and their households to enable them to find productive employment elsewhere.

### **Agro-urban Areas**

In Indonesia, as in many other countries, the

distinction between urban and rural areas will diminish as economic development proceeds. This already is happening on Jawa --around urban areas, within the larger metropolitan regions where there are pockets of agricultural or mixed agro-urban activity, and in agro-urban corridors of development clustered around transport routes between cities. This "integrated" development is important in providing multiple job opportunities for rural households. It is contributing to improvements in agricultural technology in nearby rural areas. It is having a positive impact on rural health and literacy. It can help to reduce overall regional transport costs. It can help to minimize the social disruption associated with migration. And it can contribute to both urban and rural environmental quality by distributing population and economic activity relatively widely<sup>2</sup>.

Governmental action may include changes in kabupaten organizational arrangements and budgets to provide for the financing and management of the facilities and services needed in these "mixed use" areas. Land use regulations will be modernized and applied firmly to avoid haphazard development, protect the best agricultural land and achieve proper environmental quality. There will be well-maintained transport facilities commensurate with real transport demand, appropriate drainage and flood control, and provision for urban and rural waste management. Health services, education and technical training (for higher-productivity agriculture, agro-industry, small-scale manufacturing, and business services) will reflect the needs of the agro-urban populations, and there will be upgraded agricultural extension services.

Regency governments will have a special role to play in guiding and managing urban and agro-urban growth. In 1990 approximately 53% of the urban population was located outside kotamadya, in administrative urban areas (kotif) or non-status urban areas administered by

<sup>2</sup>For an analysis of rural-urban links and agro-urban development in twenty five villages on Jawa over a twenty-five year period see: Collier, William L., Kabul Santoso, Soentoro and Rudi Wibowo, *A New Approach to Rural Development in Java: Twenty Five Years of Village Studies*. Prepared for the International Labor Organization Sectoral Employment Policy and Planning Project (GOI-UNDP-ILO/NS/90/035). Jakarta: PT. Intersys Kelola Maju, June 1993.

kabupaten governments which have no special budgets for urban services and traditionally have been rurally-oriented. In recognition of the increasing importance of urban settlements it will be necessary to strengthen kabupaten governments managerially and financially to deal adequately with urban, as well as rural, management.

## **The Strategy For Eastern Indonesia**

### **Conditions In Eastern Indonesia at The End of Pjp I**

#### ***Progress and Achievements***

Although some of the provinces of Eastern Indonesia remain below national averages for non-migas GDP per capita, and life-expectancy, and have higher-than-average illiteracy rates and relatively high percentages of their populations living in absolute poverty, the achievements during the first twenty-five year plan (PJPI, from 1968/69 to 1993/94), are considerable and provide a foundation for addressing the challenges of the next twenty five years.

Employment and output are diversifying geographically, as well as sectorally, linked with urbanization. Although there still are substantial differences in non-migas GDP per capita among regions, non-oil per capita product has increased at real annual rates exceeding 3% during PJP I in virtually all of the provinces. During the first three years of Repelita V, the GDP of ten of the thirteen provinces constituting Eastern Indonesia (including Kalimantan) grew at rates above the national average. Four out of five provinces that had average annual growth rates above 9% are in the eastern region --Southeast Sulawesi (12.4%), Timor Timur (9.8%), Irian Jaya (9.7%) and Central Sulawesi (9.3%).

Infant mortality rates have been reduced, life expectancy has increased, and literacy has increased.

The percentage of children 7-12 years of age participating in elementary school education has increased substantially.

The percentage of the provincial population below the poverty line decreased, in many cases

substantially, in most (but not all) of the eastern provinces between 1976 and 1990.

Although there still are shortfalls in both regional and urban infrastructure, progress has been made in rectifying deficits and preparing for future growth. The quality of housing for the poor remains an issue but the housing supply system (especially the informal system) has managed to meet a large part of the quantitative demand for housing by expanding the stock and the Kampung Improvement Program (KIP) has benefited poor households in urban areas.

Planning capacity at the provincial and local levels has developed considerably since the early 1980's through the establishment and gradual strengthening of Bappeda Tk. I and II and through provincial and local planning linked with national planning. Medium-term local development programs (PJM's) have been prepared, or are in preparation, for priority urban areas through the Integrated Urban Infrastructure Development Program (IUIDP) and earlier programs.

As in other parts of the Country, local governments recently have been given more discretion in local contracting for development projects. Growth in governmental staffing for some function has begun to take place at the local, rather than central level. Training for regional government is being developed through the Ministry of Home Affairs and provincial agencies are being prepared to play a stronger role in training. Specialized technical training is being provided through sectoral ministries, universities and other institutions.

Central grants to local governments (and provincial governments) for development expenditures have increased dramatically in recent years. During the fifth five-year plan, 1988/89 to 1993/94 they went up at an average compound rate of 30.25% per year in real terms for Indonesia as a whole.

Although progress among provinces and local governments has been uneven, many of the regional governments have increased significantly their own source revenues, including their share of the Central Government property tax.

## **Key Issues**

Regional disparities still are substantial. In 1990 the Region contained the Province in the lowest non-migas per capita product (Timor Timur) and the level in the highest-ranked province (the Capital Region of Jakarta, DKI) was roughly nine times that in Tim Tim. In at least four provinces of the Eastern Region (Kalimantan Barat, Kalimantan Selatan, Kalimantan Tengah and Kalimantan Timur) the percentages of the population living in absolute poverty increased or changed very little between 1976 and 1990. Data for Irian Jaya and Timor Timur for 1976 were not available to make possible and analysis of the changes that occurred there.

The generation of productive employment or the need to implement programs to increase labor mobility and facilitate migration to localities where there is such employment, is an issue for some provinces in the region. Recent analysis suggests that even with the investment levels proposed in Regional Scenario R2, which favors Eastern Indonesia, there is likely to be surplus labor in provinces such as NTT, NTB, Timor Timur and most of Sulawesi.

Both rural and urban environments need to be protected and, in many cases, upgraded or rehabilitated, through improved planning, infrastructure and environmental management. The Wallace Line traverses Eastern Indonesia North to South. The Region's bio-diversity give it international, as well as national importance, and both its land and marine resources account for an important part of its potential for tourism. Major environmental damage has occurred already as a result of poor mining, forestry and agricultural practices, the dynamiting of coral reefs in uncontrolled fishing, and the growth of the region's larger cities. In some urban areas such as Ujung Pandang the costs of environmental degradation already are very high.

As in other parts of Indonesia, land management must be improved. With a few exceptions, present patterns of land use and land development processes are inefficient, environmentally unsound and a constant source of social conflict. The poor suffer most through the changes in use associated with rapid growth.

There are deficiencies in regional infrastructure, in particular sea, land and air transport, which are inhibiting the Region's economic growth and keeping access to social services very limited for some groups. In some cases this is a "chicken and egg" problem, with limited demand delaying the improvement of services and severely deficient services inhibiting the opening up of remote areas and a realization of their development potential.

Although most of Eastern Indonesia is less urbanized than the western areas of the Country it is important now to rectify deficiencies in its major cities and prepare for the larger-scale urbanization that is foreseeable. Efficient cities with adequate infrastructure services will be necessary to an improvement of the Eastern Region's competitive position and a reduction in regional disparities. Improvements in the operation and maintenance of infrastructure, as well as its design, are essential for this. In some cases deficiencies in management, and the capacity to invest, have been more of a bottleneck than the availability of funds.

In housing, particularly urban housing, there is the issue of additional ways to make it possible for the poor to have access to secure and sanitary housing at prices they can afford. Some of the KIP projects have suffered from inadequate household and community participation in their planning as well as their implementation.

Some of the diverse and fragile cultures of Eastern Indonesia which are important economically as well as socially, already have been damaged by the development of sectors such as mining and forestry. Traditional cultures continue to be threatened by the process of modernization. Ways need to be found to enable traditional communities to participate in the benefits of development without having the most valuable features of their cultures destroyed in the process.

The need for the creation of adequate instruments for the sustained financing of regional and urban infrastructure is an issue in the Eastern region, as elsewhere. Part of the challenge is to attract domestic voluntarily into infrastructure. Another part of the challenge is to ensure that infrastructure is affordable and that



it is managed well enough to yield returns on investment that are competitive with returns in other sectors.

A special issue in financing in Eastern Indonesia is the need to find ways to attract larger amounts of both governmental and private funding to the region to compensate for the combination of geographic and historic factors which have resulted in the relative inaccessibility of some of its provinces and the relatively limited information available on its potential. However, investment must be based on the real potential of individual localities in the region, not subsidized investment that is not sustainable.

One of the greatest challenges facing the region is that of building up and sustaining the institutional and staff capacity needed for regional and urban management. Part of this capacity can come from the private sector, through private participation in the financing and management of public services --alone or in private/public partnerships of various kinds. But much of it must come from government --in particular, local government.

### ***Factors Favorable to The Region's Development***

The Eastern Region is fortunate in having a number of features which provide a foundation for addressing the challenges of development successfully. Its northern provinces are well located on the Pacific Rim and accessible to the Americas. Some of its islands are closer geographically to Australia than they are to Jakarta. It is richly endowed with natural resources. It is richly endowed culturally. And it shares in the stability of the country as a whole.

### **Policies For The Eastern Region**

Policies already adopted or being considered for the development of the Region include the following:

- a. In partnerships with communities and the private sector, the government will promote consensus on the visions of the future desired for individual localities and provide leadership in planning for the realization of these visions. Local governments will have increasing responsibility for this leadership,

together with the resources to make this possible.

- b. Institutional structures and procedures for urban and regional management will be updated to match modern management needs. They will be made cost-effective. They will provide for participatory development with equitable access to decision making for all those, including the poor, who are entitled to participate. Managers and staff will be accountable for the actions taken in their areas of responsibility, and procedures will be transparent. Community participation will be encouraged in the establishment of development priorities and the formulation of plans, not only in the implementation of programs and compliance with regulations.
- c. Land use regulations, building codes, environmental regulations and design guidelines will be used to support the concerns with efficiency, health, safety, environmental quality and cultural enrichment, and to reintroduce into the built environment a human scale that reflects the real needs of the individuals and groups living and working in this environment.  
This has major implication for the modernization of regulations which now are inhibiting development and adding to development costs.
- d. Within the framework provided by participatory planning, the market will be relied on as the principal means of setting detailed priorities and allocating resources. Government will intervene in the market as little as possible --only where necessary to achieve efficiency, equity, sustainability, cultural, environmental or other objectives which cannot be met, or are not likely to be met, through the market. Government, in its role as facilitator, will support the functioning of the market as fully as possible.

The implications of this include a need to modernize regulatory systems to reduce transaction costs. According to a survey commissioned by the Ministry of Housing several years ago housing costs in some regions have been as much as 30% above expected market prices because of institutional and regulatory bottlenecks.

This policy implies also the elimination of economic distortions resulting from marketing restrictions, shipping regulations or other measures --to allow the true comparative advantages of individual cities and

regions to be recognized fully in commercial and community decisions.

It implies that there will be no use of direct price controls for such things as land or housing. Instead, the government's strategy will be to improve the property records system, modernize the regulatory environment, provide local infrastructure cost-effectively, establish fair and efficient mechanisms for the resolution of disputes, and take the other measures needed to mobilize real estate markets and facilitate competitive pricing.

- e. Government will provide incentives for the development of the Eastern region and individual localities within it which are consistent with their true potential. The incentives used will be designed to remove barriers to the realization of the potential of targeted areas, not to attract investment beyond that potential. The kinds of barriers that are of concern include lack of information on development possibilities, underdeveloped labor and management skills in the private sector, deficiencies in local and/or provincial management skills in the private sector, deficiencies in regional and local infrastructure (in particular, transport, power and telecommunications), risks other than commercial risk, and the isolation of some sub-regions.
- f. In partnerships for development the roles of the government, the private sector and the community will reflect the comparative advantage of each. The partnerships will be designed to deliver the goods and services they provide in ways which are consistent with the concerns with equity, efficiency and other objectives. They will be designed to protect the public interest at the same time as they provide for reasonable rates of return on both public and private investment. And they will be designed to share risks fairly among the government, the private partners and the community.
- g. The provision of public services will be based on effective demand, and the full economic pricing of public services will gradually replace subsidized pricing.  
This will require designs based on affordable standards. It will require careful analysis of effective demand. And it will require proper operation and maintenance of water supply, sanitation, solid waste management, transport and other service systems.
- h. Basic social services, including health and education, will be designed to both increase individuals' capacity for self-fulfillment and

to increase productivity. Specific services will be targeted geographically and on individual socio-economic groups to reduce inequities in access to services at the same time as they achieve national objectives for levels of service and service accessibility.

- i. Subsidies, where they are justified, will be direct and transparent, targeted on the truly needy, not general subsidies which can be used advantageously by all income groups. This implies a gradual shift to commercial, rather than subsidized, credit for housing and a shift from subsidized pricing to full economic pricing of urban (and rural) infrastructure services.
- j. In the financing of urban and regional development the sources of financing, financing instruments and conditions for financing will be selected with several objectives in mind: the availability of adequate funding for the achievement of the targets established for a particular planning period; efficient use of the funds and resources whose use is affected significantly by the way in which their use is financed (for example, water supply, which might be financed by subsidies or through user charges); fairness in the relationships between those paying for services and those benefiting from the development of the services; transparency; and accountability.
- k. The collection, storage and dissemination of the statistical data and other information needed for urban and regional management will be cost-effective. It will protect privacy. And it will provide for equitable access to information, supporting the objective of participatory development.
- l. Where technical assistance is provided by government or through consultants it will be cost-effective. It also will be designed and delivered to build up the capacity of the recipient, rather than provide a substitute for that capacity.  
This has important implications for the ways in which terms of reference for consultants or advisors are written, for the selection of consultants and advisors, and for evaluating their performances. It also has implications for the ways in which the private consulting industry and government agencies responsible for technical assistance prepare themselves for this function.

## **The Basic Strategy For Eastern Region**

The Region's vast territory, differences in the physiographic and climatic characteristics of its sub-regions, differences in local economic potential, differences among the many cultures embraced by the Region's population and the number and complexity of the provincial and local government agencies involved, as well as differences in their capacities, preclude any simple single strategy for the Region's development.

Consistent with the concern for an efficient use of resources and their sustainability, priorities for investment in the Region will reflect the real economic potential of individual localities and subsidized investment which cannot be sustained will be avoided.

Because some provinces and individual islands do not have the resources to make them economically viable, localities will be grouped in viable sub-regions as a basis for the governmental planning and management of development. Some of these will be sub-provincial, some may be inter-provincial. (An example of the latter might be the NTT/Timor Timur/Maluku Tenggara sub-region). This is expected to make it possible to achieve scale economies in the provision of infrastructure and social services and in administration. It is likely to be necessary also to manage externalities, including environmental "spill-over".

Special importance will be attached to the establishment of sound institutions bases within the Region for planning and managing the Region's development. There is a need for a substantial strengthening of management and staff capacities, particularly at the local level. There is a need also for substantial development in the local private sector, which is only embryonic in some provinces. At present there is a high risk of local entrepreneurs being dominated by outside investors and groups. Special importance will be given also to encouraging true community participation in the planning of development as well as the execution of projects (as in the newly-established Inpres program for less-developed villages -- the IDT).

The strategy proposed is multi-dimensional. Its economic development priorities are based on Regional scenario R2. It translates the national strategy for improving human resources into social programs relevant specifically for individual sub-regions and cities. It establishes a strategy for physical development and the management of environmental quality (dealing with natural resources, land use, infrastructure and the built environment) which is consistent with the SNPPTR. It provides for improvements in the governmental financing of urban and regional development within the framework of a strategy for the development of the Nation's financial system. It provides for the modernization of the institutional apparatus for urban and regional management.

It integrates urban and regional development --recognizing the interdependence of urban and rural development, the rapid transition from rural to urban that is taking place, and the increasing importance of integrated "agro-urban" development.

It focuses resources selectively --on strategic economic sectors, social programs, regions, cities and towns, and on strategic aspects of governmental finance and the institutional apparatus.

Regions, cities and towns are designated as "strategic" because of one or more of the following factors:

- Their size and the rapidity of the changes they are experiencing
- Their economic potential
- Their social importance --including the services they can provide and the severity of the poverty they are facing
- Their natural resources and their environmental quality --the importance of managing natural resources well, preserving environments of especially high quality, and avoiding or reversing serious environmental degradation
- Their historic and/or cultural importance
- Their importance for stability
- Their importance for security (including, for example, towns in border areas)

Size is not the only criterion and in many cases not the most important one. Some small townships are strategic because of their functional importance in the regions they serve (examples

include agricultural service centers, centers for the fishing industry, mining towns, forestry townships and service centers for tourism).

### **Program and Project Priorities**

Within the overall strategy for the Region the programs and projects to be given priority are expected to include the following.

#### ***Integrated Regional Development***

As in other parts of the Country, urban and rural development in Eastern Indonesia are to be integrated and made mutually supportive. This is especially important for the Region's economic growth and diversification.

A significant part of Eastern Indonesia's growth and prosperity in the near term will be based on its rural and marine resources. Exports will include wood products, coal, copper, gold, nickel, chemical products, fish, selected tree crops, coffee, livestock products, and tourism. Oil and gas output is expected to be augmented substantially as the reserves in the Timor Gap and its vicinity are brought into production.

Like the rest of the Nation, the Eastern Region will also continue to urbanize. All of its provinces except Timor Timur are likely to be over 40% urban by the end of PJP II and six (Kalimantan Barat, Kalimantan Selatan, Kalimantan Timur, Sulawesi Utara, Sulawesi Selatan and Irian Jaya) are likely to be over 50% urban. Four of its urban areas (Ujung Pandang, Banjarmasin, Samarinda and Pontianak) are likely to have populations of over 1 million. Another five are likely to have population of over 500,000.

The region's cities and towns already are, and increasingly will be, important for its economic and social development and call for special attention. They provide economies of scale, agglomerations and urbanization that are achievable for both private and public enterprise, especially in the larger cities. They serve as centers of intellectual and technical innovation. They facilitate the face-to-face contacts which are valued in important business and personal transactions. The Region's cities, in particular the larger ones, provide the highest levels of

education and the most advanced health services. They serve as cultural centers, providing for literature, the arts and other activities that cannot easily be supported elsewhere. They also provide opportunities for social interaction and lifestyles that are impossible or unlikely in small towns and rural areas. The larger cities, in particular, are effective also in spreading risks --for both enterprises and for households, including low-income households. Enterprises can find many sources of labor, materials and services. Job seekers can find many kinds of employment and are not dependent on a single sector, a single firm, or just a few firms or landlords, as they are in rural areas and small towns.

Secondary and small towns will play an important role as regional service centers. Even some of the very small ones will be strategic as service centers for key sectors such as mining, forestry, fishing and tourism.

#### ***Priority Sectors for Economic Development***

The sectors of special importance in economic development include oil and gas, non-migas mining, forestry, chemical products, fish, selected tree crops, coffee, livestock products, and tourism. The vastness of the region and the great variety of soil and climatic conditions, together with differences in proximity to specific markets, mean that there will be considerable variety in sectoral priorities among sub-regions and a need for different locally-relevant approaches even in the same sector.

#### ***Human Resource Development***

Programs for human resource development should include the local application of nationwide programs in health and education a series of programs specific to the Region. For example:

- Implementation of the national basic education program
- Special programs for the reduction of illiteracy, which still is at relatively high levels in some provinces
- A strengthening of health education and preventive medicine programs, linked with environmental sanitation and with priority for the more remote rural populations and high-density low-income urban populations.

- Vocational training
- Consolidation and coordination of research and higher-level education to serve viable sub-regions and achieve appropriate economies of scale

### ***Cultural Enhancement***

Programs are needed to protect and enhance local cultures --because of their inherent value, their importance to the well-being of existing communities, their economic and environmental importance where traditional practices are well-adapted to local eco-systems, and the increasing economic importance of local culture for tourism. There is a need for programs which enable members of traditional cultures to participate in the benefits of development without their cultures being eroded in the this process.

### ***Environmental Management***

There is a need for firmer regulation of major economic activities which impact the environment, including mining, forestry, fishing and, in the larger cities, urban economic activity. In some sectors such as forestry longer concessions which provide for a greater sense of ownership and an opportunity for longer-term planning for resource management might be established.

River basin management programs are needed to better regulate water source use, pollution abatement and the protection of catchment areas.

There is a need for a rectification of environmental degradation in existing urban areas and advance programming to avoid environmental damage as urbanization proceeds.

### ***Land Management***

Land use patterns must become more efficient, socially sound and environmentally sound, and the transaction costs associated with land development must be reduced. The instruments used to achieve this will include an updating of basic land policies, improved land use planning, improved land records and title registration, modernized land use regulations and development permit procedures, cost-effective

provision of infrastructure to increase the supply of serviced land, and improved court and/or pre-court procedures for the resolution of land dispute.

The Land Administration Project supported by the World Bank is addressed to a number of these measures. It is hoped that part of the resources of this project can be focused on strategic areas in Eastern Indonesia.

In addition to improving land policy and administration, innovative approaches to various kinds of land management may need to be created. Developers will be eager to move into potentially high-rent locations, including prime sites for tourism. Development is desirable if managed well. However, the retention of much of the charm of the most beautiful locations in the Region, and the sustaining of its potential for tourism and economic growth will depend upon some land being kept in public reserves and traditional uses --and out of the modern commercial development market. The owners of land which is to be kept in reserves or traditional uses cannot be expected to sit by and watch developers grow rich while they maintain the quality of the environment on which the developers' success depends. There need to be appropriate forms of "property partnership" or other mechanisms for sharing or redistributing rents. This will require particularly careful attention and innovative programs.

### ***Infrastructure***

Regional and urban infrastructure will be used not only to provide services essential for economic development and for the fulfillment of basic needs but also to guide growth by inducing land uses and densities that are efficient, socially sound and environmentally sound, and to increase productivity, land values and governmental revenues.

Priorities for regional infrastructure include transport, power, telecommunications and facilities for water source development. The priorities in transport include improved port facilities and improved inter-island and coastal cargo and passenger services, road upgrading and new road construction, and improved airport facilities. Proposed network alignments for major infrastructure are shown in the most recent draft of the *Strategi Nasional Pengembangan*

*Pola Tata Ruang* (SNPPTTR). Proposed projects in power include hydroelectric installations, thermal installations, geothermal installations, and experimentation with low-cost energy sources including micro-hydro generators, wind power in coastal areas and solar energy.

Priorities for urban infrastructure include IUIDP/ IUIDP investments in the major and secondary cities. These will be undertaken through ongoing IUIDP projects and/or forthcoming IUIDP projects which are now under discussion.

### ***Institutional Development***

To create the capacity needed for modern regional and urban management will require changes in institutional structures and processes. The discontinuation of some functions that no longer serve the purposes of modern government and the creation of some necessary functions that do not yet exist. Examples in the latter category may include urban service agencies whose responsibilities extend across several administrative jurisdictions, local transport planning and traffic management authorities which presently exist in only one or two cities in Indonesia, agencies at the local level responsible for the entrepreneurial promotion of local economic development and, perhaps, the office of "city manager" which is a key function in many cities in the industrialized countries. There is likely to be a need also for special provision for the management of urban development outside municipal jurisdictions in the districts (kabupaten).

Regulatory system and procedures need to be modernized. As an example, the present land use regulations and development permit system is slowing down development, increasing the costs of development, including housing, for the consumer and forcing inefficiencies in land use. Deregulation has proceeded relatively successfully for national economic development but local regulatory system are still in need of major improvements.

There is a need to upgrade management and staff skills, especially at the local level. The institutional capacity to maintain a supply of managers and staff who are properly prepared for the tasks of modern regional management

needs to be built up-through the appropriate central, provincial and non-government agencies, institutes and universities who presently are responsible for various aspects of management and staff training.

There should be more opportunities for systematic exposure to good regional government management experience and practices both internationally and in Indonesia itself.

Salaries and other benefit need to be increased substantially and related to professional performance if talented people are to be attracted to and kept in government, especially in some of the "frontier" areas of the Eastern Region. Career opportunities and career planning need to be improved. In the best managed cities in other countries professional salaries are close to private sector salaries.

All of these necessary changes will take some time. Perhaps ten or fifteen years. Maybe longer. But the sub regions and cities which are critical for sustained economic growth, which have especially severe poverty problems, or which already are threatened with serious environmental degradation, cannot wait this long. Ways must be found to upgrade management urgently in these strategic areas.

*It therefore may be necessary to "break to rules" selectively and introduce institutional innovations (in structures, in procedures, in regulatory systems, in staffing, in salaries or other rewards related to performance, in performance measures, and in other aspects of administration) ---targeting the regions and cities, and the elements of the institutional system, in which change is needed most urgently. This could help to mobilize the most talented people --from both the public and private sectors --and give them an opportunity and an incentive to manage strategic regions and cities effectively. These innovations might begin in two or three sub-regions in a program for "the creation of Centers of Excellence in Regional Management."*

A more gradual transformation of the larger institutional system could build on to this initial experience.

*The challenge of management at the regional level, including urban management in the lar-*

*ger cities, is one of the greatest institutional challenges to be faced in PJP II. If strategic regions and cities are managed well they will be centers of growth and change, economically and socially. They will be centers of innovation. And they will be healthy and exciting environmentally. If the urban management challenge is not met successfully the economic, social and environmental costs will be enormous.*

As a part of the approach to institutional innovation there is a need also of the establishment of inter-provincial institutional mechanisms (such as inter-provincial forums co-chaired by the relevant Governors, with full-time secretariats) for the planning and coordination of development in some sub-regions.

In many parts of the region the local private sector is only embryonic and there is a very high risk that local entrepreneurs will be (in some cases already are) dominated by outside entrepreneurs and groups. Programs involving workshop, technical assistance, exposure to entrepreneurial experience elsewhere, and improved access to credit are needed to rectify this situation.

Community participation in development is hampered by the poverty, lack of experience and, in some localities, cultural patterns. The IDT is helping to address this problem for the poorest desa. Other training, information and community mobilization programs are needed to achieve more adequate levels of participation.

A mechanism that may facilitate private sector and community participation, and improve the sensitivity and quality of governmental programs, is the establishment of local development "commissions" in which community members, representatives of the private sector and members of relevant government agencies meet regularly to identify development issues and options for action and to formulate basic strategies for addressing these issues.

### ***The Financing of Development in the Region***

The improvements needed in the financing of development in the Region will need to be a combination of improvements being implemen-

ted throughout the Country and Supplementary measures which reflect the special features of some of Eastern Indonesia's sub-regions.

The nationwide measures include the creation of mechanism to mobilize domestic savings for investment in regional and urban infrastructure, improvements in intergovernmental financing, including an updating of the Inpres system for which recommendations already have been prepared and are under discussion, incentives for improved local government financial performance (one of which is included in the recent proposals), the development of greater creditworthiness in regional governments for facilitate borrowing for capital investment and a variety of measures to achieve fuller private participation in the financing and management of public services.

Measures which reflect the special features of some of Eastern Indonesia's sub-regions (including the remoteness of some areas, a scarcity of reliable data on local conditions, and low labor skills) may include such things as tax credit for exploratory work and manpower training, land grants linked with the private provision of infrastructure, and concessions on leases of public land for private uses during predetermined periods. The advantages and disadvantages of alternative measures have yet to be evaluated fully.

### **Priorities For The Participation of The Private Sector and The Community**

Priorities for the participation of the private sector and suitable NGO's include land development, the provision of public infrastructure (or shared public and private infrastructure, as in the case of some port facilities), the provision of social services, technical assistance, and manpower development.

Incentives for private sector participation should be designed to help to remove barriers to the realizations of the region's true potential, not to subsidize development that is not basically viable. Any unrecoverable subsidies that are necessary should be targeted on truly needy groups, not subsidies (such as general interest rate subsidies, some tax relief mea-

tures, and tariff protection) that can be exploited by all groups or that benefit primarily commercial groups that already are well-off.

Priorities for community participation include fuller participation in the planning of local development, supported self-help programs for small-scale enterprises and for the provision or upgrading housing and local settlements, the provision of community-based social services, participation in the operation and maintenance of local public infrastructure, and participation in environmental upgrading and/or maintenance programs in natural resource areas, cities and township.

### **Priorities For External Assistance**

#### **Previous And Angling Assistance**

A considerable amount of external technical assistance and financing for public investment in the Region has been-provided already or is in the process of being provided.

This support includes numerous studies of development potential for the Eastern Region as a whole or sub-regions within it (including the JICA-supported *Preliminary Survey for Project Formation in the Eastern Part of Indonesia*, studies for individual sectors or subsectors, particularly subsectors of agriculture, mineral surveys, infrastructure feasibility studies, proposals for integrated area development, analyses of poverty, the preparation of project for watershed management, industrial potential studies, a variety of training programs, investment funds for agricultural projects, investment funds for regional infrastructure including transport, power and telecommunications, investments in strategic urban areas through the IUIDP, and assistance for institutional development such as the *Eastern Indonesia Decentralized Development Project* which is being supported by the UNDP/OPS.

#### **Priorities For Additional Assistance**

Given the number of studies undertaken already and the external financing already provided or committed, further assistance should

be targeted carefully on specific institutional mechanisms, sub-regions and sectors that are strategic. Suggestions for this are made below.

#### ***Technical Assistance and Financing for the Planning and Management of Integrated Regional Development***

The successful development of Eastern Indonesia will depend upon the coordinated development of a variety of sectors, improvements in land management, sound environmental management, improvements in regional infrastructure including sea and air transport, and the development of regional institutions and financing mechanisms. Because some of the provinces and smaller island are not economically viable sub-regions --some of them within provinces (in Kalimantan and Sulawesi for example), some of them inter-provincial (for example, the NTT/Timor Timur/Maluku Tenggara sub-region).

Earlier integrated area development projects have been focused on rural areas. What is needed in this case is experimentation with development in which urban and rural development are planned and managed jointly in programs which incorporate economic, social, physical, institutional and fiscal development, with the private sector and communities joining the Government in the development effort.

The quality of the planning for provincial and local governance needs to be improved substantially. The present system which includes Repelitada, Repelitada, RSTRP, RSTRK, RDTR and unnecessarily complicated, frequently confusing/distracting for local government, and often has little impact on actual development. Although some IUIDP planning is an improvement over previous practices it deals with only seven infrastructure packages and the institutional and revenue planning components often are very weak.

What is needed on the planning side are well-prepared multi-year development programs for selected sub-regions covering all of the major provincial or local government functions and incorporating expectations for private sector activity. These need to be based on sound analyses of the economic potential of provinces and individual Tk. II communities and there needs



to be a clear connection between the economic, physical, environmental, social institutional and fiscal components of local programs. Multi-year programs should be designed to provide a basis for the identification of local programs. Multi-year programs should be designed to provide a basis for the identification of specific investment opportunities. In most cases at present there is little or on economic analysis, the revenue planning and budgeting components are weak, and there is no connection between proposals for the development of land and infrastructure, population projections, projections of economic growth (if any), and analyses of affordability (if any).

The strategic structure planning being attempted now is a step in the right direction but still is not sufficiently strong analytically and in some cases does not involve real private sector and community participation in plan formulation.

Both project preparation and implementation need to be accelerated through more appropriate approaches to both planning and execution. (According to the Ministry of Finance, the GOI is obligated presently to pay US\$325.7 million for commitment fees, management fees and syndication fees associated with undisbursed loans in the period 1980-1994.

In project preparation there is a need for a "programmatic" approach in which project objectives, overall project costs and project loan amounts are agreed upon early and in which there is an early and clear commitment to specific institutional responsibilities for project implementation and specific arrangements for the channeling of funds. Within this framework, the simpler project components should be prepared, appraised and implemented promptly while more time is being spent on larger and/or more complex components which require more sophisticated analyses. This way implementation can begin early, the very high opportunity costs of slow preparation can be avoided, and communities can feel the concrete benefits of systematic planning and management. It makes no sense to spend three, four or even years in project preparation before any implementation takes place in a context in which there is very rapid urban growth and the economic, social and environmental costs of delays are likely to be great.

Particular care should be taken in the early of preparation to get clear commitments to precise institutional and financing arrangements --particularly as decentralization is a theme for PJP II (It is worth recalling the in one multi-provincial IUIDP/Secondary Cities Project an attempt was made to "short-cut" project preparation but insufficient attention was given to institutional and financing arrangements. There were no disbursements for about eighteen months after the project became effective).

### ***Specialized Regional Social Services***

The needs here include specialized management and staff training suitable for specific sub-regions, illiteracy eradication programs, vocational training building on to the experience gained through the polytechnics already, and assistance in the consolidation and focusing of higher-level education and research.

### ***Mineral Exploration and Project Preparation***

A number of surveys of the mineral potential of various regions in Eastern Indonesia have been undertaken already. Some of these, as in Irian Jaya and East Kalimantan, are resulting in successful commercial mineral development. In many other cases evidence of deposits has been found but surveys have not been carried forward to the point of determining the viability of commercial development. Even in sub-regions which already are under development additional "finds" of major importance are still being made.

There is a need for further systematic surveys and analyses to estimate mineral reserves, evaluate economic feasibility of mineral extraction, identify the environmental management measures which need to be linked with extraction and, where feasibility is proven, prepare projects for mineral extraction and processing.

This is an area in which multilateral or bilateral assistance might support private exploration through equity partnerships or guarantees of various kinds.

### ***Land Management***

Support to complement the Land Administration Project, and assist in the implementation of

its principles in the Eastern Region, would be valuable. So would assistance in developing innovative approaches to land "partnerships" and rent sharing of the kind discussed earlier.

### ***Environmental Management***

Assistance is needed on the kinds of priority environmental programs noted earlier.

### ***Regional Infrastructure***

Assistance for urban infrastructure and some components of regional infrastructure already is fairly fully funded. It would be helpful if additional assistance could be provided for improvements in inter-island sea air transport, as deficiencies in there account for a large part of isolation and inaccessibility of some areas, including locations with high tourism potential.

### ***Institutional Development in the Region***

What would be particularly helpful in this field is technical assistance and funding for equipment and facilities needed to develop the "centers of excellence in regional management" referred to earlier. One of the key concerns will be to get consultant assistance and advice from professionals who have had "hands-on" experience in kinds of regional planning and management needed and in working with private sector and community groups in regional development.

### ***The Coordination of External Assistance***

The coordination of external assistance, linked with better coordination among governmental programs, is of major importance. It is essential to avoid overlapping, duplication and inconsistencies in external assistance. It is important also to focus assistance efficiently on strategic sectors, institutions and regions. Fragmentation and a dissipation of resources have been a problem in the past.

On the governmental side coordination is primarily the responsibility of BAPPENAS, the National Coordinating Ministries and the BAPPEDA'S at the regional level. Where several external assistance agencies are participating in the same sector and/or localities, as they necessarily are and will continue to be Eastern Indonesia, it is essential to spell out

and achieve commitment to detailed arrangements for coordination. This will be important for both parallel financing and co-financing.

### ***Possible Next Steps***

Given the special features of Eastern Indonesia, and the concern to strengthen the local institutional base for planning and managing development, external assistance for projects in individual economic sectors or for infrastructure projects should be linked with technical assistance which will support a building up of planning and management skills in the relevant public agencies, in the local private sector, in community groups participating in development, or in all of these aspects of institutional strengthening.

In addition to loan and grant funds, this will require consultant support from groups with substantial experience in the practicality of preparing investment projects, in provincial and local government, in the development of planning and management skills in the private sector, and in community participation in regional planning and management. Consultant teams will need to be fluent in Bahasa Indonesia and have the experience and skills needed to work closely and effectively with government agencies, the private sector and the community.

It is hoped that OECF will be interested in assessing its comparative advantage in the fields designated as priority fields for additional external assistance and that it will be willing to provide support in a number of these areas, thus facilitating the achievement of the Government's objectives for the development of Eastern Indonesia.

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### Social Development Indicators: Repelita V - Repelita X

Indicator	Unit	Repelita V	Repelita VI	Repelita VII	Repelita VIII	Repelita IX	Repelita X
Material Mortality	Deaths/100000 Births	450	250	189	143	108	82
Infant Mortality	Deaths/1000 Live Births	58	50	43	37	31	27
Life Expectancy	Year	62.7	64.6	66.3	67.8	69.3	70.6
Malnutrition Among School Aged Children	%	45	28	21	16	12	10
Clean Water Provision	%	58	72	85	90	96	100
Attendance Levels (7-12)	% of 7-12 Yr Old		95.7	96.2	96.9	97.5	98.0
Completion Rate: Elementary	% Pop 10 Yrs & Over		62	69	78	88	98
Completion Rate: Jr. High			40	51	60	71	80
Completion Rate: High school			12	15	18	21	25
Completion Rate: Higher Ed							

Source: Bappenas (1993)

### Growth of Non-Migas GRDP, by Island, 1993 & 2020 - Indicative (Scenarios R1 & R2)

Region	SCENARIO R1			SCENARIO R2		
	Annual Growth %	Share Of GRDP		Annual Growth %	Share Of GRDP	
		1993 %	2020 %		1993 %	2020 %
Sumatera	6.9	19.5	15.5	8.3	19.5	21.4
Java	8.4	63.5	71.5	7.7	63.5	60.8
Kalimantan	6.8	6.8	5.3	8.6	6.8	7.9
Sulawesi	6.6	4.7	3.5	7.3	4.7	4.1
Eastern Indonesia	6.8	5.5	4.3	8.1	5.5	5.8
Eastern Indonesia w/out Bali	6.4	3.6	2.6	8.5	3.6	4.2
INDONESIA	7.9	100.0	100.0	7.9	100.0	100.0

Source: Bappenas (1993)

### Selected Macro-Economic Targets: Repelita V - Repelita X

Indicator	Unit	Repelita V	Repelita VI	Repelita VII	Repelita VIII	Repelita IX	Repelita X
National Income							
GDP Growth	% per Year						
Agriculture		2.9	3.4	3.5	3.5	3.5	3.5
Manufacture		10.0	9.3	9.4	9.4	9.1	8.8
Non-Migas		11.0	10.3	10.2	10.0	9.5	9.0
Others		7.2	6.0	6.3	6.8	8.0	9.5
Total		6.8	6.2	6.6	7.1	7.8	8.7
Share of GDP (end of period)	%						
Agriculture		19.9	17.4	15.0	12.7	10.8	8.1
Manufaktur		20.9	24.0	27.3	31.5	32.4	32.5
Non-Migas		17.7	21.3	25.2	28.8	31.1	31.5
Others		59.2	58.5	57.6	56.9	57.3	59.4
Real per Capita Income							
Rp. (1989/90 Constant Price)	Million	1.2	1.5	1.9	2.5	3.5	5.0
US \$ (1989/90 Constant Price)		670	760	990	1,315	1,810	2,625

Source: Bappenas (1993)

**Projected Urban Share of Population  
1993, 1998 and 2018 (% of Total)**

Province	1993	1998	2018
DI Aceh	19 %	24 %	45 %
Sumatera Utara	39 %	44 %	60 %
Sumatera Barat	24 %	30 %	50 %
Riau	35 %	41 %	59 %
Jambi	25 %	31 %	52 %
Sumatera Selatan	33 %	38 %	57 %
Bengkulu	24 %	29 %	50 %
Lampung	15 %	21 %	43 %
DKI Jakarta	100 %	100 %	100 %
Jawa Barat	39 %	46 %	65 %
Jawa Tengah	32 %	40 %	62 %
DI Jogjakarta	48 %	54 %	68 %
Jawa Timur	32 %	40 %	62 %
Bali	31 %	39 %	62 %
Nusa Tenggara Barat	20 %	26 %	46 %
Nusa Tenggara Timur	14 %	19 %	41 %
Timor Timur	11 %	16 %	38 %
Kalimantan Barat	23 %	29 %	50 %
Kalimantan Tengah	21 %	26 %	47 %
Kalimantan Selatan	30 %	36 %	55 %
Kalimantan Timur	51 %	55 %	66 %
Sulawesi Utara	26 %	32 %	53 %
Sulawesi Tengah	19 %	25 %	46 %
Sulawesi Selatan	28 %	34 %	54 %
Sulawesi Tenggara	20 %	25 %	46 %
Maluku	22 %	28 %	48 %
Irian Jaya	28 %	33 %	53 %
Indonesia	35 %	41 %	60 %

Source: Gardiner (1993) Unpublished Data