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ANNEX

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PRELIMINARY PROFILE OF POVERTY FOR INDONESIA

A. OVERVIEW

This analysis of poverty in Indonesia highlights the need to view Indonesia as a highly complex country with a number of regions facing very different problems and constraints. Indonesia is a nation of over 13,000 islands spread over a distance of 3,200 miles along the equator. Its population of 135 million people lives on 992 of the islands. The island of Java has a population density among the highest in the world, while the Outer Islands have insufficient populations to take advantage of their resource base. The major single common characteristic is an inadequate economic and social infrastructure to foster development and social progress.

Poverty is pervasive throughout Indonesia's rural and urban populations. In terms of the numbers of people involved, degree of deprivation and number of economic alternatives, the problem is largely a rural one, although urban poverty is a significant and growing problem. In 1976, approximately \$200 per capita per annum was estimated as the threshold poverty income level, below which material deprivation occurs for the average size family of five in Indonesia. Using this indicator of income as a guideline to define the target population there are 87 million people (64% of the population) in Indonesia, representing 17 million families, that are members of the target poverty group. This target population is comprised of 79 million people (91% of the target population) who dwell in rural areas and 8 million people (9% of the target population) who dwell in urban areas.

There are considerable variations in average income levels between the urban and rural areas as well as between the various geographic regions. The average urban per capita income is over 1.5 times greater than that of the rural popula-

tion, and the estimated per capita income in Jakarta (the highest income area) is 2.2 times greater than the average rural income level. At the same time urban poverty is a serious problem, and some of the worst poverty exists in the sprawling slums of Jakarta in sharp contrast to the economic and social elite who also live in Jakarta.

The variations in provincial income levels are also large. For example, real per capita income in the province of Riau is seven times the per capita income level in the islands of East Nusatenggara and over four times the level on Java, where over 65% of the target population is located. The basic reasons for these underlying differences are related to the resource base. Riau is an oil production center and East Nusatenggara is an agricultural based economy where soil and climatic conditions are less than ideal. The island of Java is endowed with relatively favorable agricultural conditions and is the traditional seat of government and commercial activities; however, it is also the location of 64% of the population.

Although per capita income is a good indicator of the standard of living in Indonesia the causes of poverty and deprivation lie in the lack of social and economic infrastructure which continue to impede progress in nearly every sector. The lack of economic infrastructure impedes economic activity, while the lack of social infrastructure results in the deprivation of basic human needs. This results in an average life expectancy of only 48 years at birth, a high infant mortality rate of 140-146 per thousand children in the 0-1 age group, a high rate of illiteracy, and less than 50% of the population having access to basic health services. The advent of the oil boom has improved Indonesia's development outlook, although as one of the smallest oil producers in the OPEC cartel her oil revenues amounted to only \$25 per capita in 1976. These oil revenues are small in relation to the massive development requirements and foreign technical and capital assistance are needed throughout the foreseeable future to accelerate the amelioration of poverty in Indonesia.

A Typical Rural Family

The following is a brief profile of the typical rural family that is a good background for the understanding of the complete analysis. The typical rural family consists of a husband and wife with three to five children aged 3 to 14. The typical head of the household is roughly 36 years old, did not finish elementary school, and speaks the local Javanese dialect rather than the Indonesian language. The family owns and lives on .4 hectares of land, .3 hectares of which is non-irrigated rice paddy.

The annual family income is less than \$600. Unable to support his family from farming alone, the head of the household frequently seeks whatever off-farm employment he can find, and his wife may sell vegetables, baskets and mats in the twice-weekly local market. The children are likely to terminate their education after finishing the third grade. The home has two rooms, a dirt floor, outer walls of bamboo and a kerosene lantern or two for light. The water source is a well, located outside the yard and is shared with six other families. This water is most probably non-potable. Toilet facilities are a rice paddy, irrigation canal, or a nearby stream -- the latter two of which may also be used for bathing and washing clothes.

All family members have probably been ill in the past two months with either a cold, skin infection, bronchitis, pneumonia, diarrhea, malaria, eye infections, anemia or another nutritional disease. Since many villages lack a health center with permanent medical personnel and adequate medicines, the farmer will have to get assistance from paramedical teams that occasionally visit the area or go to a district town for a physician, or health center. He might also seek out a traditional spiritual healer if there are no other readily accessible alternatives.

Rice and cassava, and perhaps some fish, constitute the basic foods with different spices and sauces for additional flavor. Nutrition intake is below 1,800 calories per day and was probably a significant factor in the death of two or three infant children over the past seven years. Diarrhea, enteritis, pneumonia or bronchitis might also have been a significant factor in these deaths. One or all of these diseases is a significant factor in the health of every member of his family.

The farmer might have heard about a new seed variety or may be having disease problems with his crops but will have to go to the district town to find an agricultural extension agent. He rides the 20 km. to the district town on a borrowed bicycle. He may pass the elementary school which is 4 km. from his house. He rides onto the improved district road about 5 km. beyond the school and sub-district offices and continues past several weekly markets to reach the district town. Upon his arrival at the office he may find his trip is fruitless because the agent is in some other village, sick, or simply "out." The agent himself might eventually get to the farmer's village but since he must try to serve 2,000 to 4,000 farmers in the area, it could be several months before help is available.

Since he is already in the province capital our farmer may decide to see about a loan to buy more seed, some fertilizer, construct a new house or buy some clothes. If he does not have a land certificate he will not be able to get a loan from a bank. If he does get a loan, he will have to pay at least 18% interest per year in a regular bank. Since he probably does not have a land certificate, his only alternative is a money lender whose interest rate is probably at least 30% per year. He needs the money now, so he accepts the money lender's terms and sets out for home in greater debt than when he arrived, and probably still without assistance from that extension agent.

B. INCOME

1. Per Capita National Income (GNP)

Rural poverty in Indonesia must be understood within the context of the specific Indonesian situation. Indonesia is among the poorest nations of the world by most criteria. While rural poverty has a special interest for AID, most of the Indonesian population, urban and rural, would qualify as among the poorest in the world. The AID working group on the rural poor has established a per capita income poverty benchmark of \$150 per capita in 1969 prices. Adjusting the benchmark, using the IMF Worldwide Consumer Price Index (CPI) data, the poverty benchmark is annual per capita income of less than \$273 in 1976. This compares with a nominal estimate of average annual per capita income of \$235 in Indonesia in 1976. However, even this overstates income in the Indonesian context because of an over-valued currency. The World Bank Atlas has undertaken the task of adjusting per capita income in 1974 for this bias; the adjusted per capita income is \$150 in contrast to the nominal level of \$180. If a similar adjustment is made for 1976 the real per capita income is \$190. This is approximately 55% of the AID poverty benchmark.

Analyzing the changes in per capita income over time in Indonesia is a particularly difficult problem for a number of reasons: inflation has consistently exceeded the world rate of inflation and the exchange rate has been held fixed to the U.S. dollar at Rp. 415 per \$1.00 since August 23, 1971; the oil sector functions as an enclave yet plays a major role in government finance, national income and export earnings; and the cost of living, as represented by the consumer price index, varies widely between areas within the country.

Table I presents the time series of per capita GNP calculated with different bases and index methodologies. The current price estimates in the second column indicate that nominal per capita income has increased from \$37 per capita in 1966 to \$235 in 1976. Since inflation accounts for the largest share of this nominal increase these nominal statistics are not analytically useful. Since 1969, inflation (represented by the CPI) accounted for a 59% price increase in the U.S., 248% in Indonesia and the world-wide average was 82%.

TABLE I

<u>Year</u>	<u>Indonesian Annual Per Capita GNP</u>			<u>World Bank Atlas</u>
	<u>Current Prices</u>	<u>Constant 69 US CPI Deflator</u>	<u>Constant 73 US CPI Deflator</u>	
1966	37	42	51	
1967	32	35	43	
1968	56	59	71	
1969	71	71	86	
1970	74	70	84	
1971	72	65	79	
1972	86	75	91	
1973	124	102	124	130
1974	191	142	172	150
1975	213	145	176	(170)*
1976E	235	151	183	(190)*

* Projections from IBRD Atlas Base
E-Estimated

than other provinces, even after the exclusion of oil income, because of the impact of the oil industry on the other sectors, and Central and East Kalimantan (as well as Riau) because of the timber industry. If these provinces are excluded, regional differences are much smaller as indicated by the index which drops to .262, a level comparable with that of France, Japan and India. Conversely, if oil income is included, the value of the index of inequality rises to .945, higher even than the .700 level for Brazil.

The provincial statistics for domestic product per capita, in money and real terms, are presented in Table III. There are several points illustrated in this table: Average per capita income varies widely across regions in money and real terms; however, these differences are smaller in real terms (adjusted for regional differences in the cost of living) than in nominal unadjusted terms; except for Riau and East Kalimantan the averages are below the AID poverty benchmark and the averages for the two special urban areas of Jakarta and Yogyakarta are not surprisingly higher than the primarily rural areas. There are provinces with higher average incomes than these special urban areas and the average for Yogyakarta is actually lower than for the surrounding province of Central Java.

The availability of regional income estimates for 1968-72 makes it possible to say something about changes in regional income disparities over this period. Table IV shows the coefficients, including and excluding oil, and excluding the three exceptional (oil-timber) regions for each of the five years of this period. The table reveals that the apparently marked trend for regional income disparity to increase is due largely to the influence of oil and timber production. If oil production and the three exceptional provinces of Riau, East and Central Kalimantan which produce oil and timber are excluded, the trend for the inequality of the remaining 23 regions to increase is quite small.

PREVIOUS PAGES MISSING (7+8)

TABLE IV

COEFFICIENTS OF REGIONAL INEQUALITY 1968 - 72

<u>YEAR</u>	<u>Including Oil</u>	<u>Excluding Oil</u>	
		<u>All Regions</u>	<u>Excluding 3 Regions</u>
1968	0.571	0.340	0.236
1969	0.632	0.362	0.233
1970	0.730	0.439	0.224
1971	0.849	0.509	0.257
1972	0.945	0.522	0.262

Source: Hendra Esmara, "Regional Income Disparities,"
Bulletin of Indonesian Economic Studies (BIES),
Volume XI, No.1, March, 1975, pp. 53.

A major qualification of these results is that living standards of ordinary people within each region may not be reflected by the average because proceeds from production often go outside the region or extreme income inequalities may put the proceeds in the hands of a few.

3. Income Distribution by Quintile

When a population is arranged according to income levels and then divided into five equal parts, each representing to 20% of the population (a Quintile), a comparison of the income levels in the five income groups yields significant income distribution information.

The Quintile Income Distribution analysis for Indonesia must be restricted to Java because, unfortunately, there are not sufficient sources of data to enable us to measure this particular distribution for the other islands. While this is a shortcoming, it may not be serious for this preliminary analysis since 63.9% of the population lives on Java according to the 1971 census and some inference can be made from the Javanese experience toward the rest of the population. The latest quintile statistics available are from the 1969-70 National Social Economic Survey (SUSENES). In order to round out this analysis supplemental statistics are drawn from three earlier SUSENES.

Income distributions by quintiles are presented in Table V for urban and rural areas (excluding Jakarta), Jakarta, and the three largest cities (excluding Jakarta) i.e., Bandung, Yogyakarta and Surabaya for 1963-64 and 1969-70. The major conclusions that can be derived from this table are:

TABLE V

Trends in Relative Distribution of Per Capita Income,
Java, Rural - Urban (excl. Jakarta), Jakarta, Largest Cities, 1963-70
(Per Cent)

	<u>Rural</u>		<u>Urban</u>		<u>Jakarta</u>		<u>Largest</u>
	<u>1963-64</u>	<u>1969-70</u>	<u>1963-64</u>	<u>1969-70</u>	<u>1963-64</u>	<u>1970</u>	<u>Cities</u> <u>1968-69*</u>
Highest							
Q5	38.2	39.8	36.7	41.5	42.6	52.0	44.8
Quintile							
Q4	23.0	22.3	23.8	22.6	20.3	19.6	20.0
Q3	16.8	16.6	17.5	15.9	17.5	12.7	15.7
Q2	14.4	12.6	12.6	12.2	12.4	8.6	12.0
Lowest							
Q1	7.6	8.7	9.5	7.8	7.2	7.1	7.5
Quintile							

* Unweighted average for Bandung, Yogyakarta, and Surabaya

Source: Dwight King and Peter Weldon, "Income Distribution and Levels of Living in Java," unpublished, January, 1975.

(a) In rural areas on Java the income distribution among population quintiles has remained relatively constant between 1963-64 and 1969-70 with the top 20% of the population receiving nearly 40% of the income, the second quintile receiving a little over 20% of the income, the lower 60% of the population receiving 35-40% of the income and the share of the lowest 20% of the population remaining at approximately 8% of income.

(b) The income in urban areas was more unequally distributed and the top 20% increased their share at the expense of the bottom 60% of the population. This trend is most evident in the larger cities. In the urban areas the greatest shift in income occurred between the lowest 20% and the highest 20% with the share of the highest quintile increasing from 36.7% to 41.5%, while the share of the lowest quintile decreased from 9.5% to 7.8% of total income.

(c) On Java, the greatest inequality in income exists in Jakarta, with the top 20% of the population increasing their share of income from 42.6% to 52% at the expense of the middle 60%. Looking at a different breakdown of the statistics the income of the top 5% in Jakarta equals the income of the poorest 45%.

4. Income Distribution and Trends: Urban/Rural

The relative distribution of income is important because it shows how the productive income is divided within a society. The trends in absolute levels of income are important because they determine the standard of living in terms of caloric intake and nutrition levels, clothing, sanitation, health, education, etc. It is possible that while a quintile's share decreases relative to others, there has been an absolute improvement in real terms. Because of the hyper-inflation of the 1960s and usual sparseness of data which is comparable over time, comparisons based on prices or monetary units are dubious.

The usual procedure adopted to measure changes in the real standard of living over time in Indonesia is to convert expenditures to a standard unit, such as rice. To date there have been a number of studies of this type with varying and sometimes contradictory conclusions. The points on which they agree are that real incomes have increased, but rural areas fared less well than urban areas. The point on which the greatest disagreement occurs is over the absolute standard of living in rural areas. Some analysts say that between 1960 and 1970 conditions actually improved because food consumption per capita remained relatively constant and rice equivalent income for non-food items increased. Other analysts claim this is not so because rice prices are not a valid indicator due to Government subsidized rice and inflation in other prices which actually diminish real income in rural areas. While the information available is not conclusive it is clear that, at best, progress was slow in the rural areas during the 1960s.

While conclusions based on prices and rice equivalents are premature, it is useful to look at (Table VI) the available statistics on rice consumption by quintile for urban and rural areas as reported in the various SUSENES. When reading Table VI it is important to keep two things in mind: On the average, Indonesians spend 65% to 80% of their income on food and rice is by far the preferred food staple. It is therefore reasonable to assume that there is a correlation between rice consumption and the standard of living, particularly for the lower income groups.

The conclusions we can draw from this table for 1963-1970 are:

(a) Per capita rice consumption in the lowest quintile of the urban and rural population has remained nearly constant over this period and the rural population from the lowest quintile consumed only half as much as the people in the lowest quintile of the urban population.

TABLE VI

DISTRIBUTION OF ABSOLUTE PER CAPITA WEEKLY RICE CONSUMPTION: RURAL, URBAN
1963 - 1970 (kilograms)

	<u>Rural</u>		<u>Urban</u>	
	<u>1963-64</u>	<u>1969-70</u>	<u>1963-64</u>	<u>1969-70</u>
Highest Income Q5 Quintile	2.55	2.79	2.42	2.62
Q4	1.81	2.12	2.25	2.31
Q3	1.44	1.70	2.05	2.15
Q2	1.14	1.25	1.85	1.87
Lowest Income Q1 Quintile	.78	.75	1.49	1.48
Mean	1.69	1.73	2.01	2.09

Source: SUSENAS

(b) In both areas absolute consumption increased for each of the four upper quintiles; the consumption of the middle three quintiles was higher in the urban than in the rural areas.

(c) In the highest income quintiles rural consumption exceeded urban consumption in both time periods. This is likely the result of two factors: (1) there is a significant absolute income differential in favor of the urban population and (2) urban consumers have substituted other foods for rice, thus exercising their higher income by changing their consumption patterns. Throughout this period the proportion of total income expended on food has apparently remained constant within income groups. The estimates are:

	<u>Percent of Income Spent on Food</u>	
	<u>Rural</u>	<u>Urban</u>
Highest Income Quintile	75	65
Lowest Income Quintile	80	75

Expenditure rates which are this high a proportion of income for food alone are certainly indicative of a population living at or near the subsistence level.

Keeping in mind the qualifications already presented for monetary measures of real income we would like to present rural/urban comparisons as collected in the 1963-64 and 1969-70 SUSENES in Table VII. These statistics are useful for comparisons within a single time period, indicative of changes over time and will be used to extrapolate quintile income level indicators for the entire country. The important conclusions to be drawn from this information are:

- (a) Average rural incomes are less than 65% of the urban level although the balance improved somewhat during this period.
- (b) Jakarta income levels are far greater than other urban areas and this gap increased over this period.

TABLE VII

Trends in Real Per Capita Income Distribution, 1963-70
(Per Cent)

	<u>1963-64</u>	<u>1969-70</u>
A. <u>Rural-Urban</u>		
1. Percent rural to urban median income	63.0	71.7
2. Percent rural to urban mean income	61.6	64.1
B. <u>Other Urban-Jakarta</u>		
1. Percent other urban to Jakarta median income	80.9	69.7
2. Percent other urban to Jakarta mean income	87.7	70.9
C. <u>Rural-Jakarta</u>		
1. Percent rural to Jakarta median income	50.9	49.9
2. Percent rural to Jakarta mean income	54.1	45.4

Source: SUSENAS

5. Sources of Income

Within the context of this analysis two types of sources of income statistics are interesting. The contribution to the national income of the various sectors and the components of an individual's income, particularly the rural dwellers.

TABLE VIII

Output, Labor Force and Productivity in 1971

	<u>Value Added</u>		<u>Labor Force</u>		<u>V.A. per Worker</u>	
	<u>US\$ Millions</u>	<u>%</u>	<u>Millions</u>	<u>%</u>	<u>US\$</u>	<u>% of Avge</u>
Agriculture	4,221	44.8	30.5	69.0	138	65
Industry	1,915	20.3	3.0	6.8	638	300
Services	3,279	34.9	8.3	18.8	395	185
Unallocated	-	-	2.4	5.4	-	-
Total/Average	<u>9,415</u>	<u>100.0</u>	<u>44.2</u>	<u>100.0</u>	<u>213</u>	<u>100</u>

According to these IBRD statistics, in 1971, agriculture accounted for 44.8% of value added, employed 69% of the labor force and because of higher productivity in the other sectors, value added per worker in agriculture was only 65% of the national average in comparison to 300% in the industrial and 185% in the services sectors.

Since 1971 the percentage of the work force engaged in agriculture has declined to 62% of the total, while increasing in nominal terms to the level of over 28 million workers. Throughout this period agricultural production and productivity have lagged behind the rest of the economy so that for

1976 the estimate of the percentage of value added from agriculture is 37-38%, based on GDP estimates. Using these estimates, value added per worker has declined to approximately 61% of the national average for 1976.

The analysis of sources of personal income is a particularly difficult problem within the Indonesian context. Since our main interest is the rural populous, the focus will be directly on farm and farmer income, the dominant mode of employment. The RED-East Asia Research Program (EARP)-sponsored National Institute of Economic and Social Research (LEKNAS) labor utilization study scheduled for completion in a few months is expected to yield important new information in this field. The range of farm family income from agriculture is from 100% to near zero for the most marginal farms. Since average land holdings are very small, the usual generalization of a farmer who must supplement his income with day labor is most appropriate.

Some statistics that were recently published for the period 1968-74, for paddy farms in Central Java, will serve as a preliminary example. Since this study covered eight villages in well irrigated sections of Central Java, these statistics will likely be biased on the high side of the norm.

Definitions:

Net Farm Family Income from Paddy: This definition is arrived at by subtracting all variable costs, including pre-harvest hired labor but excluding own and family labor from the value of net paddy yield. For tenants who rent land and for farmers who rent land out, the payments of rents are added to or subtracted from the farm income as appropriate.

Net Farm Returns: When the estimated market value of the home garden produce and the net return from dry (unirrigated) fields are added to the above, a more complete farm income measure is defined.

Net Returns from All Sources: This includes all farm and non-farm sources of net incomes.

The information in Table IX illustrates that for this sample in Central Java:

The average farm family income from all sources increased from \$79.66 to \$169.77 in nominal terms between 1968/69 and 1973/74.

The portion of income derived from non-farm activities increased from 13% to 18% of the total average farm family income.

The quintile breakdown of relative shares of the aggregate income clearly illustrates a wide range of income situations and a distinctive bias in favor of the top quintile which received over 56% of the aggregate in comparison to less than 5% for the lowest quintile in 1973/74.

The total income distribution has also shifted marginally toward the lowest quintile, which increased its share from 2.7% to 4.3% of the total.

The quintile income distribution figures also indicate that the lower income groups engaged in more non-paddy rice production, more home gardening and also supplement their incomes with more off-farm activities, all of which tend to marginally improve the incomes of the lower quintiles.

The most common types of activities engaged in to supplement farm family incomes are day labor (on and off farms), miscellaneous trading, crafts, miscellaneous searching activities, and fishing.

TABLE IX

<u>Farm Income by Source</u>	<u>Period</u>	<u>Ave Income (Rp)</u>	<u>Ave Income (\$)</u>	Relative shares (%) of income received by the Quintiles of Farm Families				
				<u>Lowest</u>				<u>Top</u>
				<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q5</u>
Net Farm Family	1968/69	24,047	57.67	1.1	4.8	8.9	18.8	66.3
Income from Paddy	1973/74	54,718	131.22	2.7	6.6	10.8	18.1	61.8
Net Farm	1968/69	28,997	69.54	1.8	6.1	11.3	20.3	60.5
Returns	1973/74	58,296	139.80	3.3	7.2	11.3	18.2	59.9
Net Returns From	1968/69	33,220	79.66	2.7	7.7	12.2	20.1	57.3
All Sources	1973/74	70,795	169.77	4.3	7.9	12.4	19.3	56.1

Source: Irlan Soejono, "Growth and Distributional Changes in Paddy Farms in Central Java 1968-1974," Bulletin of Indonesian Economic Studies (BIES), Volume XII, No.2, July, 1976, pp. 80-89.

C. EMPLOYMENT

Very little is known for certain about the employment situation in Indonesia. The 1971 Population Census is the latest available complete survey and serves as the basis for all the current estimates and projections of employment.

Indonesia considers all persons age 10 or older, employed or looking for work (excluding household employment) to be in the economically active population. Thus, in 1971 the labor force was 40.4 million. Assuming the labor force growth rate will increase from 2.5% per annum to 2.6% by 1978, because of an increasing participation rate, estimates of the labor force would be:

TABLE X
Estimates of Total Indonesian Labor Force
1973 - 1978
(millions)

<u>Year</u>	<u>Total Labor Force</u>	<u>Rural (83%)</u>	<u>Urban (17%)</u>
1971	40.40	34.00	6.40
1976	45.71	38.12	7.59
1977	46.90	39.02	7.88
1978	48.13	39.95	8.16

Approximately 83% of the labor force is Rural and 17% is Urban. In 1971, some 63.2% of the labor force was engaged in agriculture but by 1979, the end of the second planning period, it is estimated that the proportion in agriculture will decrease to 55.8%. During 1974-1979, Repelita II, the labor force will have increased by 5.7 million people. While it is too early to assess the

progress in creating jobs for this largely rural populous, undoubtedly the unemployment and under-employment problems have worsened. Moreover, official Repelita II job creation targets will only account for population increases (new entrants into the labor force), not those currently under- or unemployed---if even those targets are reached.

The best way to open a discussion of the unemployment level is to describe two sets of results from the 1971 Census. Preliminary statistics released from this census indicated a very low unemployment rate, 2.2%, but after a few months, revised estimates were released indicating the much higher rate of 8.8%. By Province this ranged from a low of 3.3% in the special district of Yogyakarta to a high of 19.7% in Irian Jaya.

A labor force participation study is being undertaken by The National Institute of Economic and Social Research (LEKNAS). According to the preliminary findings, 2.4% of the labor force is viewed as unemployed in 1974. Unemployment rates for men are twice as high as the unemployment rates for women (3.0% and 1.5% respectively). Reportedly, the unemployment rates in urban areas are almost three times the levels in the rural areas. These estimates are considered unrealistically low and based on the opinions of trained observers, the unemployment rate is seasonally variable, depending on harvesting and farming demands, with a probable level of 9-10%.

The problem that is perhaps even more serious is the under-employment situation. Estimates of the level of under-employment range from 20% to 40%. The fear is that both unemployment and under-employment rates will likely increase as technological change occurs and accelerates in the agricultural sector.

Returning to the details of the 1971 Census, the unemployment rate was highest among the younger urban population and higher for men than for women in each group. The unemployment rate for urban men aged 15-19 was approximately 25%; for ages 20-24 it was 17%. The unemployment rate for urban women, between the ages of 15-19, was 10%; and between the ages of 20-24 it was only 7%. In contrast, the reported unemployment rate for both rural men and women in these age groups was less than 6%. The greater opportunity for higher paying more attractive jobs in the modern urban sector continues to draw people to the cities from the rural areas despite unemployment rates that are three to four times as high in the urban centers. This behavior is typical and the logic for rural/urban migration would become more apparent if we could get a useful and more accurate fix on under-employment.

The relationship between unemployment and education is also interesting. With the exception of urban males with no education, (highest unemployment rates in urban areas) there is an unexpected positive correlation between the level of education, for both men and women, and the level of unemployment (urban and rural); in both urban and rural areas the men at all levels of education tend to have higher unemployment rates than women.

Another factor regarding the labor force that is important is that the rate of participation of women in the labor force appears to be growing while the rate for men has been constant. From 1967 to 1971 to 1974 the participation rate for women increased from 32.8% to 36.1% to 40.5%, while the rate for men remained constant at about 70%. The lower overall rate for women than for men is accounted for by the fact that more women than men do unpaid housework and family labor; however, the increased participation rate for women is likely to be an important changing social pattern.

Technological change in the agriculture sector has significant and unfavorable implications for unemployment levels in the near future. The "Green Revolution" and the gradual adoption of modern techniques for land preparation, weeding, harvesting and hulling have the potential to displace large amounts of agricultural labor. For example, according to the Agro-Economic Survey Team, each 5-hp tiller (hand tractor) adopted and used at three-fourths utilization can displace an estimated 128 and 688 days per year of kerbau (oxen) and labor input respectively, without a concomitant increase in production. The adoption of mechanical weeding techniques can reduce labor requirements for weeding by over 50%. The use of sickles over traditional harvesting methods may reduce man days of labor to harvest one hectare of rice from 200 work days to 75 work days per crop. The use of a single small unsophisticated rice mill would eliminate over 100,000 days of work each year for women hand pounding rice. Since farm work tends to be seasonal, the implications for unemployment are even greater, in terms of the total numbers of people affected, than these figures indicate. Assuming that this process of technological change will continue, innovative steps will be needed to absorb the agricultural labor being displaced.

Urbanization and Rural/Urban migration are a significant and important process in Indonesia resulting from a perceived or real income opportunity or standard of living differential in urban as opposed to rural areas. The pace of urbanization has been relatively slow, the population living in rural areas has decreased from 85.2% in 1961 to 82.6% in 1971 and estimated most recently in 1975 at 81.8%. Nevertheless, during 1961-71 the urban population increased at an annual rate of 3.8%, more than twice as fast as the rural population increase of 1.8%. This is due mainly to rural urban migration.

TABLE XI

Lifetime Migration Rates, 1971
(as percentages of enumerated population)

<u>Province</u>	<u>In-Migration</u>	<u>Out-Migration</u>	<u>Net Migration</u>
Aceh	3.04	3.28	-0.24
North Sumatra	8.03	2.85	5.18
West Sumatra	3.15	11.64	-8.49
Riau	12.51	2.56	9.95
Jambi	15.57	2.74	12.83
South Sumatra	9.54	5.80	3.74
Bengkulu	6.94	4.77	2.17
Lampung	36.10	1.07	35.93
Jakarta	39.67	2.93	36.74
West Java	1.72	5.52	-3.80
Central Java	1.16	8.25	-7.07
Yogyakarta	4.01	10.73	-6.72
East Java	1.07	2.94	-1.87
Bali	1.04	2.69	-1.65
West Nusatenggara	1.52	0.58	0.94
East Nusatenggara	0.45	1.14	-0.69
West Kalimantan	1.03	1.74	-0.71
Central Kalimantan	7.14	1.64	5.50
South Kalimantan	3.89	4.96	-1.07
East Kalimantan	5.42	3.25	2.17
North Sulawesi	2.84	3.55	-0.71
Central Sulawesi	5.58	3.75	1.83
South Sulawesi	1.29	4.67	-3.38
Southeast Sulawesi	3.63	4.31	-0.68
Maluku	3.88	3.36	0.52
Irian Jaya	22.29	4.29	18.00
Indonesia	4.82	4.82	

Source: 1971 Census

Based on the 1971 Population Census and the EARP sponsored LEKNAS study of migration on Java, much has been learned about the status of provincial migration in Indonesia. Table XI gives statistics on Provincial Migration that illustrate a high degree of variability among provinces for both in-migration and out-migration. Of the total population, 4.8% or 5.8 million people indicated that they had been involved in lifetime inter-province migration (excluding return migration to the same province).

The urban share of total migration was over 95% of the total (including urban-to-urban) with migration into Jakarta accounting for 27.9% of total migration. Table XII shows that over 85% of in and out migration among the islands involved Java and Sumatra and that less than 15% involved the Outer Islands.

TABLE XII

Broad Patterns of Lifetime Migration (1971)
(000)

<u>Destination</u>	<u>O R I G I N</u>			<u>Total</u>
	<u>Sumatra</u>	<u>Java</u>	<u>Outer Islands</u>	
Sumatra	533	1735	181	2449
Java	348	2205	311	2865
Outer Islands	21	4140	801	5843
Total	<u>902</u>	<u>4140</u>	<u>801</u>	<u>5843</u>

D. GEOGRAPHIC SETTING

Indonesia is an archipelago with 13,667 islands scattered for about 3,200 miles along the equator. Of this total, less than 1000 islands are inhabited and more than 64% of the population lives on the islands of Java and Bali which account for only 6.8% of the nation's land area, with only 45% of this being arable. Currently, 4.5% of the total national land area is cultivated and 64% of the land area is forested.

1. Population Density

Indonesia is the fifth most populous nation in the world and because of the concentration of this population on only a few islands, population density is a phrase that has become synonymous with Indonesia. The island of Java has one of the most dense populations in the world at 565 per square kilometer. Java and New York State have the same area (50,000 sq. miles), but Java has the population of not only New York, but also California, Texas, Pennsylvania, Illinois, and Ohio (the six most populous States--- totalling 84.7 million). However, in contrast, on some of the Outer Islands the density is only 2 per square kilometer. Table XIII gives the population and density of each of the provinces based on the 1971 Census as well as rural population estimates.

2. Agricultural Land Holdings

It is widely accepted that Indonesia's farms are among the smallest in the world. This has led many observers to believe that Indonesia has nearly reached the upper limit of utilization of available agricultural land. A closer look at the statistics reveals that the extent to which the surface area of each island is used for agriculture varies greatly from 3.6% for Kalimantan to 48.4% for Bali and 46.7% for Java. While it is true that the best land is already in production on Java, there is still considerable viable agricultural land available, particularly on the Outer Islands.

TABLE XIII

Population, Rural Population and Density of Population
By Province and Islands 1971

<u>Province-Island</u>	<u>(000) Population</u>	<u>Density (person per sq.km)</u>	<u>Rural Population (% of Total)</u>
Java	76,102	565	18.0
Jakarta	4,571	7,944	0.0
West Java	21,633	440	87.6
Central Java	21,877	634	89.3
Yogyakarta	2,490	793	83.6
East Java	25,527	539	85.5
Sumatra	20,813	38	82.2
Aceh	2,009	34	91.2
North Sumatra	6,623	94	82.3
West Sumatra	2,793	42	82.8
Riau	1,642	13	86.7
Jambi	1,006	16	70.9
South Sumatra	3,444	33	71.0
Bengkulu	519	25	88.3
Lampung	2,777	82	90.1
Sulawesi	8,535	37	83.6
North Sulawesi	1,718	71	80.5
Central Sulawesi	914	10	92.0
South Sulawesi	5,189	63	81.9
Southeast Sulawesi	714	22	92.7
Kalimantan	5,152	9	78.2
West Kalimantan	2,020	13	87.2
Central Kalimantan	700	4	84.3
South Kalimantan	1,699	49	73.3
East Kalimantan	734	4	58.9
Bali and Nusatenggara	6,617	87	90.6
Bali	2,120	377	90.2
West Nusatenggara	2,202	101	91.9
East Nusatenggara	2,295	47	94.4
Maluku and Irian Jaya	2,012	4	85.4
Maluku	1,089	13	86.7
Irian Jaya	923	2	83.7
Indonesia (1971)	119,232	59	82.6*

* In 1971 the rural population was 98,485,632

Source: 1971 Census

The best available statistics on land use are from the 1963 and 1973 agricultural censuses. While there are minor differences in the techniques used in these censuses, the results are generally comparable. For convenience, the information from the 1973 census will be reported and only important changes since 1963 will be pointed out.

In 1973, there were 14,373,542 non-estate farms and 14,168.192 hectares (ha) of land under cultivation. In addition to this there were 2.2 million ha of land under cultivation in 1,801 estates. The estates only account for a significant area of land in North Sumatra, Aceh, West Java and East Java. The average national (non-estate) farm size was .986 hectares. Since our primary interest is on the rural poor there will not be further reference to estates and farm and farmers will mean non-estate farms and farmers. The estate workers are a significant part of the agricultural labor force, but for the purposes of this discussion they are included among the landless poor.

The distribution of land holdings and farms by size of holding in 1973 are given in Table XIV. According to these statistics there is no indication of a land tenure problem in the traditional sense that a few large land holders control the majority of farm lands. There have been some concerns shown recently that this census information is misleading; however, since this is still the best available information we will report it with the qualification that more study is needed on the subjects of land tenure and land holdings.

According to the 1973 census, 48.8% of the farms in Indonesia were 0.5 hectares or less and an additional 24.7% were between 0.5 and 1 hectare. In total, 73.5% of the farms are less than 1.0 ha in size and only 5.7% are 3 ha or larger. Looking at the equation in terms of the distribution of agricultural land by size of holding, 28.9% of the agricultural land was accounted for by farms of 1.0 ha or less, an additional 37.8% was accounted for by farms between 1.0 and 3.0 ha and only one-third of the land went into farms greater than 3.0 hectares.

TABLE XIV

Distribution of Farms and Farm Land by size of Holding in Indonesia in 1973

<u>Size of Holding (in hectares)</u>	<u>Number of Farms</u>	<u>%</u>	<u>Area-ha.</u>	<u>%</u>
Below - 00.10	489,772	3.4	608	0.2
00.10 - 00.50	6,070,986	42.2	1,649,693	11.6
00.50 - 00.75	2,276,520	15.8	1,350,194	9.5
00.75 - 01.00	1,277,777	8.9	1,073,048	7.6
01.00 - 02.00	2,597,636	18.1	3,397,264	24.0
02.00 - 03.00	852,757	5.9	1,949,877	13.8
03.00 - 04.00	336,345	2.3	1,107,730	7.8
04.00 - 05.00	164,381	1.2	705,290	5.0
05.00 - 10.00	223,604	1.6	1,449,805	10.2
10.00 - 15.00	47,229	0.3	548,903	3.9
Above - 15.00	36,535	0.3	906,780	6.4
	<hr/>	<hr/>	<hr/>	<hr/>
	14,373,542	100.0	14,168,192	100.0

Source: 1973 Agricultural Census

Moreover, according to this census, there is no evidence of a trend toward land consolidation as a result of the Green Revolution in Indonesia. Between 1963 and 1973 the number of farms increased by 1.18% per year (total of 12.5%) and area cultivated in the 5.0 hectare or larger groups actually declined by 6.4% and 9.3% respectively.

3. Land Tenure

The 1973 Agriculture Census indicated that noticeably absent in rural Indonesia are the problems of share cropping and other forms of tenancy. This does not mean that there are not rural landless. It means that the landless have not been forced into the subservient role of complete dependence upon landlords for what limited economic opportunities they have. Of the 14.4 million farmers only 3.2% (0.5 million) of the farms were operated by persons who owned no part of the land they operated. In contrast to data available for other countries in the 1960s, this is quite low. Other South and Southeast Asia countries range from lows of 6.7% in South Korea and 4.1% in Thailand to tenancy rates of 32.6% in Ceylon, 16.9% in India and 39.9% in the Philippines.

A much higher incidence of partly owning and partly renting was found. Fully 22% of Indonesia's farms were partly owned, partly rented, and the corresponding figure for Java was 23.6%. Table XV gives the details on tenancy by island.

TABLE XV

Percentage Distribution of Fully, Partly
Owned Farms and Tenant Farms-1973

	<u>Fully Owned by Operator</u>	<u>Partly Owned by Operator</u>	<u>Tenant (Cash & Share Crop)</u>
Indonesia	74.8	22.0	3.2
Java	73.5	23.6	2.0
Sumatra	77.1	19.3	3.6
Kalimantan	83.9	14.3	1.8
Sulawesi	69.2	26.3	4.5

In the context of the available statistics, it is almost impossible to define landless agricultural households for Indonesia. If we consider the range from adequate land holdings to maintain a family to no holdings, it is clear that there is a gradual shift of labor activity from owned land to other activities, with those owning no land working entirely for other farmers or in other activities. The common estimate of 33 million landless peasant or farm laborers in Indonesia is probably without statistical validity. However, from the 1973 census we are able to estimate the number of near landless farmers (these are rural households with less than at least 500 m² of wet rice land, or 1000²m of dry land or 750 m² of both). By this criteria, 12.1% of the population falls into the near landless category. The only places where near landlessness appears to be a severe problem are Central Java and Yogyakarta where the respective rates were 24.9% and 21.2%.

4. Minimal Subsistence Plot Consideration

The Javanese peasantry has a concept of what constitutes "cukupan" (enough). It is what they see as being the reasonable subsistence needs of the ordinary peasantry. The generally accepted definition of a "cukup" level of income is 240 kilograms of milled rice equivalent per person per year of which an average of 120 kilograms is estimated as average staple food needs in a rice based diet. By our standards this would be a definition of bare subsistence.

On the basis of average rice yields by farm size groups in the 1975-76 wet season, it is estimated that a household consisting of five people must control at least 0.5 hectare of rice fields producing two crops per year in order to attain a subsistence level of income from its production assets.

Based on this notion of minimal plot size, and an average family size of 5 to 6 people, over 45.6% of the farm families in Indonesia have plots of land that are inadequate to maintain their families. In terms of population this represents about 35 million people.

E. AVAILABILITY OF BASIC SERVICES

Throughout Indonesia the absence of basic facilities and social infrastructure is a characteristic which limits the potential for improved living conditions for the poor majority, particularly those living in rural areas. Investment in social infrastructure tends to occur first in the densely populated urban centers where the modern segment of the dualistic economy resides. This is clearly the case in Indonesia where the available statistics on health, nutrition, education and longevity all confirm the relatively less advanced status of the rural areas. The situation in Indonesia is compounded by the relatively low base from which the country is starting. Through the three hundred years of colonization the investment in infrastructure was almost entirely in areas that fostered exploitation of resources and seldom in social sectors. Moreover, a great deal of the limited infrastructure that existed was destroyed during the struggle for independence and deteriorated further during the early years of independence after World War II. The available statistics on social infrastructure and conditions are of questionable accuracy, but they do support the hypothesis that conditions are worse in rural than in urban areas. But by any standards, conditions are sub-standard, albeit improving, throughout the country. Table XVI presents some basic rural, urban and national statistics.

1. Health

Indonesia's health problems are similar to those of other developing countries. There is a high death rate--- approximately 17-19/1,000 population, 50% of the deaths occur in pre-school children. The infant mortality rate is estimated at 125-150/1,000 live births. The estimated rural rate of 143/1,000 live births is substantially higher than the urban rate of 117/1,000 live births. Infectious diseases combined with malnutrition are the primary causes

TABLE XVI

BASIC SOCIAL INDICATORS

	<u>Rural</u>	<u>Urban</u>	<u>Indonesia</u>	<u>(Unit)</u>	<u>(Year)</u>
Life Expectancy	47	52	48	(Years)	(74)
Infant Mortality	143	117	140	(Per 1000) (live) (births)	(60s)
Physicians			16,353	(Persons) (per) (Physician)	(75/76)
Hospitals			936	(Total)	(73/74)
Hospital Beds			1,452	(Persons) (per Bed)	(73/74)
Literacy	57	79.1	60.1	(Per cent)	(71)
Primary & Secondary Students	44	61	47	(% of 7-19) (Age Group)	(71)
Electrical Usage No. of Connections	1	24/Jakarta	1	(Out of 100) (families)	(74)
Per Capita Usage	12	350/Jakarta	25	(Kwh/capita)	(74)
Population with access to Safe Water	1.3	18	2	(% of popu-) (lation)	(72)
Crude Birth Rates			41 39 34	(births per) (1000 popu-) (lation)	(66/71) (73) (75 Est.)

Source: Various - compiled by USAID/PRO

of death in young and old alike. These factors combined result in a low average life expectancy from birth of 48 years for the entire country with an average that is somewhat higher in urban areas (52 years) than in rural areas (47 years).

Extremely limited qualified medical personnel and inadequate health facilities are among the causes of slow progress in improving health conditions. It is estimated that there are less than 8,000 physicians; about 20,000 nurses; 1,500 sanitarians and 60,000 indigenous midwives. While the numbers are increasing, there is extreme mal-distribution favoring the urban areas.

The health facilities are also in scarce supply with mal-distribution toward urban areas. There are only 0.6 beds per 1,000 population, a total of 936 hospitals, 2,600 regional health centers, 3,500 Maternal Child Health Centers and 4,500 polyclinics. The highest per capita expenditure rates on health occur on Java and Bali but even so the expenditure rate is only about \$0.50 per capita per year.

The extreme mal-distribution in health facilities can be illustrated with statistics on hospital beds and physicians. For 1974, it was estimated that the highest ratio of physicians per 100,000 population was for Jakarta with 29.7, next was Yogyakarta with 8.6 and the lowest physician population ratios were for Bengkulu with 0.5 and East and West Nusatenggara with 0.8. The ratio of hospital beds per 100,000 population in these same cities was: Jakarta - 152; Yogyakarta - 106; East and West Nusatenggara - 42; Bengkulu - 57; and the average throughout Indonesia was 62 beds per 100,000 population.

The availability of safe drinking water is also a key health determinant. The Ministry of Health estimates that throughout Indonesia only 6% of the population has access to safe drinking water. It is not surprising that over 18% of the urban population is included in this group and only 1.3% of the rural population.

2. Nutrition

Fortunately the most severe forms of malnutrition are not common. The less visible forms of malnutrition, however, contribute significantly to Indonesia's health problems. Malnutrition creates lowered resistance to diseases such as the diarrhea-pneumonia complex in children and tuberculosis at all ages.

Protein-calorie malnutrition affects the largest number of children and adults and presents the most difficult nutritional problem. A 1971 survey in Jakarta disclosed that 45% of the school age children had some degree of malnutrition. Nine percent had moderate to severe malnutrition. Many rural areas have even higher degrees of malnutrition. In some areas, protein intakes as low as 6 gms/day have been reported compared to a minimal acceptable level of 36.1 gms/day.

Insufficient Vitamin A is believed to be a leading cause of blindness. It has been reported that 30% of the toddlers in West Java have abnormally low Vitamin A serum levels. This occurs despite the availability of carotene and yellow pigmented vegetables and oils.

Endemic goiter and occasional cretinism occur in mountainous areas where iodine intake is insufficient.

Anemia is commonplace and is an extremely important nutritional factor in the perinatal and nursing infant period.

This summary review confirms that the burden of disease on the Indonesian populace is very high. While smallpox, yaws and to some extent, malaria, are being controlled, the more common threats of diarrhea, respiratory infections and skin infections are seen everywhere. Despite progress on Java and Bali, malaria is still a major health problem on the Outer Islands. This high disease pattern, particularly in infants and pre-school children, combined with frequent poor nutrition, creates high infant and children death rates. Because of the maldistribution of health resources the burden falls disproportionately on the rural population.

3. Education

The shortage of educational facilities and trained personnel at all levels has resulted in a relatively low level of literacy. Indonesia officially estimates nation-wide literacy at 60%, however, the rural population is worse off with a rate of 57% compared to 79% for the urban population. The simple tests for literacy used in Indonesia are much less demanding than tests normally used and literacy rates are actually much lower when compared with world-wide norms. Not only is there a greater availability of facilities in the urban areas, with secondary schools almost exclusively in the urban areas, but the drop-out rate is lower there because of higher family incomes which reduce the pressure for children to enter the labor force before finishing secondary school. (See Education Strategy Statement for more details.)

4. Family Planning

See Family Planning Strategy Statement.

5. Infrastructure (Power, Roads, Communications, Irrigation, etc.)

Nothing short of an inventory of basic rural vs. urban infrastructure would be adequate to describe the situation. Since this is beyond the intended scope of this analysis, comments will be confined to the electric power sector, irrigation, and roads.

Electric power generating capacity has been increasing by about 10% per year. The bulk of this increasing capacity has been allocated to urban areas. Given the low rate of average per capita usage, only 25 kilowatt hours/per capita in 1975 this rate of expansion will be barely adequate to support urban expansion. The availability and utilization of electricity are extremely uneven. About 24% of urban

families are connected to electricity and consume the bulk of power generated. Jakarta consumes over 50% of government generated power and average annual per capita consumption is 350 KWH. In contrast, the average for the rest of the country is only 10 KWH per capita per year.

The transportation system, including the deteriorating rail system left behind by the Dutch, and the obsolete sea transport system, are inadequate to support the growing and expanding level of economic activity. To cite only one example, Java, the most infrastructurally developed island, has only about $\frac{1}{4}$ km of roads per square km of land area; Kalimantan has 1/100 km per square km and Sulawesi has about 7/100 km per square km of land area. This compares with the U.S. where, depending on area, population and terrain, the density of rural roads per square km ranges from 0.5 to 1.0 km/square km.

Another indicator of a lack of rural infrastructure is irrigation. Of a total of 60 million ha of arable land only 4.1 million ha are irrigated. This represents less than 7% of the total arable land area. In addition, "slash and burn agriculture" is still a method broadly practiced throughout Indonesia. Besides being low in productivity, this results in a very high degree of soil erosion.

F. SOCIO-CULTURAL SETTING

There are several Social/Cultural factors that underlie the socio-economic scene and affect, if not determine, the rate and path Indonesia is taking toward economic development. While there are many scholars who tend to view some of these factors as predominantly negative influences, these same factors may be the sources of understanding and unity that create the ties among the various factions and that allow the people in the country to view themselves as part of a single country with a shared national destiny.

The social factors that might support national integration and political unity are often superficial. Based on governmental requirements for stating a religious preference on identification cards, about 90% of the population count themselves, at least nominally, as Muslim. Most Indonesians are of Malay ethnic stock and the national language, Bahasa Indonesia, is widely understood. The adat (traditional law) of most Indonesian groups, although differing in emphasis and practical details, shows remarkable similarities in general patterns. There is a love of song, dance, music and various dramatic and art forms which also contributes to a common bond. However, these superficial factors tend to gloss over many underlying social differences.

Indonesia is a classic example of a plural society. The pluralism encompasses ethnic and linguistic variations, leading to conflicts between Muslims and Christians, Orthodox and Syncretist Muslims, or between Javanese and the commercially powerful Chinese minority. It is expressed regionally in primarily local or particularistic loyalties and in a simmering rivalry between poor and overpopulated Java, Madura, and Bali, and underpopulated Outer Islands.

The Muslim majority is divided into at least two major groups representing very different spiritual and value orientations, the abangan (nominal) Muslims and the Santri (orthodox) Muslims; the latter remaining frustrated in their determination to establish an Islamic national state. Added

to this complexity is the growing class consciousness in rural areas between landless peasants, tenants, and landholders which tends to disturb established social patterns and relationships. These variations do not form a single, nationally dominated cleavage; on the contrary, they lead to a network of shifting associations that tend to support a certain integration of power at the national level. Thus, the nation's motto, "Unity in Diversity."

Understanding the complexity and diversity of Indonesia and its people are important prerequisites to planning and implementing effective programs that impact directly on the rural poor. The urban areas such as Jakarta are mixing bowls where people of the various sub-cultures are rapidly changing their ways, even adopting western characteristics; however, in the rural areas and on the Outer Islands change is taking place at a much slower pace. The customary ways are still the dominant ways and only by understanding and working within site specific criteria can programs be implemented that will most effectively improve the well-being of the poor, rural majority.

A few statistics will demonstrate the diversity of underlying social and cultural factors affecting the country. The dynamics, inter-relationships and impact of these social cultural factors are only partially known but over time a better understanding is being developed.

It is generally estimated that there are at least 300 tribal and ethnic groups that are distinct from the others. Estimates of the number of languages spoken range from 250 to over 400, including regional dialects. The diversity is not quite as bad as these figures imply since only ten of the ethnic groups have more than 2 million members and these ten groups make up three-fourths of the population. Over half the population is considered Javanese.

There are several religious groups in Indonesia but in the 1971 census 87% of the population was counted as "Islam." Table XVII presents the breakdown of religious groups.

TABLE XVII

<u>Religion</u>	<u>Percentage</u>
Islam	87.5
Protestant	4.4
Catholic	2.3
Hindu	1.9
Buddhist	0.9
Other Christian	0.8
Others	2.2
	<hr/>
	100.0%

2. Education

By international standards, there are 50 million illiterates in Indonesia; of these, 30 million (60%) are women. Women and girls have equal access to education but because of actual practices their participation rates are lower. Comparative enrollment statistics reflect the increasing disparity at the higher levels of education. At the primary level 46% of those children enrolled are girls. At the university level only 29% are women. The number of both men and women in universities totals just 115,000.

3. Labor Force

Between 1961 and 1971, female labor force participation rate increased from 29.4% to 32.1% in comparison to the rate of 68.7% for males in 1971. In 1971, the female rural rate was 34.1% compared to the urban rate of 22.4%. Participation in the enormous, largely unskilled or semi-skilled, labor force is more evenly distributed than in the upper, more highly educated and better paid 10% of the labor force. For example, the 1974 census of civil servants revealed that women hold only 18% of the total civil service jobs. The highest echelon includes only 474 women and only 5 occupy positions in the highest sub-echelon.

Women's roles in the rural areas are less changed than in the urban areas. Women continue, as always, to do planting, harvesting and selling of produce. The whole family works a small landholding together. In Java, this labor intensive work in the rice fields is carried on to an extreme unseen almost anywhere else in the world today. Women run much of the retail trade and small commercial enterprises. The batik industry, at all stages---manufacture, distribution, and sales---is generally acknowledged to be controlled by women.

A number of laws have been enacted to protect the rights of women and to insure their legal rights under the eye of the law. Women are supposed to get equal pay for equal work, labor laws call for a standard seven-hour day, 40-hour week, and an annual vacation with pay. Special protective provisions give women the right to 3-month maternity leave, and two days per month menstrual leave, and forbid their employment in certain fields which might be inappropriate, damaging, or dangerous to women's physical welfare or morals. While these laws have been introduced to protect the rights of women, there is increasing recognition that in some circumstances these regulations lead to employers' complaints that they cannot afford to hire women because they are entitled to too much time off at the employer's expense.

4. Technological Change

With the Green Revolution and technological changes occurring in agriculture, the role of women is changing radically. The most obvious examples of this are in weeding, harvesting and hulling of rice. Using traditional methods of harvesting, cutting rice stalks with an ani-ani (small saw bladed knife), thousands of laborers, predominantly women, would harvest each crop. It is estimated that 200 or more woman days would be used for each hectare per crop. With the introduction of the sickle, the work is considered too strenuous for women and men are used exclusively for harvesting where this has occurred. This also reduces the total labor requirement to 75 man days per hectare per crop. Similar displacements of female labor are also occurring because of the adoption of toothed rotary weeders used by men and machine milling of rice which used to be hulled by hand pounding. The process of change is occurring slowly, but the impact on the role of women is bound to be a significant factor in the long run.

5. Politics

Women have made only minor inroads in the political forum. Although about 80% of eligible women exercised their right to vote in 1971, only 33 women or 7% of the total 460 members of Parliament were women.

H. POLITICAL PARTICIPATION

1. The People's Consultative Assembly (MPR)

The MPR is nominally the pinnacle of the power hierarchy. In theory, the MPR, as the repository of popular sovereignty, is superior to all other organs of state including the presidency, the DPR and the Supreme Court. As the nation's highest policy making body, it alone has the power to draft and amend the Constitution. The MPR is also responsible for electing the President and the Vice President but is not expressly vested with the authority to remove or impeach the President, nor is it empowered to exercise with control and supervision over affairs of state.

Under the General Elections Act of 1969 the membership of the MPR is fixed at 920. Half of these members come from the 460-seat House of the People's Representatives (DPR - see below). The Government appoints the remaining 460 members of the MPR. Since 100 members of the DPR are also government appointees, the total appointive category of the MPR becomes 560.

2. The House of People's Representatives (Dewan Perwakilan Rakyat)

The DPR is the principal legislative organ of the state. Of its 460 members, 360 are directly elected, and the remainder are appointed (75 members from the armed forces and 25 from non-military functional groups).

Members of the House or the President's Cabinet may introduce bills. The House also exercises the power of the purse. The Cabinet submits budget bills but, if the House does not approve the proposed budget, the budget of the previous year remains in force.

Generally, the House adopts bills through consensus rather than the formality of voting. The House Steering Committee tries to generate a consensus on all bills that fail to gain a unanimous decision by all interested groups in the Chamber. If this effort fails, however, a plenary session of the House will decide whether to withdraw a bill or involve a majority vote.

3. Political Parties

In January, 1973, the Government instituted a new political party system which provided for three parties: the Government supported GOLONGAN KARYA (GOLKAR), the United Development Party (PPP), and the Indonesian Democrat Party (PDI). GOLKAR had been created in the late 1960s as an Army backed political party composed of "functional groups" such as labor, teachers, lawyers, doctors, businessmen, intellectuals, and student organizations with GOLKAR sponsorship. The other two parties were essential Government forced mergers of the old Indonesian parties. The PDI was made up of what the Government calls the "democratic" party organizations such as the Indonesian Nationalist Party (PNI), the Catholic Party and the Protestant Party of Indonesia; while the Muslim parties, the Muslim Federation Party, Muslim Scholars Party and Muslim Party of Indonesia, are grouped under the PPP banner. The Suharto Government hopes this simplified party system will eradicate or at least mitigate the intense politicization and ideological confrontation which characterized Indonesian politics from independence through 1965. The Government further justifies this system in terms of the need for political stability and economic development.

Both the PPP and PDI, however, suffer from internal conflicts resulting from the forced merger of varying political philosophies, goals and leadership competition. These parties are further weakened by restrictions on the extent to which they can undertake political activity at the village level. The Government prefers to keep the people in rural areas free from politics so that they might more actively participate in economic development. The DPR formally legalized this party system on August 14, 1975 when it passed the Political Parties Law.

4. 1977 Election Results

The preliminary estimate of the voting turnout for the General Election of 1977 was 63.9 million, or over 90% of the eligible population. While this figure will not be finalized until all the votes from the outlying regions are counted, this figure is not expected to change much. The distribution of this vote among the three parties was:

GOLKAR	62.12%
PPP	29.29%
PDI	8.59%

5. Rural Participation

Truly independent organizations outside the Government structure with complete freedom to identify social/economic development issues and lobby or apply pressure do not exist among the rural poor in Indonesia. Organizations at the village level, to the degree that they exist at all, are closely related to or dependent on government agencies and largesse. Village level government, traditionally, has not had control over the generation and use of local resources -- except perhaps in mobilizing manpower to work on a local or government supported road, irrigation or other construction project. Participation, thus, must currently be defined as meaning cooperation from the rural poor in provision of labor for efforts that might affect their welfare to some degree but the nature and scope of which are also determined for them by higher government levels, agencies or individuals.

6. INPRES

The participation of local governments is gradually increasing. President Suharto has initiated a series of Presidential Instruction Programs (INPRES) to transfer federal resources back to the provincial and local governments. This is intended to expand local participation in the development process for specific development activities. INPRES programs in IFY 1978 will total \$753 million, or 15% of the development budget. About half of this funding will go toward the support of the village, district and provincial level governments. The other half will support education through the construction of new schools, health through the construction of new village clinics, reforestation through the replanting of trees, and marketing through the construction and rehabilitation of small and medium size market places. While this is a significant step toward expanding the role of local government, rural participation is still relatively small.

I. HOST GOVERNMENT PRIORITIES

The GOI has clearly stated its intended goals in Repelita II, the Second Five Year National Development Plan. The emphasis in the First Plan was on building the infrastructure necessary for future development. With the advent of the Second Plan the intended emphasis has shifted toward social and more egalitarian goals, namely, first to promote the living standard and welfare of the entire people, and second, to lay a strong foundation for the following development phases.

The problems which were to receive renewed attention during the Second Plan are: expansion of job opportunities, the more even redistribution of development results, improvements in the market structure, promotion of economic growth in the regions (rural areas), transmigration, promotion of the participation of the people in development through cooperatives, greater attention given to the problems of education and other social factors.

The stated priorities of the GOI are clearly complementary to AID mandates. The realization of establishing these priorities has unfortunately lagged far behind the official goals. Through 1976, the emphasis of the budget had continued to be on the expansion of largely capital intensive productive capacity. It is difficult to assess the cause of this because much of this type of investment was undertaken by Pertamina, the autonomous state oil company; however since the financial problems brought about the near collapse of

Pertamina, a reorganization has taken place that places Pertamina within the control of the GOI once again. Now that the financial crisis is over, the emphasis of the GOI budget has shifted in the FY 78 budget and the stated priorities of Repelita are becoming a budgetary reality.

The proposed national budget for FY 78 is \$10,234 million, of which 51% is for the development budget. The development budget increased by 12.9% over the FY 77 budget level and the sectors which increased their shares of the budget are:

Education and Culture - 7.6% to 10.2%;
Health and Welfare - 2.1% to 2.9%;
Housing and Water Supply - 1.5% to 3.2%;
Regional (Rural) Development - 9.8% to 10.8%;
Transmigration - 1.4% to 2.8%

By comparing the Capital Investment Sectors with the Social and Rural Development Sectors we can see that the Social/Rural Sectors increased from 43.1% to 47.8%, while the Capital Sectors declined from 43.2% to 34.7% of the Development Budget. (See TOAID A-28, 2/28/77, for full budget details.)

The Repelita III planning is now under preparation and it is anticipated that there will be an even greater emphasis on social and rural development activities and programs than was the case in Repelita I and II.

J. AID TARGET GROUPS

The AID working group on the rural poor established six criteria for defining the target groups of poor people within the LDCs that should be addressed by the AID program:

1. A per capita income of less than \$150 per year (1969 prices). Less than \$150 (1969) is equivalent to less than \$273 per year in 1976 if this benchmark is adjusted with the IMF world consumer price index.
2. Less than 2,260 calories of food available daily per capita.
3. A life expectancy at birth of less than 55 years.
4. An infant mortality rate of over 33 per thousand children aged 0-1 years of age.
5. A crude birth rate of over 25 per one thousand population.
6. Less than 60% of the population has access to broadly defined health services.

Table XVIII shows that on the average for both the urban and rural population sub-groups, the Indonesian population meets each one of the criteria to qualify as members of the poverty group.

By using the latest available quintile income distribution figures for Java, urban to rural per capita income ratio and best estimate of GNP per capita of \$190 in 1976, the rural and urban income distribution profiles can be estimated by quintile. The use of the Java income distri-

TABLE XVIII

POVERTY BENCHMARKS

A comparison of poverty benchmarks specified by working group on the rural poor and statistical averages for Indonesia:

	<u>Poverty Benchmark</u>	<u>All Indonesia</u>	<u>Urban Population</u>	<u>Rural Population</u>
a. Income per capita (1976)	Less than \$150 (1969) prices			
	\$150 in 1969 prices equals: Less than \$273 inflated to 1976 world consumer prices	\$190	\$267	\$171
b. Calorie requirements per capita:	Less than 2,260	1,750	1,750	1,750
c. Life expectancy at birth:	Less than 55 years	48 yrs	52 yrs	47 yrs
d. Infant mortality per thousand children aged 0-1:	over 33	$\frac{140}{1000}$ $\frac{146}{1000}$	117/1000	149/1000
e. Crude birth rate (per thousand population):	over 25	38-40/1000	33-40/1000	30-45/1000
f. Access to broadly defined health services (% of population):	Less than 60%	Less than 50%	Less than 50%	Less than 40%

Source: Various - compiled by USAID/PRO

bution from 1971 may bias the estimates but because of the existing regional income distribution this would tend to make the estimates conservative.

TABLE XIX

Estimated Average Annual Per Capita Income in U.S. \$
by Quintile of the Population, Rural and Urban

1976

	<u>Rural</u>	<u>Urban</u>
Highest Q5	341	554
Q4	191	302
Q3	142	212
Q2	108	162
Lowest Q1	75	104

Using the criteria of \$150 per capita in 1969 prices and interpolating within quintile sub-groups, we can estimate the population that falls within AID/W poverty guidelines (\$273 in 1976). Accordingly, 90 million (81%) of the rural population and 15 million (64%) of the urban population fulfill this criteria, for a total of 105 million people (78% of the total population).

USAID has defined the target population in Indonesia as the poorest majority of the population that earns less than \$200 per year, with special emphasis on the rural population that forms the largest share of this group. This is an estimate of the minimum level of income required to provide subsistence, food, clothing and shelter.

TABLE XX

Target Population:
Earning less than \$200 per Capita in 1976

	<u>Number</u> <u>(in millions)</u>	<u>% of</u> <u>Sub-Group</u>	<u>% of</u> <u>Target</u>
Rural	79	71	91
Urban	8	45	9
Total	<u>87</u>	<u>64</u>	<u>100</u>

The rural population accounts for 91% of the target group and 71% of the rural population is among the target poverty group. The urban population accounts for 9% of the target population and 45% of the urban population qualify as members of the target population. Given the relatively even regional income distribution it is safe to say that the target population is dispersed throughout the country; however, given the high living densities on Java, it is useful to point out that 60 to 65% of the target rural population lives in East, Central and West Java and that perhaps as much as 70% of the urban target population lives in the cities on Java.

In defining the target population in terms of income per capita, we have not decided to ignore the other social indicators, but rather we have implicitly assumed that access to the other resources and facilities is largely income determined and that there is a direct ordinal relationship that exists between income and the other social indicators.

Looking behind the statistics, the Rural Target Group is comprised mainly of landless laborers (33 million) and small landholders (less than .5 hectares per family). The Urban Target Group is comprised mainly of day laborers and the unemployed, including their families. Both groups tend to be the uneducated or those having very little education or training.